



Press Release
NUVAMA WEALTH AND INVESTMENT LIMITED (ERSTWHILE EDELWEISS BROI LIMITED)
August 04, 2023
Rating Reaffirmed

Product	Amt(Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	300.00	ACUITE AA- Stable Reaffirmed Negative to Stable	-
Total Outstanding Quantum (Rs. Cr)	300.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) on the Rs. 300.00 Cr. Non-Convertible Debentures of NUVAMA WEALTH AND INVESTMENT LIMITED (ERSTWHILE EDELWEISS BROKING LIMITED). The outlook is revised from '**Negative**' to '**Stable**'.

The rating takes into account the healthy capital base, strong and established market position of NWML group along with benefits arising out of association with PAGAC Ecstasy Pte. Ltd (PAG). PAG held a controlling stake of 55.29 percent in NWML as on July 24, 2023. These strengths are partially offset by high volatility in the capital market and risk associated with changes in regulatory environment which might have a bearing on the overall business profile of the company.

In FY2021, EFSL announced the sale of majority shareholding in the wealth management business to the Pacific Alliance Group prior to which NWML was a wholly owned subsidiary of EFSL. In order to facilitate this sale, the wealth management and asset management businesses were separated into two business verticals viz. Edelweiss Wealth Management (EWM) and Edelweiss Asset Management (EAM) in FY2022. The wealth management business was retained and renamed as Nuvama Wealth Management Limited. Further, NWML group is expected to complete its independent listing by next few quarters. Pursuant to the business separation agreement, since the business synergies between Edelweiss group and NWML has reduced, Acuite has assessed business and financial risk profile of Nuvama Group independently.

About the Company

Nuvama Wealth And Investment Limited (Formerly Known as Edelweiss Broking Limited) was incorporated in 2008. It is a 100 percent subsidiary of Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited). It is registered as a trading member with National Exchange of India Limited, BSE Limited, Metropolitan Stock Exchange of India Limited, Multicommodity Exchange of India Limited, National Commodity and Derivatives Exchange Limited and provides broking services to its clients. NWIL is a distributor for various financial products such as mutual funds, bonds, NCDs, structured products, PMS and alternative investment funds, etc.

About the Group

Mumbai based, Nuvama Wealth Management Limited (Formerly known as Edelweiss Securities Limited) is a public limited company, incorporated in 1993. The company is a stock

broking entity registered in India and is licensed with and regulated by the Securities and Exchange Board of India to, among other things, conduct trading and broking activities for institutional and retail clients. The company is also licensed with SEBI to distribute research reports on Indian Securities to its clients. The company is also registered as an Investment

Adviser with SEBI. The company is also a member of multiple stock exchanges in India including BSE Limited, National Stock Exchange of India Limited, Multi Commodity Exchange of India Limited, National Commodity & Derivatives Exchange Limited and Metropolitan Stock Exchange of India Limited. PAGAC Ecstatsy Pte. Limited is an ultimate holding company of Nuvama Wealth Management Limited (Formerly known as Edelweiss Securities Limited) with a shareholding of 55.29 percent as on July 24, 2023.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has taken a consolidated view of Nuvama Wealth Management Limited (erstwhile Edelweiss Securities Limited) and its subsidiaries (hereafter referred to as NWML Group or the Group) due to the common senior management team, shared brand name, and financial and operational linkages.

Key Rating Drivers

Strength

Comfortable capital base; association with PAG as a marquee investor

The group's consolidated networth stood at Rs. 2259 Cr. as on FY23 as against Rs. 1913 Cr. as on FY22 with a consolidated gearing of 2.38 times as on FY23. (P.Y: 1.84 times). The borrowings largely comprise short term financing to wealth business clients for margin and ESOP financing. Further, PAG group through PAGAC Ecstatsy Pte. Limited holds 55.29 percent stake in NWML Group as on July 24, 2023. PAG is a largest Asia focused private investment fund, with an AUM of approximately \$50 billion. Acuite expects NWML to benefit from its association with PAG group to further expand its client network and increase business volumes.

Strong market position

The group's offerings include retail and private wealth management, advisory/investment banking, institutional equities, asset management, broking and distribution services to affluent, high-networth individuals (HNIs), ultra HNIs and institutional clients. The Assets under advice improved to Rs. 2.24 lakh crore as on FY23 as compared to Rs. 2.1 lakh crore as of FY22. As of March 31, 2023, 40 percent of the AUA was in equity, 17 percent in fixed income, 10 percent in mutual funds, 7 percent in portfolio management services/alternative investment funds (AIFs) and 3 percent in structured products. The Group added net new money of Rs. 17,850 Cr. in FY2023 as against Rs. 12,887 Cr. in FY2022. The group had 2,945 UHNI clients and 10.87 lakh affluent clients as of March 31, 2023.

Weakness

Susceptibility to market and regulatory risk

Broking and wealth management remains a highly volatile business. The company's operating performance is linked to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments. Any fluctuations in market may impact new assets under advice which in turn may have a bearing on the revenue. NWML is also engaged in distribution business which contributed ~37 percent of the revenue for FY23. The group's brokerage income has remained stagnant over the years as marked by Rs. 429 Cr. in FY23 (Rs. 500 Cr. in FY22; Rs. 422 Cr. in FY21). Any changes in regulatory environment might have a potential impact on the overall business and financial risk profile of NWML.

ESG Factors Relevant for Rating

Nuvama Group has presence in segments such as retail and private wealth management, advisory/investment banking, institutional equities, asset management, broking and distribution services to affluent, high-networth individuals (HNIs), ultra HNIs and institutional clients. Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to capital markets to avoid fraud, insider trading and other anti-competitive behaviour. Other important governance issues relevant for the industry

include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. For the industry, retention, and development of skilled manpower along with equal opportunity for employees is crucial. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector. The material of environmental factors is low for this industry. Nuvama Group's board comprises of eleven directors with one women director. Of the total eleven directors, five are independent directors. The Group has formed a Risk Committee for identifying and evaluating risks and development, implementing and tracking risk management efforts.

Rating Sensitivity

- Scale up of business operations
- Movement in profitability metrics
- Movement in capital structure
- Changes in regulatory environment

Material Covenants

Not applicable

Liquidity Position Strong

As on March 31, 2023, the group had adequate liquidity buffers of Rs. 2,075 Cr. out of which cash and cash equivalents were to the tune of Rs. 1,197 Cr. and unutilised bank lines of Rs. 266 Cr. Further, the group has liquidity support arrangement from PAG of Rs. 3000 Cr. incase of any exigencies.

Outlook: Stable

Acuité believes that the group will benefit from its strong capitalisation levels and expected support from its promoters. The outlook may be revised to 'Positive' in case of significant and sustainable growth in business operations while maintaining profitability indicators. Conversely, the outlook will be revised to 'Negative' in case of any deterioration in business metrics or any regulatory changes.

Other Factors affecting Rating

None

Key Financials - NWIL (Standalone)

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	4682.16	3256.77
Total Income*	Rs. Cr.	1047.89	664.07
PAT	Rs. Cr.	142.24	94.65
Net Worth	Rs. Cr.	678.50	533.88
Return on Average Assets (RoAA)	(%)	3.58	3.82
Return on Average Net Worth (RoNW)	(%)	23.46	21.73
Debt/Equity	Times	3.72	2.10
Gross NPA	(%)	-	-
Net NPA	(%)	-	-

*Total income equals to Net Interest Income plus other income

Key Financials - NWML (Consolidated)

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	12715.13	10595.81
Total Income*	Rs. Cr.	1834.24	1342.61
PAT*	Rs. Cr.	305.07	857.13
Net Worth	Rs. Cr.	2258.80	1912.85
Return on Average Assets (RoAA)***	(%)	2.62	9.56
Return on Average Net Worth (RoNW)***	(%)	14.88	49.61
Debt/Equity	Times	2.38	1.84
Gross NPA	(%)	-	-
Net NPA	(%)	-	-

*Total income equals to Net Interest Income plus other income.

**PAT excluding exceptional items for FY22 stood at Rs. 225.5 Cr.

***RoAA and RoNW excluding exceptional items for FY22 stood at 2.52 percent and 12.80 percent respectively

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any Other Information

Not applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Aug 2022	Proposed Non Convertible Debentures	Long Term	300.00	ACUITE AA- Negative (Downgraded from ACUITE AA Negative)
01 Feb 2022	Proposed Non Convertible Debentures	Long Term	300.00	ACUITE AA Negative (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE523L07678	Non-Convertible Debentures (NCD)	15 Jul 2022	8.75	15 Jul 2024	Simple	30.00	ACUITE AA- Stable Reaffirmed Negative to Stable
Not Applicable	INE523L07686	Non-Convertible Debentures (NCD)	15 Jul 2022	8.75	15 Jul 2024	Simple	11.98	ACUITE AA- Stable Reaffirmed Negative to Stable
Not Applicable	INE523L07660	Non-Convertible Debentures (NCD)	15 Jul 2022	8.80	15 Jul 2025	Simple	55.28	ACUITE AA- Stable Reaffirmed Negative to Stable
Not Applicable	INE523L07694	Non-Convertible Debentures (NCD)	15 Jul 2022	9.15	15 Jul 2025	Simple	53.05	ACUITE AA- Stable Reaffirmed Negative to Stable
Not Applicable	INE523L07702	Non-Convertible Debentures (NCD)	15 Jul 2022	9.15	15 Jul 2025	Simple	15.32	ACUITE AA- Stable Reaffirmed Negative to Stable
Not Applicable	INE523L07710	Non-Convertible Debentures (NCD)	15 Jul 2022	9.16	15 Jul 2027	Simple	54.05	ACUITE AA- Stable Reaffirmed Negative to Stable
Not Applicable	INE523L07751	Non-Convertible Debentures (NCD)	15 Jul 2022	9.55	15 Jul 2027	Simple	23.21	ACUITE AA- Stable Reaffirmed Negative to Stable
Not Applicable	INE523L07728	Non-Convertible Debentures	15 Jul 2022	9.55	15 Jul 2027	Simple	7.35	ACUITE AA- Stable Reaffirmed

		(NCD)						ACUTE AA- Stable Negative to Stable
Not Applicable	INE523L07744	Non- Convertible Debentures (NCD)	15 Jul 2022	9.53	15 Jul 2032	Simple	36.17	ACUTE AA- Stable Reaffirmed Negative to Stable
Not Applicable	INE523L07736	Non- Convertible Debentures (NCD)	15 Jul 2022	9.95	15 Jul 2032	Simple	11.63	ACUTE AA- Stable Reaffirmed Negative to Stable
Not Applicable	Not Applicable	Proposed Secured Non- Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	1.96	ACUTE AA- Stable Reaffirmed Negative to Stable

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company Name	Relationship
1	Nuvama Wealth Management Limited (formerly known as Edelweiss Securities Limited)	Holding
2	Nuvama Wealth and Investment Limited (formerly known as Edelweiss Broking Limited)	Subsidiary
3	Nuvama Wealth Finance Limited (formerly known as Edelweiss Finance & Investments Limited)	Subsidiary
4	Nuvama Clearing Services Limited (formerly known as Edelweiss Custodial Services Limited)	Subsidiary
5	Nuvama Asset Management Limited (formerly known as ESL Securities Limited)	Subsidiary
6	Nuvama Capital Services (IFSC) Limited (formerly Edelweiss Securities (IFSC) Limited)	Subsidiary
7	Nuvama Investment Advisors Private Limited (formerly known as Edelweiss Investment Advisors Private Limited) - Singapore	Subsidiary
8	Nuvama Investment Advisors (Hongkong) Private Limited (formerly known as Edelweiss Securities (Hong Kong) Private Limited)	Subsidiary
9	Nuvama Financial Services Inc. (formerly known as Edelweiss Financial Services Inc.) - USA	Subsidiary
10	Nuvama Financial Services (UK) Limited (formerly known as Edelweiss Financial Services (UK) Limited)	Subsidiary
11	Pickright Technologies Private Limited	Subsidiary
12	Nuvama Custodial Services Limited (formerly known as Edelweiss Capital Services Limited)	Associate

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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