

Nuvama Wealth Management Limited

July 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term/ Short-term Bank Facilities	200.00	CARE AA-; Stable/ CARE A1+	Assigned
Issuer rating	0.00	CARE AA-; Stable	Reaffirmed
Long-term instruments-Market-linked debentures	-	-	Withdrawn
Commercial paper	500.00 (Reduced from 1,000.00)	CARE A1+	Reaffirmed
Short-term instruments- Market-linked debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

In March 2021, PAGAC Ecstasy Pte Ltd (PAG) a global alternative investment firm and its affiliates, bought direct and indirect stake in the wealth management business of Edelweiss Financial Services Ltd (Edelweiss group) housed under Edelweiss Securities Limited (ESL). Following this, the Edelweiss group initiated the demerger of its wealth management and asset management businesses in Phases, which was approved by National Company Law Tribunal (NCLT) and filed with Registrar of Companies (ROC) in April 2022. Accordingly, as on June 30, 2022, PAG and its affiliates held 56.22% direct stake in ESL which was then renamed to Nuvama Wealth Management Limited (NWML) in August 2022. Furthermore, as per the arrangement, the independent listing on BSE Limited and the National Stock Exchange of India Limited is likely to be concluded by end of September 2023.

The reaffirmation in the rating assigned to the instruments of NWML factors in the established presence in the wealth management business, strong and resourceful promoters, experienced management team and strong liquidity profile enhanced by the liquidity support from the promoters as and when required. The rating is however constrained by concentrated resource profile and volatility in the capital markets which exposes to the risks relating to sustenance of the income profile across market cycles along with the evolving regulatory landscape and attrition risk inherent in the wealth management business.

CARE Ratings has also withdrawn its rating on proposed long-term and short-term market-linked debentures based on client request. These withdrawals are in line with Care Ratings' withdrawal policy.

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% and growing assets under management.
- Growth in proportion of recurring income on a sustained basis

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

- Any material changes in the shareholding pattern resulting in reduced liquidity support from investors on ongoing basis
- Material and prolonged erosion in the AUM with high client attrition.
- Regulatory action in wealth management segments resulting in change in the business profile.
- Overall gearing exceeding 3.5x on a consolidated basis.

Analytical approach: Consolidated

NWML owns 100% in most of its subsidiaries and the management or line functions for these businesses is common with significant operational and financial integration among them. As on March 31, 2023, the group had 10 subsidiaries and one associate, that are enlisted below:

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Indian Subsidiaries

Nuvama Wealth and Investment Limited
Nuvama Wealth Finance Limited
Nuvama Clearing Services Limited
Nuvama Asset Management Ltd
Nuvama Capital Services (IFSC) Ltd
Pickright Technologies Pvt Ltd

Foreign Subsidiaries

Nuvama Financial Services Inc
Nuvama Investment Advisors (Hong Kong) Pvt Ltd
Nuvama Financial Services (UK) Ltd
Nuvama Investment Advisors Private Ltd

Associate

Nuvama Custodial Services Ltd

Outlook: Stable

CARE Ratings believes that NWML, at consolidated level, will maintain a "Stable" outlook on account of the established presence in the wealth management business along with the benefits and support derived from the promoters.

Detailed description of the key rating drivers:**Key strengths****Established market position in wealth management business.**

NWML operates in four segments i.e., private and affluent wealth management, asset management, institutional equities and advisory services. NWML largely caters to affluent segment and high net worth individuals (HNIs) and ultra HNIs (UHNIs). It is the second-largest independent wealth management player as reflected in the client assets which stood at ₹ 2,24,657 crore as on March 31, 2023, with net new money of ₹ 17,850 crore. As on March 31, 2023, 40% of the AUA is in equity; 18% in fixed income; 20% in mutual fund, insurance, PMS, AIF; 3% in structured product and the balance 19% in custody assets. Furthermore, the asset management business being relatively at a nascent stage, has an AUM of ₹ 5,587 crore as on March 31, 2023.

NWML has a subsidiary, Nuvama Wealth Finance Limited (NWFL) (erstwhile Edelweiss Finance and Investment Limited), which is a registered non-banking finance company (NBFC) that provides loans against securities, ESOP funding, IPO financing, to the clients of the wealth management business with a loan book of ₹ 2,244 crores as on March 31, 2023. NWML has a presence in wealth management across 65 locations and 1346 relationship managers and team leaders as on March 31, 2023.

Furthermore, Nuvama Wealth and Investment Limited (NWIL) (erstwhile Edelweiss Broking Limited), which is wholly owned subsidiary of NWML, provides margin trade funding and ESOP Funding having a loan book of ₹ 1,310 crore as of March 2023.

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 \$50 billion of assets under management in private equity, real estate. It has 10 offices in Asia with additional offices in London, New York, and Geneva. 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 2023, PAG holds 56.22% 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. Furthermore, PAG has extended liquidity support arrangement of ₹ 3,000 crore which can be used in case of exigencies.

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. Further more, 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), ESOP and IPO financing, has a loan book of ₹ 2,244 crore as on March 31, 2023 (₹ 1,965 crore as on March 31, 2022), which contributes 24% to the overall consolidated profits of NWML. 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 its own client base through PP-MLDs (around 58% of the consolidated borrowings as on March 31, 2023), followed by significant reliance on commercial papers (CPs) (20%). The other source of fund includes non-convertible debentures (8%), bank facilities (5%) and others (9%).

Furthermore, the company was able to raise borrowings at competitive rates during FY23 and the ability of the company to reduce its cost of funds will be a key monitorable. As of March 2023, the average cost of borrowings stood at 8.51% (PY: 9.54%).

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. The company had a total of 307 team leaders and 1039 relationship managers as on March 31, 2023, and overall, the team leads have more than 5 years vintage.

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, 2023. NWML, on a consolidated basis, has strong liquidity cushion of ₹ 2,075 crore as of March 2023 including cash and cash equivalent of ₹ 1,197 crore and the unutilised lines of ₹ 266 crore. Further, PAG has extended the liquidity support arrangement of ₹ 3,000 crore in case of exigencies.

Applicable criteria

[Policy on default recognition](#)

[Rating Methodology- Service Sector](#)

[Consolidation](#)

[Financial Ratios - Financial Sector](#)

[Issuer Rating](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Market Linked Notes](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Capital Markets	Other Capital Market Related Services

Nuvama Wealth Management (erstwhile Edelweiss Securities Limited), incorporated in 2001, is the flagship company of the Nuvama group. It is also the holding company and registered as a trading and clearing member with the National Stock Exchange of India Ltd (NSE), Bombay Stock Exchange Ltd (BSE) and Metropolitan Stock Exchange of India Ltd, National Commodity Exchange of India Ltd, and Multi Commodity Exchange of India Ltd. 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.

PAG is the parent of the Nuvama Group holding 56.22% stake as on March 31, 2023. Nuvama focuses on affluent, HNI and UHNI clients and caters to 10,87,564 affluent clients and 2,945 relevant families as of March 2023.

NWML – Consolidated

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	31-03-2023 (A)
Total Income	1298	1783	2230
PAT (including one-off adjustment for FY21 and FY22)	(475)	857	305
PAT (excluding one-off adjustment for FY21 and FY22)	162	226	305
Overall Gearing	0.95	1.91	2.47
Total Assets	7,385	10,597	12,716
ROTA (% excluding one-off adjustments)	2.57	2.51	2.62
RONw (% excluding one-off adjustments)	10.63	13.47	15.09

A: Audited UA: Unaudited; Note: 'the above results are latest financial results 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	INE531F14DA2	13-Jan-23	7.55%	12-Jul-23	5.00	CARE A1+
Commercial Paper	INE531F14DB0	08-Feb-23	7.85%	06-Nov-23	20.00	CARE A1+
Commercial Paper	INE531F14DF1	15-Mar-23	9.00%	05-Jul-23	50.00	CARE A1+
Commercial Paper	INE531F14DG9	19-May-23	8.00%	15-Nov-23	5.00	CARE A1+
Commercial Paper	INE531F14DH7	13-Jun-23	8.45%	07-Sep-23	100.00	CARE A1+
Commercial Paper	INE531F14DI5	23-Jun-23	9.00%	08-Sep-23	50.00	CARE A1+
Commercial Paper (Proposed)	NA	NA	NA	NA	270.00	CARE A1+
Fund based/non-fund based/Long term/short term- Bank Facilities (Proposed)	NA	NA	NA	NA	200.00	CARE AA-; Stable/ CARE A1+
Debentures-Market Linked Debentures- LT-Proposed	NA	NA	NA	NA	0.00	Withdrawn
Debentures-Market Linked Debentures-ST-Proposed	NA	NA	NA	NA	0.00	Withdrawn
Issuer Rating	NA	NA	NA	NA	0.00	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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Commercial Paper-Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (07-Jul-22)	1)CARE A1+ (07-Oct-21)	1)CARE A1+ (08-Oct-20) 2)CARE A1+ (02-Jun-20) 3)CARE A1+ (07-May-20)
2	Debentures-Market Linked Debentures	LT	-	-	-	1)CARE PP-MLD AA-; Stable (07-Jul-22)	1)CARE PP-MLD A+; Stable (07-Oct-21)	1)CARE PP-MLD A+; Stable (09-Nov-20)
3	Debentures-Market Linked Debentures	ST	-	-	-	1)CARE PP-MLD A1+ (07-Jul-22)	1)CARE PP-MLD A1+ (07-Oct-21)	1)CARE PP-MLD A1+ (09-Nov-20)
4	Issuer Rating	Issuer rating	0.00	CARE AA-; Stable	-	1)CARE AA-; Stable (26-Dec-22) 2)CARE AA- (Is); Stable (07-Jul-22)	-	-
5	Fund-based/Non-fund-based-LT/ST	LT/ST*	200.00	CARE AA-; Stable / CARE A1+				

*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	Simple
2	Debentures-Market Linked Debentures	Highly Complex
3	Fund-based/non-fund-based-LT/ST	Simple
4	Issuer Rating	Simple

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Mradul Mishra
Director
CARE Ratings Limited
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Relationship Contact

Saikat Roy
Senior Director
CARE Ratings Limited
Phone: +91-22-67543404
E-mail: saikat.roy@careedge.in

Analytical Contacts

Sanjay Agarwal
Senior Director
CARE Ratings Limited
Phone: 022- 6754 3500
E-mail: sanjay.agarwal@careedge.in

Gaurav Dixit
Director
CARE Ratings Limited
Phone: +91-11-45333237
E-mail: gaurav.dixit@careedge.in

Niketa Kalan
Associate Director
CARE Ratings Limited
Phone: 022- 6754 3456
E-mail: Niketa.Kalan@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in