

July 30, 2025

Nahar Capital and Financial Services Ltd: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper programme	25.00	25.00	[ICRA]A1+; reaffirmed
Total	25.00	25.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in Nahar Capital and Financial Services Ltd's (NCFSL) strong liquidity position and good capitalisation profile. The company had a net worth of Rs. 906 crore and negligible borrowings, resulting in a capital adequacy ratio of 95.0%, along with liquid investments of approximately Rs. 360 crore as on March 31, 2025. Moreover, NCFSL is a part of Nahar Group, which is one of the largest and oldest textile groups in the country with an established track record of over six decades.

ICRA notes that NCFSL's earnings profile is exposed to the inherent volatility associated with capital markets, given the nature of its exposures. However, the risk is partially mitigated as the company's investments are fairly diversified among various capital market instruments like mutual funds (both debt and equity), debentures and equity shares. ICRA takes note of the significant, albeit declining, share of exposure to various Nahar Group companies (32% of NCFSL's total assets as on March 31, 2025 compared with 41% as on March 31, 2023), whereby it receives dividend income. Thus, the performance of these underlying companies in equity markets has a bearing on NCFSL's earnings and hence its credit profile.

While the company is expected to continue lending to Group entities from time to time to support their operations, the overall quantum of such transactions is expected to remain low. NCFSL's ability to identify profitable investment opportunities in the capital market segment, diversify its revenue stream and scale up its operations in a prudent manner, while maintaining adequate risk management systems and profitability, will be key.

Key rating drivers and their description

Credit strengths

Good capitalisation and strong liquidity profile – NCFSL's balance sheet is primarily funded by equity with limited dependence on debt over the years. As on March 31, 2025, the capitalisation level was comfortable with a net worth of Rs. 906 crore and negligible borrowings. Going forward as well, the gearing levels are expected to remain low. NCFSL's liquidity profile was strong, as on March 31, 2025, with liquid investments of ~Rs. 360 crore against negligible borrowings.

Financial flexibility by virtue of being a part of Nahar Group – NCFSL is part of the Ludhiana-based Nahar Group, one of the largest and oldest textile groups in India, with a well-established track record of over six decades and vertically integrated operations from spinning to garmenting and retailing. Key companies in the Group include Monte Carlo Fashions Limited, Oswal Woollen Mills Ltd (rated [ICRA]BBB+ (Stable)/[ICRA]A2), Nahar Spinning Mills Limited, Nahar Industrial Enterprises Limited, and Nahar Poly Films Limited. The shared brand name shall support NCFSL's financial flexibility. While the company is expected to continue lending to Group entities from time to time to support their operations, the overall quantum of such transactions is expected to remain low.

Moreover, its exposure to Group companies would be subject to the requirements of these companies and the commercial viability of the same for NCFSL. While the proportion of such transactions has historically been low, a significant increase in the same would be a credit negative for the company.

Credit challenges

Low diversification in business revenues and exposure to market risk – NCFSL's revenue profile remains concentrated towards the income generated from the capital market segments in the form of income from the sale of investments (41% of total income in FY2025), interest and rental income (38%) and dividend income (18%). NCFSL has a significant, albeit declining, share of exposure to various Nahar Group companies, whereby it receives dividend income (32% of NCFSL's total assets as on March 31, 2025 compared with 41% as on March 31, 2023). The exposure to capital markets, especially to Group companies, makes its income profile vulnerable to cyclical downturns in this segment. Further, ICRA takes note of the gradual diversification of the investment portfolio with instruments like mutual funds, debentures, preference and equity shares, real estate alternative investment funds (AIFs), venture funds, etc, which is expected to limit NCFSL's losses in a stressed market scenario.

Moderation in earnings profile – The company's profitability remained modest in FY2025, with a decline in the return on average assets (RoA) to 3.4% from 4.5% in FY2024. This was primarily due to the ~12% decrease in total income, which fell to Rs. 49 crore in FY2025 from Rs. 56 crore in FY2024, owing to lower gains from investments and reduced dividend income, despite the marginal increase in interest income. Going forward, the company's earnings profile will remain exposed to the inherent volatility associated with capital markets, given the nature of its business. Its ability to sustain its earnings would be critical for maintaining its credit profile.

Environmental and social risks

While financial institutions like NCFSL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of investments. If the group entities or separate businesses, to which the investment funds have significant exposure, face business disruptions because of physical climate adversities, it could translate into credit risk. However, such risk is not material for NCFSL.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for financial institutions as material lapses could be detrimental to their reputation and invite regulatory censure. NCFSL has not faced such lapses over the years, which highlights its sensitivity to such risks.

Liquidity position: Strong

The company's liquidity profile was strong as on March 31, 2025, with an unencumbered cash and bank balance of Rs. 0.93 crore, sizeable surplus liquid investments of ~Rs. 360 crore and unutilised bank lines of Rs. 42.5 crore against debt obligations of Rs. 5.4 crore over the next one year.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded if there is a substantial deterioration in the company's liquidity profile. The rating could also face pressure on a significant deterioration in the financial profile of Nahar Group, which may lead to reduced financial flexibility for NCFSL.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology – Investment Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in April 2006, Nahar Capital and Financial Services Ltd (NCFSL) took over the investment business of a Group company – Nahar Spinning Mills Limited. It is primarily an investment company with strategic investments in Nahar Group (~32% of the investments as on March 31, 2025), investments in mutual funds (~13%), preference shares (~11%; including investments in Group companies' preference shares), listed equity shares (23%), bonds and AIF funds (14%) and minor investments in properties under development and real estate funds.

NCFSL is a part of the Ludhiana-based Nahar Group, one of the largest and oldest textile groups in the country with vertically integrated operations from spinning to garmenting and retailing. The other major companies in the Nahar Group include Monte Carlo Fashions Limited, Oswal Woolen Mills Limited, Nahar Spinning Mills Limited, Nahar Industrial Enterprises Limited and Nahar Poly Films Limited.

NCFSL reported a profit after tax (PAT) of Rs. 30.4 crore in FY2025 on an asset base of Rs. 929.2 crore as on March 31, 2025 against a PAT of Rs. 38.4 crore in FY2024 on an asset base of Rs. 906.8 crore as on March 31, 2024.

NCFSL is a public limited company with its shares listed on NSE and BSE. As on March 31, 2025, the company's promoters held 71.65% of the total equity with public and financial institutions holding the rest.

Key financial indicators

Nahar Capital and Financial Services Ltd	FY2023	FY2024	FY2025
	Audited	Audited	Audited
Operating income	40	56	49
Profit after tax	28	38	30
OPBDIT/OI	80%	85%	81%
Total outside liabilities/Tangible net worth (times)	0.0	0.0	0.0
Total debt/OPBDIT (times)	0.0	0.0	0.0
Interest coverage (times)	242	336	87

Source: ICRA Research, NCFSL; OPBDIT: Operating profit before depreciation, interest, and taxes; OI: Operating income; All figures and 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

FY2026				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	July 30, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	25.00	[ICRA]A1+	Jul 29, 2024	[ICRA]A1 +	Jul 25, 2023	[ICRA]A1 +	Jul 18, 2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper programme	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 as on March 31, 2025

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate/ Yield	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Commercial paper programme*	NA	NA	7-365 days	25.00	[ICRA]A1+

Source: NCFSL; *Yet to be placed

Annexure II: List of entities considered for consolidated analysis

Not applicable

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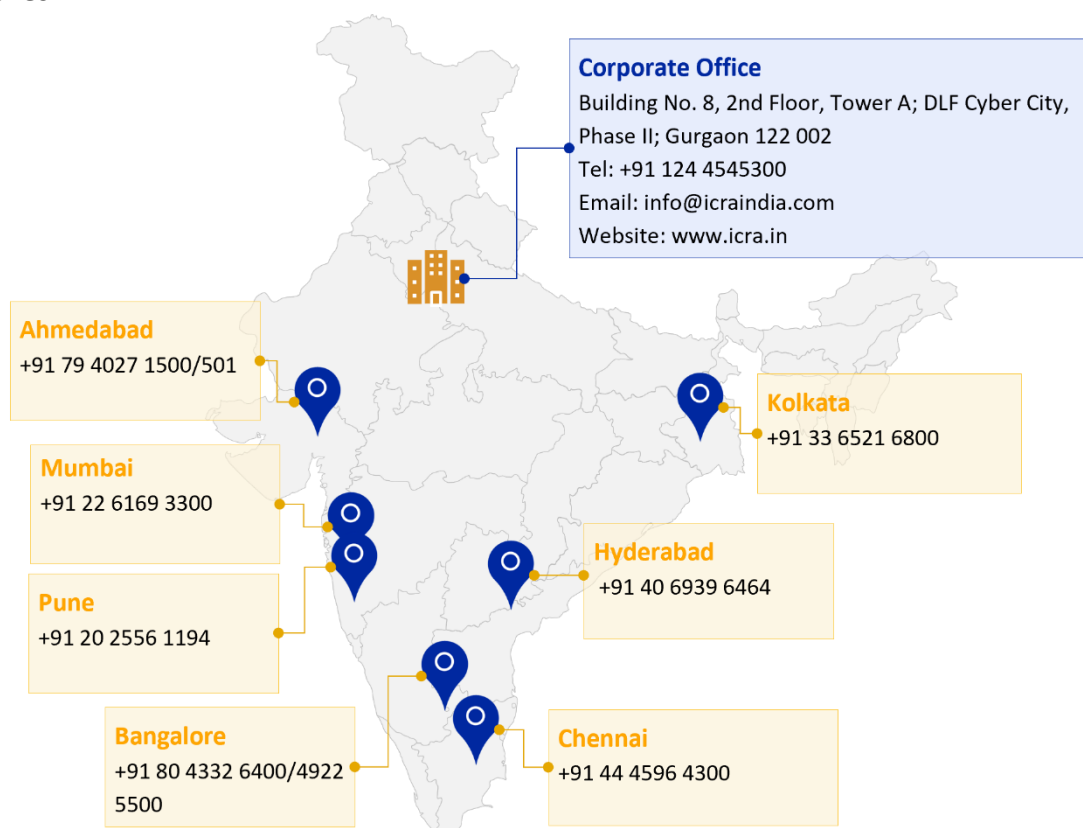


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