

India

**ADD** (no change)

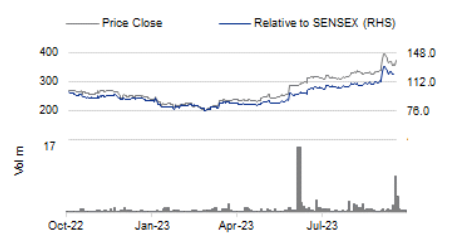
Consensus ratings\*: Buy 14 Hold 4 Sell 0

Current price:	Rs371
Target price: ▲	Rs430
Previous target:	Rs360
Up/downside:	15.9%
InCred Research / Consensus:	16.6%
Reuters:	
Bloomberg:	NAM IN
Market cap:	US\$3,192m Rs231,767m
Average daily turnover:	US\$3.9m Rs281.6m
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 ~26bp to ~6.53% whereas the overall AUM market share rose by ~18bp qoq to ~7.46%.



Price performance	1M	3M	12M
Absolute (%)	13.1	16.3	38.5
Relative (%)	16.1	20.7	31.2

Major shareholders	% held
Nippon Life Insurance	73.5

**Analyst(s)**



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# Nippon Life India Asset Management Ltd

## Encouraging performance continues in 2Q

- NAM India posted a better-than-estimated 2Q PAT of Rs2.44bn (+18.5% qoq), despite a sequential decline in investment income, aided by stable yields.
- The equity funds' market share witnessed a qoq improvement of ~26bp to ~6.53% whereas the overall AUM market share rose by ~18bp qoq to ~7.46%.
- Assuming the new TER norms are applicable from FY25F, we raise our FY24F EPS by ~27%. Retain ADD rating on NAM India with a higher TP of Rs430.

### Market share trend encouraging; pressure on revenue yields visible

NAM India witnessed ~18bp qoq improvement in its overall assets under management or AUM market share to ~7.46% in 2QFY24, with a rise in equity funds' market share sequentially by ~26bp to ~6.53%. The company managed to hold revenue yields intact at ~45bp, despite intense competition, which resulted in a flat revenue sequentially, despite the negative trend in investment income. We remain confident of its ability to manage market share, considering its focused client approach and the performance of its schemes improving. However, we build in some modification in the yields in the coming quarters amid tight competition as well as maturity of the previous high-yield AUM, which is being replaced by relatively low-yield AUM.

### Focus on granularity of inflow; SIP inflow depicts a realistic picture

Systematic investment plan or SIP AUM increased by ~40%yoy to Rs779bn led by growth in folios by ~41% yoy to ~6m. While the share of SIP of more than five years is 64% for NAM India, which is higher than the industry average of 26%, it indicates stickiness in SIP inflow. NAM India added 0.8m SIP folios during the quarter, with the quarterly inflow at Rs47.2bn against Rs34.3bn in the previous quarter.

### Outlook & valuation

We now believe that the new total expense ratio or TER norms will be applicable only from FY25F and thus, we have increased our FY24F EPS by 27%. Accordingly, we have increased our target price to Rs430, from Rs360 earlier, corresponding to ~28.8x FY25F EPS. We maintain our ADD rating on the stock, as we remain optimistic on NAM India's ability to improve its market share with a limited impact on profitability. Downside risks: Weak inflow and underperformance of its schemes.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	15,356	15,166	18,812	20,447	23,462
Operating Revenue (Rsm)	15,356	15,166	18,812	20,447	23,462
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	7,444	7,239	9,374	9,423	10,708
Core EPS (Rs)	12.07	11.74	15.21	0.00	0.00
Core EPS Growth	9%	(3%)	29%	0%	0%
FD Core P/E (x)	30.72	31.59	24.39	0.00	0.00
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)	52.7	55.4	58.5	0.0	0.0
P/BV (x)	7.03	6.69	6.34	0.00	0.00
ROE	23.4%	21.7%	26.7%	0.0%	0.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly earnings summary**

Rs m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
<b>Total revenue from operations</b>	<b>3,161</b>	<b>3,316</b>	<b>3,538</b>	<b>3,483</b>	<b>3,542</b>	<b>3,975</b>	<b>19.9%</b>	<b>12.2%</b>
Other income	-167	819	619	397	1,169	779	-4.9%	-33.4%
<b>Total revenue (Rs m)</b>	<b>2,994</b>	<b>4,135</b>	<b>4,157</b>	<b>3,880</b>	<b>4,710</b>	<b>4,754</b>	<b>15.0%</b>	<b>0.9%</b>
Total expenditure	1,448	1,459	1,494	1,488	1,611	1,650	13.1%	2.4%
<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>		
<b>Profit before tax</b>	<b>1,546</b>	<b>2,676</b>	<b>2,664</b>	<b>2,392</b>	<b>3,099</b>	<b>3,104</b>	<b>16.0%</b>	<b>0.1%</b>
Tax	403	615	616	415	746	661	7.5%	-11.3%
<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>		
<b>Profit after tax</b>	<b>1,143</b>	<b>2,060</b>	<b>2,048</b>	<b>1,977</b>	<b>2,354</b>	<b>2,443</b>	<b>18.5%</b>	<b>3.8%</b>
<b>QAAUM (Rs tr)</b>	<b>2.79</b>	<b>2.85</b>	<b>2.93</b>	<b>2.93</b>	<b>3.14</b>	<b>3.51</b>	<b>23.0%</b>	<b>11.8%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

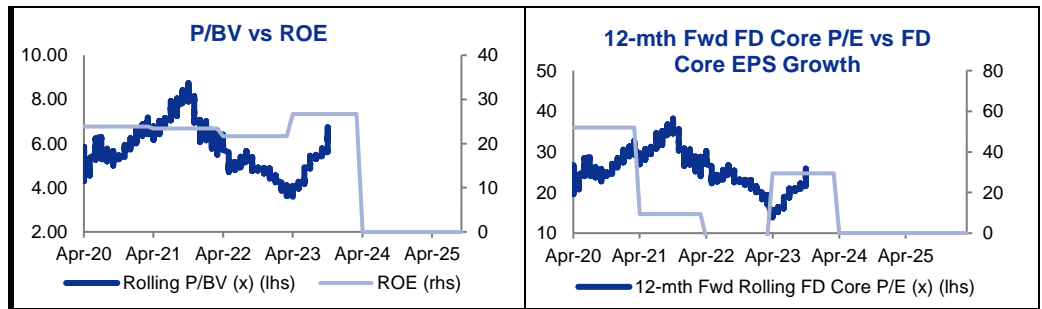
Y/e Mar (Rs m)	FY24F			FY25F			FY26F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	3,336	18,812	463.9%	4,003	20,447	410.8%	4,804	23,462	388.4%
PAT	7,372	9,364	27.0%	8,809	9,413	6.9%	10,288	10,698	4.0%
EPS (Rs)	11.7	14.8	26.6%	14.0	14.9	6.7%	16.3	17.0	4.2%
Dividend payout (%)	90	90	0.0%	90	90	0.0%	90	90	0.0%
QAAUM (Rs tn)	3.3	3.8	14.9%	3.8	4.4	16.5%	4.4	5.1	16.7%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Conference-call highlights

- NAM India distributes its products through all the banks unlike bank-led AMCs who mostly distribute their products through their own bank only.
- NAM India will continue to focus on outsourcing non-core work to make it a more employee-light model, along with maximizing the benefits of scale.
- NAM India's holding company will assist it to get funds from foreign entities with which it has a global relationship.
- NAM India now has a distributor base of 96,500, up from 93,000 in 1QFY24.
- 57% of the total purchase transactions happen through the digital mode.

**BY THE NUMBERS**



**Profit & Loss**

(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income					
<b>Total Non-Interest Income</b>	<b>15,356</b>	<b>15,166</b>	<b>18,812</b>	<b>20,447</b>	<b>23,462</b>
Operating Revenue	15,356	15,166	18,812	20,447	23,462
<b>Total Non-Interest Expenses</b>	<b>(5,469)</b>	<b>(5,889)</b>	<b>(6,729)</b>	<b>(8,222)</b>	<b>(9,568)</b>
Pre-provision Operating Profit	9,887	9,277	12,083	12,225	13,893
<b>Total Provision Charges</b>					
Operating Profit After Provisions	9,887	9,277	12,083	12,225	13,893
<b>Pretax Income/(Loss) from Assoc.</b>					
Operating EBIT (incl Associates)	9,887	9,277	12,083	12,225	13,893
<b>Non-Operating Income/(Expense)</b>					
Profit Before Tax (pre-EI)	9,887	9,277	12,083	12,225	13,893
<b>Exceptional Items</b>					
Pre-tax Profit	9,887	9,277	12,083	12,225	13,893
Taxation	(2,453)	(2,048)	(2,719)	(2,812)	(3,195)
Consolidation Adjustments & Others					
<b>Exceptional Income - post-tax</b>					
Profit After Tax	7,434	7,229	9,364	9,413	10,698
Minority Interests	10	10	10	10	10
Prof. & Special Div					
<b>FX And Other Adj.</b>					
Net Profit	7,444	7,239	9,374	9,423	10,708
Recurring Net Profit					

**Balance Sheet Employment**

(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	87.3%	88.9%	88.1%		
<b>Avg Liquid Assets/Avg IEAs</b>	<b>113.7%</b>	<b>112.8%</b>	<b>112.0%</b>		
Net Cust Loans/Assets					
<b>Net Cust Loans/Broad Deposits</b>					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
<b>Provision Charge/Avg Cust Loans</b>					
<b>Provision Charge/Avg Assets</b>					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rsm)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
<b>Total Gross Loans</b>					
Liquid Assets & Invst. (Current)	28,559	31,987	35,825		
Other Int. Earning Assets					
Total Gross Int. Earning Assets	28,559	31,987	35,825		
<b>Total Provisions/Loan Loss Reserve</b>					
Total Net Interest Earning Assets	28,559	31,987	35,825		
Intangible Assets					
<b>Other Non-Interest Earning Assets</b>	<b>782</b>	<b>764</b>	<b>1,842</b>		
<b>Total Non-Interest Earning Assets</b>	<b>4,105</b>	<b>4,419</b>	<b>5,862</b>		
Cash And Marketable Securities	3,786	3,976	4,175		
<b>Long-term Investments</b>					
Total Assets	36,451	40,381	45,862		
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,947	6,213	9,813		
Total Liabilities	3,947	6,213	9,813		
Shareholders Equity	32,504	34,168	36,049		
<b>Minority Interests</b>					
Total Equity	32,504	34,168	36,049		

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Income Growth					
Operating Profit Growth	12.7%	(6.2%)	30.2%	1.2%	13.6%
Pretax Profit Growth	13%	(6%)	30%	1%	14%
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	24.8%	22.1%	22.5%	23.0%	23.0%
Net Dividend Payout Ratio					
Return On Average Assets	21.16%	18.84%	21.74%		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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