July 30, 2026

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	Financial Sector Regulator#
Commercial Paper	25.00	25.00	[ICRA]A1+; Reaffirmed	RBI
Total	**25.00**	**25.00**		

**Instrument details are provided in Annexure-I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The rating factors in Nahar Capital and Financial Services Limited's (NCFSL) good capitalisation profile with a net worth of Rs. 912 crore, a capital adequacy ratio of 70.18% and strong liquidity profile with limited debt obligations and liquid investments of ~Rs. 313 crore as of March 31, 2026. The rating continues to draw comfort from NCFSL being 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 and a healthy credit profile.

ICRA notes that NCFSL's earnings profile is exposed to the inherent volatility associated with capital markets, given the nature of its business. However, the risk is somewhat mitigated as the company's investments are well-diversified among various capital market instruments like mutual funds (both debt and equity), debentures and equity shares. ICRA also notes that 32% of NCFSL's total assets, as on March 31, 2026, were invested in various Nahar Group companies (total investment of Rs. 263 crore), whereby it receives dividend income. Thus, the performance of these underlying companies in equity markets have a bearing on NCFSL's earnings and hence credit profile. The company continue to lend to Group entities from time to time to support their operations, though the overall quantum of such transactions has remained low. NCFSL's ability to identify profitable investment opportunities in the capital market segment, diversify its revenue stream, while maintaining adequate risk management systems and profitability, will remain a key monitorable.

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, 2026, the capitalisation level was comfortable with a net worth of Rs. 912 crore and negligible borrowings (~Rs. 9.7 crore as on March 31, 2026). Going forward as well, the gearing levels are expected to remain low. NCFSL's liquidity profile was healthy, as of March 31, 2026, with liquid investments of ~Rs. 313 crore.

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 spanning over six decades and vertically integrated operations from spinning to garmenting and retailing. Other companies in the Group include Monte Carlo Fashions Limited, Oswal Woollen Mills Ltd, Nahar Spinning Mills Limited, Nahar Industrial Enterprises Limited, and Nahar Poly Films Limited. While the shared brand name continues to support NCFSL's financial flexibility. However, moderation in the scale of operations of some Group companies has impacted overall profitability indicators of group companies. Nevertheless, the ratings derive comfort from the Group's long-standing presence in the textile industry.

ICRA notes that 32% of NCFSL's assets, as on March 31, 2026, were invested in various Nahar Group companies (total investment of Rs. 263 crore), whereby it receives dividend income. Thus, the performance of these underlying companies would have a bearing on NCFSL's credit profile. The company also lends to the Group entities from time to time to support their operations, though the overall quantum of such transactions has remained low. While the proportion of such transactions has 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 (42% of total income in FY2026), interest and rental income (38%) and dividend income (19%). This makes its income profile vulnerable to cyclical downturns in the capital market segment. Nevertheless, ICRA notes that the company holds a well-diversified investment portfolio with instruments like mutual funds, debentures, preference and equity shares, real estate alternative investment funds (AIFs), private equity funds, global equity funds, gold/commodity funds, etc. which is expected to limit its losses in an adverse market scenario.

The company's Return on Average Assets (RoA) declined to 3.1% in FY2026, compared to 3.4% in FY2025, nonetheless remained adequate. 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.

Environment 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, 2026, with an unencumbered cash and bank balance of Rs. 0.53 crore, sizeable surplus liquid investments of ~Rs. 313 crore and unutilised bank lines of ~Rs. 38.3 crores against det obligations of Rs. 9.7 crore over the next one year.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded if there is a significant deterioration in the company's liquidity profile. The rating could also be under pressure if there is 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	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, 2026), investments in mutual funds (~13%), preference shares (~10%) (including investments in group companies' preference shares), listed equity shares (23%), bonds and AIF funds (16%) and minor investments in unlisted shares, properties under development, and real estate fund.

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. 28.8 crore in FY2026 on an asset base of Rs. 939 crore as on March 31, 2026 as against a PAT of Rs. 30.4 crore in FY2025 on an asset base of Rs. 929 crore as on March 31, 2025.

NCFSL is a public limited company with its shares listed on NSE and BSE. As on June 30, 2026, the company's promoters held around 72.53% of the total equity with public and financial institutions holding the rest.

Key financial indicators (audited)

Nahar Capital and Financial Services Ltd (Standalone)	FY2024	FY2025	FY2026
Operating income	56	49	52
Profit after tax	38.4	30.4	28.8
OPBDITA/OI	85%	80%	75%
Total outside liabilities/tangible net worth (times)	0.0	0.0	0.0
Total debt/OPBDITA (times)	0.1	0.1	0.2
Interest coverage (times)	336	87	59

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore.
PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

	Current Rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	July 30, 2026	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	25.00	[ICRA]A1+	Jul 30, 2025	[ICRA]A1+	Jul 29, 2024	[ICRA]A1+	Jul 25, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial Paper	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 June 30, 2026

ISIN	Instrument name	Date of issuance / sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator#
Yet to be placed	Commercial Paper	NA	NA	NA	25.00	[ICRA]A1+	RBI

Source: Company
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Annexure II: List of entities considered for consolidated analysis

Not Applicable

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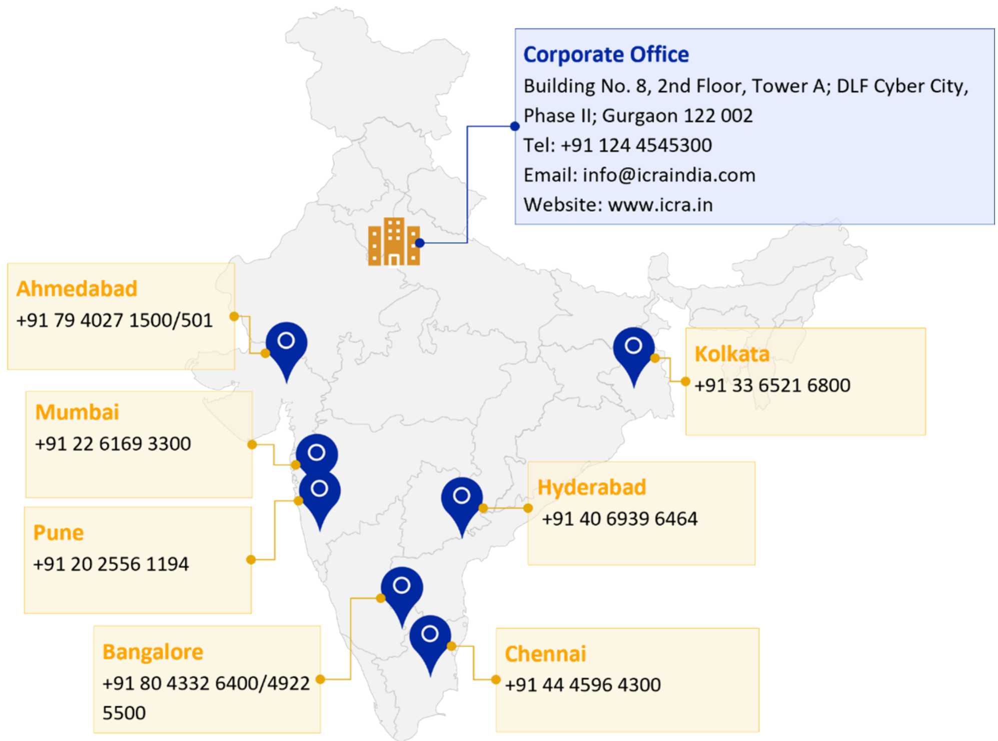

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