



Press Release
VARTHANA FINANCE PRIVATE LIMITED
December 18, 2025
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	65.70	ACUITE BBB Positive Reaffirmed	-
Non Convertible Debentures (NCD)	12.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	65.70	-	-
Total Withdrawn Quantum (Rs. Cr)	12.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) on Rs 65.70 Cr Non-Convertible Debentures facilities of Varthana Finance Private Limited (VFPL). The outlook revised from '**Stable**' to '**Positive**'.

Acuite has withdrawn the long-term rating on Rs. 12.00 Cr. Non-Convertible Debentures facilities of Varthana Finance Private Limited (VFPL) without assigning any rating as the instrument is fully repaid. The rating is being withdrawn on account of request received from the company and NOC (No Objection Certificate) received from the trustee. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument.

Rationale for the Positive Outlook.

The rating factors in the Improvement in loan portfolio and Disbursement levels, adequate capitalization, diverse funding profile and experienced management. The company has demonstrated strong operational performance, with disbursements rising from Rs 858.43 Cr to Rs 1,240.20 Cr . Its Gross Loan Portfolio (GLP) expanded from Rs 1,281.13 Cr in FY24 to Rs 1,896.66 Cr in FY25 and further to Rs 1,988.57 Cr as of September 30, 2025. Additionally, the company's net worth has shown healthy growth, increasing from Rs 537.50 Cr in FY24 to Rs 559.08 Cr as on March 31, 2025, and Rs 563.60 Cr as on September 30, 2025. VFPL reported a robust Capital Adequacy Ratio (CAR) of 28.53% as on March 31, 2025, and a gearing of 3.06 times (compared to 40.70% in FY24). Further, The company has a large and diversified borrowing profile which has 60+ lenders. The company has a total outstanding debt of ~Rs 1700 Cr which comprises of a mix of Term loans, External commercial borrowings (ECBs) and non-convertible debentures (NCDs) and PTC transactions. However, the rating remains constrained by the profitability and asset quality levels, going forward, timely equity infusion would be crucial. Going forward, the ability of the company to contain asset quality pressures while scaling up the portfolio along with improving the profitability will remain a key rating monitorable.

About the company

Based in Bangalore, Varthana Finance Private Limited is a non-deposit taking non-banking financial company incorporated in 1984. It commenced financing operations in 2013 post acquisition of the company by the current promoters, Mr. Steve Hardgrave and Mr. Brajesh

Mishra. VFPL extends credit mainly through secured and unsecured loans to private schools for expansion purposes. The company has 43 branches with presence across 15 states and

Gross loan portfolio stood at Rs 1,988.57 Cr as of September, 30 2025.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of VFPL to arrive at the rating.

Key Rating Drivers

Strength

Experienced management

VFPL has an experienced management team led by Mr. Steve Hardgrave, Vice Chairman, Mr. Brajesh Mishra, MD & CEO who have relevant experience in the business segment of school financing. Mr. Hardgrave had worked in early stage venture funds which target social purpose businesses. Mr. Mishra has close to two decades of experience in retail banking, rural, and agri-lending and automotive finance at ICICI Bank. In addition, the company is backed by institutional investors such as ChrysCapital, Elevar Equity, LightRock, Kaizen PE among others. Acuité believes that VFPL's business profile will be supported by its experienced promoters and investors and will be able to leverage their expertise to raise funding and grow its loan book.

Improvement in AUM and Disbursements levels and adequate capitalization.

The company has demonstrated strong operational performance, with disbursements rising from Rs 858.43 Cr to Rs 1,240.20 Cr. Its Gross Loan Portfolio (GLP) expanded from Rs 1,281.13 Cr in FY24 to Rs 1,896.66 Cr in FY25 and further to Rs 1,988.57 Cr as of Q2 FY26. Additionally, the company's net worth has shown healthy growth, increasing from Rs 537.50 Cr in FY24 to Rs 559.08 Cr as on March 31, 2025, and Rs 563.60 Cr as on September 30, 2025. VFPL reported a robust Capital Adequacy Ratio (CAR) of 28.53% as on March 31, 2025, and a gearing of 3.06 times, providing sufficient headroom to pursue future growth plans. Going forward, Acuite expects VFPL to continue benefiting from consistent support from external investors, thereby maintaining adequate capitalization.

Diverse funding profile

The company has a large and diversified borrowing profile which has 60+ lenders. The company has a total outstanding debt of ~Rs 1700 Cr which comprises of a mix of Term loans, External commercial borrowings (ECBs) and non-convertible debentures (NCDs) and PTC transactions. The Term loans comprise ~46 percent of the outstanding debt, followed by 26 percent from ECBs, 23 percent from NCDs and the remaining being from PTC transactions as of September 2025.

Weakness

Moderate asset quality; albeit improving

The asset quality marked by the GNPA improved to 2.46 percent as on September 30, 2025 (down from GNPA of 2.72 percent as of June 2025) as against 1.94 percent as on March 31, 2025. The increase in GNPA was on account of delinquencies from the student loans portfolio. The company has seen a significant improvement from March 2023 levels at 8.35 percent lowered to 2.90 percent as of March 31, 2024. Going forward, the ability of the company to improve the asset quality while limiting additional slippages and credit costs would be a key monitorable.

Subdued profitability

The company reported a PAT of Rs 3.30 Cr. in H1FY26 (Provisional) as against a PAT of Rs 5.80 Cr in H1FY25 and a PAT of Rs 23.66 Cr in FY25. Q1FY26 saw an increase in provisions impacting profitability. The restructured portfolio has seen a rundown to ~Rs 16 Cr as of September 30, 2025. The profitability remains susceptible to the additional credit costs pertaining to the slippages in the outstanding restructured portfolio.

Acuite believes that the company's ability to contain asset quality pressures and credit costs

while improving its profitability parameters will be a key rating monitorable.

ESG Factors Relevant for Rating

VFPL belongs to the NBFC sector which complements bank lending in India. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and social development, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. VFPL offers financial services for private schools for expansion purposes. The company has a well-placed grievance redressal mechanism; it has made adequate disclosures with respect to related party transactions. It also adheres to Reserve Bank of India's Fair Practices Code and has the necessary interest rate and grievance redressal policies. The company's board comprises of three independent directors out of total nine directors. VFPL supports community development through CSR projects mainly aimed at promotion of education, eradication of hunger, environmental sustainability, promoting gender equality and empowering women among other causes.

Rating Sensitivity

- Ability to raise equity funds
- Movement in profitability metrics
- Movement in asset quality and collection efficiency

All Covenants Financial Covenants

- i. The ratio of Financial Indebtedness to Tangible Net Worth shall not exceed 3.5x or times till the remaining tenor of the instrument;
- ii. No cumulative liquidity mismatch in any of the standard buckets up to 9 months on all standard liquidity buckets, as prescribed by RBI. For the purpose of this calculation, undrawn term loans are to be excluded. This covenant will be tested from 1 Oct 23 onwards;
- iii. Entity shall remain profitable on a quarterly basis from Q2FY24 onwards till the remaining tenor of the instrument and losses to not exceed INR 1 crs in Q1FY24;
- iv. Company shall at all times maintain the Capital Adequacy Ratio (CAR) ratio of no less than 20% OR two percentage points above the regulatory minimum, whichever is higher.
- v. GNPA to be no more than
 - a. 15% from deemed date of allotment till 31 Dec 23;
 - b. 7% from 1 Jan 24 till 30 Sep 24 and
 - c. 5% from 1 Oct 24 till the remaining tenor of the instrument;
- vi. NPA to be no more than 6% from deemed date of allotment till 31 Dec 23 and no more than 3% from 1 Jan 24 till the remaining tenor of the instrument;
- vii. Write offs during any financial year to be less than 3% till the remaining tenor of the instrument. This covenant will be tested from 1 Oct 23 onwards;
- viii. Exposure of top 20 borrowers (all accounts of the borrower) shall not exceed 30% of the Tangible Net Worth till the remaining tenor of the instrument;

Further , the Issuer will at all times maintain:

- Capital Adequacy ratio of not less than 15%
- Ratio of total debt to total equity (whereas "total equity" shall include subordinated debt to the extent that such can be accounted for as Tier II capital in accordance with applicable regulations) of not higher than 7.
- Uncovered Capital Ratio below 18% until 6 months after the Deemed Date of Allotment and 15% thereafter (defined as the PAR > 90 days + restructured portfolio minus loan loss provisions divided by Equity).
- Less than 5% of its liabilities and assets in non-INR denominated currency
- Ratio of outstanding off-balance sheet portfolio (including asset securitization) to total assets less than 40%

Liquidity Position**Adequate**

VFPL has adequately matched asset-liability profile as on September 30, 2025 with no negative cumulative mismatch in near term. The company has maintained cash and bank balances of Rs 275.41 Cr. as on September 30, 2025.

Outlook : Positive**Other Factors affecting Rating**

None

Key Financials - Standalone / Originator

Particulars	Unit	FY25(Acutual)	FY24(Acutual)
Total Assets	Rs. Cr.	2295.97	1621.19
Total Income*	Rs. Cr.	161.58	188.51
PAT	Rs. Cr.	23.66	30.93
Net Worth	Rs. Cr.	559.08	537.50
Return on Average Assets (RoAA)	(%)	1.21	2.27
Return on Average Net Worth (RoNW)	(%)	4.32	6.58
Debt/Equity	Times	3.06	1.97
Gross NPA	(%)	1.94	3.03
Net NPA	(%)	0.93	1.06

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Dec 2024	Non-Coverible Debentures (NCD)	Long Term	12.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Non-Coverible Debentures (NCD)	Long Term	20.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Non-Coverible Debentures (NCD)	Long Term	25.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Non-Coverible Debentures (NCD)	Long Term	20.70	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Non Convertible Debentures	Long Term	34.30	ACUITE Not Applicable (Withdrawn)
	Non-Coverible Debentures (NCD)	Long Term	8.00	ACUITE Not Applicable (Withdrawn)
09 May 2024	Proposed Non Convertible Debentures	Long Term	34.30	ACUITE BBB- Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	20.70	ACUITE BBB- Stable (Reaffirmed)
11 May 2023	Proposed Non Convertible Debentures	Long Term	120.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE125T07204	Non-Convertible Debentures (NCD)	16 May 2023	13.00	31 May 2026	20.00	Simple	ACUITE BBB Positive Reaffirmed Stable to Positive
Not Applicable	INE125T07220	Non-Convertible Debentures (NCD)	30 Sep 2023	13.50	25 Sep 2026	25.00	Simple	ACUITE BBB Positive Reaffirmed Stable to Positive
Not Applicable	INE125T07212	Non-Convertible Debentures (NCD)	07 Aug 2023	13.17	07 Aug 2028	20.70	Simple	ACUITE BBB Positive Reaffirmed Stable to Positive
Not Applicable	INE125T07188	Non-Convertible Debentures (NCD)	16 May 2023	12.00	31 Dec 2024	12.00	Simple	Not Applicable Withdrawn

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About Acuité Ratings & Research

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