

## 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)****Meghna LUTHRA**

T (91) 22 4161 1553

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 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%    |
| Cost-to-income (%)            | 34.2%  | 34.7%  | 32.5%  | 33.3%  | 31.0%  | 29.8%  | 35.1%  | 35.9%  |         |         |
| 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%  |
| Tax rate (%)                  | 24.1%  | 21.3%  | 20.7%  | 8.4%   | 24.3%  | 25.9%  | 24.6%  | 21.0%  |         |         |
| 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**

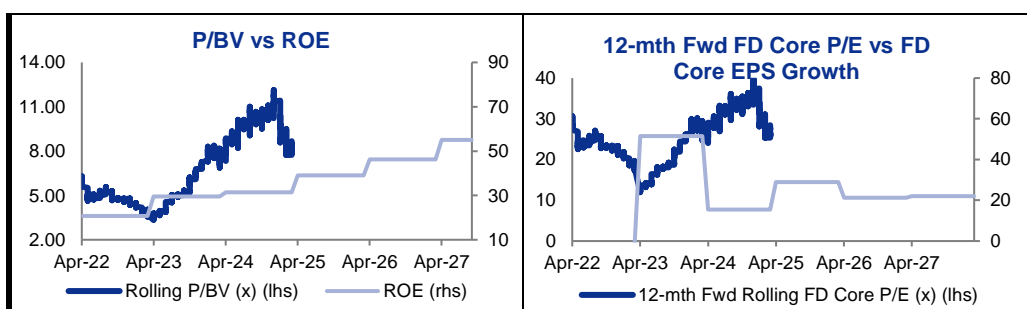
| Y/E Mar (Rs m)          | FY26F   |         |          | FY27F   |         |          | FY28F   |         |          |
|-------------------------|---------|---------|----------|---------|---------|----------|---------|---------|----------|
|                         | Earlier | Revised | % change | 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                     |                |                |                |                 |                 |
| <b>Total Non-Interest Income</b>        | <b>20,373</b>  | <b>25,207</b>  | <b>30,942</b>  | <b>38,360</b>   | <b>47,214</b>   |
| Operating Revenue                       | 20,373         | 25,207         | 30,942         | 38,360          | 47,214          |
| <b>Total Non-Interest Expenses</b>      | <b>(6,849)</b> | <b>(8,264)</b> | <b>(9,126)</b> | <b>(11,906)</b> | <b>(14,932)</b> |
| Pre-provision Operating Profit          | 13,525         | 16,943         | 21,816         | 26,454          | 32,282          |
| <b>Total Provision Charges</b>          |                |                |                |                 |                 |
| Operating Profit After Provisions       | 13,525         | 16,943         | 21,816         | 26,454          | 32,282          |
| <b>Pretax Income/(Loss) from Assoc.</b> |                |                |                |                 |                 |
| Operating EBIT (incl Associates)        | 13,525         | 16,943         | 21,816         | 26,454          | 32,282          |
| <b>Non-Operating Income/(Expense)</b>   |                |                |                |                 |                 |
| Profit Before Tax (pre-EI)              | 13,525         | 16,943         | 21,816         | 26,454          | 32,282          |
| <b>Exceptional Items</b>                |                |                |                |                 |                 |
| 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      |                |                |                |                 |                 |
| <b>Exceptional Income - post-tax</b>    |                |                |                |                 |                 |
| Profit After Tax                        | 11,063         | 12,857         | 16,580         | 20,105          | 24,534          |
| Minority Interests                      | 11             | 10             | 10             | 10              | 10              |
| Pref. & Special Div                     |                |                |                |                 |                 |
| <b>FX And Other Adj.</b>                |                |                |                |                 |                 |
| 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%         |
| <b>Avg Liquid Assets/Avg IEAs</b>      | <b>108.3%</b> | <b>108.2%</b> | <b>108.4%</b> | <b>107.9%</b> | <b>107.6%</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

### Balance Sheet

| (Rsm)                                     | Mar-24A      | Mar-25A       | Mar-26F        | Mar-27F        | Mar-28F        |
|---|--------------|---------------|----------------|----------------|----------------|
| <b>Total Gross Loans</b>                  |              |               |                |                |                |
| 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         |
| <b>Total Provisions/Loan Loss Reserve</b> |              |               |                |                |                |
| Total Net Interest Earning Assets         | 35,127       | 33,238        | 37,226         | 40,949         | 45,044         |
| Intangible Assets                         |              |               |                |                |                |
| <b>Other Non-Interest Earning Assets</b>  | <b>2,352</b> | <b>1,911</b>  | <b>(2,277)</b> | <b>(3,419)</b> | <b>(3,393)</b> |
| <b>Total Non-Interest Earning Assets</b>  | <b>5,918</b> | <b>10,766</b> | <b>7,267</b>   | <b>7,079</b>   | <b>8,155</b>   |
| Cash And Marketable Securities            | 2,706        | 2,877         | 3,021          | 3,172          | 3,330          |
| <b>Long-term Investments</b>              |              |               |                |                |                |
| 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         |
| <b>Minority Interests</b>                 |              |               |                |                |                |
| 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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#### **InCred Research Services Private Limited**

##### **Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

## 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.