June 18, 2025

NJ Capital Private Limited: [ICRA]A1+ assigned to commercial paper programme

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Commercial paper programme	100.0	[ICRA]A1+; assigned
Total	**100.0**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating factors in the strong promoter group of NJ Capital Private Limited's (NJ Capital)—NJ Group, and the synergies the company derives from the Group's established distribution franchise. NJ India Invest Private Limited (NJ India), the flagship entity of NJ Group, is the largest mutual fund (MF) distributor in terms of gross commission earned and the second largest in terms of MF assets under distribution (AUD). The shared brand name, common promoters and strategic importance to the Group strengthen ICRA's belief that NJ Capital will receive adequate and timely support from NJ Group and its promoters, as and when required. The ratings also consider the company's comfortable capitalisation, improving profitability trajectory and adequate liquidity position.

NJ Capital has been offering loans against mutual fund units (LAMF) to NJ India's captive customer base since 2019. It scaled up its loan book at a compound annual growth rate of 110% since inception to ~Rs. 746 crore as on March 31, 2025. The company primarily offers LAMF to the retail client base with ticket sizes in the range of Rs. 0.25 lakh to Rs. 1 crore and a loan-to-value (LTV) ratio of ≤ 50% (for equity fund). Additionally, it provides unsecured loans (referred as partner loans) to its partner network, wherein it derives comfort given the visibility on distribution commissions to be paid by NJ India. The share of such unsecured exposures, however, remains modest at less than 5% of the loan book. Both LAMF and partner loans are offered in the form of term loan arrangements.

Notwithstanding the modest scale of operations, NJ Capital's profitability trajectory has been improving, benefiting from the relatively low cost, tech-led operations. In FY2025, the company reported a net profit of ~Rs. 21 crore (return on assets (RoA) of 3.7%) compared to Rs. 8.2 crore in FY2024 (RoA of 2.8%). The capitalisation profile was characterised by a net worth of ~Rs. 231 crore and a gearing of 2.3 times as on March 31, 2025. ICRA notes that while the gearing is expected to increase as the company scales up its operations, it is projected to remain below 3.5 times over the near to medium term.

While assigning the rating, ICRA notes that NJ Capital's loan book remains exposed to credit, market and technology risks. Given the volatility in the securities market, the value of the collateral can fluctuate, necessitating robust technological systems for risk management. Nonetheless, ICRA takes a note of the adequate collateral cover and the company's ability to manage collateralisation as per regulatory requirements. In this regard, comfort is also drawn from the company's track record of healthy asset quality with nil credit costs since inception. Moreover, timely and adequate support from the Group is envisaged to be forthcoming. This, coupled with the calibrated growth strategy, is expected to continue supporting the comfortable capitalisation and profitability trajectory.

Key rating drivers and their description

Credit strengths

Part of strong promoter group – NJ Capital, a non-deposit taking base layer retail non-banking financial company (NBFC), is a part of NJ Group. NJ India (flagship entity of NJ Group), closely held by the promoters, is the largest MF distributor in terms of gross commission earned and the second largest in terms of MF AUD. It has an established presence in the MF distribution business with AUD of Rs. 2.5 lakh crore across ~39 lakh investors as on April 30, 2025. Driven by benefits of economies of scale, NJ India has a track record of strong profitability with an average return on net worth of 32% during FY2021-FY2025. Supported by strong internal accruals and notwithstanding dividend payouts, NJ India's capitalisation profile remains comfortable with a net worth of Rs. 1,360 crore and nil financial leverage on a standalone basis as on March 31, 2025. A sizeable share of the post-tax dividend proceeds was utilised for infusing capital in NJ Capital.

NJ India and NJ Capital have the same ultimate promoters. One of the founder promoters is also a director on NJ Capital's board. Given the low capital-intensive nature of the various distribution and allied businesses, the Group enjoys sizeable cash flows from the flagship business. Considering the shared brand name, common promoters and the strategic importance to the Group, ICRA believes that NJ Capital will receive adequate and timely support (financial as well as operational) from its promoter group, as and when required, as has been demonstrated in the recent past.

Synergies with Group's distribution franchise – NJ Capital benefits from access to the Group's established distribution franchise. NJ India has a well-established distribution franchise with more than 46,400 active distributors catering to over ~39 lakh investors. The sizeable MF AUD of ~Rs. 2.5 lakh crore offers a large potential target segment for NJ Capital. Since the commencement of its lending operations, NJ Capital has primarily scaled up its loan book by lending to NJ India's captive customer base. Operational synergies are expected to continue supporting the company in maintaining a controlled cost structure while scaling up, which can otherwise be high in the retail lending business.

NJ Capital offers retail LAMF with ticket sizes in the range of Rs. 0.25 lakh to Rs. 1 crore and LTV within the regulatory prescribed limit of 50% against MF units at fixed interest rates of 12.0-15.5%. Operations remain largely digital with low human intervention.

Comfortable capitalisation with track record of profitable operations since inception – Supported by periodic equity infusions, NJ Capital's capitalisation remains comfortable with a net worth of ~Rs. 231 crore, a capital-to-risk weighted assets ratio (CRAR) of 24% and a gearing of 2.3 times as on March 31, 2025 (provisional basis). As per the management, the capital position is likely to be further augmented through a planned capital infusion of Rs. 125-140 crore in the near term. Going forward, while the financial leverage is expected to rise with the scale-up in operations, timely and adequate financial support from the Group is projected to aid the calibrated increase in the scale of operations while keeping the gearing below 3.5 times over the near to medium term.

Notwithstanding the modest scale of operations, NJ Capital has maintained a track record of profitable operations since inception, supported by its frugal cost structure. It reported a net profit of ~Rs. 21 crore (RoA of 3.7%) in FY2025 on a provisional basis compared to Rs. 8.2 crore in FY2024 (RoA of 2.8%).

Credit challenges

Modest scale of operations with limited track record – Leveraging its established distribution franchise, the Group commenced LAMF through NJ Capital in 2019. Hence, the Group's track record in lending remains limited. Although NJ Capital scaled up the loan book to Rs. 746 crore as on March 31, 2025, it remains modest. In the recent past, the company has also begun lending to customers outside the NJ ecosystem, though the share of such exposures in the overall loan book remains modest. Going forward, NJ Capital's ability to ensure the healthy scale-up of the loan book while maintaining good asset quality will remain a key monitorable.

With calibrated growth since the commencement of operations in 2019, NJ Capital has expanded its borrowing franchise. Going forward, its ability to further expand its liability profile while borrowing at competitive rates would be imperative for scaling up the operations profitably. While the company's asset-liability management (ALM) profile does not reflect any negative cumulative mismatches, its ability to maintain the same as it scales up its operations remains imperative.

Exposure to market and credit risks; high dependence on technology – NJ Capital's loan book remains exposed to credit, market and technology risks. Given the volatility in the securities market, the value of the collateral can fluctuate rapidly, necessitating robust technological systems for risk management. In this regard, uninterrupted technological operations are essential for the active monitoring of collateral values, ensuring that the company can promptly square off positions to avoid potential losses. ICRA takes note of the company's track record of maintaining healthy asset quality with nil credit costs since inception. The rating, however, remains susceptible to regulatory changes. Any downward revision in commission yields in the distribution franchise or developments impacting LAMF could affect the Group's performance.

Liquidity position: Adequate

NJ Capital's liquidity position remains adequate with an unencumbered cash and bank balance of Rs. 3 crore and drawable but unutilised lines of about Rs. 73 crore as on March 31, 2025. The on-balance sheet liquidity, drawable but unutilised lines and inflows from the loan book are adequate for principal debt repayments of Rs. 523 crore till March 31, 2026. Going forward, as the dependence on borrowings increases, the company will look to maintain liquidity equivalent to repayments falling due in the ensuing two months. NJ Capital also enjoys financial flexibility as it is a part of NJ Group.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A material change in the linkage with NJ Group and/or a deterioration in the Group's credit profile would have a negative impact. Besides, weakening of the capitalisation profile due to aggressive growth and/or profitability pressure will be credit negatives.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies (NBFCs)
Parent/Group support	NJ Capital is a part of NJ Group (flagship entity: NJ India). The shared brand name, common promoters and strategic importance to the Group strengthen ICRA's belief that NJ Capital and its immediate parent, i.e. NJ Financial Services Private Limited, will receive adequate and timely support (financial as well as operational) from the promoter group, as and when required.
Consolidation/Standalone	Standalone

About the company

NJ Capital, a Reserve Bank of India (RBI) registered NBFC, is a part of NJ Group. It is held by NJ Financial Services Private Limited (~98% stake), which is closely held by NJ Group's promoters. NJ Capital actively commenced lending operations in 2019. It offers retail LAMF in the form of term loans with a monthly repayment structure. As of date, it offers ticket sizes are in the range of Rs. 0.25 lakh to Rs. 1 crore with LTV of ≤ 50% for tenures up to 84 months at fixed rates of 12.0-15.5%. Additionally, it offers unsecured partner loans to its partner network. This loan is extended through a tri-partite agreement involving NJ India, NJ Capital, and the Partner, under which NJ India deducts the equated monthly instalments (EMIs) from the partner's commission and remits the same to NJ Capital. This arrangement has supported NJ Capital in maintaining nil credit costs or GNPAs since inception in this product. The share of such unsecured exposures is modest at less than 5% of the loan book.

As on March 31, 2025, the company had a loan book of about Rs. 746 crore. On a provisional basis, NJ Capital reported a net profit of Rs. 21 crore in FY2025 on total income of Rs. 81 crore. As on March 31, 2025, its capitalisation profile was characterised by a net worth of Rs. 231 crore and a gearing of 2.3 times.

Promoted by Mr. Neeraj Choksi and Mr. Jignesh Desai, NJ India Invest Private Limited is the flagship entity of NJ Group and is closely held by the promoters. It is one of the leading mutual fund (MF) distributors, in terms of gross commission, and the second largest in terms of assets under distribution (AUD). As on April 30, 2025, the Group had an MF AUD of Rs. 2.47 lakh crore across ~39 lakh clients. Supported by the benefits of improving economies of scale, NJ India has demonstrated strong profitability over the years with an average return on net worth of 32% during FY2021-FY2025. Aided by strong internal accruals and notwithstanding dividend payouts, NJ India's capitalisation profile remains comfortable with a net worth of Rs. 1,360 crore and nil financial leverage on a standalone basis as on March 31, 2025.

Key financial indicators (audited)

NJ Capital Private Limited	FY2023	FY2024	FY2025*
Total income	21.5	38.4	81.1
PAT	3.8	8.2	21.3
Total managed assets	200.3	395.1	768.1
Return on managed assets	2.5%	2.8%	3.7%
Reported gearing (times)	1.0	1.5	2.3
Gross stage 3	0.0%	0.0%	0.0%
CRAR	44.8%	31.2%	23.5%

*Source: Company, ICRA Research; *Unaudited numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Jun 18, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	100	[ICRA]A1+	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Commercial paper – yet to be placed**	NA	NA	NA	100.00	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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