

February 20, 2026

## Nuvama Custodial Services Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial Paper	500.00	500.00	[ICRA]A1+ ; Reaffirmed
<b>Total</b>	<b>500.00</b>	<b>500.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The 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 (Stable)}, 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. During 9M FY2026, the company witnessed a moderation in profitability largely on account of increase in operating expenses, nonetheless it remained adequate (RoE of 8%). As on December 31, 2025, the capitalisation profile was characterised by a net worth of ~Rs. 91 crore and gearing of 1.1 times. 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 in excess of Rs 4.6 lakh crore of client assets (including custody assets) and caters to a diverse set of clients which includes ~13 lakhs affluent and HNIs and ~4,500 of

wealthiest families as on December 31, 2025. 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) – NWFL. Moreover, the broking entity (Nuvama Wealth and Investment Limited) provides margin trade funding (MTF) and employee stock ownership plan (ESOP) funding. The Group delivered return on equity (RoE) of ~28% in 9M FY2026, building on the track record of the strong profitability trajectory with a 5-year average RoE of 21%. Supported by the healthy accruals, the consolidated capitalisation profile remains adequate with net worth of Rs. 3,839 crore and a gearing of 2.6 times as on December 31, 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. 91 crore and gearing of 1.1 times as on December 31, 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. During 9M FY2026, the company witnessed a moderation in profitability on account of an increase in operating expenses (comprising of sizeable payouts to Nuvama Group entities for support services), though it remained adequate with RoE of 8%.

### 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 remain opportunistic and subject to market buoyancy.

**Elevated competition, high dependence on technology and evolving regulatory environment** – The custodial and clearing rely heavily on technology for trade execution, fund management, etc. Thus, technical failures or disruptions pose operational and reputation 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 in AIF, tightening of index derivative framework, higher margin requirements in broking operations, revision in taxation structure in structured products, have impacted the profitability of the players. The recent tightening of bank lending to capital-market entities, the working capital requirements of market intermediaries including securities brokers are expected to rise. This is likely to drive a higher reliance on market borrowing as entities scale

up their operations.

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 September 30, 2025, the company had cash and bank balance of over Rs. 50 crore and drawable but unutilised lines of Rs. 11 crore against Rs. 36 crore of 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	<a href="#">Stockbroking &amp; Allied Services</a>
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 (Stable)). 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.

### Nuvama Wealth Management Limited

Nuvama Group is one of the leading domestic integrated wealth management firms. It oversees more than Rs. 4.6 trillion of client assets (including custody assets) and caters to a diverse set of clients, including over 13 lakh affluent and HNIs and above 4,700 of the wealthiest families as on December 31, 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. NWML is the flagship entity of Nuvama Group, offering broking and investment banking services to institutional clients. As on December 31, 2025, PAG Group directly and indirectly held a ~54% stake in NWML.

### Key financial indicators (audited)

Nuvama Custodial Services Limited	FY2024	FY2025	9M FY2026*
Net operating income	63.7	111.9	79.5
Profit after tax	6.6	21.9	5.3
Net worth (including MI)	64.1	86.0	91.3
Total assets	524.0	1,215.4	NA
Gearing (times)	-	-	1.1
Return on average net worth	10.9%	29.2%	8.0%

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

NWML (Consolidated)	FY2024	FY2025	9MFY2026*
Net income <sup>^</sup>	2,269.1	3,053.1	2,392.5
Profit after tax	624.8	985.1	771.5
Net worth (including MI)	2,898.9	3,493.1	3,839.1
Total assets	20,248.1	28,318.9	26,823.2
Gearing (times)	2.3	2.2	2.6
Return on average net worth	24.2%	30.8%	28.1%

Source: Company, ICRA Research; Amount in Rs. crore; <sup>^</sup> including fair valuation gains on financial instruments; All ratios as per ICRA's calculations; \*un-audited

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable**

### Rating history for past three years

Instrument	Current rating(FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	February 20, 2026	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Commercial Paper</b>	Commercial Paper	500.00	[ICRA]A1+	September 23, 2025	[ICRA]A1+	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial Paper	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
INE0H3Q14014	Commercial paper	Nov 21, 2025	8.30%	Oct 21, 2026	100.00	[ICRA]A1+
NA	Commercial paper*	-	-	-	400.00	[ICRA]A1+

Source: Company; \* Yet to be placed

## Annexure II: List of entities considered for consolidated analysis

Not Applicable

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## ICRA Limited

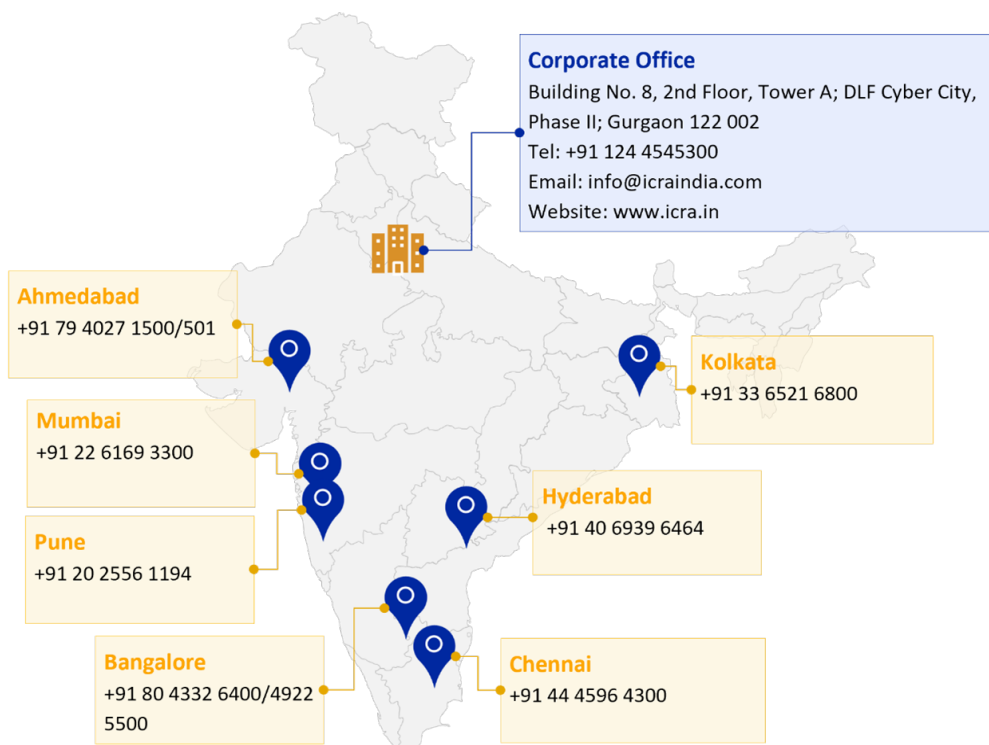


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