

Bajaj Finance Limited

Instrument	Amount	Rating
Non Convertible Debenture Programme	Rs. 8000 crore	[ICRA]AA+(stable) reaffirmed
Subordinated Debt Programme	Rs 1700 crore	[ICRA]AA+(stable) reaffirmed
Short Term Debt Programme	Rs 5500 crore	[ICRA]A1+ reaffirmed
Fixed Deposits Programme		MAAA(stable) reaffirmed

ICRA has reaffirmed the ratings of [ICRA]AA+(stable) (pronounced ICRA double A plus with a stable outlook on the Rs 8000 crore Non Convertible Debenture programme and Rs 1700 crore Subordinated Debt programme of Bajaj Finance Limited. ICRA has also reaffirmed the rating of MAAA(stable) pronounced M triple A with a stable outlook) on the Fixed Deposits programme and [ICRA]A1+ (pronounced ICRA A one plus) on the Rs 5500 crore Short Term Debt programme of the company.

The reaffirmation in ratings factors in BFL's track record to grow business (37% CAGR FY12-9MFY16 through expansion in product lines and geographical reach). Its profitable operations, its experienced management team, good systems and processes, good capitalization as well as strong ability to get fresh equity lead to very low credit profile despite its riskier borrower profile. Strong financial flexibility and comfortable liquidity profile also add to the strong credit profile of BFL.

The ratings continue to factor in strategic fit and the importance of BFL for Bajaj Finserv Limited and the ultimate holding company Bajaj Holdings and Investments Limited (BHIL) given that BFL is the Bajaj Group's only entity in the strategic consumer financing space and also supports the sales volumes of Bajaj Auto Limited (BAL). Owing to the strong group support, strategic importance of BFL, support should be forthcoming for the entity going forward as well.

The rating is constrained on account of in relatively high share of portfolio in relatively riskier segments (27% of the portfolio was in unsecured asset classes (personal loans, business loans), 16% in difficult to repossess asset classes like consumer durables and 8% in two/three wheeler loans (where the borrower profile is relatively riskier). Further, within the secured asset classes of home loans and Loans against property, the share of self employed segment is relatively high where the company relies on in-house expertise for assessing the debt repayment capacity of the borrowers. Although LTV on the portfolio is low, reducing the eventual losses, debt coverage indicators of such borrowers may have limited cushion to withstand income shocks.

BFLs capitalisation profile is good (Net Worth /Managed Advances (16.71% as on December 31, 2015) has been supported by good internal capital generation(ROE of 21.3% in 9MFY16) and regular external capital infusions. (Rs 1400 crore raised through qualified institutional placement in FY16 and 102 Crores received against share warrants from BFS. Further 306 Crores to be infused by BFS by December 2016). The rating also factors in BFLs dependence on wholesale funding sources (retail deposits accounted for 6% of overall borrowings as on December 31, 2015) and lack of diversity in earnings, however, ICRA has noted BFLs efforts to diversify its earning mix through distribution of third party products, wealth management products, EMI Cards, insurance income, etc. Hence, the share of fee based income is likely to increase going forward. Overall, ICRA expects the company to continue to profitably grow the business in line with its plan and the company's ability to keep a control on asset quality, and maintain prudent capitalization levels would be the key rating sensitivities.

As for liquidity, owing to its financial flexibility and a good capital structure, BFL enjoys a well matched asset liability maturity profile and therefore a comfortable liquidity position. BFL earns a blended yield of around 19% on its portfolio; the portfolio yield has declined over the years, owing to rising share of relatively safer, hence lower yielding products like home loans and LAP in its overall portfolio. With the cost of funds around 9.5%, the company earned interest spreads of around 8% in 9mFY16 leading to ROE of 20.3% in FY15. Going forward as well, ICRA expects BFLs profitability indicators (ROA) to remain at around 3% in the medium term provided the company is able to keep its credit costs under control. Further, though the reported Gross NPA% for BFL may increase as the company moves



towards 90 day recognition norms till March 2018, as per the change in RBI guidelines, its credit provisions and profitability indicators are likely to remain stable since the company already has been providing in line with the revised guidelines since FY13.

Company Profile

Bajaj Finance Limited

Bajaj Finance Limited is a Non Banking Finance Company and a subsidiary of Bajaj Finserv Limited with a total managed portfolio of Rs 43452 crore as on December 31, 2015. As for the portfolio mix of Bajaj Finance Limited, 35% of the portfolio as on December 31, 2015 was towards home loans and loans against property, 8% in two and three wheeler manufactured by Group Company Bajaj Auto Limited (BAL), 16% in consumer durables and Lifestyle finance, followed by personal loans (15%), loan against shares (5%), small business loans (12%), rural finance (3%), construction equipment (1%), vendor financing. (3%), financial institutions Lending and structured finance (1%). BFL reported a Profit after Tax (PAT) of Rs. 897.87 crore on an asset base of Rs 32811.20 crore vis-à-vis PAT of Rs 719 crore on an asset base of Rs 24618 crore in 2013-14. The company reported Gross NPA% of 1.29% as on December 31, 2015 (1.50 % as on March 31, 2015).

Bajaj Finserv Limited

Bajaj Finserv Limited is the holding company for the financial services business of the Bajaj group, which has investments in Bajaj Finance Limited, an NBFC that extends consumer finance loans, business loans and mortgage loans, in the insurance joint venture companies Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz General Insurance Limited and in Bajaj Financial Solutions Limited, which is engaged in wealth management and advisory services. Bajaj Finserv held 57.53% stake in BFL as on December 31, 2015.

February 2016

For further details please contact:

Analyst Contacts:

Ms. Vibha Batra, (Tel. No. +91-124-4545 302)
vibha@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

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. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**Mobile: **9871221122**Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**Mobile: **9821086490**Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**Mobile: **989986490**Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**Mobile: **989986490**Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500