



Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
687	755	10%

MARKET DATA

No. of Shares	63.2 Cr
Market Cap (Rs Cr)	43,374 Cr
52-week High / Low	691/303
BSE Code	540767
NSE Code	NAM-INDIA

Why NAM India Ltd ?

- ✓ **Strong AUM Growth led by products to maintain customer stickiness**
- ✓ **Expectations of improving market share**
- ✓ **Healthy revenue growth despite marginal yield compression**
- ✓ **Strong RoE delivery**

About the Company

Nippon Life India Asset Management Ltd (NAM) is amongst the largest asset management companies in India with over 26 years of track record and a total AUM of over Rs 4.8 Lc Cr as of Jun'24. The company is promoted by Nippon Life Insurance Company – one of the leading private life insurers in Japan. The company offers a comprehensive suite of investment products, such as Mutual Funds, ETF, AIF, PMS, and Offshore Funds catering to a diverse client base.

Investment Rationale

- A. **AUM growth to remain buoyant:** The industry continues to witness strong flows across segments – sectoral, thematic, and multi-cap funds, with sectoral and thematic funds witnessing higher inflows backed by a large number of NFOs. NAM has consciously decided to stay away from these trends as such flows come on the back of market tailwinds and may not be sticky. The key focus areas for NAM will continue to remain on (i) Growing regular Largecap, Smallcap, Midcap, or true-to-label sectoral funds, (ii) Scaling up existing products that have a long-term track record, and (iii) de-risking the business. The management indicated that NAM will continue to roll out new products on the passive side – both ETFs and Index funds. On the offshore business, NAM continues to witness strong equity flows from various international geographies and the management remains optimistic for this trend to continue. Thus, we expect NAM's AUM to deliver a healthy growth of ~24% CAGR over FY24-27E, with a largely steady AUM mix.
- B. **Yield pressures to be visible, though not significant:** In Q1FY25, blended yields (calc.) declined marginally by ~2 bps QoQ on MF QAAUM. Yield compression is predominantly attributed to the telescopic pricing formula outlined by SEBI. Additionally, an uptick in the proportion of new assets, which incur higher acquisition costs compared to older assets, also contributes to yield compression. We have factored in a yield compression of 2-3bps each year over FY25-27E. Given the granularity of the business and with NAM boasting of a strong retail franchise, the company is able to maintain a strong net sales growth despite the yield compression. Despite margin compression, revenues are expected to grow at a strong pace of 21% CAGR over FY24-27E.
- C. **Controlled Opex growth to support earnings growth:** While employee expenses were elevated in Q1FY25 reflecting increments and granting of fresh ESOPs, the management expects Opex growth to remain range-bound between 12-13% (ex-ESOP cost) in FY25. NAM will continue to add resources and will also hire skill sets for its alternate investments business.
- D. **Outlook:** With the lower penetration of mutual funds in India, NAM can continue to drive strong AUM growth. The company is one of the fastest-growing AMCs in B-30 cities. We expect a 24/21/15% CAGR growth in AUM/Revenues/Earnings over FY24-27E. With a continued strong performance delivery and consistent market share gains, we believe NAM is a great bet amongst AMCs. **We recommend a BUY with a target price of Rs 755, which implies an upside of 10% from the CMP.**

Financial Summary

Y/E March	MF AUM (Rs Bn)	Revenues (Rs Cr)	Op. Profit (Rs Cr)	OPM (%)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	RoE (%)
FY24	4,313	1,643	994	60.5	1,106	17.6	39.1	29.5
FY25E	5,831	2,117	1,357	64.1	1,285	20.4	33.6	30.8
FY26E	7,056	2,556	1,674	65.5	1,502	23.9	28.8	32.7
FY27E	8,305	2,911	1,893	65.1	1,691	26.9	25.5	33.4

 Source: Axis Securities; CMP as on 16th August 2024

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