

Press Release

NUVAMA WEALTH AND INVESTMENT LIMITED (ERSTWHILE EDELWEISS BROKING LIMITED)

August 02, 2024



Product	Quantum (Cr)	Rating Reaffirmed Long Term Rating	Shareholder
Non Convertible Debentures (NCD)	300.00	ACUITE AA- Stable Reaffirmed	-
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 'Stable'.

Rationale for the rating:

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 55.81 percent in NWML as on March 31, 2024. 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 is listed on BSE and NSE on September 22, 2023. 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

Mumbai based, 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. Mr. Ashish Kehair is the Managing Director & CEO. Mr. Birendra Kumar serves as the Chairman & Independent Director.

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 Ecstasy Pte. Limited is an ultimate holding company of Nuvama Wealth Management Limited (Formerly known as Edelweiss Securities Limited) with a shareholding of 55.81 percent as on March 31, 2024.

Unsupported Rating

Not Applicable

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. 2898.86 Cr. as on FY24 as against Rs. 2258.80 Cr. as on FY23 with a consolidated gearing of 2.32 times as on FY24. (P.Y: 2.38 times). The borrowings largely comprise short term financing to wealth business clients for margin and ESOP financing. Further, PAG group through PAGAC Ecstasy Pte. Limited holds 55.81 percent stake in NWML Group as on March 31, 2024. PAG is a largest Asia focused private investment fund, with an AUM of approximately \$53 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. 3.46 lakh crore as on FY24 as compared to Rs. 2.31 lakh crore as of FY23. The Group added net new money of Rs. 14,685 Cr. in FY2024 as against Rs. 19,451 Cr. in FY2023. The group had ~3,900 UHNI clients approx and ~12 lakh affluent clients approx as of Q1FY25.

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. The group reported brokerage income amounting to Rs. 693 Cr. in FY24 (Rs. 510 Cr. in FY23; Rs. 534 Cr. in FY22). 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 ten directors with one women director. Of the total ten 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

Liquidity Position

Adequate

As on March 31, 2024, the group had adequate liquidity buffers of Rs. 2,354 Cr. out of which cash and cash equivalents were to the tune of Rs. 1,491 Cr. and unutilised bank lines of Rs. 214 Cr.

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 - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	5869.80	4682.16
Total Income*	Rs. Cr.	1209.71	1047.89
PAT	Rs. Cr.	177.70	142.24
Net Worth	Rs. Cr.	861.63	678.50
Return on Average Assets (RoAA)	(%)	3.37	3.58
Return on Average Net Worth (RoNW)	(%)	23.08	23.46
Debt/Equity	Times	3.48	3.72
Gross NPA	(%)	-	-
Net NPA	(%)	-	-

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

Key Financials (Consolidated)

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs. Cr.	20351.48	12715.13
Total Income*	Rs. Cr.	2539.20	1834.24
PAT*	Rs. Cr.	624.84	305.07
Net Worth	Rs. Cr.	2898.86	2258.80

Return on Average Assets (RoAA)**	(%)	3.78	2.62
Return on Average Net Worth (RoNW)**	(%)	24.55	14.88
Debt/Equity	Times	2.32	2.38
Gross NPA	(%)	-	-
Net NPA	(%)	-	-

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

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité 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
04 Aug 2023	Proposed Secured Non-Convertible Debentures	Long Term	1.96	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	30.00	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	11.98	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	55.28	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	53.05	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	15.32	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	54.05	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	23.21	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	7.35	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	36.17	ACUITE AA- Stable (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	11.63	ACUITE AA- Stable (Reaffirmed)
05 Aug 2022	Proposed Secured Non-Convertible Debentures	Long Term	300.00	ACUITE AA- Negative (Downgraded from ACUITE AA Negative)
01 Feb 2022	Proposed Secured 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
Not Applicable	INE523L07686	Non-Convertible Debentures (NCD)	15 Jul 2022	Not avl. / Not appl.	15 Jul 2024	Simple	11.98	ACUITE AA- Stable Reaffirmed
Not Applicable	INE523L07660	Non-Convertible Debentures (NCD)	15 Jul 2022	8.80	15 Jul 2025	Simple	55.28	ACUITE AA- Stable Reaffirmed
Not Applicable	INE523L07694	Non-Convertible Debentures (NCD)	15 Jul 2022	9.15	15 Jul 2025	Simple	53.05	ACUITE AA- Stable Reaffirmed
Not Applicable	INE523L07702	Non-Convertible Debentures (NCD)	15 Jul 2022	Not avl. / Not appl.	15 Jul 2025	Simple	15.32	ACUITE AA- Stable Reaffirmed
Not Applicable	INE523L07710	Non-Convertible Debentures (NCD)	15 Jul 2022	9.16	15 Jul 2027	Simple	54.05	ACUITE AA- Stable Reaffirmed
Not Applicable	INE523L07751	Non-Convertible Debentures (NCD)	15 Jul 2022	9.55	15 Jul 2027	Simple	23.21	ACUITE AA- Stable Reaffirmed
Not Applicable	INE523L07728	Non-Convertible Debentures (NCD)	15 Jul 2022	Not avl. / Not appl.	15 Jul 2027	Simple	7.35	ACUITE AA- Stable Reaffirmed
Not Applicable	INE523L07744	Non-Convertible Debentures (NCD)	15 Jul 2022	9.53	15 Jul 2032	Simple	36.17	ACUITE AA- Stable Reaffirmed
Not Applicable	INE523L07736	Non-Convertible Debentures (NCD)	15 Jul 2022	9.95	15 Jul 2032	Simple	11.63	ACUITE AA- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Secured Non-Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.96	ACUITE AA- Stable Reaffirmed

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

Sr.No	Company Name
1	Nuvama Wealth Management Limited
2	Nuvama Wealth and Investment Limited
3	Nuvama Wealth Finance Limited

4	Nuvama Clearing Services Limited
5	Nuvama Asset Mangement Limited
6	Nuvama Investment Advisors (Hongkong) Private Limited
7	Nuvama Capital Services(IFSC) Limited
8	Nuvama Financial Services Inc
9	Nuvama Investment Advisors LLC
10	Nuvama Financial Services (UK) Ltd
11	Nuvama Investment Advisors (Hong Kong) Pvt Ltd
12	Nuvama Custodial Services Ltd
13	Picktight Technologies Pvt Ltd
14	Nuvama and Cushman & Wakefield Management Phivate Limited
15	Nuvama Wealth Management (DIFC) Limited

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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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