

July 22, 2025

Godrej Finance Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	2,000.00	2,500.00	[ICRA]A1+; reaffirmed and assigned
Total	2,000.00	2,500.00	

*Instrument details are provided in Annexure I

Rationale

While arriving at the rating, ICRA has considered the consolidated business and financial risk profiles of Godrej Capital Limited (GCL) and its wholly-owned subsidiaries – Godrej Housing Finance Limited (GHFL) and Godrej Finance Limited (GFL; collectively referred to as the Godrej Capital Group) – as these entities have significant operational and management linkages and operate under the common Godrej brand. The rating factors in the Group's parentage and the continued support expected from Godrej Industries Limited (GIL; rated [ICRA]AA+ (Stable)/[ICRA]A1+), which had a 90.7% stake in GCL as on March 31, 2025. In addition to the shared brand name, the company benefits from managerial support and operational synergies with the Godrej Group along with the associated financial flexibility, which enables it to secure credit lines at competitive rates.

GHFL is a housing finance company (HFC), which focusses on housing loans while GFL is a non-banking financial company (NBFC) with a focus on non-housing loans, including loan against property (LAP) and small and medium enterprise (SME) loans. The rating considers the adequate capitalisation profile for the current scale of operations and the committed capital support from GIL to help achieve growth over the medium term.

ICRA takes note of the Godrej Capital Group's subdued, but improving, profitability profile, given the nascent stage of operations. While the Group has reported comfortable asset quality since inception, the same is yet to be tested through economic cycles, given the limited seasoning in relation to the loan tenure.

Key rating drivers and their description

Credit strengths

Strong parentage and strategic importance to the Group; supports financial flexibility – GHFL and GFL are wholly-owned subsidiaries of GCL under the ultimate parentage of GIL, which held a 90.7% stake in GCL as on March 31, 2025. GIL is the flagship company of the Godrej Group (Godrej Group held 69.7% equity in GIL as on March 31, 2025). The rating draws comfort from the shared Godrej brand name and access to the Godrej ecosystem. As it is a part of the Godrej Group, the Godrej Capital Group enjoys good financial flexibility with the ability to raise funds at competitive rates of interest from a diverse set of lenders. Nonetheless, as in the case of all HFCs with assets that are fairly long-term in nature, the company's ability to maintain prudent mix of long-term and short-term borrowings would be imperative for managing the asset-liability profile.

Adequate capitalisation supported by regular capital raising – The Godrej Capital Group is adequately capitalised for the current scale of operations with GCL's consolidated managed gearing at 4.5 times as on March 31, 2025. Given the growth plans and with incremental business being funded out of fresh borrowings, the gearing is expected to gradually increase over the medium term, but it is projected to remain below 6 times (consolidated) for the Godrej Capital Group on a steady-state basis. Since inception, the Godrej Capital Group has raised equity capital worth ~Rs. 3,310 crore. Going forward, ICRA expects support from GIL to be forthcoming as and when required.

Credit challenges

Nascent stage of operations; evolving profitability – ICRA takes note of the early stage of operations of GHFL and GFL, which commenced lending operations in November 2020 and March 2022, respectively. The combined assets under management (AUM) of GCL had grown to Rs. 16,930 crore as on March 31, 2025 from Rs. 10,761 crore on March 31, 2024 (Rs. 5,124 crore on March 31, 2023). Given the nascent stage of operations and the resultant high operating expenses, the profitability indicators are likely to remain muted over the medium term till the company achieves economies of scale. ICRA takes note of the modest, albeit improving, profitability profile with a return on managed assets (RoMA) of 1.0% in FY2025 compared to 0.5% in FY2024 (-0.7% in FY2023). Over the long term, the ability to grow the portfolio while maintaining control over the asset quality and improving the operating efficiency would be key for enhancing the profitability.

Limited track record of Group in retail lending – Although the Group has reported comfortable asset quality (GFL and GHFL had gross stage 3 assets of 0.5% and 0.1%, respectively, as on March 31, 2025), the same is yet to be tested through economic cycles given the limited seasoning in relation to the loan tenure. Portfolio seasoning is likely to remain low as ICRA expects the AUM to continue growing at a relatively high pace.

Liquidity position: Adequate

As per the combined (GHFL+GFL) Asset Liability Management (ALM) profile as on March 31, 2025, total debt obligations are ~Rs. 3,590 crore as against total expected inflows from advances of ~Rs. 2,271 crore over the next one year. Additionally, the group had cash and bank balances of ~Rs. 1,024 crore and liquid investments of ~Rs. 442 crore along with undrawn bank lines of Rs. 5,490 crore as on March 31, 2025, to support the liquidity profile. Further, the Godrej capital group has good financial flexibility to raise funding at competitive rates.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The Godrej Capital Group's rating is underpinned by its importance to GIL as the primary financial services business. A significant change in the shareholding pattern of GCL or in the expectation of support from GIL or a deterioration in GIL's credit profile could warrant a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	ICRA expects GIL to extend financial support to the Godrej Capital Group for business growth. The Group and GIL share a common name, which, in ICRA's opinion, would persuade GIL to provide financial support to the Group to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Consolidation; refer to Annexure II

About the company

GFL, incorporated as Ensemble Holdings and Finance Ltd in 1992, held a non-banking financial company (NBFC) licence and was a part of the Godrej Group. Following a change in the shareholding structure in FY2022, it was brought under GCL, with GIL being the ultimate holding parent. GFL commenced lending operations in March 2022 in non-mortgage loan segments. The lending portfolio currently includes business loans, LAP and construction finance.

GFL reported a net profit of Rs. 102 crore on total income of Rs. 987 crore in FY2025 compared with a net loss of Rs. 29 crore on total income of Rs. 398 crore in FY2024. As on March 31, 2025, the AUM of Rs. 9,442 crore comprised LAP (57%), business loans (33%), construction finance (4%) and inorganic loans (6%).

Godrej Industries Limited

GIL is the holding company of the GILAC Group Companies, which has interests in real estate, chemicals, agriculture and consumer goods (through its subsidiaries, associate companies and joint venture (JV) companies). On a standalone basis, apart from being the holding company of the Group, GIL is engaged in the manufacturing of oleochemicals, wherein it is the domestic market leader with a presence in various sub-segments (like fatty acids, fatty alcohols, glycerine and surfactants). The chemicals business caters to several end-user industries including FMCG, oil & gas, chemical intermediates, pharmaceuticals, tyres, etc.

As on March 31, 2025, GIL's unencumbered listed investment portfolio (book value) stood at Rs. 8,354 crore (market value of unencumbered listed investments was ~Rs. 66,237 crore), with key investments in Godrej Consumer Products Limited (23.7% stake), Godrej Agrovet Limited (64.9% stake) and Godrej Properties Limited (44.8% stake). The company's manufacturing facilities are in Ambarnath (Thane, Maharashtra), Dombivli (Thane, Maharashtra), and Valia (Gujarat). GIL also generates rental income from its Vikhroli premises in Mumbai. The promoters have an equity stake of 69.65% in the company (as on March 31, 2025) while the rest is held by the public.

Key financial indicators

Godrej Finance Limited (standalone)	FY2024	FY2025
	Audited	Audited
Total income	398	987
Profit after tax	-29	102
Total managed assets	5,273	10,328
Return on managed assets	-1.1%	1.3%
Managed gearing (times)	3.1	3.9
CRAR	26.3%	23.1%
Gross stage 3	0.2%	0.5%

Source: Company data, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; Managed gearing = Borrowings + Off-balance sheet advances/Net worth; Total managed assets = Total assets + Impairment loss allowance on gross loans + off-balance sheet advances

Godrej Capital Limited (consolidated)	FY2024	FY2025
	Audited	Audited
Total income	889	1,620
Profit after tax	51	152
Total managed assets	11,779	19,010
Return on managed assets	0.5%	1.0%
Managed gearing (times)	3.7	4.5
Gross stage 3	0.1%	0.3%

Source: Company data, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; Managed gearing = Borrowings + Off-balance sheet advances/Net worth; Total managed assets = Total assets + Impairment loss allowance on gross loans + off-balance sheet advances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	FY2026			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Jul 22, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	2,500.00	[ICRA]A1+	Jul-17-2024	[ICRA]A1+	Sep-29-2023	[ICRA]A1+	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
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, is available on ICRA's website: [Click Here](#)

Annexure I: Instrument details as on July 14, 2025

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE02KN14507	Commercial paper programme	May-19-2025	6.88	Aug-18- 2025	75	[ICRA]A1+
INE02KN14523	Commercial paper programme	May-20-2025	6.85	Aug-19-2025	100	[ICRA]A1+
INE02KN14515	Commercial paper programme	May-21-2025	6.85	Aug-20-2025	100	[ICRA]A1+
INE02KN14531	Commercial paper programme	May-23-2025	6.88	Aug-22-2025	75	[ICRA]A1+
INE02KN14549	Commercial paper programme	May-30-2025	6.70	Aug-29-2025	100	[ICRA]A1+
INE02KN14564	Commercial paper programme	Jun-10-2025	6.55	Sep-9-2025	175	[ICRA]A1+
INE02KN14556	Commercial paper programme	Jun-12-2025	6.55	Sep-11-2025	100	[ICRA]A1+
INE02KN14408	Commercial paper programme	Dec-16-2024	7.92	Dec-16-2025	100	[ICRA]A1+
INE02KN14440	Commercial paper programme	Feb-17-2025	8.09	Feb-17-2026	150	[ICRA]A1+
INE02KN14465	Commercial paper programme	Feb-27-2025	8.01	Feb-27-2026	50	[ICRA]A1+
INE02KN14457	Commercial paper programme	Mar-05-2025	8.01	Mar-05-2026	100	[ICRA]A1+
INE02KN14499	Commercial paper programme	Mar-18-2025	8.03	Mar-18-2026	75	[ICRA]A1+
NA	Commercial paper programme*	NA	NA	7-365 days	1,300	[ICRA]A1+

Source: Company; *Proposed

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership*	Consolidation approach
Godrej Capital Limited	Parent	Full consolidation
Godrej Finance Limited	100%	Full consolidation
Godrej Housing Finance Limited	100%	Full consolidation

Source: Company data; *By GCL

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