

December 28, 2023

Nuvama Wealth Management Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	-	[ICRA]AA- (Stable); outstanding
Total	-	-	

*Instrument details are provided in Annexure I

Rationale

On December 18, 2023, Nuvama Wealth Management Limited (Nuvama) informed the exchanges about an [order](#) passed by the Securities Appellate Tribunal (SAT) involving Nuvama Clearing Services Limited (NCSL; erstwhile Edelweiss Custodial Services Limited) in the matter of Anugrah Stock Broking Pvt. Ltd. The order dismissed NCSL's appeal against the Member and Core Settlement Guarantee Fund Committee of NSE Clearing Limited for the transactions pertaining to CY2019-CY2020. The SAT upheld the core settlement committee's earlier order requiring reinstatement of securities worth of ~Rs. 460 crore sold during Q4 FY 2020 & Q1 FY2021. NCSL has initiated an appeal against the impugned SAT order in the Hon'ble Supreme Court.

ICRA notes that in the absence of a favourable outcome for NCSL, the former promoter¹ (Edelweiss Financial Services Limited²; EFSL), as a part of its stated intent, would be indemnifying³ the net liability as per the shareholder agreement with the current promoter (PAG⁴). As a result, the net impact on the Nuvama Group's financial profile is expected to be limited. Moreover, the healthy pace of cash accruals and available on-balance sheet liquidity support the impact absorption capacity of the Nuvama Group. Furthermore, ICRA notes that the promoter remains committed to extending support/liquidity backup, if required. Nonetheless, ICRA will continue to monitor the developments and their impact (if any) on the Nuvama Group's operations and profitability.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Entities in the Brokerage Industry Rating Methodology for Non-banking Finance Companies Rating Approach – Consolidation
Parent/Group support	Not applicable
Consolidation/Standalone	To arrive at the rating, ICRA has considered the consolidated financials of Nuvama and has taken a consolidated view of the company and its subsidiaries due to the common senior management team, shared brand name, and financial and operational linkages.

About the company

Nuvama Group is one of the leading non-banks in the wealth management space. It offers retail and private wealth management, advisory/investment banking, institutional equities, asset management, broking and distribution services to affluent, high-net-worth individuals (HNIs), ultra HNIs and institutional clients.

¹ Currently holding ~14% stake in Nuvama Wealth Management Limited through its subsidiary companies

² Non-convertible debentures rated [ICRA]A+@; Placed on Watch with Negative Implications

³ Subject to arbitration clauses between PAG and Edelweiss Group

⁴ PAG is one of the large Asia-focused private investment firms with assets under management (AUM) of \$50 billion across Asia and leading institutional investors from Europe, North America, Asia and the Middle East

The NWML Group, erstwhile Edelweiss Securities Limited, was incorporated in 1993. It was previously a wholly-owned subsidiary of EFSL. However, EFSL announced the sale of a part of its stake in the wealth management business to PAG in Q2 FY2021. Thereafter, PAG paid Rs. 2,366 crore in March 2021 to acquire the Edelweiss Group's wealth management segment (including a primary investment of Rs. 435 crore), which was subsequently renamed Nuvama. Additionally, PAG acquired the entire equity ownership of the erstwhile investors, Kora Management and Sanaka Capital, in the NWML Group. With this, it held 61.5% in the NWML Group while EFSL held 38.5% with an option to increase its stake to 44%. The Edelweiss Group exercised this option in Q3 FY2022. As of September 30, 2023, PAG held a 56% stake in the NWML Group, primarily through PAGAC Ecstasy Pte Ltd.

The Group's net worth, on a consolidated basis, stood at Rs. 2,506 crore as of September 30, 2023 compared to Rs. 1,912.85 crore as of March 31, 2022. It reported a consolidated profit after tax of ~Rs. 305 crore in FY2023 and ~Rs. 268 crore in H1 FY2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Dec 28, 2023	Dec 27, 2022	-	-
1 Issuer Rating	Long term	-	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	-

Source: Company

Complexity level of the rated instrument

Instrument	Complexity Indicator
Issuer Rating	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer Rating	-	-	-	-	[ICRA]AA- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name (Mar-23)	NWML Group Ownership	Consolidation Approach
Nuvama Wealth Management Limited (erstwhile Edelweiss Securities Limited)	Parent	ICRA has taken a consolidated view of the parent and its subsidiaries
Nuvama Wealth and Investments Limited (erstwhile Edelweiss Broking Limited)	100%	
Nuvama Wealth Finance Limited (erstwhile Edelweiss Finance and Investments Limited)	100%	
Nuvama Clearing Services Limited (erstwhile Edelweiss Custodial Services Limited)	100%	
Nuvama Asset Management Limited (erstwhile ESL Securities Limited)	100%	
Nuvama Custodial Services Limited (erstwhile Edelweiss Capital Services Limited)	49%	
Nuvama Capital Services (IFSC) Limited (erstwhile Edelweiss Securities IFSC Limited)	100%	
Nuvama Financial Services Inc (erstwhile Edelweiss Financial Services Inc)	100%	
Nuvama Financial Services (UK) Limited (erstwhile Edelweiss Financial Services (UK) Limited)	100%	
Nuvama Investment Advisors (Hongkong) Private Limited (erstwhile Edelweiss Securities (Hong Kong) Private Limited)	100%	
Nuvama Investment Advisors Private Limited (erstwhile Edelweiss Investment Advisors Private Limited)	100%	

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About ICRA Limited:

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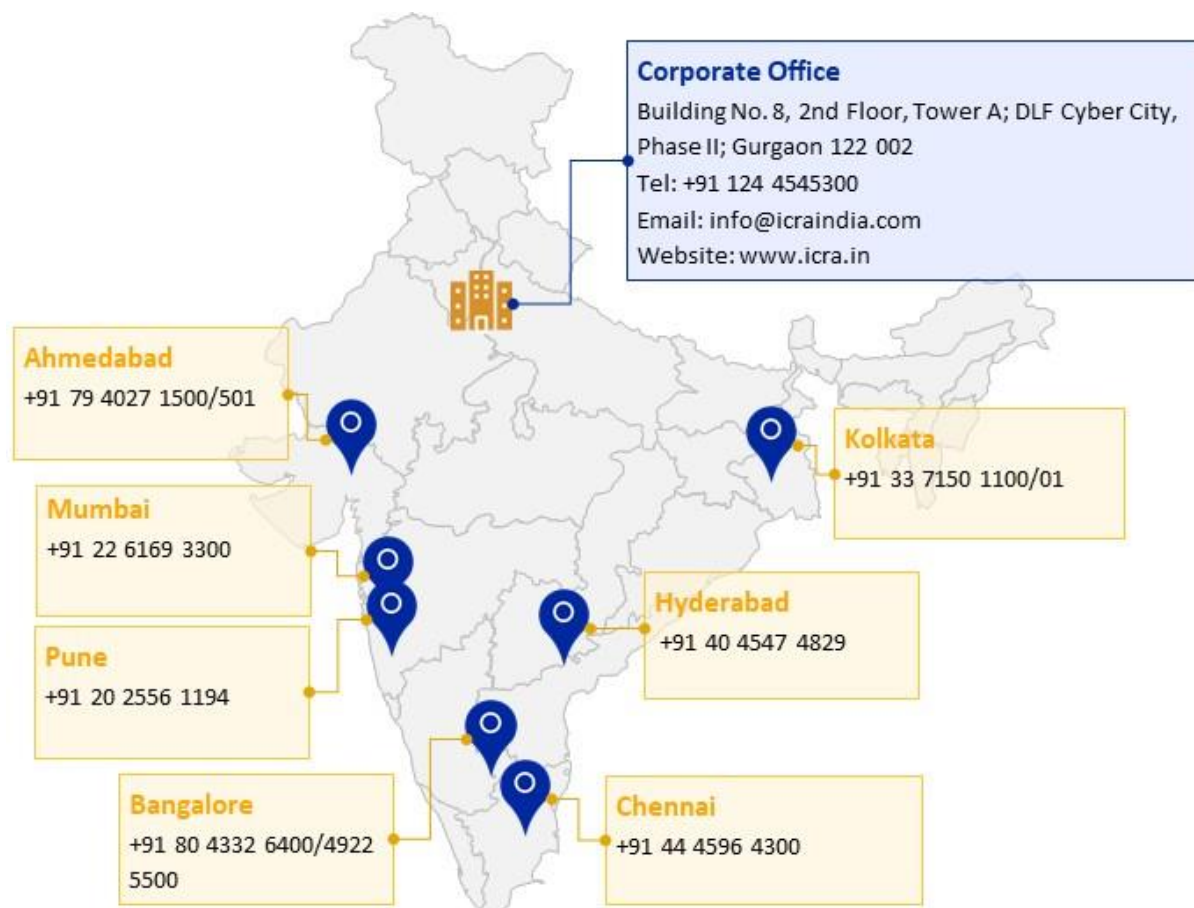


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