

## Nuvama Clearing Services Limited

April 14, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Short Term Bank Facilities	50.00	CARE A1+	Reaffirmed
Non Convertible Debentures	500.00	CARE AA-; Stable	Reaffirmed
Commercial Paper	1,750.00 (Enhanced from 750.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities/ instruments of Nuvama Clearing Services Limited (NCSL) factors in the established presence of the Nuvama group in the wealth management business, strong and resourceful promoters i.e. PAG, 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 the group to the risks relating to sustenance of the income profile across market cycles. The rating also takes into account the exposure to the evolving regulatory landscape and attrition risk inherent in the wealth management business.

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

#### Positive factors

- 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

- 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., Nuvama Wealth Management Limited (NWML), owing to its strong operational and business linkages being a 100% subsidiary of NWML.

### Outlook: Stable

CARE Ratings (CARE Ratings) believes that NCSL 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.

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

## Detailed description of the key rating drivers:

### Key strengths

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

NWML operates in four business segments namely Wealth Management (UHNI and Affluent/HNI), Asset Management, Asset Services and Capital Markets (Institutional Equities and Investment Banking). 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 (₹ 4,52,047 crores as on December 31, 2024), with net new money of ₹ 13,453 crore (₹ 13,123 crores in 9MFY25) in wealth segment and ₹ 1,233 crore (₹ 4,165 crores in 9MFY25) 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 (₹ 11,267 crores as on December 31, 2024).

NWML has a subsidiary, Nuvama Wealth Finance Limited (NWFL) 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 as on March 31, 2024 (1350+ as on December 31, 2024).

Furthermore, Nuvama Wealth and Investment Limited (NWIL) 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 an Asia based alternative investment manager with US \$58 billion of assets under management in private equity, real assets, credits & markets. It has 8 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 December 31, 2024, PAG holds 54.93% 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 9 directors; of which, four 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

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

### 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

Incorporated in 2008, NCSL is a wholly owned subsidiary of NWML. PAG Group is the largest shareholder. Nuvama Clearing Services Limited ("NCSL") is registered with SEBI as a Clearing member and as a Professional Clearing Member registered with NSE Clearing Ltd (NCL), Indian Clearing Corporation Ltd (ICCL), Multi Commodity Clearing Corporation of India Ltd (MCXCCL) and National Commodity Clearing Ltd (NCCL) which clears and settle trades of various Trading Members and Custodial Participants. Further NCSL is also providing Fund Accounting Services to Portfolio Managers (PMS) and Alternative Investment Fund (AIF) and Domestic Body Corporates.

Nuvama Wealth Management 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 Group is the largest shareholder. 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 54.93% stake as on December 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.

#### NCSL- Standalone

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	31-12-2024 (UA)
Total income	299	552	718
PAT	98	252	358
Overall gearing (times)	0.00	0.00	NA
Total Assets	4,688	11,100	NA
ROTA (%)	2.20	3.19	NA

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	31-12-2024 (UA)
RoNW (%)	28.91	49.66	NA

A: Audited; UA: Unaudited; 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)	31-12-2024 (UA)
Total Income	2230	3158	3,045
PAT	305	625	730
Overall Gearing	2.47	2.42	NA
Total Assets	12,716	20,387	NA
ROTA	2.62	3.78	NA
RONw	14.62	24.24	NA

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

All ratios are as per CARE calculation.

**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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper	INE525L14067	20-Dec-24	8.87%	30-May-25	100.00	CARE A1+
Commercial Paper	INE525L14075	04-Feb-25	9.00%	04-Aug-25	150.00	CARE A1+
Commercial Paper	INE525L14083	27-Feb-25	8.90%	08-Sep-25	150.00	CARE A1+
Commercial Paper	INE525L14091	25-Mar-25	9.05%	24-Mar-26	15.00	CARE A1+
Commercial Paper	INE525L14109	09-Apr-25	8.80%	08-Apr-26	50.00	CARE A1+
Commercial Paper- Commercial Paper (Standalone)- Proposed		NA	NA	NA	1,285.00	CARE A1+
Debentures- Non	INE525L07012	26-09-2024	10.00%	27-02-2026	100.00	CARE AA-; Stable

Convertible Debentures						
Debentures-Non Convertible Debentures-Proposed		NA	NA	NA	400.00	CARE AA-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	50.00	CARE A1+

**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 2025-2026	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
1	Non-fund-based - ST-Bank Guarantee	ST	50.00	CARE A1+	-	1)CARE A1+ (23-Oct-24) 2)CARE A1+ (03-Sep-24) 3)CARE A1+ (05-Jul-24)	1)CARE A1+ (07-Dec-23) 2)CARE A1+ (07-Nov-23) 3)CARE A1+ (07-Jul-23)	1)CARE A1+ (11-Aug-22)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (23-Oct-24) 2)CARE AA-; Stable (03-Sep-24) 3)CARE AA-; Stable (05-Jul-24)	1)CARE AA-; Stable (07-Dec-23) 2)CARE AA-; Stable (07-Nov-23) 3)CARE AA-; Stable (07-Jul-23)	1)CARE AA-; Stable (11-Aug-22)

3	Commercial Paper- Commercial Paper (Standalone)	ST	1750.00	CARE A1+	-	1)CARE A1+ (23-Oct-24) 2)CARE A1+ (03-Sep-24) 3)CARE A1+ (05-Jul-24)	1)CARE A1+ (07-Dec- 23)	-
4	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	-	1)CARE AA-; Stable (23-Oct-24) 2)CARE AA-; Stable (03-Sep-24)	-	-

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	Simple
3	Non-fund-based - ST-Bank Guarantee	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](mailto:care@careedge.in) for any clarifications.

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### About us:

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### Disclaimer:

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