Nuvama wealth management

About the company

3 business segments

- **Wealth Management:** Company operates as Nuvama Private and Nuvama Wealth. Nuvama Private serves Ultra High Networth Clients and is among top 2 pvt. players.Nuvama Wealth serves affluent HNIs.
- **Capital Management**
- **Capital Market Services**

Nuvama Private

- 124,000 crores client assets
- Net Revenue: 442 crores
- 120 bankers

Nuvama Wealth

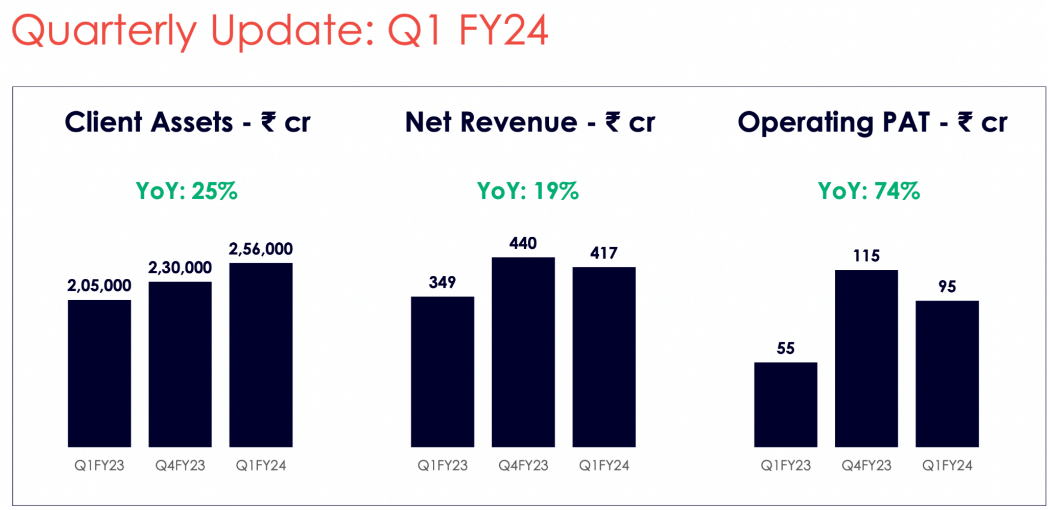
- 56,000 crore client assets
- 900 relationship managers
- Net revenue: 574 crores.

Asset management

- AUM: 5500 crores

- New revenue: 68 crores

Goals



- Wealth management: grow clients and client assets by 2-2.5x in 5 years.
- Asset management: in 5 years, grow 6-8x

Q2 FY24

Some definitions worth knowing

- Custody and clearing: A clearinghouse is concerned with the process of securities transactions. It is a back-end activity that supports the transfer of securities from a broker to a dealer, and vice versa. A custodian, on the other hand, is a firm that physically holds an investor's assets for the sake of security.
- MPIS: first category is managed products and managed products have four segments, alternative investment funds, mutual funds, portfolio management service, and insurance. And then beyond that, you have products which are ex-off exchange traded. So, your fixed income, MLDs, unlisted securities, all

those also come in the investment solution. So, a combination of these two is what we call managed products and investment solutions. So virtually you can say everything other than direct equity or currency or commodities is here.

Business

- **Total client assets:** 290,000 crores around. Nuvama Private is around 150-ish range. Nuvama Wealth is about INR65,000 crores. Asset management is INR6,200 crores. And custody and clearing is INR 65,000 crores. So, if you add everything together, it gets to the 280 range.
- FY23 asset was 230,000
- RM: around 900. RM= Relationship Managers and 115 in UHNI.
- About 25% of their business comes from External wealth managers

Wealth management

- Revenues: ₹281 Cr in Q2 FY24, up 17% YoY
- PBT: ₹97 Cr in Q2 FY24, grew by 21% YoY. PBT % = 34.5%
- Client Assets: ₹2,17,278 Cr as at end of Q2 FY24, grew by 21% YoY
- Nuvama Private: 59% of revenues generated from ARR earning assets in H1 FY24
- Net interest income for Private is 32 crores and Wealth is 82 crores.
- In the Private segment, our ARR yield is around 1%. And on the transactional revenue, we make about INR50 crores a quarter. And if you take, if in that INR50

crores, about INR25 crores comes from, let's say INR20 crores comes from broking and that comes from non-broking. So, non-broking yield on the full base would be around 20 basis points, 30 basis points and 1% on ARR assets. On Nuvama Wealth yield on overall assets is about 1%, 1.1%. So, that's on the yield side.

Asset Management

- Revenues: ₹19 Cr in Q2 FY24, management fee grew by 17% YoY
- Client Assets: ₹6,175 Cr as at end of Q2 FY24, grew by 43% YoY.
- Launching PMS

Capital Market

- Revenues: ₹190 Cr in Q2 FY24, grew by 86%
- PBT: ₹90 Cr in Q2 FY24, grew by 442% YoY. PBT % is 47.3%
- Client Assets for Asset Services: ₹65,828 Cr as at end of Q2 FY24, grew by 47% YoY
- We are one of the few, actually one of the three non-banks which have the license to offer custody services. So, it's actually a very prized asset.
- Custody and clearing business helps process securities and transfer them from a broker to dealer. It is a very simple business and will grow steadily with the rise of trading volumes.
- In institutional equities, they have a market share of 5.4% and that is market leadership.

Costs

- Staff costs: ₹ 212 Cr in Q2, grew by 17% YoY
- Opex: ₹ 90 Cr in Q2, grew by 14% YoY
- Revenue pace should outpace costs and hence, further operating leverage is possible.
- Cost increase should be 2-3% a quarter max. Rn 85 crores Opex(5 crores was listing so shouldnt be counted)
- In variable expenses of employee costs, 30-33% is variable.

Risks

Trajectory

- The goal is to make a platform suitable for everyone in the HNI and UHNI section. I could just give a simple example. We could invest from our pre-IPO fund into a company. When it goes public, we could use our investment bank to offer the services to them. And when the promoter actually gets the money, we can use our ultra HNI proposition to make the promoter our client and we can use our affluent and HNI proposition to make the employees our clients.

- If you look at the stage which we are in wealth management business in India, it's extremely nascent. It's not like a fully developed business that you have to become extremely sharp in targeting. I think pieces are expanding. As of today, both Ultra HNI and HNI and affluent have become extremely profitable as client segments. Most players have tapped Tier 1 and maybe Tier 2, Tier 3, Tier 4. There is a significant amount of wealth creation that has happened. In fact, to be very candid, whenever any of us visits Tier 2, Tier 3 towns, it's an opportunity sitting there where wealth and clients are actually growing at a pace far faster than the pace at which industry is adding RMs.
- Goal is to double RMs in the next 5 years, but growth will outpace the increase of RM because current base productivity goes up. RM CAGR is 15%, profits and revenue should be much faster.
- if you see the industry cost income in these categories, Wealth Management typically operates between 58% to 63% range. We are right now, borderline 65%. We were at 70, we improved by about 5% this year. Asset management, fully scaled, operates again at 50%- 55%. And capital markets operates at around 70%. I think, if you ask me in the next three years to five years, our target at a firm level would be about 60%, where Wealth should be best in the industry.
- Every year we hope to reduce by 100 basis points to 150 basis points. Asset management right
- now is an investment phase for us. So, we don't look at it from a cost income angle. Once we cross INR15,000 crores to INR20,000 crores of AUM is when the real operating leverage kicks in. And maybe in three years to five years, we

should be 4x- 5x from here. So broadly, if you ask me, if we are at 65%- 66% this year, clearly between three years to five years, you should see us at 60% levels at a firm level.

Industry

- The real constraint of Ultra HNI and Affluent HNI is the lack of supply of RM.
- Ultra HNI which is about INR25 crores plus.
- Anything below INR25 crores is what we fit in the affluent and HNI segment.
- the only way you can actually crack and create a moat in this segment is to build a platform where the RM is able to monetize and add value to the clients more than anywhere else.

Q3 FY24

Business

Wealth management:

- Revenues: ₹305 Cr in Q3 FY24, grew by 18% YoY
- PBT: ₹111 Cr in Q3 FY24, grew by 19% YoY, PBT% at 36.3%
- Client Assets: ₹2,41,837 Cr as at end of Q3 FY24, grew by 29% YoY.
- Relationship Managers (RMs): Added ~15 RMs in Nuvama Private and ~100 RMs in Nuvama Wealth in last 9M, taking our RM count to ~1,100.
- In 9M FY24, MPIS accounted for 80% of net flows received.

- Nuvama Private: Revenue from Annual Recurring Revenue (ARR) earning assets continues to grow at a faster rate, 9M FY24 grew by 25% YoY. at 58% now
- Yield on average assets: 1.03% for 9M FY24 FOR both
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Asset management

- Revenues (ex-carry): ₹14 Cr in Q3 FY24,
- AUM: ₹6,573 Cr as at end of Q3 FY24, grew by 27% YoY,

Capital market

- Revenues: ₹237 Cr in Q3 FY24, grew by 79% YoY
- PBT: ₹121 Cr in Q3 FY24, grew by 202% YoY, PBT: 51%

Cost

- Q3 FY24 stood at ₹ 328 Cr, grew by 21% YoY
- Staff costs: ₹ 234 Cr in Q3, grew by 27% YoY
- Opex: ₹ 94 Cr in Q3, grew by 8% YoY
- 20-25% of total revenue goes to RM as cost. Maybe in the next 3-5 years it goes down to 17-18%. Big maybe though
- So operating leverage clearly, like in the past four, five years, what is happening now is that the major cost addition is happening only in the sales capacity.

Because your platform, your infrastructure, technology, everything is almost there. The delta cost will be negligible. And when you add sales capacity, typically the productivity keeps increasing year-on-year for the new sales capacity and you reach your desired level of productivity. Nuvama Wealth is slightly faster. Nuvama Private, maybe slightly longer, but you take about two to three years. **If they reach 4x, then every 1x of cost addition, you add about 3x of additional revenue or profitability without a commensurate increase in cost. And that is the key driver.**

Particulars – All figures are in ₹ crores	Q3 FY24	Q2 FY24	Q3 FY23	YoY
Total Revenue [1]	**558**	**492**	**404**	**38%**
Wealth Management	305	281	259	18%
Asset Management	13	19	10	29% [2]
Capital Markets	237	190	132	79%
Total Costs	**328**	**302**	**270**	**21%**
Employee Cost	234	212	184	27%
Opex	94	90	86	8%
Operating PBT [3]	**230**	**191**	**133**	**73%**
Operating PAT [3]	**176**	**145**	**106**	**66%**
Cost to Income	**59%**	**61%**	**67%**	↓ **826** bps
Return On Equity	**27.1%**	**24.0%**	**20.1%**	↑ **700** bps

Risk

- IPOs allow Nuvama Private clients to have cash which is AUM for Nuvama. So it is shallowly cyclical because IPO money is dependent on bull markets as most get listed then.
- Second is, there are good years and then there are bad years, right? In a bad, let's say, hypothetically, in a COVID year, your payout to your RMs can increase to 35%-40% because the revenue itself will dip. And in the case of external wealth managers, it's all variable. So, it's a business model choice. It's not that one is good or one is bad.

Trajectory

- We've already initiated licensing and hiring in a couple of markets, predominantly Singapore and Dubai.
- There is a concept of external asset managers in these markets where you can work with the global banks and their entire product platform is available to you with a 50% revenue share. And I think we'll also use that as a model.

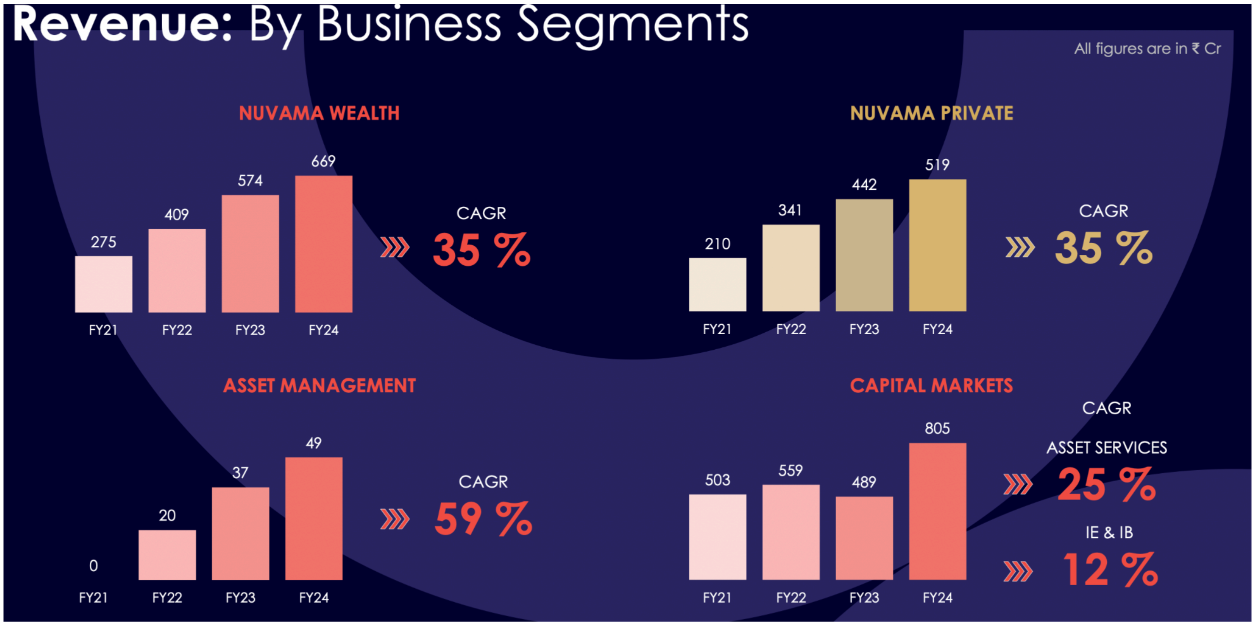
Q4 FY24

Particulars - ₹ Cr	Q4 FY23	Q4 FY24	YoY %	FY23	FY24	YoY %
Revenues	440	596	35%	1,575	2,063	31%
Costs	286	358	25%	1,086	1,279	18%
Operating Profit Before Tax (PBT)	154	238	55%	489	784	60%
Operating Profit After Tax (PAT)	115	181	57%	368	597	62%

Consolidated Performance: Q4 FY24 and FY24

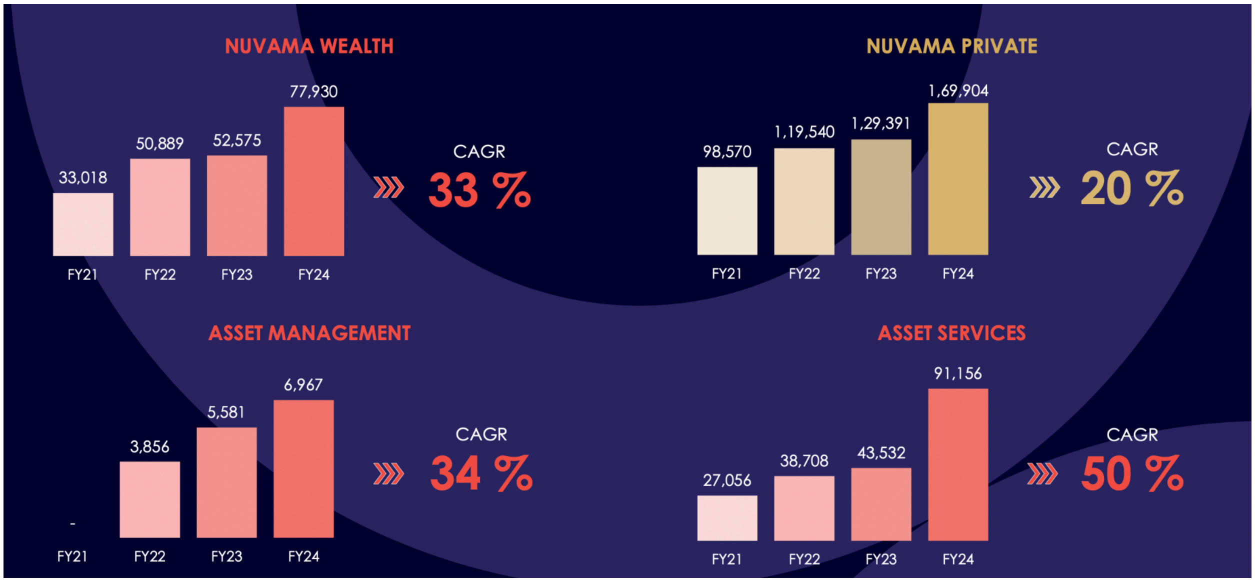
Particulars – All figures are in ₹ crores	Q3 FY24	Q4 FY24	Q4 FY23	YoY	FY23	FY24	YoY
Total Revenue [1]	**558**	**596**	**440**	**35%**	**1,575**	**2,063**	**31%**
Wealth Management	305	330	284	16%	1,016	1,188	17%
Asset Management	13	17	9	27% [2]	68	63	34% [2]
Capital Markets	237	248	145	71%	489	805	64%
Total Costs	**328**	**358**	**286**	**25%**	**1,086**	**1,279**	**18%**
Employee Cost	234	252	205	23%	759	906	19%
Opex	94	106	81	31%	328	373	14%
Operating PBT [3]	**230**	**238**	**154**	**55%**	**489**	**784**	**60%**
Operating PAT [3]	**176**	**181**	**115**	**57%**	**368**	**597**	**62%**
Cost to Income	**59%**	**60%**	**65%**	↓ **504** bps	**69%**	**62%**	↓ **695** bps
Return On Equity	**27.1%**	**25.8%**	**20.8%**	↑ **499** bps	**17.8%**	**23.6%**	↑ **580** bps

Business



SERVING	WIDE AND GROWING SALES COVERAGE	WELL SCALED PLATFORM
3,600+ Ultra High Networth Families	**~1,200** Wealth RMs	**₹ 2,47,835 Cr** Client Assets Wealth Management
1.2+ million Affluent and High Networth Individuals	**~20** Investment Professionals	**₹ 6,967 Cr** AUM Asset Management
1,000+ Corporates and Institutions	**~50** Senior Institutional Coverage Bankers	**₹ 91,156 Cr** Client Assets Custody & Clearing

Client assets



- Our aggregate client assets stood at INR 3,45,957 crores at end of FY24 which then grew by 50% year-on-year.
- Dividend policy soon

Wealth Management

- ₹ 330 Cr in Q4, grew by 16% YoY
- PBT number in Q4 is flat, Q-o-Q. That is because of the variable cost catch up. If we normalize that, both segments have seen growth of around 7 to 15% Q-o- Q. The assets have now grown to about 2.5 lakh crores and grew by 36% year on year.
- Nuvama Private yield: So I would say between 90 bps to 100 bps is what visibility right now we have. And maybe with the expansion of assets and all that, if it comes down later, we are not seeing that visibility right now. Maybe 85 bps to 100 bps is the range depending on the product mix because practically most of

the products which go into that typically have that kind of a yield except because fixed income mutual funds is not something which clients in that segment buy through you.

Asset management

- ₹ 17 Cr in Q4, grew by 27% YoY
- I think across these three- four, clearly, next year, we should be able to add INR 3,000 crores to INR 4,000 crores of assets, which will take us to INR 10,000 crores. And once we cross INR 20,000 crores, is when the full-fledged operating leverage starts kicking in.

Capital markets

- ₹ 248 Cr in Q4, grew by 71%
- Capital markets is the only one where you've seen significant margin expansion. Even if there is a 10% fall in revenue, the way our cost structure is in that business, about INR 300 crores to INR 310 crores is fixed cost. The revenues were about INR 805 crores, and balance is variable cost, and variable cost is between 10% to 15% of revenue. So if you have a 10% fall, our cost income there goes up from a full year basis 53% to maybe 56- 57%, and that is a 100 basis point impact on our overall business. So broadly, unless something drastic happens, I don't think you will see a margin compression from where we are.
- The asset services business has the highest margin because that is a business that requires some amount of capital, licensing, technology, everything. The

lowest would be investment banking because it requires zero capital. Everything is done by people. So whatever you earn is 100% ROE and institutional equities will be somewhere in between.

- 35-40% cost to income for asset services business. 60% goes to PBT

Cost

- FY24 cost to income: 62%
- Staff costs: ₹ 252 Cr in Q4, grew by 23% YoY and ₹ 906 Cr in FY24, grew by 19% YoY
- Opex: ₹ 106 Cr in Q4, grew by 31% YoY and ₹ 373 Cr in FY24, grew by 14% YoY

RM

Count: 1200 now. In FY21: 750

Risk

- Capital market revenue has grown the most, will it sustain over the long run? RM growth is 15% CAGR but that is meant for this business so how do we know the growth prospects of this business.
- The income from the capital market is more cyclical than wealth and asset management as it's more of a structural trend in place. Hence, 75-80% of

earnings coming from these two being the aim reduces the cyclicality of the business.

- Resignation of CFO.

Trajectory

- Double RM capacity in 3-5 years.
- In 5 years grow clients and client assets to 2-2.5x
- For Asset Management, grow 5-8x in 5 years.
- For Capital markets, grow client and client assets to 2-2.25x
- Wealth and Asset Management to be key drivers and would constitute 75 - 80% of the earnings.
- Operating leverage to deliver significant improvement in cost to income ratio.
- Got approval for Dubai. So Dubai or DIFC will be our first go-to market, not Singapore right now because I think the economics and the market potential there and our product platform suit all of them come together. It's faster to break even, it's easier to attract talent.
- From a 3-year perspective, we want to add about 800 people 3-year perspective. Now the spreading could either be equal or slightly more in FY25 depending on how the markets are, but at the end of 3 years our target is 60% and that is on track.

Industry