

December 27, 2023

Nomura Capital (India) Private Limited: [ICRA]A1+ assigned to commercial paper programme

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	500.00	[ICRA]A1+; assigned
Total	500.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in Nomura Capital (India) Private Limited's (NCIPL) strong parentage with Nomura Holding Inc. (NHI; rated Baa11 by Moody's) holding the entire stake in the company through its subsidiary – Nomura Asia Investments (Fixed Income) Pte Ltd (NAIPL). NHI's key operating subsidiary, i.e. Nomura Securities Co., Ltd. is rated A32 by Moody's. The rating also factors in NCIPL's strategic importance to the Nomura Group (the Group), its close integration with the Group's global market operations and management control. Given the ownership structure and the shared brand name, ICRA expects the company to receive timely support from the Group when required. The rating also takes into account NCIPL's comfortable capitalisation with a net worth of Rs. 831 crore and reported gearing of 0.4 times on September 30, 2023. Considering the growth plans, ICRA expects the company's leverage to remain comfortable in the medium term.

The company's scale of operations remains modest with the overall investment book at Rs. 1,092 crore as on September 30, 2023. Further, given the wholesale nature of the portfolio with concentrated and riskier structured investments, the portfolio is vulnerable to asset quality shocks. However, the stated leverage policy provides enough cushion to absorb such credit losses.

Key rating drivers and their description

Credit strengths

Strong parentage by virtue of being a part of Nomura Group – NCIPL benefits from being a part of the Nomura Group with strong linkages with the Group on the operational as well as management front. NHI, the ultimate parent, is a diversified financial services company that provides investment and financial services to individuals, corporations, institutions and government agencies in Japan, the US, Europe and Asia. Nomura Securities is the key operating subsidiary of NHI. The company's risk management and underwriting systems are aligned with the global operations. Considering the shareholding, shared brand name and linkages with the Group, ICRA expects support from the parent to be forthcoming, as and when required.

Leverage expected to remain comfortable – NCIPL's capitalisation is comfortable with a net worth of Rs. 831 crore and reported gearing of 0.4 times as of September 30, 2023. Borrowings were limited, as on September 30, 2023, and investments are largely funded by shareholders' funds. With the growth in financing investments, borrowings are expected to increase. However, considering the growth plans, ICRA expects the company's leverage to remain comfortable in the medium term.

NCIPL reported healthy profitability with a 3-year (FY2021-FY2023) average return on managed assets (RoMA) of 5.1%. Revenues comprise the interest earned on the investment portfolio as well as the fair value changes on the investment book.

¹ Long-term issuer rating with negative outlook

² Long-term issuer rating with negative outlook

The company's net profit increased by 28.9% YoY to Rs. 28.3 crore in FY2023, mainly driven by the robust growth in interest income (41.6% YoY), partly offset by the decline in fair value gains on investments amid the rising interest rate environment.

Credit challenges

Modest scale of operations with concentrated and riskier structured investments – NCIPL's asset mix comprises investments in corporate bonds. The overall scale remains modest at present with a total investment book of Rs. 1,092 crore as on September 30, 2023. The investment book includes investments in high rated bonds (~Rs. 669 crore, including mutual fund investments), which are kept as a liquidity backup, and structured lending to corporates (~Rs. 423 crore) as on September 30, 2023. With the company looking to increase its structured lending investments, the borrowing levels will increase. As the contracted tenor of these investments is typically up to 3 years, NCIPL uses commercial paper to fund these assets at the time of origination and subsequently replaces the same with long-term borrowings. Given the wholesale nature of the portfolio, credit concentration is likely to remain high. The top 5 investments accounted for 61% of the net worth as on September 30, 2023, which is unlikely to decline in the medium term. Further, the portfolio is vulnerable to asset quality shocks as incremental exposures are to the relatively riskier structured lending segment.

Liquidity position: Adequate

NCIPL did not have any cumulative mismatches in the structural liquidity statement (SLS) as of September 30, 2023, given the limited borrowings. It had free cash and investments in AAA rated corporate bonds of Rs. 22 crore and Rs. 654 crore (including mutual fund investments), respectively, as on November 30, 2023, and the nearest non-convertible debenture (NCD) repayment date is May 2025.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be placed on a Negative outlook or could be revised downwards in case of a deterioration in NHI's credit profile or any weakening in the likelihood of financial support from the parent.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group support	Parent – Nomura Holding Inc. The rating factors in the high likelihood of support from NHI and the Group, given the shareholding and the shared brand name
Consolidation/Standalone	Standalone

About the company

Nomura Capital (India) Private Limited (NCIPL), incorporated on August 04, 2009, is a subsidiary of Nomura Asia Investment (Fixed Income) Pte Ltd. Nomura Holdings Inc. is the ultimate parent. NCIPL received its registration as a non-banking financial company from the Reserve Bank of India on April 28, 2010. It is primarily engaged in financing activities such as collateralised lending to various corporates, structured finance, and investment in highly rated corporate debt.

Key financial indicators (standalone)

Accounting as per	FY2022	FY2023	H1 FY2024
	Audited	Audited	Unaudited
	IND AS	IND AS	IND AS
Net interest income	45	64	44
Profit after tax	22	28	29
Net worth	774	802	831
Total assets	784	860	1,140
PAT / Average managed assets	2.8%	3.4%	5.7%
PAT / Average net worth	2.9%	3.6%	7.0%
Gross stage 3	0.0%	0.0%	0.0%
Net stage 3	0.0%	0.0%	0.0%
Net stage 3 / Net worth	0.0%	0.0%	0.0%
Capital adequacy ratio	105.0%	103.4%	75.0%
Gearing (reported; times)	0.01	0.07	0.37

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: NCIPL faces prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial, operating and rating, linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or the lenders/investors do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Dec 27, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Dec 27, 2023	-	-	-
1 Commercial Paper	Short term	500.00	-	[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
Yet to be issued	Commercial paper	-	-	-	500.00	[ICRA]A1+

Source: NCIPL

Annexure II: List of entities for combined analysis with consolidated analysis – Not applicable

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Branches



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