

India

ADD (no change)

Consensus ratings*: Buy 13 Hold 2 Sell 2	
Current price:	Rs635
Target price: ▲	Rs800
Previous target:	Rs660
Up/downside:	26.0%
InCred Research / Consensus:	17.2%
Reuters:	NIPF.NS
Bloomberg:	NAM IN
Market cap:	US\$4,797m Rs401,296m
Average daily turnover:	US\$7.0m Rs586.8m
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 ~12bp to ~6.88% whereas the overall AUM market share rose by ~23bp qoq to ~8.2%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.4)	13.2	113.8
Relative (%)	(6.6)	3.4	76.9

Major shareholders	% held
Nippon Life Insurance	72.7
LIC	5.4
HDFC	1.7

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Nippon Life India Asset Management Ltd

Performance-led market share improvement

- NAM India posted an in-line 1QFY25 PAT of Rs3.3bn, despite a sequential fall in revenue yields, due to healthy other income (linked to own investments).
- Equity funds' market share witnessed a sequential improvement of ~12bp to ~6.88% whereas the overall AUM market share rose by ~23bp qoq to ~8.2%.
- We expect stable revenue yields but a spurt in operating costs is likely amid elevated ESOP costs. Retain ADD rating with a higher TP of Rs800.

Market share trend is encouraging; yields soften a bit

NAM India witnessed ~23bp qoq (+92bp yoy) improvement in the overall market share to ~8.20% in 1QFY25, with a rise in equity funds' market share sequentially by ~12bp to ~6.88% (excluding ETFs). We remain confident of the company's ability to improve the market share further, considering its focused client approach and the performance of its schemes improving. Yields witnessed a revenue dip of ~1bp sequentially to ~42bp due to rise in lower-yield ETF products (~0.5bp). NAM India enjoys a higher market share in the ETF space at 17.8% (+108bp qoq), with their contribution to total assets under management or AUM rising to ~26.8% from ~25.9% qoq. Other income saw a spurt (+41.7% qoq) largely due to the positive market movement.

No major dip in small-cap inflow; robust granular SIP inflow

Restrictions on small-cap funds did not lead to any sizeable outflow as most of the inflows are through the systematic investment plan or SIP route. SIP AUM increased by ~76% yoy to Rs1.2tr led by the growth in folios by ~63% yoy to ~8.4m. While the share of SIPs of more than five years is ~59% for NAM India, the higher-than-the-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 alternate investment fund or AIF commitment remains healthy at Rs65.1bn, with 20 AIF schemes. It plans to raise funds for four schemes – Public Equity AIF, Performing Credit AIF, Real Estate AIF and Tech/VC AIF.

Outlook & valuation

We continue to remain confident of the market share momentum for NAM India with its string dominance in the ETF business. We are building in stable revenue yields but expect some spurt in operating expenses in FY25F amid elevated ESOP allocation. We maintain our ADD rating on the stock and increase our target price on it to Rs800 (Rs660 earlier), corresponding to ~29.5x FY26F EPS, which is at par with HDFC AMC. Downside risks: Weak inflow & underperformance of its schemes.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Non-Interest Income (Rsm)	15,166	20,373	27,243	35,356	44,068
Operating Revenue (Rsm)	15,166	20,373	27,243	35,356	44,068
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	7,233	11,073	14,139	17,116	21,270
Core EPS (Rs)	11.61	17.58	22.44	27.17	33.76
Core EPS Growth	(3%)	51%	28%	21%	24%
FD Core P/E (x)	54.73	36.14	28.30	23.38	18.81
DPS (Rs)	11.50	16.50	21.93	26.55	33.00
Dividend Yield	1.81%	2.60%	3.45%	4.18%	5.20%
BVPS (Rs)	56.4	63.2	64.3	65.7	67.4
P/BV (x)	11.26	10.05	9.87	9.67	9.43
ROE	20.7%	29.5%	35.2%	41.8%	50.7%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Rs mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Total Revenue from operations	3,161	3,316	3,538	3,483	3,542	3,975	4,233	4,683	5,050	42.6%	7.8%
Other income	-167	819	619	397	1,169	779	1,071	923	1,308	11.9%	41.7%
Total revenue (Rs m)	2,994	4,135	4,157	3,880	4,710	4,754	5,304	5,606	6,358	35.0%	13.4%
Total expenditure	1,448	1,459	1,494	1,488	1,611	1,650	1,723	1,865	1,970	22.3%	5.7%
<i>Cost to Income (%)</i>	<i>48.4%</i>	<i>35.3%</i>	<i>35.9%</i>	<i>38.4%</i>	<i>34.2%</i>	<i>34.7%</i>	<i>32.5%</i>	<i>33.3%</i>	<i>31.0%</i>		
Profit before tax	1,546	2,676	2,664	2,392	3,099	3,104	3,581	3,741	4,387	41.6%	17.3%
Tax	403	615	616	415	746	661	741	315	1,066	42.9%	238.6%
<i>Tax rate (%)</i>	<i>26.0%</i>	<i>23.0%</i>	<i>23.1%</i>	<i>17.3%</i>	<i>24.1%</i>	<i>21.3%</i>	<i>20.7%</i>	<i>8.4%</i>	<i>24.3%</i>		
Profit after tax	1,143	2,060	2,048	1,977	2,354	2,443	2,840	3,426	3,322	41.1%	-3.1%

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	20,642	22,317	8.1%	24,437	29,444	20.5%	24,437	29,444	20.5%
Total other income	4,729	4,927	4.2%	5,486	5,912	7.8%	5,486	5,912	7.8%
PAT	13,203	14,129	7.0%	15,109	17,106	13.2%	15,109	17,106	13.2%
EPS (Rs)	21.0	22.4	7.0%	24.0	27.2	13.2%	24	27.2	13.2%
Dividend payout (%)	95	95	0.0%	95	95	0.0%	95	95	0.0%
QAAUM (Rs tr)	5.1	5.8	15.0%	6.0	7.6	25.1%	7	9.4	28.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY25 earnings conference-call highlights

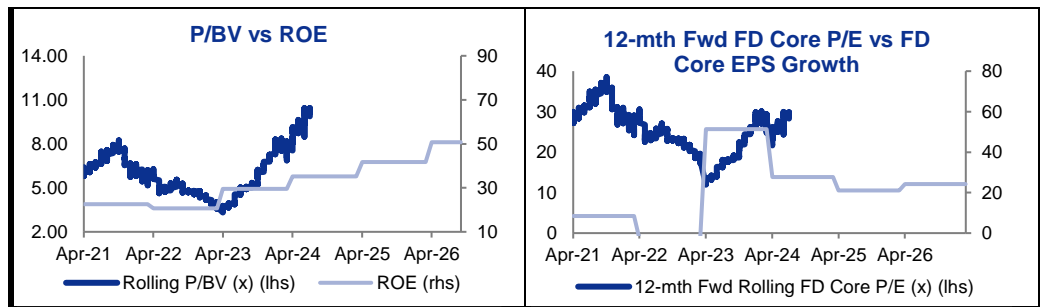
- Yield on equity funds' AUM was ~60 bp, yield on debt funds' AUM was ~25 bp, yield on liquid funds' AUM was ~10-12bp and the yield on ETFs was ~8-10 bp.
- Management indicated that it remained slow in thematic funds as they are not sticky and tend to run off fast during a market slowdown.
- The company will continue to invest in index and ETF funds as and when required.
- The company added 44 employees in 1QFY25 and another 50 employees in 2QFY25 (so far in Jul 2024), mostly in the sales, distribution and AIF segments.
- The company intends to add 5-10 branches a year.
- However, employee addition may continue to be higher, with the scope for adding ~100 employees at the entry level and some senior positions in the AIF segment.
- Employee expenses were higher by 18.6% qoq in 1QFY25 because of ESOP expenses of Rs83m, annual increments and higher variable pay.
- Management gave ESOP expenses guidance of Rs450n for FY25F, which will taper down from next year.
- SIP inflow was largely in the small-cap, large-cap and sectoral funds.
- Of the total AIFs, ~84% of the funds raised have been deployed across 12 tech/VC funds.
- Management indicated a strong foothold in B-30 cities and it is seeing a rise in average ticket sizes.
- Of the total AAUM, ~19.6% was from B-30 cities for NAM India as compared to ~18.1% for the industry.

Figure 3: InCred BFSI coverage universe

Banks	Rating	CMP(Rs)	TP(Rs)	P/BV(x) (at TP)			RoA(%)			RoE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
SBI **	ADD	889	1,000	2.1	1.8	1.6	1.0%	1.1%	1.1%	16.3%	17.2%	17.6%
HDFC Bank **	ADD	1,607	2,000	3.1	2.8	2.6	1.9%	1.9%	2.0%	15.5%	16.1%	16.8%
ICICI Bank	ADD	1,248	1,300	3.5	3.0	2.6	2.3%	2.2%	2.3%	17.7%	17.3%	17.7%
Axis Bank	HOLD	1,292	1,150	2.0	1.7	1.5	1.7%	1.7%	1.7%	16.8%	16.0%	16.3%
IndusInd Bank	HOLD	1,432	1,650	1.8	1.6	1.4	1.7%	1.7%	1.7%	14.1%	14.4%	14.8%
NBFCs	Rating	CMP(Rs)	TP(Rs)	P/BV(x) (at TP)			RoA(%)			RoE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Bajaj Finance	ADD	6,932	9,000	6.0	5.0	4.2	4.2%	4.4%	4.5%	21.0%	23.5%	25.4%
Cholamandalam Finance	ADD	1,426	1,400	5.0	4.1	3.4	2.5%	2.5%	2.5%	21.0%	21.8%	22.5%
MMFS **	ADD	290	370	2.4	2.2	2.0	1.8%	1.9%	2.0%	12.6%	14.3%	15.6%
Shriram Finance **	ADD	2,810	2,950	2.0	1.7	1.4	3.4%	3.5%	3.5%	16.9%	17.3%	17.9%
SBI Cards **	REDUCE	718	500	3.4	2.9	2.5	3.6%	3.2%	3.0%	17.8%	16.6%	16.3%
Aavas Financiers	ADD	1,738	2,000	3.5	3.0	2.6	3.3%	2.9%	2.9%	14.7%	14.1%	14.9%
Home First Finance	ADD	1,078	1,100	4.2	3.7	3.2	3.4%	3.4%	3.4%	16.2%	17.7%	19.3%
Spandana Spoorthy **	ADD	711	1,300	2.1	1.8	1.5	4.4%	4.6%	4.6%	16.7%	17.9%	18.2%
Fusion Micro Finance	HOLD	433	580	1.7	1.4	1.1	4.7%	4.7%	4.7%	19.4%	19.6%	19.7%
AMCs	Rating	CMP(Rs)	TP(Rs)	P/E(x) (at TP)			RoA(%)			RoE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Nippon AMC	ADD	635	800	35.7	29.5	23.7	0.28%	0.26%	0.25%	35.2%	41.8%	50.7%
HDFC AMC	HOLD	4,066	4,250	33.5	29.9	25.3	0.37%	0.35%	0.35%	32.8%	34.2%	37.3%
UTI AMC	ADD	990	1,100	16.0	13.0	11.1	0.29%	0.29%	0.28%	18.8%	20.6%	21.4%
ABSL AMC**	ADD	676	700	21.3	17.3	14.4	0.25%	0.26%	0.26%	27.9%	30.3%	32.1%
Insurance	Rating	CMP(Rs)	TP(Rs)	P/EV (x) (at TP)			Return on EV (%)			RoE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
SBI Life Insurance	HOLD	1,647	1,550	2.4	2.0	1.7	17.8%	17.4%	17.1%	24.7%	23.1%	21.0%

SOURCE: INCRED RESEARCH

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	27,243	35,356	44,068
Operating Revenue	15,166	20,373	27,243	35,356	44,068
Total Non-Interest Expenses	(5,889)	(6,849)	(9,130)	(12,848)	(16,093)
Pre-provision Operating Profit	9,277	13,525	18,114	22,507	27,974
Total Provision Charges					
Operating Profit After Provisions	9,277	13,525	18,114	22,507	27,974
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	9,277	13,525	18,114	22,507	27,974
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	9,277	13,525	18,114	22,507	27,974
Exceptional Items					
Pre-tax Profit	9,277	13,525	18,114	22,507	27,974
Taxation	(2,048)	(2,462)	(3,985)	(5,402)	(6,714)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	7,229	11,063	14,129	17,106	21,260
Minority Interests	4	11	10	10	10
Pref. & Special Div					
FX And Other Adj.					
Net Profit	7,233	11,073	14,139	17,116	21,270
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%	91.5%	98.4%	100.1%
Avg Liquid Assets/Avg IEAs	110.2%	108.3%	107.4%	106.9%	106.5%
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/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	40,045	44,850	49,335
Other Int. Earning Assets					
Total Gross Int. Earning Assets	30,231	35,127	40,045	44,850	49,335
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	30,231	35,127	40,045	44,850	49,335
Intangible Assets					
Other Non-Interest Earning Assets	2,397	2,351	(2,041)	(4,160)	(4,399)
Total Non-Interest Earning Assets	5,650	5,918	1,602	(153)	9
Cash And Marketable Securities	2,727	2,706	2,841	2,983	3,132
Long-term Investments					
Total Assets	38,609	43,750	44,487	47,680	52,476
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,453	3,859	3,847	6,118	9,743
Total Liabilities	3,453	3,859	3,847	6,118	9,743
Shareholders Equity	35,156	39,822	40,528	41,384	42,447
Minority Interests					
Total Equity	35,156	39,822	40,528	41,384	42,447

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	(6.2%)	45.8%	33.9%	24.3%	24.3%
Pretax Profit Growth	(6%)	46%	34%	24%	24%
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%	24.0%	24.0%
Net Dividend Payout Ratio					
Return On Average Assets	18.89%	26.89%	32.05%	37.14%	42.47%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
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