

**Surge in AuM along with improvement in margins leading to top-line growth**

Q2FY24 Result Update | Sector: BFSI-AMC | October 31, 2023

**BUY**

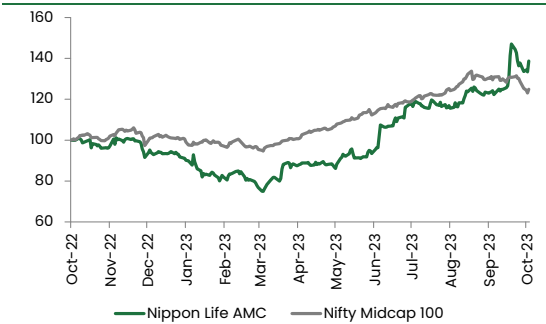
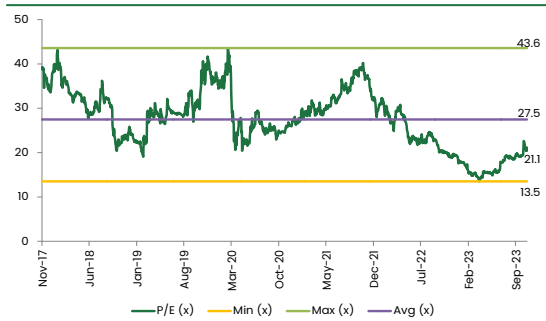
<b>CMP (Rs)</b>	<b>371</b>
<b>Target Price (Rs)</b>	<b>435</b>
<b>Potential Upside</b>	<b>17.5%</b>
<b>Sensex</b>	64,113
<b>Nifty</b>	19,141

**Key Stock data**

<b>BSE Code</b>	540767
<b>NSE Code</b>	NAM-INDIA
<b>Bloomberg</b>	NAM:IN
<b>Shares o/s, Cr (FV 10)</b>	62.5
<b>Market Cap (Rs Cr)</b>	23,245
<b>3M Avg Volume</b>	883,072
<b>52 week H/L</b>	398/197

**Shareholding Pattern**

(%)	Mar-23	Jun-23	Sep-23
<b>Promoter</b>	73.7	73.6	73.5
<b>FII</b>	5.0	4.8	5.1
<b>DII</b>	9.4	10.2	14.6
<b>Public</b>	12.0	11.3	6.9

**1 year relative price performance**

**1 year forward P/E (x)**

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**Strong AuM growth and market share gain:** Nippon India Life Asset Management recorded strong AuM growth of 11.8% QoQ/23% YoY to Rs 3,506 Bn which was higher than the industry growth of 9% QoQ/20.3% YoY to Rs 47,000 Bn even after the regulator had announced restriction in lumpsum investment in small cap funds. The higher than industry growth led to gain in market share after 5 consecutive quarters by 18.3bps QoQ/16.1bps YoY to 7.5%. The company gained market share in each category of funds during the quarter. Its market share in equity increased by 26bps QoQ to 6.53%.

**Stable yields:** The company blended yields on assets remained stable at ~45bps on a consolidated basis after continuous decline in yields. The stabilizing yields was mainly due to increasing proportion of equity AuM in overall AuM mix. The company continues to focus on assets which are high yielding and remain sticky in nature. The equity AuM increased by 180bps QoQ/380bps YoY.

**Revenue and profitability growth:** Owing to growth in AuM and stabilizing yields, the revenue from operations saw a healthy growth of 11.9% QoQ/19.1% YoY to Rs 368 Cr. The company managed to control its costs which led to increase in EBITDA by 19.3% QoQ/25.3% YoY to Rs 236 Cr along with margin improvement of 400bps QoQ/316bps YoY to 64.2%. Miscellaneous expenses increased due to its investment in technology which shall aid in operating leverage going forwards. Employee cost has remained stable due to increasing digitalization as certain process has become more efficient with backend support.

**Quarterly SIP book gaining traction:** The company continues to see traction across the funds amongst the retail investors as the quarterly SIP book saw a surge of 37.6% QoQ/84.4% YoY to Rs 47.2 Bn. Along with the growth in quarterly book, its unique investors continue to increase at a healthy rate at 3.5% QoQ/9% YoY to 14.6 Mn. However, its market share in unique investor declined marginally by 70bps QoQ/90bps YoY to 36.2%. Quarterly SIP folios increased by 15.4% QoQ/39.5% YoY to 6 Mn. Its folio count in B-30 cities were up by 5.1% QoQ/15.5% YoY to 8.2 Mn, however market share declined marginally.

**Retail and HNI market share increase:** During the quarter, the company saw an uptick in the retail and HNI investors in the overall investors mix. The increase came in the at the expense of corporate investors which declined by 200bps QoQ/500bps YoY to 42%. The company continues its focus on individual customer category. Also, the market share in the individual investor category increased by 29bps QoQ to 7.45% while its AuM increase 14% QoQ to Rs 2,094 Bn.

**Valuation:** We remain positive on NAM-India on the back growth on its AuM, increase in folios and unique investment and stabilizing yields along management indicating that yields will start upward trend from FY25E onwards. The company has leadership position in ETFs with a market share of 61% in terms of volume while its hold in B-30 cities is strong than its peers. We expect revenue/EBITDA/PAT to grow at a CAGR of 21.6%/28%/23.7% over FY23-25E. Factoring the AuM growth of 22% CAGR over FY23-25E along with yields at ~0.44% by FY25E, we maintain **Buy** and revise our target upwards to **Rs 435** valuing the company at 25x PE of its FY25E EPS.

**Financial Summary - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Revenue from operations</b>	<b>1,214</b>	<b>1,259</b>	<b>1,615</b>	<b>1,925</b>
Other income	214	172	180	192
<b>Total income</b>	<b>1,428</b>	<b>1,431</b>	<b>1,796</b>	<b>2,117</b>
Total expenses	452	480	543	649
Profit before tax	945	918	1,214	1,428
Margin (%)	66	64	68	67
<b>Profit after tax</b>	<b>711</b>	<b>715</b>	<b>930</b>	<b>1,094</b>
<b>Margin (%)</b>	<b>49.8</b>	<b>50.0</b>	<b>51.8</b>	<b>51.7</b>
EPS (Rs)	10.5	11.5	14.9	17.6
<b>P/E (x)</b>	<b>35.2</b>	<b>32.3</b>	<b>24.8</b>	<b>21.1</b>
<b>RoE (%)</b>	<b>22.6</b>	<b>20.7</b>	<b>26.9</b>	<b>30.7</b>

Source : RBL Research

**Con-call highlights:** 1) Market share up 18bps QoQ to 7.46%, market share increased across all product categories. 2) Equity share continues to grow from 6.18% to 6.53%, 26bps QoQ improvement. 3) The company is seeing new SIP registrations of 3.5 Lakhs per months and ~10 Lakhs registrations every quarter. 4) It added 1.2 Mn investor folios during the quarter and continue to be largest folio base in the industry with 14.6 Mn unique investors. 5) Every 1 out of 3 mutual fund investors have invested in the company's funds. 6) AuM of new NFO Nippon India Innovation Fund stood at Rs 9.6 Bn. 7) Unique system transactions increased by 20% QoQ to ~12.8 Mn. 8) The management said that 64% of SIP AuM has continued for over 5 years vs 26% for the industry while low portfolio sizes have displayed better stickiness. 9) Digital purchase transaction was up 64% YoY in H1FY24 with growth 51% QoQ in Q2FY24. 10) With regards to the physical distribution, it added 2,000 distributors during the quarter. 11) With regards to category yields, equity funds have 70bps yields, debt funds have 25bps-30bps yield, liquid funds and ETFs have 15bps-20bps yield. 12) The company continues to focus on assets which are sticky in nature. 13) The company continues to monitor the development on the EIR norms by the regulator and is waiting for the revised paper and the overall industry feedback.

#### Income statement – standalone

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
<b>Revenue from operations</b>	<b>368.1</b>	<b>309.0</b>	<b>19.1</b>	<b>329.0</b>	<b>11.9</b>
Yield (%)	0.5	0.5	-1bps	0.5	0bps
Other income	72.0	73.8	(2.5)	105.7	(31.9)
<b>Total income</b>	<b>440.1</b>	<b>382.8</b>	<b>15.0</b>	<b>434.7</b>	<b>1.2</b>
Fees and commission	2.1	3.7	(42.3)	2.2	(2.3)
Employees cost	70.9	70.6	0.4	70.9	(0.0)
Misc expenses	58.7	46.0	27.5	57.8	1.6
<b>EBITDA</b>	<b>236.4</b>	<b>188.7</b>	<b>25.3</b>	<b>198.1</b>	<b>19.3</b>
<b>Margin (%)</b>	<b>64.2</b>	<b>61.1</b>	<b>316bps</b>	<b>60.2</b>	<b>400bps</b>
Depreciation	7.0	6.9	1.4	7.9	(11.3)
<b>EBIT</b>	<b>229.4</b>	<b>181.8</b>	<b>26.2</b>	<b>190.2</b>	<b>20.6</b>
<b>Margin (%)</b>	<b>62.3</b>	<b>58.8</b>	<b>349bps</b>	<b>57.8</b>	<b>449bps</b>
Finance cost	1.7	0.8	119.7	1.3	31.5
<b>Profit before tax</b>	<b>299.7</b>	<b>254.8</b>	<b>17.6</b>	<b>294.6</b>	<b>1.7</b>
<b>Margin (%)</b>	<b>68.1</b>	<b>66.6</b>	<b>154bps</b>	<b>67.8</b>	<b>32bps</b>
Tax	64.5	58.3	10.7	72.2	(10.6)
Tax rate (%)	21.5	22.9	-133bps	24.5	-297bps
<b>Profit after tax</b>	<b>235.2</b>	<b>196.6</b>	<b>19.6</b>	<b>222.5</b>	<b>5.7</b>
<b>Margin (%)</b>	<b>53.4</b>	<b>51.3</b>	<b>209bps</b>	<b>51.2</b>	<b>226bps</b>
EPS - Basic (Rs.)	3.8	3.2	19.3	3.6	5.6

Source : RBL Research

Revenue from operations increased by 19.1% YoY in Q2FY24

EBITDA saw a growth of 25.3% YoY along with margin improvement of 316bps YoY

PAT grew by 19.6% YoY with a margin of 53.4%

Quarterly SIP book increased by 84.4% YoY in Q2FY24

### Business parameters - standalone

Particulars, Rs bn	Q2FY24	Q2FY23	YoY (%)	Q1FY24	Q-o-Q (%)
<b>AuM</b>	<b>3,506.0</b>	<b>2,851.0</b>	<b>23.0</b>	<b>3,136.0</b>	<b>11.8</b>
Unique Investors (Mn)	14.6	13.4	9.0	14.1	3.5
Market share (%)	36.2	37.1	-90bps	36.9	-70bps
Quarterly Book	47.2	25.6	84.4	34.3	37.6
<b>Folios (Mn)</b>	<b>6.0</b>	<b>4.3</b>	<b>39.5</b>	<b>5.2</b>	<b>15.4</b>
<b>B-30 Folios (Mn)</b>	<b>8.2</b>	<b>7.1</b>	<b>15.5</b>	<b>7.8</b>	<b>5.1</b>
Market share (%)	11.5	11.7	-20bps	11.8	-30bps

Source : RBL Research

Equity funds in overall AuM mix increased by 380bps YoY to 46.8%

### AuM Mix

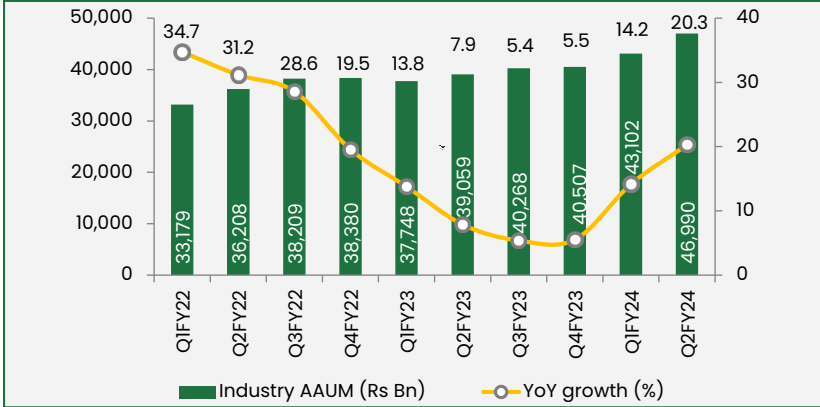
Particulars	Q2FY24	Q2FY23	Y-o-Y (bps)	Q1FY24	Q-o-Q (bps)
<b>Mutual funds QAAUM - Mix (%)</b>					
Equity	46.8	43.0	380bps	45.0	180bps
Debt	19.2	20.0	-80bps	21.0	-180bps
Liquid	11.0	14.0	-300bps	11.0	0bps
ETFs	23.0	22.0	100bps	24.0	-100bps
<b>Investor Mix (%)</b>					
Retail	30.0	29.0	100bps	30.0	0bps
HNI	28.0	24.0	400bps	27.0	100bps
Corporate	42.0	47.0	-500bps	44.0	-200bps
<b>Investor wise - Market share (%)</b>					
Retail	8.9	8.7	20bps	8.7	20bps
HNI	6.3	5.4	90bps	6.0	30bps
Corporate	7.7	7.9	-20bps	7.5	20bps

Source : RBL Research

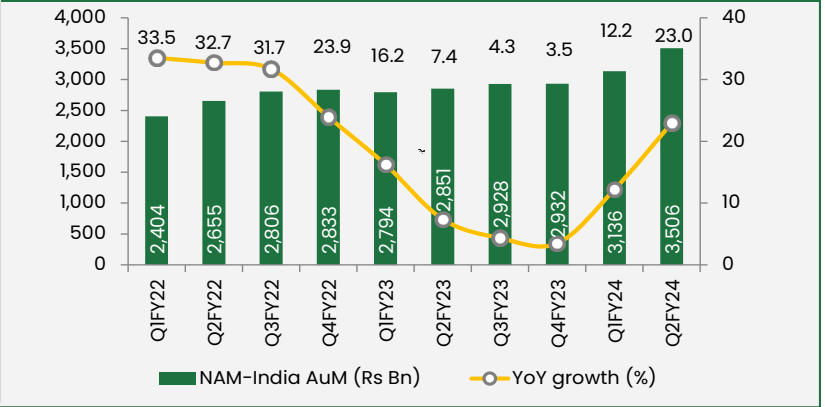
Market share amongst retail investors improved by 20bps in Q2FY24

Story in charts

Industry AuM grew 20.3% YoY in Q2FY24

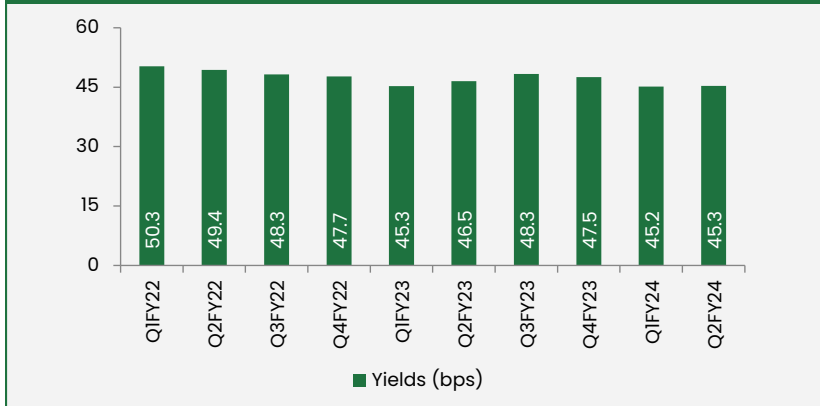


NAM-India AuM grew by 23% YoY in Q2FY24

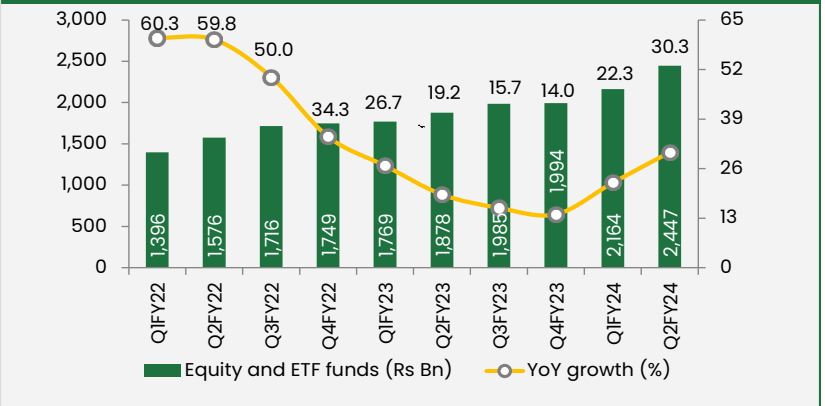


Source : RBL Research

Yields on assets stood at 45.3bps in Q2FY24

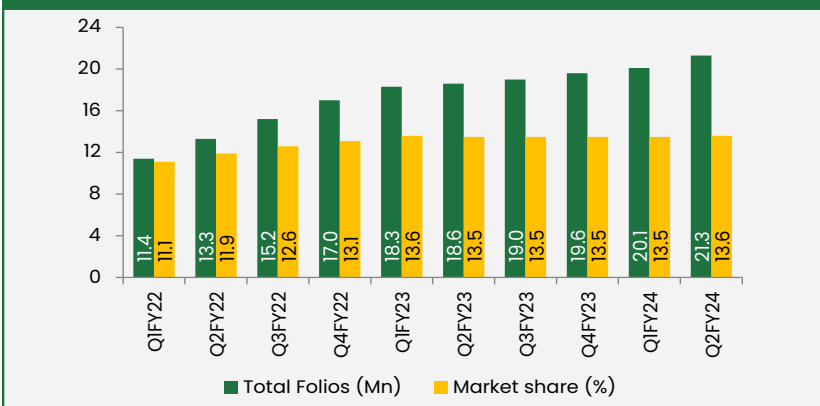


Uptick in equity and ETF funds

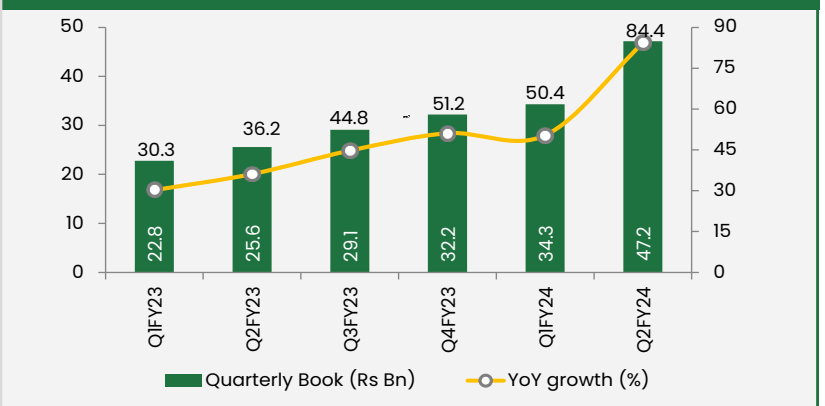


Source : RBL Research

Increasing folios and market share

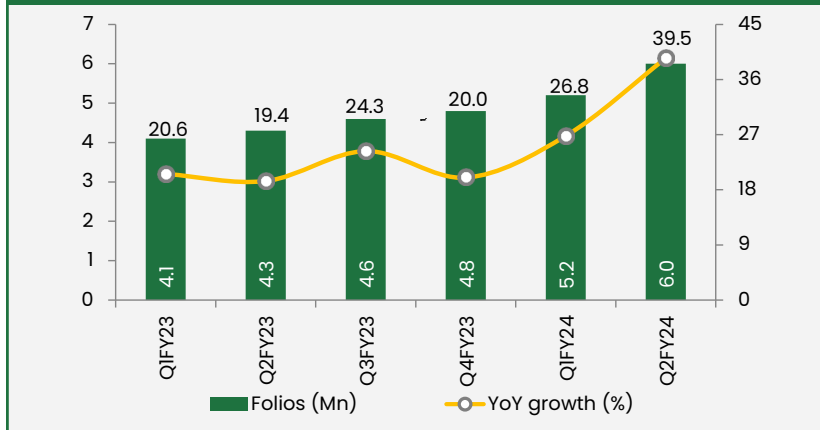


Quarterly book increased by 84.4% YoY in Q2FY24

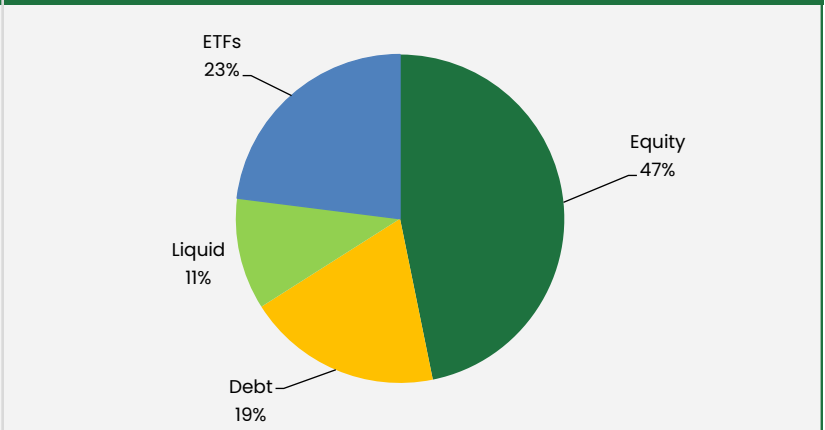


Source : RBL Research

Systematic transactions folio growing steadily



AuM mix (%) as on Q2FY24



Source : RBL Research

## Income statement – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Revenue from operations	1,214	1,259	1,615	1,925
<b>Total income</b>	<b>1,428</b>	<b>1,431</b>	<b>1,796</b>	<b>2,117</b>
Fee and commission expenses	16	10	12	14
Employee benefits expenses	268	273	295	329
Others expenses	169	197	236	306
<b>Total expenses</b>	<b>452</b>	<b>480</b>	<b>543</b>	<b>649</b>
<b>EBITDA</b>	<b>762</b>	<b>779</b>	<b>1,072</b>	<b>1,276</b>
Depreciation, amortization and impairment	27	29	34	34
<b>EBIT</b>	<b>735</b>	<b>750</b>	<b>1,038</b>	<b>1,242</b>
Other income	214	172	180	192
Finance costs	4	4	5	5
<b>Profit before tax</b>	<b>945</b>	<b>918</b>	<b>1,214</b>	<b>1,428</b>
Margin (%)	66	64	68	67
Tax	234	203	284	334
Tax rate (%)	25	22	23	23
<b>Profit after tax</b>	<b>711</b>	<b>715</b>	<b>930</b>	<b>1,094</b>
Margin (%)	49.8	50.0	51.8	51.7
EPS (Rs)	10.5	11.5	14.9	17.6
<b>P/E (x)</b>	<b>35.2</b>	<b>32.3</b>	<b>24.8</b>	<b>21.1</b>

Source : RBL Research

## Balance sheet – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Cash and bank balance	275	231	241	272
Trade receivables	66	87	97	121
Loans	36	67	64	66
Investments	2,878	2,935	3,005	3,083
Other financial assets	22	22	28	33
<b>Sub-total - financial assets</b>	<b>3,278</b>	<b>3,341</b>	<b>3,436</b>	<b>3,576</b>
Current tax assets (net)	31	14	14	14
Property, plant and equipment	10	11	10	10
Intangible assets	286	294	272	257
Other non-financial assets	40	37	48	57
<b>Sub-total - Non financial assets</b>	<b>367</b>	<b>356</b>	<b>344</b>	<b>338</b>
<b>Total assets</b>	<b>3,644</b>	<b>3,698</b>	<b>3,779</b>	<b>3,914</b>
Total outstanding dues	47	41	37	35
Other financial liabilities	112	116	120	126
<b>Sub-total - financial liabilities</b>	<b>159</b>	<b>156</b>	<b>158</b>	<b>162</b>
Current tax liabilities	-	25	25	25
Provisions	14	11	8	8
Deferred tax liabilities	68	58	58	58
Other non-financial liabilities	34	35	35	35
<b>Sub-total - Non financial liabilities</b>	<b>116</b>	<b>129</b>	<b>126</b>	<b>126</b>
Share Application money	1	0	0	0
Equity share capital	622	623	623	623
Other equity	2,746	2,788	2,872	3,003
<b>Total equity</b>	<b>3,368</b>	<b>3,412</b>	<b>3,495</b>	<b>3,626</b>
<b>Total liabilities and equity</b>	<b>3,644</b>	<b>3,698</b>	<b>3,780</b>	<b>3,914</b>

Source : RBL Research

## Cash flow – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Profit Before Tax</b>	<b>945</b>	<b>918</b>	<b>1,214</b>	<b>1,428</b>
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)
<b>Cash Flow after changes in working capital</b>	<b>763</b>	<b>761</b>	<b>1,208</b>	<b>1,405</b>
Tax paid	(202)	(169)	(284)	(334)
<b>Cash from operating activities</b>	<b>561</b>	<b>592</b>	<b>924</b>	<b>1,070</b>
Interest Income	24	36	29	31
(Purchase)/sale of investment	(155)	122	(70)	(78)
Other adjustments	(7)	(40)	2	(13)
<b>Cash flow from investing activities</b>	<b>(138)</b>	<b>118</b>	<b>(39)</b>	<b>(60)</b>
Interest paid	(4)	(4)	(5)	(5)
<b>Equity dividend paid</b>	<b>(526)</b>	<b>(717)</b>	<b>(846)</b>	<b>(963)</b>
Other adjustments	105	8	-	-
<b>Cash from financing activities</b>	<b>(425)</b>	<b>(713)</b>	<b>(851)</b>	<b>(968)</b>
<b>Net cash inflow/outflow</b>	<b>(2)</b>	<b>(3)</b>	<b>33</b>	<b>42</b>
Opening cash and cash equivalents	7	4	1	35
<b>Closing cash &amp; cash equivalents</b>	<b>4</b>	<b>1</b>	<b>35</b>	<b>77</b>

Source : RBL Research

## Valuation

Particulars	FY22	FY23	FY24E	FY25E
P/E (x)	35.2	32.3	24.8	21.1
P/B (x)	6.8	6.8	6.6	6.4
<b>Mcap to AuM (%)</b>	<b>5.5</b>	<b>5.1</b>	<b>5.3</b>	<b>4.5</b>
Dividend yield (%)	4.7	4.9	3.7	4.2

Source : RBL Research

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**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

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? <b>[If answer is yes, nature of Interest is given below this table]</b>		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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