

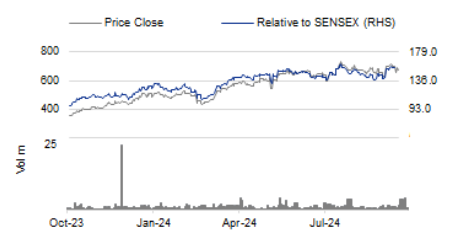
India

ADD (no change)

Consensus ratings*: Buy 15 Hold 3 Sell 2	
Current price:	Rs679
Target price: ▲	Rs900
Previous target:	Rs800
Up/downside:	32.5%
InCred Research / Consensus:	23.0%
Reuters:	NIPF.NS
Bloomberg:	NAM IN
Market cap:	US\$5,115m Rs430,088m
Average daily turnover:	US\$8.6m Rs719.4m
Current shares o/s:	631.8m
Free float:	27.3%
*Source: Bloomberg	

Key changes in this note

- Equity funds' market share witnessed a sequential improvement of ~8bp to ~6.96% whereas the overall AUM market share rose by ~9bp qoq to ~8.29%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.5)	7.4	89.6
Relative (%)	5.9	7.3	51.7

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

Research Analyst(s)



Jignesh SHIAL
T (91) 22 4161 1547
E jignesh.shial@incredresearch.com

Meghna LUTHRA
T (91) 22 4161 1500
E meghna.luthra@incredresearch.com

Rishabh JOGANI
T (91) 22 4161 1569
E rishabh.jogani@incredresearch.com

Nippon Life India Asset Management Ltd

Performance-led market share improvement

- NAM India posted an in-line 2Q PAT of Rs3.6bn, despite sequential flat revenue yields, amid a lower rise in operating expenses & steady other income.
- Equity funds' market share witnessed a sequential improvement of ~8bp to ~6.96% whereas the overall AUM market share rose by ~9bp qoq to ~8.29%.
- We expect stable revenue yields, but a spurt in operating expenses is likely amid elevated ESOP expenses. Retain ADD rating with a higher TP of Rs900.

Market share trend encouraging; profitability trend remains steady

NAM India witnessed ~9bp qoq (+83bp yoy) improvement in overall market share to ~8.29% in 2QFY25, with a rise in equity funds' market share sequentially by ~8bp to ~6.96% (excluding ETFs). NAM India enjoys a higher market share in the ETF space at 18.2% (+40bp qoq), and its contribution to total AUM rose to ~27% from ~26.8% qoq. We remain confident of the company's ability to improve its market share further, considering its focused client approach and the improving performance of its schemes. Yields remained flat sequentially at ~42bp, but a moderate growth in operating expenses (+4.6% qoq) and steady operating income resulted in steady profitability. The one-off taxation changes also had a limited impact.

Robust granular SIP inflow indicates strong retail penetration

The systematic investment plan or SIP AUM increased by ~74% yoy to Rs1.4tr led by the growth in folios by ~63% yoy to ~9.8m. Total annualized SIP book stands at Rs376bn. While the share of SIPs of more than five years is ~58% for NAM India, it is higher than the industry average of 29% and 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 Rs67.7bn, with 20 AIF schemes. The company offers products across four business lines, namely public equity, real estate credit, performing credit & tech VC. During the quarter, the company undertook the final closure of a follow-on fund to honour an existing real estate mandate from Japanese investors.

Outlook & valuation

We continue to remain confident of market share momentum for the AMC with strong dominance in the ETF business. We are building 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 to Rs900 (Rs800 earlier), corresponding to ~28x FY26F EPS. Downside risks: Weak inflow & underperformance of schemes.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	15,166	20,373	28,302	37,857	48,177
Operating Revenue (Rsm)	15,166	20,373	28,302	37,857	48,177
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	7,233	11,073	15,047	20,392	25,770
Core EPS (Rs)	11.61	17.58	23.88	32.37	40.90
Core EPS Growth	(3%)	51%	36%	36%	26%
FD Core P/E (x)	58.52	38.64	28.44	20.98	16.60
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)	56.4	63.2	64.4	66.0	68.1
P/BV (x)	12.04	10.75	10.55	10.29	9.98
ROE	20.7%	29.5%	37.4%	49.6%	61.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Rs m	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
Total revenue from operations	3,542	3,975	4,233	4,683	5,050	5,713	43.7%	13.1%
Other income	1,169	779	1,071	923	1,308	1,208	55.1%	-7.7%
Total revenue (Rs m)	4,710	4,754	5,304	5,606	6,358	6,921	45.6%	8.9%
Total expenditure	1,611	1,650	1,723	1,865	1,970	2,060	24.9%	4.6%
<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>		
Profit before tax	3,099	3,104	3,581	3,741	4,387	4,861	56.6%	10.8%
Tax	746	661	741	315	1,066	1,261	90.6%	18.3%
<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>		
Profit after tax	2,354	2,443	2,840	3,426	3,322	3,600	47.4%	8.4%
QAAUM (Rs tr)	3.14	3.51	3.78	4.31	4.84	5.49	56.6%	13.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Revised earnings estimates

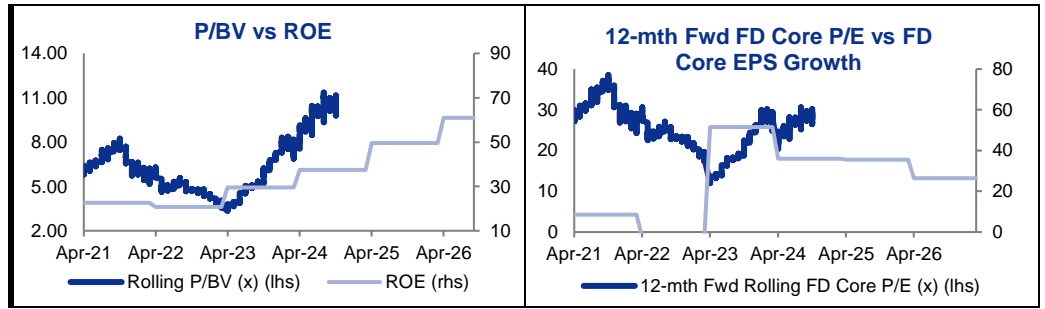
Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	22,538	23,376	3.7%	29,953	32,044	7.0%	37,701	41,492	10.1%
Total other income	4,927	4,927	0.0%	5,961	5,813	-2.5%	6,915	6,685	-3.3%
PAT	13,921	15,037	8.0%	17,247	20,382	18.2%	21,393	25,760	20.4%
EPS (Rs)	22.1	23.9	8.0%	27.4	32.4	18.2%	34.0	40.9	20.4%
Dividend payout (%)	95	95	0.0%	95	95	0.0%	95	95	0.0%
QAAUM (Rs tr)	6.0	6.3	4.7%	7.7	8.4	8.7%	9.6	10.7	11.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY25 earnings-call highlights

- Management maintains its stand to focus on scheme-level improvement rather than expanding the product range by bringing in new fund offers or NFOs.
- Yield was 58bp in equity funds, 25bp in debt funds, 12bp in liquid funds, 15-16 bp in ETFs and for AIFs it was in the range of 50-150bp.
- Equity yield was impacted -1bp qoq due to telescopic pricing.
- The tax rate for the year is expected to be in the range of 25.7%-26%.
- Fund raising is currently underway for listed equity AIF, performing credit AIF and direct venture fund.
- The growth in SIP is more tilted towards the geography beyond T-30 cities, with sourcing across channels. Digital marketing initiatives have aided in a better presence digitally.
- Hirings during the year stood at 130 employees, which is sufficient for the year.
- Other income is high purely due to mark-to-market gains.
- A new system is in place which rationalizes the commission as the size of the fund rises.
- Fees and commissions were up due to set-up expenses for new AIFs.
- Growth in expenses for the next six months should be ~15%.

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	28,302	37,857	48,177
Operating Revenue	15,166	20,373	28,302	37,857	48,177
Total Non-Interest Expenses	(5,889)	(6,849)	(8,253)	(10,681)	(13,831)
Pre-provision Operating Profit	9,277	13,525	20,049	27,176	34,347
Total Provision Charges					
Operating Profit After Provisions	9,277	13,525	20,049	27,176	34,347
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	9,277	13,525	20,049	27,176	34,347
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	9,277	13,525	20,049	27,176	34,347
Exceptional Items					
Pre-tax Profit	9,277	13,525	20,049	27,176	34,347
Taxation	(2,048)	(2,462)	(5,012)	(6,794)	(8,587)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	7,229	11,063	15,037	20,382	25,760
Minority Interests	4	11	10	10	10
Prof. & Special Div					
FX And Other Adj.					
Net Profit	7,233	11,073	15,047	20,392	25,770
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%	91.4%	98.2%	99.5%
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	(1,996)	(3,951)	(3,965)
Total Non-Interest Earning Assets	5,650	5,918	1,647	57	443
Cash And Marketable Securities	2,727	2,706	2,841	2,983	3,132
Long-term Investments					
Total Assets	38,609	43,750	44,532	47,889	52,910
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	40,574	41,593	42,881
Minority Interests					
Total Equity	35,156	39,822	40,574	41,593	42,881

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	(6.2%)	45.8%	48.2%	35.5%	26.4%
Pretax Profit Growth	(6%)	46%	48%	36%	26%
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%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Return On Average Assets	18.89%	26.89%	34.09%	44.13%	51.13%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- 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.

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Definition:

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- 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.