

4QFY24: Strong AUM Growth Leads Profit Rise

For 4QFY24, NAM's profit rose 73% YoY to Rs3.4bn, ahead of our est led by better core performance, higher other income & low tax rate. Equity AUM grew 63% YoY, led by MTM gains, better flows & mkt. share gains driving AUM growth of 47%. Revenues rose by 34% aiding Op. profit rise of 41% coupled with 133% rise in other income (MTM gains). We raise estimates for FY25/26 by 4-5% even as we raise Esop costs. We see 18% Cagr in op. profit over FY24-27. BUY stays.

Strong earnings growth led by market buoyancy & fund OPFance. During 4Q, NAM's avg AUM grew by 47% YoY, driven by 63% rise in equity AUMs (49% of total), reflecting strong MTM gains, healthy inflows and market share gains (c.10bps QoQ/~60bps in 12M). Mkt share in fresh equity inflows is in double digits vs. 7% share in stock of AUMs despite cut in commission rates for some equity schemes. Revenue growth of 34% led operating profit growth to 41% and net profit growth of 73% was boosted by higher other income from MTM gains on their investments.

Building on SIPs, B-30 and alternates. NAM continues to benefit from rising share in SIP flows (up 450bps YoY) that now form nearly 13% of equity AUMs. B-30 markets contribute 20% of AUM for NAM vs. 18% for industry. Its non-mutual fund AUMs form 18% of total AUMs with AIF segment forming 7% of this pie.

Raise earnings; BUY stays. We revise our AUM forecasts higher and this raises earning estimates by 4-5% even as we build higher Esop costs. We see 18% Cagr in AUMs over FY24-27 led by 22% Cagr in equity AUMs. This will drive 18% Cagr in operating profit, but lower non-core revenues will drag growth in net profit to 9% Cagr. Dividend payout can stay high at +90%, offering good dividend yield of 3% (FY25e). We retain BUY rating with revised PT of Rs680 (from Rs610), based on 32x Jun-26 PE.

Exhibit 1 - Nippon AMC: Key Metrics

Nippon AMC	FY23	FY24E	FY25E	FY26E	FY27E
Investment mgmt fees (Rsbn)	13.5	16.4	20.5	23.0	25.5
Other Income (Rsbn)	1.7	3.9	2.8	2.8	2.9
Operating Expense (Rsbn)	5.6	6.6	7.8	8.5	9.3
PBT (Rsbn)	9.3	13.5	15.1	17.0	18.8
PAT (Rsbn)	7.2	11.1	11.7	13.1	14.5
ROE (%)	21%	30%	29%	31%	33%
P/E (x)	51	33	32	28	25
P/BV (x)	10.4	9.3	9.0	8.5	8.1

Source: Company Data, Jefferies

(FY Mar)	2024A	2025E	2026E	2027E
Rev. (MM)	20,373.4	23,220.9	25,812.2	28,471.2
Net Profit	11,051.8	11,660.0	13,084.9	14,480.7
ROAE	29.5%	28.8%	31.0%	32.7%
BV/Share	63.21	65.22	68.60	72.06

TARGET | ESTIMATE CHANGE

RATING	BUY
PRICE	INR586.00*
PRICE TARGET % TO PT	↑INR680 (INR610) +16%
52W HIGH-LOW	INR584.25 - INR230.25
FLOAT (%) ADV MM (USD)	24.4% 8.44
MARKET CAP	INR361.6B \$4.3B
TICKER	NAM IN

*Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEF _e		JEF vs CONS	
	2025	2026	2025	2026
REV	+6%	+4%	NA	NA
EPS	+4%	+3%	NA	NA

2025 (INR)	Q1	Q2	Q3	Q4	FY
EPS	-	-	-	-	↑18.51
PREV					17.81

Prakhar Sharma * | Equity Analyst

91 22 4224 6129 | prakhar.sharma@jefferies.com

Jayant Kharote * | Equity Analyst

+91 22 4224 6311 | jkharote@jefferies.com

Vinayak Agarwal * | Equity Associate

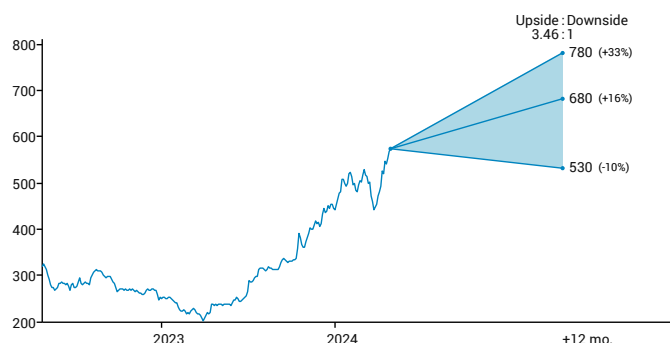
+91 22 4224 6178 | vagarwal2@jefferies.com

The Long View: NAM

Investment Thesis / Where We Differ

- NAM is a well-diversified AMC. While it starts to benefit from new ownership in corporate, the key for a re-rating remains increasing market share in equity funds.
- It has a reasonably well-retailized business model, with ahead-of-industry AuM share from B-30 towns and retail investors.
- It should benefit from any widening penetration of MFs.
- Diversified product mix (e.g., ETF, AIF, PMS, offshore) positions it to benefit from growth across segments.

Risk/Reward - 12 Month View



Base Case, INR680, +16%

- AuM CAGR of 18% over FY24-27 with equity AuM CAGR of 22%
- Blended yield averaging 41bps over the forecast period and net profit/AuM averaging 23bps
- 16% CAGR in core revenues with 9% CAGR in PAT over FY24-27E
- PT of Rs680 on PE multiple of 32x Jun-26E EPS

Upside Scenario, INR780, +33%

- AuM CAGR of 20% over FY24-27 with equity AuM CAGR of 24%
- Blended yield averaging 42bps over the forecast period and net profit/AuM averaging 25bps
- 18% CAGR in core revenues & 12% in PAT over FY24-27E
- PT of Rs780 on PE multiple of 37x Jun-26E EPS

Downside Scenario, INR530, -10%

- AuM CAGR of 15% over FY24-27 with equity AuM CAGR of 17%
- Blended yield averaging 40bps over the forecast period and net profit/AuM averaging 21bps
- 15% CAGR in core revenues & 7% in PAT over FY24-27E
- PT of Rs530 on PE multiple of 25x Jun-26E EPS

Sustainability Matters

Top Material Issue(s): 1) Responsible Business 2) Selling Practices 3) Customer Privacy & Data Security

Company Target(s): 1) Enhance its responsible investment strategies and build a portfolio with superior returns to investors but also a positive environmental and social impact; NAM became a signatory to the United Nations Principles for Responsible Investment (UN PRI) in FY22. 2) Create an exclusionary criterion for its equity assets based on assessment of governance parameters; for the fixed income portfolio, company shall exclude issuers whose products are detrimental to society and incompatible with its core values. 3) Increase digitization - Modernize the core operating system, leverage IT and digital platforms to end users, institute risk-management systems that facilitate identifying redundant data/systems. 4) Furthering the cause of diversity and inclusion in its workforce.

Qs to Mgmt: 1) What is the share of company's revenues from B30 locations? How does the company plan to increase this share? 2) What steps is the company taking to ensure strong data security and customer privacy?

Catalysts

- A sustained trend of market share gain, esp in equity segment, should be a key catalyst.
- Its top equity funds have been outperforming for the past few quarters. A longer sustenance of this trend should be a positive price trigger.
- Sharp movement in equity market will be a key revenue/profitability driver

Exhibit 2 - Nippon AMC: 4QFY24 Results

Consolidated Financials (Rsm)	4QFY23	3QFY24	4QFY24	% YoY	% QoQ
Revenue from operations	3,483	4,233	4,683	34%	11%
Other income	397	1,071	923	133%	-14%
Total Revenue	3,880	5,304	5,606	44%	6%
Employee benefits expense	725	881	886	22%	1%
Marketing & publicity expense	122	156	172	41%	11%
Other operating expenses	641	686	806	26%	17%
Total expenses	1,488	1,723	1,865	25%	8%
Operating Profit	1,995	2,510	2,818	41%	12%
PBT	2,392	3,581	3,741	56%	4%
PAT	1,980	2,843	3,429	73%	21%
Asset Under Management (Rs bn)					
MF Closing AUM	2,869	3,937	4,313	50%	10%
MF QAAUM	2,932	3,777	4,313	47%	14%

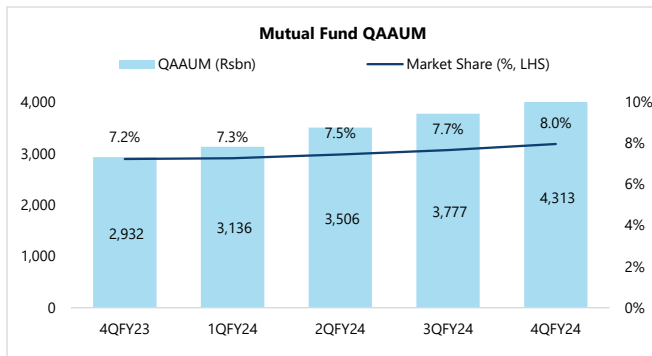
Source: Company Data, Jefferies

Exhibit 3 - Equity QAAUM grew 63% YoY on the back of higher flows, better market share and M2M gains

MF QAAUM (Rsbn)	4QFY23	3QFY24	4QFY24	% YoY	% QoQ
Equity	1,302	1,836	2,122	63%	16%
Debt	539	672	681	26%	1%
Liquid	388	340	392	1%	15%
Other	701	929	1,117	59%	20%
Overall MF AUM	2,932	3,777	4,313	47%	14%
Mkt share basis QAAUM	4QFY23	3QFY24	4QFY24	% YoY	% QoQ
Equity	6.2%	6.7%	6.8%	57 bps	8 bps
Debt	6.1%	6.6%	6.7%	54 bps	10 bps
Liquid	7.0%	6.2%	6.7%	-28 bps	49 bps
Other	13.7%	15.4%	16.8%	306 bps	143 bps
Overall	7.2%	7.7%	8.0%	73 bps	30 bps

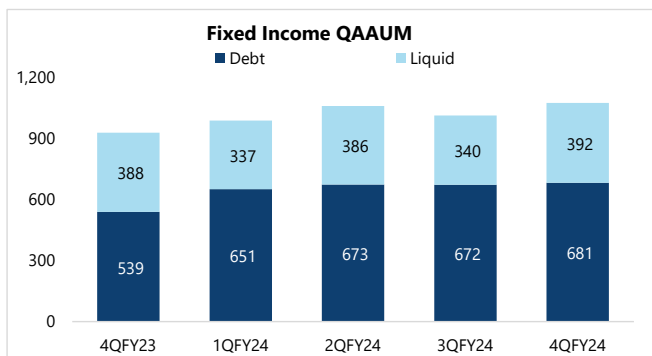
Source: Company Data, Jefferies

Exhibit 4 - QAAUM grew 47% YoY in 4Q on the back of strong performance in equity segment, leading to market share gains



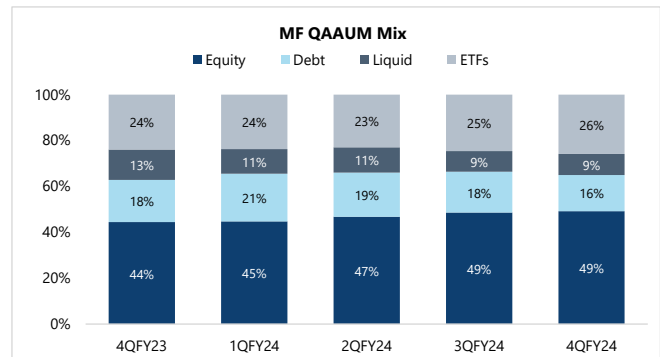
Source: Company Data, Jefferies

Exhibit 6 - Seasonal uptick in liquid funds while debt funds were flat QoQ



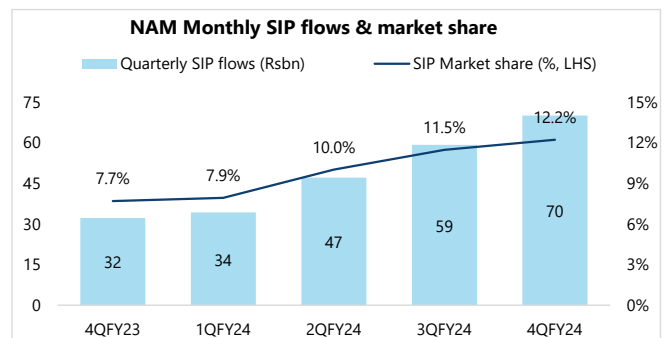
Source: Company Data, Jefferies

Exhibit 5 - As a result, share of equity has improved by c.500bps YoY to 49%



Source: Company Data, Jefferies

Exhibit 7 - Market share gain in SIP flows encouraging



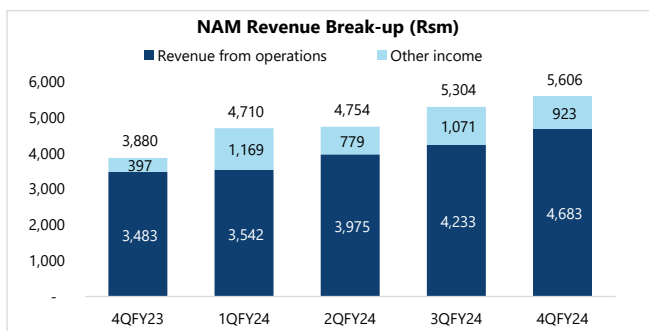
Source: Company Data, Jefferies

Exhibit 8 - Nippon AMC: 4QFY24 Key Metrics

Key Metrics	4QFY23	3QFY24	4QFY24	% YoY	% QoQ
SIP inflows - exit month (Rsbm)	11.2	21.0	23.3	108%	11%
Quarterly SIP flows (Rsbm)	32.2	59.3	70.1	118%	18%
SIP folios (m)	4.8	6.8	7.8	63%	15%
Cost-to-income ratio	38%	32%	33%	-509 bps	77 bps
ROA (%)	21%	na	33%	1187 bps	na
ROE (%)	23%	na	36%	1326 bps	na
Empanelled Distributors	91,000	98,000	101,400	11%	3%
Dist Mix (excl Direct AUM)					
Independent Financial Advisors	58%	58%	57%	-100 bps	-100 bps
Banking Distributors	22%	22%	23%	100 bps	100 bps
National Distributors	20%	20%	20%	0 bps	0 bps

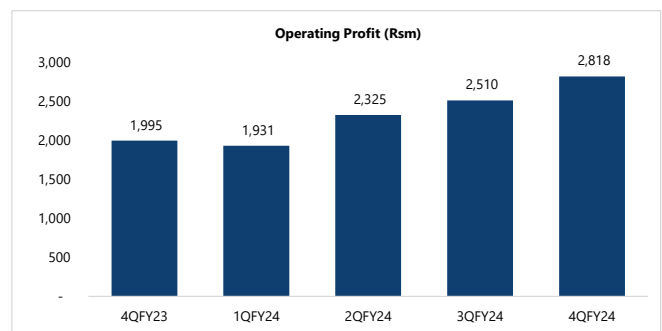
Source: Company Data, Jefferies

Exhibit 9 - Revenue grew 44% YoY, aided by stronger growth of +130% in investment income, even as core was strong



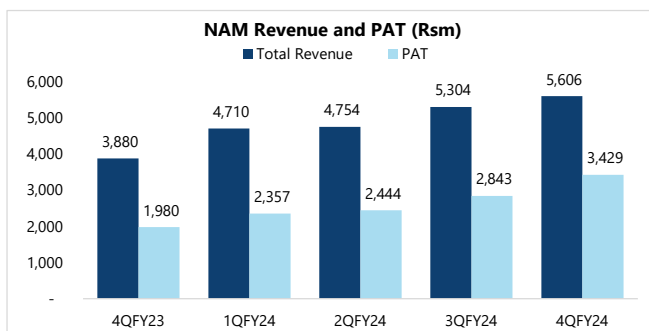
Source: Company Data, Jefferies

Exhibit 10 - Operating profit grew 41% YoY in 4QFY24 due to higher core revenue growth and better cost trends



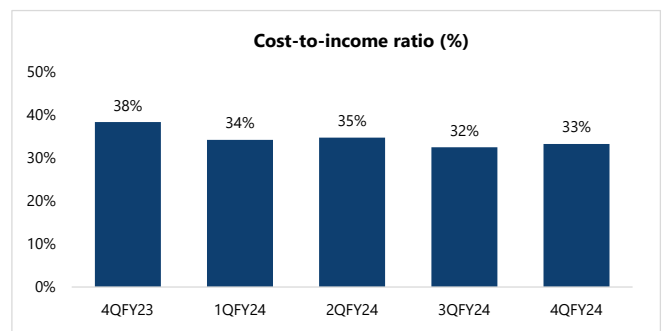
Source: Company Data, Jefferies

Exhibit 11 - PAT grew 73% YoY, higher than core revenue growth of 34%, aided by higher investment income & lower tax rate



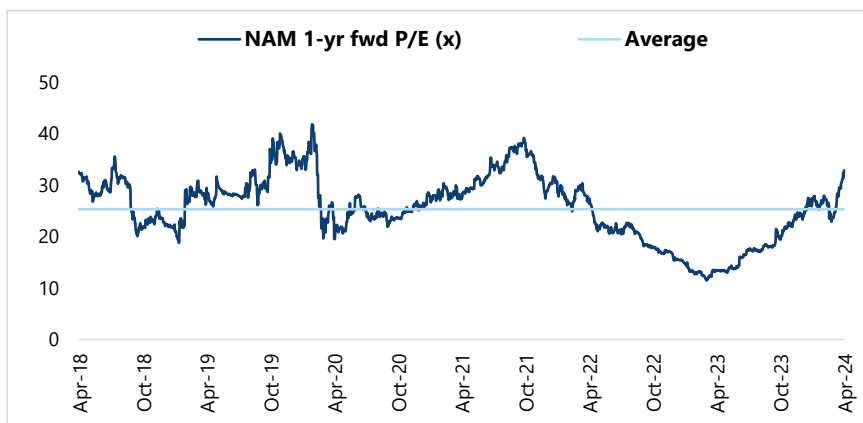
Source: Company Data, Jefferies

Exhibit 12 - Cost to income ratio fell 500bps YoY to 33% due to strong growth in topline



Source: Company Data, Jefferies

Exhibit 13 - In the past 12M, NAM India has rallied +150% and now trades at 30% premium to LT average multiples



Source: Bloomberg, Company Data, Jefferies

Exhibit 14 - Nippon AMC: Income Statement

Income Statement (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Invst. Mgmt. Fees	13,200	15,916	19,897	22,415	24,883
PMS Fees	299	516	560	605	667
Investment Management fees	13,498	16,432	20,457	23,019	25,550
Total Other income	1,668	3,941	2,764	2,793	2,921
Total Revenue	15,166	20,373	23,221	25,812	28,471
Employee costs	3,029	3,360	4,135	4,377	4,690
Admin & Other expenses	1,774	2,218	2,426	2,658	2,921
Mktg & publicity expenses	788	979	1,211	1,462	1,717
Total Operating Expenses	5,591	6,557	7,772	8,498	9,328
Depreciation/Diminution in LT inv.	298	291	306	321	337
Total Expenditure	5,889	6,849	8,078	8,819	9,665
PBT	9,277	13,525	15,143	16,993	18,806
Reported Profit (PAT)	7,225	11,052	11,660	13,085	14,481
Dividend	7,167	10,395	10,956	12,295	13,607
Retained earnings	59	657	704	790	874

Source: Company Data, Jefferies Estimates

Exhibit 15 - Nippon AMC: Balance Sheet

Balance Sheet (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	6,232	6,300	6,300	6,300	6,300
Reserves & Surplus	28,925	33,522	34,787	36,915	39,101
Networth	35,156	39,822	41,087	43,215	45,401
Current Liabilities	3,326	3,845	4,287	4,796	5,382
Provisions	127	84	105	131	164
Total Liabilities	38,609	43,750	45,479	48,143	50,946
Net Fixed Assets	3,073	3,328	3,582	3,877	4,218
Total Non Current investments	30,231	35,127	36,849	38,656	40,554
Total Non-current assets	34,712	39,487	41,360	43,370	45,524
Total Current Assets	3,898	4,264	4,119	4,773	5,422
Total Assets	38,609	43,750	45,479	48,143	50,946

Source: Company Data, Jefferies Estimates

Exhibit 16 - Nippon AMC: Closing AUM

Closing AUM (Rsbn)	FY23	FY24	FY25E	FY26E	FY27E
Equity	1,327	2,165	2,699	3,311	3,950
Debt	374	577	682	765	833
Liquid	457	381	403	435	470
Others (ETF + Fofs)	711	1,190	1,387	1,589	1,819
Total AUM	2,869	4,313	5,171	6,100	7,072

Closing AUM mix (%)	FY23	FY24	FY25E	FY26E	FY27E
Equity	46%	50%	52%	54%	56%
Debt	13%	13%	13%	13%	12%
Liquid	16%	9%	8%	7%	7%
Others (ETF + Fofs)	25%	28%	27%	26%	26%
Total	100%	100%	100%	100%	100%

Source: Company Data, Jefferies Estimates

Exhibit 17 - Nippon AMC: Key Ratios

Key Ratios (%)	FY23	FY24	FY25E	FY26E	FY27E
As a % of Closing AUM					
Core Revenues / Avg. AUM	0.48%	0.46%	0.43%	0.41%	0.39%
Other Revenues / Avg. AUM	0.06%	0.11%	0.06%	0.05%	0.04%
Total Revenues / Avg. AUM	0.54%	0.6%	0.5%	0.5%	0.4%
Employee cost / Avg. AUM	0.11%	0.1%	0.1%	0.1%	0.1%
Brokerage & comms / Avg. AUM	0.02%	0.0%	0.0%	0.0%	0.0%
Operating cost / Avg. AUM	0.21%	0.2%	0.2%	0.2%	0.1%
PBT / Avg. AUM	0.33%	0.4%	0.3%	0.3%	0.3%
PAT / Avg. AUM	0.26%	0.3%	0.25%	0.23%	0.22%
RoA (%)	19%	27%	26%	28%	29%
ROE (%)	21%	30%	29%	31%	33%
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1

Source: Company Data, Jefferies Estimates

Exhibit 18 - Nippon AMC: Target Price Computation

Target price working (Jun-26)	
EPS (Rs)	21
Target P/E multiple (x)	32
Target price (Rs)	678
Target price rounded-off (Rs)	680

Source: Company Data, Jefferies

Company Description

NAM

NAM is one of the prominent asset managers of India. It was initially promoted by Reliance Capital Limited and Nippon Life Insurance Company in 1995. Currently, Nippon Life owns 75% of the company.

Company Valuation/Risks

NAM

We value NAM on PE basis, assigning multiple of 32x on its Jun-26E EPS, yielding a PT of INR680. We project PAT CAGR of 9% over FY24-27E for NAM. Risks: (i) Sharp dip in equity markets, (ii) inability to raise equity AuM market share.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published April 24, 2024 , 17:35 ET.

Recommendation Distributed April 24, 2024 , 17:35 ET.

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Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

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The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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Valuation Methodology

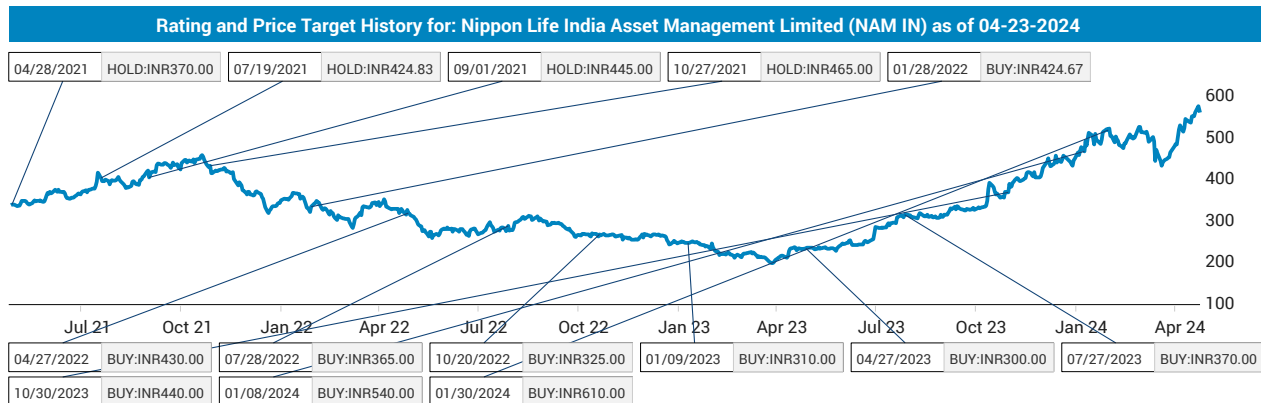
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Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

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			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	2032	59.69%	354	17.42%	116	5.71%
HOLD	1209	35.52%	112	9.26%	20	1.65%
UNDERPERFORM	163	4.79%	3	1.84%	2	1.23%

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