

Nuvama Wealth Management Limited (Revised)

November 07, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	200.00	CARE AA-; Stable / CARE A1+	Reaffirmed
Issuer rating Issuer Rating	0.00	CARE AA-; Stable	Reaffirmed
Commercial Paper	500.00	CARE A1+	Reaffirmed

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. The company was listed on BSE and NSE on September 26, 2023.

The reaffirmation in the rating assigned to the instruments of NWML continues to factor in the established presence in the wealth management business, strong and resourceful promoters, experienced management team and improving scale while reducing cost to income ratio. 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.

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: 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 LLC

Associate

Nuvama Custodial Services Ltd

Outlook: Stable

CARE Ratings believes that NWML, at consolidated level, will continue to demonstrate stable financial performance on account of its established presence in the wealth management business while maintaining comfortable capitalization and synergies with group companies.

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 ₹ 2,31,079 crore as on March 31, 2023, with net new money of ₹ 17,574 crore. Furthermore, the asset management business being relatively at a nascent stage, has an AUM of ₹ 5,581 crore as on March 31, 2023.

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, 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 September 2023, PAG holds 56.19% 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), 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 for FY23. 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 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 ₹ 2,335 crore as of June 2023 including cash and cash equivalent of ₹ 1,392 crore and the unutilised lines of ₹ 212 crore.

Environment, social and governance (ESG) risks

NWML maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding its grievance redressal, related party transactions, fair practice code, whistle blower policy and prevention of sexual harassment policy. Further, the firm prioritizes strong governance and conducts regular audits.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

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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 Limited (NWML), incorporated in 1993, is the flagship company of the Nuvama group. It is registered as a trading member with the National Stock Exchange of India Limited (NSE), BSE Limited (BSE), Metropolitan Stock Exchange of India Limited (MSEI), Multi Commodity Exchange of India Limited (MCX) and the National Commodity and Derivatives Exchange

Limited (NCEIL), 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 56.19% stake as on September 30, 2023. Nuvama focuses on affluent, HNI and UHNI clients and caters to 10,87,564 affluent clients and 3,116 relevant families as of March 2023.

NWML – Consolidated

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	30-09-2023 (UA)
Total Income	1783	2230	1387
PAT (including exceptional items for FY21 and FY22)	857	305	268
PAT (excluding exceptional items for FY21 and FY22)	226	305	268
Overall Gearing	1.91	2.47	2.47
Total Assets	10,598	12,716	17,875
ROTA (% excluding exceptional items)	2.51	2.62	3.58
RONw (% excluding exceptional items)	12.83	14.62	22.44

A: Audited UA: Unaudited; 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	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+
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+ (06-Jul-23)	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)Withdrawn (06-Jul-23)	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)Withdrawn (06-Jul-23)	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 Ratings	Issuer rat	0.00	CARE AA-; Stable	1)CARE AA-; Stable (06-Jul-23)	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+	1)CARE AA-; Stable / CARE A1+ (06-Jul-23)	-	-	-

*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	Fund-based/Non-fund-based-LT/ST	Simple
3	Issuer Rating-Issuer Ratings	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.

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About us:

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