

April 08, 2025

Bajaj Finance Ltd.: [ICRA]AAA (Stable) assigned to Rs. 15,000-crore NCD programme; ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	95.00	95.00	[ICRA]AAA (Stable); reaffirmed
Non-convertible debentures	10,000.00	10,000.00	[ICRA]AAA (Stable); reaffirmed
Subordinated debt	290.00	290.00	[ICRA]AAA (Stable); reaffirmed
Fixed deposit	-	-	[ICRA]AAA (Stable); reaffirmed
Non-convertible debentures	-	15,000.00	[ICRA]AAA (Stable); assigned
Commercial paper	30,000.00	30,000.00	[ICRA]A1+; reaffirmed
Total	40,385.00	55,385.00	

*Instrument details are provided in Annexure I

Rationale

The ratings factor in Bajaj Finance Ltd.'s (BFL) long track record of operations and established presence in the Indian financial market as one of the largest retail-focused non-bank financiers. Over the last decade, the company has achieved significant scale with consolidated assets under management (AUM) of Rs. 3,98,043 crore as on December 31, 2024 (Rs. 3,30,615 crore as on March 31, 2024), distributed across different geographies and asset classes, lending granularity to its portfolio with a predominantly retail-focused book. The ratings also consider BFL's healthy earnings profile (3-year average [FY2022 to FY2024] return on average managed assets (AMA) of 4.1%), driven by healthy margins and operating efficiency. Moreover, the asset quality remains comfortable, resulting in low credit costs. BFL has built robust data analytics capabilities, facilitating early warning signals and enabling the effective and continuous monitoring of the portfolio.

ICRA draws comfort from BFL's strong capitalisation profile with a capital-to-risk weighted assets ratio (CRAR) of 21.6% as on December 31, 2024 (Tier I CRAR of 20.8%), supported by healthy internal accretion. Further, it has continued to maintain a superior liquidity profile with well-matched asset-liability maturities, supported by high on-balance sheet liquidity and unutilised lines. ICRA also notes that BFL maintains a low share of funding from short-term sources. The company is of significant strategic importance to the Bajaj Group, given its position as the lending vertical of Bajaj Finserv Limited. ICRA expects BFL to continue benefitting from the financial flexibility derived from such association and relevance.

However, ICRA takes note of the moderate to high risk profile of the portfolio as unsecured consumer finance, personal loan finance and small and medium enterprise (SME) finance accounted for ~48% of the consolidated portfolio as on December 31, 2024. BFL's prudent risk management on account of tightened underwriting and its focus on existing customers mitigate the asset quality risk to some extent. Given the company's high growth plans, its ability to keep its asset quality under control will remain a monitorable. Further, its ability to sustain a diversified funding mix and maintain a competitive cost of funds while accelerating its growth over the medium term remains a monitorable.

The Stable outlook on the [ICRA]AAA rating reflects ICRA's expectation that BFL will continue to benefit from its long track record of operations, established branding, the scale and granularity of its portfolio, and its commitment to robust risk management and prudent financial policies.

Key rating drivers and their description

Credit strengths

Strong market position and significant track record in Indian retail finance operations – BFL has a strong market presence in the Indian non-bank retail financing sector. The company achieved fast-paced growth over the last decade to build a sizeable portfolio of Rs. 3,98,043 crore as on December 31, 2024 (vs. Rs. 24,061 crore as on March 31, 2014) on a consolidated basis. It is of significant strategic importance to the Bajaj Group, given its position as the lending vertical of Bajaj Finserv Limited. ICRA expects BFL to continue enjoying financial flexibility, given its association and importance to the Bajaj Group. The company's stable and experienced senior management team has guided it through evolving technological disruptions and macroeconomic challenges. ICRA expects BFL to continue leveraging the senior management's expertise, going forward as well.

High share of retail portfolio and geographical and product diversification provide stability in a competitive environment – As on December 31, 2024, the company had a presence in 4,259 locations across the country and a distribution network with more than 2.0 lakh points of sale, catering to a total customer franchise of 9.7 crore borrowers. BFL predominantly focuses on retail lending and has a reasonable presence across asset classes like mortgage, consumer durables, personal finance, commercial finance, SME finance and rural finance with numerous product offerings in each segment. In addition to other non-bank financiers, BFL's competitive landscape in most high-volume segments, such as home loans and personal loans, includes established private and public sector banks. ICRA expects that the company will remain diversified with a focus on its retail portfolio and granularity, going forward as well.

Healthy earnings profile – With high portfolio growth over the last decade, the company benefitted from economies of scale while maintaining good lending margins and controlling the credit costs. Consequently, BFL generated healthy internal accruals that support the return indicators and facilitate growth as well. The consolidated credit costs increased to 1.8% in 9M FY2025 from 1.1% in FY2024 due to the higher delinquencies in the unsecured business segment and auto-finance loans and write-offs. However, the improving operating efficiency has kept the overall profitability at a comfortable level. The company reported a consolidated profit after tax (PAT) of Rs. 12,234 crore in 9M FY2025 (Rs. 10,622 crore in 9M FY2024). BFL reported a PAT of Rs. 14,451 crore in FY2024, translating into a return of 4.3% on AMA and 22.1% on average net worth compared to Rs. 11,508 crore, 4.5% and 23.5%, respectively, in FY2023. ICRA expects the long-term profitability to remain healthy.

Strong capitalisation profile – BFL was well-capitalised as on December 31, 2024 with a consolidated gearing of 3.6 times (3.8 times in March 2024; 4.0 times in March 2023) and a CRAR of 21.6% as on December 31, 2024 (Tier I CRAR of 20.8%), which remains well above the regulatory requirement. ICRA expects the overall profitability to remain healthy, leading to low incremental capital requirement for the next two years, assuming the credit cost does not significantly exceed the current estimate. ICRA takes comfort from BFL's demonstrated track record of raising capital in a timely manner (most recent capital raise of ~Rs. 9,100 crore in November 2023) in order to consistently maintain a prudent gearing level.

Diversified funding profile – BFL has a diverse funding base with non-convertible debentures (NCDs) and subordinated debt accounting for 38% of the overall consolidated borrowings as on December 31, 2024, followed by banks (29%), deposits (20%) and other sources (13%) like external commercial borrowings, commercial paper (CP), collateralised borrowing and lending obligation and securitisation. ICRA also notes that the company maintains a low share of funding from short-term sources. In ICRA's opinion, BFL has sufficient headroom, in terms of leveraging and tapping the deposit base as an incremental source, apart from other avenues such as ECBs, direct assignment, etc., with further improvement in its scale over the medium to long term.

Credit challenges

High share of relatively semi-secured/unsecured assets; asset quality remains monitorable – Unsecured consumer finance, personal loan finance and SME finance accounted for ~48% of the consolidated portfolio as on December 31, 2024. Given the significant share of relatively riskier (unsecured and difficult-to-repossess semi-secured) loans and the expected high growth

in its scale of operations, the company’s ability to maintain its asset quality indicators over economic cycles would be a key monitorable. While ICRA notes the gradually increasing share of mortgage in BFL’s portfolio, the asset quality remains largely untested for this business segment as a large part was disbursed in the last few years (FY2019-FY2024). Nevertheless, the company’s use of data analytics and its continuous portfolio monitoring, based on microsegment-level system-generated early warning signals, facilitate agility in terms of the pertinent credit policy adjustments required.

Environmental and social risks

Given the service-oriented business of BFL, its direct exposure to environmental risks/material physical climate risks is not significant. Lending institutions can be exposed to environmental risks indirectly through their portfolio of assets, though such risks are not material for BFL as its lending operations encompass a well-diversified portfolio of products. Nevertheless, there is increasing interest from policymakers towards identifying the exposure of financing companies to carbon emissions through their financing activities. This process is, however, in an early stage and ICRA expects any adverse implications to manifest only over a longer time horizon, giving financing companies adequate time to adapt and minimise the credit implications. BFL has started a carbon footprint assessment process across its business operations and is committed to take necessary measures to identify and reduce its carbon footprint.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and invite regulatory censure.

Liquidity position: Superior

As per BFL’s standalone liquidity statement as on December 31, 2024, there were no negative cumulative mismatches up to five years, factoring in unutilised funding lines. The liquidity remained well supported by good on-balance sheet and off-balance sheet buffers. The liquidity coverage ratio of 261%, for the quarter ended December 31, 2024 (260% for the quarter ended March 31, 2024), was well above the regulatory requirement of 100%. The liquidity profile is supported by the diversified funding profile and the demonstrated track record of regularly raising funds from diverse sources at competitive rates. BFL had on-balance sheet liquidity (consolidated) of ~Rs. 13,656 crore as on December 31, 2024 (~Rs. 15,668 crore as on March 31, 2024).

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the ratings could arise if the consolidated return on assets remains below 2% on a sustained basis (assuming no significant change vis-à-vis the current consolidated portfolio mix) and the consolidated gearing remains consistently above 7 times.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

Bajaj Finance Ltd. (BFL) is one of the largest retail asset financing non-banking financial companies (NBFCs) with a diversified loan portfolio and a pan-India presence. While it was originally set up to provide finance for the purchase of two-wheelers and three-wheelers manufactured by Bajaj Auto Limited, it diversified into other segments over the years. Currently, it operates

across seven broad categories – Consumer Lending, Commercial Lending, Rural Lending, SME Lending, Deposits, Payments and Partnerships & Services.

Under Partnerships & Services, the company offers products like health insurance, extended warranties, comprehensive asset care, co-branded credit cards and wallets. BFL offers a co-branded credit card with RBL Bank and DBS Bank. As on June 30, 2024, it had two subsidiaries – Bajaj Housing Finance Limited (BHFL) and Bajaj Financial Securities Limited (BFSL). BHFL is registered with National Housing Bank as a housing finance company (HFC) while BFSL was incorporated to undertake the business of share broking and to function as a depository participant.

Key financial indicators (audited)

Bajaj Finance Ltd. (consolidated)	FY2022	FY2023	FY2024	9M FY2025*
As per	Ind-AS	Ind-AS	Ind-AS	Ind-AS
Total income	30,755	40,301	54,983	51,256
Profit after tax	7,028	11,508	14,451	12,234
Total managed assets	2,22,940	2,84,705	3,85,101	NA
Return on average managed assets	3.5%	4.5%	4.3%	NA
Gearing (gross; times)	3.8	4.0	3.8	NA
Gearing (managed; times)	4.0	4.2	3.9	NA
Gross stage 3 assets	1.6%	0.9%	0.8%	1.1%
Capital-to-risk weighted assets ratio (CRAR) [^]	27.2%	25.0%	22.5%	21.6%

Total managed assets = Total assets + Impairment allowance + Direct assignment

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

[^] CRAR is on standalone basis; *As per limited review financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instruments	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Apr- 08-2025	Date	Rating	Date	Rating	Date	Rating
Subordinated debt	Long term	290.00	[ICRA]AAA (Stable)	May-07-2024	[ICRA]AAA (Stable)	Jun-06-2023	[ICRA]AAA (Stable)	Jun-07-2022	[ICRA]AAA (Stable)
				Oct-25-2024	[ICRA]AAA (Stable)	Oct-18-2023	[ICRA]AAA (Stable)	Sep-23-2022	[ICRA]AAA (Stable)
Commercial paper	Short term	30,000.00	[ICRA]A1+	May-07-2024	[ICRA]A1+	Jun-06-2023	[ICRA]A1+	Jun-07-2022	[ICRA]A1+
				Oct-25-2024	[ICRA]A1+	Oct-18-2023	[ICRA]A1+	Sep-23-2022	[ICRA]A1+
NCD programme	Long term	10,095.00	[ICRA]AAA (Stable)	May-07-2024	[ICRA]AAA (Stable)	Jun-06-2023	[ICRA]AAA (Stable)	Jun-07-2022	[ICRA]AAA (Stable)
				Oct-25-2024	[ICRA]AAA (Stable)	Oct-18-2023	[ICRA]AAA (Stable)	Sep-23-2022	[ICRA]AAA (Stable)
NCD programme	Long term	15,000.00	[ICRA]AAA (Stable)	-	-	-	-	-	-
Fixed deposit	Long term	-	[ICRA]AAA (Stable)	May-07-2024	[ICRA]AAA (Stable)	Jun-06-2023	[ICRA]AAA (Stable)	Jun-07-2022	[ICRA]AAA (Stable)
				Oct-25-2024	[ICRA]AAA (Stable)	Oct-18-2023	[ICRA]AAA (Stable)	Sep-23-2022	[ICRA]AAA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debentures	Simple
Subordinated debt	Simple
Fixed deposit	Very simple
Commercial paper	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
Not issued yet	NCD programme	NA	NA	NA	10,000.00	[ICRA]AAA (Stable)
Not issued yet	NCD programme	NA	NA	NA	15,000.00	[ICRA]AAA (Stable)
INE296A07HW2	NCD programme	Aug-20-15	8.90%	Aug-20-25	90.00	[ICRA]AAA (Stable)
INE296A07IA6	NCD programme	Oct-13-15	8.70%	Oct-13-25	5.00	[ICRA]AAA (Stable)
INE296A08755	Subordinated debt	Oct-21-15	8.94%	Oct-21-25	40.00	[ICRA]AAA (Stable)
INE296A08763	Subordinated debt	Nov-09-15	8.94%	Nov-07-25	250.00	[ICRA]AAA (Stable)
INE296A14XX3	CP programme	Apr-19-24	7.95%	Apr-17-25	500.00	[ICRA]A1+
INE296A14XY1	CP programme	Apr-22-24	7.95%	Apr-22-25	390.00	[ICRA]A1+
INE296A14XZ8	CP programme	Apr-23-24	7.95%	Apr-23-25	100.00	[ICRA]A1+
INE296A14YJ0	CP programme	Jun-13-24	7.90%	Jun-13-25	100.00	[ICRA]A1+
INE296A14YM4	CP programme	Jun-24-24	7.90%	Jun-24-25	50.00	[ICRA]A1+
INE296A14Y00	CP programme	Jul-03-24	7.87%	Jul-03-25	100.00	[ICRA]A1+
INE296A14YP7	CP programme	Jul-08-24	7.87%	Jul-08-25	75.00	[ICRA]A1+
INE296A14YQ5	CP programme	Jul-15-24	7.91%	Jul-15-25	950.00	[ICRA]A1+
INE296A14YR3	CP programme	Jul-16-24	7.91%	Jul-16-25	1,150.00	[ICRA]A1+
INE296A14YS1	CP programme	Jul-18-24	7.91%	Jul-18-25	525.00	[ICRA]A1+
INE296A14ZD0	CP programme	Nov-18-24	7.70%	Nov-18-25	2,125.00	[ICRA]A1+
INE296A14ZE8	CP programme	Nov-19-24	7.70%	Nov-19-25	60.00	[ICRA]A1+
INE296A14ZG3	CP programme	Nov-21-24	7.70%	Nov-21-25	50.00	[ICRA]A1+
INE296A14ZI9	CP programme	Jan-15-25	7.90%	Apr-16-25	1,525.00	[ICRA]A1+
INE296A14XX3	CP programme	Jan-16-25	7.90%	Apr-17-25	800.00	[ICRA]A1+
INE296A14ZK5	CP programme	Jan-20-25	7.90%	Apr-21-25	950.00	[ICRA]A1+
INE296A14XZ8	CP programme	Jan-22-25	7.90%	Apr-23-25	350.00	[ICRA]A1+
INE296A14ZJ7	CP programme	Jan-23-25	7.90%	Apr-24-25	900.00	[ICRA]A1+
INE296A14ZL3	CP programme	Jan-24-25	7.90%	Apr-24-25	425.00	[ICRA]A1+
INE296A14ZM1	CP programme	Jan-24-25	7.90%	Apr-28-25	350.00	[ICRA]A1+
INE296A14ZN9	CP programme	Jan-24-25	7.90%	Apr-29-25	225.00	[ICRA]A1+
INE296A14ZP4	CP programme	Feb-14-25	7.77%	May-16-25	1,275.00	[ICRA]A1+
INE296A14ZO7	CP programme	Feb-17-25	7.72%	May-19-25	450.00	[ICRA]A1+
INE296A14ZQ2	CP programme	Feb-20-25	7.77%	May-22-25	2,350.00	[ICRA]A1+
INE296A14ZR0	CP programme	Feb-21-25	7.77%	May-23-25	925.00	[ICRA]A1+
INE296A14ZS8	CP programme	Feb-24-25	7.77%	May-26-25	750.00	[ICRA]A1+
INE296A14ZT6	CP programme	Feb-25-25	7.77%	May-27-25	250.00	[ICRA]A1+
INE296A14ZU4	CP programme	Mar-5-25	7.78%	Jun-4-25	275.00	[ICRA]A1+
INE296A14ZW0	CP programme	Mar-7-25	7.78%	Jun-6-25	250.00	[ICRA]A1+
INE296A14ZU4	CP programme	Mar-7-25	7.78%	Jun-4-25	200.00	[ICRA]A1+
INE296A14ZV2	CP programme	Mar-10-25	7.78%	Jun-9-25	350.00	[ICRA]A1+
INE296A14ZY6	CP programme	Mar-11-25	7.80%	Jun-10-25	500.00	[ICRA]A1+

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE296A14ZZ3	CP programme	Mar-12-25	7.85%	Jun-11-25	1,925.00	[ICRA]A1+
INE296A14ZX8	CP programme	Mar-13-25	7.78%	Jun-12-25	300.00	[ICRA]A1+
INE296A14A08	CP programme	Mar-17-25	7.85%	Jun-16-25	200.00	[ICRA]A1+
Yet to be issued	CP programme	NA	NA	7-365 days	8,300.00	[ICRA]A1+
NA	Fixed deposit programme	NA	NA	NA	NA	[ICRA]AAA (Stable)

Source: Company, ICRA Research

Annexure II: List of entities considered for consolidated analysis

Company name	BFL's ownership (December 31, 2024)	Consolidation approach
Bajaj Housing Finance Limited	88.75%	Full consolidation
Bajaj Financial Securities Limited	100.00%	Full consolidation

Note: ICRA has taken a consolidated view of the parent (BFL) and its subsidiaries/associates while assigning the ratings

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Prateek Mittal
+91 33 6521 6812
prateek.mittal@icraindia.com

Arpit Agarwal
+91 124 4545 873
arpit.agarwal@icraindia.com

Anubhav Khatri
+91 124 4545 846
anubhav.khatri@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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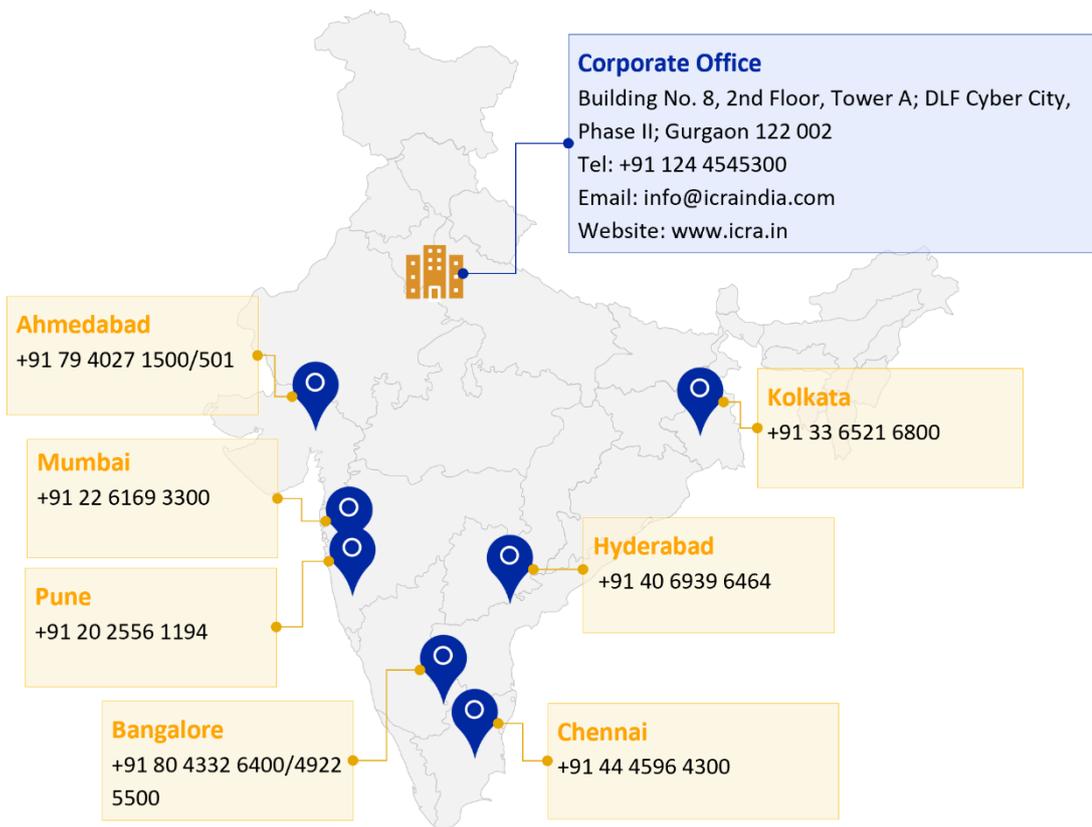
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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