

## Nuvama Wealth And Investment Limited

September 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	872.00 (Enhanced from 300.00)	CARE AA-; Stable / CARE A1+	Reaffirmed
Non Convertible Debentures	500.00	CARE AA-; Stable	Reaffirmed
Commercial Paper	2,500.00 (Reduced from 3,072.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the market instruments of Nuvama Wealth and Investment Limited (NWIL) factors in the established presence of the Nuvama group in the wealth management business, strong and resourceful promoters i.e PAGAC Ecstasy Pte Ltd, experienced management team and improving scalability while reducing cost to income ratio. The rating is however constrained by concentrated resource profile and volatility in capital markets which exposes to the risks relating to sustenance of the income profile across market cycles along with evolving regulatory landscape and attrition risk inherent in wealth management business.

### Rating sensitivities: Factors likely to lead to rating actions.

#### Positive factors- Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in the profitability on a sustained basis with consolidated return on net worth (RoNW) of >20%.
- Sustained growth in asset under management (AUM) with the proportion of annual recurring revenue (ARR) >50%.

#### Negative factors- Factors that could individually or collectively lead to negative rating action/downgrade:

- Any material changes in the shareholding pattern
- Material and prolonged erosion in the AUM with high client attrition and employee attrition
- Regulatory action in wealth management segments resulting in change in the business profile.
- Overall gearing exceeding 3.5x on a consolidated basis.
- Venturing into unrelated businesses

### Analytical approach: Standalone along with factoring in its linkage with the parent

Standalone along with factoring in its linkage with the parent i.e. NWML, owing to its strong operational and business linkages being a 100% subsidiary of NWML.

### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that NWIL will continue to demonstrate stable financial performance on account of its established presence in the wealth management business while maintaining comfortable capitalization and business synergies with the parent.

### Detailed description of the key rating drivers:

#### Key strengths

##### Established market position in wealth management business.

NWML operates in three business segments namely Wealth Management (UHNI and Affluent/HNI), Asset Management and Capital Markets (Institutional Equities, Investment Banking and Asset Services). It is the second-largest independent wealth management player as reflected in the client assets which stood at ₹ 3,45,957 crore as on March 31, 2024 (₹ 3,89,041 crores as on June 30, 2024), with net new money of ₹ 13,453 crore (₹ 4909 crores in Q1FY25) in wealth segment and ₹ 1,233 crore (₹ 509 crores in Q1FY25) in Asset Management segment. The asset management business being relatively at a nascent stage, has an AUM of ₹ 6,967 crore as on March 31, 2024 (₹ 7,692 crores as on June 30, 2024).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

NWML has a subsidiary, Nuvama Wealth Finance Limited (NWFL) (erstwhile Edelweiss Finance & Investments Limited), which is a registered non-banking finance company (NBFC) that provides loans against securities, ESOP funding, to the clients of the wealth management business with a loan book of ₹ 3,061 crores as on March 31, 2024. NWML has approx ~1,200 relationship managers and team leaders as on March 31, 2024 (~1250 as on June 30, 2024).

Furthermore, Nuvama Wealth and Investment Limited (NWIL) (erstwhile Edelweiss Broking Limited), which is wholly owned subsidiary of NWML, which primarily provides wealth management solutions and also provides margin trade funding and ESOP Funding having a loan book of ₹ 1,802 crore as of March 2024.

Furthermore, Nuvama Clearing Services Limited (NCSL), wholly owned subsidiary of NWML, is a professional clearing member engaged in clearing business and settles trades of clients and further provides fund accounting services.

### **Strong and resourceful promoter**

PAG is a global alternative investment firm that manages multiple asset classes, including private equity, real estate and hedge funds. It is considered one of the largest private investment firms in Asia with over US \$55 billion of assets under management in private equity, real estate. It has 9 offices in Asia with additional offices in London and New York. PAG is focussed primarily in three sectors in India viz financial sector, health sector and pharma sector. Thus, NWML (wealth management business) has been identified as a key focus area for the group's overall investment plan. PAG had invested ₹ 2,366 crore for majority stake in NWML, including primary and secondary investments. As on March 2024, PAG holds 55.81% stake in Nuvama.

Association with PAG has benefitted Nuvama in terms of client acquisition in the wealth and asset management business and in raising the resources at competitive prices. PAG is expected to continue to support the group going forward.

### **Experienced management team**

NWML's senior management team has significant experience and expertise in the wealth management business, which has helped them grow into second-largest independent player in the wealth management industry. Mr. Ashish Kehair, Managing Director and CEO has more than two decades of experience in areas of Private Banking, Wealth Management. Furthermore, the board of NWML comprises of 11 directors; of which, five are independent directors. Apart from the senior management, the team leaders and relationship managers have average experience of over five years.

### **Comfortable asset quality**

NWFL, the lending arm and 100% subsidiary of NWML, operates as a lender for the wealth clients of the business. With key products such as loans against securities (LAS) and ESOP has a loan book of ₹ 3,061 crore as on March 31, 2024 (₹ 2,244 crore as on March 31, 2023), which contributes 14% to the overall consolidated profits of NWML for FY24. These loans are extended to the existing clients of the wealth management business. The reported asset quality indicators remain comfortable with gross and net NPA of 0%, collateral cover of around 3 times and zero credit losses since inception. Since the loan book is backed by financial assets, the books are susceptible to volatility in the capital markets.

### **Key weaknesses**

#### **Concentrated resource profile**

The resource profile of NWML remains concentrated with the company's borrowings largely being from PP-MLDs (around 56% of the consolidated borrowings as on March 31, 2024), followed by considerable reliance on commercial papers (CPs) (21%). The other source of fund includes non-convertible debentures (6%), bank facilities (14%) and others (3%).

Furthermore, the company was able to raise borrowings at competitive rates during FY24 and the ability of the company to reduce its cost of funds will be a key monitorable. As of March 2024, the average cost of borrowings stood at 8.83% (PY: 8.51%).

#### **Exposure to volatile capital markets, regulatory risk, and attrition risk**

NWML's earnings are exposed to the volatility in the capital markets and lower net inflows could impact the revenue growth. The revenues are further susceptible to regulatory changes and any unanticipated change can adversely impact the business. Furthermore, the ability to retain key personnel is important in the wealth management business as change in relationship personnel may bring a change in relationship with the client impacting the client attrition.

#### **Liquidity: Strong**

The company has strong liquidity with no negative cumulative mismatch as per the asset liability maturity profile of the company as on March 31, 2024. NWML, on a consolidated basis, has strong liquidity cushion of ₹ 2,345 crore as of March 2024 including cash and cash equivalent of ₹ 1,491 crore and the unutilised lines of ₹ 214 crore.

## Applicable criteria

[Policy on default recognition](#)  
[Factoring Linkages Parent Sub JV Group](#)  
[Financial Ratios - Financial Sector](#)  
[Rating Outlook and Credit Watch](#)  
[Short Term Instruments](#)  
[Rating Methodology-Broking Firms](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Capital Markets	Stockbroking & Allied

Incorporated in 2008, Nuvama Wealth and Investment Limited (NWIL) is a 100% subsidiary of NWML. PAGAC Ecstasy Pte Limited is the ultimate holding company. NWIL is a broking company registered as a trading member with the NSE of India Limited, the BSE, the Metropolitan Stock Exchange of India Limited, the Multi Commodity Exchange of India Limited, and the National Commodity and Derivatives Exchange Limited, providing broking services to clients. NWIL is also registered as a depository participant with the National Securities Depository Limited and the Central Depository Services Limited, providing depository services to clients. NWIL acts in the capacity of a distributor for various financial products such as mutual funds, bonds, PMS, structured products, and AIFs. NWIL also offers Margin Trade Funding and ESOP Financing with a loan book of ₹ 1,802 crore as on March 2024

Nuvama Wealth Management Limited, erstwhile Edelweiss Securities Limited, was incorporated in 1993. It was earlier a wholly-owned subsidiary of Edelweiss Financial Services Limited. Incorporated in 1993, NWML is a public limited company incorporated under the provisions of the Companies Act. PAG is the ultimate holding company. The company is registered as a Trading cum Clearing Member with the National Stock Exchange of India Limited and the BSE Limited. Also NWML is registered as a Trading Member with Metropolitan Stock Exchange of India Ltd, Multi Commodity Exchange of India Limited and National Commodity Exchange of India Limited.

Nuvama Wealth Management carries on the business of broking and trading in equity securities (including derivatives and currencies) listed on stock exchanges in India and in futures contracts, for institutional and non-institutional (including retail) clients. It is also registered with SEBI registered to carry on the business of Research Analyst, Investment Adviser and Merchant Banking. NWML through its subsidiaries provides wealth management, asset management and custody services to its clients along with trading in securities and derivatives.

PAG is the parent of the Nuvama Group holding 55.81% stake as on March 31,2024. Nuvama focuses on affluent, HNI and UHNI clients and caters to ~1.2 million affluent and HNI clients and 3,600+ families as of March 2024.

### NWIL- Standalone

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	30-06-2024 (UA)
Total income	1216	1482	381
PAT	142	178	42
Overall gearing (times)	3.89	3.62	NA
Total Assets	4687	5,880	NA
ROTA (%)	3.58	3.62	NA
RoNW (%)	25.15	24.40	NA

A: Audited; Note: 'the above results are latest financial results available'; NA: Not Available

All ratios are as per CARE Calculation

**NWML – Consolidated**

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	30-06-2024 (UA)
Total Income	2230	3158	953
PAT (including exceptional items for FY22)	305	625	221
PAT (excluding exceptional items for FY22)	305	625	221
Overall Gearing	2.47	2.42	NA
Total Assets	12,716	20,387	NA
ROTA (% excluding exceptional items for FY 22)	2.62	3.78	NA
RONw (% excluding exceptional items for FY 22)	14.62	24.24	NA

A: Audited; Note: 'the above results are latest financial results available; NA: Not Available

All ratios are as per CARE calculations.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper	INE523L14591	28-Sep-23	9.65%	27-Sep-24	100	CARE A1+
Commercial Paper	INE523L14617	19-Oct-23	9.58%	11-Sep-24	100	CARE A1+
Commercial Paper	INE523L14708	04-Mar-24	9.75%	31-Oct-24	125	CARE A1+
Commercial Paper	INE523L14716	11-Mar-24	9.75%	06-Sep-24	50	CARE A1+
Commercial Paper	INE523L14724	09-May-24	9.65%	05-Nov-24	100	CARE A1+
Commercial Paper	INE523L14732	22-May-24	9.45%	18-Nov-24	50	CARE A1+
Commercial Paper	INE523L14740	28-Aug-24	9.45%	20-Jun-25	100	CARE A1+
Commercial Paper- Proposed	-	-	-	-	1875	CARE A1+
Bank Facilities-Fund based/non-fund based-Long term/Short Term	-	-	-	-	160	CARE AA-; Stable/ CARE A1+
Bank Facilities-Fund based/non-fund based-Long term/Short Term	-	-	-	-	100	CARE AA-; Stable/ CARE A1+
Bank Facilities-Fund based/non-fund based-Long term/Short Term	-	-	-	-	50	CARE AA-; Stable/ CARE A1+
Bank Facilities-Fund based/non-fund based-Long term/Short Term (Proposed)	NA	NA	NA	NA	562	CARE AA-; Stable/ CARE A1+
Non-Convertible Debentures (Proposed)	NA	NA	NA	NA	500	CARE AA-; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial Paper-Commercial Paper (Standalone)	ST	2500.00	CARE A1+	1)CARE A1+ (05-Jul-24)	1)CARE A1+ (07-Nov-23) 2)CARE A1+ (07-Jul-23) 3)CARE A1+ (31-May-23)	1)CARE A1+ (20-Oct-22)	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	872.00	CARE AA-; Stable / CARE A1+	1)CARE AA-; Stable / CARE A1+ (05-Jul-24)	1)CARE AA-; Stable / CARE A1+ (07-Nov-23) 2)CARE AA-; Stable / CARE A1+ (07-Jul-23)	-	-
3	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	1)CARE AA-; Stable (05-Jul-24)	1)CARE AA-; Stable (07-Nov-23) 2)CARE AA-; Stable (07-Jul-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non Convertible Debentures	Complex
3	Fund-based/Non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

## Contact Us

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### About us:

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### Disclaimer:

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