

Ref. No. SE/2025-26/89

August 19, 2025

BSE Limited

Dept. of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code:500180

National Stock Exchange of India Limited

The Listing Department
Exchange Plaza,
Bandra Kurla Complex,
Mumbai – 400 051
Scrip Symbol: HDFCBANK

Dear Sir / Madam,

Sub: Intimation of revision in credit rating pursuant to Regulation 30 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 S&P Global Ratings has upgraded the Bank's (issuer) credit rating and outlook to BBB/Stable/A-2 from BBB-/Positive/A-3, subsequent to the upward revision in the sovereign credit rating on India to 'BBB/Stable/A-2' from 'BBB-/Positive/A-3'.

Further, the Bank's standalone credit profile (SACP) has been maintained at “a-”. The said report is annexed herewith for your information and reference.

This is for your information and appropriate dissemination.

Thanking you,

Yours faithfully,

For **HDFC Bank Limited**

Ajay Agarwal
Company Secretary
Group Head – Secretarial & Group Oversight

Ten Indian Financial Institutions Upgraded Following Sovereign Action; Outlooks Stable

August 14, 2025

- We expect India's sound economic fundamentals to underpin growth momentum over the next two to three years. In addition, monetary policy settings have become increasingly conducive to managing inflationary expectations. We therefore upgraded India to 'BBB/Stable/A-2' from 'BBB-/Positive/A-3'.
- India's financial institutions will continue to ride the country's good economic growth momentum. These entities will benefit from their domestic focus and structural improvements in the system such as in the recovery of bad loans.
- We expect India's banks to maintain adequate asset quality, good profitability, and enhanced capitalization over the next 12-24 months. This is despite some pockets of stress.
- We raised our long-term issuer credit ratings on seven Indian banks and three finance companies. We have also revised upward our assessment of the stand-alone credit profiles (SACP) of seven of these entities.

SINGAPORE (S&P Global Ratings) Aug 14, 2025--S&P Global Ratings today upgraded 10 Indian financial institutions (see list below). This follows a similar action on the sovereign credit rating on India (BBB/Stable/A-2). We have also raised the issue and program ratings on these entities by one notch.

Upgrades of Indian financial institutions

	To	From
Banks		
HDFC Bank Ltd.	BBB/Stable/A-2	BBB-/Positive/A-3
ICICI Bank Ltd.*	BBB/Stable/A-2	BBB-/Positive/A-3
State Bank of India	BBB/Stable/A-2	BBB-/Positive/A-3
Axis Bank Ltd.	BBB/Stable/A-2	BBB-/Positive/A-3
Kotak Mahindra Bank	BBB/Stable/A-2	BBB-/Positive/A-3
Union Bank of India	BBB/Stable/A-2	BBB-/Positive/A-3
Indian Bank	BBB/Stable/A-2	BBB-/Positive/A-3
Finance companies		
Bajaj Finance Ltd.	BBB/Stable/A-2	BBB-/Positive/A-3
Tata Capital Ltd.	BBB/Stable/A-2	BBB-/Positive/A-3

Primary Contacts

Nikita Anand

Singapore
65-6216-1050
nikita.anand
@spglobal.com

Deepali V Seth Chhabria

Mumbai
912261373187
deepali.seth
@spglobal.com

Shinoy Varghese

Singapore
65-6597-6247
shinoy.varghese1
@spglobal.com

Aurick Soh

Singapore
65-6216-1134
aurick.soh
@spglobal.com

See complete contact list at end of article.

Upgrades of Indian financial institutions

	To	From
L&T Finance Ltd.	BBB/Stable/A-2	BBB-/Positive/A-3

*Foreign currency rating only.

We revised upward our assessment of the stand-alone credit profiles of State Bank of India, Axis Bank Ltd., Kotak Mahindra Bank, Union Bank of India, Indian Bank, Tata Capital Ltd., and L&T Finance Ltd. by one notch each due to likely improvement in their risk adjusted capital (RAC) ratios. The gains will be driven by fresh capital raising or benefits from lower risk weights due to a reduction in economic risk and the sovereign upgrade.

The ratings on many Indian financial institutions are capped by our sovereign rating on [India](#). This is due to the direct and indirect influence that the sovereign has on financial institutions operating in the country.

In our view, some of the factors benefiting the sovereign's creditworthiness will have a positive effect on operating conditions for financial institutions in India. In particular, infrastructure spending will likely pave the way for robust economic growth, which will support banks' asset quality (see "[India Upgraded To 'BBB' On Economic Resilience And Sustained Fiscal Consolidation; Outlook Stable](#)," published Aug. 14, 2025).

The insolvency and bankruptcy code (IBC) has improved the payment culture and rule of law in India. The code, introduced in 2016, has tilted the balance in favor of the creditors. It has also promoted a credit culture that encourages restructuring of going-concern entities. The IBC has reduced the average resolution time for bad loans to less than two years now, according to official data, from six to eight years earlier. Recovery values have also improved to more than 30%, from 15%-20% under the previous bankruptcy regime.

As such, we believe credit risk in the system has reduced. Accordingly, we have revised upward our economic risk assessment for the Indian banking system to '5' from '6'. Our Banking Industry Country Risk Assessment (BICRA) for [India](#) remains unchanged at group '5'. And the economic and industry risk trend remains stable.

The asset quality of Indian banks will remain healthy. This reflects structural improvements in operating conditions and good economic prospects. Credit losses could inch up to 0.8%-0.9% over the next 12-24 months from decade-low levels of 0.6% in fiscal 2025 (ended March 31, 2025). However, they will compare favorably with long-term average credit costs of 1.5%. Pockets of stress have emerged in some asset classes, namely small-ticket unsecured personal loans, credit cards, commercial vehicle financing, and microfinance loans. These segments have grown rapidly over the past few years and have contributed to incremental growth in nonperforming loans.

We believe underwriting standards for secured retail loans are healthy in the Indian banking system, and delinquencies will remain manageable. Tightening regulations and stricter guardrails in microfinance should also contain asset-quality strains.

India's sound growth prospects and falling interest rates will also support banks' asset quality. We project the banking sector's weak loans (including standard restructured advances) will remain at 3.0%-3.1% of gross loans at the end of March 2026, in line with the decade low of 3.0% as of March 31, 2025.

The rise in credit costs and a possible dip in margins could drive down the return on average assets (RoAA) of Indian banks to 1.2%-1.3% in fiscal 2026, comparable to that of global peers.

Risk-adjusted capitalization will stay strong. This will be supported by good profitability, capital-raising plans of some state-owned banks and financial institutions, and a likely moderation in loan growth. S&P Global Ratings' RAC ratio for the banking sector will also benefit from lower risk weights due to a reduction in economic risk and the upgrade of the sovereign.

Rating Actions On Individual Entities

HDFC Bank Ltd.

(Primary Credit Analyst: Shinoy Varghese)

Our upgrade of HDFC Bank follows a similar rating action on India. We maintained our assessment of the bank's SACP at 'a-'.

We expect our RAC ratio for HDFC Bank to be 13.5%-14.5% over the next two years, benefiting from lower risk weights because risks are recalibrated to reflect India's improved economic environment and the upgrade of the sovereign. We expect the bank's capitalization to also improve thanks to proceeds from the IPO of subsidiary HDB Financial Services Ltd. (HDB) for Indian rupee (INR) 125 billion in fiscal 2026.

The sovereign rating continues to cap the rating on HDFC Bank because we do not rate Indian banks above the sovereign. This is due to the direct and indirect influence the sovereign has on banks operating in India.

Outlook

The stable rating outlook on HDFC Bank reflects that on the sovereign. We expect HDFC Bank to maintain its solid market position, strong capitalization, and low credit costs over the next two years.

The outlook also reflects our view that HDFC Bank's strong management and governance structure will continue to underpin its above-average financial performance over the next two years.

Downside scenario

A downgrade of HDFC Bank is unlikely over the next two years.

We could lower the ratings on the bank if we downgrade India or if we revise downward the SACP by three notches, both of which are unlikely in the next two years.

We could lower the SACP on HDFC Bank if we were to no longer regard its risk management practices and underwriting standards as superior to those of its peers.

Upside scenario

We could upgrade HDFC Bank if we raise our sovereign ratings on India.

Ratings Score Snapshot

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	a-	a-
Anchor	bbb-	bbb-

Ratings Score Snapshot

	To	From
Business position	Strong (1)	Strong (1)
Capital and earnings	Strong (1)	Strong (1)
Risk position	Strong (1)	Strong (1)
Funding and liquidity	Adequate and Strong (0)	Adequate and Strong (0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-2	-3

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

ICICI Bank Ltd.

(Primary analyst: Aurick Soh)

Our upgrade of ICICI Bank follows a similar rating action on India. We continue to assess the bank's SACP at 'a-'.

We estimate the bank's RAC ratio will be 12.5%-13% over the next 24 months. The ratio will benefit from lower risk weights because we have recalibrated them to reflect India's improved economic environment and the upgrade of the sovereign.

The rating on ICICI Bank is capped by the sovereign rating and will therefore move in tandem with that on the sovereign. We do not rate Indian banks above the sovereign due to the direct and indirect influence the sovereign has on banks operating in the country.

Outlook

The stable rating outlook on ICICI Bank reflects that on the sovereign.

We expect ICICI to maintain its strong position in the Indian banking sector. The bank's asset quality is likely to remain better than the Indian sector average, and comparable to that of similarly rated international peers.

In our view, ICICI will maintain good capitalization over the next two years, on the back of healthy earnings. The bank will also likely maintain its solid funding and liquidity profile over the period.

Downside scenario

A downgrade of ICICI is unlikely, in our view.

We could lower the ratings on the bank if we downgrade India or if we revise downward the SACP by three notches, both of which are unlikely in the next 24 months.

We may revise downward our assessment of ICICI's SACP if the bank's asset quality deteriorates. This could happen if above-average credit growth results in a buildup of credit risk.

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Upside scenario

We could upgrade ICICI if we raise our sovereign ratings on India.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB- /Positive/A-3
SACP	a-	a-
Anchor	bbb-	bbb-
Business position	Strong (1)	Strong (1)
Capital and earnings	Strong (1)	Strong (1)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Strong and Strong (1)	Strong and Strong (1)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-2	-3

State Bank of India

(Primary analyst: Aurick Soh)

Our upgrade of SBI follows a similar rating action on India.

At the same time, we revised upward our assessment of the bank's SACP to 'bbb+' from 'bbb' to reflect its improving capitalization. SBI's capital infusion of INR250 billion in July 2025 will bolster its capital. SBI's risk-adjusted capital will also benefit from lower risk weights because risks are recalibrated to reflect India's improved economic environment and the upgrade of the sovereign. The bank's RAC ratio should therefore improve to 7.0%-7.5% over the next 24 months, from 5.9% as of March 31, 2024.

We forecast SBI's return on assets will stay at 0.9%-1.0% over next two years, supported by the bank's contained credit costs amid a benign credit cycle in India.

We see a very high likelihood that the government would provide the bank with timely and sufficient extraordinary support in the event of financial distress.

The rating on SBI remains capped by the sovereign rating because we do not rate Indian banks above the sovereign. This is due to the direct and indirect influence the sovereign has on banks operating in the country.

Outlook

The stable rating outlook on SBI reflects that on the sovereign. We expect the bank to maintain its market leadership in India's banking sector over the next two years. SBI's funding and liquidity will stay strong, supported by high customer confidence.

Ten Indian Financial Institutions Upgraded Following Sovereign Action; Outlooks Stable

In our view, the bank's asset quality will remain better than the Indian sector average and comparable to that of similar rated international peers. SBI's capitalization is adequate, though slightly weaker than that of private sector banks in India. Our ratings on SBI continue to factor in a very high likelihood of government support for the bank.

Downside scenario

A downgrade of SBI is unlikely over the next two years, in our view.

Our assessment of the bank's SACP will need to weaken by three notches for that to happen. The SACP could come under pressure if SBI is unable to sustain improved capitalization levels, such that we expect the RAC ratio to dip below 7% on a sustainable basis.

Upside scenario

We could upgrade SBI if we raise our sovereign ratings on India.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB- /Positive/A-3
SACP	bbb+	bbb
Anchor	bbb-	bbb-
Business position	Strong (1)	Strong (1)
Capital and earnings	Adequate (0)	Moderate (-1)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Strong and Strong (1)	Strong and Strong (1)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-1	-1

Axis Bank Ltd.

(Primary analyst: Aurick Soh)

Our upgrade of Axis Bank follows a similar rating action on India.

At the same time, we revised upward our assessment of Axis Bank's SACP to 'bbb+' from 'bbb'. This reflects the bank's strengthened risk-adjusted capitalization, partly due India's improved economic environment and the resultant lower risk weights for the bank's exposures. We forecast Axis Bank's RAC ratio will stay above 10% (commensurate with a strong assessment) over the next 24 months. This is despite our forecast that the bank's return on assets will decline moderately to 1.4%-1.5% over next two years, driven by lower margins and elevated credit costs.

The rating on Axis bank is capped by the sovereign rating and will therefore move in tandem with that on the sovereign. We do not rate Indian banks above the sovereign due to the direct and indirect influence the sovereign has on banks operating in the country.

Outlook

The stable rating outlook on Axis Bank reflects our view that the bank will maintain its strong market position in India's banking sector over the next two years. Axis Bank's asset quality should stay comparable to that of similarly-rated international peers. In our view, the bank's solid earnings over the next two years will support its capitalization.

Downside scenario

A downgrade of Axis Bank is unlikely over the next two years, in our view. Our assessment of the bank's SACP will need to weaken by two notches for that to happen.

We could lower our assessment of the SACP by a notch if Axis Bank is unable to sustain a RAC ratio above 10%. This could happen if Axis Bank's loan growth accelerates, credit costs are materially higher, or margins significantly contract, hitting internal capital generation.

Upside scenario

We could upgrade Axis Bank if we raise our sovereign rating on India.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb+	bbb
Anchor	bbb-	bbb-
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Strong (+1)	Adequate (0)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-1	-1

Kotak Mahindra Bank

(Primary analyst: Aurick Soh)

Our upgrade of Kotak Mahindra Bank follows a similar rating action on India.

At the same time, we revised upward our assessment of Kotak Mahindra Bank's SACP to 'bbb+' from 'bbb'. This reflects the bank's strengthened risk-adjusted capitalization, partly due to India's improved economic environment, the sovereign upgrade and the resultant lower risk weights for the bank's exposures. We expect Kotak Mahindra Bank's RAC ratio to sustain above 15% (commensurate with a very strong assessment) over the next 24 months. We forecast the bank's return on assets will decline moderately to 2.3%-2.4% over next two years, driven by lower margins and elevated credit costs.

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The rating on Kotak Mahindra Bank is capped by the sovereign credit rating on India because we do not rate Indian banks above the sovereign. This is due to the direct and indirect influence that the sovereign has on banks operating in the country.

Outlook

The stable rating outlook on Kotak Mahindra Bank reflects our view that the bank's capitalization will stay very strong over the next two years. We believe Kotak Mahindra Bank's good risk management and deposit stability will support its credit profile.

Downside scenario

A downgrade of Kotak Mahindra Bank is unlikely over the next 12-24 months, in our view. Our assessment of the bank's SACP will need to weaken by two notches for that to happen.

We could lower our assessment of the SACP by a notch if Kotak Mahindra Bank makes strategic mis-steps, such that the bank's asset quality or funding profile deteriorates materially for a sustained period.

Upside scenario

We could upgrade Kotak Mahindra Bank if we raise our sovereign ratings on India.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb+	bbb
Anchor	bbb-	bbb-
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Very Strong (+2)	Strong (+1)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Adequate and adequate (0)	Adequate and adequate (0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	-1	-1

Union Bank of India

(Primary analyst: Aurick Soh)

Our upgrade of Union Bank of India (UBI) follows a similar rating action on India. We see a very high likelihood that the government would provide the bank with timely and sufficient extraordinary support in the event of financial distress.

At the same time, we revised upward our assessment of UBI's SACP to 'bbb-' from 'bb+' to reflect our view that the bank will be able to maintain its strengthened capital levels over the next 24 months. UBI's capitalization has increased due to lower risk weights reflecting India's improved

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economic conditions. We expect UBI to maintain its RAC ratio at 8%-9% over the next 24 months, compared with 8.8% as of March 31, 2025 (calibrated from economic risk of '5' and sovereign ratings of 'BBB').

We have not factored any capital infusion in our assumptions. UBI's capital will get a boost if the bank goes ahead with its equity raising plan of INR30 billion. However, we still expect capitalization to remain in the adequate category.

We believe UBI's adequate earnings and average dividend payout ratio of about 25% should be sufficient to sustain loan growth of 9%-12%. As such, we have revised our capital and earnings assessment for the bank to adequate from moderate.

Outlook

The stable rating outlook on UBI reflects our view that the bank will sustain its improved capital position over the next 24 months, and the likelihood of government support for the bank will remain very high.

Downside scenario

We could lower the ratings if we downgrade India or if we revise downward UBI's SACP.

The SACP could weaken by a notch if UBI's funding profile deteriorates. This could be indicated by a lower deposit market share, a sustained drop in low-cost deposits, or a sustained increase in the loan-to-deposit ratio. We could also revise the bank's SACP downward if UBI's risk management and asset quality weaken materially.

Upside scenario

We could upgrade UBI if we raise the sovereign ratings on India and revise the bank's SACP upward. We view this scenario as unlikely over the next 24 months.

The bank's SACP could rise by a notch if its asset quality improves to a level similar to that of larger Indian banks.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb-	bb+
Anchor	bbb-	bbb-
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Adequate (0)	Moderate (-1)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Strong and Strong (+1)	Strong and Strong (+1)
Comparable ratings analysis	0	0
Support	+1	+1
ALAC support	0	0
GRE support	+1	+1
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

Indian Bank

(Primary analyst: Aurick Soh)

Our upgrade of Indian Bank follows a similar rating action on India. We see a very high likelihood that the government would provide the bank with timely and sufficient extraordinary support in the event of financial distress.

At the same time, we revised upward our assessment of Indian Bank's SACP to 'bbb-' from 'bb+' to reflect our view that the bank will be able to sustain improvement in its capital buffers over the next two years. We expect Indian Bank to maintain its RAC ratio sustainably at 9.0%-9.5% over the next two years, compared with 7.9% as on March 31, 2025. This is due in part to lower risk weights because we have recalibrated risks to reflect India's improved economic environment and the upgrade of the sovereign.

We have not factored any capital infusion into our assumptions. Indian Bank will further strengthen its capital if it goes ahead with a plan to raise INR50 billion in equity. However, we expect the bank's RAC ratio to remain below 10.0%. Accordingly, we have revised our capital and earnings assessment for the bank to adequate from moderate.

Outlook

The stable rating outlook reflects our view that Indian Bank will sustain its improved capital position, as well as our expectation that the likelihood of government support for the bank will remain very high over the next two years.

In our view, Indian Bank will maintain solid funding and liquidity over the next two years, supported by high customer confidence.

Downside scenario

We could downgrade Indian Bank if we lower the sovereign ratings on India or if we revise downward the SACP on the bank. We could lower the SACP by a notch if the bank's risk management and asset quality weaken materially. This could happen, for example, due to strategic missteps.

Upside scenario

We could upgrade Indian Bank if we raise our sovereign ratings on India and our assessment of the bank's SACP improves. We view this scenario as unlikely over the next 24 months.

We could raise the SACP by a notch if the bank's RAC ratio rises above 10% sustainably or its asset quality improves to a level similar to those of larger Indian banks.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb-	bb+
Anchor	bbb-	bbb-
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Adequate (0)	Moderate (-1)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Strong and Strong (+1)	Strong and Strong (+1)

Rating Component Scores

	To	From
Comparable ratings analysis	0	0
Support	+1	+1
ALAC support	0	0
GRE support	+1	+1
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

Bajaj Finance Ltd.

(Primary analyst: Shinoy Varghese)

Our upgrade of Bajaj Finance follows a similar rating action on the India sovereign. Our assessment of the finance company's SACP remains unchanged at 'bbb'.

Bajaj Finance's creditworthiness benefits from the company's strong market position in the financing of consumer durables and two- and three-wheelers, and its adequate liquidity.

We expect Bajaj Finance to sustain its RAC ratio above 15%, in line with a very strong capital and earnings assessment over the next 12-24 months. The ratio was 18.9% as of March 31, 2025, benefiting from lower risk weights because risks are recalibrated to reflect India's improved economic environment and the upgrade of the sovereign. We also expect the ratio to benefit from the company's good profitability and low dividend payout amid some pressure from the company's likely above-average loan growth.

Bajaj Finance's capital and risk position together will remain a credit strength, in our opinion. We view the company's underwriting standards as satisfactory. Its target segment of largely mass-affluent borrowers (other than in the auto-finance business or in recent new ventures) is also better than domestic peers'.

That said, Bajaj Finance's concentration in the inherently higher-risk unsecured consumer lending leads to structurally higher credit costs. We expect the company's credit costs to remain at about 2%, over the next 12-24 months, higher than that of its rated peers.

Outlook

The stable rating outlook reflects our view that Bajaj Finance will maintain its strong market position and healthy capital position over the next two years. We also expect the company's liquidity and funding profile to remain adequate over the period.

Bajaj Finance's creditworthiness is somewhat insulated from any stress in other companies of the parent group, in our view. That's because the company is prudentially regulated and listed, restricting its ability to directly support other members of the group in the case of an extraordinary event. Moreover, Bajaj Finance is financially and operationally independent from other group companies.

Downside scenario

A downgrade of Bajaj Finance is unlikely over the next 12-24 months, in our view.

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Upside scenario

An upgrade of Bajaj Finance is contingent on an improvement in the company's financial profile as well as the sovereign credit ratings on India. We view this scenario as unlikely over the next 12-24 months.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb	bbb
Anchor	bb+	bb+
Business position	Strong(+1)	Strong(+1)
Capital and earnings	Very Strong (+2)	Strong (+1)
Risk position	Moderate (-1)	Adequate (0)
Funding and liquidity	Adequate and Adequate(0)	Adequate and Adequate(0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	-1

Tata Capital Ltd.

(Primary analyst: Shinoy Varghese)

The raising of our ratings on Tata Capital follows a similar rating action on India. At the same time, we revised upward our assessment of Tata Capital's SACP to 'bbb-' from 'bb+' to reflect our view that the company will be able to sustain its strengthened capital levels over the next 12-24 months.

We expect Tata Capital to maintain its RAC sustainably in the strong category (10%-15%) over the next 12-24 months, compared with 12.1% as of March 31, 2025, benefiting from lower risk weights because risks are recalibrated to reflect India's improved economic environment and the upgrade of the sovereign.

Additionally, the capital levels should also benefit from the INR17.5 billion rights issue in July and an upcoming IPO. We believe Tata's strengthened capital will be sufficient to sustain its high loan growth of 23%-25% over the next two years. As such we have revised our capital and earnings assessment for the company to strong from adequate.

Outlook

The stable outlook on Tata Capital reflects our view that the company will continue to benefit from being part of the Tata group. Tata Capital's linkages with a strong brand should help the company to solidify its market position while maintaining a good capital position and average asset quality over the next two years.

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We expect Tata Capital's RAC ratio to remain sustainably above 10% over the next 24 months, benefiting from the upcoming IPO.

Downside scenario

For us to downgrade Tata Capital, we would need to lower the SACP by three notches, which we view as unlikely in next 12-24 months. Pressure on the SACP could emerge if the company's asset quality deteriorates materially; for instance, if the credit cost were to exceed 1.5% on a sustained basis.

Upside scenario

An upgrade of Tata Capital would require an improvement in wider group's credit worthiness as well as the sovereign credit ratings on India, which we view as unlikely in the next 12-24 months.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb-	bb+
Anchor	bb+	bb+
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Strong (+1)	Adequate (0)
Risk position	Adequate (0)	Adequate (0)
Funding and liquidity	Adequate & Adequate (0)	Adequate & Adequate (0)
Comparable ratings analysis	0	0
Support	+1	+1
ALAC support	0	0
GRE support	0	0
Group support	Strategically important (+1)	Strategically important (+1)
Sovereign support	0	0
Additional factors	0	0

L&T Finance Ltd.

(Primary analyst: Sue Ong)

Our upgrade on L&T Finance follows a similar rating action on the India sovereign rating.

At the same time, we revised upwards our assessment of L&T Finance's SACP to 'bbb-' from 'bb+' to reflect our view that the company will maintain its strengthened capital levels over the next 12-24 months. We estimate L&T Finance's RAC ratio will be 15%-20% over the next two years, benefiting from the improving economic conditions in India. Its RAC ratio was 19.7% as of March 31, 2025.

We expect L&T Finance's risk profile to improve as the company shifts toward more diversified retail lending. Economic growth should also help reduce legacy wholesale and security receipt exposures. Credit costs, while improving, will likely remain on the higher side compared with those of some rated peers, given the company's focus on loans to more vulnerable borrowers.

Outlook

The stable rating outlook reflects our expectation that L&T Finance will continue to benefit from being part of the Larsen & Toubro group. The company's linkages with the strong Larsen & Toubro brand should help solidify its market position, and access preferential funding sources while maintaining a good capital position over the next two years.

Downside scenario

We could downgrade L&T Finance if its relationship with Larsen & Toubro group weakens substantially.

Upside scenario

We consider an upgrade to be less likely over the next few years because it would require an upgrade of parent Larsen & Toubro and raising our sovereign credit ratings on India.

Rating Component Scores

	To	From
Issuer credit rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb-	bb+
Anchor	bb+	bb+
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Very Strong (+2)	Strong (+1)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	0	0
Support	+1	+2
ALAC support	0	0
GRE support	0	0
Group support	Strategically important (+1)	Strategically important (+2)
Sovereign support	0	0
Additional factors	0	-1

BICRA Snapshot

	To	From
BICRA group	5	5
Economic risk	5	6
Economic resilience	4	4
Economic imbalances	2	2
Credit risk in the economy	4	5
Trend	Stable	Stable
Industry risk	5	5
Institutional framework	4	4
Competitive dynamics	4	4
Systemwide funding	2	2

BICRA Snapshot

	To	From
Trend	Stable	Stable

Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores are on a scale from 1 (lowest risk) to 10 (highest risk). For more details on our BICRA scores on banking industries across the globe, please see "Banking Industry Country Risk Assessment Update," published monthly on RatingsDirect.

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [India Upgraded To 'BBB' On Economic Resilience And Sustained Fiscal Consolidation; Outlook Stable](#), Aug. 14, 2025
- [India's New Rules On Gold-Backed Loans May Reshape The Competitive Landscape](#), June 19, 2025
- [Indian Microfinance Will Benefit From A Rain Check On Growth Plans](#), March 25, 2025

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Contact List

Primary Contact

Nikita Anand
Singapore
65-6216-1050
nikita.anand
@spglobal.com

Primary Contact

Deepali V Seth Chhabria
Mumbai
912261373187
deepali.seth
@spglobal.com

Primary Contact

Shinoy Varghese
Singapore
65-6597-6247
shinoy.varghese1
@spglobal.com

Primary Contact

Aurick Soh
Singapore
65-6216-1134
aurick.soh
@spglobal.com

Primary Contact

Sue Ong
Singapore
65-6216-1082
sue.ong
@spglobal.com

Primary Contact

Geeta Chugh
Mumbai
912233421910
geeta.chugh
@spglobal.com

Ten Indian Financial Institutions Upgraded Following Sovereign Action; Outlooks Stable

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