

## Bajaj Finance Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	8,300.00	CARE AAA; Stable	Reaffirmed
Short-term bank facilities	1,700.00	CARE A1+	Reaffirmed
Issuer rating	0.00	CARE AAA; Stable	Reaffirmed
Subordinated 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

The reaffirmed ratings for Bajaj Finance Limited (BFL) reflect its strong track record and market position as one of the largest retail-focused non-banking finance companies (NBFCs) in the country, supported by an established pan-India franchise and a large customer base. Over the years, BFL has continued to maintain robust portfolio growth while maintaining healthy capitalisation levels supported by effective capital raising and strong internal accruals. Ratings also consider BFL's comfortable asset quality, healthy profitability, robust resource profile, and diversified asset base, allowing for calibrated growth and yield matrix. CARE Ratings Limited (CARE Ratings) also derives comfort from BFL's strong parentage, brand identity, and strategic importance as the Bajaj Group's flagship lending company.

However, ratings also consider BFL's exposure to relatively riskier unsecured segments and the moderate seasoning of its mortgage book. These risks are partially mitigated by company's demonstrated track record of mitigating asset quality risks through established risk management systems. Going forward, BFL's ability to maintain asset quality and market share amid rising competition remains a key rating monitorable.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Not applicable

#### Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

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

### Analytical approach:

CARE Ratings has assessed BFL's credit profile based on its consolidated financial statements, considering the financial and operational linkages with its subsidiaries, Bajaj Housing Finance Limited (BHFL) and Bajaj Financial Securities Limited (BFSL). CARE Ratings also factored in BFL's parentage and its strategic importance to the Bajaj Group. The list of entity taken for consolidation is provided in Annexure-6.

### Outlook: Stable

The Stable outlook on the long-term rating reflects CARE Ratings' expectation that the company will maintain its healthy and profitable business growth momentum while remaining focused on prudent risk management practices.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Established track record as one of the largest retail-focused and diversified NBFCs in India

BFL is one of the leading NBFCs in India, having a market share of 5.3% in total NBFC credit as of March 31, 2024. The company had assets under management (AUM) of ₹3,98,044 crore on a consolidated basis as on December 31, 2024, growing at a five-year compounded annual growth rate (CAGR) of 22%.

The company has diversified portfolio including consumer finance (33% of AUM), mortgage finance (31%), SME finance (15%) and commercial finance, including loans against shares (13%), rural finance (9%). The mortgage finance business housed under BHFL encompasses loan against property (LAP), home loans for both self-employed and salaried individuals, as well as developer loans. Over 80% of the AUM of BFL is retail, bringing granularity to the AUM and thereby lowering borrower concentration.

Over the years, the company has built a strong franchise and expanded its geographical reach, with a presence in 4,259 locations and over 224,000 active distribution points of sale, serving a customer base of 97.12 million as on December 31, 2024. CARE Ratings expects the company to sustain its leading market position while maintaining its growth momentum going forward.

#### Strong parentage and strategic importance to the parent group

BFL is 51.36% owned by Bajaj Finserv Limited (BFS), the finance Holdco of the group. BFS, in turn, is 39.03% owned by Bajaj Holdings & Investment Limited (BHIL), the ultimate parent company.

Due to its association and importance to Bajaj group, BFL enjoys strong financial flexibility, sharing of branding and its logo with BFS. The financial services business housed under BFS remains an integral part of the group's business objectives, as demonstrated by operational, financial, and managerial support to BFL. Mr. Sanjiv Bajaj (Chairman and MD – BFS) is the Chairman of BFL. The promoter directors are common across BFS, including BFL. Bajaj Group provides strategic oversight with representations on the Board and crucial committees, such as Risk Management Committee, Strategic Investment Committee and Customer Service Committee, among others.

Going forward, CARE Ratings expects the Group to maintain majority stake in BFL with access to need based support.

#### Strong capitalisation levels

The company's capitalisation levels are supported by demonstrated ability to raise capital at regular intervals 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 qualified institutional placements (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 by June 2025. BFL raised ₹6,560 crore by 11.25% stake sale of Bajaj Housing Finance Ltd. (BHFL) via initial public offerings in September 2024.

BFL reported a capital adequacy ratio (CAR) of 21.57% [March 2024: 22.52%] with tier-1 CAR of 20.79% [March 2024: 21.50%] as on December 31, 2024. Regular capital infusions have kept gearing levels under check with overall gearing at 3.63x as on December 31, 2024 [March 2024: 3.92x]. CARE Ratings notes that while the housing finance arm of the company is expected to witness gearing levels in the range of 7-8x, BFL's standalone gearing levels shall remain in range of 3-3.5x.

CARE Ratings expects the company to maintain its consolidated gearing levels within 4-4.5x in the medium term.

#### Diversified resource profile and strong resource raising ability

Being an established player, BFL has strong resource raising ability both in capital markets and among banks, leading to competitive cost of funds for the company.

As on December 31, 2024, on a consolidated basis, borrowing mix remained well diversified, constituting of non-convertible debenture (NCD) and subordinate debt (December 2024: 38% of total borrowings, March 2024: 33%), bank borrowings (December 2024: 29%, March 2024: 31%), deposits (December 2024: 20% of total borrowings, March 2024: 21%), short-term borrowings constituting (December 2024: 9% of total borrowings, March 2024: 8%), and external commercial borrowings (ECB) (December 2024: 4% of total borrowings, March 2024: 2%). In 9MFY25, the company's consolidated cost of borrowings stood at 7.78% [FY24: 7.34%].

**Healthy earnings profile**

The earnings profile of the company remains supported by healthy portfolio growth, business mix comprising high yielding unsecured portfolio with controlled credit costs. This has resulted in healthy internal accruals, supporting both growth and return metrics. In FY24, while the net interest margin (NIM) moderated to 9.14% [PY: 9.49%] due to a rise in the cost of funds, the same remained healthy in absolute terms.

The operating expense as a percentage of average total assets improved to 3.81% in FY24 [PY: 4.18%], driven by portfolio growth led cost rationalisation, while the credit costs increased marginally to 1.43% in FY24 [PY: 1.32%]. Consequently, the ROTA reduced to 4.46% in FY24 [PY: 4.75%] and RONW moderated to 22.63% in FY24 [PY: 27.27%], largely due to capital raise in November 2023.

In 9MFY25, driven by stable margins and fee income, ROTA and RONW stood at 4.20% and 19.65%, respectively.

Notwithstanding stress expected in the unsecured loan space and expectation of higher credit costs, CARE Ratings expects BFL's profitability to remain healthy in the near to medium term on the back of its robust risk management practices.

**Key weaknesses****Presence in unsecured and relatively riskier segments**

Majority BFL's retail loans comprised consumer durable loans, personal loans, and unsecured business loans (small and medium enterprise [SME]), which are mainly unsecured in nature and have been advanced to relatively riskier asset segments; constituting ~54% of the AUM as on December 31, 2024 [March 2024: 53%]. The mortgage loan book, which constituted ~31% of the AUM, remained largely unseasoned.

As on December 31, 2024, consolidated gross stage-3 (GS3) and net stage-3 (NS3) increased to 1.12% [March 2024: 0.85%] and 0.48% [March 2024: 0.43%], respectively, due to slippages in consumer durables (GS3: 0.82% vs. 0.55% in Mar-24), personal loans (GS3: 1.53% vs. 1.05% in Mar-24), and car financing (GS3: 1.27% vs. 0.70% in Mar-24) segments. While slippages have been in tandem with industry trend, the company's asset quality remained controlled due to its strong risk management and monitoring systems. The company's consolidated stage-3 provision coverage ratio (PCR) stood at 57.20% as on December 31, 2024 [March 2024: 57.03%] with stage 1 and stage 3 provision cover of 0.65% [March 2024: 0.69%] and 27.87% [March 2024: 29.66%], respectively. BFL's consolidated NS3 to net worth ratio increased to 2.09% [March 2024: 1.62%].

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's liquidity profile remained strong with positive cumulative mismatches in all the time buckets up to one year per behavioural standalone asset liability maturity (ALM) statement as on December 31, 2024.

The company maintained a consolidated liquidity buffer of ₹13,656 crore as on December 31, 2024.

In Q3FY25, BFL and BHFL maintained liquidity coverage ratio (LCR) of 261% and 179%, respectively, as against the regulatory requirement of 100% for BFL and BHFL both.

**Assumptions/Covenants**

Not applicable

**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 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, with 50 branches in FY23. Majority board members are independent executives with strong track record and reputation. The number of board and committee meetings are more than the statutory requirement. Effective April 01, 2023, the audit committee comprises independent board members, demonstrating high standards of corporate governance.

## Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Issuer Rating](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non-Banking Financial Companies](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non-Banking Financial Company (NBFC)

BFL, a systemically important, deposit-taking NBFC within the Bajaj Group, operates as a subsidiary of BFS, which holds a 51.36% stake as on December 31, 2024. BFL has two subsidiaries: BHFL and BFSL. It is classified as an Upper Layer NBFC by the Reserve Bank of India (RBI).

BFL is a leading NBFC in India with a diversified loan portfolio spanning consumer finance (including loans for consumer durables, lifestyle products, personal loans, two- and three-wheelers, and home loans), SME finance (business and professional loans), commercial finance (loans against securities, corporate finance, and more), rural finance (tailored products for rural areas), and mortgage finance (home loans, LAP, and developer loans via BHFL).

As on December 31, 2024, BFL reported AUM of ₹398,044 crore, up from ₹330,615 crore as on March 31, 2024, with a pan-India presence across 4,092 locations and over 224,000 active distribution points.

Consolidated Brief Financials (₹ crore)	Mar-22 (A)	Mar-23 (A)	Mar-24 (A)	9MFY25 (UA)
Total income	31,648	41,406	54,969	51,256
PAT	7,036	11,506	14,430	12,234
Total assets*	2,11,100	2,73,595	3,73,815	NA
Net NPA (%)	0.68	0.43	0.37	0.48
ROTA (%)	3.69	4.75	4.46	4.20

A: Audited UA: Unaudited; Note: these are latest available financial results

\*Adjusted for deferred tax assets and intangible assets

NA: Not available

### Status of non-cooperation with previous CRA:

Not applicable

### Any other information:

Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Non-Convertible Debentures	Proposed	-	-	-	214.50	CARE AAA; Stable
Non-Convertible Debentures	INE296A07MO9	23-Sep-2016	8.05%	23-Sep-2026	10.00	CARE AAA; Stable
Non-Convertible Debentures	INE296A07LG7	04-Jul-2016	8.65%	03-Jul-2026	47.50	CARE AAA; Stable
Subordinate debt	INE296A08771	15-Jul-16	8.85%	15-Jul-26	490.00	CARE AAA; Stable
Subordinate debt	INE296A08789	21-Jul-16	8.85%	21-Jul-26	480.00	CARE AAA; Stable
Subordinate debt	INE296A08797	16-Aug-16	8.75%	14-Aug-26	485.00	CARE AAA; Stable
Subordinate debt	INE296A08805	29-Sep-16	8.45%	29-Sep-26	500.00	CARE AAA; Stable
Subordinate debt	INE296A08821	02-Dec-16	8.05%	02-Dec-26	105.00	CARE AAA; Stable
Subordinate debt	INE296A08847	22-Jun-17	8.15%	22-Jun-27	600.00	CARE AAA; Stable
Subordinate debt	Proposed	-	-	-	795.00	CARE AAA; Stable
Fund-based - LT-Term loan	-	-	-	Sep-27	8,300.00	CARE AAA; Stable
Fund-based - ST-Term loan	-	-	-	NA	1,700.00	CARE A1+
Issuer ratings	-	-	-	-	0.00	CARE AAA; Stable

NA: Not applicable

**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 (21-Jun-24)	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 (21-Jun-24)	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 (21-Jun-24)	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 (21-Jun-24)	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+	1)CARE A1+ (21-Jun-24)	-	-	-

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

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

Not applicable

**Annexure-4: Complexity level of 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 entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Bajaj Housing Finance Limited	Full	Subsidiary

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Sanjay Agarwal Senior Director <b>CARE Ratings Limited</b> Phone: 912267543582 E-mail: <a href="mailto:Sanjay.agarwal@careedge.in">Sanjay.agarwal@careedge.in</a>
<b>Relationship Contact</b>  Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: 044-28501001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a>	Priyesh Ruparelia Director <b>CARE Ratings Limited</b> Phone: 912267543493 E-mail: <a href="mailto:Priyesh.ruparelia@careedge.in">Priyesh.ruparelia@careedge.in</a>
	Geeta Chainani Associate Director <b>CARE Ratings Limited</b> Phone: 912267543447 E-mail: <a href="mailto:Geeta.Chainani@careedge.in">Geeta.Chainani@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**