

# Nippon Life India Asset Management | BUY

## Inline operating performance; other income disappoints

NAM reported in-line operating performance, with core revenues at INR 5.88bn (+3% QoQ, +39% YoY, -1% JMFe) as overall QAAUM grew +51% YoY/+3.8% QoQ and revenue yields help up at 41.3bps (-0.3bps QoQ). However, lower than expected other income of INR 154mn (-87% QoQ) resulted in a miss on total revenue (-12.8% QoQ, -6.3% JMFe) and depreciated PAT of INR 2.95bn (-18% QoQ). Opex (+23% YoY, +3% QoQ) was higher due to ESOP costs of INR 110mn in Q3 while core PBT (PBT excluding other income) grew +3.0% QoQ, +50% YoY and came in at 26bps (-1bp QoQ) of QAAUM - along expected lines. Muted sequential results were primarily due to subdued growth in equity QAAUM to INR 2,829bn (+3.4% QoQ) as equity markets declined ~8% in Q3. Moderation in fall of revenue yields was explained by rationalization of distribution commissions of Large-cap and Multi-cap schemes in Q3 (combined AUM of ~INR 760bn), after Small-cap fund earlier in the year. Mgmt. highlighted that these three schemes amount to about 45%-50% of AAUM and that it will look for similar opportunities in the remaining book to arrest the pace of decline in yields. SIP market share further improved and moved to double digits during 3Q25 while equity AUM market share improved 3bps QoQ to 6.99%. Expenses should moderate from hereon with normalising ESOP costs and only a gradual expansion in branches. We adjust our FY25/FY26 earnings estimates by +2/-4% and roll forward to FY27, valuing NAM at 26x FY27 EPS of INR 30, to get a revised TP of INR 777. With its strong market share gains and continued focus on SIPs across schemes, NAM remains our top pick in the AMC space. Reiterate BUY.

- Core revenues in-line; other income lower due to MTM decline:** Pace of growth in equity QAAUM of INR 2,829bn moderated to 57% YoY/3.4% QoQ as equity markets declined ~8% in Q3. Core revenue was in-line at INR 5.88bn (+3% QoQ, +39% YoY, -1% JMFe) while other income declined 87% QoQ. Mgmt. explained the decline was majorly due to decline in equity investments made in AIF schemes as a part of seed capital requirement. Revenue yields held up well at 41.3bps QAAUM (-0.3bps QoQ) as the company rationalised distribution commissions of Large-cap and Multi-cap schemes. Mgmt. highlighted that schemes amounting to about 45-50% of AAUM have seen rationalisation and that it will look for similar opportunities in the remaining book to arrest the pace of decline in yields.
- Expenses growth to taper off gradually in the medium term:** Expenses were elevated at INR 2.12bn, +22.8% YoY, +2.7% QoQ - led by other operating expenses (+8.1% QoQ, +25% YoY) and sustained employee expenses at INR 1.07bn (+22% YoY), with ESOP expenses of INR 110mn in Q3. Expenses should moderate from here on with reducing ESOP costs (~INR 450mn/225mn in FY25/FY26) and only a gradual expansion in branches.
- Operating PBT strong at 26bps (-1bp QoQ & YoY) of QAAUM:** Operating PBT came in at INR 3.76bn (+50% YoY, +3.0% QoQ) as NAM gained equity AUM market share (+12bps QoQ in Q3) to 6.99%. Mgmt. mentioned that SIP market moved to double digits during 3Q25. While expenses were ahead of expectation, opex intensity (total costs to QAAUM) was flat QoQ/-3bps YoY at 15bps of QAAUM.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	777
Upside/(Downside)	22.3%
Previous Price Target	800
Change	-2.9%

### Key Data – NAM IN

Current Market Price	INR654
Market cap (bn)	INR414.6/US\$4.8
Free Float	22%
Shares in issue (mn)	612.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR808.2/US\$9.3
52-week range	816/430
Sensex/Nifty	76,520/23,205
INR/US\$	86.5

### Price Performance

%	1M	6M	12M
Absolute	-12.3	4.1	34.5
Relative*	-10.0	9.4	23.7

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary	(INR mn)				
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Mutual Fund AUM (INR bn)	2,869	4,313	5,375	6,067	6,873
YoY growth (%)	3%	50%	25%	13%	13%
% of equity MF AUM (closing basis)	44%	49%	55%	58%	60%
<b>Consol. Revenues (INR mn)</b>	<b>15,166</b>	<b>20,373</b>	<b>25,755</b>	<b>29,477</b>	<b>33,953</b>
Total operating expenses (INR mn)	5,889	6,849	8,359	8,948	9,773
<b>Consol. PAT (INR mn)</b>	<b>7,229</b>	<b>11,063</b>	<b>13,169</b>	<b>15,601</b>	<b>18,376</b>
YoY growth (%)	-3%	53%	19%	18%	18%
<b>Consol PAT / Avg. AUM (RoAUM) (%)</b>	<b>0.26%</b>	<b>0.31%</b>	<b>0.27%</b>	<b>0.27%</b>	<b>0.28%</b>
RoE (%)	20.7%	29.5%	31.1%	32.9%	34.7%
EPS (INR)	11.8	18.1	21.5	25.5	30.0
<b>P/E (x)</b>	<b>53.8</b>	<b>35.1</b>	<b>29.5</b>	<b>24.9</b>	<b>21.1</b>

Source: Company data, JM Financial. Note: Valuations as of 23/Jan/2025

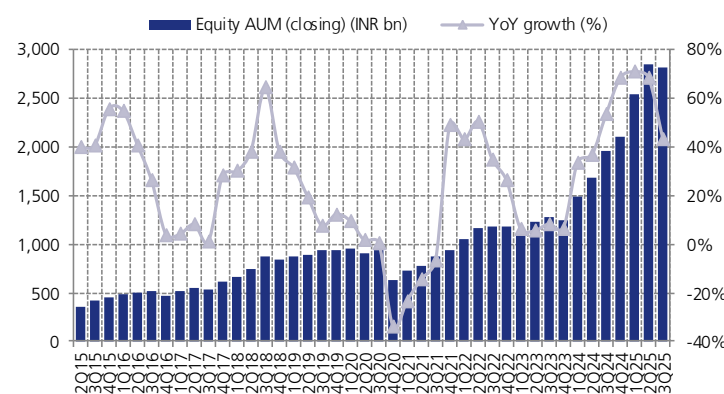
- Valuation and view:** At CMP, the stock trades at 25x/21x FY26/FY27 JMFe EPS. NAM has grown its equity AAUM at a faster pace compared to listed players over the trailing 12 months. This is expected help the company in accruing steady revenues despite market weakness translating into earnings stability (we expect EPS CAGR of 18.4% over FY24-FY27e). We adjust our FY25/FY26 earnings estimates by +2/-4% and roll forward to FY27, valuing NAM at 26x FY27 PAT with TP of INR 777. With its strong market share gains and continued focus on SIPs across schemes, NAM remains our top pick in the AMC space. Reiterate BUY.

**Exhibit 1. NAM 3Q25: Key quarterly trends**

Consolidated P&L (INR mn)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)
<b>Revenue from operations</b>	4,233	5,713	5,879	2.9%	38.9%
Employee benefits expense	875	1,069	1,065	-0.4%	21.8%
Marketing & publicity expense	156	192	187	-2.7%	20.1%
Other operating expenses	693	799	864	8.1%	24.7%
<b>Total expenses</b>	<b>1,723</b>	<b>2,060</b>	<b>2,116</b>	<b>2.7%</b>	<b>22.8%</b>
<b>Operating PBT</b>	<b>2,510</b>	<b>3,653</b>	<b>3,763</b>	<b>3.0%</b>	<b>49.9%</b>
Other income	1,071	1,208	154	-87.2%	-85.6%
PBT	3,581	4,861	3,917	-19.4%	9.4%
<b>PAT</b>	<b>2,843</b>	<b>3,599</b>	<b>2,952</b>	<b>-18.0%</b>	<b>3.8%</b>
QAAUM (INR bn)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)
Equity	1,805	2,736	2,829	3.4%	56.7%
Debt	411	460	534	16.1%	29.9%
Liquid	542	678	678	-0.1%	25.0%
Other	1,019	1,617	1,659	2.6%	62.9%
<b>Overall</b>	<b>3,777</b>	<b>5,492</b>	<b>5,700</b>	<b>3.8%</b>	<b>50.9%</b>
DuPont analysis	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)
<b>Revenue / QAAUM (%)</b>	<b>0.45%</b>	<b>0.42%</b>	<b>0.41%</b>	<b>0.00%</b>	<b>-0.04%</b>
Employee exp / QAAUM(%)	0.09%	0.08%	0.07%	0.00%	-0.02%
Marketing & publicity exp / QAAUM(%)	0.02%	0.01%	0.01%	0.00%	0.00%
Total cost / QAAUM (%)	0.18%	0.15%	0.15%	0.00%	-0.03%
<b>Operating PBT / QAAUM(%)</b>	<b>0.27%</b>	<b>0.27%</b>	<b>0.26%</b>	<b>0.00%</b>	<b>0.00%</b>
Other income / QAAUM(%)	0.11%	0.09%	0.01%	-0.08%	-0.10%
PBT / QAAUM (%)	0.38%	0.35%	0.27%	-0.08%	-0.10%
<b>PAT / QAAUM(%)</b>	<b>0.30%</b>	<b>0.26%</b>	<b>0.21%</b>	<b>-0.05%</b>	<b>-0.09%</b>

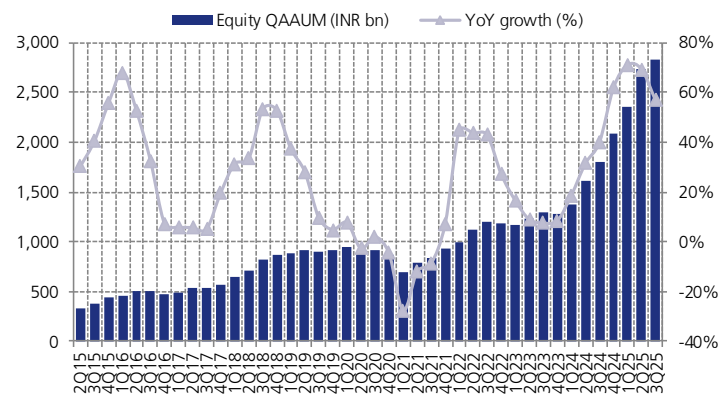
Source: Company, JM Financial

**Exhibit 2. Equity AUM closed +43% YoY; declined QoQ**



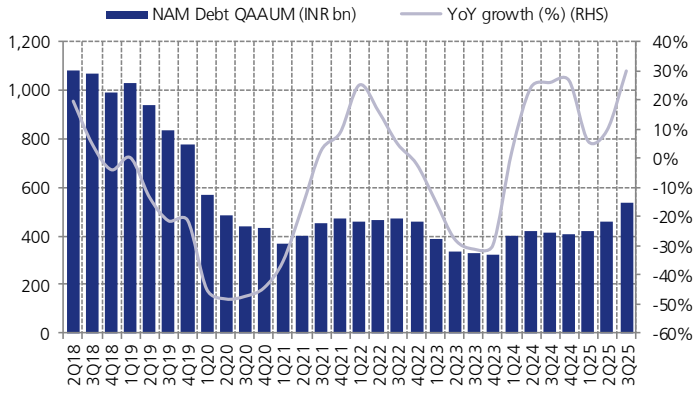
Source: Company, JM Financial

**Exhibit 3. Equity QAAUM grew +57% YoY/+3.4% QoQ**



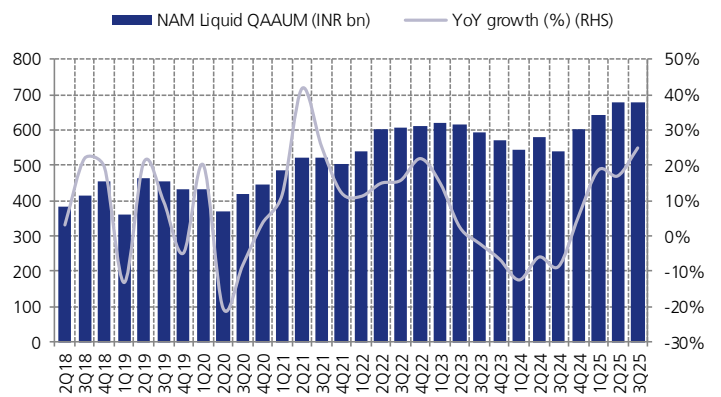
Source: Company, JM Financial

Exhibit 4. Debt QAAUM grew +30% YoY/+16% QoQ



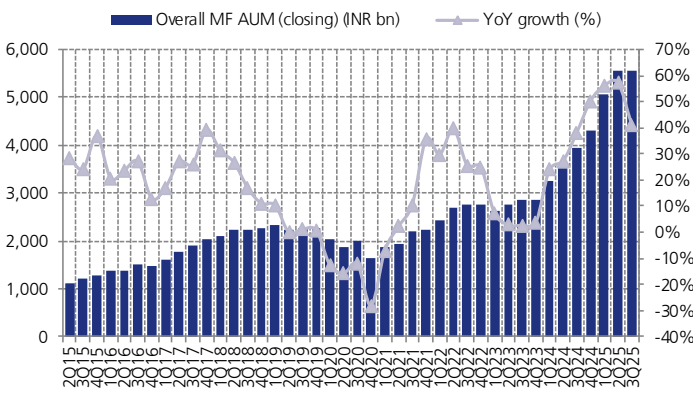
Source: Company, JM Financial

Exhibit 5. Liquid QAAUM grew +25% YoY/flat QoQ



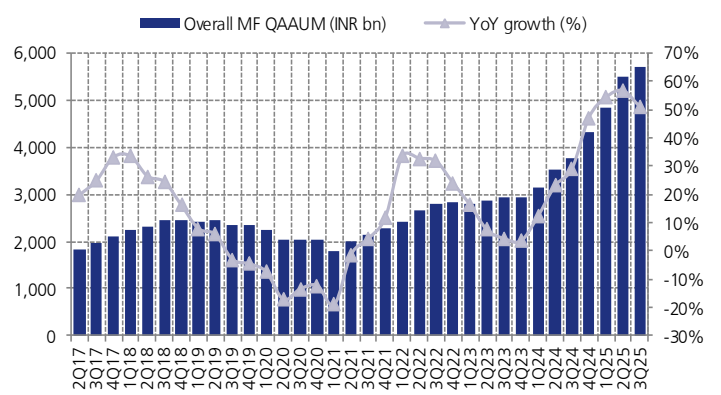
Source: Company, JM Financial

Exhibit 6. Overall MF closing AUM grew +41% YoY/+0.3% QoQ



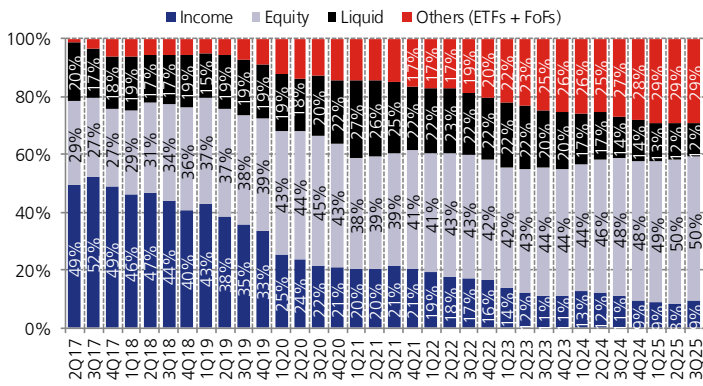
Source: Company, JM Financial

Exhibit 7. Overall MF QAAUM grew +51% YoY/+4% QoQ



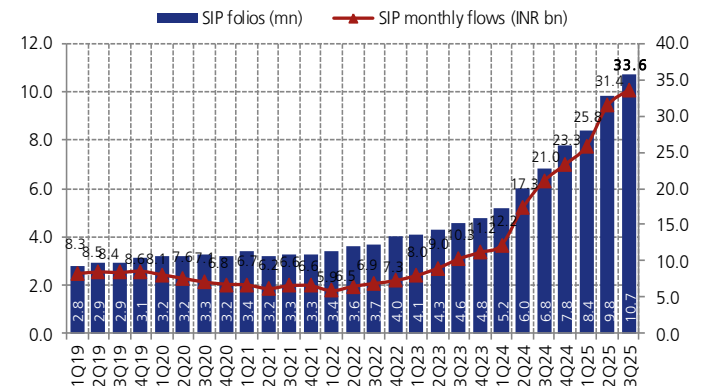
Source: Company, JM Financial

Exhibit 8. Equity share of AUM has grown to 50% of QAAUM



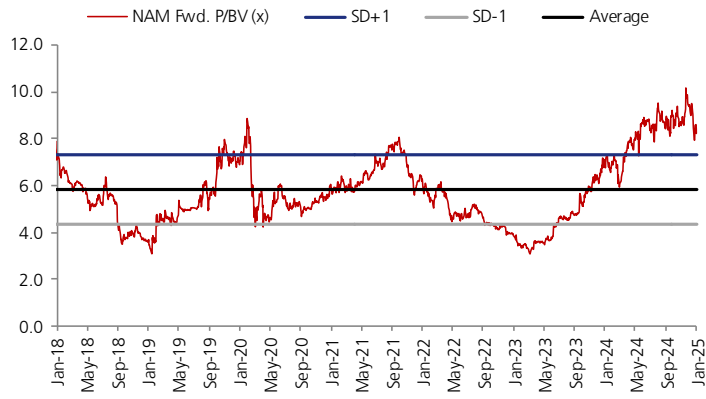
Source: Company, JM Financial

Exhibit 9. SIP inflows have grown 3x+ over 1Q19-3Q25



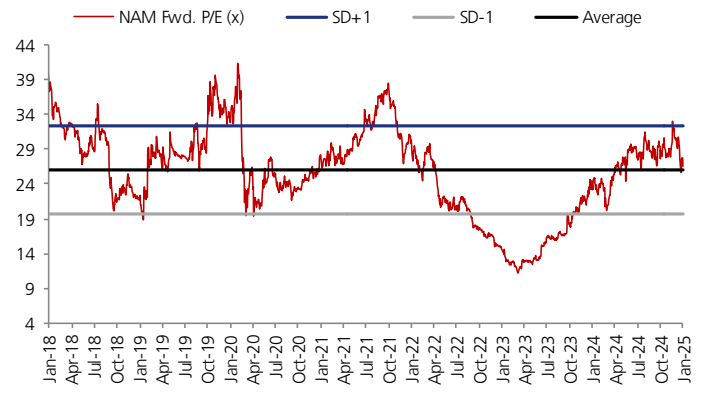
Source: Company, JM Financial

**Exhibit 10. NAM: Stock has re-rated with AuM growth**



Source: Bloomberg, JM Financial

**Exhibit 11. NAM: Stock is trading at about historical mean P/Ex**



Source: Bloomberg, JM Financial

## Financial Tables (Consolidated)

## Income Statement (INR mn)

	FY23	FY24	FY25E	FY26E	FY27E
Invst. Mgmt. Fees	13,200	16,133	22,060	26,115	30,307
PMS Fees	299	299	385	443	510
<b>Investment Management fees</b>	<b>13,498</b>	<b>16,432</b>	<b>22,446</b>	<b>26,558</b>	<b>30,816</b>
Total Other income	1,668	3,941	3,309	2,918	3,136
<b>Total Revenue</b>	<b>15,166</b>	<b>20,373</b>	<b>25,755</b>	<b>29,477</b>	<b>33,953</b>
Employee costs	3,004	3,360	4,348	4,513	4,874
Admin & Other expenses	1,709	2,064	2,374	2,611	2,924
Mktg & publicity expenses	878	1,133	1,340	1,501	1,622
<b>Total Operating Expenses</b>	<b>5,591</b>	<b>6,557</b>	<b>8,062</b>	<b>8,625</b>	<b>9,420</b>
Diminution in LT investments	298	291	297	324	353
<b>Total Expenditure</b>	<b>5,889</b>	<b>6,849</b>	<b>8,359</b>	<b>8,948</b>	<b>9,773</b>
<b>PBT</b>	<b>9,277</b>	<b>13,525</b>	<b>17,396</b>	<b>20,528</b>	<b>24,179</b>
Tax	(2,048)	(2,462)	(4,175)	(4,927)	(5,803)
<b>PAT (Pre-Extraordinaries)</b>	<b>7,229</b>	<b>11,063</b>	<b>13,221</b>	<b>15,601</b>	<b>18,376</b>
Less: Share of Minority SHs	4	11	-	-	-
<b>Reported Profit (PAT)</b>	<b>7,233</b>	<b>11,073</b>	<b>13,221</b>	<b>15,601</b>	<b>18,376</b>

Source: Company, JM Financial

## Balance Sheet (INR mn)

	FY23	FY24	FY25E	FY26E	FY27E
Share capital	6,232	6,300	6,300	6,300	6,300
Reserves & Surplus	28,922	33,522	38,631	43,656	49,551
<b>Networth</b>	<b>35,154</b>	<b>39,822</b>	<b>44,931</b>	<b>49,956</b>	<b>55,851</b>
Preference shares	-	-	-	-	-
Minority interest	-	-	-	-	-
Current Liabilities	2,620	2,951	3,246	3,570	3,927
Provisions	127	84	105	131	164
<b>Total Liabilities</b>	<b>37,901</b>	<b>42,857</b>	<b>48,282</b>	<b>53,657</b>	<b>59,942</b>
Net Fixed Assets	3,073	3,328	3,474	3,638	3,822
Non Current investments	30,231	35,127	38,446	42,091	46,095
<b>Total Non-current assets</b>	<b>34,204</b>	<b>38,847</b>	<b>42,139</b>	<b>45,786</b>	<b>49,820</b>
Total Current investments	-	-	-	-	-
<b>Total Current Assets</b>	<b>3,697</b>	<b>4,009</b>	<b>6,142</b>	<b>7,871</b>	<b>10,123</b>

Source: Company, JM Financial

Source: Company, JM Financial

## Mutual Fund AUM Mix (%)

Based on closing AUM	FY23	FY24	FY25E	FY26E	FY27E
Equity	44%	49%	55%	58%	60%
Debt	13%	9%	8%	7%	6%
Liquid	16%	12%	10%	9%	8%
Others	27%	30%	28%	26%	26%
<b>Total AUM</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company, JM Financial

## Growth ratios (YoY %)

	FY23	FY24	FY25E	FY26E	FY27E
Inv mgmt fees	3.3%	21.7%	36.6%	18.3%	16.0%
Other income	-27.2%	136.3%	-16.0%	-11.8%	7.5%
<b>Revenue</b>	<b>-1.2%</b>	<b>34.3%</b>	<b>26.4%</b>	<b>14.5%</b>	<b>15.2%</b>
Employee cost	3.5%	11.9%	29.4%	3.8%	8.0%
Admin & other exp	12.4%	20.8%	15.0%	10.0%	12.0%
Marketing & publicity exp	13.4%	29.1%	18.3%	12.0%	8.1%
Total operating exp	7.6%	17.3%	22.9%	7.0%	9.2%
<b>PBT</b>	<b>-6.2%</b>	<b>45.8%</b>	<b>28.6%</b>	<b>18.0%</b>	<b>17.8%</b>
Tax	-16.5%	20.2%	69.6%	18.0%	17.8%
<b>PAT</b>	<b>-2.8%</b>	<b>53.1%</b>	<b>19.4%</b>	<b>18.0%</b>	<b>17.8%</b>
Total Assets	1.9%	13.1%	12.7%	11.1%	11.7%
Equity AUM	6.5%	68.4%	39.3%	19.9%	16.3%
Debt AUM	-7.2%	7.8%	0.7%	1.1%	0.6%
Liquid AUM	-22.1%	10.1%	2.7%	2.6%	2.4%
Other AUM	29.0%	65.3%	16.7%	5.8%	13.6%
<b>Total AUM</b>	<b>3.4%</b>	<b>50.4%</b>	<b>24.6%</b>	<b>12.9%</b>	<b>13.3%</b>

Source: Company, JM Financial

## Valuation

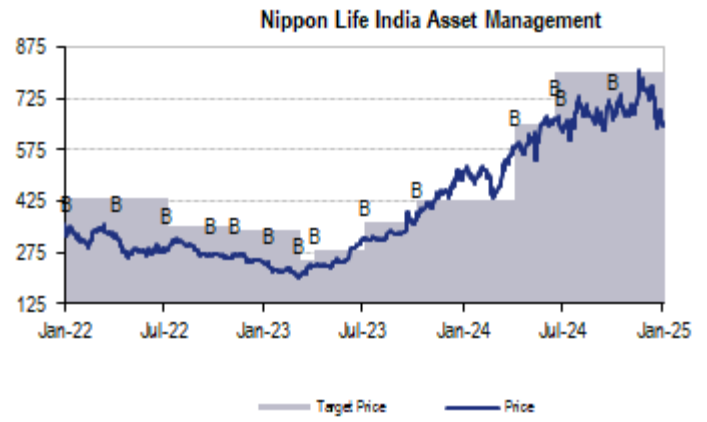
	FY23	FY24	FY25E	FY26E	FY27E
Shares in issue (mn)	612.0	612.0	612.0	612.0	612.0
<b>EPS (INR)</b>	<b>11.8</b>	<b>18.1</b>	<b>21.6</b>	<b>25.5</b>	<b>30.0</b>
EPS (YoY)(%)	-3%	53%	20%	18%	18%
<b>PER (x)</b>	<b>55.4</b>	<b>36.2</b>	<b>30.3</b>	<b>25.7</b>	<b>21.8</b>
BV (INR)	57.4	65.1	73.4	81.6	91.3
BV (YoY)	1.1%	13.3%	12.8%	11.2%	11.8%
P/BV (x)	11.4	10.0	8.9	8.0	7.2
DPS (INR)	11.7	13.3	17.3	20.4	24.0
Div. yield (%)	1.8%	2.0%	2.6%	3.1%	3.7%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Sep-20	Buy	290	
27-Oct-20	Buy	290	0.0
27-Jan-21	Buy	365	25.9
28-Apr-21	Buy	350	-4.1
31-Aug-21	Hold	435	24.3
15-Dec-21	Buy	435	0.0
27-Jan-22	Buy	435	0.0
26-Apr-22	Buy	435	0.0
28-Jul-22	Buy	350	-19.5
19-Oct-22	Buy	350	0.0
29-Nov-22	Buy	340	-2.9
30-Jan-23	Buy	340	0.0
29-Mar-23	Buy	250	-26.5
26-Apr-23	Buy	280	12.0
27-Jul-23	Buy	365	30.4
30-Oct-23	Buy	430	17.8
28-Apr-24	Buy	650	51.2
9-Jul-24	Buy	800	23.1
21-Jul-24	Buy	800	0.0
25-Oct-24	Buy	800	0.0

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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