Nippon Life India Asset Management Ltd

Steady core PAT; risk-reward favourable

- NAM India posted in-line core 2Q profit; PAT was at Rs3.4bn (-4% yoy/-13% qoq), weighed down by lower treasury gains, as yields were stable.
- QAAUM growth (+7% qoq) was led by equity, debt & commodity ETFs. NAM India indicated that the impact of a SEBI paper may be lower than perceived.
- We appreciate the focus on performance led by market share gains. We maintain our ADD rating on NAM India with a higher target price of Rs1,000.

India

ADD *(no change)*

Consensus ratings*:	Buy 19	Hold 5	Sell 0

Current price:	Rs872
Target price: ▲	Rs1,000
Previous target:	Rs920
Up/downside:	14.7%
InCred Research / Consensus:	10.9%
Reuters:	NIPF.NS
Bloomberg:	NAM IN
Market cap:	US$6,257m Rs555,029m
Average daily turnover:	US$8.7m Rs767.8m
Current shares o/s:	631.8m
Free float:	23.3%

**Source: Bloomberg*

Key changes in this note

- We pencil in margin yield improvement to cushion telescopic pricing and a slightly higher opex in FY26F.

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.4	5.9	27.0
Relative (%)	(4.5)	1.8	19.4

Major shareholders	% held
Nippon Life Insurance	72.1
LIC	3.1
HSBC	2.5

SEBI paper - management says damage may be lower than perceived

Nippon Life India Asset Management (NAM India) reported in-line 2QFY26 core operating profit, registering PAT of Rs3.4bn (-4% yoy/-13% qoq), weighed down by lower-than-expected treasury gains (-70% yoy/-75% qoq) due to volatile capital market returns. Management did not specify the quantum of the financial impact from the Securities and Exchange Board of India's recent consultation paper (28 Oct 2025), although it indicated that it will be less damaging than perceived.

Healthy QAAUM growth led by equity, debt & commodity ETFs

QAAUM grew by 20% yoy and 7% qoq led by a strong rise of 9% qoq in equity AUM to form 50% of the total AUM, followed by 13% qoq rise in debt AUM to form 16% of the total AUM, and 14% qoq rise in gold ETF to form 4% of the total AUM. On a period-end basis, gold ETF was up 36% qoq, with 53% volume market share and silver ETF up 89% qoq. Combined AUM in these two ETFs stood at Rs450bn. Under the AIF category, the AMC has a cumulative commitment of Rs87.2bn, of which Rs6.2bn was raised in 2QFY26, and the pipeline includes Nippon India Credit Opportunity AIF.

Stable yields; cut in commission to partially cushion yield pressure

Reported mutual fund (MF) revenue yield was flat qoq at 36bp, despite a 3bp qoq fall in equity yields, which was offset by a sharp jump in gold ETF (which carries a higher yield vs. regular ETF) and higher debt yields (+3bp qoq). The AMC cut the commission payout ratio for a fourth schemes, thus making 60% of equity schemes to witness a cut in commission over the last two years. Yet, management indicated a 2bp decline in the overall yield every year. We believe the further rationalization in commission payouts will partially cushion yields from telescopic pricing.

Outlook and valuation

We appreciate the clear focus of NAM India on building a strong network, with no single distributor contributing more than 3-4% to its sales, sustaining its good performance, and consistent market share gains. We maintain ADD rating on the stock with a higher target price of Rs1,000 (Rs920 earlier), valuing it at 31x FY27F EPS, led by performance-led market share gains. Downside risks: Weak inflow & underperformance of its 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	30,358	38,360	47,646
Operating Revenue (Rsm)	20,373	25,207	30,358	38,360	47,646
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	11,073	12,864	15,577	20,364	26,251
Core EPS (Rs)	17.58	20.27	24.47	31.99	41.23
Core EPS Growth	51%	15%	21%	31%	29%
FD Core P/E (x)	49.60	43.01	35.63	27.26	21.14
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	64.7	76.2	93.6
P/BV (x)	13.79	13.13	13.48	11.44	9.31
ROE	29.5%	31.4%	37.3%	45.3%	48.5%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Figure 1: Quarterly earnings summary

Rs m	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Total revenue from operations	**5,713**	**5,879**	**5,665**	**6,066**	**6,581**	**15.2%**	**8.5%**
Other income	1,208	154	230	1,460	366	-69.7%	-74.9%
Total revenue (Rs m)	**6,921**	**6,033**	**5,896**	**7,526**	**6,947**	**0.4%**	**-7.7%**
Total expenditure	2,060	2,116	2,118	2,287	2,392	16.1%	4.6%
Cost-to-income (%)	*29.8%*	*35.1%*	*35.9%*	*30.4%*	*34.4%*		
Profit before tax	**4,861**	**3,917**	**3,778**	**5,239**	**4,555**	**-6.3%**	**-13.1%**
Tax	1,261	965	795	1,282	1,113	-11.7%	-13.2%
Tax rate (%)	*25.9%*	*24.6%*	*21.0%*	*24.5%*	*24.4%*		
Profit after tax	**3,600**	**2,953**	**2,983**	**3,957**	**3,443**	**-4.4%**	**-13.0%**
QAAUM (Rs tr)	**5.49**	**5.70**	**5.57**	**6.13**	**6.57**	**19.5%**	**7.1%**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Earnings revision summary

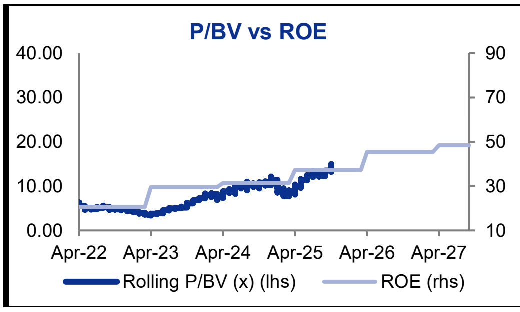
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	26,777	26,974	0.7%	34,007	34,514	1.5%	42,165	42,885	1.7%
PAT	16,028	15,561	-2.9%	19,986	20,348	1.8%	25,646	26,235	2.3%
EPS (Rs)	25.2	24.4	-3.1%	31.4	32.0	1.6%	40.4	41.2	2.1%
Dividend payout (%)	85	85	0.0%	85	85	0.0%	85	85	0.0%
QAAUM (Rs tr)	7.3	7.3	0.6%	9.1	9.2	0.4%	11.2	11.2	0.0%

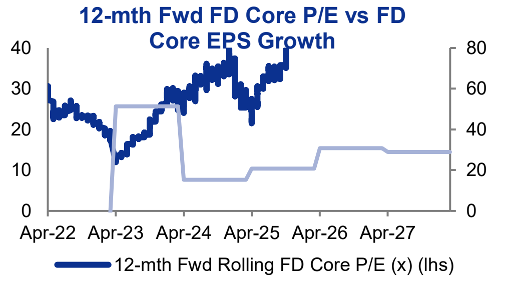
SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY26 earnings-call highlights ➤

- NAM India declared an interim dividend of Rs9 per share.
- The company is looking to expand its footprint across Asia, Europe and Latin America.
- Management is very bullish on the SIF category.
- Fund-raising is currently underway for two listed equity alternate investment funds (AIFs), residential real estate fund, and direct venture capital fund.
- NAM India launched three new products - Nippon India ETF Nifty 1D Rate Liquid Bees, Nippon India Nifty India Manufacturing ETF, and Nippon India Nifty India Manufacturing Index Fund. Also, completed the new fund offer (NFO) - Nippon India MNC Fund, which collected Rs3.8bn.
- It has ~49% share in ETF volume on NSE and BSE.
- Sourcing via fintech accounts for 25% of total SIP contribution.
- Yields: Equity funds - 54bp, Debt funds - 24bp, Liquid funds - 12bp, ETFs - 17bp.
- ESOP expense guidance for the full year is in the range of Rs400-430m and Rs260m for FY27F.
- The rise in other expenses is due to branding and tech expenses.

BY THE NUMBERS





Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
Total Non-Interest Income	**20,373**	**25,207**	**30,358**	**38,360**	**47,646**
Operating Revenue	20,373	25,207	30,358	38,360	47,646
Total Non-Interest Expenses	**(6,849)**	**(8,264)**	**(9,764)**	**(11,435)**	**(12,931)**
Pre-provision Operating Profit	13,525	16,943	20,593	26,925	34,715
Total Provision Charges					
Operating Profit After Provisions	13,525	16,943	20,593	26,925	34,715
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	13,525	16,943	20,593	26,925	34,715
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	13,525	16,943	20,593	26,925	34,715
Exceptional Items					
Pre-tax Profit	13,525	16,943	20,593	26,925	34,715
Taxation	(2,462)	(4,086)	(5,032)	(6,577)	(8,479)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	11,063	12,857	15,561	20,348	26,235
Minority Interests	(11)	(7)	(16)	(16)	(16)
Pref. & Special Div					
FX And Other Adj.					
Net Profit	11,073	12,864	15,577	20,364	26,251
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%	76.8%	76.9%	77.2%
Avg Liquid Assets/Avg IEAs	**108.3%**	**108.2%**	**108.3%**	**108.0%**	**108.3%**
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-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans					
Liquid Assets & Invst. (Current)	35,127	33,238	38,419	48,087	58,702
Other Int. Earning Assets					
Total Gross Int. Earning Assets	35,127	33,238	38,419	48,087	58,702
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	35,127	33,238	38,419	48,087	58,702
Intangible Assets					
Other Non-Interest Earning Assets	**2,352**	**1,911**	**3,152**	**3,832**	**4,658**
Total Non-Interest Earning Assets	**5,918**	**10,766**	**12,680**	**15,412**	**18,734**
Cash And Marketable Securities	2,706	2,877	3,106	3,775	5,136
Long-term Investments					
Total Assets	43,751	46,880	54,205	67,275	82,572
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	3,414	4,645	7,309
Total Liabilities	3,859	2,762	3,414	4,645	7,309
Shareholders Equity	39,822	42,129	41,173	48,533	59,617
Minority Interests					
Total Equity	39,822	42,129	41,173	48,533	59,617

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	45.8%	25.3%	21.5%	30.7%	28.9%
Pretax Profit Growth	46%	25%	22%	31%	29%
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%	24.4%	24.4%	24.4%
Net Dividend Payout Ratio					
Return On Average Assets	26.84%	28.36%	30.76%	33.48%	35.00%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.