India Ratings Affirms Navi Finserv's NCDs at 'IND A'/Stable & CP at 'IND A1'

Aug 03, 2026 | Navi Finserv Limited (Formerly Navi Finserv Private Limited) | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has affirmed the rating on Navi Finserv Limited's (NFL) debt instruments as follows:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Non-convertible debentures$	Refer ISIN annexure	-	-	-	4,626.50 (reduced from 5,055.24)	IND A/Stable	Affirmed
Non-convertible debentures^	Refer ISIN annexure	-	-	-	16,413.70 (reduced from 22,120.81)	IND A/Stable	Affirmed
Commercial paper	RBI	-	-	Up to 365 days	10,000	IND A1	Affirmed

^ INR183.7 million stands for public NCDs
$ Unutilised amount of INR1,606.50 million stands fungible between NCDs and PP-MLDs

Analytical Approach

Ind-Ra continues to take a fully consolidated view of Navi Limited (NL; debt rated at 'IND A'/Stable) and its subsidiaries including NFL, collectively known as the Navi group, given the operational and strategic linkages among the companies, the common promoter, and shared name. NL is the technological backbone and provides capital support to the subsidiaries.

Detailed Rationale of the Rating Action

The affirmation reflects the Navi group's adequate capital, majorly earmarked for the lending business, and Ind-Ra's expectation of an improvement in the consolidated capital structure, supported by a proposed USD100 million private equity raise in NL, likely to be concluded soon. The ratings also factor in the group's established underwriting and risk management systems, a reasonable technology-based model, NFL's demonstrated fund-raising ability, and a diversified borrowing profile. The rating, however, remains constrained by the Navi group's evolving profitability profile, the inherent risks related to the unsecured nature of its loan portfolio, 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

- Moderate albeit improving profitability
- Vulnerability of asset quality in lending business, given unsecured nature of loan

Detailed Description of Key Rating Drivers

Adequate Capitalisation at Group Level: NL was established by Flipkart's founder and ex-promoter, Sachin Bansal, to invest in and provide a technology platform for the Navi group companies. Bansal infused INR40 billion into NL. NFL is NL's lending subsidiary. Besides lending, the group includes Navi General Insurance Limited, Navi Asset Management Company Limited (Navi AMC Limited), and units for payment solutions, broking and investment advisory.

As of 31 March 2026, NL infused total equity of INR27.67 billion into the group companies, of which INR20.56 billion was in NFL. Ind-Ra does not expect any material equity or liquidity support requirements from other group entities, apart from NFL. NL's consolidated tangible net worth stood at INR34.85 billion in FY26 (FY25: INR34.64 billion; FY24: INR35.60 billion). The consolidated leverage (debt to tangible equity) increased to 3.5x in FY26 (FY25: 2.2x; FY24: 1.8x), primarily driven by increased losses at the group level and additional external debt raised by NL. NTL's consolidated borrowings increased to INR120.72 billion in FY26 (FY25: INR77.82 billion), of which NFL's borrowings stood at INR114.80 billion (INR71.95 billion). NL is at an advanced stage of raising USD100 million in private equity funding for business growth, investments in subsidiaries (primarily NFL), and/or repayment of its standalone debt. In addition, the management is considering an initial public offering (IPO) before end-FY28. If successfully completed, the IPO could improve NL's financial flexibility and strengthen its liquidity position.

NFL's standalone tangible net worth rose to INR37.38 billion in FY26 (FY25: INR30.55 billion; FY24: INR28.70 billion), led by internal accruals and incremental capital of INR5 billion raised from an external investor in 2H. Its standalone leverage including tangible equity stood at 3.1x in FY26 (FY25: 2.4x; FY24: 2.2x) with capital adequacy ratio of 23.8% (FY25: 30.5%; FY24: 28.4%). Ind-Ra expects the group to maintain prudent capitalisation over the long term with a maximum consolidated leverage of 3.0x.

Established Underwriting Systems Support Tech-based Lending: NFL operates a fully digital lending platform, with end-to-end origination, underwriting, disbursement, and risk management, driven by proprietary machine learning (ML) models without manual intervention. The company continues to invest in and refine its technology infrastructure, with underwriting models being periodically recalibrated using portfolio performance data and new risk variables to enhance borrower selection and credit-risk assessment. This technology-led operating model enables scalability, rapid turnaround times, and operating efficiencies, while supporting disciplined portfolio growth.

Over the past few quarters, NFL has strengthened its risk-management framework through tighter underwriting standards, stringent loan approval rates, and enhanced monitoring and collection mechanisms. These measures, along with the continuous evolution of its ML-based underwriting models, have contributed to improvements in asset quality, as reflected in the better performance of recent disbursement cohorts and declining portfolio-at-risk levels on a static-pool basis. While portfolio growth has also supported asset quality metrics to some extent, the improvement has largely been driven by stronger origination quality and collections effectiveness.

With the company resuming growth after a temporary regulatory disruption in FY25 and pursuing portfolio expansion, its ability to maintain underwriting discipline, effectively manage model risk in automated credit decisioning, and sustain the improvement in asset quality across credit cycles will remain key monitorables and rating sensitivities. The long-term performance of NFL's digital lending franchise will depend on the continued effectiveness of its underwriting models, risk controls, and collection infrastructure in balancing growth with prudent risk management.

Diversified Funding Profile: NFL benefits from a diversified funding profile and strong access to capital, supported by a broad lender network comprising banks, non-bank finance companies, financial institutions, and capital market investors. The company has steadily strengthened its liability franchise, diversifying across borrowing instruments. As on 31 March 2026, external borrowings stood at INR114.80 billion, comprising NCDs (about 43%), term loans and cash credit facilities (40%), pass-through certificates (9%), commercial papers (6%), and subordinated debt (2%). The lender base has expanded over time, with increasing participation from banks and other financial institutions, reflecting strong market acceptance and funding flexibility.

NFL has consistently raised funding across market cycles, mobilising INR109.61 billion of incremental debt in FY26 and nearly INR69.43 billion during FY25. The company's funding access is supported by its comfortable capitalisation, moderate leverage, and improving credit profile. In addition, NFL has developed a meaningful off-balance sheet funding franchise through co-lending and direct assignment partnerships, enhancing funding diversification and capital efficiency. NFL's ability to maintain diversified funding access, broaden lender relationships, and raising incremental resources at competitive rates will remain a key monitorable.

Moderate-albeit-improving Profitability: NFL's standalone profitability profile remains moderate but has shown improvement recently, supported by better operating efficiency and lower credit costs. NFL's return on assets stood at 2.19% in FY26 and 2.13% in FY25. Profitability (profits before tax; PAT) increased to INR2.92 billion in FY26 (4QFY26: INR1.32 billion) from INR2.22 billion in FY25 (FY24: INR1.58 billion, excluding one-time gains from the sale of its stake in Chaitanya India Fin Credit Private Limited). Furthermore, profitability improved in 1QFY27 as well compared to 4QFY26. The company's net interest margin moderated in FY26 following revisions to its pricing strategy. However, it hiked lending rates during 2HFY26 to support a gradual improvement in margins. Despite the pressure on margins, NFL reported significant improvement in operating efficiency and credit costs in FY26. The operating expense ratio (as a percentage of average assets under management (AUM)) improved to 3.8% in FY26 (FY25: 5.4%), while credit costs declined to 2.6% (5.1%). The improvement was driven by tighter underwriting standards and an increased focus on borrowers with stronger credit profiles within the personal loan portfolio. Consequently, the lower operating expenses and credit costs partially offset the impact of margin compression, supporting the company's overall profitability in FY26. Ind-Ra expects margin and profitability metrics to benefit from yield-enhancement initiatives, including higher processing fee income, as well as a continued scale-up of the lending franchise. However, the company's ability to sustainably improve and maintain profitability depends on effective management of credit costs, operating efficiency, and asset quality.

The NL business achieved profitability at the profit-before-tax (PBT) level in 4QFY26, despite the company reporting a consolidated net loss of INR 4.66 billion for FY26 (FY25: negative INR1.26 billion; FY24: negative INR2.16 billion excluding one-time gains). The elevated losses were primarily driven by significant investments in technology infrastructure, particularly the UPI platform, and higher marketing expenditure aimed at customer acquisition across the group's lending and insurance businesses. For 1QFY27, NL reported a PBT of INR1 billion (provisional) on a consolidated basis, supported by the increasing scale and profitability of NFL's lending operations and NL's ability to absorb a larger share of UPI platform-related costs through growth in advertising, fee, and commission income generated from the platform. The UPI platform is increasingly contributing in expanding the lending funnel, driving growth in loan disbursements and enhancing customer retention. The group's ability to improve earnings while scaling its lending business and monetising its technology investments will remain a key monitorable.

Vulnerability of Asset Quality in Lending Business, Given Unsecured Nature of Loans: As of March 2026, about 91% of NFL's AUM comprised unsecured personal loans, which are vulnerable to inherent risks associated with the unsecured nature of the loan portfolio. However, the company's asset quality improved during FY26 with gross non-performing assets (GNPA) and net non-performing assets (NNPA) moderating to 1.25% and 0.16%, respectively, in 4QFY26 from 2.46% and 0.35% in 4QFY25. Provision coverage on GNPA remained adequate at 87.5% as of FY26 (FY25: 85.9%), reflecting a prudent provisioning approach. The significant improvement in credit costs in FY26 was supported by tighter underwriting standards, enhanced monitoring mechanisms and a greater focus on sourcing higher credit-quality borrowers.

The company's asset quality is further supported by its predominantly salaried borrower base, accounting for 71% of AUM as of 31 March 2026. NFL's continued focus on higher-quality customer acquisition, coupled with the gradual increase in the share of secured lending, should provide additional support to portfolio performance and credit costs. Nevertheless, given the inherent risks associated with unsecured lending and the company's growth plans, its ability to sustain asset quality metrics, maintain underwriting discipline, and contain credit costs at prudent levels will remain a key monitorable. Also, the segment is 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 reported positive cumulative mismatches across tenor as per the asset-liability profile as on 31 March 2026. As of 1 July 2026, the group's opening unencumbered liquidity position, comprising cash and cash equivalents, stood at INR12.55 billion. Scheduled debt outflows for July and August 2026 aggregate to INR12.54 billion. Therefore, the available cash position is adequate to meet the group's debt repayment obligations over the two-month period. Furthermore, the group had consolidated investments of INR20.38 billion as of 30 June 2026. These investments, together with expected monthly collections, provide additional liquidity support and strengthen the group's overall liquidity profile. Average monthly collections between January and June 2026 amounted to INR9.32 billion. The group is also planning to raise nearly USD100 million over the near term to enhance liquidity and support deleveraging. Consequently, Ind-Ra expects the group's liquidity position to remain adequate over the near term.

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 remaining above 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

ESG Factors Minimally Relevant to Rating: 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 INR197.40 billion at end-March 2026. Sachin Bansal holds about 98% stake in NTL, which holds 93% stake in NFL.

Key Financial Indicators

Particulars (Standalone; INR billion)	FY26	FY25
Total tangible assets	158.46	107.95
Total tangible equity	37.39	30.55
Net profit	2.92	1.30
Return on average assets (%)	2.19	2.22
Equity/assets (%)	23.6	28.3
Total capital ratio (%)	23.8	30.5
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 (Standalone; INR billion)	**FY26**	**FY25**
Particulars (Consolidated; INR billion)	FY26	FY25
Total tangible assets	169.91	124.49
Total tangible equity	34.85	34.64
Net profit	-46.6	-1.26
Return on average assets (%)	-3.2	-1.0
Equity/assets (%)	20.5	27.8
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 (INR million)**	**Current Rating**	**4 August 2025**	**11 December 2024**	**25 October 2024**	**16 August 2024**	**18 August 2023**
Principal protected market-linked debentures	Long-term	3,000	-	-	-	-	WD	IND PP-MLD A/Stable
Non-convertible debentures	Long-term	21,040.20	IND A/Stable	IND A/Stable	IND A/Stable	IND A/Rating Watch with Negative Implications	IND A/Stable	IND A/Stable
Commercial paper	Short-term	10,000	IND A1	IND A1	IND A1/Rating Watch Off	IND A1/Rating Watch with Negative Implications	IND A1	IND A1

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Non-convertible debentures	Low

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

Annexure

Instrument Type	Regulator of Instruments	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
PP-MLD	MCA	INE342T07254	27 September 2022	INE0020210095[&]	30 January 2026	428.74	WD*
Source: NSDL, NFL [&]Expected redemption rate is 8.37%; *paid in full							

Instrument Type	Regulator of Instruments	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
Public NCDs	SEBI	INE342T07379	18 July 2023	10.25	18 October 2025	972.5	WD*
Public NCDs	SEBI	INE342T07395	18 July 2023	10.75	18 October 2025	731.78	WD*
Public NCDs	SEBI	INE342T07387	18 July 2023	10.5	18 July 2026	674.97	WD*
Public NCDs	SEBI	INE342T07403	18 July 2023	11.02	18 July 2026	507.86	WD*
Public NCDs (utilised)						0	
Public NCDs						183.7	IND A/Stable
(unutilised)	SEBI						
****Total**						**183.7**	
Source: NSDL, NFL; *paid in full **excludes withdrawn ISINs							

Instrument Type	Regulator of Instruments	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (INR million)	Rating/Outlook
NCDs	SEBI	INE342T07429	11 December 2023	10.25	31 December 2026	1,000	IND A/Stable
NCDs	SEBI	INE342T07486	4 June 2024	10.25	15 September 2025	950	WD*
NCDs	SEBI	INE342T07494	18 June 2024	10.5	18 June 2027	750	IND A/Stable
NCDs	SEBI	INE342T07502	22 July 2024	9.25	22 January 2026	500	WD*

NCDs	SEBI	INE342T07551	29 January 2025	10.4	29 January 2027	250	IND A/Stable
NCDs	SEBI	INE342T07569	21 February 2025	10.6	21 May 2027	3,450	IND A/Stable
NCDs	SEBI	INE342T07577	10 March 2025	10.6	10 September 2026	250	IND A/Stable
NCDs	SEBI	INE342T07585	28 March 2025	11.16	27 June 2027	300	IND A/Stable
NCDs	SEBI	INE342T07593	17 April 2025	10.48	1 June 2026	1,370.0	WD*
NCDs	SEBI	INE342T07619	25 June 2025	10	25 March 2027	1,250	IND A/Stable
NCDs	SEBI	INE342T07627	5 August 2025	10.20	5 August 2027	300	IND A/Stable
NCDs	SEBI	INE342T07619	19 August 2025	10.00	25 March 2027	1,500	IND A/Stable
NCDs	SEBI	INE342T07569	26 September 2025	10.60	21 May 2027	1,750	IND A/Stable
NCDs	SEBI	INE342T07494	26 September 2025	10.50	18 June 2027	750	IND A/Stable
NCDs	SEBI	INE342T07569	31 October 2025	10.60	21 May 2027	500	IND A/Stable
NCDs	SEBI	INE342T07650	31 October 2025	10.00	31 January 2027	750	IND A/Stable
NCDs	SEBI	INE342T07627	19 December 2025	10.20	5Aug27	1,000	IND A/Stable
NCDs	SEBI	INE342T07619	25 February 2026	10.00	25 March 2027	1,250	IND A/Stable
NCDs	SEBI	INE342T07619	10 March 2026	10.00	25 March 2027	450	IND A/Stable
NCDs	SEBI	INE342T07494	18 March 2026	10.50	18 June 2027	500	IND A/Stable
NCDs	SEBI	INE342T07692	28 April 2026	11.00	27 October 2028	600	IND A/Stable
Total						16,600.00	
Unutilised	SEBI					4,256.50	IND A/Stable
Total**						20,856.50	

Source: NSDL, NFL							
Note: INR1,606 million of unutilised limits remain fungible between NCDs and PP-MLDs *paid in full **excludes withdrawn ISINs							

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Evaluating Corporate Governance

Financial Institutions Rating Criteria

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