

Uptick in AuM growth while Yields decline; Maintain Buy

Q1FY24 Result Update | Sector: BFSI-AMC | July 28, 2023

BUY

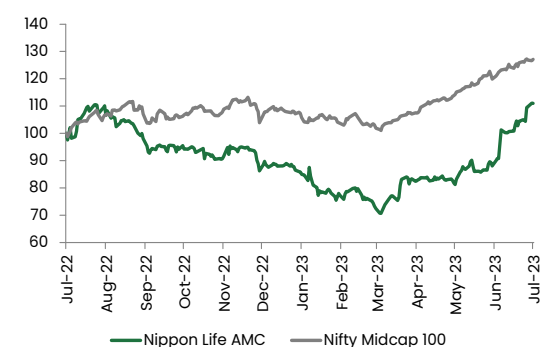
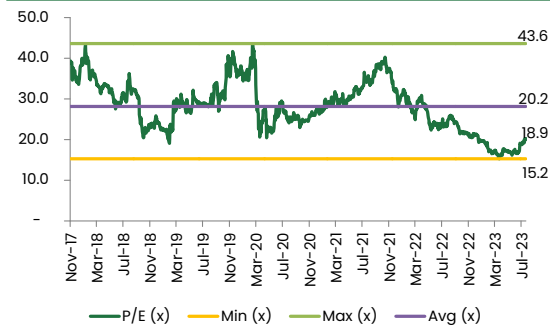
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|--------------------------|--------------|
| CMP (Rs) | 317 |
| Target Price (Rs) | 374 |
| Potential Upside | 18.0% |
| Sensex | 66,267 |
| Nifty | 19,660 |

Key Stock data

| | |
|-------------------------------|-----------|
| BSE Code | 540767 |
| NSE Code | NAM-INDIA |
| Bloomberg | NAM:IN |
| Shares o/s, Cr (FV 10) | 62.3 |
| Market Cap (Rs Cr) | 14,916 |
| 3M Avg Volume | 484,586 |
| 52 week H/L | 326/197 |

Shareholding Pattern

| (%) | Dec-22 | Mar-23 | Jun-23 |
|-----------------|--------|--------|--------|
| Promotor | 73.7 | 73.7 | 73.6 |
| FII | 5.8 | 5.0 | 4.8 |
| DII | 9.1 | 9.4 | 10.2 |
| Public | 11.5 | 12.0 | 11.3 |

1 year relative price performance

1 year forward P/E (x)

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Strong growth in revenue and increase in profitability: NAM India's revenue from operations increased by 1.1% QoQ/11.7% YoY to Rs 329cr on account of solid growth in AuM while yields remain moderated. Other income increased by 128% QoQ on account of dividend income and gains on investment. The growth in top-line was translated in PAT which saw a healthy growth of 11.8%/84% YoY to Rs 205cr.

Growth in AuM size: During the quarter, the industry AuM increased by 14% YoY while the company's AuM clocked a growth of 12% YoY. The growth in AuM size was mainly due to returns in the capital market. The growth in AuM was led by equity & ETF growth which increased by 21% YoY and 22% YoY. The company also continued to maintain its market share in total AuM to 7.3%

Yields compression: The yield on investment for the quarter was 45bps vs 48bps in Q4FY23. The management said that the marginal decline in yields is due to replacement of old assets with new assets and growing share of ETFs. The company expects yields to compress in the medium term and stabilize in the long term. In the near term, the management expects yields to decline further by 2-2.5bps.

Continuing leadership position in ETFs: NAM-India continues to maintain its leadership position in ETFs with ~60% share in total folios. In terms of value, it has a market share of ~42% in ETFs. With regards to the unique investor, the market share remains steady at 36.9% showing a slight decline of 50bps YoY but increased by 70bps QoQ. The growth in market share will be on the back of better returns of portfolios and its strong hold amongst retail investors.

Hold in B-30 cities continues: The company continues to have a sturdy hold in the B-30 cities with a market share of 19.3% in terms of AuM vs an average of 16.9% in the industry. In terms of folios and monthly average AuM (MMAuM) its market share stands at 11.8% and 8.3%. Its presence in B-30 cities can be attributed to its wide distributor network of 92,800 distributors as on Q1FY24. Also, in the overall distribution mix the direct channel share stood at 54%.

Expanding quarterly book: The quarterly book has doubled in the two years from 17.5bn in Q1FY22 to 34.3bn in Q1FY24. During the quarter, the book increased by 6.5% QoQ/50% YoY. The increase in quarterly book is mainly due to the retail participating and higher market returns. In terms of SIP folios, the growth was healthy at 8.3% QoQ/26.8% YoY.

Valuation: We remain positive on the company on the back double digit AuM growth, its leadership position in the ETFs segment along with strong presence in the active funds segment. NAM has a strong hold amongst retail investors as well as B-30 cities. The company has managed to generate superior returns for its shareholders. We expect the AuM to grow at 15% CAGR over FY23-25E and expect margin to stabilize later in FY24. We expect revenue/EBITDA/PAT to grow at a CAGR of 18%/18%/17% over FY23-25E. We maintain **Buy** rating on the company while revising our **target** price upwards to **Rs 374**. We value the company at 24x based on its FY25E EPS.

Financial Summary - standalone

| Particulars, Rs cr | FY22 | FY23 | FY24E | FY25E |
|-------------------------|---------|---------|---------|---------|
| Revenue from operations | 1,214.0 | 1,259.2 | 1,472.2 | 1,760.1 |
| Other income | 214.4 | 172.0 | 196.0 | 227.4 |
| Total income | 1,428.4 | 1,431.2 | 1,668.3 | 1,987.5 |
| Total expenses | 452.5 | 480.4 | 561.5 | 674.3 |
| Profit before tax | 945.4 | 917.8 | 1,070.9 | 1,273.3 |
| Margin (%) | 66.2% | 64.1% | 64.2% | 64.1% |
| Profit after tax | 711.2 | 714.9 | 820.3 | 975.4 |
| Margin (%) | 49.8% | 50.0% | 49.2% | 49.1% |
| EPS | 10.5 | 11.5 | 13.2 | 15.7 |
| P/E | 30.1 | 27.6 | 24.1 | 20.3 |
| RoE (%) | 22.6% | 20.7% | 23.8% | 27.7% |

Source : RBL Research

Concall highlights: 1) The company shall continue to focus on SIPs rather than lumpsum investment due to the inherent volatility. 2) The increase in operating expenses was due to inflationary pressure and increase in discretionary spends. 3) The management said 17% of the investors continued to hold SIP folios for more than 5 years compared to industry average of 12%. 3) The company will continue fund raising from international markets. 4) The company has a market share of 20% in net inflows in both equity and balanced combined. 5) During the quarter, the company added half a million folios.

Income Statement - standalone

| Particulars, Rs cr | Q1FY24 | Q1FY23 | Y-o-Y % | Q4FY23 | Q-o-Q % |
|------------------------------|--------------|--------------|----------------|--------------|----------------|
| Revenue from operations | 329.0 | 294.6 | 11.7 | 325.2 | 1.1 |
| Yield (bps) | 45.2 | 45.3 | -8bps | 47.5 | -235bps |
| Other Income | 105.7 | (6.7) | - | 46.3 | 128.4 |
| Total Income | 434.7 | 287.9 | 51.0 | 371.5 | 17.0 |
| Fees and Commission Expenses | 2.2 | 2.8 | (23.7) | 1.6 | 39.4 |
| Employees Cost | 70.9 | 70.7 | 0.3 | 63.2 | 12.2 |
| Misc Expenses | 57.8 | 46.5 | 24.1 | 54.4 | 6.3 |
| EBITDA | 198.1 | 174.5 | 13.5 | 206.1 | (3.9) |
| Margin (%) | 60.2 | 59.2 | 98bps | 63.4 | -315bps |
| Depreciation | 7.9 | 6.7 | 18.8 | 8.0 | (0.8) |
| EBIT | 190.2 | 167.9 | 13.3 | 198.2 | (4.0) |
| Margin (%) | 57.8 | 57.0 | 84bps | 60.9 | -311bps |
| Finance Cost | 1.3 | 0.9 | 36.6 | 1.1 | 11.4 |
| Profit before tax | 294.6 | 160.2 | 83.9 | 243.3 | 21.1 |
| Margin (%) | 67.8 | 55.7 | 1213bps | 65.5 | 230bps |
| Tax | 72.2 | 39.3 | 83.7 | 44.3 | 62.8 |
| Tax rate (%) | 24.5 | 24.5 | (0) | 18.2 | 628bps |
| Profit after tax | 222.5 | 121.0 | 83.9 | 199.0 | 11.8 |
| Margin (%) | 51.2 | 42.0 | 917bps | 53.6 | -238bps |
| EPS - Basic (Rs.) | 3.6 | 1.9 | 84.0 | 3.2 | 11.9 |

Source : RBL Research

Business parameters - standalone

| Particulars, Rs bn | Q1FY24 | Q1FY23 | Y-o-Y % | Q4FY23 | Q-o-Q % |
|------------------------------|----------------|----------------|---------------|----------------|--------------|
| AuM | 3,136.0 | 2,794.0 | 12.2 | 2,932.0 | 7.0 |
| B-30 Folios (mn) | 7.8 | 6.9 | 13.0 | 7.5 | 4.0 |
| Market share (%) | 11.80 | 11.70 | 10bps | 11.7 | 10bps |
| Unique Investors (mn) | 14.1 | 13.2 | 90bps | 13.5 | 60bps |
| Market share (%) | 36.9 | 37.4 | -50bps | 36.2 | 70bps |
| Quarterly Book | 34.3 | 22.8 | 50.4 | 32.2 | 6.5 |
| Folios (mn) | 5.2 | 4.1 | 26.8 | 4.8 | 8.3 |
| B-30 Folios (mn) | 7.8 | 6.9 | 13.0 | 7.5 | 4.0 |
| Market share (%) | 11.8 | 11.7 | 10bps | 11.7 | 10bps |

Source : RBL Research

Revenue from operations increased by 11.7% YoY in QIFY24

EBITDA increased by 13.5% YoY in QIFY24

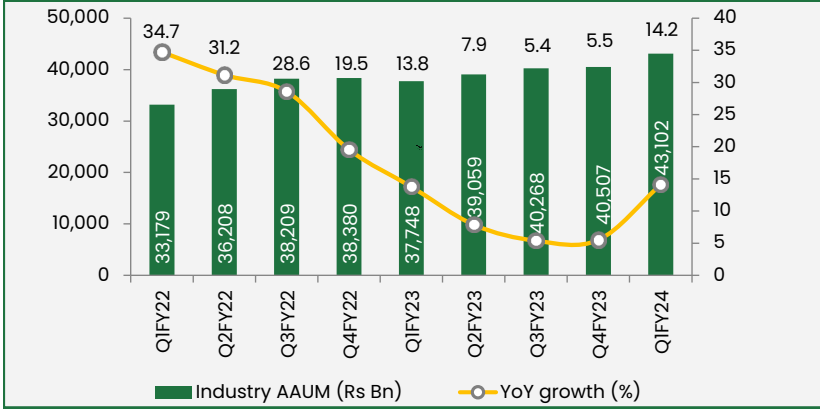
PAT increased by 83.9% YoY in QIFY24

AuM reported strong growth of 12.2% YoY in QIFY24

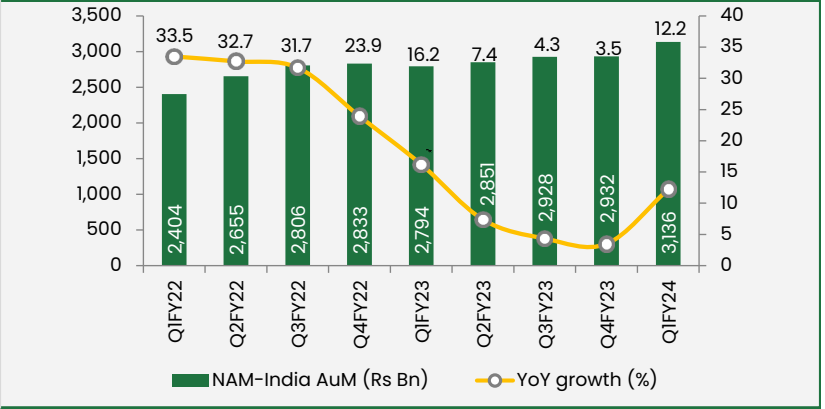
Quarterly book reported growth of 50.4% YoY in QIFY24

Story in charts

Industry AuM growing at 14.2% YoY in Q1FY24

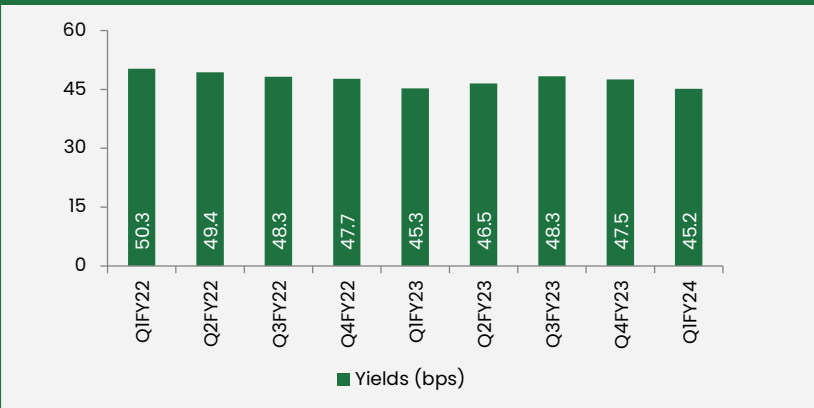


NAM-India AuM grew by 12.2% YoY in Q1FY24

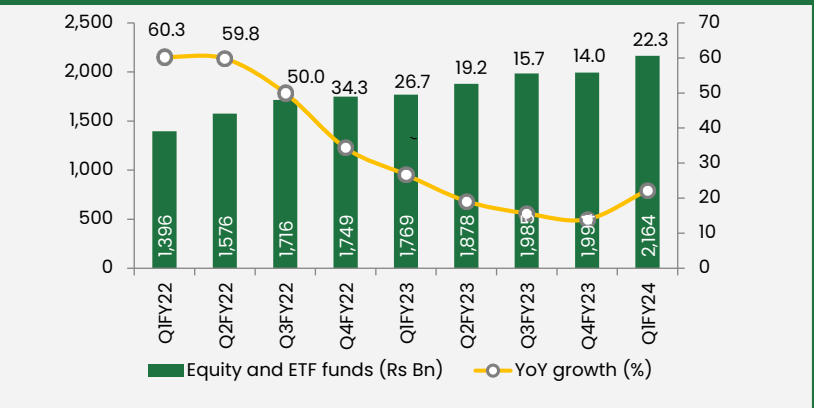


Source : RBL Research

Yields on investment stood at 45.2bps in Q1FY24

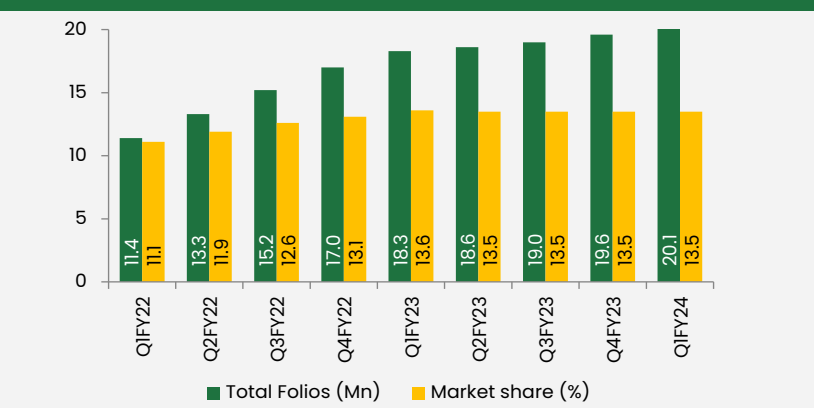


Uptick in equity and ETF funds

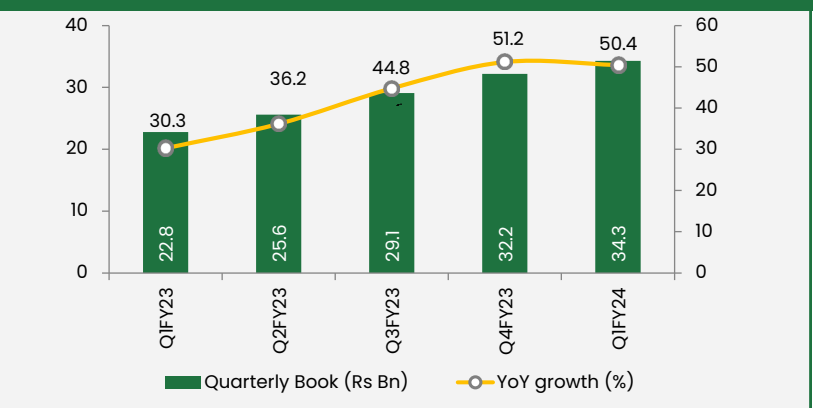


Source : RBL Research

Increasing folios and market share



Growing quarterly book

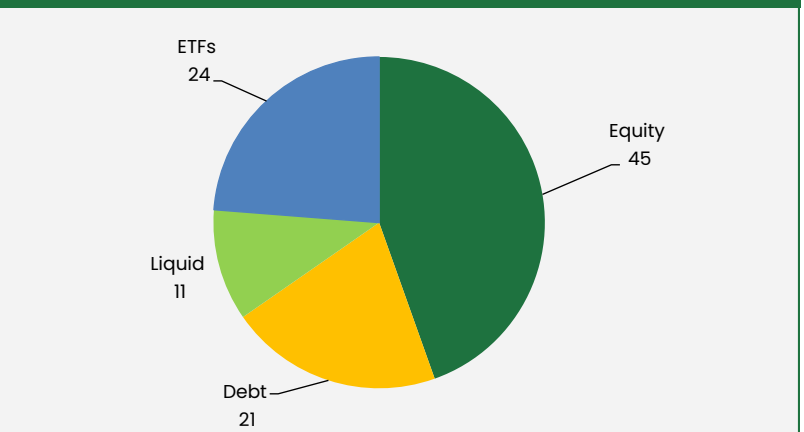


Source : RBL Research

Systematic transactions folio growing steadily



AuM mix (%) as on Q1FY24



Source : RBL Research

Income Statement – standalone

| Particulars, Rs cr | FY22 | FY23 | FY24E | FY25E |
|---|----------------|----------------|----------------|----------------|
| Revenue from operations | 1,214.0 | 1,259.2 | 1,472.2 | 1,760.1 |
| Total income | 1,428.4 | 1,431.2 | 1,668.3 | 1,987.5 |
| Fee and commission expenses | 15.9 | 10.3 | 12.0 | 14.1 |
| Employee benefits expenses | 267.9 | 272.7 | 291.8 | 313.4 |
| Others expenses | 168.7 | 197.4 | 257.7 | 346.7 |
| Total expenses | 452.5 | 480.4 | 561.5 | 674.3 |
| EBITDA | 761.5 | 778.8 | 910.8 | 1,085.8 |
| Depreciation, amortization and impairment | 26.7 | 29.1 | 31.7 | 35.4 |
| EBIT | 734.8 | 749.7 | 879.0 | 1,050.4 |
| Other income | 214.4 | 172.0 | 196.0 | 227.4 |
| Finance costs | 3.8 | 3.9 | 4.2 | 4.5 |
| Profit before tax | 945.4 | 917.8 | 1,070.9 | 1,273.3 |
| Margin (%) | 66.2% | 64.1% | 64.2% | 64.1% |
| Tax | 234.2 | 202.8 | 250.6 | 298.0 |
| Tax rate (%) | 24.8% | 22.1% | 23.4% | 23.4% |
| Profit after tax | 711.2 | 714.9 | 820.3 | 975.4 |
| Margin (%) | 49.8% | 50.0% | 49.2% | 49.1% |
| EPS | 10.5 | 11.5 | 13.2 | 15.7 |
| P/E | 30.1 | 27.6 | 24.1 | 20.3 |

Source : RBL Research

Balance Sheet – standalone

| Particulars, Rs cr | FY22 | FY23 | FY24E | FY25E |
|--|----------------|----------------|----------------|----------------|
| Cash and bank balance | 275.3 | 231.1 | 231.7 | 232.2 |
| Trade receivables | 65.9 | 86.8 | 100.7 | 120.8 |
| Loans | 36.3 | 66.7 | 62.7 | 64.0 |
| Investments | 2,877.8 | 2,934.8 | 3,005.2 | 3,083.4 |
| Other financial assets | 22.4 | 21.8 | 25.5 | 30.5 |
| Sub-total - financial assets | 3,277.6 | 3,341.3 | 3,425.9 | 3,530.9 |
| Current tax assets (net) | 31.4 | 13.6 | 13.6 | 13.6 |
| Property, plant and equipment | 9.9 | 11.3 | 10.5 | 9.8 |
| Intangible assets | 285.7 | 294.0 | 273.1 | 256.2 |
| Other non-financial assets | 39.5 | 37.4 | 43.8 | 52.3 |
| Sub-total - Non financial assets | 366.5 | 356.3 | 340.9 | 331.9 |
| Total assets | 3,644.2 | 3,697.6 | 3,766.8 | 3,862.8 |
| Total outstanding dues | 47.1 | 40.6 | 37.4 | 35.1 |
| Other financial liabilities | 112.2 | 115.7 | 120.4 | 126.4 |
| Sub-total - financial liabilities | 159.2 | 156.4 | 157.7 | 161.5 |
| Current tax liabilities (Net) | - | 25.3 | 25.3 | 25.3 |
| Provisions | 14.0 | 11.2 | 8.1 | 7.5 |
| Deferred tax liabilities (Net) | 67.7 | 58.0 | 58.0 | 58.0 |
| Other non-financial liabilities | 34.3 | 35.0 | 35.0 | 35.0 |
| Sub-total - Non financial liabilities | 116.0 | 129.4 | 126.4 | 125.8 |
| Share Application money | 0.8 | 0.3 | 0.3 | 0.3 |
| Equity share capital | 622.0 | 623.2 | 623.2 | 623.2 |
| Other equity | 2,746.1 | 2,788.3 | 2,857.4 | 2,926.6 |
| Total equity | 3,368.1 | 3,411.5 | 3,480.6 | 3,549.7 |
| Total liabilities and equity | 3,644.2 | 3,697.6 | 3,765.0 | 3,837.3 |

Source : RBL Research

Cashflow - standalone

| Particulars, Rs cr | FY22 | FY23 | FY24E | FY25E |
|---|----------------|----------------|----------------|----------------|
| Profit Before Tax | 945.4 | 917.8 | 1,070.9 | 1,273.3 |
| Depreciation | 26.7 | 29.1 | 31.7 | 35.4 |
| Interest Expenses | 3.8 | 3.9 | 4.2 | 4.5 |
| Other adjustments | (178.9) | (148.9) | (31.9) | (37.0) |
| Changes In working Capital | (34.3) | (40.8) | (15.3) | (26.9) |
| Cash Flow after changes in Working Capital | 762.7 | 761.0 | 1,059.6 | 1,249.3 |
| Tax Paid | (202.0) | (168.8) | (250.6) | (298.0) |
| Cash from operating activities | 560.7 | 592.2 | 809.0 | 951.4 |
| Interest Income | 23.6 | 35.8 | 31.9 | 37.0 |
| (Purchase)/sale of investment | (154.8) | 121.6 | (70.4) | (78.1) |
| Other adjustments | (6.6) | (39.8) | 5.4 | (8.9) |
| Cash flow from investing activities | (137.7) | 117.6 | (33.2) | (50.0) |
| Interest Paid | (3.8) | (3.9) | (4.2) | (4.5) |
| Equity Dividend Paid | (526.3) | (716.7) | (771.1) | (896.4) |
| Other adjustments | 104.8 | 7.6 | - | - |
| Cash from financing activities | (425.3) | (713.0) | (775.3) | (900.8) |
| Net cash inflow/outflow | (2.3) | (3.2) | 0.6 | 0.5 |
| Opening cash and cash equivalents | 6.8 | 4.5 | 1.2 | 1.9 |
| Closing cash & cash equivalents | 4.5 | 1.2 | 1.9 | 2.3 |

Source : RBL Research

Key ratios - standalone

| Particulars | FY22 | FY23 | FY24E | FY25E |
|-----------------------------|------|------|-------|-------|
| Valuation Ratios (x) | | | | |
| P/E (x) | 30.1 | 27.6 | 24.1 | 20.3 |
| P/B (x) | 5.9 | 5.8 | 5.7 | 5.6 |
| Mcap to AuM (%) | 5.5% | 5.1% | 5.9% | 5.1% |
| Dividend yield (%) | 4.7% | 4.9% | 3.9% | 4.5% |

Source : RBL Research

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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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