NWML/SEC/2025/56

August 2, 2024

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, 5 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 the Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and further to our earlier intimation dated July 19, 2024, regarding the earnings conference call to discuss the Company's performance for the quarter ended June 30, 2024, please find enclosed herewith the transcript of the aforesaid earnings conference call held on Monday, July 29, 2024.

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We wish to confirm that no unpublished price sensitive information was shared / discussed in the aforesaid earnings conference call.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
(formerly known as Edelweiss Securities Limited)

Sneha Amit Patwardhan
Digitally signed by Sneha Amit Patwardhan
Date: 2024.08.02 18:52:02 +05'30'

Sneha Patwardhan
Company Secretary and Compliance Officer

Encl: as above

"Nuvama Wealth Management Limited

Q1 FY '25 Earnings Conference Call"

July 29, 2024

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.

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MANAGEMENT: **MR. ASHISH KEHAIR – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – NUVAMA WEALTH MANAGEMENT LIMITED**
MR. BHARAT KALSI – CHIEF FINANCIAL OFFICER – NUVAMA WEALTH MANAGEMENT LIMITED
MR. MANISH DHANUKA – HEAD INVESTOR RELATIONS – NUVAMA WEALTH MANAGEMENT LIMITED
SGA – INVESTOR RELATIONS ADVISORS – NUVAMA WEALTH MANAGEMENT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Nuvama Wealth Management Limited Q1 FY25 Earnings Conference Call hosted by Nuvama Wealth Management. As a reminder, all participants live will be in the 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 touch-tone phone.

I now hand the conference over to Mr. Ashish Kehair, MD and CEO from Nuvama Wealth Management. Thank you and over to you, sir.

Ashish Kehair: Thank you, Deepika. Good morning, everyone. I welcome you all and thank you for joining us today to discuss the financial results for the first quarter of fiscal year 25. I have alongside with me Bharat, our Group CFO. This is his first call. Manish, our Head of Investor Relations and the SGA team our Investor Relations Advisors.

I'll start with my opening remarks and then we'll hand over to Bharat to detail our financial performance and then we can jump over to the Q&A session. For easy reference, this time we've emailed all our results to most of you, the presentation and the data book also. These documents are also available in the disclosures with the stock exchanges and our website under the Investor Relations tab.

Hope you got a chance to look through it over the weekend. We've added some more slides to give some more color around the business. I'll start with a bit of macro. I think two big events are now behind us, both elections and budget. So the focus will be on the economic growth, global macro and the geopolitical situation. I think U.S. election being the most important. But we are confident that in any situation, India will remain relatively better positioned. Economic and business performance will continue to be better, driving the growth of wealth. So from a macro perspective, we don't see any worries about India as such.

Jumping to our results now, I'll briefly summarize the business-wise outlook and share the progress we are making against strategic priorities in each of the businesses. Overall, I think we had a good quarter. All the businesses performed well.

Most of the input metrics which essentially we focus on are trending in the right direction. We continue to grow our sales capacity, our client relationships, client assets and our market share. We reported a revenue of about INR 668 crores for the quarter, an increase of about 60% over last year, same time, and an operating PAT of INR 221 crores, which is an increase of about 133% over the same period.

I'm also pleased to announce, as you guys keep asking all the time, our first dividend of INR 290 crores. This is approximately around 50% of last year's profit. Now coming to wealth management, I think Q1 continues to see strong flows around our focus areas.

Our differentiated platform is working really well. The industry continues to evolve. I think multiple forces are at play, growing wealth, emergence of new geographies, specifically beyond Tier 1, which I keep saying, with both HNI and Ultra HNI, changing customer preferences, and the increase in product suite and complexity with more regulatory focus and leading to technology disruptions.

In our assessment, these forces will drive consolidation and continue to do the movement from unorganized to organized. And over a period of time, I think business models will have to transform and become more platform-led with universal wallet approach of the customers rather than being monoline and offering few products, because that kind of a model is extremely exposed to regulatory risks. As we all know, any kind of regulation change can happen in any single product line, which can disrupt your whole model.

Therefore, we've chosen to build a multi-product, multi-channel, multi-customer segment model, which is working well for us. And over a period of time, the scale, the presence, and the franchise we've built, I think will help to grow this business consistently. Coming to our wealth cluster, the first business, Nuvama Wealth, I'll speak about the focus areas here.

We continue to add capacity and grow the relationship management pool. Last 12 months, we've added about 350 RMs, and in Q1, more than 60 RMs. I also want to say that, as I mentioned last time, that as we scale in this order and magnitude, it is of utmost importance that processes are institutionalized, and not only the advisory process, about which I'll talk about later on the technology stuff which we are doing, but also the entire talent management, learning and development and the sales cycle management. I think all of this has to work seamlessly to be able to be able to get this kind of a workforce inside and make them productive in a reasonable period of time. On asset flows, managed products and investment solutions, which is MPIS, continues to remain our focus area.

In Q1, we've garnered about INR 1,400 crores in net new money in MPIS. We've added this disclosure in the data book, additional disclosure. INR 1,400 crores is about 11% higher than the full FY24 quarterly average.

And over the last 12 months, we've added about INR 4,700 crores, which is a 25% Y-o-Y growth on the starting base. And within NNM, I'm happy to state that NNM for managed products, the proportion of that is growing faster. That has grown about 40% year on year and now constitutes more than 70% of the entire NNM that is happening for the last two quarters.

We expect this trend to continue, but there is an implication of this because most of the managed products now are annuity based. So we are building that book and the trail build out, as you understand, takes time. So in about two to three quarters or maybe three to four quarters, you will see that meaningful growth in the managed products income that will come by the accumulation of trail that is happening because of the addition of the book.

On revenues in Nuvama Wealth, while the overall revenues have gone up, if you look at quarter on quarter, MPIS is down marginally about 2%. And I'd like to state that is largely because of the AIF revenue recognition impact. If we normalize that, the revenue growth in MPIS itself is about 20%.

And quarter on quarter, actually, we don't see here because quarter four, sorry, Y-o-Y was minus 2%, quarter on quarter is about 13%. And that's largely because of insurance because insurance is heavy on Q4. We all know it happens every year, it'll happen this year also. And therefore it gets normalized. And which also actually has a leading impact on yield. So you cannot really compare the yields in Q4 and Q1 because insurance does a bump up.

And in this year, Q1, we had a significantly higher mark to market in brokerage assets. If you look at the entire mark to market number of last year versus this year, in Q1, the mark to market is about 50% of the absolute value of last year's full number of mark to market. If we normalize that, then Q1 yields actually inch up and are almost equal or higher to the Q4 yields.

And cost income, Q1 is about 66%, Q4 was 68%. So there is a 200 basis points improvement there vis-a-vis last year, Q1, it was 64%, but not comparable because we added about 350 RMs after that. And if you take the impact of that growth cost and the revenues produced by those RM, it's actually 63%. So there's a 300 basis points reduction. I think we'll talk about this more during the Q&A session.

As I said, on the technology side, we are investing heavily in this business, specifically around two areas. In my last call, if you would recollect, I had mentioned that we've launched a portfolio advisory tool, which we internally code name as MARS, multi-asset advisory tool, which is now in production, rolled out to the entire Salesforce, and is getting extremely good feedback because it's helping the field to engage better with the client, deliver more, I think, consistently, and achieve a personalization at scale.

And second, I had mentioned that we are launching an internal platform, which is like a sales cycle, cum CRM, cum book management and activity management tool, which is called One

Platform. Now it's available even on a mobile app to the entire Salesforce, and I think it will help them deliver their job better.

Moving on to our Ultra HNI segment, Nuvama Private. I think the segment continues to see robust demand across not only tier one, across tier two, tier three, economic activity, corporate profitability, everything has a positive impact. And recently we saw the data that more than 50% of recognized startups in India are coming from tier two and tier three. This will lead to an unprecedented disposition of wealth in the hands of customers there.

And the need for organized wealth management is only going to go up. I hope and wish that service providers like us are able to match up on the supply side. We continue to invest in capacity here also, about 15% to 18% have been added in the last 12 months.

First quarter is normally slow in addition of capacity in this business, because typically the appraisal cycle ends around April, May, June, and people are reluctant to move because their whole year bonuses and all happen. So Q2 onwards activity will pick up and we have a decent pipeline Q2 onwards. But I want to state one point here, actually something which is a little disturbing in this segment is there is some kind of a FOMO happening.

A lot of organizations are jumping into this business. Many traditional players are changing their nomenclature and moving into this business. And a sincere piece of advice to the world of relationship people that please do not make a movement to the highest bidder because when cycle adjusts, things do not go well and massive layoffs happen.

And we've seen that play again and again in any sector that goes overboard. And therefore you should look at players who are serious, who have vintage, who have deep pockets, who have sustained cycles, and who have a platform that can deliver value to the customer.

Overall, we've added about 200 families, taking the count of families to about 3,900. So customer acquisition remains robust. And the synergy with investment bank is working really well. About 40% of the relevant deal clients and 80% from a value perspective, the total value of deals which investment bank has done is now started working with Nuvama Private, and which is a reasonably good number. We'll continue to improve upon that.

Coming on to flows ARR flows remain as a focus area for us. Q1 was the highest ever in terms of flows in ARR about INR 4,700 crores and out of that, happy to state that more than 93% is managed products which is a trend now we are seeing over the last two quarters.

And if you see in the last 12 months the total flows here were about INR 11,200. In comparison, I think the transactional asset, we are largely seeing MTM and I'll talk about it a bit more, but again as I said in Nuvama wealth the implication of building the ARR flows especially in the area of managed products is that you'll see the trail build out happening gradually, but meaningfully.

So, there will be some quarters where I mean we may get a little impatient, but I don't think we will digress from our strategy. There is a bit of depression in the transactional income in Q1 which is why the Q1 versus Q4 revenue looks slower, but Q2 onwards the transactional income will come back because there are opportunities in sell downs and unlisted shares and other products which are coming back in Q2 onwards.

On the offshore build out, last time I'd mentioned that we are working in DIFC licensing and all, happy to state that all our approvals have come, our leadership is in place and about two to three relationship managers will be joining in the next 20 to 30 days and will be open for business.

Coming to asset management, our AUM is now around INR 7,700 crores. We've added about INR 700 crores last quarter between new money and MTM and overall I think the target or the aspiration this year is to add about INR 3,500 to INR 4,000 crores across the multiple strategies which we have and because we've added new products like commercial real estate, we've added one more fund in our private equity space, which is Crossover 4, both for domestic and international investors. And we've added an absolute return fund which I'll talk about more.

So, I think we now have the product pallet fully available and the sales engine is also firing. In the private markets the approach has been right now for the last 12 months on deployment. Now deployment momentum has picked up, so we will continue that and add to the new strategy which we have rolled out. Public markets, we have our two flagship products, Edge, which is a long shot fund.

Now that's the largest in this category and in the top two performance figures always. So, we have a reasonable amount of demand now coming in from external distributors. And Nuvama absolute return fund is a fund which basically is a fixed income alternative. It targets pre-tax, pre-fees, a return of about 15% with no negative quarter. So, essentially after the debt mutual funds have gone to marginal slab-based taxation, I think there's a huge gap in that space and this product fills that space. So, we are extremely bullish on both these products.

In the first quarter we saw sales of about INR 500 crores in this category and over the last 12 months we've moved from INR 1,000 crores to INR 3,000 crores almost in terms of AUM here. Commercial real estate, our newest product is now picking up. I think in the next two quarters we'll be able to do our first close and also start the deployment. Capital markets, the uptrend actually continues. Extremely robust performance in Q1. Asset services we are seeing growth across client segments both in the international clients and the domestic clients.

Domestic clients typically comprise of PMSs and AIF where we do their fund accounting, client onboarding and custody services. So it's somewhat like what RTAs do in a similar setup which we offer to the domestic PMSs and AIFs. We've added about 30 new accounts. We have a lead market share in the domestic market in that space. And on the international side, we've added about five new accounts, bulge bracket on the clearing side and both put together the assets have grown about 3x in the last 12 months. So we've added about INR 37,000 crores of assets in these two spaces.

And both institutional equities and investment banking, which is our core capital markets are doing well. Institutional equity there has been a volume pickup in Q1 on the cash side whereas the derivative side the volumes in the markets have been a bit muted compared to Q4, but we've seen a reasonable increase in our market share both in cash and in derivative segment which has led to the increase in revenues.

And investment bank, I think the deal activity continues in terms of QIPs, blocks, IPOs and we've also been able to do a marquee transaction one of the largest in the ophthalmic devices space where we sold a company called Appasamy to Warburg Pincus one of the largest deals in that space. So those all happened in Q1 for us.

There were a few regulatory changes I think which happened and one of them is around the rebates which market intermediaries will now not be able to earn. I think from 1st of October onwards. For us, I would like to state that the impact is negligible, I mean less than 0.2%, 0.3% of our revenues. So there will be negligible impact.

And the other question that keeps coming to us is will the asset services revenues get impacted if there's a decline in yield? In FY25, we don't see any impact at all. The way we have structured and hedged our book and the deposit structure is in a manner that at least for the next 18 months we don't see an impact in the fall of yield.

And at the pace at which assets are getting added, I think even in future if there is a yield reduction it will be more than compensated for with the addition of assets. I think with that my opening remarks I'd like to sum up that overall a good quarter, hope to see the trend continue in the coming quarters. And we'll hand it over to Bharat to take you through the quarter performance and analysis.

Bharat Kalsi: Thank you, Ashish and good morning and warm welcome to all the participants. Ashish, first of all I think you covered most of the points. So I'll try and brief and maybe a few things which have not been covered I'll try and cover that. So again, good morning to all. So, as Ashish covered a lot of things in terms of the macroeconomic also the sector or the economy has been very positive in terms of the real GDP growth or there has not been a much of any regulatory larger financial system issues or there has been improving profitability by the corporate.

So, I think all those are in the right direction for the industry which we operate in. Having said that, like any other industry which is involving people money whether it is banks, NBFCs, wealth management companies, mutual funds and all they are always under the extra vigilant in terms of the regulatory environment and that is true for us also. So, what we have seen there have been two key changes which has actually happened.

One is on the AIF revenue recognition which happened last year say sometime May 23. But that has a base effect on this for us and more specifically for our private business where we have been a large player on the AIF side. The second is as Ashish touched upon the insurance sector is also undergoing a change wherein there has been a change in the surrender values which will get effective from 1st of October 2024 which in a way means again there will be an impact in terms of upfront commission versus a trail commission.

What I am trying to say here is that both these impacts have a base effect for FY24 and 25. So, maybe the quarter-on-quarter performance is not exactly comparable. So if you look at quarter

1 last year versus quarter 1 of this year even if I will cover the numbers at the Nuvama Private level also, there has been an impact on the AIF income which will reflect in the overall wealth income growth.

If you look at the other things which Ashish covered or maybe the budget part, the budget has been very I think the focus has been more on the simplification on the whole of the capital gain structure whether it was making the slabs flat versus 10% versus 12.5% or even the holding periods changing from multiple different periods to flat 12 and 24 month. All this has been implemented now effective this month.

The other thing which we are happy to announce is that we have declared a dividend which is INR 81.50 per share which is roughly INR 290 crores or in other words which is roughly 50% of our last year operating PAT. So, that is where we have declared our first dividend after the listing part and our endeavor will be to declare a dividend to the range of 40% to 60% of our annual consolidated profits. So that's where we are heading.

Obviously, the focus will be on the capital management in terms of where we are deploying our capital. So, the capital deployment will continue in terms of addition of capabilities, building our tech platform which will lead to better say customer experience as well as the engagement with our own relationship manager which in turn comes back as more like a retention for our relationship managers. So, I think all this is where we will continue to deploy our capital.

Having said that, Ashish covered most of the numbers, but I'll go on business by business and at total levels. So if you look at our overall asset base that has moved around 50%. I'm comparing all the numbers on a Y-o-Y basis. There has been a 50% growth in the client assets to around INR 3,89,000 crores.

Within that, if you look at Nuvama Wealth our mid-market segment, that is up by 45% and touching around at INR 88,000 crores. This has been a good quarter for us in terms of our new money which within the MPIS space has been very strong at around INR 1,400 crores. Of the total NNM contribution, 75% has been in the MPIS segment. So, that has been very reassuring.

If you look at Nuvama Private our asset base is now at INR 1,86,000 a growth of around 31% year-on-year. Again, if you look at the total asset base has grown by 31%, but our ARR assets have grown much faster at 48% with the AUM of ARR at around INR 39,000 crores at the end of the quarter 1. Asset management, again it is in a strong growth of 30% Y-o-Y. We covered a lot of things in terms of the new offerings and the new product which we have launched over the last three to six months.

And similarly if you look at the capital market side the custody and the clearing businesses saw a very strong growth of 115%. Again we discussed in the previous section with Ashish in terms of where the money is coming from, whether it was on the international clients or on the domestic side. If you see the overall revenue part the revenue has grown by a healthy 60% at INR 668 crores. All the businesses have done well.

Within that, if you look at Nuvama Wealth that has gone up by 23% year-on-year. And Nuvama Private has grown 11%, but that's mainly as I mentioned, because of the AIF impact. Our internal estimate is around INR 20 crores worth of AIF revenue impact in the quarter 1 last year on a like-to-like basis. If you neutralize that the growth could have been in the range of 30% to 33%. So, I think it is again on a base effect basis is where it is reflecting at an 11%. Otherwise, this has been a strong growth for Nuvama Private also.

The AR revenue continues to grow at a much stronger pace and now is contributing 63% of the total wealth revenue which is where our stated approach is that our focus will be more on the ARR side of the business. In terms of asset management excluding the carry the revenue has grown by 23% and within that if you look, 44% of our AUM is now fee-paying.

There is a growth of 44% in the fee-paying AUM which is much faster than the overall growth of the asset management revenue. And capital market, it's a very strong growth of 153%, taking it to INR 331 crores. We continue to benefit from the synergies as Ashish also mentioned about a deal which has been within the system which leads to first an IB deal then it comes back to wealth management business as opportunity. That all is playing well for us and we hope to see more such things.

On the cost side, the cost has actually gone up by 28%, but if you look at what we have done is that there has been an addition of around 350 odd people over the 12-month period. That is only on the RM side, but if you look at the total employees the increase in the number of employees around 500 over the last 12 months that is one is playing in, the annual increment is playing in. And secondly the variable cost which is linked to our business.

So when we are growing at a 60% the variable expenses which is linked to the incentives are also being provisioned accordingly. That is what is leading to a 28% growth. If you look at the data book the Nuvama wealth cost-to-income ratio has marginally gone up from 64% to 66%, but that as I mentioned it is because of the 350 plus RMs which we have added. And the throughput of such people it typically takes 12 to say 24 months to reach to the desired level and hence it is impacting it.

But if you exclude the growth capital or the growth investment which we have made the C/I ratio has actually come down from 64% to maybe 63%, 62% kind of a number. So that is all is playing in. Similarly, on the Nuvama private side there is a marginal increase in the cost-to-income from 68% to 69%. Again, if we remove the AIF impact and the growth capital impact it could have been easily 65%, 64% number. So that is where we are heading.

Lastly, I think my general submission here is that on a quarter-on-quarter basis, a INR 2 crores, INR 4 crores or a INR 5 crores cost impact or maybe a timing of a INR 10 crores, INR 15 crores impact on the revenue side can actually move the cost-to-income income ratio by 1% here and there. So it always becomes a little tricky to manage it at the last decimal. So, maybe on a steady-state basis is where we are heading that the cost-to-income ratio if we exclude the growth cost it should touch around 60%, 61% over the next maybe 24 months to 36 months is where we are heading.

Lastly, as we mentioned, the profitability has been very strong at INR 221 crores, which is a 133% growth and even on a sequential basis it's a growth of 22%. That's all from my side and happy to take any questions after the moderator takes over.

Moderator: Thank you. Thank you very much. We will now begin the question and answer session. The first question is from the line of Jayant Kharote from Jefferies. Please go ahead.

Jayant Kharote: Hi. Congratulations sir on the good set of numbers. First question is likely what Ashish pointed out in the beginning of the call. We are seeing a high level of churn so to say not just at RM, but even at senior management level in this wide space. First of all where have we been in this? Have we made any acquisitions or let's say acquihire this quarter and then the follow-up to that is if we do see RMs moving across typically what part of the AUM are you able to retain and then what are the modes that you are building to be able to retain the AUM?

Ashish Kehair: Thank you, Jayant. So acquihire actually are working on. Acquihire may not be one of the best approaches because when you do that kind of a hiring 30%, 40% of the team which you get may not be what you want. So, our approach is two-fold always that you look for individual RMs and if there are teams in which a higher proportion of people are of the type which you want then you go ahead.

We have not lost too many people, but like any industry which is growing I mean this is a pain which you will have to live with, specifically in a people-oriented industry. If either the industry is not growing then it's a different kind of a pain and if you are seeing a reasonable amount of growth and optimism about future this is one of the factors which you will have to live with and you have to manage time and again.

At least at the leadership level, we have not seen any churn, but many new players I think are coming into the space across the spectrum. I think in retail, in affluent, in HNI, Ultra HNI and many players are also changing their strategy to move into this space. So, I actually see it will lead to an overall talent expansion because whichever way you slice or dice it, I don't think if people keep recruiting from one another there is going to be a winning approach because ultimately the talent pool is limited.

So, people will have to dip into talent pools which are sitting inside banks, build infrastructure around training and other stuff in order to add to the talent pool for the industry to grow meaningfully. In terms of asset movement, I have always maintained this that it's not really easy for clients to close accounts and shift everything and specifically in cases where if somebody is making a movement a multiple number of times in their careers it's practically impossible for clients to shift everything.

Yes, incremental business will get split between the two firms, but I think more than 60%, 70% of the AUM is retained with the existing firm, but typically in ultra-high net worth because the number of relationship points, the number of hooks which you have with the clients, the number of touch points which you have with the clients goes significantly beyond just one touch point. So, business typically gets split. It's not that 100% movement happens of assets neither do we get it, nor we lose.

Jayant Kharote: And just to add to this do you expect the cost-to-income in this segment to be slightly elevated until this competitive intensity part recedes let us say for the next 6 months to 12 months?

Ashish Kehair: In my view, no. Actually, the more impact of cost-to-income is happening today because of the change over which is happening from let's say the revenue recognition of AIF because for us, for example, we were in the process of booking 60% in year 1 which in CAT 2 has let's say fallen to maybe 30% or 25%.

Many players in the market were booking 100% and that changeover is to my mind 12 months to maybe 24 months to 36 month process where it remains elevated, but even this year in our view by the time we end the year we should come back to 65% or below because if you see even in Q1, the impact to cost-to-income has happened not because of your regular revenues or ARR revenues, but because of transactional revenues and transactional opportunities actually keep coming differently from quarter-to-quarter and we are now seeing opportunities which are emerging in Q2 you will see it should come back.

And the cost movement, in a way people are overpaying, but ultimately the relationship manager cost as a proportion to overall cost of the business is maybe 50%, 55%. So, if you have an established infrastructure, if you are a player which is of scale and your other costs are under control and if you are not mindlessly adding RMs at any cost then the cost-to-income should be under control.

Jayant Kharote: That's very helpful. One last question if I could squeeze in is on the yield. We have seen and I'm not referring to the Y-o-Y numbers at all, if I look at this quarter in isolation, I see the yields are down to 90 bps on the ARR earning assets in the private piece and if I strip off the interest earning piece it probably is around 55 odd bps. This has been slightly lower than what we've been doing in the past two quarters. Can we assume this to be the new normal?

Ashish Kehair: No, I meant to cover this in my opening remarks. I missed it. In this quarter, we've actually had a big win in our ARR assets. If you see our net new money in ARR is about INR 4700 crores. Out of that about INR 2000 crores have come early. It came in the month of April, May, but the deployment has not happened. It's come from two large families.

Right now that money is sitting in liquid fund and arbitrage fund. It's come in our infinity portfolio which is our in-house non-discretionary and discretionary multi-asset portfolio. Once the deployment happens and we start earning the contracted rate the yields will come up. The impact of that single inflow is about five basis points.

Jayant Kharote: That's very helpful. Thank you and congrats once again.

Ashish Kehair: Thank you, Jayant.

Moderator: Thank you very much. The next question is from the line of Prayesh Jain, Motilal Oswal. Please go ahead.

Prayesh Jain: Yes. Hi, good morning, everyone. Congrats on a great set of numbers. I wanted some more understanding on the capital market business. If you could link up your cost-to-income between the two segments which is your asset services and IE and IB. Also extending that point if the regulations or what the media has been talking about with respect to F&O activities, is that there will be a meaningful impact on the volumes in the asset services business?

Ashish Kehair: So, overall cost-to-income Prayesh if you see in capital market is about 42%. Asset services in that sense is a more I would say is a lighter cost-to-income business. So that would hover around maybe 30%-odd, 30%, 33% and the other part automatically goes to about maybe 50%-55%. On the F&O side actually we are also waiting like everybody to see what's going to happen. There are a number of changes which are being proposed which will lead to - which is basically targeted to reduce the retail participation in the F&O market which I think will have a larger impact on maybe people who have broking business around retail.

What that has as a second order impact on the institutional side will have to be seen, depending on what is the order of magnitude fall. If I'm saying if there is a, let's say, magnitude of 20%-25%, then maybe there could be a 5%, 8% impact on the float of asset services business of the institutional clients. We do not have a large F&O float of retail clients.

As you know, our overall broking product within wealth management is relatively small. And within that, derivatives is even smaller. We've never participated in that part of the business. So that we are isolated. But if there is any second order impact on the institutional volumes on the derivative side, that will have to wait and see. Very difficult to say right now.

Prayesh Jain: Is it fair to say, Ashish, that the capital markets -- the asset services business is more closer to being an annuity?

Ashish Kehair: So, if you look at degrees of separation, like if I were to see, and I keep saying this, the closest to, let's say, the volume volatility of capital markets is I think broking. And the most distant is wealth management. And somewhere in between is, let's say, asset services, because it ultimately serves two communities. One is international clients, which basically trade in the domestic markets. And second is the domestic PMSs and AIFs. Domestic PMSs and AIFs, I think are fairly, fairly, fairly insulated, because there, our income is completely not linked to volume ups and downs.

It's typically a service-oriented business. International, yes, if, let's say, there is a massive volume reduction and if they bring their volumes down, there could be some impact. But if you ask me, it's more or less the current nature of income which we have is more than 60%-65% is annuity. So, ideally, I don't think it should be valued in a similar manner as, let's say, core capital markets, because core capital markets is a different nature versus asset services, if that's what your question is.

Prayesh Jain: That's really helpful. Just on the asset management side, the yields have dropped sequentially. Why would that happen?

Ashish Kehair: See, there are two, three things, Prayesh, in that. One, there is a product-level yield, right? The product-level yield is more or less consistent, if you look at private markets and if you look at public markets. Now, in the last 12 months, what has happened is that, which I've been saying that we've not added assets in our private markets, because our focus was on deployment. And that's how private markets work, right? You first raise a fund, you deploy at least 70%, 75%, 80% and then you raise the next fund. Whereas public markets are continuous vehicle, there is no end date, unless you're doing a close-ended fund, which we don't have.

And in the last 12 months, the proportion of public markets have gone up. So, it's just the multiplication. Now, if, let's say, we add another INR 2,000 crores of private assets, again, the yields will inch up. But I've always maintained that in the long run, let's say you look at INR 20,000 crores AUM when we reach in the next two years, three years, on a blended basis, the gross yield should be anywhere between 70 to 80 basis points is where we should land and settle, given how we see the composition of assets will move.

Prayesh Jain: Perfect. Last question, what is our RM count plan for both wealth and private segment for this year, and possibly if you can go from that to the next two to three years?

Ashish Kehair: So, we've said that we want to -- like two years out, we had said 20% every year. So we were able to achieve that last year. We added about 15% to 18% in private, and I think more than 25%. This year also, the idea is same. So, you can anchor the figure at 20%. In some cases, we may be 15%. In some, we may be 25%. That's the range we want to operate at. That's the target now. Depending on how the markets and the environment is, we may calibrate it, dial up or dial down. But that's the way we are looking at it right now.

Prayesh Jain: Thank you so much and all the best.

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

Lalit Deo: Yes, hi, sir. Congratulations on a good set of numbers. Sir, I have two questions actually. So, firstly, on the assets of MPIS in Nuvama Wealth and ARR assets, could you give us more details about the nature of the assets, how much is debt and equity? Because the reason I am asking this question is because if you look at the flow side, then if you calculate the MTM gains on these two books that is hardly in the range of about 2% to 3% on a sequential basis.

Ashish Kehair: Correct. You're right. So I got your question. So, if you look at right now, the proportion would be more towards yield-oriented assets. But if you look at it 12 months from now, the way the net flows are happening now, we will have more equity. So higher proportion of equity managed products are now coming in the net flows of both MPIS and ARR. Current AUM may not be, let's say, reflective of where we will be 12 months from now.

Lalit Deo: But as of now, how much would it be? Can you give us a sense and how it has improved over the last two years?

Ashish Kehair: Not last few years, maybe last 12 months is the right approach. Before that, our focus was reasonably high towards fixed income and yield-oriented assets. Even within managed products, we had a lot of non-correlated stuff like credit funds, infrastructure funds, business asset funds, which were less MTM products, because our approach was to attack the fixed income portfolios of clients because everybody was doing equity. Now, it's become more balanced and incremental flows are now coming towards equity assets. So, currently, maybe 10%, 15% would be equity assets, but 12 months from now, maybe that number could become 30%, 35%.

Lalit Deo: And sir, the second question was on the cost side in the capital markets business. So as you have alluded that in that asset services, it is roughly in the range of 30% to 33%, whereas in the [IE & IB, it is in the range of 50% to 55%. So will this be -- going ahead as I understand that in the second half of the financial year, then it should increase because of the variable payouts and all those things.

Ashish Kehair: What we have done, Lalit, is that we have, in the first quarter itself, upfronted the variable payout. Given the fact that capital markets had a very strong quarter, if you look at the total cost and if you see between Q4 and Q1 FY'25, there is almost INR 24 crores cost jump, which is largely towards two elements. One would be the hikes because there is no manpower addition which is happening here. So, one would be the hikes would be, let's say, order of magnitude 6%, 7%, but rest would all be attributable to variable cost.

Lalit Deo: So, the segment between 30% to 35% and 50% to 55% will remain over the next 12 months?

Ashish Kehair: Our approach of variable, we try to, I mean, we are not always correct, is to basically keep accruing the variable cost in line with the revenues in any quarter. We have not been perfectly, as I said, right at it. But to the extent possible, we try to align it so that there is no quarterly catch-up that happens. Although, I must admit, in the last two years, in our wealth management business, we had to do a catch-up in quarter 4, but not in the capital markets business.

Moderator: The next question is from the line of Bhavin Pandey from Athena Investments.

Bhavin Pandey: Hi. Congratulations on a wonderful set of numbers. I just had one question regarding capital markets business. So, we could see some increase in market share. So could you just shed some light on the dynamics of the capital market space and how one sort of plans to lose or gain market share?

Ashish Kehair: So, there are three lines of businesses which we report within our capital markets segment. One is institutional equities, second is investment banking, and third is asset services. So I'll start with the asset services business first. That basically serves two sets of clients. One is international investors, which is FPI, in which typically we serve systematic quant funds and hedge funds. And on the domestic side, long-only PMS and AIFs.

So, essentially, the function of market share is out of the new clients which come into the fold in both the categories, how many new accounts are you able to get as far as your competition is concerned. In institutional equities, similar, we serve FPIs, domestic MFs, and insurance companies. And that is typically voting led.

So, as your voting on the research side goes up, your market share will typically go up. And investment bank, we are in ECM, M&A, PE and debt capital markets. So, across that, depending on the league tables and how much we are able to win is how our market share moves.

So, I think overall, more than market share on the capital market side, what we keep worrying about is how the activity will move up or down, but at least post-elections and post-budget, for the next 12 months, it doesn't seem unless there is an external shock which comes and hits, we don't foresee a tapering.

Yes, quarter on quarter, the numbers could move up and down, but overall activity in the market should be at a similar level, except what Prayesh was mentioning in his question earlier, as to if something draconian happens on the F&O side, and that has a second order impact on the overall market and performance, then I think the entire sector, whether it is us, asset management, broking, everybody will get impacted.

Bhavin Pandey: And Mr. Kehair, just expanding on the anticipated rate cut, do we think if there's a rate cut, maybe let's say in a couple of quarters, private and the startup space could revive, so that could lead to more growth, or do you think the sort of action in investment banking activity that happened in this quarter is sort of a manifestation of the anticipation of a rate cut, if we could put it in a better way?

Ashish Kehair: So, rate cut for us actually is reasonably neutral. It doesn't impact us too much because some businesses benefit, some businesses lose. Overall market, how it will react, now rate cuts typically happen when economy is not doing well, but markets have become counter to that.

So, if you see when talks of rate cut happens in US, broader market starts doing well, because your asset valuations, your discounting rates, everything starts coming down. So, your current valuation starts looking cheaper than what it could be in future. So, it's extremely counterintuitive. If rate cuts happen, I think it'll lead to a positive into the market.

Bhavin Pandey: That's great, really helpful and congrats again and good luck.

Moderator: Thank you very much. The next question is from the line of Sanidhya, Unicorn Assets. Please go ahead.

Sanidhya: Hi, good morning. Congratulations on the great set of numbers. My first question is, I just wanted to understand on the yield and net new money in the MPIS and other segments. So, how should we see that like year on year, quarter on quarter, gradual basis, because there is some like the yield on assets versus the, I mean, the revenue versus the assets. There is a difference in proportion of the growth, particularly in the wealth and the private segment? So, if you can just elaborate on that.

Ashish Kehair: So, the retention on average assets in Nuvama Wealth ranges between, you know, 90 basis points to 1% depending on the quarter and the kind of MTM the assets have seen. And Q4 will normally be higher because insurance comes in. Typically, the way you have to look at Nuvama Wealth is MPIS growth is around 30%-35% of the initial base.

And that is how we have seen it over the last two years. And if you basically look at the fact that that contributes anywhere between 40% to 50% of the revenues, so that will provide you anywhere between 12% to 15% of revenue growth. And your other assets, which is your broking and loan assets, typically could grow anywhere between 10% to 15% in a year.

And that has a 50% contribution. So, that will give you another 7-7.5%. So, 20% to 23% revenue growth is what you should be able to see. And if you are able to keep costs below 20%, then the profit growth will be higher. That's how it works in Nuvama Wealth. And in Nuvama Private, typically, the ARR growth, we've seen exceptional growth over the last two years.

But I'm saying even if you take, again, 30% growth there and 10%-15% in transactional assets, that should also yield to about 20% growth in the overall revenue. That's how we look at it in terms of breakup and composition.

Sanidhya: And what is this others in the client asset composition?

Ashish Kehair: In which segment?

Sanidhya: In the Nuvama Wealth.

Ashish Kehair: That could be maybe unlisted shares, that could be client margin at exchanges. So, multiple items could be sitting there.

Sanidhya: Okay. So, okay, fine. So, it's like the majority portion, like almost the 60% of that?

Ashish Kehair: Yes.

Sanidhya: Okay. Secondly, on the AMC front, so, I think we're not stating the actual loss in the presentation or anywhere else. So, it would be great if it could be presented in the presentation itself because it doesn't make sense to not write it just because we are in loss.

Ashish Kehair: I didn't understand the question.

Sanidhya: In the AMC section.

Ashish Kehair: We show the operating loss in the data book.

Sanidhya: Okay. Maybe I missed it.

Ashish Kehair: There is an Excel data book. So, in our disclosures, which we give, there is obviously the quarterly presentation. But if you want more details, we also upload an Excel data book and that's there on our website also. And in the Excel data book, we have detailed numbers in terms of revenue, cost, and other metrices and parameters across all of these businesses, given detail in Excel. So, you'll be able to see it.

Sanidhya: Sure. Sure. I will surely go through that. I was just saying, if it could be presented in the presentation itself, that would be great?

Ashish Kehair: Sure. Sure. We will add that. No problem.

Sanidhya: Thank you. Thank you so much. And lastly, lastly, we had some news, maybe rumors, that an Indian promoter is trying to exit from Nuvama. Any confirmations on that?

Ashish Kehair: Not that we know of, because they hold about 56%.

Sanidhya: No, the Indian promoter.

Ashish Kehair: No, that's not a rumor. I mean, there is no Indian promoter now. Edelweiss is now a passive shareholder. They hold 14%. As part of the de-merger, they had 14%. And they are not a promoter anymore. They may look to monetize a part of it, maybe half or one third of it. And they're under lock-in till 12 months from listing. So, last week of September, their lock-in will go. Post that, they may want to sell, because they want to monetize some and take the cash within the company, Edelweiss Group.

Sanidhya: Great. Thank you so much. And on the dividend front, the policy continues. Like we have, last quarter, I think, or before that, we were discussing that we are yet to set up a proper framework for this?

Ashish Kehair: So, like Bharat pointed out, the endeavor will be to do 40% to 60% of annual profits.

Sanidhya: Okay. And since now buyback is also would be taxable and other things. So, are we looking for any other bonuses or any corporate actions, anything like that?

Ashish Kehair: Right now, not under discussion, because bonus, unfortunately, if we do now, the taxation structure for people will get impacted. So, we are not thinking of bonus or anything. Maybe at some point in time, if the board decides and discusses to do a split, they may do. But right now, nothing under discussion. Dividend is something which has been discussed in detail. And that's why we started it.

Sanidhya: Great. Thank you so much. All the best.

Moderator: Thank you very much. The next question is from the line of Rahul Agarwal from Himalaya Investment Advisors. Please go ahead.

Rahul Agarwal: Congratulations on a very good set of numbers and thanks for the opportunity. My question, sir, is more on the asset services business. You report clearing assets and the custody assets there separately, and you calculate the yield on clearing assets. So, can you just explain this a bit? What are these two different models of revenue and what will be the kind of yield that you expect on each of these two segments? And what portion of this revenue comes from domestic clients versus international clients?

Ashish Kehair: So, custody and clearing are two different activities. Custody is what, let's say, any institutional investor can give their assets to a custodian for safekeeping and different kinds of services are provided where you do custody fund accounting. Clearing is when a client trades in derivatives and their trades have to be cleared.

Then you use a professional clearing member and you have to post your margin to the exchange through the professional clearing member and the clearing member earns on that margin and also on the services that are provided. So, these are two different lines of businesses. Assets under custody actually sit in a company which is different and assets under clearing sit in a company which is different.

In combination, this is asset services business. The company in which assets under custody sit, we hold 49%, so we do a profit pickup. We don't show the revenue here. That revenue is lower. These are typically services related revenue. It will be maybe order of magnitude INR 30 crores, INR 40 crores, INR 50 crores a year.

So, you can do the calculation in terms of BPS on assets on custody. In clearing, it's about 1.4% on assets under clearing and that's what we show here.

Rahul Agarwal: I mean, all of the reported revenue comes from the assets.

Ashish Kehair: Reported revenue here, what you're seeing is all coming for clearing. Assets under custody and the profit from will be shown as a profit pickup in the main P&L. We can't show the revenue of that because it's an associate, not a subsidiary.

Rahul Agarwal: Understood. And that is about INR 30 crores to INR 50 crores per year?

Ashish Kehair: It keeps ranging. Yes, maybe maximum INR 60 crores, INR 70 crores every year and keeps rising with the increase in assets under custody.

Rahul Agarwal: And that's the revenue number INR 60 crores, INR 70 crores?

Ashish Kehair: Yes, that's the revenue. Correct.

Rahul Agarwal: And on the assets under clearing, since it's largely linked to what you mentioned, what portion of it do you consider as annuity versus exposed to capital market volatility? And what are the underlying growth drivers for that business? Or is it very hard to forecast and it's just linked to the capital markets?

Ashish Kehair: So, in a way, it's linked to capital markets, but it's not difficult to forecast. If you ask me to say on a 3 years to 4 years basis, because institutional interest in India is on the uptrend. So, we are seeing newer clients from newer countries coming in, register and start participating. So, there is an increase in activity. So, if you look at the last 10 years or last 5 years, the number of institutions that have come in, so, our revenues will not move up or down with the daily volume which they do and all that stuff. It's more to how much exposure they want to take to India through derivatives. So, that on a secular basis, if you are asking me, we are seeing a positive trend. The impact on that business can happen if, let's say, over a 12-month period, there is a completely reduced activity in the Indian derivatives market or there is a sharp fall in yields, in interest rate.

That also, the impact starts hitting you after 12 months to 18 months because the way you've structured the collateral, there is zero impact for the first 18 months. So, I think those are the things that can impact that business. If you ask me from a split perspective between annuity, non-annuity, I think 50%, 60% you can categorize as a base level annuity that should continue to stay.

Rahul Agarwal: One last question. In the wealth business, you report a brokerage revenue as well. Is this linked to products like, say, marketing debentures or any other placement of products or is this linked to the brokerage revenue a typical broker would see from the equity cash or derivative segment?

Ashish Kehair: The second category.

Rahul Agarwal: Okay. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Sanket Godha from Avendus Spark. Please go ahead.

Sanket Godha: Yes. Thank you for the opportunity. In the Wealth business, what I see is that your AUM in net interest income has declined either year on year or sequentially. But if I look at the revenue, there has been meaningfully a strong growth either on year-on-year or sequentially. So, I just wanted to understand that this net interest income growth is largely driven by our rate interest rate increase on the margin trade funding or loan against shares?

So, what led to that growth is one first question I have. And in Wealth, maybe if you can broadly indicate out of the total revenue of INR 76 crores what you made in MPIS, how much could be potentially annuity in nature, which is recurring going ahead also for the subsequent quarters? That's the first question which I have on Wealth? The next question I have on the flows, which I'll ask after you answer this?

Ashish Kehair: So, on the interest income, Sanket, simply put, there are three, four factors which affect the overall interest income. One, of course, is the size of the book. Now, what has happened in this quarter is that the average book was higher, but the closing book was lower. So, because, our book is not like a long term loan, right? It's either ease of funding or loan against share where people come in, go out.

And typically within ESOP also, we promote early selling because it's in the interest of the clients. We don't want them to hold their ESOPs on a levered basis on the hope of price increase because that's not in the interest of the client. And there are three factors which affect our income. Actually, four.

One is the composition of the book. So, composition keeps changing. It's between LAS, ESOP and let's say margin finance. And if margin finance goes up, our income will go up. Second, if your average book is higher, obviously, you will earn higher because the average book was higher. And if your closing book is lower, that also becomes a positive impact because your expected credit loss gets reversed.

And your processing fees gets upfronted because normally when you book a loan, the processing fees is accrued. Let's say the contracted loan period was 6 months and processing fees was a 50 basis points. You will accrue it over 6 months. But after 45 days, if the client sells his share and repays the loan, the residual processing fees comes in. So, these three, four things actually keeps the NII keep going up, down, up, down, up, down in that sense.

Sanket Godha: But is it fair to assume that because markets did very well in the current quarter, margin funding played a role?

Ashish Kehair: Not really. For us, that's not a big component. I think the larger impact will come from. So, if markets do well, the positive to us is that people exercise their ESOPs more and sell them faster. So, that gives you processing fees, brokerage, and NII all three together. And that also has a positive impact.

Sanket Godha: Okay. And if you can maybe indicatively tell me the MPIS is closer to annuity. How much is annuity and how much is transactional in nature?

Ashish Kehair: That I think I'll have to come back because offhand, I don't want to hazard a guess right now. But let me just look up if we have the numbers. Give me 30 seconds.

Sanket Godha: Yes, sure. And if you can even give indicatively how it has trended compared to say last 4 quarters and in the current quarter. Just to show…

Ashish Kehair: Trend wise, I'll tell you. Trend wise, it's on the upside because if now you look at the sales which we are doing, okay, in MPIS more than 70% is now managed products. Which means what? Which means AIF, which means MF, which means PMS and insurance. Insurance is very small in terms of sales. So, and all those three categories and within AIF also as a stated strategy now for us, category three is far more important than category two.

Because category two just gives you some little bit of upfront and then the trail is over the life of the period and most of the funds of category two are 7 years, 8 years, 10 year products. Real Estate fund, private equity fund. So, the trail becomes meaningless. In terms of sales, I can tell you our mutual fund, PMS, these sales numbers now on a quarterly basis, we do what we were doing in one full year.

So, at least in the coming year, the way we see, if we book, let's say X of annuity in Q1, it should, in my view, if we continue this trend should become 3X by Q4. Currently, if I look at the overall, I think MPIS number, I think more than 50%, 55%, 60% will be annuity, but we will have to confirm to you. This is just a rough cut calculation.

Sanket Godha: Yes. And the second question was that, if I look at overall flows, the private have done very well. It's almost, it's like INR 4,000 crores number, even if I look at active private. Just wanted to understand this trajectory, how do you see, given this is meaningfully better compared to quarterly run rate of previous year, how do you see this to play out? You yourself said that you won one couple of two big families, which supported that number. But do you think that such kind of deals will happen or this number should be toned down a bit for subsequent quarters?

Ashish Kehair: The total last years, if you see, the net flows was about INR 11,000 crores over the full year in private. I think if we extrapolate INR 4,700 crores, it'll go to some INR 18,000 crores. I don't think that should be the right approach. What you're saying is right. We should tone it down. Maybe order of magnitude anywhere between INR 13,000 crores to INR 15,000 crores.

Essentially, 30% to 35%. Last year, we were able to do 40% of the opening book. This year, our opening book is around INR 38,000 crores and INR 38,000 crores or maybe INR34,000 crores. So, a 40% of that. So, anywhere between INR 13,000 crores to INR 15,000 crores is what we will aspire to achieve in the full year.

Sanket Godha: And lastly, just based on private, again, on UHNI space, I'm just wondering whether incremental client addition, which is happening, is it happening on advisory or still trail-based is the thing. I just wanted to understand if it is advisory, do you think…

Ashish Kehair: The INR 4,700 which came, out of that, at least 65% is between non-discretionary and discretionary PMS. Now, you call that advisory, we call that trail-based. It's all the same. Now, in ARR, actually, in private, at least more than 90%, 95% is managed products, in which we include advisory, discretionary, non-discretionary, everything.

Sanket Godha: My major concern was that given incremental flows, if they come, the way I tell is advisory…

Ashish Kehair: That pure advisory with some 5, 10 basis points, not of that variety, if that is what your question.

Sanket Godha: Okay. So, the yields around 90, 95 bps, what you indicated, will remain in the private business. That is the point I want?

Ashish Kehair: Yes. That's what we feel.

Sanket Godha: Okay, perfect. That's it for me. Thank you very much.

Ashish Kehair: Thank you, Sanket.

Moderator: Thank you. The next question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: Hi, sir. Thank you for the opportunity and congratulations for a great set of quarter. I wanted to understand that your asset services business is about 40% of your total capital markets revenue and just sort of an internal benchmark if you have that over the next 3 years, 4 years, 5 years, you think this part of the business can sort of go more stably and contribute to maybe 60%, 70% of the overall capital markets revenue. How do you think, how large can this business be?

Ashish Kehair: So, it is 40% of the business today. I think, yes, over a period of time, it can grow larger in terms of proportion. But even today, in terms of profitability, its contribution will be more than 55%, 60% of the capital markets.

Yash: Right. So, do you have sort of an internal benchmark that, maybe by the next 3 years, we should have it like 60%, 70% in terms of the revenue contribution or anything like that?

Ashish Kehair: So, automatically, see, typically, unless both institutional equities and investment bank continue to grow the way they have grown over the last year, which we will hope, but otherwise, I think from a secular growth perspective, asset services, the probability is higher and directionally, yes, it could become 60% of the revenues in the next 3 years to 4 years.

Yash: Okay, got it. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint, that was the last question. I now hand over the conference to Mr. Ashish Kehair for closing comments.

Ashish Kehair: Thank you, Deepika. Thank you, everybody. It was, again, a pleasure having you all here. I hope to see you again in the next quarter. Thank you.

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