

December 28, 2023

Nuvama clearing Services Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term Non-fund Based Bank Lines	1,834.00	1,834.00	[ICRA]AA- (Stable)/ [ICRA]A1+; outstanding
Total	1,834.00	1,834.00	

*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 ~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 NWML and taken a consolidated view of NWML and its subsidiaries, due to the common senior management team, shared brand name, and financial and operational linkages.

About the company

The erstwhile Edelweiss Custodial Services Limited (presently known as Nuvama Clearing Services Limited or NCSL) is registered with SEBI as a Clearing member and as a Professional Clearing Member registered with NSE Clearing Ltd (NCL),

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

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. It invests in fixed deposits and other highly liquid callable instruments as a part of its treasury activities. NCSL is a fully-owned subsidiary of NWML. PAGAC Ecstasy Pte. Limited is the ultimate holding company. As on September 30, 2022, PAGAC Ecstasy Pte. Ltd held a ~56% stake in NWML while Edelweiss Group held ~44%.

The company reported a profit after tax (from continuing operations) of Rs. 62.80 crore on total income of Rs. 277.64 crore in FY2022 compared to a net profit of Rs. 97.48 crore on total income of Rs. 239.81 crore in FY2021. Its total assets stood at Rs. 4,203.76 crore while its net worth was Rs. 295.42 crore as of March 31, 2022 compared to Rs. 4,176.98 crore and Rs. 232.15 crore, respectively, as of March 31, 2021. The company had nil on-balance sheet borrowings as on March 31, 2022.

Nuvama Wealth Management Limited

NWML 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. As of September 30, 2022, assets under its advice (AUA, excluding custody assets) stood at Rs. 1.76 lakh crore compared to Rs. 1.72 lakh crore as of March 31, 2022 and Rs. 1.41 lakh crore as of March 31, 2021.

NWML Group, erstwhile Edelweiss Securities Limited, was incorporated in 1993. It was earlier 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 NWML. Additionally, PAG acquired the entire equity ownership of erstwhile investors, Kora Management and Sanaka Capital, in NWML Group. With this, it held 61.5% in NWML Group while EFSL held 38.5% with an option to increase its stake to 44%. In Q3 FY2022, the Edelweiss Group exercised this option. As of September 30, 2022, PAG held a 56% stake in NWML Group, primarily through PAGAC Ecstasy Pte Ltd. As per the arrangement, NWML is to be listed on stock exchange(s) post the demerger, whereby EFSL's shareholders would receive equity shares of NWML Group. The said process is likely to be completed within the next few quarters. The Group's net worth, on a consolidated basis, stood at Rs. 2,064.91 crore as of September 30, 2022 compared to Rs. 1,912.85 crore as of March 31, 2022. It posted a profit before tax (PBT; before exceptional items) of Rs. 182.13 crore in H1 compared to Rs. 303.48 crore in FY2022.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2024)		Chronology of Rating History in past 3 years						
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021		
				Dec 28, 2023	Dec 27, 2022	Jun 24, 2022	Jun 29, 2021	Nov 09, 2020	Oct 19, 2020	May 05, 2020
Long-term/Short-term Non-fund Based Bank Lines	Long term/Short term	1,834	1,350	[ICRA]AA-(Stable)/[ICRA]A1 +	[ICRA]AA-(Stable)/[ICRA]A1 +	[ICRA]A + (Stable)/[ICRA]A1	[ICRA]A+ (Negative) / [ICRA]A1	[ICRA]A+ (Negative) / [ICRA]A1	[ICRA]A+ (Negative) / [ICRA]A1	[ICRA]A+ (Negative) / [ICRA]A1

Source: Company

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long term/Short-term Non-fund Based Bank Lines	Very simple

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	Long-term/Short-term Non-fund Based Bank Lines-Bank Guarantee	NA	NA	NA	1,834.00	[ICRA]AA-(Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name (H1 FY2023)	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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Branches



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