

Mr Lokesh Jain  
Head Treasury  
Nomura Fixed Income Securities Private Limited  
Ceejay House, Level 11, Plot F,  
Shivsagar Estate, Dr. Annie Besant Road,  
Worli, Mumbai 400018

May 29, 2024

*Dear Sir/Madam,*

***Re: Rating Letter for non-convertible debenture (NCD) programme of Nomura Fixed Income Securities Limited***

India Ratings and Research (Ind-Ra) is pleased to communicate the rating of

- INR 12,000 million Non-Convertible debentures: 'IND AAA'; Outlook Stable

Above limits are unutilised

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings' factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors

Users of India Ratings' ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that India Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of India Ratings and no individual, or group of individuals, is solely responsible for a rating. All India Ratings reports have shared authorship. Individuals identified in an India Ratings report were involved in, but are not solely responsible

for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. India Ratings is not your advisor, nor is India Ratings providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Investors may find India Ratings ratings to be important information, and India Ratings notes that you are responsible for communicating the contents of this letter, and any changes with respect to the rating, to investors.

It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, "India Ratings" means India Ratings & Research Pvt. Ltd. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please email us at [infogrp@indiaratings.co.in](mailto:infogrp@indiaratings.co.in)

Sincerely,

India Ratings

  
**Karan Gupta**  
Director

# India Ratings Assigns Nomura Fixed Income Securities' NCDs 'IND AAA'/Stable; Affirms CP at 'IND A1+'

May 10, 2024 | Other Capital Market related Services

India Ratings and Research (Ind-Ra) has taken the following rating actions on Nomura Fixed Income Securities Limited's (NFISL) instruments:

## Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Non-convertible debentures*	-	-	-	INR12,000	IND AAA/Stable	Assigned
Short-term debt (commercial paper)	-	-	7 to 365 days	INR5,000	IND A1+	Affirmed

\*Yet to be issued

## Analytical Approach

The ratings continue to factor in Nomura Holdings Inc.'s (NHI; Fitch Ratings Ltd.: Issuer Default Rating: 'A-/Stable; Viability Rating: 'bbb+') full ownership of NFISL through its intermediate entity, Nomura Asia Investments (Fixed Income) Pte Ltd; the sharing of the Nomura brand name with NFISL; the management control and oversight by the parent; the close integration of NFISL with NHI's global markets business; and Ind-Ra's expectation of continued support to NFISL from its ultimate parent.

## Detailed Rationale of the Rating Action

The ratings reflects NFSIL's strategic importance to its parent (NHI), the close integration of NFISL's risk management systems with NHI's global systems, and adequate capitalisation levels. These strengths are partially offset by NFISL's volatile profitability.

## List of Key Rating Drivers

### Strengths

- Strategically important to parent
- Risk management in line with that of parent
- Adequate capitalisation

### Weaknesses

- Volatile profitability

## Detailed Description of Key Rating Drivers

**Strategically Important to Parent:** NHI completely owns NFISL through its intermediate entity Nomura Asia Investments (Fixed Income) and shares the Nomura brand name with NFSIPL. The parent has management control and oversight on NFISL, which has close integration with NHI's global markets business. Ind-Ra expects NFSIL to receive continued support from its ultimate parent and believes NFSIL remains strategically important to NHI as it is an integral part of the Asia Ex-Japan franchise of the ultimate parent's global markets business.

**Risk Management in Line with that of Parent:** Ind-Ra draws comfort from the close integration of NFISL's robust risk management systems with NHI's global systems. This mitigates the significant market risk faced by NFISL on its fixed income (government securities, treasury bills and corporate bonds) and derivative (interest rate swaps) portfolio, given it is a primary dealer.

**Adequate Capitalisation:** NFISL's capital buffers are adequate with Tier-I capital adequacy ratio of 33.75% in FY24 (FY23: 41.9%; FY22: 49.1%; FYE21: 61.9%). The decline was on account of an increase in the investment book. The company's tangible net worth increased to INR11.50 billion in FY23 (FY22: INR10.82 billion; FY21: INR10.8 billion), on the back of a net profit of INR659.4 million (net loss: INR22.9 million; net profit: INR1613.5 million). NFISL's investment portfolio grew 25% yoy to INR70.4 billion in FY23. As a result, the leverage (debt-to-tangible equity) increased to 5.4x in FY23 (FY22: 4.2x; FY21: 3.1x). The agency believes incremental growth in the investment portfolio to have continued in FY24, and will be so in the medium term. As a policy, the company keeps the leverage ratio below 15x of its net worth or borrowings of INR150 billion, whichever is lower.

**Volatile Profitability:** The overall profitability varies depending on the ability of the company's traders to read the fiscal and monetary directions; and primary dealers across the industry had witnessed profitability pressure last in FY22. During FY23, NFISL reported a net gain of INR468.7 million due to fair value changes (FY22: loss of INR1183.5 million) and thus its net profit rose to INR659.4 million (loss INR22.9 million). Ind-Ra expects NFISL's profits to have remained stable in FY24, depending on the interest rate movement given the nature of the business.

## Liquidity

**Adequate:** At end-December 2023, NFISL did not have any negative cumulative mismatches across all buckets, insulating it from liquidity mismatches or liquidity stress. As a primary dealer, NFISL relies on secured (against its investments) and unsecured money-market borrowings (such as repo and call money) for its funding needs. In addition, NFISL, as a primary dealer, has access to the Reserve Bank of India's standing liquidity facility.

## Rating Sensitivities

**Positive:** Not applicable

**Negative:** NFISL's ratings are contingent on the rating of the ultimate parent and would be downgraded if NHI's Viability Rating is downgraded. Additionally, any weakening of the linkages or reduced importance of the Indian entity, which could be on account of a sustained weak financial performance or otherwise, would be negative for the ratings.

## 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 NFISL, 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

NFISL is a primary dealer that underwrites and trades in government securities, treasury bills, corporate bonds and interest rate swaps.

### KEY FINANCIAL INDICATORS

Particulars	FY23	FY22
Total assets (INR million)	8,7484.0	6,8640.1
Total equity (INR million)	11,501.1	10,823.7
Net income (INR million)	659.4	-22.9
Return on average assets (%)	0.85	-0.04
Tier 1 capital (%)	41.91	49.05
Source: NFISL		

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Current Rating/Outlook			Historical Rating			
	Rating Type	Rated Limits (million)	Rating	20 October 2023	27 February 2023	13 January 2023	28 February 2022
Short-term debt (commercial paper)	Short Term	INR5,000	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Non-convertible debentures	Long-Term	INR12,000	IND AAA/Stable	-	-	-	-

## Complexity Level of the Instruments

Instrument Description	Complexity Indicator
Commercial papers	Low
Non-convertible debentures	Low

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

### APPLICABLE CRITERIA

#### Rating FI Subsidiaries and Holding Companies

#### Non-Bank Finance Companies Criteria

## Evaluating Corporate Governance

### The Rating Process

### Financial Institutions Rating Criteria

## Contact

### Primary Analyst

Nitin Chavan

Analyst

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40356113

For queries, please contact: [infogrp@indiaratings.co.in](mailto:infogrp@indiaratings.co.in)

### Secondary Analyst

Amit Rane

Senior Analyst

+91 22 40001700

### Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

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.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit [www.indiaratings.co.in](http://www.indiaratings.co.in).

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## DISCLAIMER

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website [www.indiaratings.co.in](http://www.indiaratings.co.in). Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.