

Strong growth in AuM led by equity funds; yields remained flat

Q3FY24 Result Update | Sector: BFSI-AMC | January 30, 2024

ACCUMULATE

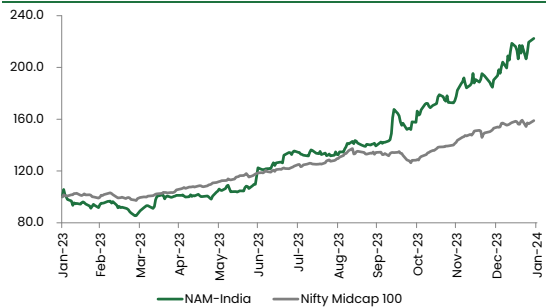
CMP (Rs)	526
Target Price (Rs)	601
Potential Upside	14.3%
Sensex	71,124
Nifty	21,516

Key Stock data

BSE Code	540767
NSE Code	NAM-INDIA
Bloomberg	NAM:IN
Shares o/s, Cr (FV 10)	62.8
Market Cap (Rs Cr)	32,974
3M Avg Volume	922,320
52 week H/L	541/197

Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	73.6	73.5	73.1
FII	4.8	5.1	5.5
DII	10.2	14.6	14.2
Public	11.3	6.9	7.2

1 year relative price performance

1 year forward P/E (x)

Research Analyst
Akshay Tiwari

akshay.tiwari@religare.com

AuM growth over industry rates: Nippon Life India AMC reported AuM growth of 7.7% QoQ/29% YoY to Rs 3,777 Bn. The growth remained strong over and above the industry growth of 4.7% QoQ/22.2% YoY. Due to growth above industry growth, NAM India saw an increase in its market share to 7.7% growing by 21.3bps QoQ/40bps YoY. The growth in AuM was led by equity funds which increased by 12% QoQ/41% YoY. Along with equity funds, ETFs funds reported strong growth of 13% QoQ/39% YoY with strong growth in volumes. Debt funds remained flat on a QoQ while liquid funds declined by 12% QoQ/17% YoY mainly due to consumer preference over equity funds.

Yields remained flat: Blended yields on AuM remained flat declining by 1bps QoQ/4bps YoY to 44.8bps. Yields remained low as the company increased proportion of new funds replacing old at a higher acquisition costs which put pressure on overall yields. The management expects yields on remain flat over 1-2 years going forward. Yields on AuM declined from 47bps in Q3FY23 to 45bps in Q3FY24.

Growth in margins and profitability: Owing to the strong growth in AuM, the company saw an increase in top-line growth as revenue from operations increased by 6.6% QoQ/18.7% YoY. The company managed to control its costs by leveraging tech due to which EBITDA increased by 7.4% QoQ/21.2% YoY to Rs 254 Cr. PAT increased by 12.5% QoQ/33.3% YoY along with a margin improvement of 110bps QoQ/351 bps YoY to 54.5%. The company expects growth in its AuM going forwards as it seeing traction in the inflows which is expected to be the key driver going forward.

Traction in retail investors: NAM-India continues to be popular choice amongst retail investors which has seen growth in the AuM. As on December 2023, the company saw an increase in market share of retail investors to 9% increasing by 10bps QoQ/40bps YoY. Retail investors proportion in the AuM mix increased by 100bps QoQ/YoY to 31%. The SIP quarterly book was Rs 59.3 Bn, increasing by 25.6% QoQ/103.8% YoY. Total number of SIP under Rs 10,000 stood at 75%. The company prefers small ticket investors as compared to the large tickets investors which helps in retention of investors.

Leadership in ETFs funds: The company continues to hold leadership position in the ETFs funds. With respect to ETFs, it has a market share of 61% in terms of value and 64% in terms of volume. The daily volume remains higher than the industry. The management expects that the leadership of the company in ETFs will continue due to the performance of the underlying funds and its wide distribution reach.

Valuation and outlook: We remain positive on NAM India as the company is seeing strong growth in its AuM which is higher than the industry growth leading to gain the market share in the last 4 quarters. The growth in revenue will be majorly driven by AuM as the yields are expected to remain flat in few quarters. The company remains leader in the ETFs segments and is seeing traction in the retail SIP quarterly book. It also has higher share of AuM in the B-30 cities as compared to its peers. We expect revenue/EBITDA/PAT to increase by 27.7%/33.2%/28.8% CAGR over FY23-26E. We revise our rating to **Accumulate** (from Buy earlier) and our target price to **Rs 601** valuing the company at 25x of its FY26E EPS.

Financial Summary – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Revenue from operations	1,259	1,704	2,158	2,620
Other income	172	180	192	206
Total income	1,431	1,884	2,350	2,826
Total expenses	480	543	649	781
Profit before tax	918	1,301	1,656	1,996
Margin (%)	64	69	70	71
Profit after tax	715	996	1,268	1,529
Margin (%)	50.0	52.9	54.0	54.1
EPS (Rs.)	11.5	16.0	20.4	24.5
P/E (x)	45.9	32.9	25.8	21.4
RoE (%)	20.7	28.8	35.3	40.1

Source : RBL Research

Concall highlights: 1) Market of the company in SIP stood at 8.7%. 2) The company is present in total 260 distribution points. 3) Yields decline due to replacement of new assets with old assets, thereby, putting more pressure on the yields. 4) The inflows of funds remains balanced amongst large caps, mid caps and small caps. 5) Top 5 funds contribute 80% of the AuM. 6) The company focuses on small ticket size investors which become easier to retain in the long run. 7) New SIP registration is 3.8 Lakhs on a monthly basis. 8) The growth drivers going forward will be industry tailwinds, execution of strategies and the investment in technology. 9) With regards to investments, the company invests 90% in debt and 10% in equity. In equity investments, 100% of the investment is done in the Nippon funds.

Income statement - standalone

Particulars, Rs cr	Q3FY24	Q3FY23	YoY (%)	Q2FY24	Q-o-Q (%)
Revenue from operations	392	330	18.7	368	6.6
Yield (bps)	44.8	48.3	-4bps	45.3	-1bps
Other Income	93	59	58.7	72	29.1
Total income	485	389	24.8	440	10.3
Fees and commission expenses	2	2	(29.8)	2	(24.2)
Employees cost	79	68	15.8	71	11.3
Misc expenses	58	50	14.7	59	(1.3)
EBITDA	254	209	21.2	236	7.4
Margin (%)	64.7	63.4	131bps	64.2	50bps
Depreciation	6	8	(16.1)	7	(9.6)
EBIT	248	202	22.6	229	7.9
Margin (%)	63.1	61.1	198bps	62.3	78bps
Finance cost	2	1	54.7	2	(1.8)
Profit before tax	339	259	30.6	300	13.1
Margin (%)	70	67	313bps	68	173bps
Tax	74	61	21.7	65	15.0
Tax rate (%)	21.9	23.5	-160bps	21.5	37bps
Profit after tax	265	198	33.3	235	12.5
Margin (%)	54.5	51.0	351bps	53.4	110bps
EPS - Basic (Rs.)	4.2	3.2	32.6	3.8	12.2

Source : RBL Research

Revenue from operations increased by 6.6% QoQ/18.7% YoY in Q3FY24

Yields on AuM declined by 1bps QoQ/4bps YoY

EBITDA increased by 7.4% QoQ/21.2% YoY

EBIT margin improved by 78bps QoQ/198bps YoY to 63.1%

PAT grew by 12.5% QoQ/33.3% YoY led by increasing revenue

AuM growth remained strong in Q3FY24 at 7.7% QoQ/29% YoY

SIP quarterly book increased by 25.6% QoQ/103.8% YoY

Equity proportion in AuM increased by 180bps QoQ/460bps YoY

Retail investors increased by 100bps QoQ/YoY

Business parameters - standalone

Particulars	Q3FY24	Q3FY23	YoY (%)	Q2FY24	Q-o-Q (%)
AuM (Rs Bn)	3,777	2,928.0	29.0	3,506	7.7
B-30 Folios (Mn)	8.9	7.3	21.9	8.2	8.5
Market share (%)	12.1	11.7	40bps	11.5	60bps
Unique investors (Mn)	15.5	13.2	17.4	14.6	6.2
Market share (%)	36.9	36.0	90bps	36.2	70bps
Quarterly book (Rs Bn)	59.3	29.1	103.8	47.2	25.6
Folios (Mn)	6.8	4.6	47.8	6.0	13.3

Source : RBL Research

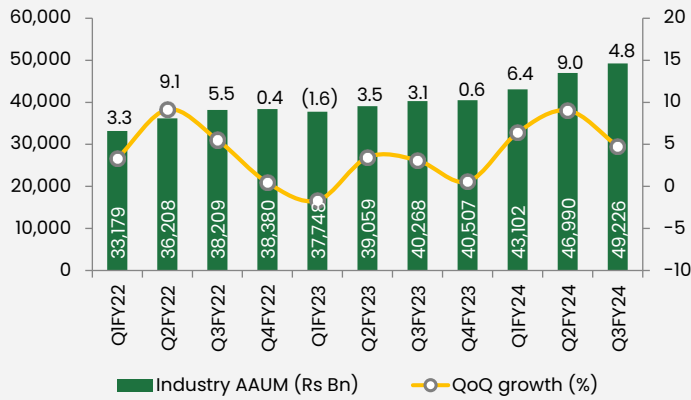
AuM Mix

Particulars	Q3FY24	Q3FY23	Y-o-Y (bps)	Q2FY24	Q-o-Q (bps)
Mutual funds QAAUM - Mix (%)					
Equity	48.6	44.0	460bps	46.8	180bps
Debt	17.8	18.0	-20bps	19.2	-140bps
Liquid	9.0	14.0	-500bps	11.0	-200bps
ETFs	24.6	23.0	160bps	23.0	160bps
Investor Mix (%)					
Retail	31.0	30.0	100bps	30.0	100bps
HNI	29.0	25.0	400bps	28.0	100bps
Corporate	40.0	45.0	-500bps	42.0	-200bps
Investor wise - Market share (%)					
Retail	9.0	8.6	40bps	8.9	10bps
HNI	6.6	5.6	100bps	6.3	30bps
Corporate	7.8	7.6	20bps	7.7	10bps

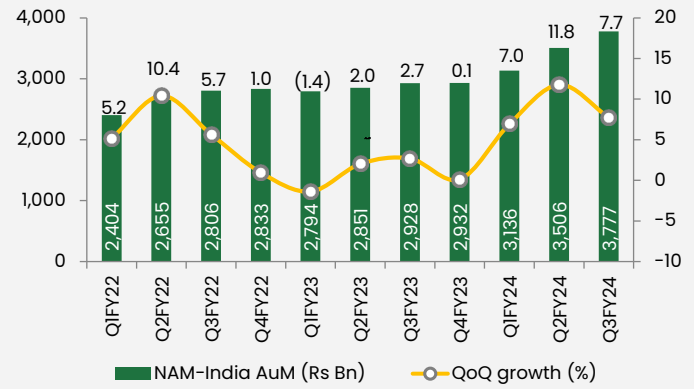
Source : RBL Research

Story in charts

Industry AuM increased by 4.8% QoQ led by equity funds

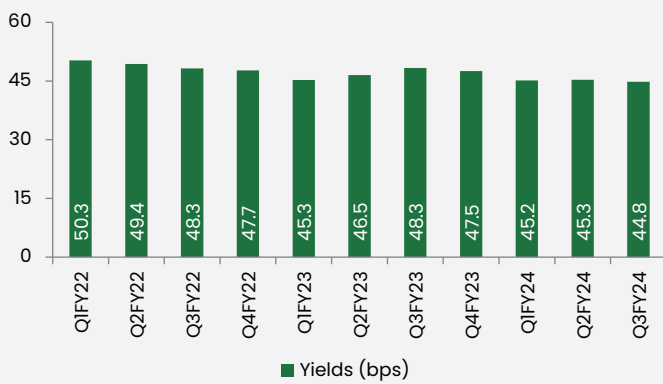


AuM grew by 7.7% QoQ during the quarter

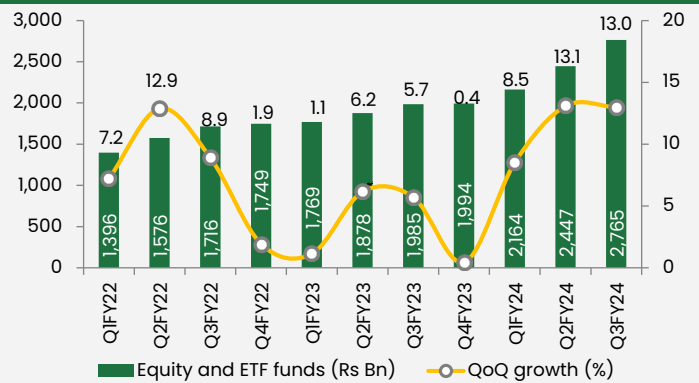


Source : RBL Research

Moderation in yields

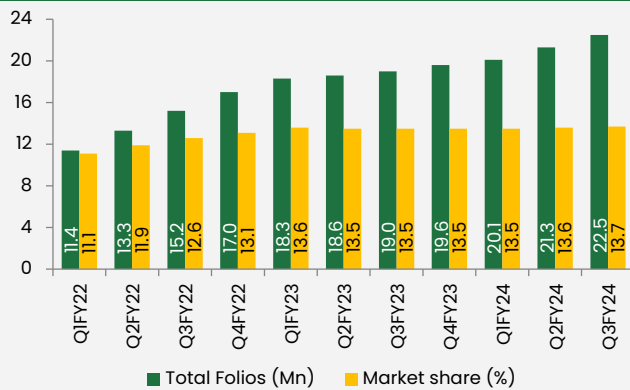


Uptick in equity and ETF funds

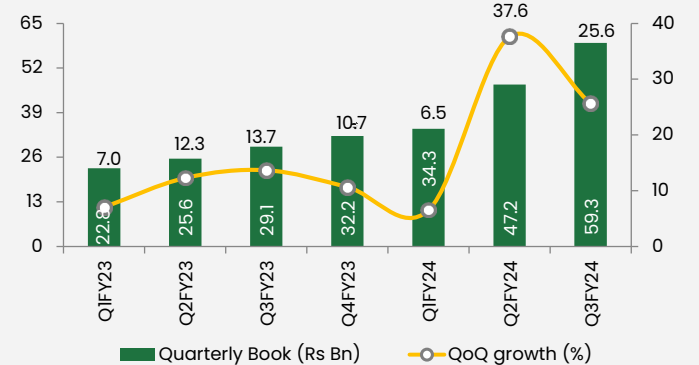


Source : RBL Research

Increasing market share in total folios

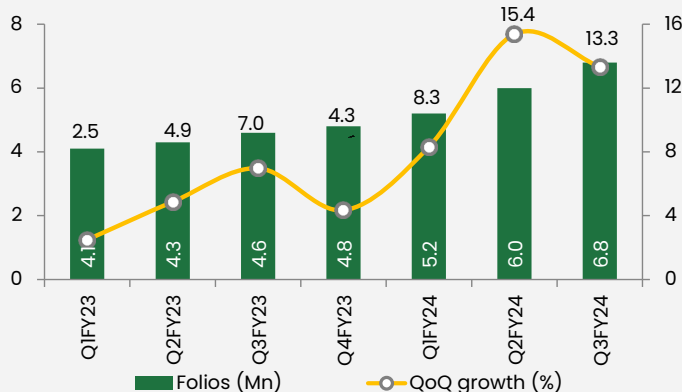


SIP quarterly book increased by 25.6% QoQ

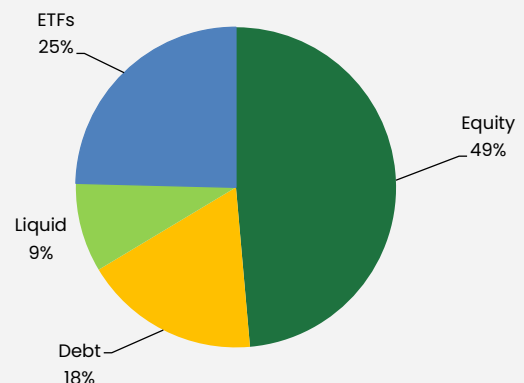


Source : RBL Research

SIP folios increased by 13.3% QoQ



Equity funds having highest share in AuM mix



Source : RBL Research

Income statement – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Revenue from operations	1,259	1,704	2,158	2,620
Total income	1,431	1,884	2,350	2,826
Fee and commission expenses	10	12	14	17
Employee benefits expenses	273	295	329	369
Others expenses	197	236	306	395
Total expenses	480	543	649	781
EBITDA	779	1,160	1,509	1,839
Depreciation, amortization and impairment	29	34	39	43
EBIT	750	1,126	1,470	1,796
Other income	172	180	192	206
Finance costs	4	6	7	7
Profit before tax	918	1,301	1,656	1,996
Margin (%)	64	69	70	71
Tax	203	304	387	467
Tax rate (%)	22	23	23	23
Profit after tax	715	996	1,268	1,529
Margin (%)	50.0	52.9	54.0	54.1
EPS (Rs.)	11.5	16.0	20.4	24.5
P/E (x)	45.9	32.9	25.8	21.4

Source : RBL Research

Balance sheet – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Cash and bank balance	231	231	231	231
Trade receivables	87	101	133	166
Loans	67	79	93	112
Investments	2,935	3,056	3,135	3,342
Other financial assets	22	30	37	45
Financial assets	3,341	3,497	3,630	3,897
Current tax assets (net)	14	14	14	14
Property, plant and equipment	11	13	15	15
Intangible assets	294	304	307	315
Other non-financial assets	37	39	42	44
Non financial assets	356	370	379	387
Total assets	3,698	3,867	4,009	4,283
Total outstanding dues	41	44	47	46
Other financial liabilities	116	185	141	153
Financial liabilities	156	229	188	198
Current tax liabilities	25	27	30	30
Provisions	11	8	8	7
Deferred tax liabilities	58	65	69	72
Other non-financial liabilities	35	35	36	37
Non financial liabilities	129	136	142	146
Share Application money	0	0	0	0
Equity share capital	623	623	623	623
Other equity	2,788	2,878	3,056	3,315
Total equity	3,412	3,501	3,679	3,939
Total liabilities and equity	3,698	3,867	4,009	4,283

Source : RBL Research

Cash flow – standalone

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Profit Before Tax	945	918	1,214	1,428
Depreciation	27	29	34	34
Interest expenses	4	4	5	5
Other adjustments	(179)	(149)	(29)	(31)
Changes In working Capital	(34)	(41)	(15)	(32)
Cash Flow after changes in working capital	763	761	1,208	1,405
Tax paid	(202)	(169)	(284)	(334)
Cash from operating activities	561	592	924	1,070
Interest Income	24	36	29	31
(Purchase)/sale of investment	(155)	122	(70)	(78)
Other adjustments	(7)	(40)	2	(13)
Cash flow from investing activities	(138)	118	(39)	(60)
Interest paid	(4)	(4)	(5)	(5)
Equity dividend paid	(526)	(717)	(846)	(963)
Other adjustments	105	8	-	-
Cash from financing activities	(425)	(713)	(851)	(968)
Net cash inflow/outflow	(2)	(3)	33	42
Opening cash and cash equivalents	7	4	1	35
Closing cash & cash equivalents	4	1	35	77

Source : RBL Research

Valuation – standalone

Particulars	FY23	FY24E	FY25E	FY26E
P/E (x)	45.9	32.9	25.8	21.4
P/B (x)	9.8	9.6	9.1	8.5
Mcap to AuM (%)	5.1	5.0	4.0	3.3
Dividend yield (%)	4.9	2.7	3.3	3.8

Source : RBL Research

Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com
Riddhika Mirajkar	riddhika.mirajkar@religare.com
Ashwani Harit	ashwani.harit@religare.com
James Kunnel	james.kunnel@religare.com

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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