

Bajaj Finance Limited

June 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	8,300.00 (Enhanced from 5,000.00)	CARE AAA; Stable	Reaffirmed
Short-term bank facilities	1,700.00	CARE A1+	Assigned
Issuer rating	0.00	CARE AAA; Stable	Reaffirmed
Subordinate debt	3,455.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	272.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings reaffirmed/assigned to long-term/short-term debt instruments and bank facilities of Bajaj Finance Limited (BFL) continue to factor in its track record and market position as one of the largest retail-focused non-banking finance companies (NBFCs) in the country with an established PAN-India franchise and a large customer base.

Over the years, BFL has scaled up its lending portfolio while maintaining healthy capitalisation through demonstrated ability to raise capital and their robust internal accruals. The ratings further factor in BFL's improving asset quality parameters, stable profitability metrics, strong resource profile, and diversified asset base, which enables the company to calibrate its products with a focus on growth and yield. and. The ratings draw comfort from BFL's strong parentage, brand identity, and strategic importance to the Bajaj group, being the flagship lending company of the group.

However, ratings also consider BFL's exposure to relatively riskier unsecured segments and moderate seasoning of its mortgage book. The presence of an established risk management systems mitigates these risks to some extent, as reflected in their comfortable asset quality. Going forward, the company's ability to maintain their asset quality and market share amidst rising competition continue to be key business monitorables.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Not applicable

Negative factors

- Dilution in stake by the promoters or the strategic importance for Bajaj group.
- Deterioration in asset quality with consolidated net non-performing assets (NNPA) to net worth ratio above 15% on a sustained basis.
- Decline in profitability, with the return on total assets (ROTA) declining below 1.5% on a sustained basis.
- Increase in leverage over 7x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has analysed BFL's credit profile by considering its consolidated financial statements owing to the financial and operational linkages with its housing finance subsidiary, Bajaj Housing Finance Limited (BHFL) (100% subsidiary) and Bajaj Financial Securities Limited (BFSL) (100% subsidiary). CARE Ratings has also considered BFL's parentage and its strategic importance to the Bajaj group.

Please refer annexure-6 for list of entities considered for consolidation.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Outlook: Stable

The stable outlook reflects BFL's strong track record and prominent market position as one of the largest retail-focused NBFCs in the country, supported by an established PAN-India franchise and a strong customer base. Additionally, the outlook considers BFL's robust capitalisation, diversified resource profile, consistent improvement in asset quality, stable profitability metrics, and the strategic advantages derived from its parent company.

Detailed description of key rating drivers:**Key strengths****Established track record as one of the largest retail focused and diversified NBFCs with an established PAN-India franchise with a large customer base**

BFL is one of the leading NBFCs in India having assets under management (AUM) of ₹330,615 crore (on a consolidated basis) as on March 31, 2024 witnessing a five-year compounded annual growth rate (CAGR) of 18%.

It has diverse product offerings classified into various segments, such as consumer finance (constituting 33% of the AUM), SME finance (14% of the AUM), commercial finance, including loan against shares – (13% of the AUM), rural finance (9% of the AUM), and mortgage finance (31% of the AUM), including loan against property (LAP), home loans to self-employed and salaried individuals, and developer loans, which is largely done under its 100% subsidiary, BHFL. Over 80% of the AUM of BFL is retail, bringing granularity to the AUM and reduces borrower concentration.

Over the years, the company has developed a strong franchise and geographical reach with presence in 4,145 locations and over 198,250 active distribution points of sale with a customer base of 83.64 million customers as on March 31, 2024 (March 31, 2023: Location – 3,733, distribution points over 154,650 and 69.1 million customers). In FY24, the company has expanded its geographic presence across 412 locations.

Strong parentage and strategic importance to the parent group

Bajaj Finserv Limited, the financial services arm of Bajaj Group, is 39.06% held by Bajaj Holdings Investment Limited (BHIL), the ultimate parent company. As on March 31, 2024, Bajaj Finserv Limited held 51.34% stake in Bajaj Finance Limited (BFL), which continues to be the largest lending arm of the group and the financier of the domestic sales of two and three-wheelers of Bajaj Auto Limited (BAL). BFL also enjoys strong financial flexibility due to its association with Bajaj group. The financial services business remains an integral part of the overall group's business objectives, as demonstrated by support on operational, financial, and managerial fronts to BFL. Sanjiv Bajaj, Chairman of the company, heads BFL's Board of Directors. The promoter directors are common across the group, including BFL.

Strong capitalisation levels

The company's capitalisation levels are supported by demonstrated ability to raise capital at regular levels in addition to healthy internal accruals (average 5-year return on net worth [RONW] of 19.78%). In November 2023, the company raised equity of ₹8,800 crore through QIP and ₹1,188 crore through preferential issue of share warrants of which ₹297 crore has been received (25% of the consideration) and the remaining 75% is expected to be converted within 18 months.

BFL reported a capital adequacy ratio (CAR) of 22.52% (Tier-I CAR: 21.50%) as on March 31, 2024 (March 31, 2023: CAR – 24.97% and Tier-I CAR – 23.20%). Despite the equity raise, the company's capitalisation levels are marginally lower as compared to previous year due to impact of RBI measure towards increase in risk weights on unsecured exposures. While the company has maximum gearing threshold of 7x, actual gearing levels over past few years have been lower. Overall gearing stood at 3.92x as on March 31, 2024 (March 31, 2023: 4.11x).

Diversified resource profile and resource raising ability

Over the years, BFL has developed relationships with most of the large banks for borrowings and continues to actively raise funds from the capital market and deposits at competitive rates, thus keeping its cost of funds competitive.

As on March 31, 2024, on a consolidated basis, borrowing mix was well diversified, with non-convertible debenture (NCD) and subordinate debt constituting 33% of the total borrowings, borrowing from banks constituting 30% of total borrowings, deposits-21%, short-term borrowings constituting 14%, and external commercial borrowings (ECB)-2%.

CARE Ratings takes note of the RBI's direction towards increase in the risk weights on banks' exposure to NBFCs by 25% (over and above the risk weight associated with the given external rating), which in turn would lead to higher cost of bank borrowings for the NBFC. In FY24 (on a consolidated basis), the cost of borrowings witnessed a 76-bps increase to 7.34% (P.Y: 6.58%). As on March 31, 2024, the bank borrowings formed 30% of the total resource profile. As a measure to further diversify its resource profile, the company strives to focus on the deposit franchise and ECB.

Healthy earnings profile

On a consolidated basis, BFL reported a profit-after-tax (PAT) of ₹14,430 crore on a total income of ₹54,969 crore for FY24 as compared to PAT of ₹11,506 crore on a total income of ₹41,406 crore for FY23. In FY24, the net interest margin (NIM) moderated to 9.14% (FY23: 9.49%) considering rise in the cost of funds. While the margins have seen slight compression, it continues to remain at healthy levels.

The operating expense as a percentage of the total assets improved to 3.81% in FY24 (FY23: 4.18%), as the cost rationalisation was seen owing to the portfolio growth. The credit costs stood at 1.43% in FY24 (FY23: 1.32%). Considering above factors, the ROTA stood at 4.46% (FY23: 4.75%). BFL's RONW moderated to 22.63% in FY24 (FY23: 27.27%), largely due to recent capital raise in November 2023. CARE Ratings expects BFL's profitability to be healthy over the medium term.

Key weaknesses

Presence in unsecured and relatively riskier segments with risk partially mitigated by established risk management system

Majority of BFL's retail loans comprise consumer durable finance, personal loans, and unsecured business loans (small and medium enterprise [SME]), which are mainly unsecured and relatively riskier asset segments; constituting approximately 55% of the AUM as on March 31, 2024 (March 31, 2023: 56%). The mortgage loan book, which constitutes approximately 31% of the AUM, is largely unseasoned. BFL has seen significant improvement in the asset quality post the stress witnessed in the COVID-19 period, mainly considering improved economic environment, better collections, and write-offs over the years. As on March 31, 2024, the Gross Stage 3 (GS3) and Net Stage 3 (NS3) assets stood at 0.85% and 0.37%, respectively, as compared to GS3 and NS3 of 0.94% and 0.34%, respectively, as on March 31, 2023.

The company incurred a total credit cost of ₹4,631 crore in FY24 (P.Y.: ₹3,190 crore). The provision coverage ratio (PCR) on Stage 3 assets and NS3 to net worth stood at 57% and 1.62%, respectively, as on March 31, 2024. The Stage 1 and Stage 2 provision coverage stood adequate at 0.69% and 40.04%, respectively, as on March 31, 2024.

Despite catering to relatively riskier segments and robust AUM growth, BFL has demonstrated its ability to maintain comfortable asset quality and healthy collections through robust risk management infrastructure thereby providing comfort.

Liquidity: Strong

BFL and BHFL have a comfortable liquidity profile with positive cumulative mismatches in all the time buckets up to one year per behavioural standalone asset liability maturity (ALM) statement as on March 31, 2024. The company maintained a consolidated liquidity buffer of ₹15,700 crore as on March 31, 2024.

BFL and BHFL maintained liquidity coverage ratio (LCR) of 306% and 107%, respectively, as against the regulatory requirement of 70% for BFL and 60% for BHFL for Q4FY24.

Environment, social, and governance (ESG) risks

BFL has a board-level cross-functional environment, social and governance (ESG) committee, headed by an Executive Director, for implementing and monitoring the ESG-related initiatives and reporting thereof. The company has taken various steps to reduce the carbon footprints. It has taken various initiatives to reduce the usage of single-use plastics across BFL. The company, through its lending activities, which is mainly focussed on the retail segment, has been enabling financing to new credit customers and increasing its reach in semi-urban and rural areas, thus leading to financial inclusion. BFL has opened financial inclusion branches in rural areas.

Majority of the board members are independent executives with excellent track record and reputation. The number of board and committee meetings are more than the statutory requirement. The audit committee comprises independent board members, demonstrating high standards of corporate governance.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Consolidation](#)

[Issuer Rating](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

BFL is a systemically important deposit taking NBFC of the Bajaj group and is a subsidiary of Bajaj Finserv Limited, which is the holding company of the Bajaj group for its financial services business. Bajaj Finserv Limited held 51.34% stake in BFL as on March 31, 2024.

BFL is one of the leading NBFCs in India, having a diversified loan book with exposure in various segments such as consumer finance (33% of the AUM), including consumer durable loans, lifestyle product finance, digital finance, personal loans cross sell, two and three-wheeler loans, salaried and home-salaried loans, and others; SME finance (14% of the AUM), including business loans, professional loans, and others; commercial finance (13% of the AUM), including loan-against-securities (LAS), infrastructure finance, vendor finance, financial institution lending, corporate finance loans, lite engineering, and others; rural finance (9% of the AUM), including all the products offered in rural areas mentioned above; and mortgage finance (31% of the AUM; largely done through its 100% subsidiary – BHFL), including home loans – self-employed and salaried, LAP, and developer loans as on March 31, 2024.

BFL has two wholly-owned subsidiaries, BHFL and BFSL. BHFL is registered with the National Housing Bank (NHB) as a housing finance company (HFC), regulated by the RBI and classified as an 'Upper Layer NBFC' under the Scale Based Regulations issued by the RBI and became fully operational from January 2018. The HFC reported AUM of ₹91,370 crore as on March 31, 2024, comprising salaried home loans, LAP, developer financing, and lease rental discounting (LRD), among others. BFSL is registered with the Securities and Exchange Board of India (SEBI) as a stockbroker and depository participant. BFSL started its business operations in August 2019 with a strategy to ring fence LAS customers of BFL by providing them a full suite of investment products and services. It offers demat, broking, mutual funds (MFs), initial public offerings (IPOs), distribution of PMS, margin trade financing and financing for offer for sale to retail and high net worth (HNI) clients. It offers spread financing to its customers through BFL.

BFL (Consolidated)

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	31,648	41,406	54,969
PAT	7,036	11,506	14,430
Interest coverage (times)	1.98	2.24	2.03
Total assets	211,100	273,595	373,815
Net NPA (%)	0.68	0.35	0.37
ROTA (%)	3.69	4.75	4.46

A: Audited; Note: 'these are latest available financial results'

Note: For all ratio calculations, total assets are net of intangibles and deferred tax asset.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-convertible debentures	INE296A07LG7	04-Jul-16	8.65%	03-Jul-26	47.5	CARE AAA; Stable
Non-convertible debentures	INE296A07MO9	23-Sep-16	8.05%	23-Sep-26	10.0	CARE AAA; Stable
Non-convertible debentures (Proposed)	-	-	-	-	214.5	CARE AAA; Stable
Subordinate debt	INE296A08771	15-Jul-16	8.85%	15-Jul-26	490.0	CARE AAA; Stable
Subordinate debt	INE296A08789	21-Jul-16	8.85%	21-Jul-26	480.0	CARE AAA; Stable
Subordinate debt	INE296A08797	16-Aug-16	8.75%	14-Aug-26	485.0	CARE AAA; Stable
Subordinate debt	INE296A08805	29-Sep-16	8.45%	29-Sep-26	500.0	CARE AAA; Stable
Subordinate debt	INE296A08821	02-Dec-16	8.05%	02-Dec-26	105.0	CARE AAA; Stable
Subordinate debt	INE296A08847	22-Jun-17	8.15%	22-Jun-27	600.0	CARE AAA; Stable
Subordinate debt (Proposed)	-	-	-	-	795.0	CARE AAA; Stable
Fund-based - LT-Term loan		-	-	Sep-27	8300.00	CARE AAA; Stable
Fund-based - ST-Term loan		-	-	NA	1700.00	CARE A1+
Issuer rating- Issuer ratings		-	-	-	0.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer rating-Issuer ratings	LT	0.00	CARE AAA; Stable	-	1)CARE AAA; Stable (17-Jan-24) 2)CARE AAA; Stable (14-Sep-23)	1)CARE AAA; Stable (05-Jan-23) 2)CARE AAA; Stable (26-Dec-22)	1)CARE AAA (Is); Stable (06-Jan-22)
2	Debentures-Non-convertible debentures	LT	272.00	CARE AAA; Stable	-	1)CARE AAA; Stable (17-Jan-24) 2)CARE AAA; Stable (14-Sep-23)	1)CARE AAA; Stable (05-Jan-23)	1)CARE AAA; Stable (06-Jan-22)
3	Debt-Subordinate debt	LT	3455.00	CARE AAA; Stable	-	1)CARE AAA; Stable (17-Jan-24) 2)CARE AAA; Stable (14-Sep-23)	1)CARE AAA; Stable (05-Jan-23)	1)CARE AAA; Stable (06-Jan-22)
4	Fund-based - LT-Term loan	LT	8300.00	CARE AAA; Stable	-	1)CARE AAA; Stable (17-Jan-24) 2)CARE AAA; Stable (14-Sep-23)	-	-
5	Fund-based - ST-Term loan	ST	1700.00	CARE A1+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not available

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Debt-Subordinate debt	Complex
3	Fund-based - LT-Term loan	Simple
4	Fund-based - ST-Term loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Bajaj Finance Ltd.	Full	Holding company
2.	Bajaj Housing Finance Ltd.	Full	Subsidiary; Significant financial and operational linkages
3.	Bajaj Financial Securities Ltd.	Full	Subsidiary; Significant financial and operational linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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