

September 23, 2025

Nuvama Custodial Services Limited: [ICRA]A1+ assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Commercial paper	500.00	[ICRA]A1+; assigned
Total	500.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating factors in the strong parentage of Nuvama Custodial Services Limited (Nuvama Custodial), which is part of Nuvama Group {flagship entity is Nuvama Wealth Management Limited; rated [ICRA]AA- (Positive)}, and its synergies with the Group's broader service portfolio. The shared brand name and strategic importance to the Group strengthen ICRA's belief that Nuvama Custodial will receive adequate and timely support from Nuvama, as and when required. ICRA is cognisant that Edelweiss Group {flagship entity: Edelweiss Financial Services Limited, rated [ICRA]A+ (Stable)} continues to hold a 51% stake in Nuvama Custodial, while the remaining 49% is held by Nuvama. Notwithstanding the shareholding structure, the operations and finances are managed by Nuvama Group. The rating also considers the company's adequate capitalisation and liquidity along with the improving scale of operations.

Nuvama Custodial's operations encompass custodial and allied services, distribution of unlisted securities, fee-based referral services and treasury operations. Since the commencement of operations in 2021, the company has a track record of profitable operations supported by the improving scale of business. However, its cost structure remains elevated due to sizeable commissions and intermediation fees shared with Nuvama Group entities. Nonetheless, its profitability remains adequate with an average return on equity (RoE) of 12% during FY2022-FY2025. As on June 30, 2025, the capitalisation profile was characterised by a net worth of ~Rs. 89 crore and nominal borrowings. While ICRA is cognisant that the indebtedness is expected to increase as the company scales up its distribution business, it is expected to maintain prudent capitalisation.

The aforesaid strengths are partially offset by Nuvama Custodial's limited revenue diversification with its key revenue stream exposed to the movement in systemic interest rates. Also, it faces intense competition in the custodian business along with operational vulnerabilities stemming from any disruption in its digital operations. Furthermore, the company's ability to maintain compliance with the evolving regulatory landscape remains critical.

Key rating drivers and their description

Credit strengths

Part of a strong promoter group – Nuvama Custodial is a Securities and Exchange Board of India (SEBI) registered custodian of securities and a designated depository participant. The company is part of Nuvama Group, which is promoted by PAG following its acquisition of the wealth management business from Edelweiss Group in 2021. ICRA is cognisant that Edelweiss Financial Services Limited continues to hold a 51% stake in Nuvama Custodial, while the remaining 49% is held by Nuvama. Notwithstanding the shareholding structure, the operations and finances are managed by Nuvama Group. Nuvama Wealth Management Limited also supports a part of the company's borrowing programme through an unconditional and irrevocable corporate guarantee.

Nuvama is one of the leading integrated wealth management firms in India. It oversees more than Rs. 4.6 trillion of client assets (including custody assets) and caters to a diverse clientele, including 13+ lakh affluent and high-net-worth individuals (HNIs) and 4,400+ of the wealthiest families as on June 30, 2025. Nuvama offers wealth management solutions, covering

investment advisory, estate planning, asset management services, investment management, lending and broking services to 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) – NWFL. Moreover, the broking entity (Nuvama Wealth and Investment Limited), which provides margin trade funding (MTF) and employee stock ownership plan (ESOP) funding. Supported by healthy performance across business segments, the Group has reported healthy profitability in the recent years. It reported a strong performance in FY2025 with a net profit of ~Rs. 985 crore, up 58% YoY, PAT/net revenue of 34% (28% in FY2024) and RoE of 31% (24% in FY2024). The performance remained strong in Q1 FY2026 with RoE of 30%. Nuvama's capitalisation profile remains comfortable, characterised by a net worth (including minority interest; MI) of Rs. 3,523 crore and a gearing of 2.4 times as on June 30, 2025.

Synergies in service offerings aligned with Group's broader services portfolio – Nuvama Custodial holds strategic importance within Nuvama Group, supported by its custodial, allied, referral, and distribution of unlisted securities, which are closely integrated with the Group's broader capital market offerings. The custodial function remains critical for end-to-end client servicing, given the interconnected nature of clearing and custody operations. Accordingly, its custodial offerings support client onboarding and enhance the overall value proposition. This is particularly relevant as clearing services contribute 20-25% to the Group's consolidated revenue, evidencing the importance of custodial operations in supporting core business segments. Nuvama Custodial's operational alignment with the clearing and wealth management businesses supports scalability and contributes meaningfully to the Group's profitability. This is also reflected in the high degree of intercompany expense shared with other Nuvama Group entities as well as profit-sharing arrangements, indicating strong operational and financial integration. The company's relevance is further reinforced by the reputational sensitivity associated with the common brand name – Nuvama.

Adequate capitalisation for current scale of operations – Nuvama Custodial's capitalisation profile is characterised by a net worth of ~Rs. 89 crore and nominal borrowings (Rs. 0.2 crore) as on June 30, 2025. The company primarily relies on intraday lines for working capital requirements in the custodial operations while it depends on overdraft facilities for working capital requirements in the distribution of unlisted securities. ICRA is cognisant that further scale-up of the distribution business would lead to an increase in the company's dependence on borrowings, though it is expected to continue maintaining prudent capitalisation.

Since the commencement of operations in 2021, Nuvama Custodial has a track record of profitable operations supported by rising referral income, custodial fees, and distribution income. Its reported profit after tax (PAT)/net operating income (NOI) stood at 20% in FY2025 with RoE of 29% compared to the average of 12% and 15%, respectively, in the past three years. However, the cost structure remains elevated on account of sizeable commissions and intermediation fees. While the operations continued to scale up in the current fiscal, the profitability moderated in Q1 FY2026 with the increase in payouts to Nuvama Group entities. Nonetheless, the profitability remained adequate with PAT/NOI of 9% and RoE of 12%.

Credit challenges

Limited diversification in revenue profile – Nuvama Custodial's core operations encompass custodial & allied services, distribution of unlisted securities, client referrals to banks, and stock borrowing and lending activities. However, revenue concentration remains high, with ~63% of the gross revenues derived from referral fees, ~27% from distribution of unlisted securities and 7% from custodial services. While the direct contribution of custodial services to the company's revenue profile is modest, the overall revenue derived from a client availing custodial services is reflected in multiple revenue streams across the Group, including clearing and float income in the clearing business, and referral fees earned within this company. Referral fees are earned by introducing clients to partner banks with this income linked to the client's balance with the banks and prevailing interest rates. Additionally, the company earns spreads from the distribution of unlisted securities, which is susceptible to the inherent cyclicity of capital markets.

Elevated competition, high dependence on technology and evolving regulatory environment – Given the highly regulated nature of the industry, custodial and clearing businesses face significant regulatory risk. Ensuring compliance with evolving regulations is crucial. Recent changes, such as measures to curb exuberance in the futures & options (F&O) segment, including rationalisation of weekly index derivatives and increased margins on expiry days, along with the hike in securities transaction tax, pose risks to the trading volumes and profitability of players offering custodial and professional clearing services. Additionally, with high reliance on technology for trade execution, fund management poses operational and reputational risks.

Moreover, the industry remains dominated by bank custodians, particularly foreign portfolio investors, which account for a major share of the overall industry assets under custody (AUC) in the country, given their advantage of established franchises and large portfolios. While the increasing financialisation of savings offers potential for expansion, pressure on profitability during downturns remains a concern.

Liquidity position: Adequate

Nuvama Custodial's liquidity requirement is primarily for placing margins at the exchanges in cash, stock lending and debt segment as a part of its custodial operations and managing working capital requirements in the distribution of unlisted securities. As on June 30, 2025, the company had cash and bank balance of over Rs. 52 crore and drawable but unutilised lines of Rs. 11 crore against nil fund-based borrowings. It also had access to Rs. 100 crore of intraday lines, which supports its working capital requirements. Moreover, it enjoys financial flexibility as it is a part of Nuvama Group.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A material change in the linkage with Nuvama Group and/or a deterioration in the Group's credit profile would have a negative impact. Significant weakening of the financial profile will also be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Stockbroking & Allied Services
Parent/Group support	Nuvama Custodial Services Limited (Nuvama Custodial) is a part of Nuvama Group (flagship entity is Nuvama Wealth Management Limited; rated [ICRA]AA- (Positive)). The shared brand name and the strategic importance to the Group strengthen ICRA's belief that Nuvama Custodial will receive adequate and timely support (financial as well as operational) from Nuvama Group, as and when required.
Consolidation/Standalone	Standalone

About the company

Incorporated in 2021, Nuvama Custodial is a SEBI-registered custodian of securities and a designated depository participant with NSDL. Nuvama Custodial is also affiliated with NSE clearing and ICCL clearing as custodian and clearing member. It is part of the Nuvama Group, which is promoted by PAG following its acquisition of the wealth management business from Edelweiss Group (flagship entity: Edelweiss Financial Services Limited) in 2021. Edelweiss Financial Services Limited continues to hold a 51% stake in Nuvama Custodial, while the remaining 49% is held by Nuvama. Notwithstanding the shareholding structure, the operations and finances are managed by Nuvama Group. As on June 30, 2025, the company's assets under custody stood at Rs. 92,485 crore. On a provisional basis, Nuvama Custodial reported a net profit of ~Rs. 3 crore in Q1 FY2026 compared to Rs. 22 crore in FY2025. As on June 30, 2025, its capitalisation profile was characterised by a net worth of Rs. 89 crore and negligible gearing.

Key financial indicators (audited)

Nuvama Custodial Services Limited	FY2024	FY2025	Q1 FY2026*
Net operating income	63.7	111.9	28.9
Profit after tax	6.6	21.9	2.6
Net worth (including MI)	64.1	86.0	88.6
Total assets	524.0	1,215.4	632.4
Gearing (times)	-	-	0.0
Return on average net worth	10.9%	29.2%	12.0%

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

Nuvama Wealth Management Limited

Nuvama Group is one of the leading non-bank wealth managers in India. It oversees more than Rs. 4.6 trillion of client assets (including custody assets) and caters to a diverse clientele, including 13+ lakh affluent and HNIs and 4,400+ of the wealthiest families as on June 30, 2025. The Group offers wealth management solutions, covering investment advisory, estate planning, asset management services, investment management, lending and broking services to individuals, institutions, senior executives, professional investors, and family offices. It has a pan-India presence across all major cities. It also offers LAS through its NBFC –NWFL. Moreover, the broking entity (Nuvama Wealth and Investment Limited) provides MTF and ESOP funding. Supported by the strong performance across business segments, the Group has reported healthy profitability in recent years.

The Group reported a consolidated net profit of Rs. 264 crore in Q1 FY2026 (Rs. 985 crore in FY2025) and RoE of ~30% (31% in FY2025). As on June 30, 2025, the capitalisation profile was characterised by a net worth (including MI) of Rs. 3,523 crore and a gearing of 2.4 times compared to Rs. 3,493 crore and 2.2 times, respectively, in March 2025.

Key financial indicators (audited)

Nuvama Wealth Management Limited (consolidated)	FY2024	FY2025	Q1 FY2026*
Net income^	2,269.1	3,053.1	NA
Profit after tax	624.8	985.1	263.9
Net worth (including MI)	2,898.9	3,493.1	3,523.0
Total assets	20,248.1	28,318.9	28,768.4
Gearing (times)	2.3	2.2	2.4
Return on average net worth	24.2%	30.8%	30.1%

Source: Company, ICRA Research; Amount in Rs. crore; * Unaudited; ^ Including fair valuation gains on financial instruments; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Sep 23, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	500.00	[ICRA]A1+	-	-	-	-	-	-

Source: Company

Complexity level of the rated instrument

Instrument	Complexity indicator
Commercial paper	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	Commercial paper*	-	-	-	500.00	[ICRA]A1+

Source: Company; * yet to be placed

Annexure II: List of entities considered for consolidated analysis

Not applicable

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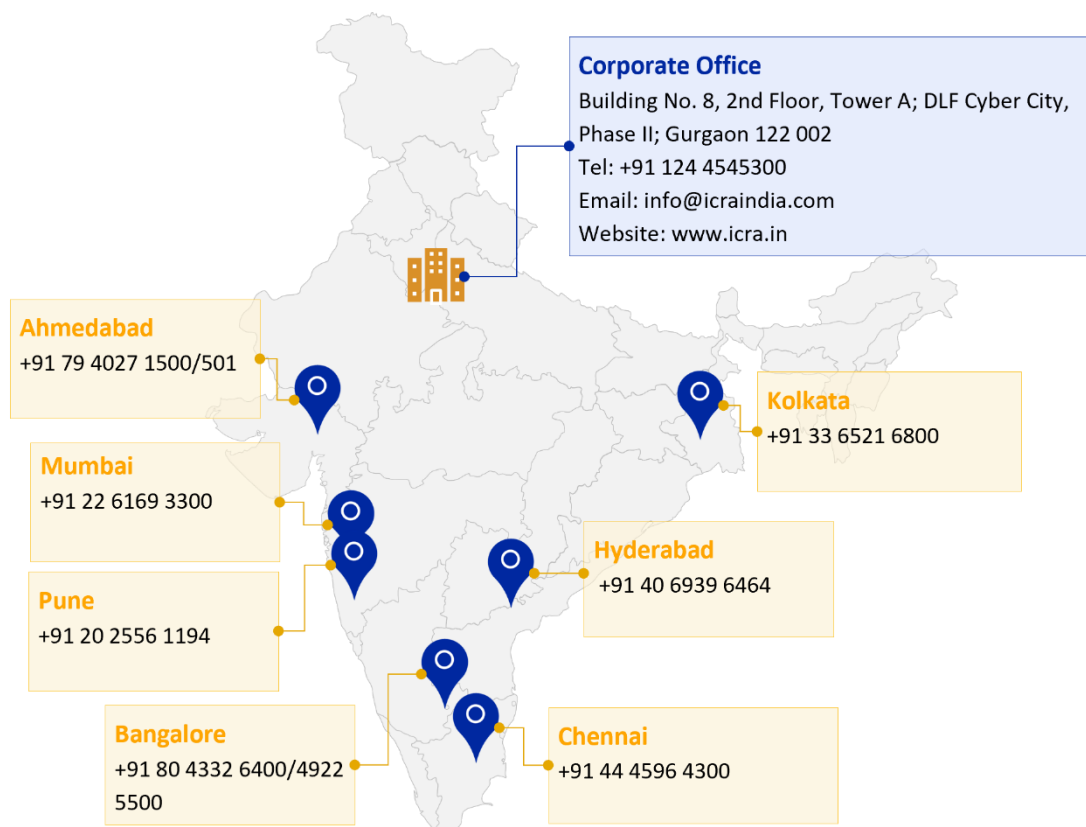


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