

September 10, 2025

Bajaj Auto Credit Limited: [ICRA]AAA (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	2,000.00	[ICRA]AAA (Stable); assigned
Subordinated bonds/debt	750.00	[ICRA]AAA (Stable); assigned
Total	2,750.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in the operational, managerial and financial support received by Bajaj Auto Credit Limited (BACL) from its parent – Bajaj Auto Limited (BAL). As a wholly-owned subsidiary of BAL, BACL operates as the captive financing arm for its parent's two-wheelers (2Ws) and three-wheelers (3Ws). This business was previously housed under auto division of Bajaj Finance Limited (BFL) but was transitioned to BACL in a state wise phased manner with completion of the same in December 2024. The existing 2W and 3W loan portfolios housed under BFL are being run down organically through scheduled redemptions.

As the key financing entity for BAL, BACL is strategically important for BAL's operations. The rating action also considers the company's adequate capitalisation profile, supported by the equity infusion of Rs. 2,700 crore by BAL till date, including the latest equity infusion of Rs. 300 crore in Q1 FY2026. BACL had a net worth of Rs. 2,791 crore and a gearing of 3.6 times as on June 30, 2025. ICRA expects the company's gearing to increase, given its growth plans. However, the overall capitalisation profile is expected to remain adequate, driven by the expected improvement in internal accruals and the high likelihood of support from BAL as and when required.

The rating also factors in the company's limited track record and high pace of growth till now. Starting operations in January 2024, BACL ramped up its assets under management (AUM) to Rs. 12,057 crore as on June 30, 2025. The company's reported non-performing assets (NPAs) remained under control at 1.3% as on June 30, 2025, though the portfolio remains unseasoned due to the limited track record and high pace of growth. Further, given the target borrower segment with modest credit profiles and limited credit track record, the asset quality indicators remain monitorable.

ICRA also takes note of the gradually evolving earnings profile. The company reported a profit after tax (PAT) of Rs. 103 crore in Q1 FY2026, up from Rs. 58 crore in FY2025, supported by the improving operating efficiency. Nonetheless, its ability to demonstrate a sustained improvement in its earnings profile while keeping the credit costs under control on a steady-state basis remains monitorable.

The Stable outlook reflects ICRA's expectation that BACL will remain strategically important to BAL and will continue scaling up its operations while keeping its leverage under control.

Key rating drivers and their description

Credit strengths

Strong parentage and strategic importance to BAL – BACL is strategically important to BAL, given its status as a captive financing arm for the promoter's 2W and 3W sales. BAL is one of India's leading manufacturers in this segment and BACL finances 40-50% of the parent's domestic vehicle sales. The company operates through BAL's dealership network and benefits from shared infrastructure and management oversight. Its board includes senior leadership from BAL, including Mr. Rajiv Bajaj (Chairman) and Mr. Rakesh Sharma (Director), reinforcing its strategic alignment with the parent.

BACL has a pan-India presence with more than 659 touch points and 42 branches. As on June 30, 2025, the top 3 states, i.e. Maharashtra (16%), Uttar Pradesh (9%), and Tamil Nadu (9%), contributed ~34% to the AUM. The geographical distribution aligns with BAL's sales footprint. Given its strategic importance to BAL, the company has received regular and timely capital support from the parent in the past. ICRA expects the same to continue, going forward, as well.

Adequate capitalisation profile – BACL's capital profile remains adequate, supported by equity infusions of Rs. 2,700 crore from BAL (including Rs. 300 crore in May 2025). The company reported a capital-to-risk weighted assets ratio (CRAR) of 21.6% (Tier I: 21.0%; CRAR of 23.7% as on March 31, 2025) with a gearing of 3.6 times as on June 30, 2025. ICRA notes that BACL's AUM growth has been quite step in the recent past on a lower base. As it is expected to operate as a captive financier for BAL, its growth and scale will be closely linked to the parent's business volumes and its financing penetration in BAL's sales going forward. This along with expected improvement in internal accruals shall support the capital profile, keeping the leverage under control over the near to medium term. BACL's managed gearing is expected to remain below 5 times on a steady-state basis. ICRA expects BAL to continue providing capital support to BACL, as and when required, to maintain prudent capitalisation levels.

Credit challenges

Limited track record of operations with evolving asset quality and profitability metrics – BACL commenced operations in January 2024 and has rapidly scaled up its portfolio, with the AUM increasing to Rs. 12,057 crore as of June 2025 from Rs. 726 crore as of March 2024. While the company has demonstrated strong growth, the limited seasoning of the loan book and its target borrower segments pose risk to the asset quality and profitability. The gross NPAs remained under control at 1.3% as on June 30, 2025 (0.8% as on March 31, 2025). However, BACL's ability to contain slippages and keep the credit costs under control will be important from an asset quality perspective.

ICRA also takes note of BACL's gradually evolving earnings profile. BACL has expanded its employee base and other operating infrastructure significantly to support its high growth, which has resulted in elevated levels of operating expenses. ICRA notes that operating costs declined to 6.0% of average managed assets (AMA) in Q1 FY2026 from 8.0% in FY2025 (5.9% in FY2024), with the company focussing on incremental efficiency improvement. Nonetheless, there remains further scope for improvement in operating efficiency over the near to medium term. While the profitability has improved, with the PAT and the return on AMA rising to Rs. 103 crore and 3.4%, respectively, in Q1 FY2026 from Rs. 58 crore and 0.9%, respectively, in FY2025, the earnings profile remains sensitive to credit costs and the operating leverage. Sustaining this trajectory will depend on maintaining the asset quality and controlling the operating expenses, which shall remain monitorable.

Liquidity position: Strong

BACL's liquidity position remained strong with positive cumulative mismatches across all buckets as per its asset-liability management statement as of June 2025. As on June 30, 2025, the company had Rs. 4,536 crore of scheduled inflows from advances (principal) vis-à-vis Rs. 3,598 crore of scheduled debt repayments (principal) over the next 12 months. BACL held a free, unencumbered cash and bank balances and liquid investments of Rs. 601 crore, along with Rs. 4,391 crore of sanctioned

and undrawn bank lines as on June 30, 2025, which supports its liquidity profile. Additionally, it has access to a Rs. 2,250-crore credit line from BAL, approved for contingency scenarios.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Deterioration in BAL's credit risk profile or lower-than-expected support from BAL shall negatively impact the rating. Significant weakening in BAL's asset quality or earnings profile or a significant increase in its gearing levels shall also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies
Parent/Group support	Parent: Bajaj Auto Limited ICRA factors in the strategic importance of BAL to BAL, which is demonstrated in the managerial, operational and funding support from the parent.
Consolidation/Standalone	Standalone

About the company

Bajaj Auto Credit Limited (BAL), a Pune-based non-deposit taking non-banking financial company (NBFC), was incorporated in 2021 and is a wholly-owned subsidiary of Bajaj Auto Limited (BAL). It operates as a captive financier for BAL's two-wheeler (2W) and three-wheeler (3W) vehicles. It received its NBFC licence from the Reserve Bank of India in August 2023 and commenced operations in January 2024.

As on June 30, 2025, BAL's AUM stood at Rs. 12,057 crore, with 2W loans comprising 59% of the portfolio and 3W loans accounting for 41%. The company operates in 31 states and union territories with 42 branches and more than 659 touch points as of June 2025.

Key financial indicators (audited)

Bajaj Auto Credit Limited	FY2024	FY2025	Q1 FY2026
Total income	16.6	1,040.9	602.3
PAT	-23.8	58.3	103
Total managed assets	1,270.7	11,144.1	13,027
Return on average managed assets	-3.7%	0.9%	3.4%
Managed gearing (times)	3.7	3.5	3.6
Gross stage 3 assets	0.0%	0.8%	1.3%
CRAR	20.8%	23.7%	21.6%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Sep 10, 2025	Date	Rating	Date	Rating	Date	Rating
NCD	Long term	2,000.00	[ICRA]AAA (Stable)	-	-	-	-	-	-
Subordinated bonds/debt	Long term	750.00	[ICRA]AAA (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
NCD	Simple
Subordinated bonds/debt	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	NA	NA	NA	2,000.0	[ICRA]AAA (Stable)
Not issued yet	Subordinated bonds/debt	NA	NA	NA	750.0	[ICRA]AAA (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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

Sahil Solanki
+91 124 4545 313
sahil.solanki@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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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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