NWML/SEC/2025/139

February 7, 2025

The Manager,
Listing Department,
BSE Limited,
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai - 400 001.
BSE Scrip Code: 543988

The Manager,
Listing Department,
National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor, Plot C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai - 400 051.
NSE Symbol: NUVAMA

Dear Sir(s) / Madam(s),

Subject: - Transcript of earnings conference call

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and further to our earlier intimation dated January 24, 2025, regarding the earnings conference call to discuss the Company's performance for the quarter and nine months ended December 31, 2024, please find enclosed herewith the transcript of the aforesaid earnings conference call held on Monday, February 3, 2025.

The same is also made available on the website of the Company www.nuvama.com.

We wish to confirm that no unpublished price sensitive information was shared/discussed in the aforesaid earnings conference call.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For Nuvama Wealth Management Limited

Sneha Amit Patwardhan

Digitally signed by Sneha Amit Patwardhan
Date: 2025.02.07 19:04:27 +05'30'

Sneha Patwardhan
Company Secretary and Compliance Officer

Encl: as above

"Nuvama Wealth Management Limited

Q3 FY '25 Earnings Conference Call"

February 03, 2025

Disclaimer:

This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.

MANAGEMENT: **MR. ASHISH KEHAIR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – NUVAMA WEALTH MANAGEMENT LIMITED**
MR. BHARAT KALSI – GROUP CHIEF FINANCIAL OFFICER – NUVAMA WEALTH MANAGEMENT LIMITED
SGA, INVESTOR RELATIONS ADVISOR – NUVAMA WEALTH MANAGEMENT LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Nuvama Wealth Management Limited Q3 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this call is being recorded.

I now hand the conference over to Mr. Ashish Kehair, Managing Director and CEO. Thank you, and over to you, sir.

Ashish Kehair: Thank you, Sejal. Good morning everybody. Welcome to the earnings call for quarter three. I have with me Bharat, Group CFO, and SGA team, our Investor Relations advisor.

Like every time, I will summarize the last quarter and maybe give some outlook or some guidance on how we are looking at the future ahead, and Bharat can then detail the results. And then we can move to the questions that you may have.

Pleased to share that we have had a successful Q3 and a very good 9 months. Client assets have grown by about 36% year-on-year. Revenues until Q3 grew by about 45%, and profits for Q3 was about INR 252 crores and for 9 months, INR 731 crores, recording a growth of 76% year-on-year.

I would sincerely like to thank both our customers for their trust in us and our teams for the relentless commitment. I think that is the dual force behind these outcomes, which continues to be superior to most of the market.

On macros, I think it is a very interesting day to talk about. A lot of uncertainty is now coming about, but I think things will settle in maybe next 20-30 days. I am fundamentally an optimist. I believe that India’s long-term structural story is fully intact. These bouts of volatility will give opportunities to people to participate in the market and everything finally settles down and things come back to fundamentals. Short term ups and downs are going to remain, but I don't see anything getting impacted in the long term.

And this kind of a setup is where the diversified business model, which we are blessed to have, comes into play where you have multiple levers playing out. And if one thing undergoes some moderation, the other picks up. And that we have seen play out for the last 3 years and more so in the recent quarters.

We continue to remain bullish on our core wealth and asset management businesses and all the ancillary services around it. I think if those two grow, which are destined to grow given where the Indian fundamental story is, businesses like asset services and capital markets will also thrive.

Coming to the results and more so on our strategic priorities and on what we have been focusing. I think beginning of the year itself, we had highlighted that there are 3 or 4 key levers, which we are going to drive for this year. The first being scale and growth, across both of our wealth businesses, asset management business and asset services. Happy to say that we have really played that out well. We have increased the capacity and expanded geographically in both our wealth businesses, we've also gone offshore and in Asset Services, we've added significant number of clients over the last year or so in order to make the business more granular.

Second was capital efficiency. When we started out, we had clearly said that we want to be best-in-class ROE, and we continuously looked at opportunities to deliver this superior growth but also improve the usage of capital. And deliberately, we calibrated our loan book because we wanted to make it undergo a change such that it becomes a reasonable ROE business. I think, we have now reached that state where we can now increase the loan book from here, more like what our peers are doing.

Revenue quality and granularity. This was one of the key agenda points for us, where we said we will now focus on annuity and ARR assets in private and managed products and investment solutions in wealth and as I said, increase the number of clients significantly in our Asset Services business so that it becomes granular and extremely resilient.

And last was leveraging technology across the board because if you're aiming for this kind of a growth in capacity expansion and you want to maintain your handle on efficiency and productivity, I think technology becomes a key player. On all 4 parameters, we are quite happy on how the progress has been made. And I think we can talk about it more in detail if you have Q&A.

Coming to specific businesses. Nuvama Wealth, as I said, our focus continues to be managed products and investment solutions. We have reasonably grown the flows there. The net new flows for 9 months now are about INR 5,000 crores plus, which is more than what we did for the full year. It has grown by about 46% year-on-year if we compare the same period.

Also, on an annualized basis, it is growing at about 35% on the opening base, which I think is reasonably robust and within this also the constituent of managed products is now increasing. It used to be around 45-50%. It is now nearing 65-70%. So that was one key element.

Second, as I said, tech, we have significantly invested in technology and continue to do so in this business. I've been speaking about one of the solutions, which we have launched earlier, the portfolio solution. I think that is one of a kind in its industry. We have done second pioneering development in this space. We have created a product called NUWAI. It is an AI-based training solution. We are hiring in such large numbers, we figured out that a classroom training solution becomes extremely sub-optimal to deliver the kind of objectives, which we want to do.

So, we proprietarily developed a solution to deliver training, which is one-on-one to our relationship people. And I think there is a significant amount of acceptance by the relationship people on the field.

On the loan book, as I said, we deliberately calibrated it because we wanted to improve the quality of the book, which we have now done. You will see that there is a dip in the NII in this business, that is temporary, I just wanted to highlight. Because of two to three reasons, one, we have moved into what is called self-clearing in the wealth businesses.

Earlier, the clearing for the wealth management clients used to be done by the Asset Services division. For three reasons we have shifted to self-clearing. One, operating efficiency, because operations of one team and the other team had to coordinate, it led to a lot of sub-optimal processes. So, for operating efficiency, margin efficiency for clients and capital efficiency for the wealth business we have shifted to self-clearing for wealth. Now the clearing is done by the wealth business itself. This movement was done in this quarter and to do this movement, we had to borrow about INR 800 crores extra for about 45 days, which was a temporary borrowing, which at the end of December was paid back.

And the cost of that borrowing has had some impact on this NII. So, if you see, there is an INR 10 crores gap. Out of this, INR 4 crores comes from there and given the volatility in the quarter, there was some INR 2-3 crores cost on the MLD hedging side. I think, these are the two large things. And of course, the average loan book itself was down by INR 100 crores. So, I think out of the two-three factors, two are temporary, and we will see the margins come back in Q4 for this part of the business.

On Nuvama Private, again, focus remains in the annuity products, the ARR sales. And if you look at the numbers, it is about INR 8,000 crores again for 9 months, which is exceeding what we did for the last full year. This growth is about 88% year-on-year. And again, on the opening base, about 35% annualized. So robust capacity expansion here also, goes on. Though we prefer to not be mindless in adding RMs because of the price point.

And I think the volatility in market now will be of some help because people will understand that at every price point, it doesn't make sense because it takes enormously long for the relationship person to break even and puts a lot of pressure on the individual himself and also on the system. In the last one year, we have added about 11% in terms of capacity. We are fully functional on the offshore side.

Our first location DIFC, is live. Business has started. Revenues have started coming in. Clients have started joining in. So, I think that is the reasonable progress. Maybe in another six to nine months we'll breakeven there.

Self-clearing, I have already spoken

On asset management, again, net flows remained strong. We had about INR 1,200 crores of net flows in this quarter. We did first close of our commercial real estate fund at about INR 1,700 crores. Once we make one or two deployments, we will start raising funds again. We target to achieve about INR 3,000 crores in that fund.

On the private equity front, we returned some money. We did some sales of Ola Electric and also, we distributed capital back, which is why there's a reduction of about INR 200 crores in the AUM there. But we have launched our fourth series of the private equity fund, which should do the first close in about two quarters. So again, fee paying AUM will get added back.

Public markets, we have grown 3x in the last 12 months from I think INR 1,600 crores to about INR 5,000 crores. Some of our funds have become largest in the category in their segments and are always in the top two, three in terms of performance.

We now have products across the spectrum. Starting from a capital protected product, an absolute return product, long short, Flexi cap, mid and small cap. So, across the spectrum and we have also added GIFT as the location for getting offshore money, and we are expanding on the external distribution side. About 20- 25% of the funds that we raised in our public markets come from external distributors. We are adding more external distributors, and we hope to see that expand further.

You would have seen one of the announcements made, that we are making an application for mutual fund license to SEBI. This is for the specialized investment fund (SIF). This is a new category called as SIF, which has been rolled out by SEBI, with an INR 10 lakh minimum ticket size. It will allow some of our strategies, which we now deploy on the AIF side, like long-short and absolute return.

As of now, SEBI's intention is to allow these strategies on SIF, and if this fund has the taxation structure, which is similar to MF, not like AIF, which means taxation only on redemption, then I think this vehicle will become extremely efficient for clients. Hence, we want to apply and be one of the first ones to launch under the structure.

Coming to asset services. Basis feedback from most of you, we have now segregated asset services from core capital markets and over the last 1 year, many of you have individually come and told me that you need to segregate that out and I think, fundamentally, we also agree that the nature of the business is closer to wealth and asset management. In my view, everything is correlated to the capital markets. It is just a degree of correlation changes and asset services is, I would say, closer. And hence, we thought we will segregate it out. And the reason is basically the growth of that business is more linked to the growth of wealth and asset management business in the industry. The revenue stream is more recurring, less transactional, assets are more sticky and less volatile to move. I think these are the fundamental reasons why we moved or segregated.

On how we did in that business, assets under custody and clearing have grown by about 57%. For the full year now, we are at INR 1.3 lakh crores and as I said earlier on, that we have significant number of clients. On the domestic side, now our market share happens to be 22% of all incremental AIF and PMS registration. We are able to on-board them and internationally, obviously, in the client segment of our choice, we have a dominant position.

Coming to the core capital markets now, institutional equities and investment banking. Equities saw a bit of a tepid quarter with Q3 because of the fall in volumes by about 10% in the market. And we have seen about a similar fall. Market shares have been intact. We still have a 6.2% plus market share in institutional equity, which is industry leading. On the IB side, on the other hand, this quarter was reasonably robust.

Our capital market income dipped because there was a large M&A transaction in Q1 and Q2. Some impact came from there. But if I look at standalone IB on business-as-usual basis, Q3 was actually better than Q1 plus Q2. In the market, there were 57 deals that happened across IPOs and QIP and the fund raise of about INR 1.45 lakh crores. We were able to capture a market share of about 18%, about 11 deals and INR 25,000 crores.

As you known most of it doesn't get built in the same quarter. Yes, we have a spillover of Q1 and Q2. But I think the activity of Q3 was significantly higher, which does not get fully built. So, you will see the flow-through coming in Q4 and ahead. And even the deal pipeline remains significantly strong, even now. There is some bit of market volatility and price correction that could lead to postponement of some issues.

But once it settles down, then people will get on to it. This is all from my side for now. I will pass it on to Bharat. He will take you through the detailed numbers across all the metrics in the businesses, and then we can move over to Q&A.

Bharat Kalsi: Thank you, Ashish. Thank you so much for setting up the context. Good morning everyone and a warm welcome to all the participants on the call.

Before we jump on to the numbers, as you know, last quarter saw a lot of volatility driven by the macro and geopolitical events. Within India, if you look, there are a lot of mixed expectations on the results and similarly the implementation of key regulatory changes, more specifically, say, SEBI F&O regulations. I think all these kept the market on its toes during the last quarter, and we saw a lot of volatility, and we also saw some hit of it on our broking revenues also, which is driven by the regulatory changes. So that is also built into the performance.

Overall, if you look at the company level performance, happy to share that all our businesses during the quarter has delivered a continuous performance quarter-on-quarter, whether it was a net new flows for wealth business, private business or asset management, whether it was launching new strategies in our asset management business, adding new clients on the asset services side , or market share on the IB / IE side.

I think all in all, these were the business numbers, but even if you look at the qualitative parameters in terms of RM capacity increase or investing into our enterprise tech stack, all those things were also in place. I think from a quarter perspective as a management, we believe that this has been a good quarter for us.

Overall, number-wise, as Ashish also covered in the beginning, the client asset has grown by 36% year-on-year, and we are now at around INR 4.5 lakh crores, which is a very respectable number.

Revenue continued to grow strong at 30% for the quarter at INR 723 crores, and this as I mentioned, was done by all the businesses. So, it was not just one business, which was pulling up the numbers. Total cost was at INR 390 crores or so, which is a 19% growth, but that’s mainly driven by the people which we have added in the last 12 months or so, we have added around 270+ RMs. So, that’s the cost which is coming in, but that's a good cost to invest.

However, I would want to highlight that our opex on a quarter-on-quarter has always been like flat. We are at INR 90 - 95 crores a quarter of opex. We are looking at investing into our enterprise tech upgrade. So, we may see some increase in opex in the coming quarters. But I think investing in tech is never a wrong idea, I would say. So, to that extent, it's fine.

Overall cost income ratio continued to improve. We are at 54% compared to 59% last year, and the PAT has grown by 43% YoY for the quarter and 76% YoY for the full year to date at INR 731 crores. Last full year profit was around INR 597 crores, and we are now at INR 731 crores in the first 9 months.

Ashish did touch upon the capital utilization. Our ROE for the quarter is 32%. I am happy to share that for 9 months also, it is at 32%. So, it's not about this quarter, we saw some ROE uplift. It is being consistent at 32% for 9 months as well.

Moving specifically to the businesses. Wealth management, our focus area, within that Nuvama Wealth segment, the AUM has crossed INR 1 lakh crore with a growth of 38% YoY. MPIS, which is our key focus area, has grown by 34% YoY, and the client assets are now around INR 29,000 crores or so.

Good sustained net flows, we are at INR 5,800 crores for the 9 months. We did almost same number for last full year. So, we did INR 5,800 crores now and INR 5,785 crores for the full year FY '24. And again, the MPIS contribution has gone up to 90% in the first 9 months of the financial year. So that's a good sign.

Capacity, we are at around 1,237 odd RM. There is 1 more number, which I would like to specifically highlight for Wealth. So, quarter 3 revenue have grown by 24% and 9 months has also grown by 24%. So, it's a very consistent performance. If you look at quarter or you look at the 9 months, a 24% consistent growth is a very reassuring number.

Cost-to-income ratio at 67%, same as last year despite adding a lot of capacity. If we remove that capacity cost as well as their revenue, the cost-to-income ratio would have improved by 300 basis points or so. So, I think it's all ok, I would say, a good investment in the right direction.

Operating PBT has grown by 19%. So, I think we've ticked all parameters in terms of revenue growth, capacity addition, tech also, as well as on the PBT growth.

Nuvama Private crossed INR 2.1 lakh crore and grew by 24% in terms of the client assets. ARR asset continues to grow much faster at almost 38%-39%. The ARR net flows is INR 8,000 crores for the first 9 months, which is significantly higher than what we did in the last full year. Again, we continue to add number of families. We added around 20% families, and 150-odd families in the quarter. So, I think that's a good sign of adding new families or the new clients in the private segment, that's working well.

Q3 revenue was around INR 153 crores. So now if you look, Wealth has touched almost INR 70 crore per month run rate and private has touched a run rate of INR 50 crores. So, I think that has come to a level where it's reasonably assuring that at INR 70 or INR 50, give and take, INR 120 -130 crores a month number coming from Wealth business is a good way to look at it.

Overall, you will see that the revenue growth for this quarter over previous year was a little lower. Nothing unusual; what happened last year same quarter was our gross sales was more heavy towards the AIF 2, where you have more upfront of one-third commission. But now in this quarter, we have more of sale of AIF 3, which is more trail-based. So, if you ask me, it is basically the revenue and the profit cash flow timing issue, nothing has changed structurally.

For private, we should rather see quarter-on-quarter. So, quarter 2 versus quarter 3, the growth is around 6%. So, we have implemented that change in the system, and that's why the quarter-to-quarter growth is more relevant versus compared to Y-o-Y growth. Otherwise, I think this business is shaping up pretty well, and we are all in the right place.

Asset Management, Ashish covered a lot of things in terms of AUM touching around INR 11,300 crores and INR 1,200 crore of net flows. Also in the public market, we have picked up INR 725 crores, and in commercial real estate, INR 675 crores. We have distributed from our first crossover 3 fund around INR 225 crores; we launched our Flexi cap fund and achieved first close of the CRE fund. SEBI MF application, anyways Ashish covered in a lot more detail, why this is relevant for our business.

Asset services, I would request people to look at our investor deck, we have added a new disclosure or new insights about the business, why this is more recurring in nature and relatively less correlated to the capital market movements. I think it's a pretty reasonable articulation of how the business is actually working and what are the various levers in the business. I would request the team to look at it.

Capital Market, again, we discussed it's been steady for us. And I don't know whether Ashish covered or not. But our market share in terms of our equity IPO has doubled. So, if you look at prime database from calendar year '23 from a 9%, it has moved to 18% in calendar year 24 and I'm happy to share that we have secured number 1 rank in terms of our public debt issue.

That is the end of my commentary, I would say that quarter 3 has been pretty happy for us. And we can now open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Prayesh Jain from Motilal Oswal Financial Services. Please go ahead.

Prayesh Jain: Good morning, Ashish and Bharat. Great set of numbers. A few questions. Firstly, on wealth, could you give me some understanding on the breakdown of your managed products category and what is the kind of share of insurance or some other products, the breakdown will really help us understand as to how things are moving. And the yield pressure in the wealth segment is primarily just because of NII going down right, nothing else to be kind of looked back there. So that's on wealth.

On private, again, breakdown of AUM with respect to especially the ARR AUM that is from which segment does it come through that will help us understand better. And again, the yields have been declining consistently. It's not that just the recent quarter or anything else.

But how should we look at it from a structural standpoint whether the yields have to be assumed at the current levels or it can see further decline. Bharat did allude to it, but your view going ahead is something that we'll look here. And also, there is some weak net new money in this business.

And last question would be on asset services. What is the kind of split between domestic and international here and is there any concentration risk in the international piece? Those would be my questions.

Ashish Kehair: I will start with your first one on Wealth managed products. Basically, out of the net new money that is coming in now Prayesh, about 65%-70% essentially pertains to PMS, AIF and MF in terms of MPIS flow. MPIS totalled about 65% and out of the total MPIS AUM, I think now about 60%-70% is now managed products.

And when we say managed products, we don't include insurance in it. Insurance falls in the bucket of investment solutions. So fixed income, MLD unlisted and insurance, that is the other bucket. So, 65% to 70% flows now sitting in managed products. And within that given the segment, I think the yields would be more on a trail basis between 1% plus because all PMS AIF CAT 3 would be at that range itself.

On the yields falling from whatever, 85 to 83 bps, I think there's nothing structural. There is just one element which we want to keep saying on the wealth business is that there is a component of broking assets, where MTM and the revenue doesn't actually move in tandem. If you see last 18 months, Prayesh, INR 35,000 crores of broking assets have become INR 70,000. So literally doubled, but revenue of broking doesn't move like that.

And in this quarter, specifically MTM is 7% positive, but revenue is down on broking because of whatever has happened in the market; true to label, F&O, consolidation, all reasons put together. 7% positive MTM and the yield impact is just 2 bps in a quarter where your NII has been because of the self-clearing and all. So, if you remove the impact, our actual yield this quarter is 90 bps. So, there is nothing structurally wrong. So Q4, you will see things coming back.

Private ARR breakup. Again, out of the ARR flows, actually everything is managed products only. And around INR 42,000 crores is our ARR AUM out of that INR 12,000-13,000 crores is advisory and rest happens to be about INR 2,000 crores of loan and rest is managed products. And yield there. Yes, this quarter, we saw about 7 bps of fall. 7 bps of fall, out of that, again 4 bps comes from self-clearing, so that will reverse about 1 to 2 bps from MLD. So, I think that will also change.

The other -- the third bucket, which is the proportion of CAT 3 AIF is going up, that is structural in nature. So, if you ask me, I think 80 to 85 basis points should be the sustainable yield and I think Q4, we should come back to that level. Asset Services, domestic international breakup remains the same. Like I said last quarter, 25-75. And internationally there is always this concentration.

But the good point is that the top 5, 7, 10 clients. See, it's not a business where you have thousands of clients. There are only limited set of clients, let's say, 100-200 internationally. And the top 10 keeps changing. So that is the good part which you always want to see, that you are not necessarily dependent on just one or two it keeps changing depending on how they're deploying their strategies, how they are bringing in capital into the country. So that's where we are in terms of asset services.

Prayesh Jain: Just one question there on net flows on the private side.

Ashish Kehair: On the private side, sorry, I missed that. Transactional, there is a negative. There is one transactional client which basically moved out, but hardly an impact on revenue. But on the ARR side, if you see the flows are consistent and this was a one-off transactional outflow, which happened for one client because I think they are relocating and they're taking everything to the Middle East.

Prayesh Jain: Okay. Got that. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Lalit Deo from Equirus Securities. Please go ahead.

Lalit Deo: Congratulations on a good set of numbers. Firstly, so in the clearing business we saw some yield pickup in this quarter. Now that could be majorly on account of that movement of self-clearing, but I wanted to understand more on that and like how that yields have increased. Secondly, so like you mentioned that we are building our presence in Dubai and Singapore. So just wanted to know like how many RMs over there we have recruited and what is the growth plan for the next 2 to 3 years?

Ashish Kehair: Okay. So self-clearing, basically as I said earlier, the clearing of wealth business used to happen through our asset services division. Now we have moved those assets, which were sitting there. They have been transferred back to wealth. So, you will see that assets under clearing there is a dip. So, about INR 10,000 crores assets moved.

Now the earnings, which the asset services division used to make on these clients was lower than what they do from their other clients. Because these were largely wealth clients with only minor clearing services and all. Hence, on the remaining book the yield has gone up. It's just mathematical. It's not that there is something different that has happened there and on our offshore plans, DIFC as I said, is now fully live functional.

Business happening every month, revenue coming in. At an RM cost level, we have broken even, of course infrastructure costs in all another 5-6 months, we should now breakeven. And then we have about 3 RMs there. We may go to 5-6 over the next 12 months depending on how it shapes up. Singapore, we are just in the process of thinking through on how we want to do.

I think we'll first want to focus on Dubai and take it to the next level and then maybe add Singapore because the competitive intensity in Singapore is significantly higher, and the cost of people and the time taken to breakeven is longer. So, we may want to prioritize Dubai more than Singapore at this point in time.

Lalit Deo: Sure, sir. So, as you said about the yields. So, like going ahead should we see that yields in clearing business to be in excess of 150 basis points or should that revert back to 130-140 basis points of fee?

Ashish Kehair: No, it should remain at this level. It will not revert back unless there is a structural change in the interest rates and all which takes about 12 to 18 months to take impact.

Lalit Deo: Sure, sir. And sir, just one question on the transactional income in this particular quarter. So, like we have seen some good pick up there in the Nuvama Private business. So, like what led to that?

Ashish Kehair: So largely two, three things. I think given that there was volatility in the secondary market. I think activity in the unlisted space picked up. We've not done credit down selling still. I mean I think that is also one thing which is happening in the market in a big way. Direct transactions in the markets are increasing as a trend is what we are seeing. And I think we just participated in a few transactions and that led to that income.

It should become part of course in my view, in the wealth management space because more and more clients, in addition to putting money in funds also want to do direct deals and direct transaction and unlisted as a space over the last 3-4 years has grown significantly.

Lalit Deo: Sure, sir. Thank you.

Moderator: Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: My first question is just to get some clarity on the asset class mix for both wealth and private divisions, especially pertaining to the ARR assets between how much would be equity, listed, unlisted and rest of it?

Ashish Kehair: So ARR assets in private largely for us is not equity. We've just over the last 8-10 months started doing more PMS and AIF. So, our impact, therefore, on the positive and negative MTM is lower than rest of the street. It's more non-correlated asset classes. So, it includes real estate funds, private equity funds, infrastructure funds, credit funds and now listed equity funds also getting added there. So that's how the split is.

In terms of wealth, I think it will be more 50-50, so 40-50% would be listed equities and balance would be non-correlated asset class.

Abhijeet Sakhare: Got it. Thank you so much. And secondly, a bit of a qualitative question. So, we operate across the spectrum asset management to wealth and capital markets. So, is there a way to quantify what would be, let's say, synergy benefits or what would be the likely sort of franchise value in terms of having everything within the firm? And how much extra revenue does it create for the overall firms?

Ashish Kehair: Interesting question at this time. So, I think over a period of time, the value gets derived. The way we look at it is, it's like a flywheel. The customer can enter in any part of the business. So, for example, and I'll give you a critical construct and then tell you practically where we are and what we have achieved.

So, customers could enter into a fund of asset management and could be a pre-IPO fund or a private equity fund. Technically, you have a shot to becoming investment bank for the IPO. And at the time of monetization, you can get access to the wealth for the promoter and then if you have an HNI in an affluent division, you can also explain the services to the senior management of that company.

So that's just one construct. There are many such use cases like asset services and wealth, investment banking and wealth. I think around 10% to 15% of the revenue is what we think one can add by bringing out these synergies across the board and that's a straight through pass to the PBT because there's no extra cost apart from the incentive or the incentive you will provide for creating this ecosystem.

That is the only extra cost. But otherwise, it's a straight through pass through the PBT I think that's where we have reached right now. And the areas where we have sort of tried to focus more is between the investment bank and the private division. I think that is where the highest level of synergy lies, and some, let's say, in the mid-cap equity research and wealth division and so on and so forth.

So, it's an ongoing process. It's easier said than done because people of different businesses take time to understand the nuance of each aspect and why they should do and why it is beneficial for them. But once you taste success, once any individual taste success, then we've seen that it becomes widespread in that division and then it follows through from there.

Moderator: The next question is from the line of Dipanjan Ghosh from Citigroup.

Dipanjan Ghosh: Just a few questions. Now we see 1 month into the quarter, in terms of activity levels on the wealth side, both on incremental flow on the ARR side or on the transactional pipeline, how you see things kind of play out, if you can give some color on that? Second would be on the transactional income that you are booking in your both Nuvama Private and maybe a little bit of the Nuvama Wealth Management segment also.

In terms of quality of the underlying product that you're really down selling, if you can kind of break it up or maybe give some color so that we can get some understanding of how this should be on a more steady state-run rate basis. And lastly, if the markets were to remain sluggish for, let's say, a prolonged period, what sort of expense levers would you really have to kind of manage your margins? Or do you expect the margins to sustain at current levels?

Ashish Kehair: So, the first one, I mean, I don't know whether we are allowed to answer, but I'll still do that. We are not seeing any significant negative impact either in the transaction flows, or ARR in both the Wealth businesses, at least in the month of Jan. I think where we are seeing impact is, of course, broking volumes, which has come off. But I think Jan again is coming back in that sense. But in terms of the other areas of business, right now, at least, we have not seen any negative impact flow through.

In terms of transactional income, let's look at Wealth first. So basically, there are 3-4 categories, which fall into transactional income. There we don't call ARR and transactional. It is Unlisted, fixed income, MLDs largely. And it will be dominated by fixed income. I think more than 80-90% would be fixed income. And between unlisted, fixed income and MLDs also, to some extent, I'm saying unlisted is sporadic in that business, it's not like a BAU.

But fixed income is BAU, like every month. And fixed income for that client segment is a significant part of their asset allocation and as we all know that mutual fund fixed income does not attract flows from individual clients. The large part of mutual fund fixed income, 85- 90% still comes from corporates and institution. So, the fixed income allocation of individual sits in bank deposits and that remains to be a large opportunity, and we tap it through direct fixed income. So, it's fairly steady and consistent in that sense.

When we come to Nuvama Private, it's a combination. Again, fixed income is a big component there followed by, I would say, a bit of MLD, followed by a bit of direct deals, direct deals more in the unlisted space, very little maybe in the credit space, if we find a transaction in some fund which has an overflow and passes our diligence, then we may offer to our clients.

So largely this. But between these 4, opportunities keep coming and we keep repeating that. In terms of sluggishness, I think if there's a sustained and prolonged sluggishness, there are discretionary expenses, which we have, like there are conferences, there are events, there are marketing events.

I think, in general, the travel cost come down, variable expenses, variable employee expenses. So those would be like at least 20- 30% of the cost. And today, if I look at our variable cost and fixed cost, our variable cost is actually at the same level as fixed employee cost, given how we are performing in the business on the overall level.

If you are saying that everything becomes sluggish and prolonged, that level, of course, comes down. So, there is a 20-30% play that is available. And when I analyse our cost income today, let's say, we are sitting at 54%. And this Dipanjan we are now taking a 3-year view. Now we are clear that in 3 years, Wealth will move from 65 to 60%. Asset management, which is now at 127%, will at least break even or become like 80-90%.

Asset services at the same level. And I think even if capital markets deteriorate by 20% from here, given how our business is proportioned, our cost income will remain at 54%.

Dipanjan Ghosh: Got it. Got it. Just 1 follow-up, if I may. In terms of the RMs that you have added, the productivity pick up, that should play out over near to medium term. Now obviously, on a low base, you're currently operating at a flow to opening, which is significantly strong, like north of 30%, as you mentioned. How do you see that changing as the business scales up and also, the productivity levels pick up? I mean, how do 2 things really work in parallel?

Ashish Kehair: I don't think this to slow down significantly unless we meaningfully reduce capacity addition because right now, if you see in both the businesses, the productivity of new people has just started to play out. It's not even played out. Like in the Wealth business, if I look at our RM cohorts, more than 40-45% is less than one year. Right. Now, 45% of people less than one year are doing, let's say, around 1x or less than 1x. When they move, and I'm saying there will be attrition.

So even if 50% of that moves to more than three-year bucket, that's like a 4x jump. So, in both the businesses that is yet to play out, which is why we keep saying that there will be a cost income advantage when this capacity starts adding over the next three to four years. And maybe, yes, I mean, two, three years down the line, on an opening AUM, we may not get 30-35% of incremental flows. But between mark to market and flows, I don't think that to come down below 25% on an overall basis.

Dipanjan Ghosh: So, if I understand correctly, you're saying that the AUM growth even two, three years out should be 25% assuming mark to market is more steady and normalized?

Ashish Kehair: Correct.

Dipanjan Ghosh: Got it. Thank you, sir and all the best.

Moderator: Thank you. The next question is from the line of Mohit Mangal from Centrum Broking Limited. Please go ahead.

Mohit Mangal: Yes, hi. Thanks for the opportunity. So first is in terms of the RM attrition. I mean, in the last call, you said that you have RMs in the big league, which actually produces, maximum revenue for us. So just wanted to know, like, in quarter two, we lost around two RMs. So how has been the movement in that category in Q3?

Ashish Kehair: I think Q3 was actually zero loss and when the volatility increases in the market, the RM attrition also keeps coming down.

Mohit Mangal: Understood. Secondly, in terms of the cost to income ratio, right? I mean, you just said that the wealth will come down from 65% to 60% and we have also seen that, I mean, the competition is ready to pay more. So, are you a little confident that, you'll be able to retain those RMs with the lower cost or in the sense at the same cost? Just wanted to understand that.

Ashish Kehair: So again, let's segregate both the businesses and also, you have to understand that when you say pay more, it always means fixed cost, right? And what people actually make is a combination of fixed plus variable. And variable is largely a function of how much monetization opportunity a platform can provide. And all platforms in wealth management are not equal because of the number of products, access to opportunities, access to in-house products, access to investment banking deals, institutional equity block deals.

Everybody doesn't have all this. So, the ability of the RM to make money on this platform from their clients is significantly higher, which basically ensures that they end up making a higher variable. And once you have spent some amount of vintage on a platform to go out and to recreate it, it takes time and long.

So, you will see that movement of people when it happens from one place to the other. Actually, performing people move less. It's underperforming who move more and performing people sometimes move for change in role, change in position, or some significant opportunity. It's not that they keep jumping.

So large part of the attrition noise is actually not in the performing bracket in the wealth management industry. And we also face that challenge. When we go out and we want to recruit, it's not easy to get performing people, even from moderately successful platforms.

Mohit Mangal: Understood. And any change in the fixed cost to variable cost component, any change in the formula for that, for RMs, or it has remained the same?

Ashish Kehair: No. Largely the same. No change.

Mohit Mangal: Okay. Thanks, and wish you all the best.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Congratulations on a great performance. My questions were on the loan book only. I mean, you had said it was calibrated, but actually if I see the loan book has been relatively stable given the market conditions. So, I wanted to know in terms of calibration or better quality of loan book, what have you done? Is it just more granular in nature? And how do you expect to grow this? Is it the number of clients because the market remains a volatile thing? Thank you.

Ashish Kehair: You have to understand our loan book. It's not necessarily margin trade financing, which is linked to the levels of market and market activity. We have loan against shares. We have ESOP financing. We have loan against AIF funds, which typically wealth clients take for either leveraging and improving their returns in those funds or for temporary liquidity. Margin trade financing is a small component of our book, which is more correlated to the market.

What we have done is that, in some cases like in our ESOP loans or loan against shares, I'll just take one specific example and that will give you a sense. Like people used to borrow against their ESOP and then sit on it for a year, 2 years' time. We thought essentially that in a rising market, that was an okay thing to do for the client. But given where we are right now, it may not be very wise to be leveraged and hold on to your ESOP when valuations are sitting at this level. So that was one point of view, which was client related.

And therefore, we said that we want them to borrow, yes, fine, exercise, but then sell and diversify. So, we changed the structure of our rates. We made it extremely competitive, less than 30 days and then increased post 30 days. So that induced the behaviour of people moving out and moving into other assets.

So, the book remains same, but more people borrowed. And your ROE also improved simultaneously in the process because you have a processing fee on selling, you have a brokerage, which if you annualize 12 times, it increases. So that gave us the capacity to access more clients with less capital and overall led to an improvement of ROE in the business.

Now with this in place, we can expand our book size, we can go to more corporates, we can add more clients, we can allow more people to borrow. But we don't want to, when I said we can grow the loan book, I want to make myself clear, we don't want it to become some dominant contributor of our revenue. But like one year we've kept fairly steady, we can now look at it increasing with the size of our scale of our business and not just remain flat.

Vivek Ramakrishnan: Excellent, sir. Wish you all the best.

Moderator: Thank you. The next question is from the line of Ashish Agarwal from Oaklane Capital. Please go ahead.

Ashish Agarwal: So, I have a question on the ownership. So, what is your view on PAGs long term ownership in the company? Also, how does PAG add value to your company, basically you have mentioned that it adds strategic value, so how does it add value? So yes.

Ashish Kehair: What was your first question?

Ashish Agarwal: So, what is your view on the PAG's long-term ownership in the company?

Ashish Kehair: Okay. So, see, PAG essentially is a fund, right. And it's like Blackstone, Advent. So, this is largely an alternative investment fund, and private equity happens to be one of their key areas, and India now happens to be one of their key sorts of investment thesis. And we are a reasonably successful company in that portfolio.

The fund life is up 2030. But any private equity fund always enters into an asset with a view to exit at a point in time. So, it's never like permanent. So, they will explore opportunities in their normal course of business. We wouldn't know more than that.

In terms of strategic value, see, I've always maintained that, when a private equity actually enters into an asset, it's clearly entering to create value in different components of the business, and take the multiple higher, valuation higher. So, in a sense, it's completely aligned with all the shareholders.

And the way they add value is they will find pockets where your operating efficiency is low, your capital efficiency is low, or are you not looking at some strategic target market, which you should be looking at. How do you bring synergies between various components. So, it's more strategic and a business owner kind of a mindset. They have extreme amount of learnings because they've invested.

And I would say any large private equity invests in so many businesses, across so many markets, that they are able to see some mistakes, which typically managements make who are in their business, and they're able to point it out, and help you clear that, and help you grow faster than the others. I think that's one and also the focus on governance and relationship with stakeholders, like lenders, rating agencies, and all. I think those are the things which bring an immense amount of help in having a large bulk bracket private equity as your promoter.

Ashish Agarwal: Okay. Just one more question is that what is the time frame that you look to breakeven the asset management business?

Ashish Kehair: As I said, in our company, we load allocated costs equally to all businesses. If we remove that, they are breaking even now. But with that allocated cost loading, I think by the time we crossed about INR 20,000 crores, so maybe another 12 to 15 months.

Moderator: The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Sir, we see that you added almost 600 families in 9 months in ultra-HNI space. And if I do 9 months net flow figure, it is INR 7,300-odd crores. Sir, just wanted to understand, this INR 7,300 crores is largely driven by mining the old 3,600 families or this 600 actually have added much to numbers or not?

And if they have not, then how do you expect it to play out in subsequent quarters or years, in a sense? And I think it's a similar trend I see in the wealth business, that family additions are there. Just wanted to understand the waterfall, whether it is more driven by family addition or client addition? Or is it mining of the existing customer? If you can give a waterfall in that thing, it will be helpful to understand how it works?

Ashish Kehair: Typically, Sanketh, it's a combination of both. And in the Wealth business, for example, we've added about 15,000 families in the quarter and maybe 75,000 in the year. But out of that, only 10%, 15%, 20% will be relevant. And the contribution into net new money, 30%, 40%, 50% will come from, let's say, the new families and balance comes from the old. Actually, we'll also share this data. I think going forward, we'll look at them how we can share.

The new family typically, when they come in anywhere, whether it is wealth or private, it doesn't happen that you get 100% of their investable flows in one go. In some cases, it may be a possibility, but more often than not, it starts with a product and then it keeps adding, keeps adding, keeps adding.

So, it is not fair to assume that if you add 600, their entire investable surplus will come to you. I would say maybe 20% would come now, and then it keeps adding over the following years. So, depending on year-to-year, this mix will keep changing, I think 30- 40% is safe to assume would come new clients and balance from mining of old clients.

Sanketh Godha: Got it. Perfect. And second question, sir, is to understand from both in wealth and private, how much of our revenue concentration or AUM concentration is linked to MLD's? And if there is any specific -- I mean, basically, just wanted to understand MLD's concentration into the entire revenue pie of our, if you can give that break…?

Ashish Kehair: Less than 1%, I mean hardly anything. I mean our MLD sales total would not be more than INR 50 - 60 crores a month. I mean we don't actively encourage MLDs on our book, we are actually bringing that book down, because we don't want to have the hedging risk.

And second, we don't pay significantly on that as a commission because we want the cost of borrowing down. So not more than INR 50 - 60 crores, hardly 1-2% of our revenue would come from MLD.

Sanketh, before the tax change, it used to be reasonable. But our own MLDs, I mean, it's not a significant revenue provider to us.

Sanketh Godha: Got it.. And sir, the reason I asked this question is that in 1 of the questions, you said that the MPIS net flows 65-70% is AIF, PMS and mutual fund and 30-35% is insurance, fixed income and MLDs.

Ashish Kehair: So that MLD would be, let's say, of other issuers who still are issuing some, but that also will not be big. Like in our fixed income, we include MLD in fixed income only, more than 90-95% is vanilla fixed income.

MLD, now I think across the market, except maybe one player, everybody else, MLD has come down significantly, only two players. I think, one we all know, and the second one is an unlisted wealth management player. Otherwise, across the board, MLD has come down significantly post the tax change.

Moderator: The next question is from the line of Nishant Shah from Millennium Capital.

Nishant Shah: I just have one clear question to ask. You mentioned in your opening remarks, that there may be some postponement of flow activity or deal activity. And earlier in the call, you also talked about how January has been relatively steady. I am just re-clarifying this part, again, like do we see some postponement of flows given capital market activity slowing down.

So not a lot of promoters unlocking value, not a lot of ESOPs getting encashed. So does that kind of likely reduce flow activity until the markets kind of like settle down a bit? Or how should we kind of think about flows going forward? Medium term, I take your point, like it's probably irrelevant, but like more in the 6 months' timeframe.

Ashish Kehair: So as of now, actually, Nishant, we are not seeing, we were discussing amongst ourselves that logically, this could happen because prices have come off very sharply. So maybe people who wanted to do QIP or IPO may want to wait, but the filings are still going on at the same pace.

I mean, our teams are saying that has not come down. People are saying that, okay, valuations were significantly higher than what we had thought earlier. Now it looks more reasonable, and we want to go ahead, because our plans have not changed. Maybe some private equity funds who want to exit through IPO, they may want to delay because for them, it's not necessarily related to plans around their business.

It's more maximizing the IRR. And if that they can delay by one month or two months, it may be okay, but that also they're not stopping the filing. But on the promoter side and ESOP encashment and all, we are not seeing anything. I am just saying that if it becomes prolonged, that is one area that can get impacted, but if you're asking me on actual activity side, are we seeing that change, as of now, no.

Nishant Shah: Understood. And second question was on just your clearing - F&O clearing business. There's been a slew of kind of regulatory changes, but not a lot of like real impact on the premiums traded. So how is that business kind of shaping up? You mentioned -- last time we have spoken, you had mentioned that you have a long pipeline of new clients, hedge funds that you want to add as well. So, any outlook that you can give per for the coming year for that part of the business?

Ashish Kehair: Outlook, actually, we don't give. But all I can say is that one, of course, the premium levels are back. And I think January, I was reading one of the reports of one of the analysts in the call only, that both for BSE/NSE, even the premium turnover is back.

But for us, actually, the premium value matters, and that is reasonably intact and new client addition, I'm not talking small clients, these are large billion-dollar clients. They have not stopped activity, either taking offices on lease, racks on lease, hiring of people. So, I can only say that the momentum or the activity, we have not seen a slowdown. And when we spoke to them, even after all this, India remains within Asia their pick as the next largest profit pool is 20% of India in derivatives market. So, it is a long time away that we will go away from here, addition is only happening. And many participants globally have still not come. They are still looking to come to India. So, I am not actually sensing a slowdown in activity there.

Moderator: The next question is from the line of Vivek Gautam from GS Investments.

Vivek Gautam: Just wanted to know about your statement, you said that the coming quarters will be better. What could be the reasons for that? And how is the opportunity size looking for market in terms of the volatility, which is now engulfing Indian market?

Ashish Kehair: I think coming quarter will be better in two things. One was the yields in the private should come back to the 80-85 bps and NII income in the wealth management business, because both of which underwent a depression due to the same reasons which were temporary nature, so that will reverse.

In terms of overall activity, I think institutional equity volumes is the only place where we are seeing some impact. Other than that, largely things remain to be in place. I don't think we have an impact on the business. But yes, we have to be watchful of the global situation.

I mean there is a significant change in leadership in the US. He is coming out with tariffs and other things, which have a bearing on their inflation, which means it has a bearing on their interest rate, which means it has a bearing on their currency, which basically is has a bearing on everybody in the world. And how that plays out, how each country reacts and what it does to the emerging markets, I think there are too many factors to be considered to be able to give a calculated call on how it will go.

All I can say is that activity levels of clients have not gone down. And we are not seeing this negative chatter or sentiments playing in large parts of the business, except broking volumes where there has been an impact, but I think that will get covered up with the positive activity in other areas.

Vivek Gautam: And how much of the broking contributes to our business, because I believe most of your offline brokerage has now shifted?

Ashish Kehair: In total, if I look at our overall revenue, our institutional equity revenue would be in the range of 12-13%. And within Wealth Management, if I look at broking, it's less than now maybe again 12-13%. If you see a 10% fall in both, you are actually seeing a 2-3% change in revenue.

Moderator: The next question is from the line of Anirudh Agarwal from Valuequest Investment Advisors.

Anirudh Agarwal: Question was on the lending business. So, if you could just talk about how much capital you've allocated to the lending side? And what are the current ROE that you're making? So, you spoke about improving the ROE profile of this business. So where is it now? And what is the target ROE that you would be comfortable with in the lending side?

Ashish Kehair: So, the way we look at lending is not actually a business, it's a product, actually nothing neither broking nor lending, everything is a product, because your end client is same. And overall book size is about INR 5,000 crores, and it's split across largely three products, ESOP financing, loan against securities. I'm saying securities not shares, because it includes everything.

And third is your MTF. MTF out of this overall INR 5,000 crores would be more or less around 20%, which is people who buy, and rest 80% is above two. And ideally, the way we look at this, is that this is not the only product the client should be consuming for us, because if it becomes the only product, that the client will consume, then at an ROE level, you will always be inferior, because you are lending to the super prime client, at the finest possible rate, against the best available collateral, and there has been no credit event for the last 10 years.

So, you cannot hope to make a large ROE unless you leverage 7x, 6x, which we don’t do. We run an overall book at 2.5x leverage. So therefore, your ROE actually comes from doing other activities and other products with the client, which would be, let's say, some buying, selling, broking, some wealth management. So, if you put everything together, the wealth management whole cluster ROEs are now upwards of 22%.

We were sitting at 16-17% a year back. We are now upwards of 20- 22%. And I think at 25% is a level where we can then say, it's good enough from there, you can keep on expanding the uses of capital and keep the ROE impact and drive more growth. So that's how we look.

Anirudh Agarwal: Got it. Second question was on the MPIS piece in the Wealth business. So, the incremental growth that we've seen in this quarter, is that also largely on account of increasing PMS/AIS/MF? Or there has been some activity on fixed income, MLDs or insurance in this quarter?

Ashish Kehair: So, insurance is not significantly high in this quarter as compared to previous quarters, but fixed income is high. And so, it's a combination of all. So, your MF, PMS, AIS, that trails adding and of course, fixed income was high. Only out of those three, this kind of an impact cannot come in the quarter. So, it has to be both. I think Q4, we will have insurance play coming in because largely, Q4 traditionally has been big on insurance for everybody.

Anirudh Agarwal: Okay. And there is any indication of the surrender value regulations change on the insurance front? Any change in commissions, etc, on that?

Ashish Kehair: Not for us, really, because our persistency ratios were best in class in the industry. We are actually saying that we want to have a positive impact of this change because we are one of the few that insurance company doesn't have to worry because of this surrender charge.

Moderator: Ladies and gentlemen, due to time constraint, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Ashish Kehair: Thank you once again for sparing your time. I think we've had a decent quarter. Now we'll focus on Q4 and see you again after three months. Thank you for coming again.

Moderator: On behalf of Nuvama Wealth Management Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.