

March 07, 2025

Nuvama Clearing Services Limited: Ratings reaffirmed; Outlook revised to Positive from Stable

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- (Positive)/[ICRA]A1+; reaffirmed and outlook revised to Positive from Stable on long term ratings
Total	1,834.00	1,834.00	

*Instrument details are provided in Annexure I

Rationale

While arriving at the rating, ICRA has considered the consolidated financials of Nuvama Wealth Management Limited (NWML). It has taken a consolidated view of the credit profiles of NWML and its subsidiaries (together referred to as Nuvama or the Group hereafter), including Nuvama Clearing Services Limited, as the companies have operational and business synergies in addition to a shared name and management oversight.

The revision in the outlook to Positive considers Nuvama's improving scale and market position in the wealth management, asset management, asset services (clearing & custody) and capital market businesses, along with its strong operational and financial performance despite the evolving operating landscape in terms of regulations and competition. The wealth management business ramped up successfully in recent years with the healthy trajectory of net new money into annual recurring assets amid industry tailwinds. This, coupled with the impetus on the asset management business, is expected to continue to drive an increase in the share of recurring revenues.

Driven by the sizeable earnings contributions from the asset services, institutional equities (IE) and investment banking (IB) businesses, Nuvama reported its best-ever performance in 9M FY2025 with a 76% year-on-year (YoY) increase in the profit after tax and a return on equity (RoE) of 32% (24% in FY2024 and 15% in FY2023). ICRA notes that while the consolidated borrowings have increased on account of rise in working capital requirements in the broking operations, nonetheless the capitalisation profile remains comfortable. Overall, the credit profile continues to benefit from its strong market position in the wealth management business with the second largest assets under advice (AUA) among non-bank wealth managers and diversified offerings across the capital market businesses.

These strengths are, however, partially offset by the exposure of the businesses to the inherent volatility in the capital markets, besides regulatory uncertainties and associated franchise and reputational risks. The Group's borrowing profile is improving however remains modest. Additionally, the loan book remains exposed to market risks, given the volatile nature of the underlying asset class and its sensitivity to capital market movements. Nevertheless, sizeable accruals and the comfortable capitalisation profile provide buffer to absorb any losses and incremental credit costs, if any.

Key rating drivers and their description

Credit strengths

Strong market position with diversified offerings across various capital market businesses – Nuvama Group is one of the leading integrated wealth management firms in India. It oversees more than Rs. 4.5 trillion of client assets (including custody assets) and caters to a diverse clientele, including 12+ lakh affluent and high-net-worth individuals (HNIs) and 4,200+ of the wealthiest families as on December 31, 2024. Nuvama offers wealth management solutions, covering investment advisory,

estate planning, asset management services, investment management, lending and broking services for individuals, institutions, senior executives, professional investors, and family offices.

The Group has a pan-India presence across all major cities. It also offers loan against securities (LAS) through its non-banking financial company (NBFC) – Nuvama Wealth Finance Limited (NWFL). NWFL had a loan book of Rs. 3,059 crore as on September 30, 2024. Moreover, the broking entity (Nuvama Wealth and Investment Limited), which provides margin trade funding (MTF) and employee stock ownership plan (ESOP) funding, had a loan book of Rs. 1,608 crore as on September 30, 2024.

Nuvama enjoys its association with Pacific Alliance Group (PAG), which could support it in leveraging the firm's global relationships for expanding its reach. PAG is one of the leading Asia-focused private investment firms with assets under management (AUM) of \$58 billion. Through PAGAC Ecstasy Pte Ltd, PAG acquired a majority stake in Nuvama Group in FY2021. As on December 31, 2024, it directly and indirectly held a ~55% stake in Nuvama.

Healthy profitability – Driven by the significant growth in the asset services and capital market businesses amid industry tailwinds, the Group has achieved a healthy improvement in its profitability in recent years. It reported a strong performance in 9M FY2025 with a net profit of ~Rs. 730 crore, up by 64% YoY, PAT/net revenue of 33% and RoE of 32% (23% in 9M FY2024). ICRA is cognizant of the slight moderation in broking income in recent months amid industry headwinds. Moreover, the profitability in the clearing business could moderate from the current level if systemic interest rates ease as the interest income on the float maintained by clients will decline. Nonetheless, the scale-led operating efficiency in the wealth & asset management businesses is expected to offer headroom for absorbing some of this impact, though the overall performance will continue to have key dependency on the broader market performance. The profitability in the wealth management business remained healthy in 9M FY2025 with operating profit before tax (PBT)/net revenues of 34% (35% in 9M FY2024); the marginal moderation in profitability was on account of the increase in operating expenses due to the scale-up of the teams and impact of change in AIF revenue recognition norms.

Comfortable capitalisation – Nuvama's capitalisation profile remains comfortable, characterised by a net worth (including minority interest; MI) of Rs. 3,216 crore and a gearing of 2.4 times as on December 31, 2024. The Group raises borrowings primarily for offering short-tenor ESOP/LAS and MTF, and for the working capital requirements of the broking business. In this regard, the Group has reported an increase in borrowings in the current fiscal primarily on account of higher working capital requirements in the broking operations. While net worth accruals got limited with the commencement of dividend payouts in Q1 FY2025, the capitalisation profile remains comfortable.

Going forward, the healthy profitability, calibrated dividend policy, plans for modest incremental sponsor investments in the asset management business and measured growth plans for the lending book are likely to keep incremental capital requirements low. Historically, while the Group's funding profile has been skewed towards market linked debentures, the share of non-convertible debentures is expected to increase over the near to medium term due to the Group's focus on diversifying its resource profile.

Credit challenges

Exposure to inherent volatility in capital markets – Nuvama has witnessed a significant increase¹ in revenues from asset services and capital market businesses (comprising IE, and IB) in recent periods. Nonetheless, supported by the healthy growth in the wealth segment, it has managed to maintain an even mix of revenues between wealth and asset management and other businesses. The revenues from IE, IB and asset servicing remain relatively more exposed to the volatilities of the capital market, which impacts the volume of transactions and trading positions undertaken by clients, leading to dependency on market activity. With the implementation of regulatory measures for strengthening the index derivatives framework in November 2024 and the temperedness in market trends, the revenue from the IE and IB segments declined by 22% QoQ in Q3 FY2025

¹ During 9M FY2025, Nuvama Asset Services, IB & IE segment contributed 49% of Group's net revenues in 9M FY2025 (38% in 9M FY2024)

following the record increase² in the preceding six quarters. Further, while the Group has witnessed an increase in the share of annual recurring revenue (ARR) in the wealth segment, the share of transaction-led revenues in the segment remains significant. Additionally, a part of the the Group's revenue in the wealth management business is linked to the AUA in public equities and hence remains exposed to fluctuations in the capital markets. The Group's loan book is also exposed to market risk, given the nature of the underlying collateral.

The Group forayed into the asset management business in FY2021, though it is still in the scale-up phase and the share of income from this segment remains modest. The Group's revenue profile is also susceptible to regulatory changes, which could have an adverse impact on its profitability.

Franchise and reputational risk – The Group relies on its brand and the franchisee developed over a period for the retention and acquisition of clients. Also, as a fund manager, it manages significant amounts of AUM across funds in its asset management business, leading to risks associated with the underperformance of the underlying investments. Sustained underperformance may result in adverse reputational impact, which could affect the overall business. Moreover, the company's ability to retain its relationship managers will be critical for maintaining low client attrition rates.

Elevated competition, high dependence on technology and evolving regulatory environment – Wealth management firms depend heavily on technology for trade execution, fund management, etc. Thus, technical failures or disruptions pose operational and reputational risk. Moreover, given the highly regulated nature of the industry, the players remain exposed to regulatory risks. Their ability to ensure compliance with the evolving regulatory landscape remains crucial. Regulatory changes such as revisions in revenue recognition norms for alternative investment funds (AIFs), higher margin requirements for broking operations, and revision in taxation structure for structured products have impacted profitability. Further, the prolonged continuation of the downtrend in capital markets would impact the revenues and profitability of the industry participants, though the impact on the Group would be relatively lower due to its diversified revenue profile.

The sector also remains characterised by intense competition with susceptibility to the entry of new players, though it has maintained/strengthened its market position across key business segments. Additionally, while it has managed to achieve healthy yields, notwithstanding some moderation in recent quarters, pricing pressure cannot be ruled out. Nonetheless, the increasing financialisation of savings and the nascent stage of the wealth management sector offer untapped potential for expansion over the longer term. However, the possibility of pressure on profitability cannot be ruled out.

Liquidity position: Adequate

At the consolidated level, Nuvama's liquidity position is adequate with a free unencumbered cash and bank balance of ~Rs. 1,090 crore, liquid investments of ~Rs. 50 crore and drawable but unutilised lines of ~Rs. 450 crore as on December 31, 2024. These, along with inflows from the short-tenor loan book of Rs. 4,956 crore are adequate for covering the repayment obligations of ~Rs. 4,839 crore till December 31, 2025. Additionally, the Group held Rs. 1,006 crore of stocks in trade, which provides financial flexibility.

Rating sensitivities

Positive factors – Sustained performance, in terms of AUM and profitability, across market cycles while maintaining a comfortable capitalisation profile would have a positive impact.

Negative factors – A material and prolonged erosion in the Group's AUM, impacting the financial performance, or an increase in the consolidated gearing beyond 3.5 times would have a negative impact.

² IB & IE segment contributed 28% to Group's net revenue in 9M FY2025 (23% in 9M FY2024)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Stockbroking & Allied Services Non-banking Finance Companies
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has considered the consolidated financials of Nuvama Wealth Management Limited (NWML) and has taken a consolidated view of the credit profiles of NWML and its subsidiaries, including Nuvama Clearing services Limited, as the companies have operational and business synergies in addition to a shared name and management oversight.

About the company

Nuvama Clearing Services Limited (NCSL; erstwhile Edelweiss Custodial Services Limited) is registered with Securities and Exchange Board of India (SEBI) as a clearing member and as a professional clearing member with NSE Clearing Ltd (NCL), Indian Clearing Corporation Ltd (ICCL), Multi Commodity Clearing Corporation of India Ltd (MCXCCL) and National Commodity Clearing Ltd (NCCL). The company also offers fund accounting services to portfolio managers, alternative investment funds (AIFs) and domestic body corporates. Besides the clearing fee, the company earns a significant share of income from the float received from the clients for their trading positions. NCSL is a fully owned subsidiary of NWML while PAGAC Ecstasy Pte Ltd is the ultimate holding company. The company reported a profit after tax of Rs. 220 crore on net operating income (NOI) of ~Rs. 355 crore in H1 FY2025 (provisional basis). As of September 30, 2024, the capitalisation profile was characterised by a net worth of ~Rs. 798 crore (~Rs. 639 crore as of March 31, 2024) and a gearing of 0.3 times.

Key financial indicators

NCSL	FY2023	FY2024	H1 FY2025*
Net income	225.2	418.1	355.0
Profit after tax	97.9	251.7	219.5
Net worth (including MI)	386.8	638.6	797.9
Total assets	4,687.9	11,099.8	12,536.7
Gearing (times)	0.0	0.0	0.3
Return on average net worth	28.7%	49.1%	61.1%

Source: Company, ICRA Research; * Unaudited numbers; All ratios as per ICRA's calculations

Nuvama Wealth Management Limited

Nuvama Group is one of the leading domestic integrated wealth management firm. The Group oversees in excess of Rs. 4.5 trillion of client assets (including custody assets) and caters to a diverse set of clients which includes over 12+ lakh affluent and HNIs and 4,200+ of wealthiest families as of December 31, 2024. Nuvama offers wealth management solutions, covering investment advisory, estate planning, asset management services, investment management, lending and broking services for individuals, institutions, senior executives, professional investors, and family offices.

NWML is a flagship entity of Nuvama Group, offering broking and investment banking services to institutional clients. It was previously a wholly-owned subsidiary of Edelweiss Financial Services Limited (EFSL). However, EFSL announced the sale of a part of its stake in the wealth management business to PAG in Q2 FY2021. Following the completion of the demerger process in June 2023, it got listed in September 2023. As of December 31, 2024, PAG Group directly and indirectly held a ~55% stake in NWML.

As of December 31, 2024, the Group's capitalisation profile was characterised by a net worth (including MI) of ~Rs. 3,216 crore and a gearing of 2.4 times. The Group reported a consolidated net profit of ~Rs. 730 crore on net revenue of ~Rs. 2,224 crore in 9M FY2025.

Key financial indicators

NW/ML (Consolidated)	FY2023	FY2024	9M FY2025*
Net income	1,595.6	2,269.1	2,223.9
Profit after tax	305.1	624.8	729.8
Net worth (including MI)	2,258.8	2,898.9	3,216.3
Total assets	12,606.7	20,248.2	NA
Gearing (times)	2.4	2.3	2.4
Return on average net worth	15%	24%	32%

Source: Company, ICRA Research; Amount in Rs. crore; * Unaudited numbers; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: ICRA notes that the Securities Appellate Tribunal (SAT) vide its order dated December 15, 2023 upheld the order of Member and Core Settlement Guarantee Fund Committee of NSE Clearing Ltd against Nuvama Clearing Services Limited (a subsidiary of Nuvama Wealth Management Limited) in the matter of Anugrah Stock & Broking Private Limited. The company has filed an appeal before the Hon'ble Supreme Court against the impugned SAT order. The matter is pending for hearing.

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Mar 07, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term/Short-term non-fund based bank lines	Long term/Short term	1,834	[ICRA]AA-(Positive)/[ICRA]A1+	29-Feb-24	[ICRA]AA-(Stable)/[ICRA]A1+	27-Dec-22	[ICRA]AA-(Stable)/[ICRA]A1+	29-Jun-21	[ICRA]A+(Negative)/[ICRA]A1
				28-Dec-23	[ICRA]AA-(Stable)/[ICRA]A1+	24-Jun-22	[ICRA]A+(Stable)/[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-(Positive)/ [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	Ownership %	Consolidation Approach
Nuvama Wealth Management Limited	Parent	Full consolidation
Nuvama Wealth and Investment Limited	100%	
Nuvama Wealth Finance Limited	100%	
Nuvama Clearing Services Limited	Rated Entity	
Nuvama Asset Management Limited	100%	
Nuvama Capital Services (IFSC) Limited	100%	
Nuvama Financial Services Inc	100%	
Nuvama Financial Services (UK) Limited	100%	
Nuvama Investment Advisors (Hongkong) Private Limited	100%	
Nuvama Investment Advisors Private Limited	100%	
Nuvama Investment Advisors LLC	100%	
Pickright Technologies Private Limited	74%	
Nuvama Custodial Services Limited	49%	
Nuvama and Cushman & Wakefield Management Private Limited	50%	

Source: Nuvama Wealth Management Limited's Annual Report FY2024

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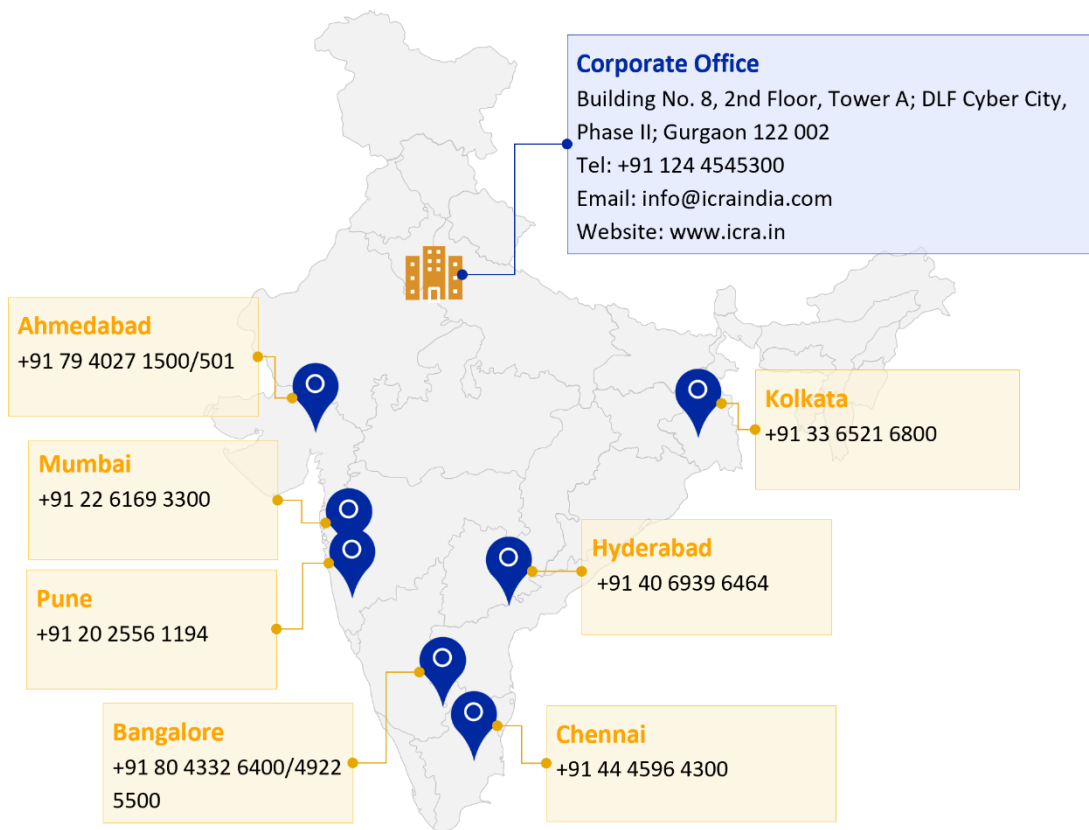
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