India

ADD *(no change)*

Consensus ratings*:	Buy 19	Hold 5	Sell 0

Current price:	Rs828
Target price:	Rs920
Previous target:	Rs920
Up/downside:	11.1%
InCred Research / Consensus:	4.6%
Reuters:	NIPF.NS
Bloomberg:	NAM IN
Market cap:	US$5,964m
	Rs526,500m
Average daily turnover:	US$8.3m
	Rs729.3m
Current shares o/s:	631.8m
Free float:	23.3%

**Source: Bloomberg*

Key changes in this note

- With a strong performance of its schemes, NAM India continues to focus on building a diversified customer base led by retail, HNI and corporate clients.

Source: Bloomberg

Price performance	*1M*	*3M*	*12M*
Absolute (%)	3.6	12.4	23.1
Relative (%)	1.9	11.3	24.6

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

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Nippon Life India Asset Management Ltd

Roundtable with CEO: Resilient we stay

- We interacted with Chief Executive Officer Mr. Sundeep Sikka who highlighted significant headroom in the MF industry's equity, debt and ETF segments.
- The industry SIP book is seen resilient enough to tackle equity market volatility for the next two years; SIF, a new product, looks promising, he said.
- We appreciate the focus on performance led by market share gains and maintain our ADD rating on NAM India with a target price of Rs920.

Volume growth to beat the impact of telescoping pricing

We interacted with Mr. Sundeep Sikka, the chief executive officer (CEO) of Nippon Life India Asset Management (NAM India), who highlighted that the mutual fund industry has ample scope for deepening its reach from now on. He indicated that notwithstanding any volatility in capital market returns, systematic investment plan (SIP) AUM is expected to sustain its momentum for the next two years. The impact of telescopic pricing can be pushed back by distribution cuts but remains inevitable as the market expands. NAM India has cut distribution payouts for its three large schemes, which account for ~45% of equity AUM. He indicated that despite the pressure on incremental yields, volume growth will compensate for the same.

Focus on scheme performance sans the frills

NAM India reiterated that it would continue to focus on the performance of its schemes and not undertake aggressive thematic/sectoral product launches. The company is avoiding complex schemes and continues to focus on traditional schemes.

New SIF product looks promising

The CEO highlighted that a new product, Specialised Investment Fund (SIF), is attractive and has good potential in the independent category. NAM India has been working on building a SIF team led by Mr. Andrew Holland even before the final norms are out.

Leveraging overseas markets for fresh inflows and advisory services

NAM India plans to deepen its strong foothold in Japan in conjunction with Nissay Asset Management. This comes at a time when the Japanese government continues to encourage long-term investments over other avenues like savings account deposits. On the advisory front, the company is tapping long value funds and sovereign wealth funds.

Outlook and valuation

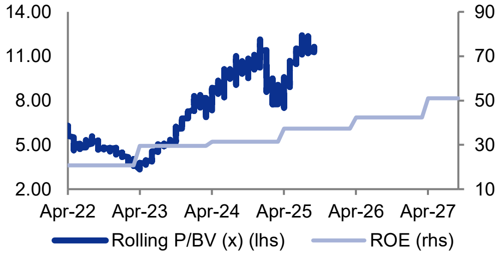
We appreciate the clear focus of NAM India on building a strong network with no single distributor contributing more than 3-4% to its sales, sustaining its good performance and consistent market share gains. We maintain ADD rating on the stock with a stable target price of Rs920, valuing it at 30x FY27F EPS, led by performance-led market share gains. Downside risks: Weak inflow & underperformance of its 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	30,972	37,012	46,329
Operating Revenue (Rsm)	20,373	25,207	30,972	37,012	46,329
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	11,073	12,867	16,154	19,513	25,143
Core EPS (Rs)	17.58	20.27	25.43	30.71	39.57
Core EPS Growth	51%	15%	25%	21%	29%
FD Core P/E (x)	47.09	40.83	32.56	26.95	20.92
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	74.7	80.6
P/BV (x)	13.10	12.47	11.81	11.08	10.27
ROE	29.5%	31.4%	37.3%	42.4%	51.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

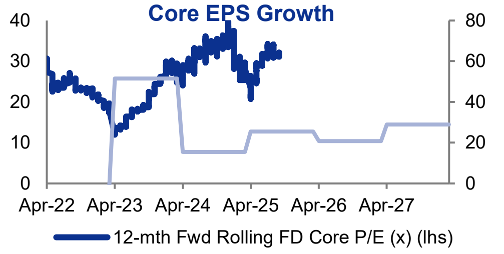
SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
Total Non-Interest Income	**20,373**	**25,207**	**30,972**	**37,012**	**46,329**
Operating Revenue	20,373	25,207	30,972	37,012	46,329
Total Non-Interest Expenses	**(6,849)**	**(8,264)**	**(9,597)**	**(11,190)**	**(13,053)**
Pre-provision Operating Profit	13,525	16,943	21,375	25,823	33,276
Total Provision Charges					
Operating Profit After Provisions	13,525	16,943	21,375	25,823	33,276
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	13,525	16,943	21,375	25,823	33,276
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	13,525	16,943	21,375	25,823	33,276
Exceptional Items					
Pre-tax Profit	13,525	16,943	21,375	25,823	33,276
Taxation	(2,462)	(4,086)	(5,231)	(6,320)	(8,144)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	11,063	12,857	16,144	19,503	25,133
Minority Interests	11	10	10	10	10
Pref. & Special Div					
FX And Other Adj.					
Net Profit	11,073	12,867	16,154	19,513	25,143
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	44,539	47,449	51,204
Minority Interests					
Total Equity	39,822	42,129	44,539	47,449	51,204

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	45.8%	25.3%	26.2%	20.8%	28.9%
Pretax Profit Growth	46%	25%	26%	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%	28.61%	26.55%	27.52%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.

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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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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.