

17 October 2024

THE MANAGER, BSE LIMITED DCS - CRD PHIROZE JEEJEEBHOY TOWERS DALAL STREET, MUMBAI - 400 001	THE MANAGER, LISTING DEPARTMENT NATIONAL STOCK EXCHANGE OF INDIA LTD. EXCHANGE PLAZA, C-1. BLOCK G, BANDRA - KURLA COMPLEX, BANDRA (EAST) MUMBAI - 400 051
SCRIP CODE: 500034	SCRIP CODE: BAJFINANCE - EQ

Dear Sir/Madam,

Sub.: Intimation under Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations')

Pursuant to Regulation 30 read with Para A(3) of Part A of Schedule III of the SEBI Listing Regulations, we wish to inform that Moody's Ratings vide their press release dated 17 October 2024, has assigned a first-time Baa3(Stable outlook)/P-3 long-term and short-term foreign and local currency issuer ratings to the Company.

The press release issued by Moody's Rating dated 17 October 2024 is enclosed.

Thanking you,
For **Bajaj Finance Limited**

R. Vijay
Company Secretary
Email ID: investor.service@bajajfinserv.in
Cc: Catalyst Trustee Ltd. (Debenture Trustee, Pune)
Encl.: As above

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MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns first-time Baa3 long-term issuer ratings to Bajaj Finance Limited; outlook stable

17 Oct 2024

Singapore, October 17, 2024 -- Moody's Ratings (Moody's) has assigned a first-time Baa3/P-3 long-term and short-term foreign and local currency issuer ratings to Bajaj Finance Limited (BFL). The outlook is stable.

RATINGS RATIONALE

BFL's ratings consider its strong and entrenched franchise as the largest retail-oriented non-bank finance company (NBFC) in India with a sizable customer base and distribution network; its diversified loan book, which supports its high risk-adjusted profitability; its capitalization; and its competitive funding costs. These strengths are counterbalanced by the company's focus on riskier unsecured consumer and small business loans, which are susceptible to higher credit costs during economic duress, and its reliance on wholesale funding.

BFL will likely continue gaining market share and further augmenting its already-sizable franchise with consolidated assets under management of INR3.5 trillion (US\$42 billion) as of June 2024.

We expect the company to maintain its two-pronged strategy of having a mix of secured lending – which includes mortgages, commercial lending, lease rental discounting, loans against property, loans against securities, gold and vehicle loans – and unsecured lending such as loans for purchase of consumer durables, personal loans and unsecured small business loans (which comprise around 40% of its total loans).

BFL's strong loan diversification gives it flexibility to calibrate loan growth depending on the prevailing asset quality trends in the respective segments. The diversification also helps in asset-liability management via a judicious mix of short- and long-term loan assets. It also helps the company balance safer though lower-yielding assets with high-yielding unsecured consumer durable, personal and two/three-wheeler

loans. Apart from product diversification, the company has substantial geographical and customer diversification, with a pan-India branch presence in over 4,000 locations and a network more than 200,000 point of sale distribution sites and a customer franchise of around 88 million individuals as of June 2024.

Although BFL's sizable unsecured lending exposes it to economic shocks, the company has employed various risk management processes to ensure adequate risk-adjusted returns. These include focusing on largely prime customers with good credit bureau scores, focusing on mass affluent customers with above national average income levels, credit-testing customers by introducing small ticket loans and weaning out borrowers with erratic repayment characteristics. Around 60% of its new loans are to existing customers, while its close monitoring of early delinquencies and following them up with a tight collection process have helped the company manage credit costs during difficult economic conditions.

BFL's secured loans have experienced low charge-offs over the years. Its charge-offs as a percentage of total loans have averaged below 2% over the last eight years, with its stage 3 loans (loans that are delinquent for more than 90 days) around 0.8%-2.0% of total loans. These metrics are in line with those of the largest Indian banks and are better than the NBFC sector average.

BFL's capitalization is a key credit strength. Its tangible common equity (TCE) to tangible managed assets (TMA) ratio was strong at 19.9% as of March 2024. Its capital will likely remain broadly stable over the next 12-24 months, underpinned by its mix of healthy internal accruals and external capital raising. BFL's subsidiary Bajaj Housing Finance Limited (BHFL) recently listed publicly through an initial public offering. The proceeds from this transaction and a further stake dilution will provide BFL substantial flexibility to raise new capital.

The company's profitability is high because of its presence in high-yielding segments, competitive borrowing costs and strong economies of scale. It also generates sizable fee income from cross-selling third-party investments and insurance products and co-branded credit cards. Its return on average assets (ROAA) averaged 3.7% over the last eight years, with its ROAA at 4.4% in the fiscal year ended March 2024.

Like its industry peers, BFL relies on wholesale sources for its funding needs to a large extent. The company is one of India's few deposit-taking NBFCs, which offers it added flexibility in its funding options. As of June 2024, its funding mix comprised domestic bonds (35%), bank loans (28%), term deposits (21%) and others. The company's cost of funds is among the lowest compared with all privately owned Indian NBFCs, with its access to a diversified bank, insurance companies, asset managers and other funding sources. Most of the company's interest-bearing liabilities are secured or deposits. In particular, the company has very little unsecured long-term funding, which is riskier than the aforementioned liabilities because it has a higher loss given default. We expect the company to continue maintaining a very low share of unsecured debt in its capital structure.

BFL's funding and liquidity access also benefit from the company being a part of the large and well-known Bajaj Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

The rating incorporates the following ESG considerations as per Moody's General Principles for Assessing Environmental, Social and Governance Risks methodology. BFL faces low environmental and governance risks, as well as moderate social risks.

We have assigned BFL an overall Credit Impact Score (CIS) of CIS-2, indicating that ESG considerations have no material impact on the current ratings. BFL's social Issuer Profile Score (IPS) of S-3 considers its exposure to risks related to its customer relationships, tightening regulatory and compliance standards, and the impact of potential technological disruptions associated with an increasingly digitally active customer base. The company's governance IPS score of G-2 reflects its prudent financial strategy, strong management credibility and risk management framework, which have helped deliver consistent and better-than-peer-average financial performance through credit cycles.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

WHAT COULD MOVE THE RATINGS UP

An upgrade of BFL's ratings is unlikely because they are already in line with India's Baa3 sovereign rating.

WHAT COULD MOVE THE RATINGS DOWN

We could downgrade the rating if the company's asset quality or capitalization deteriorates, such that its TCE/TMA declines below 17% without clear visibility on a capital raising plan, or its access to funding worsens.

The principal methodology used in these ratings was Finance Companies published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425167>.

Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Bajaj Finance Limited is headquartered in Pune and reported consolidated assets of INR3.8 trillion as of March 2024.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1355824.

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