

February 23, 2026

## Bajaj Finance Ltd.: Provisional [ICRA]AAA(SO) assigned to PTCs backed by new and used passenger vehicle loan receivables issued by PHARAOH FEB 2026 SERIES

### Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
PHARAOH FEB 2026 SERIES	Series A1 PTCs	1,279.10	Provisional [ICRA]AAA(SO); Assigned
<b>Total</b>		<b>1,279.10</b>	

\*Instrument details are provided in Annexure-I

Rating in the absence of pending actions/documents	No ratings would have been assigned as it would not be meaningful
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### Rationale

The pass-through certificates (PTCs) are backed by a pool of new and used passenger vehicle (PV) loan receivables originated by Bajaj Finance Ltd. {BFL/Originator; rated [ICRA]AAA(Stable)} with an aggregate principal outstanding of Rs. 1,453.53 crore (pool receivables of Rs. 1,842.91 crore). BFL would also act as the servicer for the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the Series A1 PTCs principal. The transaction has certain predefined trigger events on the occurrence of which the residual cash flows would be passed on to Series A1 PTC investors.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 1.00% of the initial pool principal, amounting to Rs. 14.54 crore, to be provided by the Originator, (ii) subordination of 12.00% of the initial pool principal for Series A1 PTCs, and (iii) EIS of 15.01% of the initial pool principal for Series A1 PTCs.

### Key rating drivers and their description

#### Credit strengths

**Strong market position and significant lending track record of the Originator**– The Originator (BFL), which would also be servicing the loans in the transaction, has an established track record in the lending business of over three decades with adequate underwriting policies and collection procedures. The company's stable and experienced senior management team has guided it through evolving technological disruptions and macroeconomic challenges.

**Granular pool supported by the presence of credit enhancement** – The pool is granular in nature, with top 10 obligors forming ~1.1% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit

enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**No overdue contracts in the pool** –The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date.

**Strong CIBIL score of the underlying borrowers** – Majority of the borrowers in the pool (~94% of the initial pool principal) have a CIBIL score of more than or equal to 700 which signifies a strong credit history of such borrowers.

### Credit challenges

**High geographical concentration:** The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Uttar Pradesh and Telangana contributing ~39% to the initial pool principal amount. The pool’s performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

**Risks associated with lending business** – The pool’s performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

**Exposed to interest rate risk** – The transaction is exposed to interest rate risk as the underlying pool has fixed rate loans while the yield on the PTCs is floating linked to external benchmark.

### Key rating assumptions

ICRA’s cash flow modelling for the rating of securitisation transactions involves the simulation of potential losses, delinquencies and prepayment in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator’s loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA’s cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 3.00% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

### Liquidity position: Superior

The liquidity for Senior Tranche PTCs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~7 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** –Not Applicable

**Negative factors** –The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (BFL) could also exert pressure on the rating.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Securitisation Transactions</a>
Parent/group Support	Not Applicable

Analytical approach	Comments
Consolidation/standalone	Not Applicable

### Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. KC Chartered Accountant's certificate
6. Any other documents executed for the transaction

### Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

### Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

### About the originator

Bajaj Finance Ltd. (BFL) is a Non-Banking Financial Companies - Systemically Important (NBFC-D-SI) with a diversified loan portfolio and a pan-India presence. While the company was originally set up to provide finance for the purchase of two-wheelers and three-wheelers manufactured by Bajaj Auto, it diversified into other segments over the years. Currently, it operates across seven broad categories – Consumer Lending, Commercial Lending, Rural Lending, SME Lending, Deposits, Payments and Partnerships & Services. Under Partnerships & Services, the company offers products like health insurance, extended warranty, comprehensive asset care, wallets, etc.

BFL has two wholly owned subsidiaries, Bajaj Housing Finance Limited (BHFL) and Bajaj Financial Securities Limited (BFSL). BHFL is registered with National Housing Bank as a housing finance company (HFC) while BFSL was incorporated to undertake the business of share broking and to function as a depository participant.

### Key financial indicators (audited)

BFL	FY2024	FY2025	9M FY2026
<b>Total income</b>	54,983	69,725	60,923
<b>Profit after tax</b>	14,451	16,779	13,779
<b>Total managed assets</b>	3,85,101	4,16,661	4,84,477
<b>Gross stage 3 assets</b>	0.8%	1.0%	1.2%

CRAR	22.5%	21.9%	21.5%
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Source: Company data, ICRA Research; Amount in Rs. crore

### Status of non-cooperation with previous CRA

Not applicable

### Any other information

None

**Rating history for past three years**

	Trust name	Current rating (FY2026)				Chronology of rating history for the past 3 years		
		Instrument	Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
					February 23, 2026			
<b>1</b>	<b>PHARAOH FEB 2026 SERIES</b>	Series A1 PTCs	1,279.10	1,279.10	<b>Provisional [ICRA]AAA(SO)</b>	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Series A1 PTCs	Highly Complex

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

Trust name	Instrument	Date of issuance/ Sanction	Coupon rate (p.a.p.m.) *	Maturity date	Amount rated (Rs. crore)	Current rating
<b>PHARAOH FEB 2026 SERIES</b>	Series A1 PTCs	February 27, 2026	6.08%	August 25, 2033	1,279.10	Provisional [ICRA]AAA(SO)

Source: Company; \* Floating yield linked to external benchmark + Spread

## Annexure II: List of entities considered for consolidated analysis

Not applicable

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

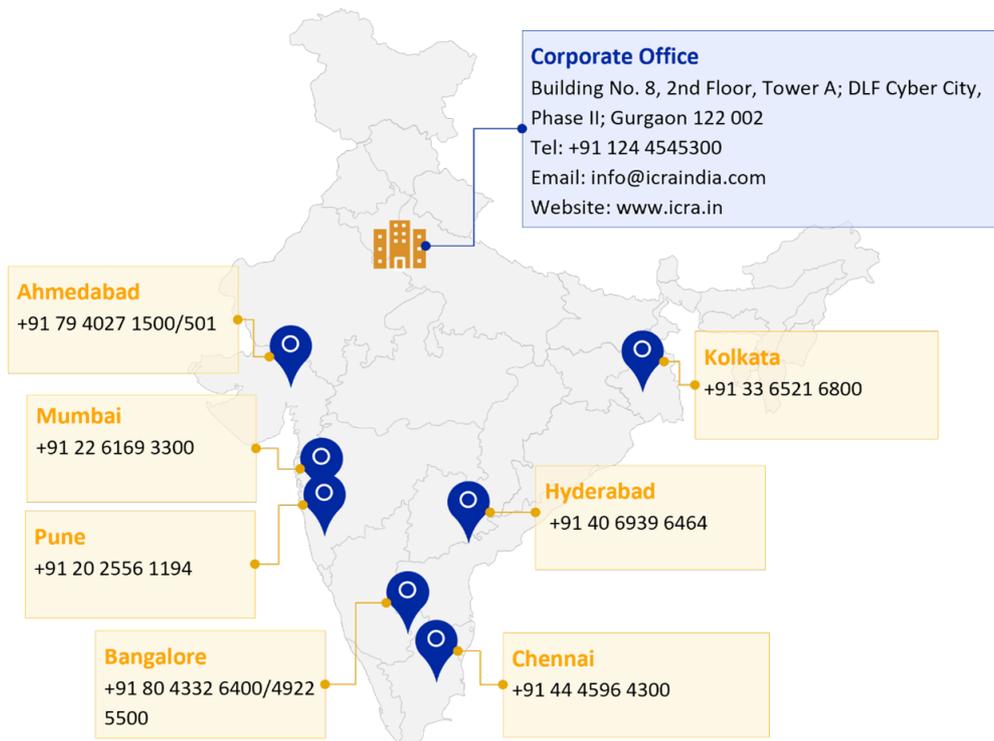


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