

## Nuvama Wealth Management Ltd

### Almost a perfect quarter; upgrade to BUY

Nuvama Wealth's overall AUM growth was robust with it totaling Rs4.4tn at end Q2FY25. The PAT number of Rs2.6bn was up 77% yoy and it beat our estimates. Capital markets stole the show with a 90% and 98% yoy growth in AUM and revenues, respectively. The recent equity market rule changes or even a equity market slowdown should still lead to elevated levels in the division's performance. The wealth businesses saw hiring of RMs (relationship managers) leading to elevated C/I ratios but we believe the ratio to taper down in the medium term. We increase our AUM and net profit estimates baking in a strong Q2. Factoring in the revised estimates, we arrive at a revised TP of Rs7,765 (vs Rs7,180) prompting us to change our rating from REDUCE to BUY. Key risks: slowdown in AUM growth, attrition (TL and client), etc.

**Strong AUM growth:** Nuvama Wealth's overall AUM grew 52% y/y and 13% q/q to Rs 4.4tn at end Q2FY25 (vs our estimate of Rs 4tn). The private segment contributed the largest Rs 2.0tn (Rs 1.5tn in Q2FY24). The net flows was Rs84bn of which Rs59bn came from the overall wealth businesses. We believe sustained activity in the capital markets division along with traction in the Nuvama wealth segment will lead to higher inflows. Over FY24-27, we have raised our overall AUM estimates by 6-9% to Rs5.9tn (up from Rs. 5.6tn previously).

**Profit numbers beat estimates:** Nuvama Wealth's PAT grew 77% y/y and 17% q/q to Rs 2.6bn (vs our estimate of Rs 2.2bn). Owing to sustained activity in the capital markets division, the overall C/I ration fell from 61.2% in Q2FY24 to 53.0% in Q2FY25. Management is confident to bring cost to income ratio to below 60% in the next 2-3 years. We have increased our PAT estimate by 14%/4% for FY26/FY27 whereas increasing our FY25 estimate by 26%.

**Capital markets steal the show:** Buoyant capital markets division had a 51% share in the total revenues at end Q2FY25 as compared to 39% in Q2FY24. Of Rs38bn of revenues (+98% yoy), Rs15bn came from asset services (+93% yoy) and ~Rs22bn came from the institutional equities business (+102% yoy). Deal activity in the investment banking segment in Q2FY25 was double the activity in Q2 FY24.

**Wealth business on expansion mode:** The wealth businesses saw additional hiring of RMs in the Wealth and Private divisions (45 overall in Q2). Moreover, the company has a robust plan of hiring additional RMs in the next 3-4 quarters (35-45 RMs per quarter in the Wealth and 5-8 RMs in the Private segment). Cost pressures were noticeable in Q2FY25, although management anticipates higher productivity (with system experience) will result in a medium-term decline in C/I (Cost to Income) ratio.

**Upgrade to BUY:** Nuvama Wealth's net profit is expected to clock 24% CAGR over FY24-27 driven by a 21% CAGR in AUM. It is currently trading at 21x Sep'26E EPS. We continue to value the stock at an unchanged 25x Sep'26E EPS – 30% discount to 360 One WAM. Factoring in the revised estimates, we arrive at a revised TP of Rs7,765 (vs Rs7,180) prompting us to change our rating from REDUCE to BUY. Key risks: slowdown in AUM growth, attrition (TL and client), etc.

### Financial and valuation summary

YE Mar (Rs mn)	2QFY25A	2QFY24A	YoY (%)	1QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenue from Operations	7,397	4,924	50.2	6,675	10.8	28,175	33,094	36,917
Total Expenses	3,920	3,015	30.0	3,741	4.8	15,539	19,256	21,671
PBT	3,477	1,909	82.2	2,934	18.5	12,636	13,838	15,246
Tax Expense	900	465	93.8	760	18.4	3,184	3,487	3,842
Profit After Tax	2,576	1,452	77.5	2,210	16.6	9,478	10,377	11,430
P/E						24.5	22.4	20.3
P/B						6.9	6.0	5.2
ROE(%)						30.3%	28.6%	27.4%

Source: Company, Centrum Broking

### Result Update

India I Wealth

28 October, 2024

### BUY

Price: Rs 6,619

Target Price: Rs 7,765

Forecast return: 17.3%

Institutional Research

### Market Data

Bloomberg:	NUVAMA IN
52 week H/L:	7,052/2,100
Market cap:	Rs245.5bn
Shares Outstanding:	35.7mn
Free float:	37.2%
Avg. daily vol. 3mth:	1,13,743

Source: Bloomberg

### Changes in the report

Rating:	REDUCE to BUY
Target price:	Rs 7,765
	FY25E: Rs 215 to Rs 270
EPS:	FY26E: Rs 260 to Rs 296
	FY27E: Rs 315 to Rs 326

Source: Centrum Broking

### Shareholding pattern

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	55.2	55.7	55.8	56.0
FIIs	19.9	6.7	6.9	7.2
DIIIs	1.5	1.4	1.3	0.9
Public/other	23.4	36.2	36.0	36.0

Source: BSE

### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY25	Actual Q2FY25	Variance (%)
Total Revenue	7,062	7,397	4.7
Total Costs	4,167	3,920	(5.9)
PBT	2,895	3,477	20.1
PAT	2,166	2,576	19.0
AUM (Rs bn)	4,050	4,413	9.0

Source: Bloomberg, Centrum Broking



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Wealth

## Thesis Snapshot

### Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Total Revenue	28,175	26,340	7.0	33,094	30,850	7.3
Total Costs	15,539	16,285	(4.6)	19,256	18,697	3.0
Cost to Income (%)	55.2	61.8	(668bps)	58.2	60.6	(242bps)
PBT	12,636	10,054	25.7	13,838	12,154	13.9
PAT	9,478	7,547	25.6	10,377	9,117	13.8
AUM	4,457	4,089	9.0	5,173	4,776	8.3

Source: Centrum Broking

### Nuvama Wealth vs. NIFTY Midcap 100

	1m	6m	1 year
NUVAMA IN	(4.2)	22.6	141.7
NIFTY Midcap 100	(7.7)	9.6	44.0

Source: Bloomberg, NSE

### Key assumptions

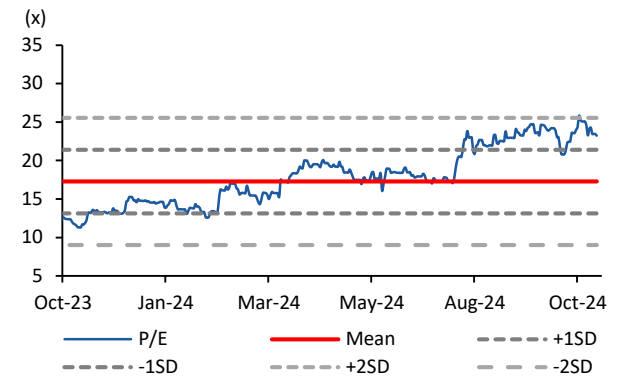
YE Mar (%)	FY25E	FY26E	FY27E
AUM	28.8%	16.1%	14.4%
Revenue	36.6%	17.5%	11.6%
PAT	58.8%	9.5%	10.1%

Source: Centrum Broking

### Valuations

Nuvama Wealth is a diversified player in the wealth management industry. The company has wealth management services catering to both, HNI and the UHNI segment. It also offers capital market services and a nascent AMC division. We have increased our PAT estimate by 14%/4% for FY26/FY27 whereas increasing our FY25 estimate by 26%. The stock is currently trading at 21x whereas we assign an unchanged 25x multiple on Sep'26 EPS (30% discount to 360 One WAM) to arrive at a revised TP of Rs 7,765 (vs Rs7,180 earlier) promoting us to change from REDUCE to BUY rating. Downside triggers: Lower AUM growth, higher than expected cost to income ratio

#### P/E mean and standard deviation



Source: Bloomberg, Centrum Broking

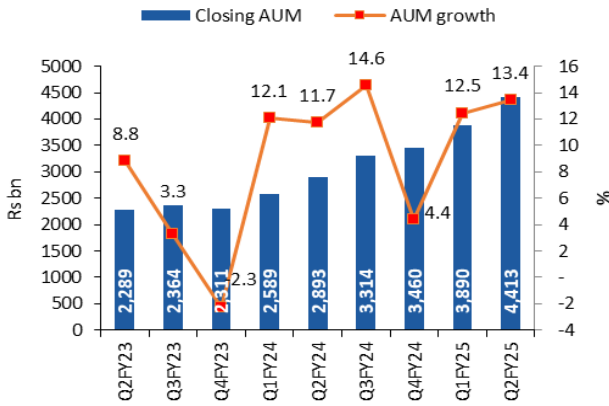
### Peer comparison

Company	TP	Upside (%)	Revenue			Net profit			ROE		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
360 One WAM	1,070	7.0	24,965	26,299	30,630	10,321	11,282	13,140	27.5%	25.6%	25.6%
<b>Nuvama Wealth</b>	<b>7,765</b>	<b>17.3</b>	<b>28,175</b>	<b>33,094</b>	<b>36,917</b>	<b>9,478</b>	<b>10,377</b>	<b>11,430</b>	<b>30.3%</b>	<b>28.6%</b>	<b>27.4%</b>

Source: Company Data, Centrum Broking

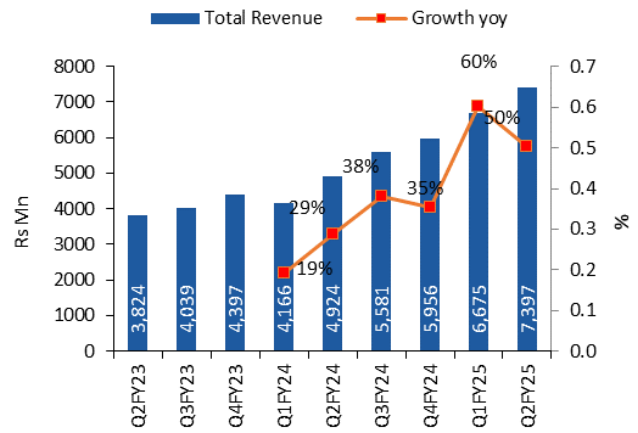
# Key Charts

**Exhibit 1: Closing AUM at Rs 4.4tn, growing 52% yoy at end Q2FY25**



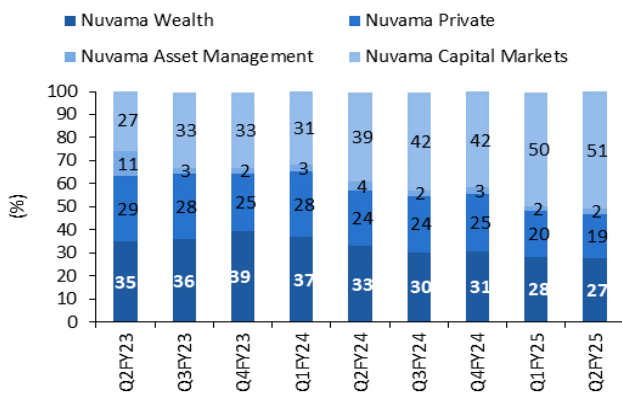
Source: Company Data, Centrum Broking

**Exhibit 2: Total revenue grew 50% yoy in Q2FY25**



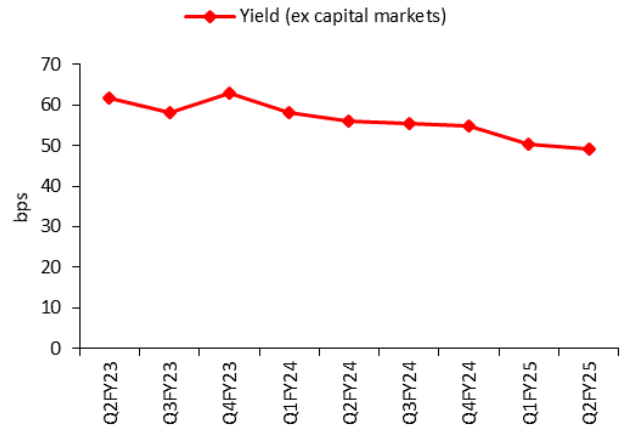
Source: Company Data, Centrum Broking

**Exhibit 3: Segmental revenue split; capital markets segment now constitutes 51%**



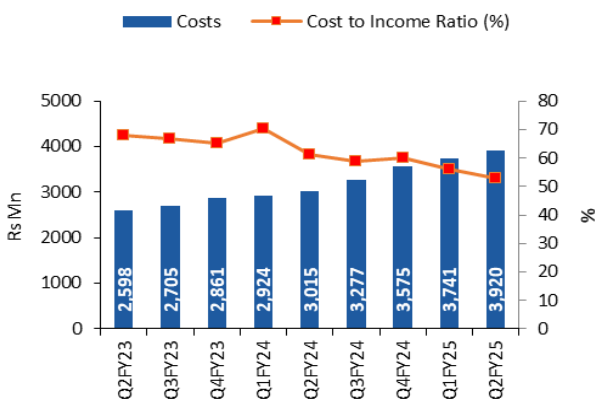
Source: Company Data, Centrum Broking

**Exhibit 4: Yield at 49 bps at end Q2FY25**



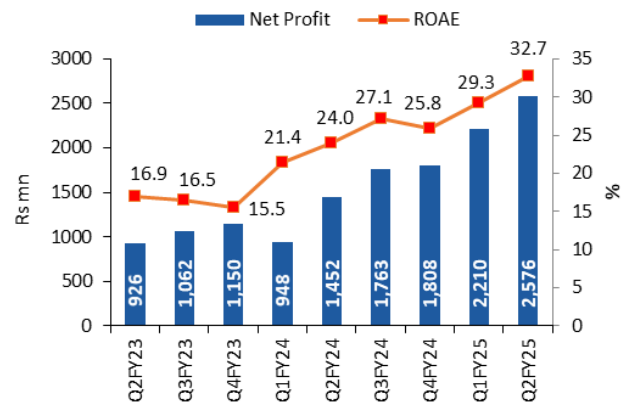
Source: Company Data, Centrum Broking

**Exhibit 5: Cost to Income ratio decline owing to capital markets**



Source: Company Data, Centrum Broking

**Exhibit 6: Net Profit grew 77% yoy at end Q2FY25**



Source: Company Data, Centrum Broking

## Key Financials

### Exhibit 7: Key Financials

Fig. in Rs mn unless specified	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	6MFY25	6MFY24	YoY (%)
<b>P&amp;L</b>								
<b>Total Revenue</b>	<b>7,397</b>	<b>4,924</b>	<b>50.2</b>	<b>6,675</b>	<b>10.8</b>	<b>14,072</b>	<b>9,090</b>	<b>54.8</b>
<b>Total Costs</b>	<b>3,920</b>	<b>3,015</b>	<b>30.0</b>	<b>3,741</b>	<b>4.8</b>	<b>7,661</b>	<b>5,939</b>	<b>29.0</b>
Employee Costs	2,983	2,119	40.8	2,793	6.8	5,776	4,206	37.3
Opex	937	896	4.6	948	-1.1	1,885	1,733	8.8
<b>Profit before Taxes (PBT)</b>	<b>3,477</b>	<b>1,909</b>	<b>82.2</b>	<b>2,934</b>	<b>18.5</b>	<b>6,411</b>	<b>3,151</b>	<b>103.5</b>
Taxes	900	465	93.8	760	18.4	1,661	781	112.6
<b>Profit after Tax (PAT)</b>	<b>2,576</b>	<b>1,452</b>	<b>77.5</b>	<b>2,210</b>	<b>16.6</b>	<b>4,787</b>	<b>2,399</b>	<b>99.5</b>
<b>Revenue Classification</b>								
Recurring	2,377	1,910	24.4	2,210	7.5	4,587	3,950	16.1
Non-Recurring	5,020	3,014	66.6	4,465	12.4	9,485	5,140	84.5
Recurring Revenue as a % of Total Revenue	32.1	38.8	(666 bps)	33.1	(98 bps)	32.6	43.5	(1086 bps)
<b>Segment Revenue</b>								
<b>Segment Revenue</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>YoY (%)</b>	<b>Q1FY25</b>	<b>QoQ (%)</b>	<b>6MFY25</b>	<b>6MFY24</b>	<b>YoY (%)</b>
Nuvama Wealth	2,029	1,627	24.7	1,894	7.1	3,922	3,169	23.8
Nuvama Private	1,440	1,182	21.9	1,309	10.0	2,750	2,361	16.5
Nuvama Asset Management	173	192	-9.9	150	15.2	324	321	0.9
Nuvama Capital Markets	3,759	1,896	98.3	3,306	13.7	7,065	3,204	120.5
Corporate & Eliminations	-4.6	27.3	-116.8	15.9	-128.8	11	35	-67.1
<b>Closing AUM (Rs bn)</b>								
<b>Closing AUM (Rs bn)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>YoY (%)</b>	<b>Q1FY25</b>	<b>QoQ (%)</b>	<b>6MFY25</b>	<b>6MFY24</b>	<b>YoY (%)</b>
Nuvama Wealth	1,001	654	53.0	878	13.9	1,001	654	53.0
Nuvama Private	2,058	1,519	35.5	1,863	10.5	2,058	1,519	35.5
Nuvama Asset Management	103	62	66.6	77	33.7	103	62	66.6
Nuvama Capital Markets	1,252	658	90.1	1,072	16.7	1,252	658	90.1
<b>Closing AUM (Share %)</b>								
<b>Closing AUM (Share %)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>YoY</b>	<b>Q1FY25</b>	<b>QoQ</b>	<b>6MFY25</b>	<b>6MFY24</b>	<b>YoY</b>
Nuvama Wealth	22.7	22.6	7 bps	22.6	10 bps	22.7	22.6	7 bps
Nuvama Private	46.6	52.5	(587 bps)	47.9	(125 bps)	46.6	52.5	(587 bps)
Nuvama Asset Management	2.3	2.1	20 bps	2.0	35 bps	2.3	2.1	20 bps
Nuvama Capital Markets	28.4	22.8	561 bps	27.6	80 bps	28.4	22.8	561 bps
<b>Yield (ex-capital markets) (bps)</b>								
<b>Yield (ex-capital markets) (bps)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>YoY</b>	<b>Q1FY25</b>	<b>QoQ</b>	<b>6MFY25</b>	<b>6MFY24</b>	<b>YoY</b>
Yield (ex-capital markets) (bps)	49	56	(7 bps)	50	(1 bps)	52	58	(6 bps)
<b>Cost to Income Ratio (%)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>YoY</b>	<b>Q1FY25</b>	<b>QoQ</b>	<b>6MFY25</b>	<b>6MFY24</b>	<b>YoY</b>
Cost to Income Ratio (%)	53.0	61.2	(824 bps)	56.0	(305 bps)	54.4	65.3	(1090 bps)
<b>ROAE (%)</b>	<b>Q2FY25</b>	<b>Q2FY24</b>	<b>YoY</b>	<b>Q1FY25</b>	<b>QoQ</b>	<b>6MFY25</b>	<b>6MFY24</b>	<b>YoY</b>
ROAE (%)	32.7	24.0	877 bps	29.3	343 bps	30.4	22.1	827 bps

Source: Company Data, Centrum Broking

## Concall Highlights

### Business Highlights

- Total revenue was up 50% yoy and 11% qoq to Rs 7.4bn at end Q2FY25 (54% yoy at end H1FY25 to Rs14.1bn). Revenue from the Nuvama wealth segment grew 25% yoy and 7% qoq to Rs 2bn whereas it grew 22% yoy to Rs1.4bn. Revenue from the capital markets segment grew 98% yoy to Rs 3.8bn, constituting 51% of the total revenue from operations. Within this, the asset services contributed Rs 1.5bn and institutional equities and investment banking division contributing Rs 2.2bn.
- Total costs were up 30% yoy and 5% qoq to Rs 3.9bn. Employee costs were up 41% yoy and 7% qoq reaching Rs 3bn. The net addition of 350 RMs since Q2FY24 was the primary cause of the higher employee expenditures. At Rs 937mn, operating expenses increased 5% yoy.
- Overall AUM crossed Rs 4.4tn growing 53% yoy and 13% qoq at end Q2FY25. The private segment was the biggest with its AUM growing 35% yoy and 10% qoq to Rs 2.1tn. AUM under the capital markets segment surged to Rs 1.3tn growing 90% yoy and 17% qoq.
- Net flows was Rs 84bn in Q2 (Rs138bn in H1FY25).
- The company caters to over 1.2mn affluent and high-net worth individuals (HNIs) and 4,070 ultra-high net worth families as at end Q2FY25.
- The overall cost to income ratio came in at 53% at end Q2FY25. In the wealth segment, it was down to 65.2% in Q2FY25 from 66.4% in Q1FY25, while in the private segment it was down to 66.7% from 69% in Q1FY25. Management expects the cost to income ratio to remain below 60% in the next 2-3 years.
- The company announced an interim dividend of Rs63 per share.

### Nuvama Wealth

- The company's top priorities continue to be increasing Managed Products and Investment Solutions (MPIS) assets on the wealth side. Annualized MTM in the MPIS segment is about 8-10%.
- Of the Rs 28bn of net new money, Rs21bn was in the MPIS. The company's net new flow from the broker code change won't have much impact as it derives about Rs1-1.2bn from these activities on net basis. Assuming no steep correction in the equity market, the momentum looks sustained.
- Yields came down in Q2 on account of MTM gains in the broking business. The yields in the wealth segment have come down from 92bps to 85bps.
- Of Rs 286mn incremental increase in cost in the segment, 50% is growth costs (hiring new talent and associated costs). Productivity increases when the experience of RM increases and hence the cost to income ratio will come down.

### Nuvama Private

- The main aim is to grow its Annual Recurring Revenue (ARR) business. Annualized MTM in the ARR segment is about 8-10%.
- Net flows has come down sequentially because of one massive inflow in Q1 and there were some outflows in Q2. However, the annual numbers shall will continue to be robust.
- Yields came down because of the loan book within the ARR segment; the yields are down from 91bps to 84bps.
- Of Rs162mn incremental increase in cost in the segment, 50% is growth costs (hiring new talent and associated costs).

**AMC business**

- The asset management business crossed an AUM of Rs 100bn growing 67% yoy. The management has also set up and continues to scale the external distribution capacity to grow the asset management business.

**Capital markets**

- The asset services made Rs 2.8bn revenue in H1FY25. The business can be broadly classified into domestic (35%) and FII (65%). The new F&O rule leads to marginal impact and the new client addition would compensate for any dip in volumes.
- Costs in the asset services business would be 25-31% and the institutional equities business would be 45-55%.
- Deal activity in the investment banking segment in Q2FY25 was double the activity in Q2 FY24. With half of the investment banking division catering to fixed income deals and the overall deal activity in equity markets being buoyant, the management expects the division to continue growing.

**Relationship Managers**

- The company scaled its capacity on the wealth side of the business, adding 36 new RMs in Q2FY25, while it added 9 new RMs in the private segment during the same time. 3 new RMs were on boarded for the recently commenced operations in Dubai.
- In the next 3-4 quarters, the management aims to on board 35-45 RMs per quarter in the wealth segment and 5-8 RMs per quarter in the private segment of the business.

**Other**

- The company has deepened its presence in Tier 2 cities in India. It has also opened up an office and commenced operations in Dubai. It has also received the requisite permissions to commence operations in Singapore recently.
- It has launched EDGE in GIFT City, which will mainly cater to the wealth and asset management segments. It has received an approval to launch flexicap fund. The company also plans to set up a credit fund in the next 2 quarters.

P&L					
YE Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Total income	15,754	20,627	28,175	33,094	36,917
Operating Expenses	10,865	12,791	15,539	19,256	21,671
PBT	4,889	7,836	12,636	13,838	15,246
Tax	1,217	1,892	3,184	3,487	3,842
Tax Rate (%)	24.9	24.1	25.2	25.2	25.2
PAT	3,682	5,970	9,478	10,377	11,430

AUM					
YE Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Wealth	5,25,750	7,79,302	10,09,196	11,90,852	13,93,297
Private	12,93,912	16,99,044	20,56,156	23,78,882	27,48,101
AMC	55,809	69,669	1,30,185	1,90,684	2,52,667
Asset Services	4,35,320	9,11,557	12,61,156	14,12,494	15,25,494
Total AUM	23,10,791	34,59,571	44,56,694	51,72,912	59,19,559

Per Share Data					
(Rs)	FY23	FY24	FY25E	FY26E	FY27E
Reported EPS	87	178	270	296	326
Dividend per share	-	-	135	148	163
Book value	642	825	960	1,108	1,270

Margin Analysis					
	FY23	FY24	FY25E	FY26E	FY27E
Employee cost/ Total costs	69.8%	70.9%	74.4%	74.4%	74.4%
Cost to Income Ratio	69.0%	62.0%	55.2%	58.2%	58.7%
PBT Margins	31.0%	38.0%	44.8%	41.8%	41.3%

Growth					
(%)	FY23	FY24	FY25E	FY26E	FY27E
Total Income	19.2	30.9	36.6	17.5	11.6
PAT	26.1	62.1	58.8	9.5	10.1
Total AUM	8.5	49.7	28.8	16.1	14.4

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	351	353	353	353	353
Reserves & Surplus	22,237	28,636	33,334	38,522	44,237
Net Worth	22,588	28,989	33,687	38,875	44,591
Total Debt	54,132	67,457	80,714	91,403	1,03,555
Other Liabilities	50,437	1,07,424	1,30,243	1,63,293	2,04,141
<b>Total Liabilities &amp; Equity</b>	<b>1,27,157</b>	<b>2,03,869</b>	<b>2,44,643</b>	<b>2,93,572</b>	<b>3,52,286</b>
Cash and cash balance	53,278	1,26,133	1,60,085	2,00,083	2,48,758
Loans	35,533	48,629	57,653	65,288	73,968
Investments	1,697	1,702	1,788	1,877	1,971
Fixed Assets	2,438	2,306	2,422	2,543	2,670
Other Assets	34,211	25,098	22,696	23,781	24,920
<b>Total Assets</b>	<b>1,27,157</b>	<b>2,03,869</b>	<b>2,44,643</b>	<b>2,93,572</b>	<b>3,52,286</b>

DuPont Analysis					
YE Mar	FY23	FY24	FY25E	FY26E	FY27E
Total revenue /Average Assets	13.5%	12.5%	12.6%	12.3%	11.4%
Operating expense/Average Assets	9.3%	7.7%	6.9%	7.2%	6.7%
ROAA	2.6%	3.8%	4.2%	3.9%	3.5%
Average Assets/ Average Equity	5.6	6.4	7.2	7.4	7.7
ROAE	14.6%	24.3%	30.3%	28.6%	27.4%

Valuation Ratios					
	FY25E	FY26E	FY27E		
P/E	24.5	22.4	20.3		
P/B	6.9	6.0	5.2		
Dividend yield (%)	2.0	2.2	2.5		

Source: Company, Centrum Broking

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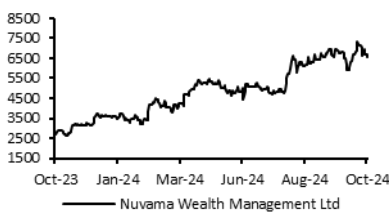
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**Nuvama Wealth Management Ltd**



Source: Bloomberg

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