Nuvama Wealth Management - Investment BUY Call

Dear Bajaj Capital Investors,
New Stock Recommendations for BUY on 18 Aug 2026

CMP -> 1717
Buying Range -> 1717 to 1751
Upside Potential-> 15%
Investment Horizon -> 6 Months
Target price -> 1975

1. Q1 FY27 Performance: record profitability strengthens earnings compounding thesis

Record quarterly execution: Nuvama delivered a strong start to FY27, with Q1 FY27 client assets crossing INR5.36 lakh crore, consolidated quarterly revenue at INR909 crore, up 18% YoY, quarterly PAT exceeding INR300 crore and ROE at approximately 30%. Management described Q1 as a quarter of record profitability and specifically highlighted that earnings growth was broad-based rather than dependent on one or two businesses. CRISIL also upgraded the company's rating from AA- to AA (Stable), reinforcing the improving financial profile.

Improving earnings quality: FY26 had already established a strong base, with revenue of approximately INR3,100 crore, operating PAT of around INR1,050 crore, Q4 revenue of approximately INR825 crore (+7% YoY) and Q4 operating PAT of INR269 crore (+5% YoY), while FY26 ROE was approximately 28%. More importantly, management highlighted a structural shift toward recurring businesses, with Wealth and Private together accounting for 55% of revenue versus 49% previously. This combination of high ROE, strong client-asset growth and rising recurring income supports a constructive 6-month investment view.

2. Wealth Management: MPIS growth & Higher RM productivity provide visible near-term catalyst

MPIS remains the core growth engine: Q1 FY27 MPIS revenue increased 20% YoY, while MPIS assets reached approximately INR42,500–43,000 crore, up around 32% YoY. Net new money exceeded INR3,000 crore, one of the highest quarterly inflows achieved by the business. Importantly, Tier-2 and beyond markets now account for more than 35% of MPIS contribution, indicating that Nuvama is successfully expanding beyond the traditional metropolitan HNI market. Sustained flows into managed products should increase the proportion of recurring income and provide better earnings visibility.

Experienced RM base and AI-led productivity: Nuvama added approximately 40 net senior RMs in Wealth during Q1 FY27, while NNM assets per RM increased by more than 25% YoY and revenue per RM grew approximately 17% YoY. AI tools such as Nuggets, RM Buddy and an AI-based customer profiler are being deployed across acquisition, client servicing and portfolio management. This combination of strengthening the senior RM base and technology-enabled productivity is important for operating leverage because Nuvama can increase revenue generated per relationship without proportionately increasing its fixed cost base.

3. Nuvama Private & Lending: Recurring ARR, Advisory & Credit penetration offer multiple earnings levers

ARR-led Private Wealth expansion: Nuvama Private's ARR assets reached approximately INR58,000 crore, up 20% YoY, while NMM into managed accounts was approximately INR1,800 crore in Q1 FY27. Management retained its full-year ARR flow target of 20–22% of opening assets. Although reported ARR flows were softer because management was deliberately removing extremely low-cost legacy mandates, this should improve the quality and monetisation of the portfolio. Advisory is also becoming strategically important, with approximately INR13,000 crore of advisory AUM within ARR, while management expects advisory to become increasingly monetizable.

Lending provides incremental high-value monetisation: The Wealth lending book crossed INR5,000 crore, with NII increasing 12% QoQ and contributing approximately 20–22% of Wealth revenue. Management expects steady-state lending margins to be approximately 40–50 bps higher than the current level after the impact of hedging P&L normalises. In Nuvama Private, lending currently contributes only 10–12% of revenue, but management sees potential for this to reach 20–25% over the next few years. This provides significant cross-selling potential because the same UHNI relationships can generate advisory, investment-product and lending income.

4. Asset Management & Asset Services: new products broaden growth beyond traditional wealth

Asset Management- product-expansion phase: Nuvama's first commercial real-estate fund closed at approx INR4,000 cr., exceeding its original INR3,000 cr. target, with around 40% deployed across 3–4 marquee assets. Management plans a second CRE fund by end-Q3 with a target of INR4,000–5,000 cr. & is evaluating a longer-term REIT platform. The private-credit platform is also progressing, with the first fund targeted for mid-to-end Q3. In addition, company has received its MF licence & is pursuing a SIF licence, providing access to a broader investor universe.

Asset Services provides recurring infrastructure-like earnings: Asset Services delivered Q1 FY27 revenue of approximately INR260 crore, up 34% YoY, with management expecting more than 20–25% full-year revenue growth, although it cautioned that Q1's exceptionally strong growth should moderate. New initiatives include GIFT City/derivatives, commodity onboarding, global-custodian/local-custodian partnerships and RTA/trusteeship services for PMS/AIF managers. These initiatives can increase wallet share from existing institutional clients while diversifying revenue away from highly cyclical capital-markets activity.

5. Operating Leverage & Strategic Execution: revenue growth can translate into disproportionately higher profitability

Cost discipline supports incremental margin potential: Consolidated cost-to-income was approximately 55% in Q1 FY27, with management expecting it to remain broadly stable for FY27. Q1 employee costs increased 17% YoY and operating expenses 24% YoY, while consolidated costs increased 19% YoY against 18% revenue growth. More importantly, FY26 demonstrated the scalability of the model: total cost increased only 10%, compared with 41% revenue growth. As MPIS, ARR, lending and new Asset Management products scale, incremental revenue should increasingly benefit from the existing platform and distribution infrastructure.

Execution against earlier strategic initiatives is encouraging: Management has delivered on several previously announced initiatives, including MPIS expansion, Wealth lending growth, Dubai reaching breakeven, CRE fundraising above target, progress toward private-credit launch, MF licensing and Asset Services recovery. Singapore is targeted to reach breakeven by FY27-end, while offshore revenue is expected to contribute approximately 5–7% this year. Management has also indicated Wealth and Private flow aspirations of INR10,000–12,000 crore each, alongside INR3,500–5,500 crore of AMC flows, creating identifiable earnings catalysts for the next several quarters.

6. Industry Outlook & Growth Opportunities: structural wealth formalisation supports a long runway

Favourable structural industry dynamics: Management continues to view organised wealth management as a multiyear structural opportunity, with the industry still in an early stage of formalisation and consolidation. The growing affluent/HNI population, increasing preference for managed products and alternatives, greater offshore diversification and rising demand for integrated wealth, investment and financing solutions should expand the addressable market. Management specifically describes the affluent/HNI segment beyond UHNI as a large and structurally underserved opportunity, which supports Nuvama's strategy of expanding distribution into Tier-2 and smaller cities.

Multiple growth avenues reduce dependence on one business: Over the next 2–4 quarters, the principal catalysts are expected to be sustained MPIS flows, higher revenue per RM, ARR growth and advisory monetisation, Wealth lending growth, offshore scaling, CRE Fund 2, private-credit launch, SIF/MF product expansion and Asset Services' international and domestic product initiatives. The company's integrated model also creates cross-selling opportunities between Capital Markets, Wealth, Private and Asset Management. Management expects FY27 transactional income in Private to increase to approximately INR350–360 crore versus INR300–305 crore last year, providing an additional near-term earnings lever if capital-market activity improves.

7. Short-Term Risks & BUY Conclusion: strong earnings momentum supports a positive view

Key short-term risks/headwinds: Nuvama remains exposed to regulatory and market-cycle risks. Changes in SEBI, RBI or Central Government regulations affecting derivatives, STT, collateral requirements, intraday financing, wealth-product distribution, AIF/SIF structures or capital-market participation could affect transaction volumes and product economics. Q1 FY27 also benefited from approximately INR15–20 crore of fixed-income investment-banking income that management stated may not be repeatable, while Asset Services growth is expected to moderate after an unusually strong Q1. A volatile global environment involving geopolitical tensions, wars, interest-rate movements, currency volatility and changes in government policy or taxation could temporarily reduce IPO activity, institutional flows and HNI/UHNI risk appetite. Intensifying competition for experienced RMs and incremental lease-related accounting costs are additional monitorable.

BUY conclusion for 6 months: Despite these near-term uncertainties, the risk-reward remains favourable for a 6-month investment horizon. Q1 FY27's 18% revenue growth, more than INR300 crore quarterly PAT, approximately 30% ROE and INR5.36 lakh crore client-asset base demonstrate strong underlying execution, while MPIS, ARR, lending, offshore wealth, Asset Management and Asset Services provide multiple identifiable catalysts. The rising contribution of recurring businesses further improves earnings quality and reduces dependence on volatile capital-market activity. Accordingly, based strictly on the company-provided Q4 FY26/FY26 and Q1 FY27 materials, Nuvama offers a compelling BUY thesis for the next six months, with MPIS flows, ARR growth, operating leverage, new-product launches and capital-market recovery being the key variables to monitor.

Q1FY27 Financial Performance:

		YoY	QoQ	Jun 2026	Mar 2026	Jun 2025
Revenue Cr		22.6%	8.4%	1,376	1,269	1,123
Operating Profit Cr	^	18.4%	15.2%	724	629	612
OPM %				52.6	49.5	54.5
PAT Cr	^	15.8%	13.7%	306	269	264
NPM %				22.2	21.2	23.5
EPS ₹		14.4%	13.5%	16.8	14.8	14.7

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team