

Nippon Life India Asset Management (NAM)

Asset Management Company | NBIE Conference Update

Not Rated

CMP: Rs551 | Target Price (TP): NA | Upside: NA

June 04, 2024

Strong retail presence; expanding distribution reach

Key Points

We hosted Mr. Amol Bilagi, CFO and Mr. Saugata Chatterjee, Chief Business Officer, Nippon Life AMC as part of the NBIE Investor Conference.

Meeting takeaways from the meeting are:

- The company highlighted that it has the largest investor base in the AMC industry with 37% share of unique investors and a retail share of 30% (higher than industry average of 27%).
- While equity yields are expected to remain under pressure, the company is focusing on Offshore/AIF business to drive volume. A steady uptick in SIP flows and market share revival in high-yielding segments is likely to aid earnings.
- As a non-banca backed AMC, Nippon Life AMC continues to invest in technology/ infrastructure; focus is on B-30 locations and digital customer acquisition to help strengthen distribution reach.

4th largest AMC with a strong retail base: Nippon Life AMC (**Not Rated**) is the 4th largest AMC in India (based on QAAUM), with a track record of 28 years and an AUM of Rs5.24trn. It has 101k+ distributors with 24.3 mn folios and 1,001 employees across 263 locations. The company highlighted that it has the largest investor base in the industry with 37% share of unique investors (as of March'24) and a retail share of 30% (higher than industry average of 27%). The share of Equity AUM increasing to 49% (44% in March'23) and a steady uptick in SIP flows (32%/57% increase in SIP folios/AUM in FY24) have helped boost the topline. It expects asset growth and market share revival in high-yielding segments to boost earnings.

Continuing to invest in franchise; focusing on offshore/other income: While the company expects equity yields to remain under pressure over the next few months, it is focusing on improving operating leverage to offset the impact. The company highlighted that since it is a non-banca backed AMC, it needs to invest in technology & infrastructure; however it expects operating expenses to be in line with inflation (8-10% growth). It is focusing on growing its Offshore business over the next two years (4 schemes in Singapore, Dubai & Japan) and is raising funds for three AIF schemes - Nippon India Equity Opportunities, Nippon India Credit Opportunities and Real Estate AIF Nippon India Yield Plus. It has on-boarded a new Fund Manager for Long Only Equity AIF Schemes and expects Non-MF income to grow to 15-20% (from 10% currently) over the next five years.

Extensive distribution reach; expanding B-30 contribution: Nippon Life AMC is empanelled with 101k MF distributors (including 80 national distributors) and 94 banks. B-30 locations contribute 18% to AUM (Rs 862bn as of March'24) and company is planning to go deeper in tier 2/3/4 cities with IFAs and national distributors (NJ and Prudent). It's Rural and Emerging Market Group (REMG) focuses on the B-100 markets through a dedicated structure, ensuring a focused approach to build and develop tier 2/3 towns of India. Moreover, its digital acquisition run-rate has remained strong (6.6mn digital transactions in FY24 vs. 3.3mn in FY23), with a 60% digital contribution to total purchases and new SIP registrations.

Est Change	-
TP Change	-
Rating Change	-

Company Data and Valuation Summary

Reuters	RELL.BO
Bloomberg	NAM IN Equity
Market Cap (Rsbn / US\$bn)	393.7 / 4.7
52 Wk H / L (Rs)	636 / 243
ADTV-3M (mn) (Rs / US\$)	585.1 / 7.0
Stock performance (%) 1M/6M/1yr	4.2 / 45.3 / 152.5
Nifty 50 performance (%) 1M/6M/1yr	2.9 / 4.1 / 25.1

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	73.5	73.1	72.9
DII's	14.6	14.2	14.4
FII's	5.1	5.5	5.5
Others	6.9	7.2	7.3
Pro pledge	0.0	0.0	0.0

Key Links- [4QFY24 Presentation](#)

Please refer to the disclaimer towards the end of the document.

Financials

Exhibit 1: Income statement

Y/E March (Rsmn)	FY20	FY21	FY22	FY23	FY24
Net revenue	12,030	10,621	13,066	13,498	16,432
Employee expenses	3,024	2,713	2,903	3,029	3,360
Other expenses	2,921	2,333	2,256	2,523	3,135
EBITDA	6,085	5,575	7,907	7,947	9,937
Depreciation	333	333	272	298	291
EBIT	5,753	5,243	7,635	7,649	9,646
Interest/financial charges	57	44	38	40	62
Other income	-98	3,572	2,290	1,668	3,941
PBT	5,598	8,770	9,887	9,277	13,525
Tax expense	1,441	1,976	2,453	2,048	2,462
PAT	4,158	6,794	7,434	7,229	11,063

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Balance sheet

Y/E March (Rsmn)	FY20	FY21	FY22	FY23	FY24
SOURCES OF FUNDS					
Share capital	6,121	6,165	6,220	6,232	6,300
Reserves & surplus	19,809	24,844	28,558	28,925	33,522
Shareholders' funds	25,931	31,009	34,778	35,156	39,822
Other liabilities	2,878	2,914	3,187	3,453	3,929
Total equity and liabilities	28,808	33,922	37,965	38,609	43,750
APPLICATION OF FUNDS					
Investments	18,846	25,500	29,417	30,231	35,127
Fixed and other assets	9,963	8,423	8,548	8,378	8,624
Total assets	28,808	33,922	37,965	38,609	43,750

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Cash Flow Statement

Y/E March (Rsmn)	FY20	FY21	FY22	FY23	FY24
PBT	5,598	8,770	9,887	9,277	13,525
Op. profit before WC changes	6,523	5,997	8,297	8,173	10,007
Operating Cash Flow	6,050	4,560	5,796	5,866	7,775
Net purchase of investments	-6,812	-3,376	-1,911	402	-1,253
Investing Cash Flow	365	-4,016	-1,245	984	-1,038
Proceeds from issue of share capital	24	924	1,223	262	1,553
Dividend paid (including taxes)	-4,427	-3,063	-5,263	-7,161	-8,112
Financing Cash Flow	-4,680	-2,391	-4,259	-7,117	-6,707
Net inc/(dec) in cash/equivalents	1,735	-1,848	291	-267	30
Opening cash/equivalents	300	2,035	188	479	212
Closing cash/equivalents	2,035	188	479	212	242

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Key ratios

Y/E March	FY20	FY21	FY22	FY23	FY24
Assets under management					
Mutual fund AUM (Rsbn)	2,049	2,054	2,681	2,861	3,691
Advisory services + PMS AUM (Rs bn)	869	1,263	595	673	791
Aggregate AUM (Rsbn)	2,918	3,317	3,276	3,534	4,482
Growth (%)					
Aggregate AUM	-31.3	13.7	-1.2	7.9	26.8
Revenue	-18.6	-11.7	23.0	3.3	21.7
EBITDA	12.9	-8.4	41.8	0.5	25.0
PAT	-14.6	63.4	9.4	-2.7	53.0
Shareholders' funds	0.9	19.6	12.2	1.1	13.3
Yields (%)					
Investment mgmt fee	0.6	0.5	0.5	0.5	0.5
PMS & advisory fee	0.0	0.0	0.0	0.1	0.1
Margins (%)					
EBITDA	50.6	52.5	60.5	58.9	60.5
EBIT	47.8	49.4	58.4	56.7	58.7
PBT	46.9	61.8	64.4	61.2	66.4
PAT	34.8	47.9	48.4	47.7	54.3
Profitability (%)					
ROA	14.7	21.7	20.7	18.9	26.9
ROE	16.1	23.9	22.6	20.7	29.5
Per share data (Rs)					
EPS	6.8	11.0	12.0	11.6	17.8
BVPS	42.4	50.3	55.9	56.5	64.0

Source: Company, Nirmal Bang Institutional Equities Research

DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I, Shreya Khandelwal, research analyst and the author(s) of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

*"Registration granted by SEBI and certification from NISM in no way guarantee the performance of the intermediary or provide any assurance of returns to investors."

Our reports are also available on our website www.nirmalbang.com

Access all our reports on Bloomberg, Thomson Reuters and Factset.

Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
Nr. Peninsula Corporate Park,
Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010