

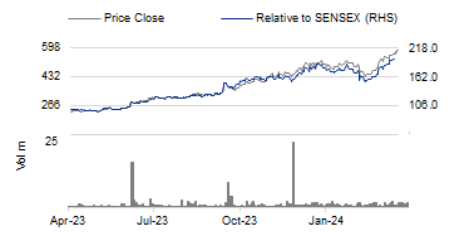
India

ADD (no change)

Consensus ratings*: Buy 14 Hold 3 Sell 2	
Current price:	Rs584
Target price: ▲	Rs660
Previous target:	Rs600
Up/downside:	13.0%
InCred Research / Consensus:	18.4%
Reuters:	NIPF.NS
Bloomberg:	NAM IN
Market cap:	US\$4,422m Rs368,408m
Average daily turnover:	US\$6.7m Rs559.5m
Current shares o/s:	0.0m
Free float:	46.0%
*Source: Bloomberg	

Key changes in this note

- Equity funds' market share witnessed a sequential improvement of ~9bp to ~6.76% whereas the overall AUM market share rose by ~30bp qoq to ~7.97%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	30.2	13.1	148.5
Relative (%)	28.4	8.3	102.3

Major shareholders	% held
Nippon Life Insurance	30.0
LIC	5.5
Baron	2.3

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Nippon Life India Asset Management Ltd

Market share strengthens led by ETFs

- NAM India posted strong 4QFY24 PAT growth of 20.6% to Rs3.4bn, despite flat qoq revenue yields, amid effective cost allocation and a lower tax outgo.
- Equity funds' market share witnessed a sequential improvement of ~9bp to ~6.76% whereas the overall AUM market share rose by ~30bp qoq to ~7.97%.
- Expect stable revenue yields, but a spurt in operating costs is likely amid elevated ESOP charge. Retain ADD with a TP of Rs660 or ~27.5x FY26F EPS.

Market share trend encouraging; yields soften a bit

NAM India witnessed ~30bp qoq (+73bp yoy) improvement in its overall market share to ~7.97% in 4QFY24, with a rise in equity funds' market share sequentially by ~9bp to ~6.76% (excl. ETFs). We remain confident of the company's ability to improve its market share further, considering its focused client approach and improving performance of its schemes. Yields witnessed a revenue dip of ~1bp sequentially to ~43bp due to slow market movement and a rise in lower-yielding ETF products (~0.5bp). NAM India enjoys a higher market share in the ETF space at 16.7% (+135bp qoq), with its contribution to total AUM rising to ~25.9% from ~24.6% qoq. Other income fell largely due to slow market movement.

No sizeable small-cap fund outflow; robust granular SIP inflow

The restriction on small-cap funds did not see any sizeable outflow, as most of the flows are through the systematic investment plan or SIP route. The SIP assets under management or AUM increased by ~70% yoy to Rs987bn led by the growth in folios by ~61% yoy to ~7.8m. While the share of SIPs of more than five years is ~62% for NAM India, the higher than industry average of 28% indicates stickiness in SIP inflow.

Rising offshore market focus and healthy AIF commitments

NAM India sees good opportunities in the offshore market, especially from Japan, where its parent company has a strong hold. The AIF commitment remains healthy at Rs61.9bn with 20 schemes. It is planning to raise funds for three schemes – Public Equity AIF, Performing Credit AIF and Real Estate AIF.

Outlook & valuation

We continue to remain confident of market share momentum for the AMC with strong dominance in the ETF business. We are building stable revenue yields but expect some spurt in operating expenses in FY25F amid elevated ESOP allocation. Accordingly, we have increased our earnings estimates by ~12.1%/10% for FY25F/26F, respectively, and introduced FY27F estimates. We maintain our ADD rating on the stock, raising our target price to Rs660 from Rs600 earlier, corresponding to ~27.5x FY26F, which is still at a discount to HDFC AMC. Downside risks: Weak inflow & underperformance of schemes.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	15,166	20,373	25,372	29,923	35,643
Operating Revenue (Rsm)	15,166	20,373	25,372	29,923	35,643
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	7,233	11,073	13,213	15,119	17,913
Core EPS (Rs)	11.61	17.58	20.97	24.00	28.43
Core EPS Growth	(3%)	51%	19%	14%	18%
FD Core P/E (x)	50.33	33.25	27.86	24.35	20.55
DPS (Rs)	0.00	0.00	0.00	0.00	0.00
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
BVPS (Rs)	56.4	63.2	64.3	65.5	66.9
P/BV (x)	10.36	9.24	9.09	8.93	8.74
ROE	20.7%	29.5%	32.9%	37.0%	43.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)
Total revenue from operations	3,161	3,316	3,538	3,483	3,542	3,975	4,233	4,683	34.4%	10.6%
Other income	-167	819	619	397	1,169	779	1,071	923	132.6%	-13.8%
Total revenue (Rs m)	2,994	4,135	4,157	3,880	4,710	4,754	5,304	5,606	44.5%	5.7%
Total expenditure	1,448	1,459	1,494	1,488	1,611	1,650	1,723	1,865	25.3%	8.2%
Cost to Income (%)	48.4%	35.3%	35.9%	38.4%	34.2%	34.7%	32.5%	33.3%		
Profit before tax	1,546	2,676	2,664	2,392	3,099	3,104	3,581	3,741	56.4%	4.5%
Tax	403	615	616	415	746	661	741	315	-24.1%	-57.5%
Tax rate (%)	26.0%	23.0%	23.1%	17.3%	24.1%	21.3%	20.7%	8.4%		
Profit after tax	1,143	2,060	2,048	1,977	2,354	2,443	2,840	3,426	73.3%	20.6%
QAAUM (Rs tr)	2.79	2.85	2.93	2.93	3.14	3.51	3.78	4.31	47.1%	14.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

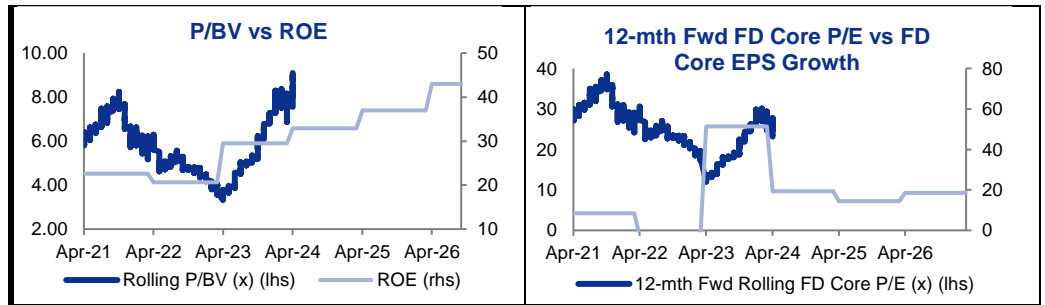
Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	18,612	20,642	10.9%	21,508	24,437	13.6%	NA	24,437	NA
Total other income	4,503	4,729	5.0%	5,044	5,486	8.8%	NA	5,486	NA
PAT	11,748	13,203	12.4%	13,670	15,109	10.5%	NA	15,109	NA
EPS (Rs)	18.7	21.0	12.1%	21.8	24.0	10.0%	NA	24.0	NA
Dividend payout (%)	90	95	5.6%	90	95	5.6%	NA	95	NA
QAAUM (Rs tr)	4.5	5.1	12.7%	5.3	6.0	13.9%	NA	7.3	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QFY24 earnings conference-call highlights

- Dividend for the year ended FY24 was at 99%, at the higher end of the company's dividend policy of 60-90% of profits.
- The tax rate was lower for the quarter at ~8.4% due to movement of certain investments from short-term to long-term and a revision in provision due to previous years' assessment completion.
- For the quarter, the yield on equity funds was at 63bp, debt funds at 25bp, liquid funds at 10-12bp and ETFs at 15 bp.
- Management is seeing competition intensifying due to new AMCs entering the market. NAM India is focusing on profitable growth and will not indulge in a price war. There is also a higher focus on the HNI segment, as it is difficult to build and also stickier.
- The offshore market business has taken little more time than expected, as the focus is more on bringing money from Japan. More positives likely in two-to-three years.
- ESOP costs are guided to be in the range of Rs850-900m over a period of three-to-four years, of which ~50% of the costs will be booked in FY25F.
- Management does not expect a significant rise in expenses, except for higher investments in digitization and brand building, where there will be more investments in the coming years and hiring in alternate investment funds as management is ready to hire people with new skillsets.
- Incremental other expenses include 30-35% attributable to one-off costs on marketing and IT.
- NAM India added 1m SIP folios during the quarter, with the quarterly inflow at Rs70.1bn against Rs59.3bn in the previous quarter.
- Other expenses are guided to remain under 8-10%, excluding ESOP costs.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income					
Total Non-Interest Income	15,166	20,373	25,372	29,923	35,643
Operating Revenue	15,166	20,373	25,372	29,923	35,643
Total Non-Interest Expenses	(5,889)	(6,849)	(8,444)	(10,552)	(12,691)
Pre-provision Operating Profit	9,277	13,525	16,927	19,371	22,952
Total Provision Charges					
Operating Profit After Provisions	9,277	13,525	16,927	19,371	22,952
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	9,277	13,525	16,927	19,371	22,952
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	9,277	13,525	16,927	19,371	22,952
Exceptional Items					
Pre-tax Profit	9,277	13,525	16,927	19,371	22,952
Taxation	(2,048)	(2,462)	(3,724)	(4,262)	(5,050)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	7,229	11,063	13,203	15,109	17,903
Minority Interests	4	11	10	10	10
Pref. & Special Div					
FX And Other Adj.					
Net Profit	7,233	11,073	13,213	15,119	17,913
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	85.9%	86.0%	90.7%	97.0%	99.8%
Avg Liquid Assets/Avg IEAs	110.2%	108.3%	107.4%	107.0%	106.5%
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provn/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans					
Provision Charge/Avg Assets					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Gross Loans					
Liquid Assets & Invst. (Current)	30,231	35,127	39,342	44,063	49,351
Other Int. Earning Assets					
Total Gross Int. Earning Assets	30,231	35,127	39,342	44,063	49,351
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	30,231	35,127	39,342	44,063	49,351
Intangible Assets					
Other Non-Interest Earning Assets	2,397	2,351	(1,385)	(3,519)	(4,729)
Total Non-Interest Earning Assets	5,650	5,918	2,258	489	(321)
Cash And Marketable Securities	2,727	2,706	2,841	2,983	3,132
Long-term Investments					
Total Assets	38,609	43,750	44,441	47,534	52,162
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,455	3,929	3,959	6,297	10,029
Total Liabilities	3,455	3,929	3,959	6,297	10,029
Shareholders Equity	35,155	39,822	40,482	41,237	42,133
Minority Interests					
Total Equity	35,155	39,822	40,482	41,237	42,133

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	(6.2%)	45.8%	25.2%	14.4%	18.5%
Pretax Profit Growth	(6%)	46%	25%	14%	18%
Net Interest To Total Income					
Cost Of Funds					
Return On Interest Earning Assets					
Net Interest Spread					
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit					
Interest Return On Average Assets					
Effective Tax Rate	22.1%	18.2%	22.0%	22.0%	22.0%
Net Dividend Payout Ratio					
Return On Average Assets	18.89%	26.89%	29.96%	32.88%	35.93%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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