

India

ADD (no change)

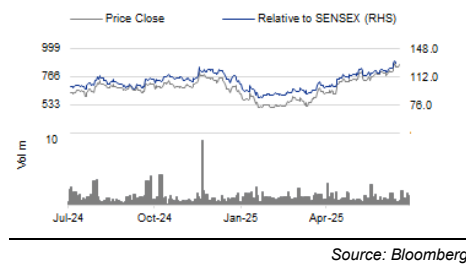
Consensus ratings*: Buy 20 Hold 3 Sell 0

Current price:	Rs793
Target price:	Rs920
Previous target:	Rs940
Up/downside:	16.0%
InCred Research / Consensus:	13.7%
Reuters:	NIPF.NS
Bloomberg:	NAM IN
Market cap:	US\$5,817m Rs504,059m
Average daily turnover:	US\$8.5m Rs735.7m
Current shares o/s:	631.8m
Free float:	27.7%

*Source: Bloomberg

Key changes in this note

- No major change in earnings.



Price performance	1M	3M	12M
Absolute (%)	1.2	24.8	21.6
Relative (%)	5.2	23.9	22.3

Major shareholders	% held
Nippon Life Insurance	72.3
LIC	3.6
HSBC	2.6

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Nippon Life India Asset Management Ltd

Solid AUM growth; market share expands

- NAM India reported better-than-expected 1QFY26 PAT led by strong AUM growth and robust treasury gains, offset by marginally lower yields.
- QAAUM grew by 27% yoy and 10% qoq to Rs6.1tr led by strong inflows into equity, ETF and liquid schemes. The market share is up 23bp qoq at 8.5%.
- We expect largely stable revenue yields, but a spurt in operating expenses is likely amid elevated ESOP expenses. Retain ADD with a lower TP of Rs920.

Strong PAT growth led by robust treasury gains

Nippon Life India Asset Management (NAM India) reported a higher-than-expected 1QFY26 PAT of Rs4bn, up 19% yoy and 33% qoq, buoyed by robust treasury gains and strong assets under management or AUM growth. Calculated yield was ~40bp, marginally lower qoq, weighed down by telescopic pricing and a rising share of ETF QAAUM. Management has already cut the distribution commission in top-3 schemes, contributing to ~45% of the Equity QAAUM. Other income stood at Rs1.5bn vs Rs1.3bn yoy and Rs230m qoq.

Market share expands by 23bp qoq to 8.5%

QAAUM grew by 27% yoy and 10% qoq to Rs6.1 tr, led by strong traction in ETF, equity and liquid schemes. The overall market share expanded robustly by 23bp qoq to 8.5%. ETF QAAUM grew by 12% qoq to constitute 25.0% of the total, up from 24.4% qoq, while equity fund QAAUM grew by 9% qoq to constitute 49.2% of the total, down from 49.8% qoq, and debt QAAUM grew by 8% qoq to constitute 14.7% of the total, down 30bp qoq. Systematic investment plan or SIP inflow was up 30% yoy and 1% qoq at Rs97.7bn and the SIP AUM was up 18% qoq and 27% yoy at Rs1.5tr. On the alternate side, the company had 17 schemes in the alternate investment fund (AIF) category with a commitment of Rs81bn, up 9% qoq, and fund raising is underway for three schemes. Offshore AUM grew by 7% yoy and 9% qoq to Rs187bn.

Outlook and valuation

The market remains 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. Moreover, implementation of a recent draft paper on adding a second scheme to existing large schemes can ease margin pressure in the medium term. We reiterate ADD rating on the stock with a slightly lower target price of Rs920 (Rs940 earlier), valuing it at 30x 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	31,193	37,364	46,761
Operating Revenue (Rsm)	20,373	25,207	31,193	37,364	46,761
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	11,073	12,867	16,320	19,779	25,469
Core EPS (Rs)	17.58	20.27	25.69	31.13	40.09
Core EPS Growth	51%	15%	27%	21%	29%
FD Core P/E (x)	45.14	39.13	30.88	25.48	19.79
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	70.1	74.8	80.8
P/BV (x)	12.55	11.95	11.31	10.61	9.82
ROE	29.5%	31.4%	37.7%	43.0%	51.5%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Rs m	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Total revenue from operations	5,050	5,713	5,879	5,665	6,066	20.1%	7.1%
Other income	1,308	1,208	154	230	1,460	11.6%	533.7%
Total revenue (Rs m)	6,358	6,921	6,033	5,896	7,526	18.4%	27.7%
Total expenditure	1,970	2,060	2,116	2,118	2,287	16.1%	8.0%
Cost-to-income (%)	31.0%	29.8%	35.1%	35.9%	30.4%		
Profit before tax	4,387	4,861	3,917	3,778	5,239	19.4%	38.7%
Tax	1,066	1,261	965	795	1,282	20.3%	61.3%
Tax rate (%)	24.3%	25.9%	24.6%	21.0%	24.5%		
Profit after tax	3,322	3,600	2,953	2,983	3,957	19.1%	32.6%
QAAUM (Rs tr)	4.84	5.49	5.70	5.57	6.13	26.6%	10.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our earnings revision summary

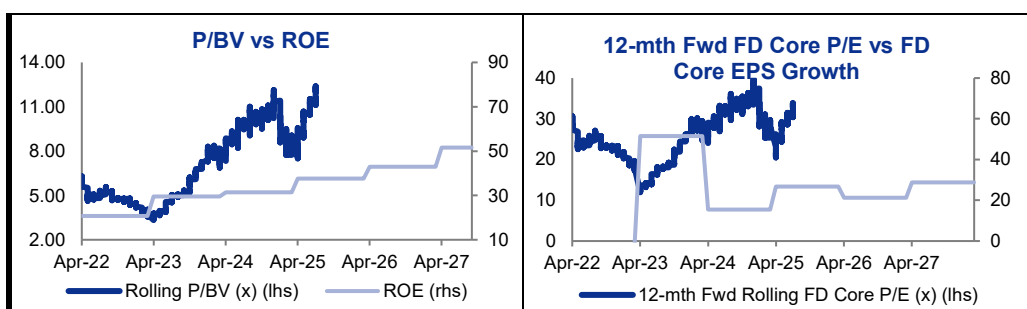
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	25,396	26,121	2.9%	31,070	32,138	3.4%	37,944	39,968	5.3%
PAT	15,947	16,310	2.3%	20,229	19,769	-2.3%	25,331	25,459	0.5%
EPS (Rs)	25.1	25.7	2.2%	31.9	31.1	-2.4%	39.9	40.1	0.4%
Dividend payout (%)	85	85	0.0%	80	85	6.3%	75	85	13.3%
QAAUM (Rs tr)	7.3	7.2	-1.2%	8.9	8.8	-1.4%	11.3	11.1	-2.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY26 earnings call highlights ►

- Equity net sales and SIP contributions are expected to be growth drivers for overall AUM growth.
- Inflows across all funds remain strong, and the company achieved very strong net sales growth.
- Yields across categories were as follows: equity funds – 55bp, debt funds – 25bp, liquid funds – 11bp and ETFs – 17bp.
- ETF yields improved by 2bp qoq because of a favourable mix.
- Gold ETF is among the top 10 globally by way of AUM.
- The company launched four new products:
 - Nippon India Nifty 500 Quality 50 Index Fund
 - Nippon India Nifty 500 Low Volatility 50 Index Fund
 - Nippon India BSE Sensex Next 30 ETF
 - Nippon India BSE Sensex Next 30 Index Fund.
- NAM India has the largest investor base in the mutual fund industry, with 21.2 m unique investors.
- Operating expenses increased on account of investment in talent and technology infrastructure
- The ESOP cost guidance for the full year is Rs460m.
- The company gave guidance that the rise in AUM will lead to a corresponding decrease in the overall yield of 2-3bp annually.

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	31,193	37,364	46,761
Operating Revenue	20,373	25,207	31,193	37,364	46,761
Total Non-Interest Expenses	(6,849)	(8,264)	(9,597)	(11,190)	(13,053)
Pre-provision Operating Profit	13,525	16,943	21,595	26,175	33,708
Total Provision Charges					
Operating Profit After Provisions	13,525	16,943	21,595	26,175	33,708
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	13,525	16,943	21,595	26,175	33,708
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	13,525	16,943	21,595	26,175	33,708
Exceptional Items					
Pre-tax Profit	13,525	16,943	21,595	26,175	33,708
Taxation	(2,462)	(4,086)	(5,285)	(6,406)	(8,249)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	11,063	12,857	16,310	19,769	25,459
Minority Interests	11	10	10	10	10
Pref. & Special Div					
FX And Other Adj.					
Net Profit	11,073	12,867	16,320	19,779	25,469
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%	79.1%	80.6%	81.0%
Avg Liquid Assets/Avg IEAs	108.3%	108.2%	107.4%	106.4%	106.7%
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	49,941	61,391	77,419
Other Int. Earning Assets					
Total Gross Int. Earning Assets	35,127	33,238	49,941	61,391	77,419
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	35,127	33,238	49,941	61,391	77,419
Intangible Assets					
Other Non-Interest Earning Assets	2,352	1,911	2,323	2,823	3,432
Total Non-Interest Earning Assets	5,918	10,766	12,869	15,642	19,013
Cash And Marketable Securities	2,706	2,877	3,238	3,936	5,354
Long-term Investments					
Total Assets	43,751	46,880	66,048	80,968	101,787
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	3,231	4,396	6,917
Total Liabilities	3,859	2,762	3,231	4,396	6,917
Shareholders Equity	39,822	42,129	44,564	47,514	51,318
Minority Interests					
Total Equity	39,822	42,129	44,564	47,514	51,318

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	45.8%	25.3%	27.5%	21.2%	28.8%
Pretax Profit Growth	46%	25%	27%	21%	29%
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%	24.5%	24.5%	24.5%
Net Dividend Payout Ratio					
Return On Average Assets	26.89%	28.39%	28.90%	26.91%	27.87%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

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.

Sector Ratings

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.

Country Ratings

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.