

April 24, 2024

**RESULT REPORT Q4 FY24** | Sector: Asset Managers

# Nippon Life India AMC

## Healthy share in equity flows sustains

### Our view – Equity inflow traction offsets yield erosion

Revenue yield erosion continues to offset some of the benefit from improved flows: The net flows into Equity and Hybrid category for the MF industry was strong in 4QFY24. NAM held double digit market share in net flows for Equity and Hybrid category in Q4FY24. Its Equity AUM (ex-ETF) market share has also improved by 9bps QoQ and stood at 6.76%. The share of Equity QAAUM in total QAAUM for the quarter has improved by 60bps QoQ. However, due to telescopic pricing formula as prescribed by SEBI, the blended yield for 4QFY24 was down by around 1 bp QoQ.

**NAM has made a new ESOP grant and half of its impact would be felt in FY25:** The employee expense is down by -1.4% QoQ, driven lower by change in provisions on PLI. The ESOP cost in FY24 was around Rs 70 mn. NAM has approved a grant of ESOPs which will cost around Rs 850-900mn over 4 years. Around, 49-50% cost for these new ESOPs granted would fall in FY25. Also, the management has guided that total operating expense in FY25 would increase by around 8-10% YoY, excluding the ESOP cost.

**We maintain ADD rating on NAM with a revised price target of Rs 650:** We value NAM at 35x FY26 P/E, at which the stock would trade at a P/B of 9.3x.

*(See Comprehensive con call takeaways on page 2 for significant incremental colour.)*

### Result Highlights (See “Our View” above for elaboration and insight)

- **Revenue:** Revenue from operations at Rs 4,683mn was up 10.6% QoQ and 34.4% YoY, lagging 14% QoQ and 47% YoY growth in QAAUM
- **Share of Equity in AUM:** Share of Equity in AUM (including Hybrid funds) at 49% was up 60bps QoQ and 476 bps YoY (calculated on rounded off figures)
- **Share of B-30 in AUM:** Share of B-30 in AUM at 19.5% was down/up -60bps/50bps QoQ/YoY
- **Channel mix:** In overall AUM, the share of direct channel was 55%. Share of MFDs, Banks and NDs within distributed assets was 57%, 23% and 20%, respectively
- **Operating profit margin:** Operating profit margin for the quarter, at 62.1%, was up 87 bps QoQ and 214 bps YoY

### Exhibit 1: Result table

Rs mn	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
Revenue from operation	4,683	3,483	34.4%	4,233	10.6%
As % of QAUM <sup>^</sup>	0.43%	0.48%	-4bps	0.45%	-1bps
Fees and Commission Expenses	172	122	41.4%	156	10.5%
As % of revenue	3.7%	3.5%	18bps	3.7%	0bps
Employee Benefit Expenses	886	712	24.6%	875	1.3%
As % of revenue	18.9%	20.4%	-150bps	20.7%	-173bps
Other Expenses	717	562	27.6%	611	17.2%
As % of revenue	15.3%	16.1%	-82bps	14.4%	87bps
<b>Total Expense</b>	<b>1,775</b>	<b>1,395</b>	<b>27.3%</b>	<b>1,642</b>	<b>8.1%</b>
<b>Operating Profit</b>	<b>2,908</b>	<b>2,088</b>	<b>39.2%</b>	<b>2,592</b>	<b>12.2%</b>
As % of QAUM <sup>^</sup>	0.3%	0.3%	-2bps	0.3%	0bps
As % of revenue	62.1%	60.0%	214bps	61.2%	87bps
Other Income	923	397	132.6%	1,071	-13.8%
Finance cost	16	12	37.9%	17	-3.6%
Depreciation	73	82	-10.0%	65	12.6%
<b>Profit before Tax</b>	<b>3,741</b>	<b>2,392</b>	<b>56.4%</b>	<b>3,581</b>	<b>4.5%</b>
Tax Expense	315	415	-24.1%	741	-57.5%
<b>Profit After Tax</b>	<b>3,426</b>	<b>1,977</b>	<b>73.3%</b>	<b>2,840</b>	<b>20.6%</b>
As % of QAUM <sup>^</sup>	0.3%	0.3%	5bps	0.3%	2bps
As % of revenue	73.2%	56.8%	1640bps	67.1%	608bps

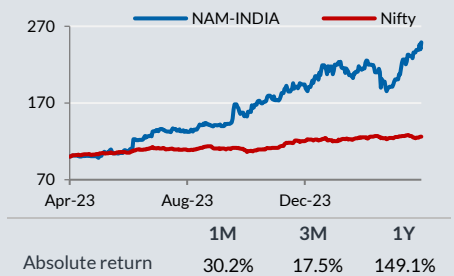
Source: Company, YES Sec-Research, <sup>^</sup> Annualised

Recommendation	: ADD
Current Price	: Rs 584
Target Price	: Rs 650
Potential Return	: +11%

### Stock data (as on April 24, 2024)

Nifty	22,402
52 Week h/l (Rs)	623 / 230
Market cap (Rs/USD mn)	354727 / 4256
Outstanding Shares (mn)	630
6m Avg t/o (Rs mn):	404
Div yield (%):	2.1
Bloomberg code:	NAM IN
NSE code:	NAM-INDIA

### Stock performance



### Shareholding pattern (As of Dec'23 end)

Promoter	73.1%
FII+DII	19.7%
Others	7.2%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	650	605

### Financial Summary

Rs mn	FY24	FY25E	FY26E
Net Revenue	16,432	18,385	21,369
YoY Growth	21.7%	11.9%	16.2%
EBIDTA Margin	60.5%	58.9%	60.6%
PAT	11,063	9,996	11,694
YoY Growth	53.0%	-9.6%	17.0%
ROE	29.5%	24.5%	27.2%
EPS (Rs)	17.6	15.9	18.6
P/E (x)	33.2	36.8	31.5
BV (Rs)	63.2	66.4	70.1
P/BV (x)	9.2	8.8	8.3

### Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	NA	15.9	18.6
EPS (Old)	NA	18.4	21.4
% change	NA	-13.5%	-13.2%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Revenue Yield

- **Blended yield evolution**
  - The blended revenue yield has declined by about 1 bp QoQ
  - Excluding ETF, the blended yield was down by 0.5 bp QoQ
- **Reasons for decline in yield**
  - **Telescopic pricing**
    - As the size of the equity AUM rises, SEBI telescopic pricing formula kicks in.
- **Flow Yields**
  - The flow equity yield is marginally lower than stock yield.
- **Segmental stock yield**
  - Equity – 63 bps
  - Debt – 25 bps
  - Liquid – 10-12 bps
  - ETF – 15 bps

### Operating Expenses

- **Employee expenses**
  - The employee expense on standalone basis is down by -1.4% QoQ.
  - The sequential fall in employee expenses has been driven by change in provisions on performance-linked incentive (PLI).
  - **ESOP Cost**
    - The ESOP cost in FY24 was around Rs 70 mn.
    - The company in the board meeting has approved some grant of ESOPs which will cost around Rs 850-900mn over 4 years.
    - Around, 49-50% cost for the new ESOP granted would fall in FY25.
- **Other Operating expenses**
  - The other operating expense has grown 27.6% YoY and 17.2% QoQ.
  - Around 20-25% of the increase would be one-off and the balance is contributed by marketing and IT spends.
- **Fees and Commission Expense**
  - The fees and commission expense was up by 41% YoY and 10.5% QoQ.
  - It was driven by the revenue growth in AIF and PMS business.
- **Guidance**
  - The total operating expense in FY25 would increase by around 8-10% YoY, excluding the ESOP cost.

### Other income

- The other income for 4QFY24 was at Rs 923 mn, up by 133% YoY.
- The healthy other income is due to MTM impact driven by strong markets.

### New Launches

- The Company is not planning to launch any NFOs on the active fund side and will focus on growth of existing schemes.

(Con call takeaways continue on the next page)

- The company would launch new funds in the passive category.

## AUM aspects

### ▪ Total MF AUM

- Total MF QAAUM rose 47% YoY to Rs 4,313bn as of 4QFY24.
- Total average AUM market share stood at 7.97%, up 30bps QoQ.
- NAM's market share has increased for the 4<sup>th</sup> consecutive quarter.
- On YoY basis, NAM is the fastest growing AMC amongst the top 10 large AMCs.

### ▪ Equity AUM

- Equity AUM rose 63% YoY to Rs 3.12trn as of 4QFY24.
- Equity AUM (ex-ETF) market share stood at 6.76%, up 9bps QoQ.
- NAM holds double digit market share in net flows for Equity and Hybrid category in Q4FY24
- **SIP business**
  - The outstanding SIP accounts for the company are 7.8mn, up 62% YoY.
  - SIP AUM as of 4QFY24 stood at Rs 987 bn, up 70% YoY.
  - SIP market share increased by 305bps from Mar'23 to Mar'24 and stood at 9.1%
  - In incremental SIP flows for 4QFY24, NAM had market share of around 15%
  - The annualised SIP book was at Rs 280 bn
  - 62% of NAMs SIP AUM has continued for over 5 years as against 28% for the industry.
  - 14% of NAMs SIP folios has continued for more than 5 years as against 14% for the industry.

### ▪ Retail AUM

- Share of retail investors in total AUM stood at 30%, up 100bps YoY.

### ▪ HNI AUM

- NAM's HNI AUM stood at Rs 1,243 bn, up 63% YoY.
- NAM's HNI market share has improved 11bps QoQ to 6.7%.

### ▪ Passive AUM

- ETF AUM stood at Rs 1,115bn as of 4QFY24.
- **Gold ETF**
  - Gold ETF AUM stood at Rs 90 bn as of 4QFY24.
- ETF market share stood at 16.7%, up 135bps QoQ.
- NAM's share in the industry ETF folios stood at 60%.
- NAM has 61% market share of ETF volumes in NSE and BSE.
- In 4QFY24 launched 2 new products i.e. Nippon India Nifty Bank Index Fund and Nippon India Nifty IT Index Fund

### ▪ B-30 AUM

- Contribution in total AUM stood at 19.5%, down by -60bps QoQ.
- B-30 market share increased by 6bps QoQ to 8.8%

### ▪ Folios

- NAM has the largest investor base in the mutual fund industry with 16.5 mn unique investors.
- NAM's share in Unique investors in the industry was at 37%, up 10bps QoQ.

(Con call takeaways continue on the next page)

## AIF business

- NAM has Total commitment of Rs. 61.9bn.
- NAM has recently undertook first closing of Tech/VC AIF “Nippon India Digital Innovation AIF Scheme 2A”
- The fund raising is also underway for Nippon India Equity Opportunities AIF Scheme 9, Nippon India Credit Opportunities AIF Scheme 1 and Nippon India Yield Plus AIF Scheme 4

## Profitability aspects

- **Operating Profit**
  - Operating profit for 4QFY24 was Rs. 2.82bn, up 41% YoY
- **Profit After Tax**
  - PAT for 4QFY24 was Rs. 3.43 bn, up 73% YoY
- **Tax rate**
  - Tax rate was 8.4% in 4QFY24 Vs 20.6% in 3QFY24 and 17.3% in 4QFY24
  - **Reason for lower tax rate**
    - The tax rate was lower in the quarter primarily due to the movement of some of the investments from short-term to long-term
    - There has also been reversal of provision for previous periods post the completion of tax assessments

## Distribution aspects

- The company added 3,400 new distributors in 4QFY24
- NAM has over 101,400 distributors as of 4QFY24
- **Digital Initiatives**
  - The total Digital transactions were at 6.6mn in FY24, up 100% YoY
  - Digital channel constitute 60% of total new purchase transactions for FY24.

## Exhibit 2: Other Business Parameters

Rs mn	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
QAAUM	4,313,080	2,931,587	47%	3,776,542	14%
Retail share	30%	29%	100bps	31%	-100bps
SIP Flows	70,100	32,000	119%	59,300	18%
<b>QAAUM Mix</b>					
Equity	2,122,035	1,302,928	63%	1,835,399	16%
Debt	681,467	533,016	28%	672,224	1%
Liquid	392,490	384,956	2%	339,889	15%
ETFs	1,117,088	710,688	57%	929,029	20%
<b>QAAUM Mix (% proportion)</b>					
Equity	49%	44%	476bps	49%	60bps
Debt	16%	18%	-238bps	18%	-200bps
Liquid	9%	13%	-403bps	9%	10bps
ETFs	26%	24%	166bps	25%	130bps
<b>Channel Mix (% proportion)</b>					
Direct	54%	54%	0bps	52%	200bps
Distributed Assets	46%	46%	0bps	48%	-200bps
MFDs	57%	58%	-57bps	57%	0bps
Banks	23%	22%	77bps	23%	0bps
National Distributors	20%	20%	-20bps	20%	0bps
<b>Geographical Spread</b>					
T-30	80.5%	81.0%	-50bps	79.9%	60bps
B-30	19.5%	19.0%	50bps	20.1%	-60bps

Source: Company, YES Sec – Research

## Exhibit 3: Quarterly Actuals Vs Estimates

Q4FY24 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	4,683	4,811	(2.7)
Operating profit	2,908	2,945	(1.3)
Profit after tax	3,426	2,761	24.1

Source: Company, YES Sec – Research

## ANNUAL FINANCIALS

### Exhibit 4: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	6,220	6,232	6,300	6,300	6,300
Total Reserves	28,566	28,925	33,522	35,523	37,864
Shareholder's Funds	34,786	35,156	39,822	41,823	44,164
Long Term Provisions	154	127	84	84	84
Other Non Current Liabilities	1,240	1,428	1,574	1,697	1,842
Total Non - Current Liabilities	1,394	1,555	1,658	1,781	1,926
Trade Payables	560	662	501	560	651
Other Current Liabilities	1,226	1,236	1,770	2,088	2,465
Total Current Liabilities	1,785	1,898	2,270	2,648	3,117
<b>Total Liabilities and Equity</b>	<b>37,965</b>	<b>38,609</b>	<b>43,750</b>	<b>46,252</b>	<b>49,206</b>
Net Block	2,960	3,048	3,312	3,512	3,712
Capital Work in Progress	1	25	16	0	0
Non Current Investments	29,417	30,231	35,127	36,928	39,035
Long Term Loans & Advances	838	1,164	847	1,000	1,181
Other Non Current Assets	376	206	255	301	355
Total Non-Current Assets	33,593	34,674	39,557	41,740	44,282
Sundry Debtors	754	969	1,303	1,458	1,695
Cash and Bank	3,384	2,727	2,706	2,836	2,972
Other Current Assets	231	239	184	217	257
Short Term Loans and Advances	4	1	0	0	0
Total Current Assets	4,373	3,935	4,193	4,511	4,924
<b>Total Assets</b>	<b>37,965</b>	<b>38,609</b>	<b>43,750</b>	<b>46,252</b>	<b>49,206</b>

Source: Company, YES Sec - Research

### Exhibit 5: Profit and Loss Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Operating Income	13,066	13,498	16,432	18,385	21,369
Fees and Commission	513	501	620	695	770
Employee Expense	2,903	3,004	3,360	4,113	4,663
Other Expenses	1,743	2,047	2,515	2,741	2,988
Total Expenses	5,159	5,551	6,495	7,549	8,421
<b>Operating Profit</b>	<b>7,907</b>	<b>7,947</b>	<b>9,937</b>	<b>10,835</b>	<b>12,948</b>
Other Income	2,290	1,668	3,941	2,660	2,798
Depreciation	272	298	291	281	297
Finance Cost	38	40	62	62	62
Profit before Tax	9,887	9,277	13,525	13,152	15,387
Tax	2,453	2,048	2,462	3,157	3,693
<b>Net Profit</b>	<b>7,434</b>	<b>7,229</b>	<b>11,063</b>	<b>9,996</b>	<b>11,694</b>

Source: Company, YES Sec - Research

## Exhibit 6: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	9,887	9,277	13,525	13,152	15,387
Depreciation	272	298	291	281	297
Change in working cap	(142)	(101)	463	114	102
Tax paid	2,453	2,048	2,462	3,157	3,693
Others	3,131	296	3,930	11	11
<b>Cash flow from operations</b>	<b>10,695</b>	<b>7,722</b>	<b>15,747</b>	<b>10,401</b>	<b>12,104</b>
Capex	(213)	(410)	(546)	(465)	(497)
Change in investments	(3,918)	(814)	(4,895)	(1,801)	(2,107)
Others	0	0	0	0	0
<b>Cash flow from investments</b>	<b>(4,130)</b>	<b>(1,224)</b>	<b>(5,442)</b>	<b>(2,266)</b>	<b>(2,604)</b>
Free cash flow	6,565	6,498	10,305	8,135	9,500
Equity raised/(repaid)	55	12	68	0	0
Debt raised/(repaid)	0	0	0	0	0
Dividend (incl tax)	6,842	7,167	10,395	8,005	9,364
Others	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(6,787)</b>	<b>(7,155)</b>	<b>(10,327)</b>	<b>(8,005)</b>	<b>(9,364)</b>
<b>Net change in cash</b>	<b>(222)</b>	<b>(657)</b>	<b>(22)</b>	<b>130</b>	<b>136</b>

Source: Company, YES Sec – Research

## Exhibit 7: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	NA	18,385	21,369	NA	19,680	22,679	NA	(6.6)	(5.8)
Operating Profit	NA	10,835	12,948	NA	12,999	15,350	NA	(16.6)	(15.6)
Profit After Tax	NA	9,996	11,694	NA	11,439	13,331	NA	(12.6)	(12.3)

Source: Company, YES Sec – Research

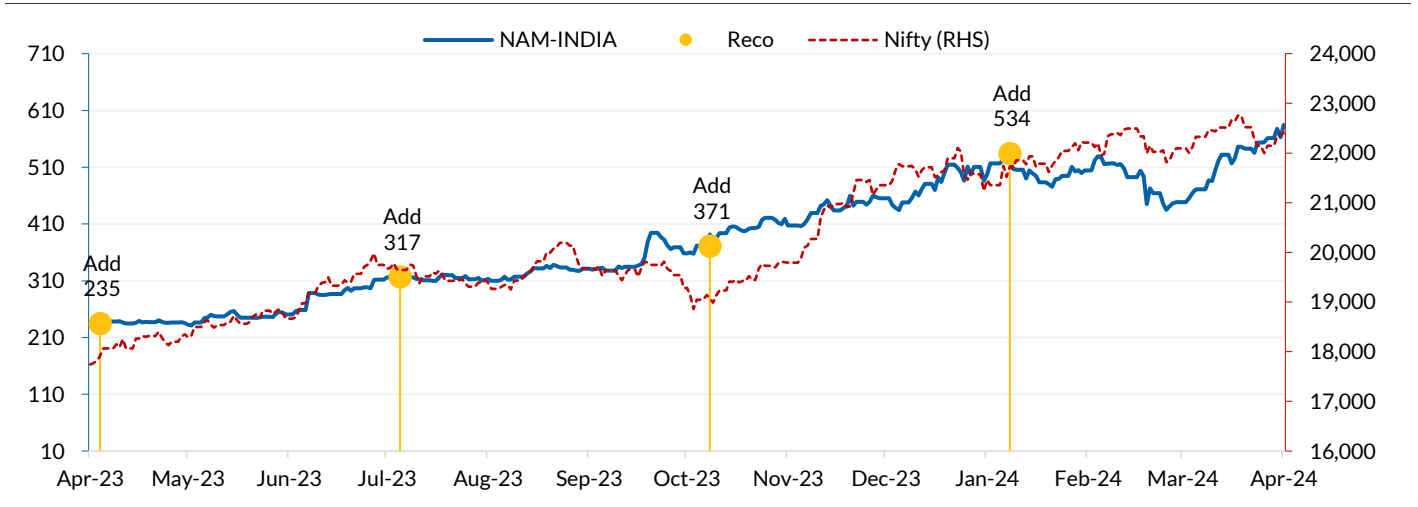
## Exhibit 8: Ratios

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth ratios (%)</b>					
AAUM	30.2%	7.5%	28.0%	18.0%	18.1%
Management Fees	23.8%	4.5%	19.7%	11.6%	16.3%
PMS & Advisory Fees	3.9%	-32.0%	111.8%	17.8%	15.0%
Staff Cost	7.0%	3.5%	11.9%	9.0%	9.0%
Total Operating Expenses	2.2%	7.6%	17.0%	16.2%	11.5%
Profit Before Tax	12.7%	-6.2%	45.8%	-2.8%	17.0%
Net profit	9.4%	-2.7%	53.0%	-9.6%	17.0%
<b>As a % of Avg AUM</b>					
Investment Management Fees	0.47%	0.46%	0.43%	0.41%	0.40%
Staff Cost	0.11%	0.10%	0.09%	0.09%	0.09%
Other Expenses	0.07%	0.07%	0.07%	0.06%	0.06%
PBT	0.37%	0.32%	0.37%	0.30%	0.30%
Net profit	0.33%	0.28%	0.25%	0.30%	0.23%
<b>Operating Ratios</b>					
Operating Profit Margin	60.5%	58.9%	60.5%	58.9%	60.6%
PBT Margin	75.7%	68.7%	82.3%	71.5%	72.0%
PAT Margin	56.9%	53.6%	67.3%	54.4%	54.7%
ROE	22.6%	20.7%	29.5%	24.5%	27.2%
Dividend Payout Ratio	91.9%	99.1%	93.9%	80.0%	80.0%
<b>Per share (Rs)</b>					
EPS	12.0	11.6	17.6	15.9	18.6
Book Value	55.9	56.4	63.2	66.4	70.1
<b>Valuation Ratios</b>					
P/E (x)	48.8	50.3	33.2	36.8	31.5
P/BV (x)	10.4	10.4	9.2	8.8	8.3
Mcap to AUM	13.6%	12.7%	9.9%	8.4%	7.1%
Dividend Yield	1.9%	2.0%	2.8%	2.2%	2.5%

Source: Company, YES Sec – Research



## Recommendation Tracker



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