



GFL/Comp./2024/130

November 23, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai- 400051

Kind Attn: Head – Listing Department / Dept of Corporate Communications

Sub: Intimation of credit rating pursuant to Regulation 51, 56 and other applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

Dear Sir/Madam,

Pursuant to Regulation 51, 56 and other applicable regulations of Listing Regulations read with Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated May 22, 2024, as amended (SEBI Master Circular), we inform herewith that the CARE Ratings Limited has assigned the following ratings to the Godrej Finance Limited (the Company):

Instrument	Rating assigned with outlook
Non – Convertible Debentures	CARE AA+/Stable (Assigned)
Long Term Bank Facility	CARE AA+/Stable (Assigned)

Further, details as required for Non – Convertible Debentures under SEBI Master Circular are as below:

ISIN	Name of the CRA	Credit rating	Outlook	Rating action (new, upgrade, downgrade, reaffirm)	Date of credit rating	Verification status of CRAs (verified/not verified)	Date of verification
Not Applicable*	CARE Ratings Limited	CARE AA+	Stable	Assigned	22-Nov-2024	Not Applicable*	Not Applicable*

**The Rating assigned by CARE Ratings Limited is for future issuances of Non-Convertible Debentures and Long Term Bank Facility, hence these details are not relevant.*



The rating rationale received from CARE Ratings Limited is enclosed herewith.

We request you to take the aforesaid on records.

Thanking you,

Yours faithfully,
For **Godrej Finance Limited**

CHUNNI
NILESH SINGH

Digitally signed by
CHUNNI NILESH SINGH
Date: 2024.11.23
11:01:19 +05'30'

Chunni Singh
Company Secretary & Compliance Officer

Godrej Finance Limited

November 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1,250.00	CARE AA+; Stable	Assigned
Non Convertible Debentures	500.00	CARE AA+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has considered consolidated approach of Godrej Capital Limited (GCL), the holding company of Godrej Finance Limited (GFL) and Godrej Housing Finance Limited (GHFL) for arriving at the rating of bank facilities and non-convertible debenture of GFL.

Ratings assigned to the facilities/instruments of GFL, factors-in the strong parentage of Godrej Industries Limited (GIL), which holds 90.3% stake in GCL (100% holding company of GHFL) as on September 30, 2024. Apart from the shared common brand name, GCL also derives support in terms of management and strategic linkages with GIL. The rating also factors in the expectation of continuous support by the ultimate parent towards its financial services business housed under GCL.

Rating derives comfort from the experienced board and management team, adequate capitalisation levels supported by continuous capital infusion by the parent, ability of GHFL and GFL to raise funds at competitive rates leveraging the group's relations with the lenders and benefits derived from being part of the renowned group.

However, ratings remain constrained considering GCL's moderate profitability (on consolidated basis) led by higher operating expenses due to upfront investment in technology & expansion, relatively moderate scale of operations and limited track record. Even though the asset quality performance remains comfortable due to the limited track record and low seasoning of the portfolio, the performance of asset quality through economic cycles is yet to be established.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in the scale of operations demonstrating an improved competitive positioning in the market.
- Improvement in profitability with return on total assets (ROTA) over 3% (on consolidated basis) and stable asset quality on a sustained basis.
- Improvement in the credit risk profile of the ultimate parent GIL.

Negative factors

- Significant change in the shareholding pattern leading to decline in the promoter support.
- Weakening in the credit risk profile of the ultimate parent GIL.
- Deterioration in the asset quality on a continuous basis with Gross Stage 3 assets (GS3) over 3%.

Analytical approach: Consolidated

CARE Ratings has taken a consolidated view of GCL for assessing GFL's business and financial position. The rating factors in GCL's strong linkages with its parent, GIL, in terms of financial ,management and shared common brand name. The rating also factors in the expectation of continuous support which GCL would receive from GIL. The list of subsidiaries taken for consolidation are given in Annexure 6.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Outlook: Stable

The stable outlook reflects expectation of continued financial and managerial support from its parent, GIL, and benefits from being part of the Godrej group, which shall help GCL to scale up operations. The stable outlook also factors in the maintenance of healthy business and financial parameters of GCL over the medium term.

Detailed description of key rating drivers:**Key strengths****Strong parentage with demonstrated support and integration of group**

Godrej Group forayed in the financial services sector through its subsidiary, GCL, which held 90.3% stake as on September 30, 2024. GCL conducts its business through its subsidiaries, GFL and GHFL. As the flagship company of the Godrej Group, GIL has a promoter stake of 67.69% as on September 30, 2024.

Ratings are supported by strong operational, managerial, and financial linkages of GCL to the Godrej Group, and the shared brand identity. GIL is envisaged to provide capital support to the financial services business, which has been strategically prioritised for growth within the group. Additionally, GIL aims to maintain at least a 51% shareholding, ensuring ongoing control over GCL.

GCL benefits from managerial support within the group, particularly from Pirojsha Godrej, who serves as a non-executive director at GFL and GHFL and holding positions on the boards of group companies. Furthermore, GCL takes advantage of the Godrej ecosystem, which allows it to secure competitive funding rates. The robust brand equity that GFL and GHFL possess as part of the Godrej Group, and positive customer acceptance, bodes well for the company's growth potential.

Experienced management team

GCL's operations are led by Manish Shah, the Managing Director and Chief Executive Officer. With over 22 years of experience in financial services, Shah has worked in sectors including secured and unsecured lending, credit cards, wealth management, and life insurance. He is supported by a professional management team with expertise in credit underwriting, technology, strategy, and other relevant areas.

Leveraging the extensive experience of its board and management, the company has established a robust credit underwriting and risk management framework to ensure the sustained scalability of its business operations.

Adequate capitalisation supported by regular equity infusions from parent

GCL's capitalisation profile stands adequate bolstered by consistent equity infusion from its parent company. Till date, Godrej group has infused ~₹3000 crore in GCL. Of this infusion, ~₹950 crore was infused in FY24, and ₹800 crore was infused in H1FY25. On a consolidated basis, GCL's capital levels remained adequate with tangible net worth (TNW) of ₹2,088 crore as on March 31, 2024 (March 31, 2023: ₹1,095 crore). The capital adequacy ratio (CAR) for GFL and GHFL stood at 24.52% and 27.24%, respectively, as on June 30, 2024, exceeding the regulatory requirement. GCL's gearing stood at 4.08x as on March 31, 2024, against 4.49x as on March 31, 2023.

CARE Ratings envisages gearing (on a consolidated basis) to increase to 6x on a steady state basis, in the medium term. Furthermore, CARE Ratings believes that GCL will continue to receive ongoing support from the group for growth capital and in times of need.

Ability to raise funds at competitive rates

As on March 31, 2024, GCL's resource profile continues to remain moderately diversified with 76% borrowings as term loans from banks, 16% in the form of commercial papers (CPs) and the remaining 8% in the form of non-convertible debentures (NCDs) (PY: 86%, 6%, and 8% respectively). The company's ability to diversify its resource base has been bolstered by its affiliation with the Godrej Group, which provides significant financial flexibility, and demonstrating ability to secure funds at competitive rates and foster strong relationships with lenders. Even though the company has been able to raise funds at favourable borrowing rates compared to its peers, GCL experienced rise in the overall cost of borrowings in FY24 compared to last year, mainly due to rising interest rate scenario. Going forward, GCL's ability to further diversify its resource profile while effectively managing its asset-liability profile, would be a key rating monitorable.

Key weaknesses**Moderate scale of operations and limited seasoning**

GCL was established in September 2019, while GHFL began its business operations in November 2020, followed by GFL in March 2022. Consequently, these entities continue to be in the nascent stages of their business operations. GCL's assets under management (AUM) stood at ₹10,761 crore as on March 31, 2024, against ₹5,253 crore as on March 31, 2023, thus witnessing an increase of 105% on year-over-year (y-o-y) basis. As on June 30, 2024, the AUM further grew to ₹11,913 crore. Total disbursements also saw a significant growth of 101% y-o-y from ₹3,667 crore in FY23 to ₹7,406 crore in FY24. GCL's loan portfolio

remains relatively less seasoned since majority disbursements occurred in the last two years. Given the unseasoned book, as on March 31, 2024, GCL's asset quality, on a combined basis, remains healthy with GS3 and Net Stage 3 assets (NS3) (%) at 0.10% and 0.05%, respectively. However, due to the moderate track record and low seasoning driven by high growth rates, the performance of asset quality over economic cycles is yet to be fully established.

Moderate profitability due to higher operating expenses

Given the nascent stage of GCL's business operations and competitive landscape owing to competition from banks and other prime housing finance companies pressuring the portfolio yields coupled with higher operating expenses, GCL's profitability continues to remain moderate.

On a consolidated basis, in FY24, GCL reported first time profit after tax (PAT) of ₹50 crore on total income of ₹889 crore compared to loss of ₹31 crore on total income of ₹347 crore in FY23. In Q1FY25, the company reported profit after tax of ₹18 crore on total income of ₹315 crore. The ROTA (%) stood moderate at 0.59% in FY24 against -0.75% in FY23. Going forward, the company's ability to scale up the business operations while maintaining asset quality and profitability would be a key rating monitorable.

Liquidity: Strong

GCL's liquidity profile stands comfortable. On a combined basis, GCL has unencumbered liquidity of ₹929 crore as on September 30, 2024, which is in the form of cash, bank balance and investments, which is sufficient for debt repayment obligation for the next two months. Apart from liquidity, GCL also has undrawn bank sanctions of ₹4,050 crore as on September 30, 2024. The company's liquidity is supported by regular equity infusion from the parent and ability to raise funds at competitive rates and good financial flexibility.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

About the company and industry

Godrej Finance Limited (GFL) -

GFL, incorporated as Ensemble Holdings and Finance Limited in 1992, held the NBFC license and was part of the Godrej group. Following a change in shareholding structure in FY22, it was brought under GCL, with GIL being the ultimate holding parent. The company commenced lending operation in March 2022 to non-mortgage loan segments. Presently the lending portfolio includes business loans, loan against property (LAP) and construction finance. As on March 31, 2024, the AUM of ₹4,903 crore comprises of LAP (59%), business loans (25%), construction finance (9%) and others (7%).

Godrej Housing Finance Limited (GHFL) -

Godrej Housing Finance Limited (GHFL) is a housing finance company registered with the National Housing Bank (NHB) and headquartered at Mumbai. The company was incorporated on October 05, 2018, and received Certification of Registration from NHB on October 26, 2020. As on June 30, 2024, the company's AUM stood at ₹ 6269 crore of which 75% constitutes home loan and remaining 25% constitutes LAP. The company mainly has presence in the Maharashtra, Karnataka and Delhi with 91% of AUM as on June 30, 2024. The company's average ticket size on portfolio as on March 31, 2024, for home loan stood at ₹ 68 Lakhs and for LAP stood at ₹ 44 Lakhs.

Godrej Industries Limited (GIL) -

GIL is the holding company for Godrej group entities with shareholding in Godrej Consumer Products Limited (GCPL), Godrej Agrovet Limited and Godrej Properties Limited which are listed on exchanges. It also owns 90.3% stake in unlisted GCL. GIL, one of India's leading manufacturers of oleochemicals, makes more than a hundred chemicals for use in over two dozen industries. The company was called Godrej Soaps until March 31, 2001. Thereafter, the consumer products division was demerged into GCPL, and Godrej Soaps became GIL. The company, a leading producer of fatty acids, fatty alcohols and surfactants, has plants at Valia & Kheda in Gujarat, and at Ambarnath in Maharashtra. Products are exported to 60 countries across the world.

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non-Banking Financial Company (NBFC)

For GCL (Consolidated basis)

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total Income	347	889	315
PAT	-31	50	18
Tangible Total Assets	6,167	10,904	-
Net NPA (%)	0.00	0.05	-
ROTA (%)	-0.75	0.59	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non Convertible Debentures (Proposed)	-	NA	NA	NA	500.00	CARE AA+; Stable
Fund-based/Non-fund-based-Long Term (Proposed)	-	-	-	-	1250.00	CARE AA+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-Long Term	LT	1250.00	CARE AA+; Stable				
2	Debentures-Non Convertible Debentures	LT	500.00	CARE AA+; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable
Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Complex
2	Fund-based/Non-fund-based-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Godrej Capital Ltd.	Full	Parent Subsidiary Linkages
2.	Godrej Housing Finance Ltd.	Full	Parent Subsidiary Linkages
3.	Godrej Finance Ltd.	Full	Parent Subsidiary Linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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