

India

ADD (no change)

Consensus ratings*: Buy 19 Hold 3 Sell 1

Current price:	Rs623
Target price:	Rs780
Previous target:	Rs780
Up/downside:	25.2%
InCred Research / Consensus:	6.9%
Reuters:	NIPF.NS
Bloomberg:	NAM IN
Market cap:	US\$4,636m
	Rs395,229m
Average daily turnover:	US\$8.7m
	Rs742.5m
Current shares o/s:	631.8m
Free float:	27.7%
*Source: Bloomberg	

Key changes in this note

- Sequentially stable yields, despite a fall in QAAUM. Sequentially, better other income and contained opex. SIP market is ~10%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.6	6.7	5.8
Relative (%)	3.8	3.0	(1.9)

Major shareholders	% held
Nippon Life Insurance	72.3
LIC	3.7
HSBC	2.0

Research Analyst(s)

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Nippon Life India Asset Management Ltd

Performance-led focus to play out

- NAM India posted in-line 4Q core operating profit, led by stable yields, qoq improvement in other income due to treasury gains, and contained opex.
- High volatility in equity markets, especially small-cap and mid-cap stocks, led to QAAUM decline of ~2% qoq on the back of ~5% qoq dip in equity QAAUM.
- We expect stable revenue yields, but a spurt in operating expenses is likely amid elevated ESOP expenses. Maintain ADD rating with a TP of Rs780.

Sequentially stable yields despite a dip in QAAUM

Nippon Life India Asset Management (NAM India) reported broadly in-line 4QFY25 results with largely stable calculated yields, sequentially improving other income, up ~50% qoq, and contained opex in a quarter dented by sluggish AUM growth. QAAUM grew by ~29% yoy, although it declined by ~2% qoq due to a sharp fall in equity markets, especially small-caps and mid-caps, for a large part of the quarter. Equity QAAUM fell by ~5% qoq to form ~50% of total QAAUM, down from 51% qoq. Despite this, yields remained stable at ~37bp on a qoq basis, partially aided by 45-50% of the book being repriced in recent quarters.

Focus on sticky performance-led market share gains

Management reiterated its focus on performance-led scheme flows. For instance, the mutual fund industry saw 52 thematic/sectoral new fund offers or NFOs in FY25, wherein NAM India contributed to only one thematic NFO launched in Feb 2025. Customer confidence also echoed in the company's systematic investment plan or SIP market share, which was ~10% vs. its equity market share of ~7% in 4QFY25. We remain confident of NAM India's ability to improve its market share further, considering its focused client approach and the improving performance of its schemes. NAM India is set to launch its second gift fund, Nippon India Nifty 50 Bees GIFT, at GIFT City as a feeder to ease its reach to the existing exchange traded fund or ETF.

Outlook and valuation

The market remained sceptical about sustainability of the inflow into asset management companies or AMCs; however, we believe that rising disposable income will largely channelize into a stable inflow in the medium term. We see the high volatility as an opportunity for players with a strong vintage and high performance to outshine other newer players. We continue to remain confident of market share momentum for the AMC, with strong dominance in the ETF business. We are building in stable revenue yields but expect some spurt in operating expenses in FY26F amid elevated ESOP allocation. We believe the correction in NAM AMC has overplayed and reiterate ADD rating on it with a stable target price of Rs780, valuing it at 24x FY27F EPS, led by performance-led market share gains. Downside risks: Weak inflow & underperformance of schemes.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	20,373	25,207	30,942	38,360	47,214
Operating Revenue (Rsm)	20,373	25,207	30,942	38,360	47,214
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	11,073	12,867	16,590	20,115	24,544
Core EPS (Rs)	17.58	20.27	26.14	31.69	38.67
Core EPS Growth	51%	15%	29%	21%	22%
FD Core P/E (x)	35.43	30.72	23.82	19.65	16.10
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)	63.2	66.4	67.7	69.3	71.2
P/BV (x)	9.85	9.38	9.20	8.99	8.75
ROE	29.5%	31.4%	39.0%	46.3%	55.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary (Rs m)

Rs m	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	QoQ (%)
Total revenue from operations	3,542	3,975	4,233	4,683	5,050	5,713	5,879	5,665	21.0%	-3.6%
Other income	1,169	779	1,071	923	1,308	1,208	154	230	-75.0%	49.5%
Total revenue (Rs m)	4,710	4,754	5,304	5,606	6,358	6,921	6,033	5,896	5.2%	-2.3%
Total expenditure	1,611	1,650	1,723	1,865	1,970	2,060	2,116	2,118	13.6%	0.1%
<i>Cost-to-income (%)</i>	<i>34.2%</i>	<i>34.7%</i>	<i>32.5%</i>	<i>33.3%</i>	<i>31.0%</i>	<i>29.8%</i>	<i>35.1%</i>	<i>35.9%</i>		
Profit before tax	3,099	3,104	3,581	3,741	4,387	4,861	3,917	3,778	1.0%	-3.5%
Tax	746	661	741	315	1,066	1,261	965	795	152.5%	-17.6%
<i>Tax rate (%)</i>	<i>24.1%</i>	<i>21.3%</i>	<i>20.7%</i>	<i>8.4%</i>	<i>24.3%</i>	<i>25.9%</i>	<i>24.6%</i>	<i>21.0%</i>		
Profit after tax	2,354	2,443	2,840	3,426	3,322	3,600	2,953	2,983	-12.9%	1.0%
QAAUM (Rs tr)	3.14	3.51	3.78	4.31	4.84	5.49	5.70	5.57	29.2%	-2.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

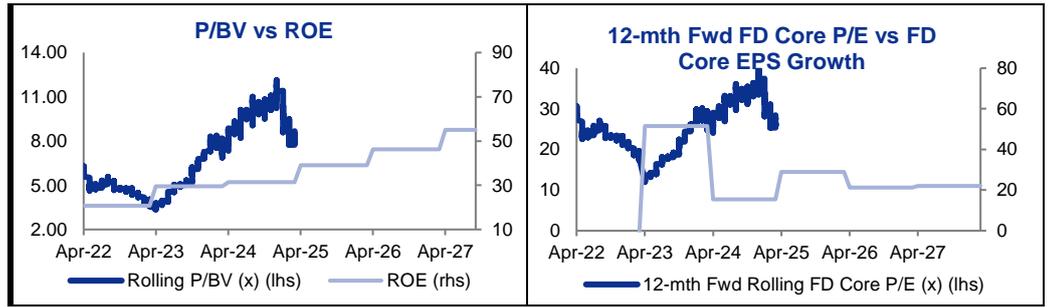
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	30,300	27,694	-8.6%	40,002	34,527	-13.7%	-	42,806	-
PAT	18,310	16,580	-9.5%	24,036	20,105	-16.4%	-	24,534	-
EPS (Rs)	29.1	26.3	-9.5%	38.2	31.9	-16.4%	-	38.9	-
Dividend payout (%)	95	95	0.0%	95	95	0.0%	-	95	-
QAAUM (Rs tr)	7.7	7.0	-8.7%	10.1	8.9	-12.2%	-	11.1	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QFY25 earnings-call highlights ►

- The yield on equity fund AUM was ~57bp, on debt fund it was ~25bp, on liquid fund it was ~12bp and on ETF it was ~15bp.
- The product pipeline includes Long Short Equity Fund and another Fund of Funds which shall invest in India-focused venture capital funds.
- ESOP expenses for FY25 stood at Rs430m and the FY26F guidance is ~Rs480-490m.
- Employee addition may be in the range of 75-100 in FY26F.
- Offshore AUM stood at Rs172bn, up 13% yoy and down 9% qoq.
- Yields in the offshore business stood at 60-100bp.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
Total Non-Interest Income	20,373	25,207	30,942	38,360	47,214
Operating Revenue	20,373	25,207	30,942	38,360	47,214
Total Non-Interest Expenses	(6,849)	(8,264)	(9,126)	(11,906)	(14,932)
Pre-provision Operating Profit	13,525	16,943	21,816	26,454	32,282
Total Provision Charges					
Operating Profit After Provisions	13,525	16,943	21,816	26,454	32,282
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	13,525	16,943	21,816	26,454	32,282
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	13,525	16,943	21,816	26,454	32,282
Exceptional Items					
Pre-tax Profit	13,525	16,943	21,816	26,454	32,282
Taxation	(2,462)	(4,086)	(5,236)	(6,349)	(7,748)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	11,063	12,857	16,580	20,105	24,534
Minority Interests	11	10	10	10	10
Pref. & Special Div					
FX And Other Adj.					
Net Profit	11,073	12,867	16,590	20,115	24,544
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	86.0%	81.6%	80.9%	85.5%	85.9%
Avg Liquid Assets/Avg IEAs	108.3%	108.2%	108.4%	107.9%	107.6%
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-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans					
Liquid Assets & Invst. (Current)	35,127	33,238	37,226	40,949	45,044
Other Int. Earning Assets					
Total Gross Int. Earning Assets	35,127	33,238	37,226	40,949	45,044
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	35,127	33,238	37,226	40,949	45,044
Intangible Assets					
Other Non-Interest Earning Assets	2,352	1,911	(2,277)	(3,419)	(3,393)
Total Non-Interest Earning Assets	5,918	10,766	7,267	7,079	8,155
Cash And Marketable Securities	2,706	2,877	3,021	3,172	3,330
Long-term Investments					
Total Assets	43,751	46,880	47,513	51,199	56,529
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,859	2,762	4,377	6,950	11,053
Total Liabilities	3,859	2,762	4,377	6,950	11,053
Shareholders Equity	39,822	42,129	42,958	43,963	45,190
Minority Interests					
Total Equity	39,822	42,129	42,958	43,963	45,190

Key Ratios					
	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	45.8%	25.3%	28.8%	21.3%	22.0%
Pretax Profit Growth	46%	25%	29%	21%	22%
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	18.2%	24.1%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio					
Return On Average Assets	26.89%	28.39%	35.15%	40.76%	45.57%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.