



March 3, 2010

ICRA assigns LAA+(stable) ratings with stable outlook to the Rs 2 billion subordinated debt programme and Rs 3.50 billion Non convertible debenture programme of Bajaj Auto Finance Limited reaffirms ratings assigned earlier, assigns stable outlook

ICRA has assigned an LAA+ (pronounced L double A plus) rating to the Rs 2 billion subordinated debt programme and Rs 3.5 billion Non convertible debenture(NCD) programme of Bajaj Auto Finance Limited (BAFL) with a stable outlook[†] ICRA has also reaffirmed the LAA+ assigned earlier to the Rs 8.50 billion non convertible debenture programme of BAFL and assigned a stable outlook on the same. ICRA has also reaffirmed the A1+ (pronounced A one plus) ratings assigned earlier to BAFLs short term debt programme[†]. ICRA has withdrawn the LAA+ ratings assigned to Rs. 2.625 billion and Rs. 0.875 billion NCD programme of BAFL.

High credit quality ratings factor in the strategic fit and importance of BAFL for Bajaj Finserv Limited (BFL), and the ultimate holding company Bajaj Holdings and Investments Limited (BHIL). ICRA believes, strong support should be forthcoming for the entity, in case need, as BAFL is the only entity for the Bajaj group in the strategic consumer financing space and also as it supports the sales volumes of BAFLs associate company Bajaj Auto Limited(BAL). The rating also factors in BAFL's strong capitalization (CRAR of 28% as on December 2009), diversified funding profile and comfortable liquidity position. ICRA has taken note of the high Gross NPAs (6.55% as on December 31, 2009, adjusted for expected loss sharing from BAL and the consequent pressure on profitability because of high credit provisions/write-offs in relation to average assets (6% for nine months ending December 2009). However, ICRA takes comfort from the substantially tightening done by the company in credit originations and collection norms and exiting from financing of the high loss Personal computers business. ICRA has noticed the improvement in quality of BAFL's fresh originations across all segments. The company continues to enjoy support from Bajaj Auto Limited(BAL) in the form of subvention income, loss sharing in excess of 3% on financing of all BAL products, liquidity support, sharing of infrastructure and exclusive schemes launched for customers taking finance of BAL products from BAFL. Strategic importance would ensure continuity of association between the two companies at operational level. In ICRA's view, large net worth, significant unutilised bank lines and the ability of the company to match the funding profile to its assets are likely to ensure comfortable liquidity for the company.

ICRA has also noted the shift in portfolio mix of the company in favour of other segments such as Loan against property, small business loans apart from existing two wheeler and consumer durables segment. ICRA understands that BAFLs portfolio mix and business model is still evolving and performance of the new segments can only be seen in the medium term. However ICRA takes comfort from the fact that BAFL has tightened its appraisal norms, exited from various loss making branches and reduced its sourcing locations from 116 earlier to 51 as on Dec-09, improved its Information technology systems and collections processes. Moreover, a relatively large net worth gives the company high capacity to absorb the losses.

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

PRESS RELEASE

Disclaimer: ICRA Ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Ratings are subject to a process of surveillance, which may lead to revision in ratings. Please visit our website (www.icra.in) or contact any ICRA office for the latest information on ICRA Ratings outstanding.

**Company Profile****Bajaj Auto Finance Limited**

Bajaj Auto Finance Limited, with its registered office at Akurdi, Maharashtra is the key financing arm of Bajaj Auto Limited, a leading two-wheeler manufacturer in the country. BAFL is in the business of financing two wheelers manufactured by its parent Bajaj Auto Limited, besides consumer durables, personal computers, Loan against property, Loan against shares, small business loans and personal loans. BAL and BAFL had 5 common members on the board of directors as on March 31, 2009. BAFL reported a PAT of Rs 0.34 billion on an asset base of Rs 34.77 billion for FY2009 as compared to PAT of 0.20 billion on an asset base of Rs 34.32 billion in FY2008. BAFL reorganized itself into two divisions, two/three wheeler finance division and consumer finance division in FY2009. BAFL is now originating two wheeler loans from BAL dealerships, through on rolls sales managers as compared to direct sales agents earlier. Each of the dealerships operate as virtual branches.

Bajaj Finserv Limited

Post demerger of the erstwhile Bajaj Auto Limited, The financial services and wind energy businesses were transferred to Bajaj Finserv Limited (BFL). BFL is engaged in life and general insurance businesses through its joint ventures with Allianz SE namely Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz General Insurance Limited and in consumer finance business through BAFL. On a standalone basis, for the nine months ending Mar-09 BFL reported a PAT of Rs 0.41 billion on a total income of Rs 1.14 billion vis-à-vis PAT of Rs 0.44 billion on a total income of Rs. 1.06 billion in FY2008.

Shareholding Pattern as on December 31, 2009

Promoters		
	Bajaj Auto Holdings Ltd	5.78%
	Bajaj Finserv Limited	42.00%
	Individuals and Closely held	1.33%
	Sub Total	49.11%
Public		
	Mutual Funds / UTI	5.59%
	FII's	20.18%
	Other Bodies Corporate	6.42%
	Individuals	11.71%
	Others	6.99%
	Sub Total	50.89%
Total		100.00%

For further details please contact:

Analyst Contacts:

Ms. Vibha Batra, (Tel. No. +91 124 4545302)

vibha@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91-22-30470005)

shivakumar@icraindia.com

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

PRESS RELEASE

Disclaimer: ICRA Ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Ratings are subject to a process of surveillance, which may lead to revision in ratings. Please visit our website (www.icra.in) or contact any ICRA office for the latest information on ICRA Ratings outstanding.