India Ratings & Research
A Fitch Group Company

India Ratings Rates Navi Finserv's Additional NCDs and Affirms Existing NCDs at 'IND A'/Stable; CP Affirmed at 'IND A1'

Aug 04, 2025 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Navi Finserv Limited's (NFL) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Commercial paper	-	-	7 to 365 days	INR10,000	IND A1	Affirmed
Non-convertible debentures*#	-	-	-	INR12,000	IND A/Stable	Assigned
Non-convertible debenture^, *	-	-	-	INR10,120.81(reduced from INR12,750)	IND A/Stable	Affirmed
Non-convertible debenture $, *	-	-	-	INR5,055.24	IND A/Stable	Affirmed

*Details in annexure
#Unutlised
^ INR 3,070.81 million stands for public NCDs
$Includes INR428.74 million of principal protected market-linked debentures (PP-MLDs); unutilised amount of INR 1,606.50 million stands fungible between NCDs and PP-MLDs

Analytical Approach

Ind-Ra continues to take a fully consolidated view of Navi Group, which includes NFL (100% owned by Navi Technologies Limited (debt rated at 'IND A/Stable; NTL), Navi General Insurance, Navi Asset Management company and Navi Fintech Private Limited, collectively referred to as the Navi group hereafter, to arrive at the ratings, given the operational and strategic linkages among the companies in addition to the common promoter and shared name. NTL is the technological backbone and provides capital support to the subsidiaries.

Detailed Rationale of the Rating Action

The affirmation reflects the adequate availability of capital at Navi group which is majorly earmarked for the lending business, established underwriting and risk management systems with a reasonable technology-based model driving business functions, and NFL's demonstrated fund-raising ability and its diversified borrowings profile. As an outcome of the recent regulatory action, the company has moderated its weighted average lending rate (WALR) and capped the interest rate on personal loans at 26% (from 35% previously) and at 13% for home. loans (from 14% previously). Ind-Ra opines that the reduction in WALR is likely to impact NFL's interest margins and profitability; however, it is expected to be countered by a reduction in the expected credit loss provisions by improving the quality of loan origination, lowering the technology costs and through portfolio diversification over the medium term through expansion into a secured loan product, as per management guidance. The ability of the company to grow profitably amid the tightened regulations while keeping its operational and credit costs under control will be a key monitorable. The ratings also considers the inherent risks associated with the unsecured nature of loans, moderate seasoning and regulatory risks associated with digital lending.

List of Key Rating Drivers

Strengths

- Adequate capitalisation at group level
- Established underwriting systems support tech-based lending
- Diversified funding profile

Weaknesses

- Franchise growth is likely to be impacted amid tightened regulatory regime
- Profitability may be impacted due to a moderation in portfolio yields
- Vulnerability of asset quality in lending business, given unsecured nature of loans

Detailed Description of Key Rating Drivers

Adequate Capitalisation at Group Level: NTL provides capital and technology support to the Navi group companies. NFL is the lending subsidiary of NTL. The company was set up by the founder and ex-promoter of Flipkart, Sachin Bansal, who infused INR40 billion into NTL. Apart from the lending business, other group companies include the general insurance company (Navi General Insurance), Navi Asset Management Company, broking and investment advisory units.

As of 31 March 2025, NTL had infused total equity of INR27.67 billion into the group companies, of which INR20.56 billion was in NFL, INR4.9 billion in the insurance vertical and INR2.11 billion in the asset management company. Ind-Ra does not expect the group entities, other than NFL, to require material equity and liquidity access from the group resources. The group sold its microfinance business, housed under Chaitanya India Fin Credit Private Limited (debt rated at 'IND AA-'/Stable to Svatantra Microfin Private Limited in November 2023, which has further enhanced the group's capital base. NTL's consolidated tangible net worth stood at INR34.64 billion in FY25 (FY24: INR35.60 billion; FY23: INR31.70 billion); gearing stood at 2.2x (1.8x; 3.0x). The consolidated borrowings at NTL stood at INR77.82 billion (March 2024: INR64.59 billion), of which borrowings for NFL stood at INR71.95 billion (INR64.44 billion). NFL's tangible net worth stood at INR30.55 billion as of FY25 (FY24: INR28.70 billion; FY23: INR21.97 billion). NFL's leverage including tangible equity stood at 2.4x in FY25 (FY24: 2.2x; FY23: 2.6x) with capital adequacy ratio of 30.5%. Ind-Ra expects the group to maintain prudent capitalisation over the long term with a maximum gearing of 3.0x on a consolidated basis.

Established Underwriting Systems Support Tech-based Lending: The digital lending business is completely technology driven with in-house developed machine learning (ML) models used for origination, underwriting and risk management. The ML models are constantly evolving and periodically retrained based on the past performance of the loans as well as new variables added, which aids better risk identification and borrower selection. While NFL's asset under management (AUM) growth has supported its asset quality to a certain extent, the improvement is largely driven by its tightened underwriting systems, stringent loan approval rates and strengthened collections infrastructure. The asset quality has improved over the past few quarters, as indicated by the improvement in its portfolio at risk to above 90 days on a static pool basis in the disbursement cohorts across loan tenor buckets. However, with the revision in the business strategy, the ability of the company to improve the origination quality for the incremental disbursements will be a key monitorable.

Diversified Funding Profile: NFL has been diversifying its liability profile in terms of funding instrument as well as lender type. The share of term loans from banks stood at 27.0% in FY25 (FY24: 29.4%; FY23: 20.4%, FY22: 15.4%); the share of funds raised through NCD issuances stood at 28.6% as of March 2025 and 28.7% as of March 2024 (March 2023: 42.1%; March 2022: 68.1%), as the company reduced its dependence on debt from the parent company. As of 31 March 2025, NFL's on-book funding profile comprised bank borrowings (27.0%), borrowings from non-banking financial institutions (NBFC)/financial institutions (10.3%), NCDs (28.6%), securitisation (30.5%), commercial paper (CP; 2.9%) and subordinated debt (0.7%). The company raised incremental debt of INR69.44 billion in FY25, where the average cost of borrowing stood at 10.26%. NFL has a diverse lender base, comprising funding relationships with 27 commercial banks and 25 NBFCs and financial institutions apart from other corporate houses and high net-worth individuals who have invested in its capital market issuances. As per the management guidance, the borrowing cost for NFL is expected to moderate over the medium term with better origination quality and reduction in the underlying credit risk leading to reduced risk premium on borrowings. The ability of the company to raise incremental funding at competitive rates will be monitorable.

Franchise Growth is Likely to be Impacted amid Tightened Regulatory Regime: The regulatory embargo on incremental sanctions and disbursement of loans has impacted the overall AUM growth for NFL. The existing loan portfolio had rundown to INR115.05 billion as of March 2025 from INR126.62 billion as of September 2024 and stood at INR 123.38 billion as of June

2025. Amid the tightened regulatory measures and prevailing market conditions in the unsecured personal loan segment, the average monthly disbursements during 1QFY26 have remained lower at INR 12.26 billion as compared to INR 13.92 billion during 1QFY25 and INR 16.17 billion during 2QFY25. The growth in FY26 will be fuelled by a combination of on-book AUM growth as well as an increase in the share of the off-book portfolio from the current levels through securitisation transactions and co-lending. As stated by the management, the company has further tightened its underwriting parameters to control credit costs. Moreover, to operate at lower credit costs and for portfolio diversification, the company is scaling up its secured portfolio. The ability of the company to scale its loan book profitably while keeping credit costs and operating expenses under control will remain a key monitorable.

The group has also forayed into the unified payments interface (UPI) business, which gained traction during FY25 and has thereby attracted new customers to the platform for cross-selling of existing loan products. A significant part of the personal loans disbursed by NFL are pre-approved, ensuring that customers with a reasonable credit profile are offered such loans. The sourcing algorithms, credit, monitoring and collection models, and other models that help operations across the loan life cycle are constantly evolving and have become mature and sharper. However, with the moderation in the WALR for the incremental disbursements going forward, NFL will have to refine its underwriting practices and further tighten the customer selection process to onboard customers with a reasonable credit history which may help to keep credit costs under control.

Profitability May be Impacted due to Moderation in Portfolio Yields: The regulatory action has impacted the overall lending business of the group due to the embargo on disbursements in the interim period impacting the group's profitability. The company has reduced the lending rates for the incremental disbursements post RBI observations, which would impact its net interest margins and profitability. Also, with the introduction of a secured product, the trajectory of operating expenses to AUM growth and the resultant impact on the profitability will be closely monitored. As per management guidance, the reduction in lending rates will be countered to some extent through lower credit costs, improved operating efficiencies and diversification into a secured loan product in the medium term. The ability to keep the credit costs and operating expenses under control on a sustained basis remains crucial from a rating perspective. Also, the agency expects the scale up of the secured book to be gradual, given the competitive intensity in the business and the company's digital mode of operations in the secured lending segment. On a standalone basis, NFL reported a profit after tax of INR2.21 billion in FY25 (profit before tax; excluding one-time gains of INR1.58 billion in FY24).

The Navi group, on a consolidated basis, reported a loss of INR1.26 billion in FY25 (loss, excluding one-time gains of INR2.16 billion in FY24). The agency believes with the moderation in WALR for the lending business the consolidated profitability for NTL is likely to be impacted for FY26. The general insurance business housed under Navi General Insurance, reported a profit of INR 0.34 billion in FY25 (FY24: 0.54 billion; FY23: INR0.22 billion).

Vulnerability of Asset Quality in Lending Business, Given Unsecured Nature of Loans: As of June 2025, about 87% of NFL's AUM comprised unsecured personal loans, which remain vulnerable to slippages on account of external headwinds. NFL's 90+ days past due (dpd) had increased significantly during COVID-19 and again in 2QFY23 and 3QFY23, due to the temporary revision in certain underwriting parameters, impacting the asset quality. The asset quality for the originations in the past few quarters however have been performing well. NFL has substantially increased its focus on collections over the past year and is taking various measures such as enhancing its in-house collection team over the near- to medium term. However, on a dynamic basis, with increased portfolio seasoning, the 90+dpd increased to 2.9% in March 2025 from 2.2% in September 2024 and 2.1% as of March 2024 and stood at 2.7% as of June 2025. Credit costs as percentage of average AUM stood at 5.1% for FY25 and FY24 on a consolidated basis for NTL. The underlying credit profile of NFL's borrowers is expected to improve due to the tightened underwriting practices and increase in share of secured portfolio, as per management guidance. The ability to maintain a healthy asset quality as the portfolio scales up will be a key monitorable.

The segment is also vulnerable to the evolving regulatory landscape for digital lenders. Any material adverse impact of regulatory changes on the company's credit risk profile will be a key monitorable.

Liquidity

Adequate: NFL's asset-liability maturity profile was comfortable as on 31 March 2025 with a positive cumulative mismatch in all of the tenor buckets. As on June 30, 2025, the unencumbered liquidity position stood at around INR17.37 billion and the total outflows including debt repayments stood at INR25.53 billion for between July 2025 and September 2025. The average monthly collections between July 2025 and September 2025 is INR 10.86 billion as per management estimates. The cash position along with monthly collections is sufficient to cover the debt obligations for the next three months. As per NFL's liquidity policy, the company maintains cash balances worth 30 days of repayment obligations (including debt repayments, disbursements and operating expenses) and another INR5 billion as an incremental liquidity buffer.

On a consolidated basis, the unencumbered liquidity position as on 30 June 2025, at the NTL level stood at INR21.49 billion, while the total outflows of debt obligations for NTL and NFL together stood at INR22.52 billion. The cash position, along with monthly collections, is sufficient to cover the debt obligations for the next three months.

Rating Sensitivities

Positive: A continued increase in the scale of the group's financial services business with material group-level and standalone profitability; a widening of the product portfolio and sufficient seasoning while maintaining strong capital buffers on a sustained basis given the unsecured nature of the portfolio, could lead to a positive rating action.

Negative: The following factors will individually or collectively lead to a negative rating action:

- a weakening in the business or operating performance due to changes in the business model
- lending business leverage exceeding 3.75x and consolidated leverage exceeding 3x
- significant increase in credit costs leading to dilution in the capital buffers
- dilution in the liquidity buffers

Any Other Information

Not applicable

ESG Issues

Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on NFL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

NFL is a wholly owned subsidiary of the Navi group (main holding company is NTL). The AUM of the lending business stood at INR123.38 billion at end-June 2025. Sachin Bansal holds about 98% stake in NTL, which holds 100% stake in NFL.

Key Financial Indicators

Particulars (Standalone; INR billion)	FY25	FY24
Total tangible assets	107.95	100.57
Total tangible equity	30.55	28.71
Net profit	1.30	6.69
Return on average assets (%)	2.22	7.2
Equity/assets (%)	28.3	28.5
Total capital ratio (%)	30.5	28.4
Source: NFL; Ind-Ra		
Note: All ratios in the rating rationale are as per Ind-Ra methodology and can vary from those reported by the company.		

Particulars (Consolidated; INR billion)	FY25	FY24
Total tangible assets	124.49	115.95
Total tangible equity	34.64	35.60
Net profit	-1.26	3.61
Return on average assets (%)	-1.0	2.8

Equity/assets (%)	27.8	30.7
Source: NTL; Ind-Ra		
Note: All ratios in the rating rationale are as per Ind-Ra methodology and can vary from those reported by the company.		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook						
	Rating Type	Rated Limits (million)	Rating\ Outlook	11 December 2024	25 October 2024	16 August 2024	18 August 2023	12 September 2022	6 May 2022	12 April 2022
PP-MLDs	Long-term	INR3000.0	-	-	-	WD	IND PP-MLD A/Stable	INDPP-MLD Aemr/Stable	IND PP-MLD Aemr/Stable	IND PP-MLD Aemr/Stable
Non-convertible debentures	Long-term	INR 27,176.05	IND A/Stable	IND A/Stable	IND A/Rating Watch with Negative Implications	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Stable
Commercial paper	Short-term	INR10,0000	IND A1	IND A1	IND A1/ Rating Watch with Negative Implications	IND A1	IND A1	IND A1	IND A1	IND A1

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Non-convertible debenture (fungible between NCDs & PP-MLDs)	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Non-Convertible Debentures:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
NCDs	INE342T07114	18 January 2022	9.5	31 December 2024	INR350.0	WD/ Paid in Full
NCDs	INE342T08047	6 December 2022	10.5	31 July 2025	INR350.0	WD/Paid in full
NCDs	INE342T07429	11 December 2023	10.25	31 December 2026	INR1,000.0	IND A/Stable
NCDs	INE342T07486	4 June 2024	10.25	15 September 2025	INR950.0	IND A/Stable
NCDs	INE342T07494	18 June 2024	10.5	18 June 2027	INR750.0	IND A/Stable
NCDs	INE342T07502	22 July 2024	9.25	22 January 2026	INR500.0	IND A/Stable
NCDs	INE342T07551	29 January 2025	10.4	29 January 2027	INR250.0	IND A/Stable
NCDs	INE342T07569	21 February 2025	10.6	21 May 2027	INR3,450.0	IND A/Stable
NCDs	INE342T07577	10 March 2025	10.6	10 September 2026	INR250.0	IND A/Stable
NCDs	INE342T07585	28 March 2025	11.16	27 June 2027	INR300.0	IND A/Stable
NCDs	INE342T07593	17 April 2025	10.48	1 June 2026	INR1,370.0	IND A/Stable
NCDs	INE342T07619	25 June 2025	10	25 March 2027	INR1,250.0	IND A/Stable
NCD (Utilised Limits)					**INR10,070**	
Unutilised					**1,606.5**	IND A/Stable
Total NCD Limits					**11,676.50**	
Source: NSDL, NFL						

Public NCD:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
Public NCDs	INE342T07411	18 July 2023	9.75	18 January 2025	INR1929.19	WD/Paid in full
Public NCDs	INE342T07379	18 July 2023	10.25	18 October 2025	INR972.50	IND A/Stable
Public NCDs	INE342T07395	18 July 2023	10.75	18 October 2025	INR731.78	IND A/Stable
Public NCDs	INE342T07387	18 July 2023	10.50	18 July 2026	INR674.97	IND A/Stable
Public NCDs	INE342T07403	18 July 2023	11.02	18 July 2026	INR507.86	IND A/Stable
Public NCDs (utilised)					**INR2,887.11**	IND A/Stable
Public NCDs (un-utilised)					**INR183.70**	IND A/Stable
Total					**INR3,070.81**	
Source: NSDL, NFL						

Market-linked Debentures:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
PP-MLD	INE342T07254	27 September 2022	INE0020210095[&]	30 January 2026	INR428.74	IND PP-MLD A/Stable
Total PP-MLDs					**INR428.74**	
Total					**INR428.74**	

Source: NSDL, NFL
[&]Expected redemption rate is 8.37%

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

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