
ICRA assigns LAA+ rating to Bajaj Auto Finance

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Credit rating agency ICRA has reaffirmed the LAA+ rating assigned to the INR 5 billion Non Convertible Debentures program of Bajaj Auto Finance and has removed the rating watch with developing implications. The rating indicates high credit quality and the rated instruments carry low credit risk.

ICRA has also assigned an LAA+ rating to the proposed INR 2 billion Non convertible debenture program of Bajaj Auto Finance. High credit quality ratings factor in the strategic fit and importance of BAFL for Bajaj Finserv and the ultimate holding company Bajaj Holdings and Investments.

ICRA believes, strong support should be forthcoming for the entity, in case need, as BAFL is the only entity for the Bajaj group in the strategic consumer financing space and also as it supports the sales volumes of BAFL's associate company Bajaj Auto.

The rating also factors in BAFL's strong capitalization, comfortable liquidity and management's initiatives maintaining a strict control on asset quality. ICRA has taken note of sharp rise in the gross NPAs of the company and the consequent pressure on profitability.

ICRA has also taken note of BAFL's plans to diversify its portfolio mix going forward. However, ICRA takes comfort from the substantially tightening done by the company in credit originations and collection norms and processes.

ICRA has noticed the improvement in quality of originations in both two wheeler and consumer durable portfolio. The company continues to enjoy support from BAL in the form of subvention income, loss sharing in excess of 3% of losses on financing of all BAL products, liquidity support, sharing of infrastructure and exclusive schemes launched for customers taking finance of BAL products from BAFL.

(Sourced from myiris.com)

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