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Initiating coverage

## Financial Services

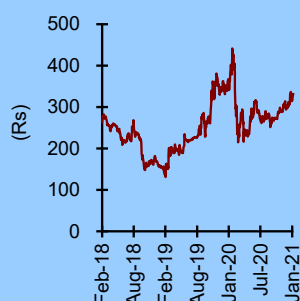
Target price Rs385

## Shareholding pattern

	Jun '20	Sep '20	Dec '20
Promoters	75.9	75.9	75.8
Institutional investors	12.0	11.4	12.0
MFs and others	3.2	3.1	2.7
Banks / FIs	0.2	0.0	0.0
Insurance	0.0	0.4	1.7
FIs	8.6	7.9	7.6
Others	12.1	12.7	12.2

Source: BSE

## Price chart



INDIA

## Nippon Life India Asset Management

BUY

Well established franchise; high on optionalities **Rs331**

Nippon Asset Management (NAM) is the sixth-largest AMC in India with aggregate / equity market share of 7.2% / 7.1%bps respectively as at 9MFY21. With a strong promoter (Nippon Life Insurance), well established brand, large distribution network and healthy AUM market share, NAM can clock ~10% EBITDA (ex-other income) CAGR over FY20-23E along with health ~22% RoE. Initiate with a BUY rating and target price of Rs385 based on 35x core FY23E EPS of Rs9.5 and add Rs51 / share of cash and investments.

- **Distribution, AUM market share and strong brand are the key business strengths.** NAM has 7.2% / 7.1% total / equity AUM market share as at 9MFY21. This, along with strong distribution (290 offices, >77,500 distributors and 9.2mn folios) and digital capabilities (55% direct AUM mix), puts NAM in a good position to benefit from the prospective growth of Indian AUM industry. Company enjoys strong brand franchise (Nippon Life Insurance is the promoter with 75% stake), which adds to the business strength. Distinct feature of NAM's AUM includes 18% B15 AUM (vs 14-17% of peers) and 13% ETF market shares along with higher number of distributor/offices.
- **Expect earnings CAGR of 11-22% for over the next 10 years assuming +/-300bps movement in equity market share.** Assuming that: 1) Indian nominal GDP clocks 9% CAGR over the next 10 years, 2) aggregate net inflow p.a. is 1% of aggregate GDP (vs 0.8% over 2010-20), and 3) average annual performance growth is 7.8% (vs 6% over 2010-20) – Indian AUM is likely to grow to Rs45trn by 2025 and Rs100trn by 2030. Within a possible +/-300bps change in equity market share, NAM's revenue/ operating profit / PAT CAGR is likely to be 6-15% / 7-20% / 11-22% over the next 10 years after adjusting for decline in yields from growth in AUM and periodic stepdown in allowable MF TER.
- **Active strategy in passive investments and growth in non MF businesses lend growth optionalities.** NAM has the ETF AUM of Rs312bn (within Fixed income, Equity and commodity segment) as of Dec'20 with 76% share in market volumes. First mover advantage and strong digital capabilities provide a competitive edge in this segment for NAM. Increase in AIF (Rs 35bn as of Dec'20), managed (Rs65bn as of Dec'20) and advised funds (Rs36bn as of Dec'20) through international mandates add to business momentum. NAM also manages assets of over Rs1200bn (AUM as on Dec'20) on account of government mandates which includes managing investments of postal life insurance, rural postal life insurance (mandate received in Oct'20) and employee state insurance corporation.
- **Initiate with a BUY rating and target price of Rs385 based on 35x core FY23E EPS of Rs9.5 and add cash and investments of Rs51/share.** Our earnings estimate is based on NAM maintaining its market shares and Indian AUM clocking 11% CAGR during FY20-FY23E. The valuations capture the definitive outlook of healthy double-digit growth with 20% RoE.

Market Cap	Rs203bn/US\$2.8bn		Year to Mar	FY20	FY21E	FY22E	FY23E
Reuters/ Bloomberg	NIPC.BO / NAM IN		Revenue (Rs mn)	12,030	10,317	11,033	13,177
Shares Outstanding (mn)	613.0		EBITDA(Rs mn)	6,085	5,465	6,271	8,149
52-week Range (Rs)	442/215		Net Income (Rs mn)	4,158	6,845	5,755	7,258
Free Float (%)	24.2		Core PAT	4,230	3,914	4,409	5,837
FII (%)	7.6		EPS (Rs)	6.8	11.2	9.4	11.9
Daily Volume (US\$'000)	4,247		P/E (x)	48.7	29.6	35.2	27.9
Absolute Return 3m (%)	18.9		Core EPS (Rs)	6.9	6.4	7.2	9.5
Absolute Return 12m (%)	(7.4)		Core PE (Rs)	47.9	51.8	45.9	34.7
Sensex Return 3m (%)	24.7		Dividend Yield	1.5%	2.5%	2.3%	2.7%
Sensex Return 12m (%)	25.6		RoE (%)	16.1	24.6	19.2	23.3

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Please refer to important disclosures at the end of this report

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*Note: Sensex and Current Market Price are as on February 4, 2021.*

## Overall / Equity AAUM CAGR has been 10% / 8% in past 10 years

Chart 1: Overall AAUM

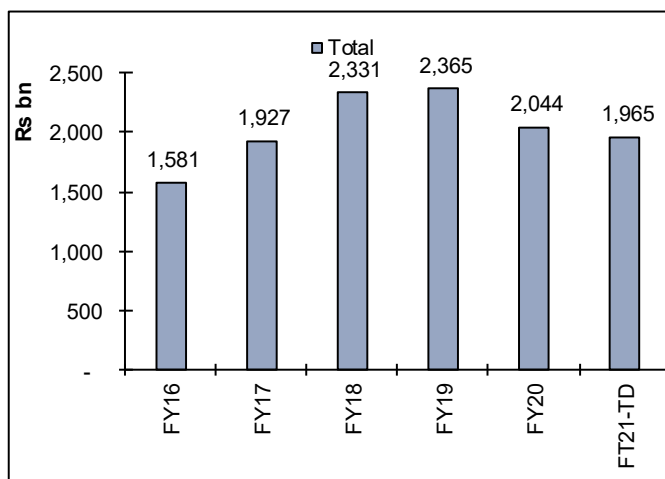


Chart 2: Equity AAUM

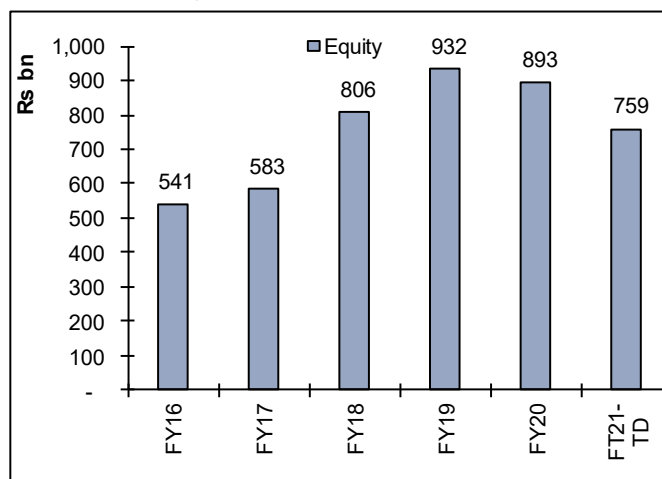


Chart 3: Debt AAUM

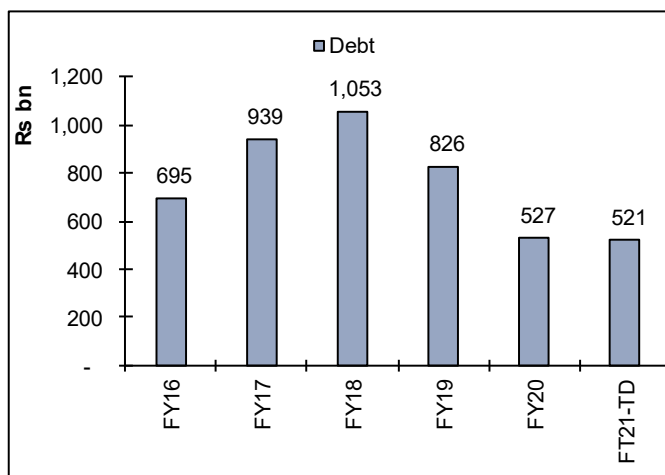


Chart 4: NAM liquid AAUM

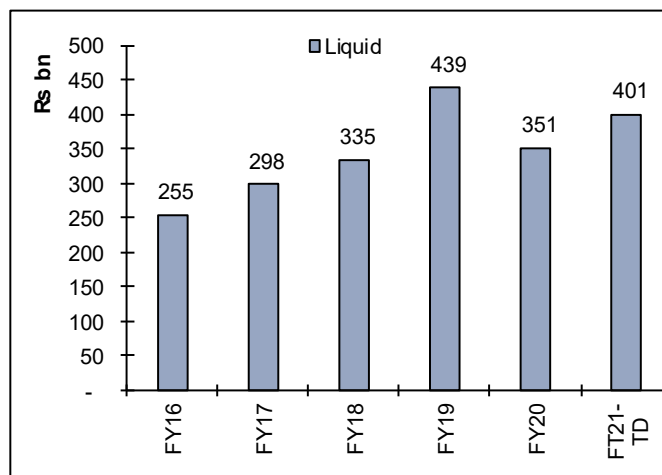


Chart 5: NAM 'others' (ETFs, FoFs) AAUM

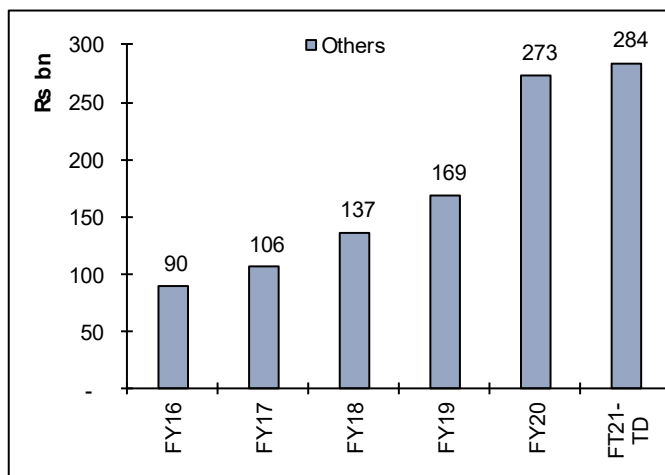
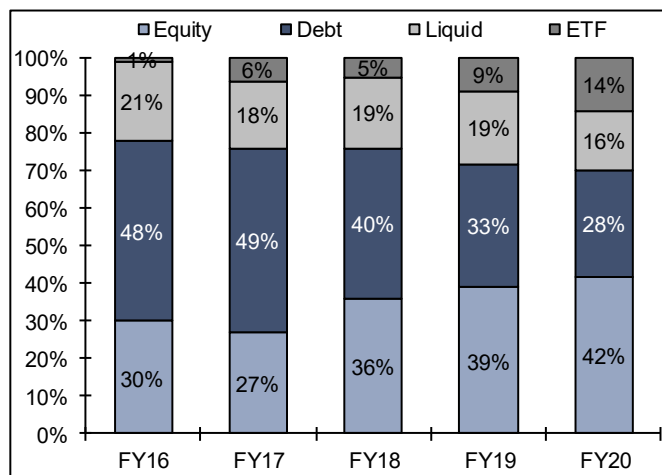


Chart 6: AUM split

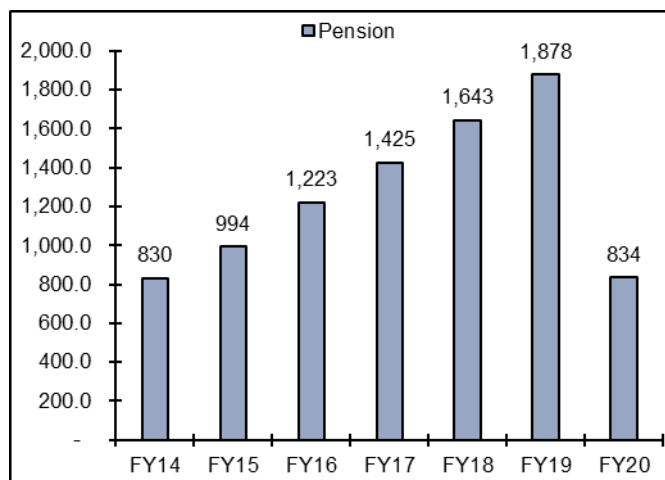


Source: ACE MF, I-Sec Research

**Table 1: Offshore business**

Particulars	Rs bn
Advisory	36
Managed	65
Total	102
Distribution of NAM India's Funds via 28 Nissay AM's partners in Japan	

Source: Company, I-Sec research

**Chart 7: Pension AUM**

Source: Company, I-Sec research

**Offshore funds and advisory mandates:**

Contribution of Nippon Life India Asset Management (Singapore) Pte. Ltd and Nippon Life India Asset Management (Mauritius) Ltd stood at 0.19% (Rs8mn) and 0.14% (Rs5.7mn) respectively

The Company manages offshore funds & distribution through its subsidiaries in Singapore and Mauritius and has a representative office at Dubai, which enables the company to cater to Institutional and High Net worth Investors across Asia, Australia, Middle East, UK, US, and Europe.

- As of FY20, the Company had a total AUM of Rs48bn as part of its international offshore managed portfolio. (Rs65bn as on Dec'20)
- The Company also acts as an Investment Advisor for India focused Equity and Fixed Income funds in Japan, South Korea and for a Nifty 50 ETF in Australia. Further, as on FY20, the Company had a total AUM of Rs41bn as international advisory mandates. Rs(36bn as on Dec'20)
- NAM India, in collaboration with BBL Asset Management Company Ltd., an affiliated company of Bangkok Bank (BBL), the largest Thai commercial bank, has launched Bualuang Bharata Fund in Thailand for institutional investors and high net worth investors.

**FY20 highlights:**

- Won a US\$500mn Institutional mandate in July 2019 for an India equity strategy
- Launched an ETF (Nifty50) in June 2019. This ETF is the first India ETF in Australia (~US\$10mn) in collaboration with ETF Securities Australia
- Launched Nippon India Digital Innovation AIF Scheme Dec'19 (~ US\$120mn). This is the first international VC Fund of Fund with participation from Japanese institutional clients
- Launched the first Real Estate Fund in Japan for institutional investors in Dec'19 (~ US\$ 10mn).

## PMS

The group has a 49% interest in Reliance Capital Pension Fund Limited, pension fund manager the New Pension System (NPS).

The Company provides portfolio management services to high net worth individuals and institutional investors including Employee State Insurance Corporation (ESIC). At present, the company offers four equity strategies to its investors. All investment strategies under PMS continue to outperform their benchmarks and peer groups. As on March 31, 2020, the Company's total AUM is approx. Rs869bn, as part of the managed accounts business.

## AIFs

Nippon Life India AIF Management Limited contributed 0.33% (Rs 13.9mn)

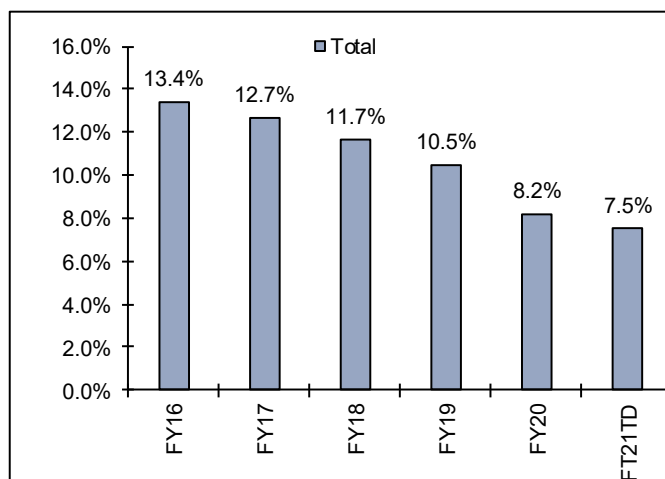
The Subsidiary, Nippon Life India AIF Management Limited (NIAIF), manages 13 schemes of Alternative Investment Funds (AIFs) across Category II & Category III. NIAIF offers various strategies under High Yield Real Estate Debt, Listed Equity, Credit and Tech / VC FoF AIFs, which are privately pooled investment vehicles registered with SEBI. During FY20, NIAIF introduced a new asset class viz. Tech / VC FoF (Nippon India Digital Innovation AIF Scheme 1) under Category II AIF. The Company has already received commitments and LOIs from marquee investors aggregating to US\$ 100 million in this fund. During FY20, NIAIF have also launched the fifth equity AIF i.e. "The 5 Trillion Dollar Opportunity". Out of the 13 schemes, at present 3 schemes are open to investors for subscription. The total commitments raised across all schemes is ~Rs35bn as on Dec'20.

## Government mandates: (managed AUM: Rs1200bn+)

- From Oct'20, NAM India began to manage investments of POLIF and RPOLIF.
- NAM continues to manage funds for Employee State Insurance Corporation

## Market shares have been on the decline

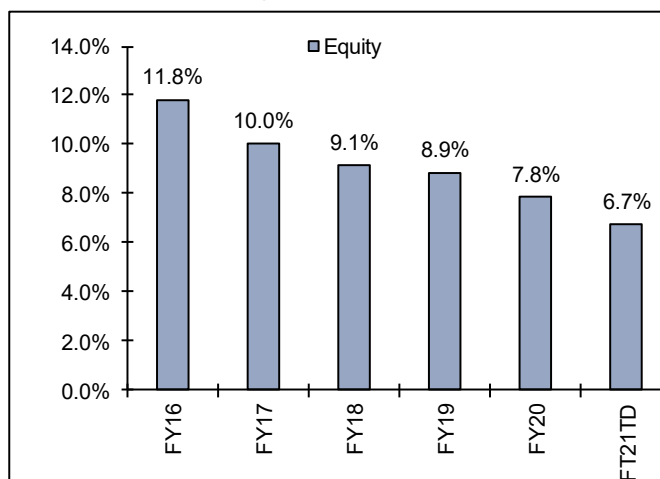
**Chart 8: NAM overall AUM market share**



Source: ACE MF, I-Sec research

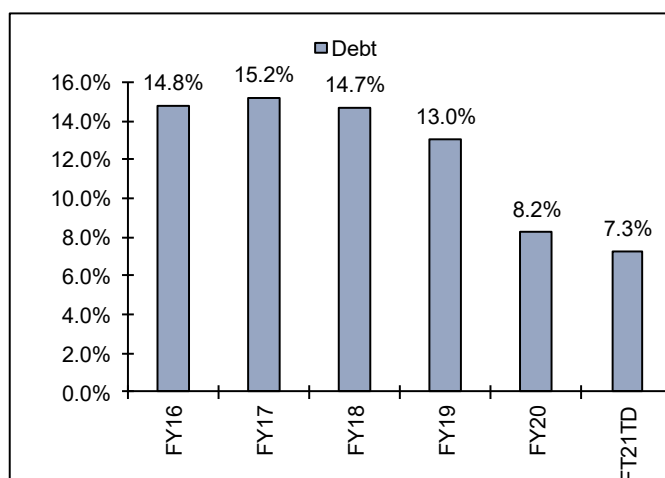
Note: (Chart 9-13 Market share is based on top 20 AUM.)

**Chart 9: NAM equity AUM market share**

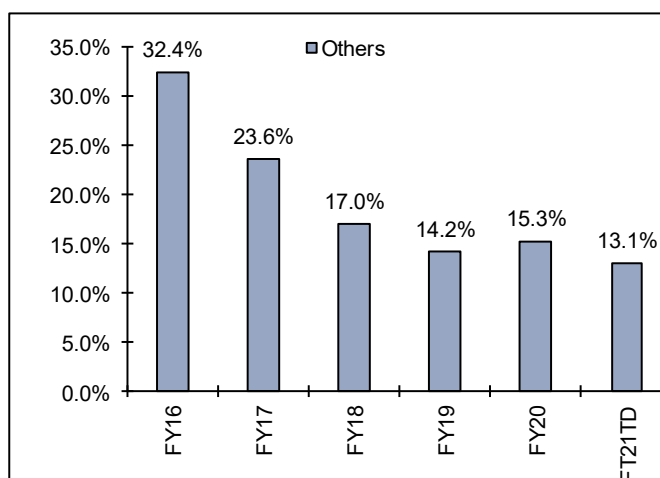


Source: ACE MF, I-Sec research

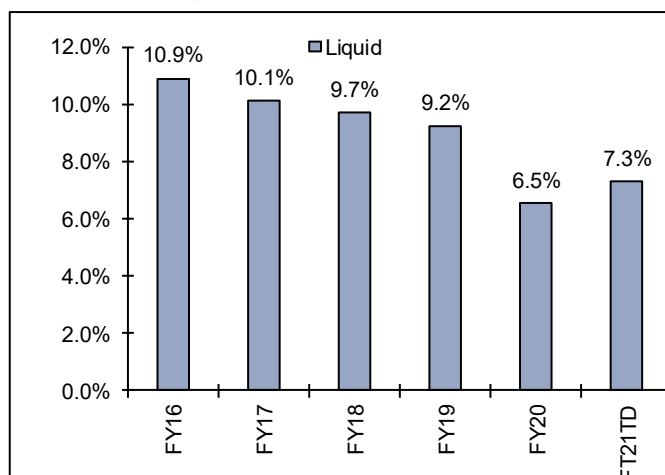
**Chart 10: NAM debt AUM market share**



**Chart 11: NAM 'others' (ETFs, FoFs) AUM market share**



**Chart 12: NAM liquid AUM market share has seen some recovery**



Source: ACE MF, I-Sec research

## Long-term earning CAGR can be 11-22% on the basis of +/- 300bps equity AUM market share

We expect overall industry MF AUM to grow at a healthy 15% CAGR between FY21E-FY30E. We expect equity AUM to grow at a higher pace compared to overall industry AUM as demand for equity assets will increase as retail participation increases.

We analysed the operating profit and PAT sensitivity for NAM assuming that it maintains the equity AUM market share currently in the base case, while +/- 300bps change in market share remains bull / bear case scenario respectively. We have also factored decline in yields to factor increase in AUM as well periodic decrease in Total Expense Ratio (TER).

**Table 2: Yield projections in all scenarios**

bps	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Equity	106	101	98	97	95	93	91	89	87	85
Debt	25	23	22	22	21	20	19	18	17	16
Liquid	10	10	9	9	7	6	6	5	5	5
ETF	11	11	9	9	8	8	7	7	7	6

Source: Company, I-Sec research

### Base case: Maintain equity AUM market share at ~7%

FY21-TD equity market share for NAM stood at 9% and we expect it to remain at similar levels till FY30E. We expect NAM equity AUM to grow at 15% CAGR to Rs3.6trn in FY30E. This will result in revenue / operating profit / PAT growth of 11% / 15% / 18% respectively.

**Table 3: Base case scenario**

(Rs bn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Overall Industry AUM	26,886	29,191	33,630	38,919	45,407	53,369	62,320	73,542	85,901	1,00,442
NAM AMC AUM	2,027	2,182	2,636	3,058	3,536	4,068	4,688	5,392	6,210	7,134
Market share	7.5%	7.5%	7.8%	7.9%	7.8%	7.6%	7.5%	7.3%	7.2%	7.1%
Industry Equity AUM	11,007	12,217	14,439	17,254	20,872	25,570	30,659	37,357	44,457	52,892
NAM AMC Equity AUM	787	861	1,033	1,239	1,487	1,785	2,142	2,548	3,058	3,639
Market share	7.1%	7.0%	7.2%	7.2%	7.1%	7.0%	7.0%	6.8%	6.9%	6.9%
Revenue	10,317	11,033	13,177	14,888	17,070	19,678	22,673	26,038	30,060	34,525
Operating profit	5,465	6,271	8,149	9,285	10,869	12,885	15,229	17,877	21,109	24,703

Source: I-Sec research

### Bull case: Equity AUM market share increases to 10%

FY21-TD equity market share for NAM stood at 7% and we expect it to increase to 10% till FY30E. We expect NAM equity AUM to grow at 19% CAGR to Rs5.3trn in FY30E. This will result in revenue / operating profit / PAT growth of 15% / 20% / 22% respectively.

**Table 4: Bull case scenario**

(Rs bn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Overall Industry AUM	26,886	29,191	33,954	39,587	46,116	53,780	62,729	73,326	85,590	1,00,012
NAM AMC AUM	2,027	2,182	2,688	3,236	3,897	4,599	5,448	6,477	7,516	8,738
Market share	7.5%	7.5%	7.9%	8.2%	8.5%	8.6%	8.7%	8.8%	8.8%	8.7%
Industry Equity AUM	11,007	12,217	14,853	18,019	21,687	26,096	31,191	37,274	44,291	52,619
NAM AMC Equity AUM	787	861	1,119	1,454	1,891	2,364	2,954	3,693	4,432	5,318
Market share	7.1%	7.0%	7.5%	8.1%	8.7%	9.1%	9.5%	9.9%	10.0%	10.1%
Revenue	10,305	10,999	13,226	16,122	19,842	23,765	28,488	34,286	39,730	46,107
Operating profit	5,454	6,236	8,122	10,433	13,543	16,864	20,921	25,987	30,625	36,113

Source: I-Sec research

**Bear case: Maintain equity AUM market share at 9%**

FY21-TD equity market share for NAM stood at 7% and we expect it to decline to 4% till FY30E. We expect NAM equity AUM to grow at 9% CAGR to Rs2trn in FY30E. This will result in revenue / operating profit / PAT growth of 6% / 7% / 11% respectively.

**Table 5: Bear case scenario**

(Rs bn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Overall Industry AUM	26,886	29,191	33,630	38,919	45,407	53,369	62,320	73,542	85,901	1,00,442
NAM AMC AUM	2,027	2,182	2,636	3,007	3,414	3,785	4,199	4,628	5,079	5,557
Market share	7.5%	7.5%	7.8%	7.7%	7.5%	7.1%	6.7%	6.3%	5.9%	5.5%
Industry Equity AUM	11,007	12,217	14,439	17,254	20,872	25,570	30,659	37,357	44,457	52,892
NAM AMC Equity AUM	787	861	1,033	1,188	1,366	1,502	1,653	1,785	1,928	2,063
Market share	7.1%	7.0%	7.2%	6.9%	6.5%	5.9%	5.4%	4.8%	4.3%	3.9%
Revenue	10,317	11,033	13,177	14,400	15,948	17,124	18,346	19,433	20,508	21,519
Operating profit	5,465	6,271	8,149	8,798	9,749	10,335	10,910	11,283	11,573	11,720

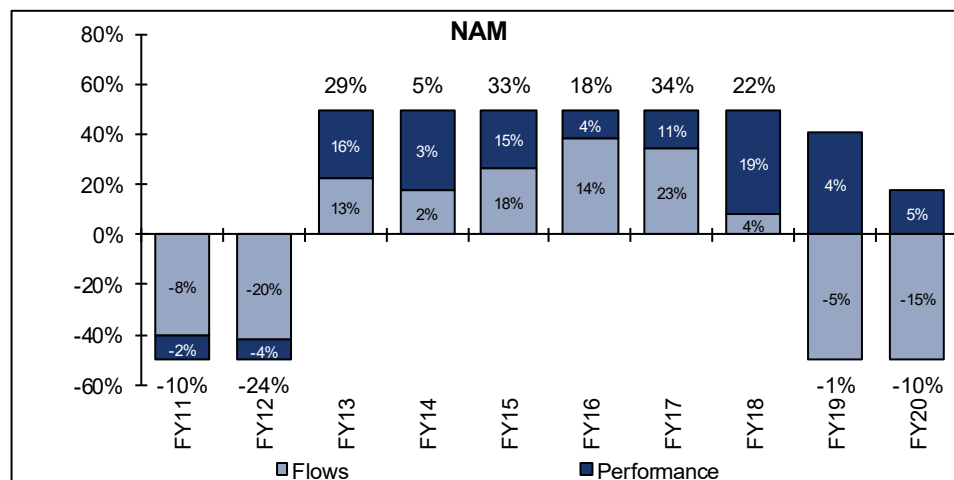
Source: I-Sec research



## Flow vs performance: Mixed trend

Flows have been higher than performance in FY15-17 whereas performance was the main driver in FY18-20.

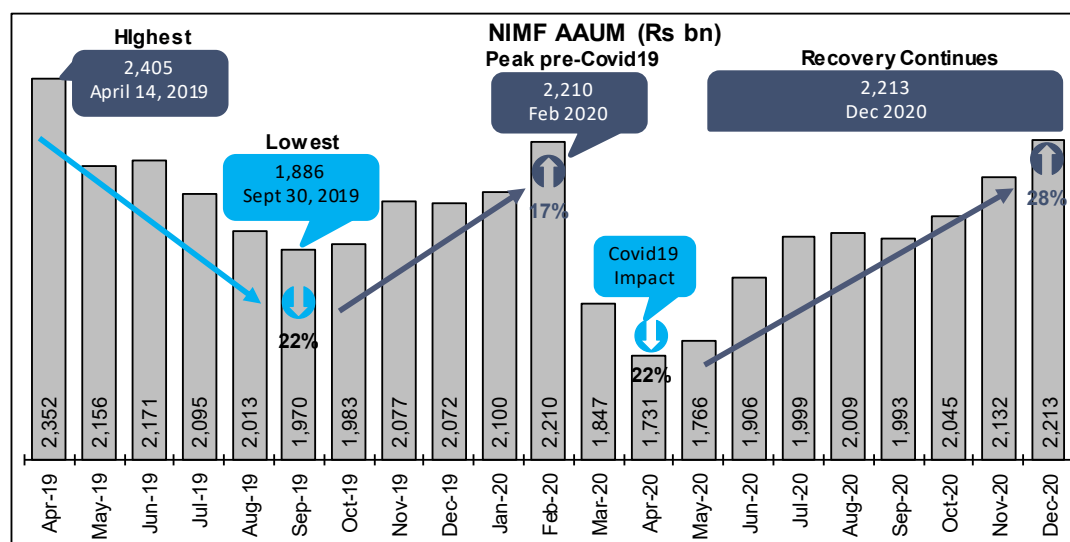
**Chart 13: Performance balanced the large outflows in FY19 and FY20**



Source: ACE MF, I-Sec research.

Note: FY20 growth is based on Dec'19 flows data.

**Chart 14: NAM MF AUM trend**



Source: Company, I-Sec research

## ETF: Focus business area

NAM manages 19 ETFS in the industry across equity / debt and commodity (gold). It manages assets worth Rs312bn and its market share stood at 13% as at 30<sup>th</sup> Sep'20. It has highest investor folios in the industry (31% market share in ETF folios) and 76% market share in ETF volumes on NSE and BSE as at Q3FY21

**Table 6: ETF AUM**

(Rs bn )	ETF AUM (based on Nov'20 AUM)	Mix	Remarks
Thematic	114	35%	CPSE ETF
Sector	78	24%	Bank Beas
Commodity	64	19%	Gold
International	0	0%	-
Broad Market	42	13%	Nifty , Sensex, Mid-cap, Small-cap
Fixed Income ETF	10	3%	Long term GILT
Others	0	0%	-
Solution	20	6%	-
<b>Total</b>	<b>329</b>		

Source: AMFI, I-Sec research

## Scheme details breakup

**Table 7: Key scheme**

	AUM
<b>Equity</b>	<b>667</b>
Nippon India Small Cap Fund(G)	104
Nippon India Large Cap Fund(G)	103
Nippon India Tax Saver (ELSS) Fund(G)	100
Nippon India Multi Cap Fund(G)	82
Nippon India Growth Fund(G)	78
Nippon India Focused Equity Fund(G)	42
<b>Debt</b>	<b>626</b>
Nippon India Banking & PSU Debt Fund(G)	71
Nippon India Dynamic Bond(G)	24
Nippon India Floating Rate Fund(G)	155
Nippon India Gilt Securities Fund(G)	21
Nippon India Low Duration Fund(G)	90
Nippon India Short Term Fund(G)	90
<b>Liquid</b>	<b>376</b>
Nippon India ETF Liquid BeES	28
Nippon India Liquid Fund(G)	231
Nippon India Money Market Fund(G)	75
Nippon India Overnight Fund-Reg(G)	42
<b>Balanced</b>	<b>180</b>
Nippon India Arbitrage Fund(G)	82
Nippon India Balanced Advantage Fund(G)	29
Nippon India Equity Hybrid Fund(G)	47

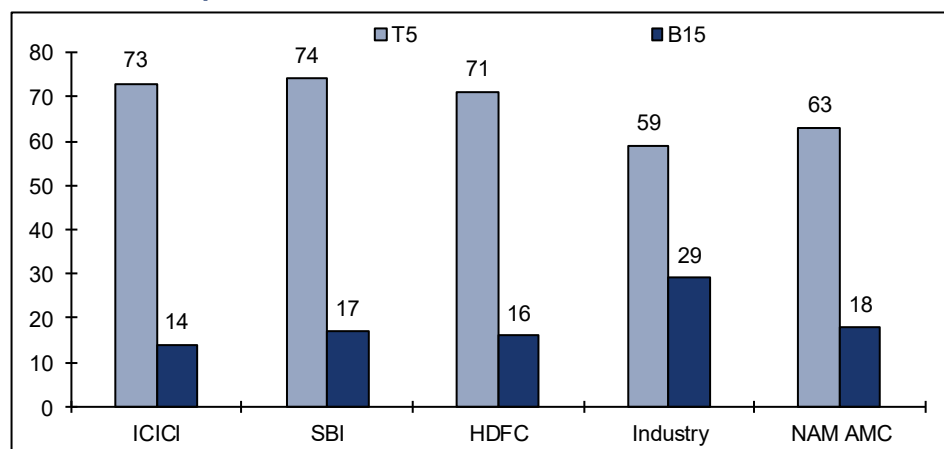
Source: AMFI, I-Sec research

**Table 8: Fund manager concentration**

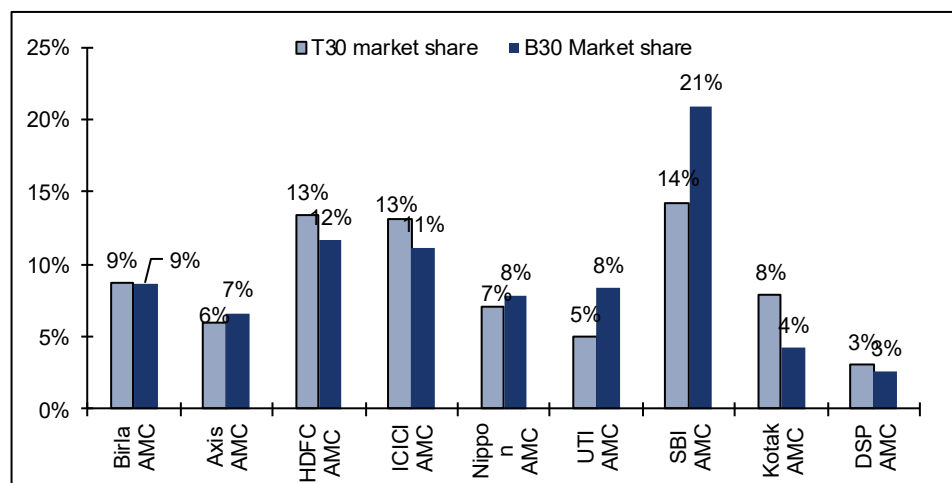
Equity AUM				847	
Scheme name	Fund Manager 1	Fund Manager 2	Fund Manager 3	AUM	% Managed
Nippon India Arbitrage Fund(G)	Anand Devendra Gupta	Anju Chhajer	Kinjal Desai	81.8	10%
Nippon India Growth Fund(G)	Manish Gunwani	Dhruvil Shah	Tejas Sheth	78.4	9%
Nippon India Large Cap Fund(G)	Sailesh Raj Bhan			103.0	12%
Nippon India Multi Cap Fund(G)	Sailesh Raj Bhan	Kinjal Desai		82.3	10%
Nippon India Small Cap Fund(G)	Samir Rachh	Kinjal Desai		104.0	12%
Nippon India Equity Hybrid Fund(G)	Sanjay Parekh	Sushil Budhia	Kinjal Desai	47.4	6%
Nippon India Tax Saver (ELSS) Fund(G)	Sanjay Parekh	Ashutosh Bhargava		99.9	12%
<b>Total</b>					<b>70%</b>

Debt AUM				668	
Scheme name	Fund Manager 1	Fund Manager 2	Fund Manager 3	AUM	% Managed
Nippon India Floating Rate Fund(G)	Anju Chhajer	Kinjal Desai		155	23%
Nippon India Low Duration Fund(G)	Anju Chhajer	Vivek Sharma	Kinjal Desai	90	13%
Nippon India Overnight Fund-Reg(G)	Anju Chhajer			42	6%
Nippon India Banking & PSU Debt Fund(G)	Prashant Pimple	Vivek Sharma	Kinjal Desai	71	11%
Nippon India Short Term Fund(G)	Prashant Pimple	Vivek Sharma	Kinjal Desai	90	13%
<b>Total</b>					<b>67%</b>

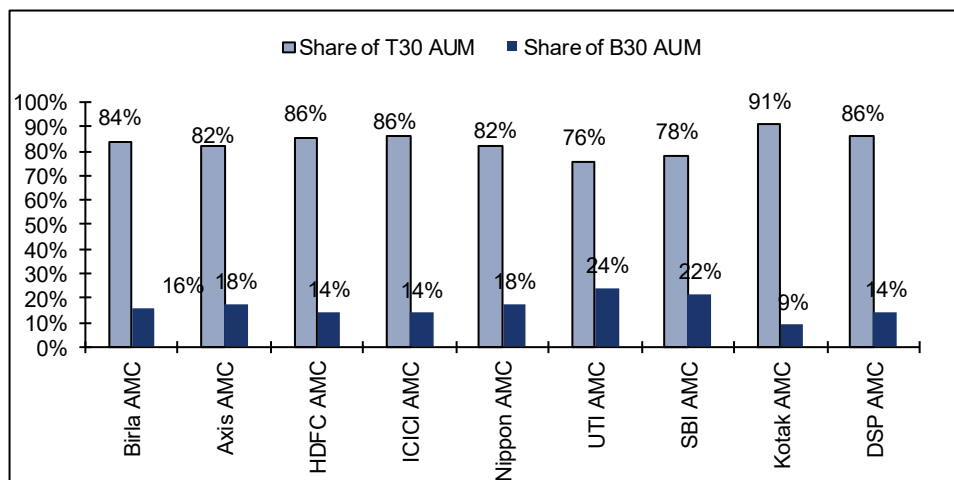
Source: ACE MF, I-Sec research  
AUM data as on Nov'20

**Chart 15: Comparison of market shares in T5 and B15 cities**

Source: Company, I-Sec research  
Note: Data as on 31<sup>st</sup> Dec'20

**Chart 16: Comparison of market shares in T-30 and B-30 cities**

Source: AMFI, I-Sec research  
Note: Data as on 30<sup>th</sup> Nov'20

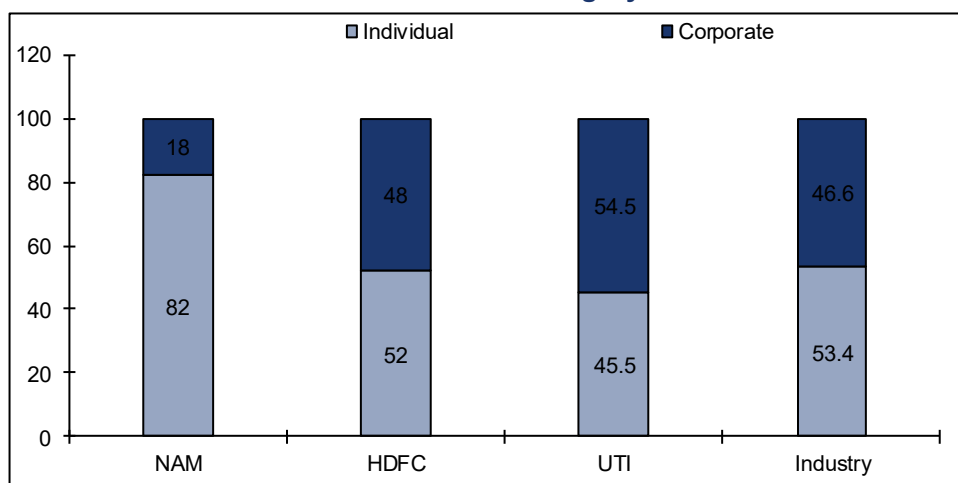
**Chart 17: T-30 and B-30 AUMs as % of total AUM**

Source: AMFI, I-Sec research

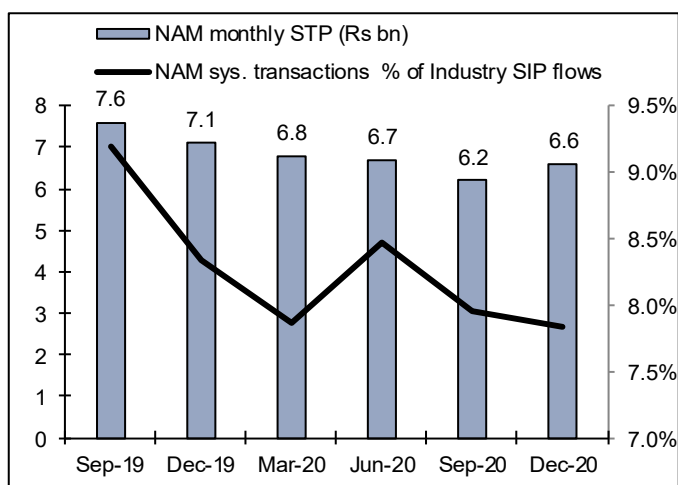
Note: Data as on Nov'20

## AUM with higher retail mix

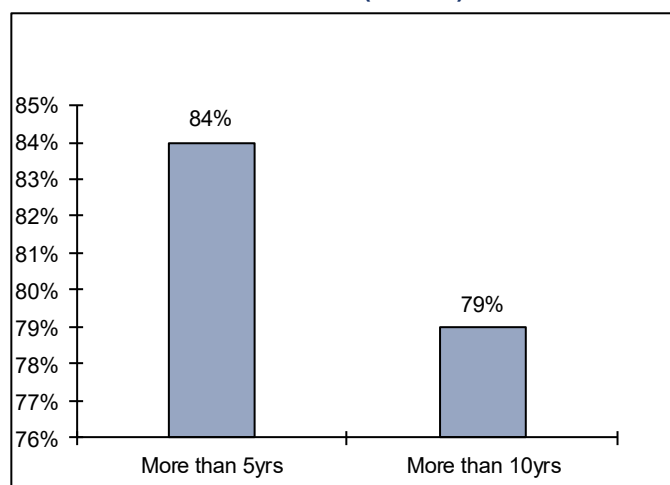
NAM has the highest individual mix among large AMCs

**Chart 18: Asset mix based on investor category**

Source: Company presentations, I-Sec research

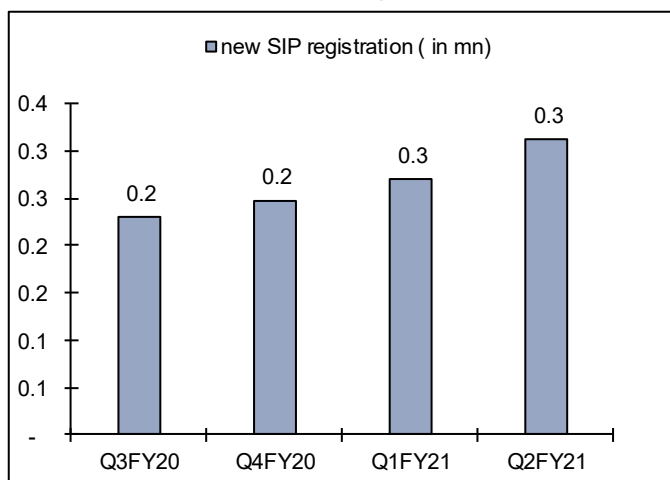
**Chart 19: NAM's SIP flows**

Source: Company, I-Sec research

**Chart 20: NAM's SIP book (tenure)**

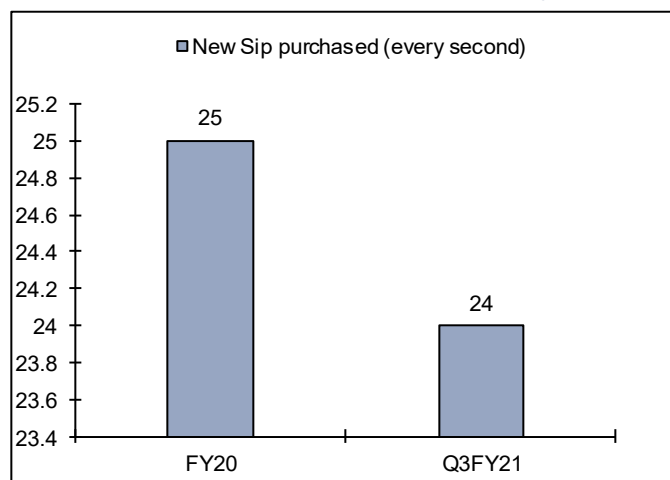
Source: Company, I-Sec research

Note: Data as on Sep'20

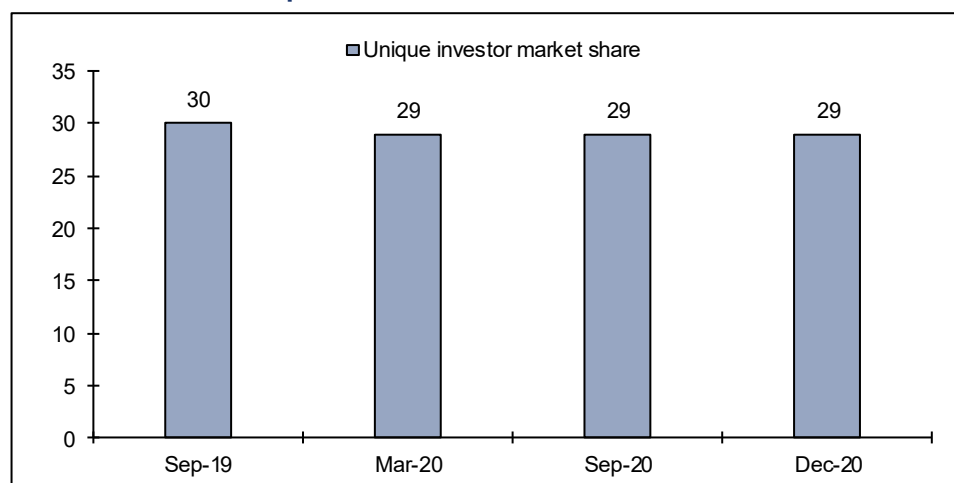
**Chart 21: NAM's new SIP registrations**

Source: Company I-Sec research

Note: Data as on Sep'20

**Chart 22: NAM's new SIP purchase every second**

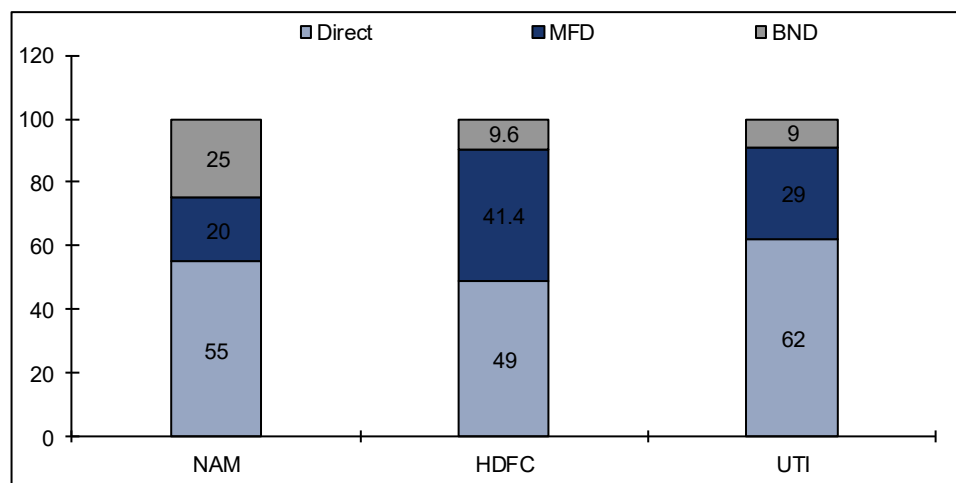
Source: Company I-Sec research

**Chart 23: NAM's unique investor market share**

Source: Company, I-Sec research

## Well spread Distribution

**Chart 24: Direct distribution accounts for 55% of total AUM for NAM**



Source: Company presentation, I-Sec research

NAM has higher number of branches/distributors vs. HDFC AMC/UTI AMC

**Table 9: Comparison analysis**

	NAM	HDFC AMC	UTI AMC
Branches	290	224 (B30: 146)	163 (B30: 106)
Employees	1020	1176	1365
Unique investors	6.2	5.5	na
Live accounts	9.3	9.3	10.9
Distributors	77400	+65000	~53000
Of which			
Banks	75		
National distributors	95		
Alternate	90		
Digital partners	20+		
IFAs	77,150		

Source: Company presentations, I-Sec research

## Q3FY21 result review: Market share maintained

**Cost control measures aided stable operating performance, higher other income resulted into higher PAT. Market share remains stable QoQ**

- MF AUM was Rs2130bn up 4% YoY and 7% QoQ.
- Revenue from operating came in at Rs2.7bn down 11% YoY and up 4% QoQ due to lower equity AUM mix.
- **Equity mix stable QoQ, Debt mix increases and Liquid mix witnesses a decline:** In Q3FY20 / Q2FY21 / Q3FY21, equity mix stood at 44/39/39%, Debt Mix stood at 27/30/32%, liquid mix stood at 16/17/14% respectively
- **Sequential market share remained stable at 7.2 as on Q3FY21%:** Sequentially equity market share went down 10bps to 7%, debt remained stable at 6.6% while liquid witnessed a declined of 20bps QoQ. ETF market share saw an improvement of 70bps to 13.4% QoQ.
- **Cost reduction continues:** Employee cost came in at Rs665mn (down 18% YoY and 2% QoQ), Other expenses declined 28% YoY to Rs449mn and remained flat on sequential basis.
- **Higher other income led to PAT growth of 42% YoY.** PAT came in at Rs2.1bn driven by 127% / 105% YoY / QoQ rise in other income.
- **% of AUM,** operating income came in at 50bps (9bps lower YoY, 1bps lower QoQ), employee cost came in at 12bps (3bps lower YoY, 1bps lower QoQ), other expenses came in at 8bps (4bps lower YoY and 1bps lower QoQ). Operating profit came in at 28bps (1bps lower YoY, flat QoQ)

**Table 10: Q3FY21 result review**

(Rs mn)	Q3FY21	Q3FY20	% YoY	Q2FY21	% QoQ
Total Revenue from Operation	2,685	3,031	-11%	2,587	4%
Other Income	1,304	575	127%	637	105%
<b>Total Revenue</b>	<b>3,988</b>	<b>3,606</b>	<b>11%</b>	<b>3,224</b>	<b>24%</b>
Employee Expense	665	814	-18%	679	-2%
Fees and Commission Expenses	101	120	-15%	97	5%
Other Expense	449	627	-28%	447	0%
<b>Total Operating expense</b>	<b>1,215</b>	<b>1,560</b>	<b>-22%</b>	<b>1,223</b>	<b>-1%</b>
<b>EBITDA</b>	<b>2,773</b>	<b>2,046</b>	<b>36%</b>	<b>2,000</b>	<b>39%</b>
Depreciation and Amortisation	78	91	-15%	79	-2%
Finance Cost	11	19	-44%	12	-10%
<b>PBT</b>	<b>2,685</b>	<b>1,936</b>	<b>39%</b>	<b>1,910</b>	<b>41%</b>
<b>PAT</b>	<b>2,115</b>	<b>1,493</b>	<b>42%</b>	<b>1,452</b>	<b>46%</b>
EPS (Rs)	3.5	2.4	41%	2.4	46%
<b>As a % of AAUM (bps annualised)</b>					
Total Revenue	50	59	-9	52	-1
Employee Expense	12	16	-3	14	-1
Fees and Commission Expenses	2	2	-0	2	-0
Other Expense	8	12	-4	9	-1
EBITDA	28	29	-1	27	0

Source: Company, I-Sec research

Table 11: QAAUM Mix

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	QOQ	YOY
<b>QAAUM Breakup (Rs bn)</b>									
Equity	42.0%	44.0%	44.0%	42.0%	38.0%	39.0%	39.1%	0.1%	-4.9%
Debt	31.0%	27.0%	27.0%	28.0%	29.0%	30.0%	32.0%	2.0%	5.0%
Liquid	15.0%	16.0%	16.0%	16.0%	19.0%	17.0%	14.0%	-3.0%	-2.0%
Others	12.0%	13.0%	13.0%	14.0%	14.0%	14.0%	15.0%	1.0%	2.0%
<b>QAAUM Breakup (Rs bn)</b>									
Equity	935	899	899	861	684	780	833	6.8%	-7.3%
Debt	690	552	552	574	522	600	682	13.6%	23.6%
Liquid	334	327	327	328	342	340	298	-12.3%	-8.8%
Others	267	266	266	287	252	280	320	14.1%	20.3%
Total	2,226	2,043	2,043	2,049	1,801	2,000	2,130	6.5%	4.3%

Source: Company, I-Sec research

Table 12: NAM market share trend

Market share	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Equity	7.8%	7.6%	7.1%	7.1%	7.0%
Debt	6.6%	6.6%	6.6%	6.6%	6.6%
Liquid	6.1%	6.1%	6.3%	6.5%	6.3%
Others	16.5%	15.2%	14.6%	12.7%	13.4%
Total	7.6%	7.6%	7.3%	7.2%	7.2%

Source: Company, I-Sec research



## Company background

### Change of guard

Japanese life insurance firm Nippon Life Insurance acquired 75% stake in Reliance Nippon Asset Management in Sep'20. Financial troubles of the previous promoters led to market share erosion on the debt side of the AMC. However, post the stake sale, there has been some recovery in the lost market share for the firm. Further, the AMC can leverage upon Nippon Life's global presence and also realign its risk management practices in line with that of the insurance major.

### Key strategies

- Garnering higher share of Retail Assets;
- Expanding our product offerings across various categories;
- Increasing operating efficiencies, and
- Strengthening risk management framework.

### Key managerial person

#### Sundeep Sikka (ED & CEO)

Mr. Sundeep, alumnus of Harvard Business School, joined NAM India in 2003, and held various leadership positions before being elevated in 2009. Mr. Sundeep has held both Vice-Chairman and Chairman positions of the industrial body AMFI. He is not only responsible for the growth of the company but also forging a relationship with Nippon Life, acquisition of Goldman Sachs Asset Management (India), and listing NAM India on stock exchanges.

#### Mr Pratik Jain (CFO)

Mr. Prateek Jain has over 16 years of experience in finance. Prior to this, he has worked with AIG Global Asset Management Company as CFO & Head Risk Management. He was also associated with organizations like Howden Insurance Brokers India Pvt Ltd. and ICICI Lombard General Insurance Company Ltd.

#### Mr. Saugata Chatterjee - Co-Chief Business Officer (Distribution)

#### Mr. Aashwin Dugal - Co-Chief Business Officer (Institutional)

#### Mr. Arpanarghya Saha - Chief Digital Officer

#### Mr. Hiroshi Fujikake - Nominee, Nippon Life Insurance

**Table 13: Remuneration of KMP**

(Rs mn)	Mr. Sundeep Sikka (ED & CEO)	Mr. Prateek Jain (CFO)
<b>Gross Salary</b>		
a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	7.0	1.85
b) Value of perquisites under Section 17(2) Income Tax Act, 1961	0.04	
c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	—	
Stock Option (Number of Options granted in FY 2018-19)	12240000 Options	528704 Options
Sweat Equity		
Commission	—	
Others, please specify (PLI & Others)	—	
<b>Total (A)</b>	<b>7.0</b>	<b>1.85</b>

Source: Company, I-Sec research

**Table 14: Board of directors**

<b>Name of Director</b>	<b>Number of BOD meeting held</b>
Mr. Akira Shibata	9
Mr. Minoru Kimura	10
Ms. Ameeta Chatterjee	9
General Ved Prakash Malik (Retd.)	9
Mr. Sundeep Sikka	10
Mr. Mahadevan Veeramony @	6
Mr. Kanu H. Doshi #	4
Mr. Jai Anmol Ambani*	0
Mr. S. C. Tripathi #	4

Source: Company, I-Sec research

\*Ceased to be Director of the Company on May 23, 2019.

#Ceased to be Directors of the Company on September 23, 2019.

@Appointed as a Director of the Company on September 23, 2019.

**Table 15: Audit committee**

	<b>Number of meetings held during the tenure</b>	<b>Attended</b>
Mr. Kanu H. Doshi #	3	3
Mr. S. C. Tripathi #	3	3
General Ved Prakash Malik (Retd.)	6	5
Ms. Ameeta Chatterjee	6	5
Mr. Jai Anmol Ambani \$	1	0
Mr. Akira Shibata	6	6
Mr. Mahadevan Veeramony *	3	3

Source: Company, I-Sec research

#Ceased to be a member of this Committee on September 23, 2019.

\$Ceased to be a member of this Committee on May 23, 2019.

\*Appointed as a member of this Committee on September 27, 2019

**Table 16: NRC committee**

	<b>Number of meetings held during the tenure</b>	<b>Attended</b>
Mr. Kanu H. Doshi #	3	3
Mr. S. C. Tripathi #	3	3
General Ved Prakash Malik (Retd.)	4	4
Ms. Ameeta Chatterjee	4	3
Mr. Jai Anmol Ambani \$	2	0
Mr. Minoru Kimura	4	4
Mr. Mahadevan Veeramony*	1	1

Source: Company, I-Sec research

\$Ceased to be a member of this Committee on May 23, 2019.

#Ceased to be a member of this Committee on September 23, 2019.

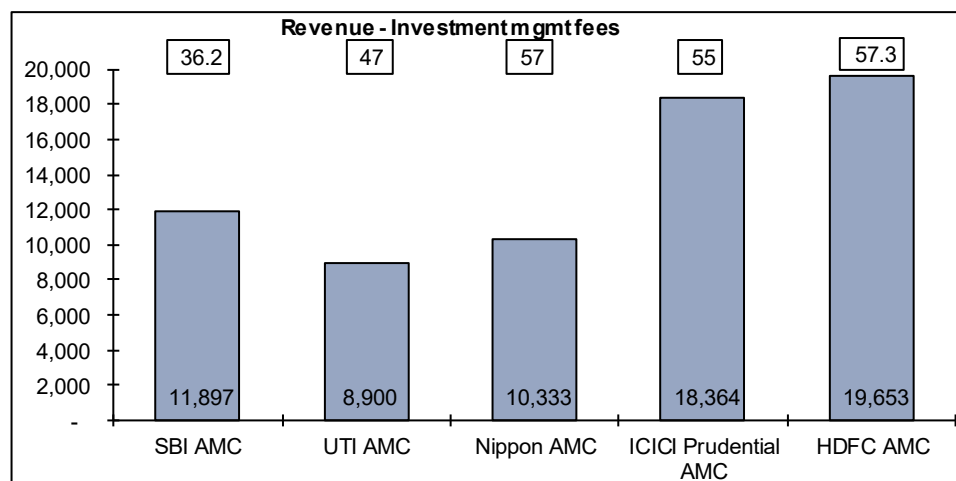
\*Appointed as a member of this Committee on September 27, 2019.

## Cost comparison with peers

Below data is based on FY20 financials

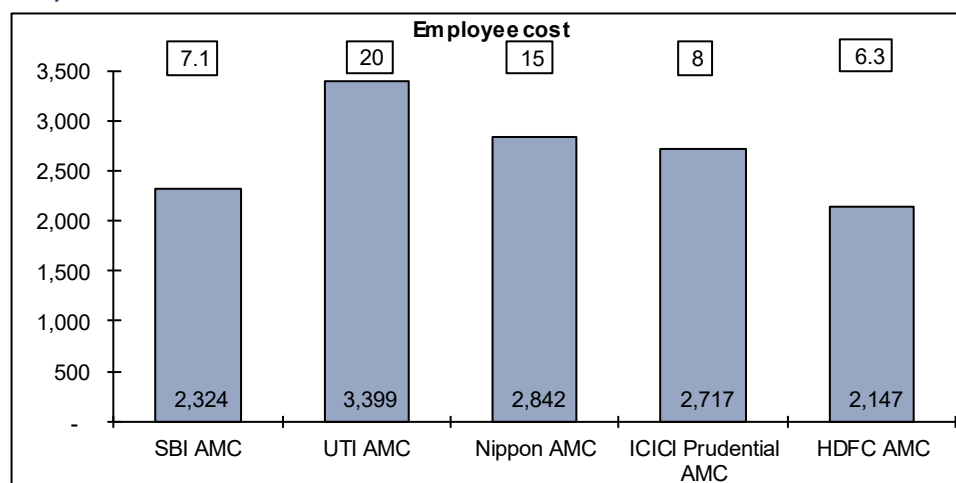
### NAM's revenue yield and absolute cost remains in line with peers

**Chart 25: NAM revenue as % of AUM is in line with HDFC AMC and ICICI PRU AMC...**

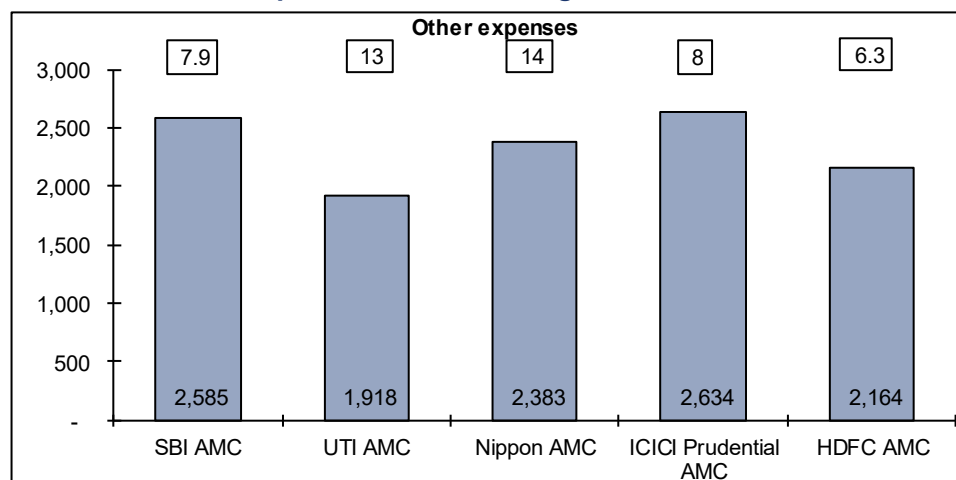


Source: Company annual reports, I-Sec research

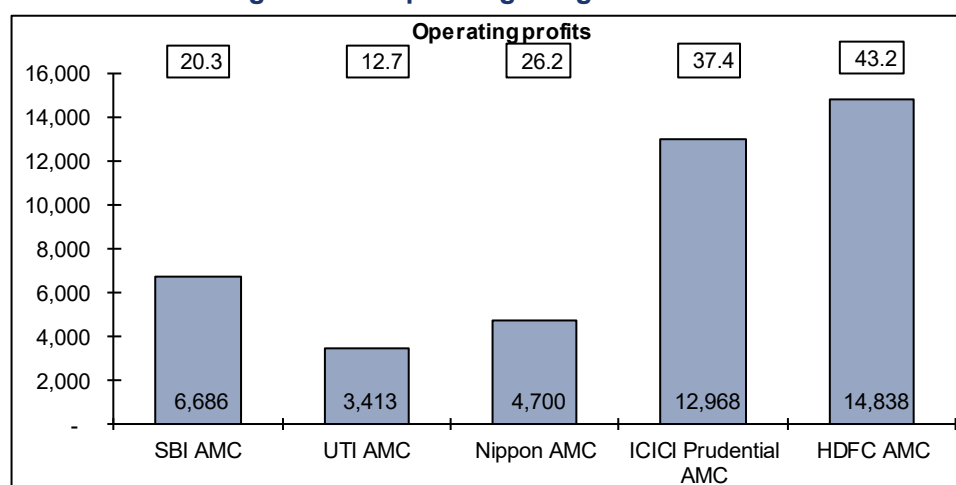
**Chart 26: ...employee cost remains higher than major peers (in absolute terms too)...**



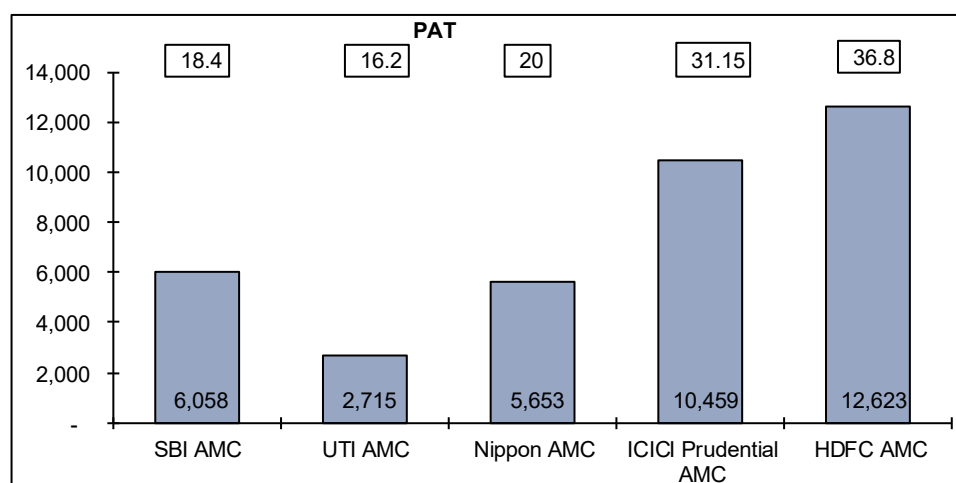
Source: Company annual reports, I-Sec research

**Chart 27: ...other expenses too remain high...**

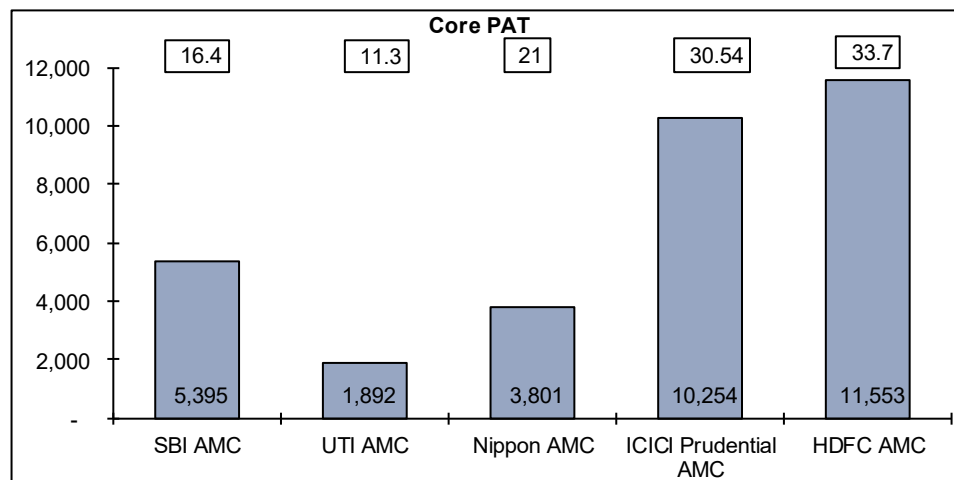
Source: Company annual reports, I-Sec research

**Chart 28: ...leading to lower operating margins as % of AUM...**

Source: Company annual reports, I-Sec research

**Chart 29: ...and PAT as % of AUM...**

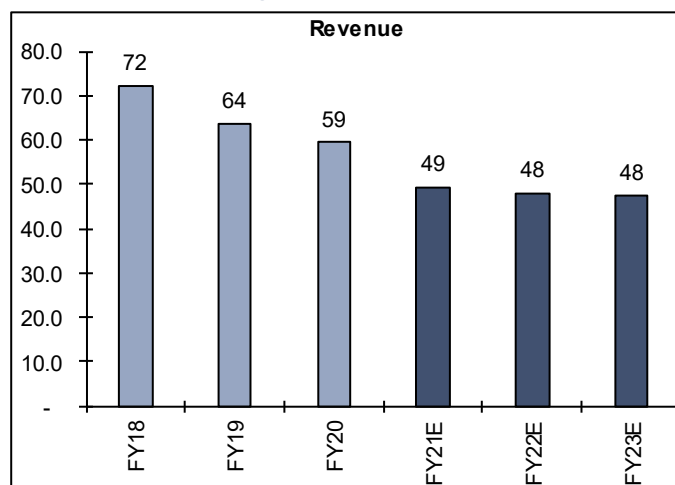
Source: Company annual reports, I-Sec research

**Chart 30: ...and also core PAT**

Source: Company annual reports I-Sec research  
Core PAT excludes impact of other income

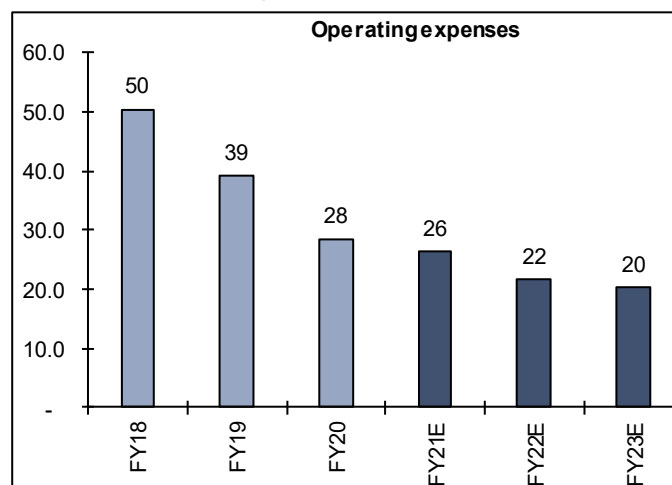
## Financial analysis: Expect Rs5.7bn / Rs7.3bn profits in FY22/23E

**Chart 31: Operating revenue as % of AUM**



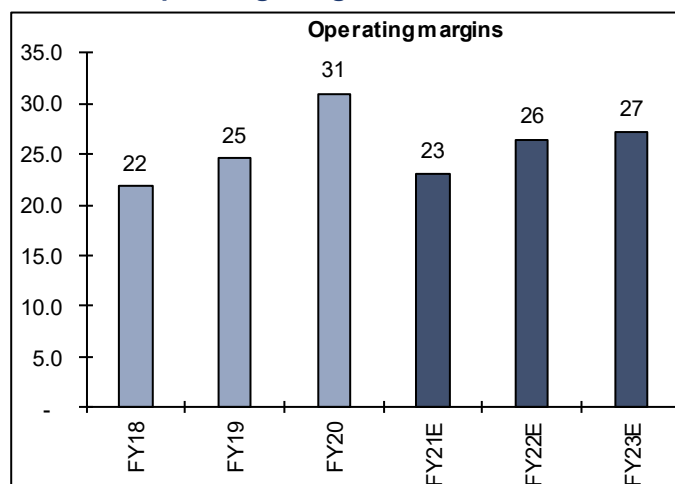
Source: Company, I-Sec research

**Chart 32: Operating expenses as % of AUM**



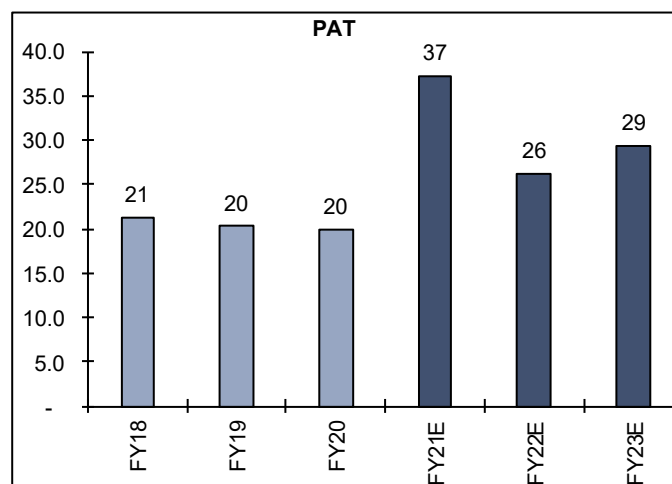
Source: Company, I-Sec research

**Chart 33: Operating margins as % of AUM**

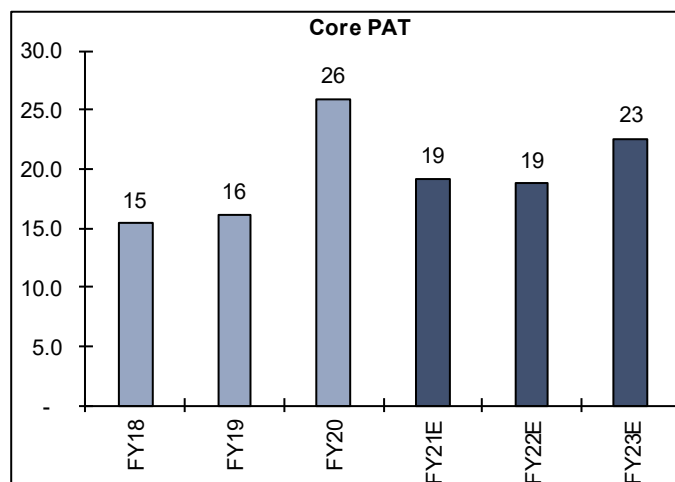


Source: Company, I-Sec research

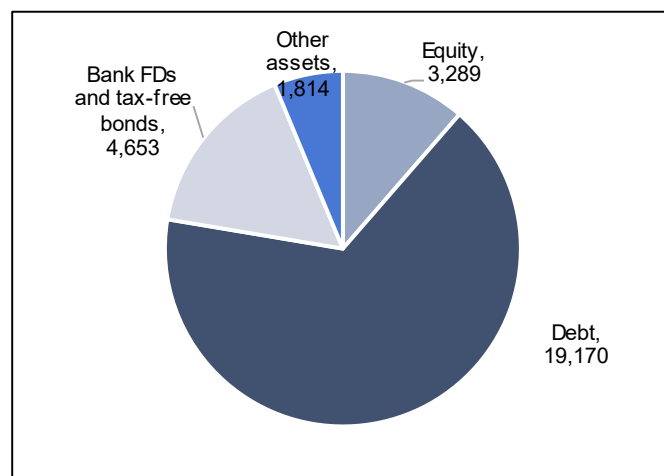
**Chart 34: PAT as % of AUM**



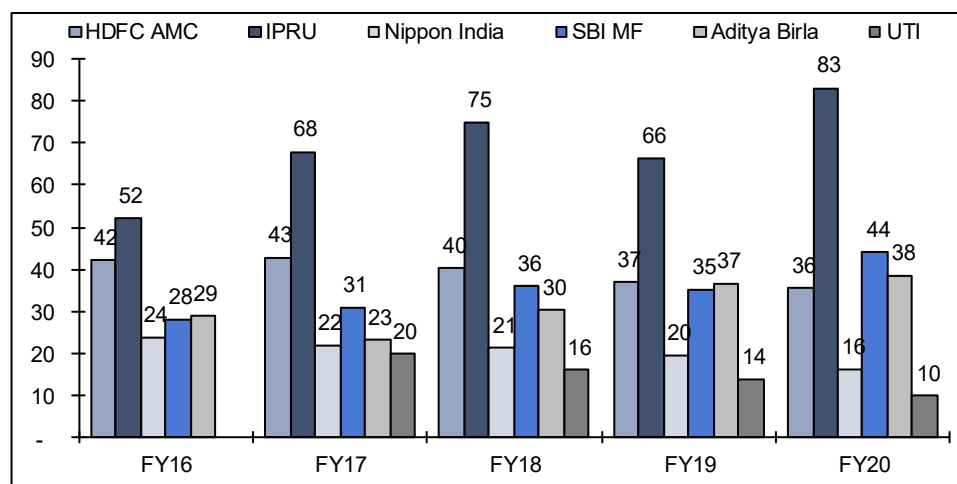
Source: Company, I-Sec research

**Chart 35: Core PAT as % of AUM**

Source: Company, I-Sec research

**Chart 36: Investment book corpus**

Source: Company, I-Sec research

**Chart 37: RoEs trended lower in FY20**

Source: Company annual reports, I-Sec research

## Fund performance tracker

We have compared performance of top Nippon AMC schemes with Peers like to like schemes

**Table 17: Nippon small-cap fund performance compared to peers**

	31st Dec 2020					Ranks				
	1-year	3-years	5-years	10-years		1-year	3-years	5-years	10-years	
Aditya Birla Sun Life Small Cap Fund	-11.5	2.4	5.9	10.8		17	11	9		6
Axis Small Cap Fund	19.4	14.5	11.4			1	2	2		
BOI AXA Small Cap Fund	4.3					5				
DSP Small Cap Fund	0.7	2.4	7.8	16.2		9	10	7		2
Franklin India Smaller Companies Fund	-5.0	4.0	6.3	14.6		12	9	8		3
HDFC Small Cap Fund	-9.5	10.2	8.5	11.3		15	3	5		5
HSBC Small Cap Equity Fund	-10.8	2.3	3.6	7.2		16	12	11		10
ICICI Prudential Smallcap Fund	10.0	6.8	5.4	10.3		2	7	10		7
IDBI Small Cap Fund	-4.4					11				
Invesco India Smallcap Fund	3.9					6				
Kotak Small Cap Fund	5.0	7.7	7.9	13.0		4	6	6		4
L&T Emerging Businesses Fund	-8.1	9.7	10.3			14	5	3		
Nippon India Small Cap	-2.5	9.8	10.0			10	4	4		
Quant Small Cap Fund	-23.5	-6.1	-0.3	7.2		18	14	14		9
SBI Small Cap Fund	6.1	15.1	13.2	17.5		3	1	1		1
Sundaram Small Cap Fund	-6.1	1.2	2.2	9.0		13	13	13		8
Tata Small Cap Fund	2.6					7				
Union Small Cap Fund	2.4	5.3	2.8			8	8	12		

Source: AMFI, I-Sec research

**Table 18: Nippon large-cap fund performance compared to peers**

	31st Dec 2020					Ranks				
	1-year	3-years	5-years	10-years		1-year	3-years	5-years	10-years	
Aditya Birla Sun Life Frontline Equity Fund	7.6	10.9	8.2	11.3		25	22	15		6
Axis Bluechip Fund	18.6	20.3	10.7			1	1	2		
Baroda Large Cap	12.1	9.8	6.1			13	24	25		
BNP Paribas Large Cap Fund	17.2	15.5	9.0	12.0		2	4	8		3
Canara Robeco Bluechip Equity Fund	15.7	16.2	9.8			3	2	3		
DSP Top 100 Equity Fund	14.8	12.2	7.7	9.5		6	17	20		15
Edelweiss Large Cap Fund	11.5	14.9	8.9	11.1		18	5	9		7
Essel Large Cap Equity Fund	11.7	12.0	8.8			16	19	11		
Franklin India Bluechip Fund	5.3	8.6	6.8	9.7		27	25	24		14
HDFC Top 100 Fund	7.7	12.5	7.7	10.7		24	14	19		9
HSBC Large Cap Equity Fund	15.1	13.3	8.8	9.1		4	9	12		18
ICICI Prudential Bluechip Fund	9.8	13.1	9.2	12.5		22	10	6		2
IDBI India Top 100 Equity	12.7	10.7	7.3			11	23	22		
IDFC Large Cap Fund	10.6	12.4	7.1	8.7		20	15	23		19
Indiabulls Bluechip	12.0	13.8	9.7			15	7	4		
Invesco India Largecap Fund	10.5	12.2	8.7	10.2		21	18	13		12
JM Large Cap Fund	4.9	8.5	5.1	6.7		28	27	27		21
Kotak Bluechip Fund	14.2	13.0	9.0	10.4		8	11	7		10
LIC MF Large Cap Fund	15.0	13.6	7.9	9.2		5	8	17		17
L&T India Large Cap Fund	13.2	12.9	7.7	10.8		9	12	21		8
Mirae Asset Large Cap Fund	12.7	15.8	11.8	14.4		10	3	1		1
Nippon India Large Cap Fund	7.3	14.0	8.9	11.8		26	6	10		4
PGIM India Large Cap Fund	14.5	12.2	8.2	9.4		7	16	14		16
SBI Bluechip Fund	11.6	11.7	9.5	11.4		17	21	5		5
Tata Large Cap Fund	12.1	11.8	7.8	9.9		12	20	18		13
Taurus Largecap Equity Fund	8.5	8.5	5.4	6.8		23	26	26		20
Union Largecap Fund	12.0					14				
UTI Mastershare Fund	10.7	12.6	8.0	10.3		19	13	16		11

Source: AMFI, I-Sec research



**Table 19: Nippon taxsaver fund performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Tax Relief 96 Fund	4.3	12.5	10.0	11.5	28	14	6	12
Axis Long Term Equity Fund	14.8	17.4	11.4	17.3	2	2	2	1
Baroda ELSS 96 Fund	5.0	7.5	4.6	7.5	25	31	27	25
BNP Paribas Long Term Equity Fund	14.3	13.8	8.2	12.4	5	10	17	8
BOI AXA Tax Advantage Fund	14.6	14.8	8.8	9.2	4	6	10	24
Canara Robeco Equity Tax Saver Fund	10.8	14.5	8.6	12.1	11	7	15	9
DSP Tax Saver Fund	14.8	13.1	10.9	13.2	3	13	4	3
Edelweiss Long Term Equity Fund (Tax Savings)	9.2	11.0	7.6	10.7	15	23	22	16
Essel Long Term Advantage Fund	7.9	11.2			20	20		
Franklin India Taxshield Fund	5.1	9.6	7.5	12.5	24	27	23	5
HSBC Tax Saver Equity Fund	8.2	10.9	7.6	10.9	19	24	21	14
ICICI Prudential Long Term Equity Fund (Tax Saving)	8.8	11.3	8.4	12.4	16	19	16	6
IDBI Equity Advantage Fund	5.7	12.0	7.7		23	17	19	
IDFC Tax Advantage (ELSS) Fund	1.9	12.3	8.7	12.4	33	15	13	7
Indiabulls Tax Savings Fund	8.5				17			
Invesco India Tax Plan Fund	9.4	13.6	9.9	13.4	14	11	7	2
JM Tax Gain Fund	14.9	16.1	10.3	9.8	1	3	5	19
Kotak Tax Saver Fund	12.7	13.2	9.6	10.9	9	12	8	15
LIC MF Tax Plan Fund	11.9	14.9	8.7	10.2	10	4	12	17
L&T Tax Advantage Fund	4.6	11.0	8.8	11.7	26	22	11	11
Mahindra Manulife ELSS Kar Bachat Yojana	4.5	5.6			27	32		
Mirae Asset Tax Saver Fund	14.1	18.1			6	1		
Motilal Oswal Long Term Equity Fund	13.2	14.1			8	8		
Nippon India Tax Saver (ELSS) Fund	1.5	5.5	3.5	11.8	34	33	28	10
PGIM India Long Term Equity Fund	8.2	12.2			18	16		
Principal Tax Savings Fund	2.5	11.4	8.6	11.1	32	18	14	13
Quant Tax Plan	3.0	10.3	10.9	7.4	31	25	3	26
Quantum Tax Saving Fund	-1.3				35			
SBI Long Term Equity Fund	4.0	8.2	6.0	9.5	29	30	24	22
Sundaram Diversified Equity Fund	6.2	9.5	7.7	9.3	22	28	20	23
Tata India Tax Savings Fund	13.6	14.9	11.8	13.0	7	5	1	4
Taurus Tax Shield Fund	7.7	14.1	9.4	9.7	21	9	9	20
Union Long Term Equity	10.5	9.7	4.7		12	26	26	
UTI Long Term Equity Fund	10.4	11.2	7.8	9.6	13	21	18	21

Source: AMFI, I-Sec research

**Table 20: Nippon multi-cap fund performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Equity Fund	8.5	11.6	10.5	11.7	17	15	6	8
Axis Multicap Fund	17.2				1			
Baroda Multi Cap Fund	8.9	9.5	5.7	7.2	16	25	22	21
BNP Paribas Multi Cap Fund	13.2	12.4	9.1	12.6	7	10	9	5
Canara Robeco Equity Diversified Fund	12.3	16.0	8.9	11.5	9	1	13	9
DSP Equity Fund	17.0	14.9	9.4	11.3	2	4	8	11
Edelweiss Multi Cap Fund	8.4	14.9			18	3		
Essel Multi Cap Fund	13.1				8			
Franklin India Equity Fund	3.3	8.9	7.2	11.8	31	26	18	7
HDFC Equity Fund	6.8	12.1	7.5	11.3	21	13	15	12
HSBC Multi Cap Equity Fund	6.2	10.0	6.6	10.5	24	23	20	17
ICICI Prudential Multicap Fund	6.0	10.8	9.1	11.5	25	18	11	10
IDBI Diversified Equity Fund	6.3	10.2	7.2		23	21	17	
IDFC Multi Cap Fund	7.6	10.7	7.4	13.8	20	19	16	2
Invesco India Multicap Fund	4.6	10.2	7.5	15.7	27	22	14	1
JM Multicap Fund	16.6	15.4	10.6	8.7	3	2	5	18
Kotak Standard Multicap Fund	12.3	14.3	11.0	13.4	9	6	2	3
LIC MF Multicap Fund	13.7	9.7	4.5	7.3	6	24	25	20
L&T Equity Fund	4.9	10.3	6.9	10.8	26	20	19	15
Mahindra Manulife Multi Cap Badhat Yojana	13.8				5			
Motilal Oswal Multicap 35 Fund	7.9	12.5	12.1		19	9	1	
Nippon India Multi Cap Fund	2.2	12.1	5.7	12.7	32	14	21	4
Parag Parikh Long Term Equity Fund	14.4	13.8	10.6		4	7	4	
PGIM India Diversified Equity Fund	10.0	11.4			15	16		
Principal Multi Cap Growth Fund	3.9	12.2	9.1	11.1	30	12	10	14
Quant Active Fund	4.0	12.4	9.5	10.5	29	11	7	16
SBI Magnum MultiCap Fund	11.0	12.8	10.8	11.2	13	8	3	13
Shriram Multicap Fund	6.5				22			
Tata Multicap Fund	10.5				14			
Taurus Starshare (Multi Cap) Fund	4.1	8.1	4.6	8.6	28	27	24	19
Union Multi Cap Fund	11.8	11.3	5.2		11	17	23	
UTI Equity Fund	11.7	14.6	9.0	12.1	12	5	12	6

Source: AMFI, I-Sec research

**Debt****Table 21: Nippon floating fund performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Floating Rate Fund	8.84	8.23	8.46		5	3	3	
Franklin India Floating Rate Fund	6.71	6.69	7.11		7	5	5	
HDFC Floating Rate Debt Fund	9.37	8.28	8.29		4	2	4	
ICICI Prudential Floating Interest Fund	10.28	8.14	8.87		3	4	1	
Kotak Floating Rate Fund	11.65				2			
Nippon India Floating Rate Fund	11.72	8.68	8.67		1	1	2	
UTI Floater Fund	8.51				6			

Source: AMFI, I-Sec research

**Table 22: Nippon low duration fund performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Low Duration Fund	8.6	8.6	8.5	8.1	5	2	2	10
Axis Treasury Advantage Fund	7.7	8.2	8.1	8.4	8	4	5	4
Baroda Treasury Advantage Fund	-10.9	-8.2	-1.7	3.5	26	26	25	22
BNP Paribas Low Duration Fund	8.2	7.9	7.9	8.1	6	7	7	12
Canara Robeco Savings Fund	6.7	7.4	7.5	8.2	19	13	13	8
DSP Low Duration Fund	7.0	7.8	7.9		18	9	8	
Edelweiss Low Duration Fund	-2.5	0.2	3.0	4.8	25	25	24	21
Franklin India Low Duration Fund	1.9	5.4	7.0	8.2	24	19	16	9
HDFC Low Duration Fund	8.8	8.2	8.2	7.9	2	5	4	13
HSBC Low Duration Fund	4.2	3.2	5.0		22	22	21	
ICICI Prudential Savings Fund	8.7	8.3	8.3	8.7	4	3	3	1
IDFC Low Duration Fund	7.2	7.7	7.8	8.5	17	11	9	2
Invesco India Treasury Advantage Fund	7.4	8.0	7.9	8.3	12	6	6	5
JM Low Duration Fund	26.9	6.2	6.8	7.9	1	17	17	14
Kotak Low Duration Fund	8.7	8.6	8.7	8.5	3	1	1	3
LIC MF Savings Fund	7.6	6.4	7.1	7.3	10	16	14	16
L&T Low Duration Fund	7.5	6.7	7.8	8.1	11	15	10	11
Mahindra Manulife Low Duration Fund	7.2	7.8			16	10		
Mirae Asset Savings Fund	7.3	7.0	7.1		15	14	15	
Nippon India Low Duration Fund	8.0	7.7	7.8	8.2	7	12	11	7
PGIM India Low Duration Fund	3.1	0.5	3.7	6.1	23	23	22	19
Principal Low Duration Fund	6.3	0.2	3.4	6.0	21	24	23	20
SBI Magnum Low Duration Fund	7.4	7.9	7.8	8.3	13	8	12	6
Sundaram Low Duration Fund	6.6	4.0	5.6	7.1	20	20	19	18
Tata Treasury Advantage Fund	7.7	5.9	6.7	7.8	9	18	18	15
UTI Treasury Advantage Fund	7.4	3.4	5.3	7.2	14	21	20	17

Source: AMFI, I-Sec research

**Table 23: Nippon short duration fund performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Short Term Fund	11.8	9.4	9.3	9.3	1	5	2	1
Axis Short Term	10.9	9.4	9.1	8.6	6	3	4	4
Baroda Short Term Bond	8.3	8.6	8.9	8.4	22	13	6	9
BNP Paribas Short term Fund	10.9	8.7	8.4	8.3	5	12	14	11
BOI AXA Short Term Income Fund	-0.5	-2.6	1.9	4.6	25	24	24	20
Canara Robeco Short Duration Fund	9.6	8.4	8.6		18	14	10	
DSP Short-term Fund	10.2	8.9	8.6	8.4	16	11	11	10
Franklin India Short-term Income Fund	-4.6	3.1	5.5	7.2	26	23	23	18
HDFC Short Term Debt Fund	11.4	9.4	8.9	9.0	3	4	5	2
HSBC Short Duration Fund	6.9	4.5	5.9	6.7	24	20	21	19
ICICI Prudential Short Term Fund	11.5	9.5	9.5	8.8	2	1	1	3
IDBI Short Term Bond	10.5	6.2	7.0		10	17	17	
IDFC Bond Fund Short Term Plan	10.2	9.1	8.7	8.5	14	6	9	6
Indiabulls Short Term Fund	7.8	7.5	7.8		23	15	15	
Invesco India Short Term Fund	10.4	9.0	8.5	8.2	11	9	13	12
Kotak Bond Short-term Fund	10.9	9.5	9.1	8.4	7	2	3	7
LIC MF Short Term Debt Fund	9.4				20			
L&T Short Term Bond Fund	10.2	9.0	8.5		15	7	12	
Mirae Asset Short Term Fund	9.5				19			
Nippon India Short-term Fund	10.4	8.9	8.7	8.4	13	10	8	8
PGIM India Short Maturity Fund	8.7	5.1	6.7	7.5	21	19	18	16
Principal Short Term Debt Fund	10.8	5.4	6.6	7.4	9	18	19	17
SBI Short Term Debt Fund	10.4	9.0	8.8	8.6	12	8	7	5
Sundaram Short Term Debt Fund	9.9	4.0	5.8	7.5	17	22	22	15
Tata Short-term Bond Fund	10.8	7.0	7.5	7.9	8	16	16	13
UTI Short-term Income Fund	11.0	4.5	6.1	7.8	4	21	20	14

Source: AMFI, I-Sec research

## Financial summary

**Table 24: Profit and Loss statement**

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21E	FY22E	FY23E
<b>MF AUM</b>	<b>2,278</b>	<b>1,635</b>	<b>2,044</b>	<b>2,350</b>	<b>2,585</b>
<b>Revenue from operations</b>	<b>14,786</b>	<b>12,030</b>	<b>10,317</b>	<b>11,033</b>	<b>13,177</b>
Investment management fees	14,464	11,636	10,028	10,504	12,521
Portfolio management fees	322	394	289	530	656
Other income	1,713	-98	3,800	1,800	1,900
<b>Total income</b>	<b>16,499</b>	<b>11,932</b>	<b>14,117</b>	<b>12,833</b>	<b>15,077</b>
Operating expenses					
Employee expense	2,935	3,024	2,721	2,803	2,971
Other expenses	6,461	2,921	2,130	1,960	2,057
<b>Total Opex</b>	<b>9,396</b>	<b>5,945</b>	<b>4,851</b>	<b>4,763</b>	<b>5,028</b>
<b>EBITDA (ex-other income)</b>	<b>5,390</b>	<b>6,085</b>	<b>5,465</b>	<b>6,271</b>	<b>8,149</b>
Depreciation and amortization expenses	101	333	342	326	296
<b>PBT</b>	<b>7,002</b>	<b>5,598</b>	<b>8,873</b>	<b>7,694</b>	<b>9,703</b>
<b>Core PBT (ex-other income)</b>	<b>5,290</b>	<b>5,696</b>	<b>5,073</b>	<b>5,894</b>	<b>7,803</b>
Tax	2,132	1,441	2,027	1,939	2,445
<b>PAT</b>	<b>4,871</b>	<b>4,158</b>	<b>6,845</b>	<b>5,755</b>	<b>7,258</b>
<b>Core PAT</b>	<b>3,679</b>	<b>4,230</b>	<b>3,914</b>	<b>4,409</b>	<b>5,837</b>

Source: I-Sec research

**Table 25: Balance sheet**

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	6,120	6,121	6,121	6,121	6,121
Reserves and Surplus	19,580	19,809	23,595	24,216	25,966
<b>Networth</b>	<b>25,700</b>	<b>25,931</b>	<b>29,716</b>	<b>30,337</b>	<b>32,087</b>
<b>Minority interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trade payables	474	677	738	804	876
Provisions	435	393	665	945	1,242
Other Liabilities	1,150	1,808	1,899	1,994	2,093
<b>Total Liabilities</b>	<b>27,758</b>	<b>28,808</b>	<b>33,017</b>	<b>34,080</b>	<b>36,299</b>
<b>Assets</b>					
Net block (incl CWIP)	168	856	564	288	42
Asset management rights	2,400	2,400	2,400	2,400	2,400
<b>Investments</b>	<b>18,328</b>	<b>23,479</b>	<b>27,842</b>	<b>29,043</b>	<b>31,368</b>
of which cash and cash equivalents	5,428	4,633	5,211	5,791	6,366
Loans and advances	3,696	9	9	9	9
Other assets	3,167	2,065	2,202	2,340	2,480
<b>Total Assets</b>	<b>27,758</b>	<b>28,808</b>	<b>33,017</b>	<b>34,080</b>	<b>36,299</b>

Source: I-Sec research

**Table 26: Cashflow statement***(Rs mn, year ending Mar 31)*

	FY19	FY20	FY21E	FY22E	FY23E
Operating Cashflow ex WC	5,624	6,523	9,487	8,300	10,296
Working Capital Changes	355	1,025	13	24	32
Cashflow from operations	3,861	6,049	7,473	6,385	7,883
Capital Commitments ex asset sale	-85	-40	-50	-50	-50
<b>Free Cashflow</b>	5,185	5,457	9,423	8,227	10,214
Cash flow from Investing Activities	-347	365	-3,835	-671	-1,800
Dividend paid including taxes	-2,923	-4,427	-3,060	-5,134	-5,508
Cashflow from Financing Activities	-3,587	-4,680	-3,060	-5,134	-5,508
<b>Chg. in Cash &amp; Bank balance</b>	-74	1,735	577	580	575

Source: I-Sec research

**Table 27: Key ratios***(year ending Mar 31)*

	FY19	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (in Rs.)</b>					
EPS(Basic Recurring)	8.0	6.8	11.2	9.4	11.9
Core EPS	6.0	6.9	6.4	7.2	9.5
Dividend per share (DPS)	6.0	5.0	8.4	7.5	9.0
Book Value per share	42.0	42.4	48.6	49.6	52.4
<b>Growth Ratios (%)</b>					
AUM	0.8	-28.2	25.0	15.0	10.0
Total Revenue	-7.1	-18.6	-14.2	6.9	19.4
EBITDA	6.3	12.9	-10.2	14.7	30.0
Recurring Net Income	6.5	-14.6	64.7	-15.9	26.1
Core PAT	5.8	15.0	-7.5	12.7	32.4
<b>Valuation Ratios (x)</b>					
P/E	41.6	48.7	29.6	35.2	27.9
P/BV	7.9	7.8	6.8	6.7	6.3
Core P/E	55.0	47.9	51.8	45.9	34.7
Mcap to AUM	8.9	12.4	9.9	8.6	7.8
<b>Operating ratios</b>					
Investment management fees/total income	87.7	97.5	71.0	81.8	83.0
Operating expenses/total income	56.9	49.8	34.4	37.1	33.3
Employee expenses/operating expenses	31.2	50.9	56.1	58.8	59.1
Core PBT margin (of total income)	32.1	47.7	35.9	45.9	51.8
PAT margin (of total income)	29.5	34.8	48.5	44.8	48.1
Tax rate	30.4	25.7	22.9	25.2	25.2
Payout ratio	75%	74%	75%	80%	76%
<b>% of AUM MF AUM (bps)</b>					
Revenue	63.5	71.2	49.1	44.7	48.4
Operating expenses	41.2	36.4	23.7	20.3	19.4
Operating margins	22.2	34.8	25.3	24.4	29.0
PAT	21.4	25.4	33.5	24.5	28.1
Core PAT	16.2	25.9	19.1	18.8	22.6
ROE	19.7	16.1	24.6	19.2	23.3

Source: I-Sec research

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