

Price: 585

Recommendation: Buy

Industry: Asset Management Company

Sector: Financial Services

Report Date: 03-Apr-2025

Nippon Life India Asset Management (NAM India) is a leading asset management company, recognized for its rapid growth among the top 10 AMCs. The company has expanded its Assets Under Management (AUM) and achieved record quarterly profits. Key initiatives include launching new index funds and enhancing digital capabilities, such as voice integration in their app. NAM India is focused on scaling non-mutual fund businesses and expanding its presence in the passive investment space.

| Sales | | Profit & Loss | | Profitability Matrix | |
|--------------------|---------|---------------------------|---------|-------------------------|----------|
| Current Year | 1970 Cr | Operating Profit(Year) | 1334 Cr | Operating Profit Margin | 67.7 % |
| Previous Year | 1425 Cr | Operating Profit(Quarter) | 378 Cr | EBITDA Margin | 67.46 % |
| Current Quarter | 545 Cr | PAT (Year) | 1047 Cr | Net Profit Margin | 55.9 % |
| Previous Quarter | 527 Cr | PAT (Quarter) | 296 Cr | EPS | 20.3 |
| Revenue (QYoY) | 392 Cr | | | | |
| Valuation Matrix | | Growth(YoY) | | Growth(QoQ) | |
| Trailing P/E | 28.9 | Sales Growth | 39.3 % | Sales Growth | 3.42 % |
| PEG Ratio | 1.69 | PAT Growth | 46.43 % | Sales Growth QYoY | 39.03 % |
| EV/EBITDA | 22.0 | EPS Growth | 22.29 % | PAT Growth | -13.95 % |
| P/B | 9.58 | Dividend Yield | 2.83 | PAT Growth QYoY | 11.7 % |
| Capital Allocation | | Holdings | | Leverage | |
| RoE | 29.0 % | Promoter | 72.4 % | Debt/Equity | 0.00 |
| RoA | 26.7 % | FII | 8.28 % | Debt | 0.00 Cr |
| RoCE | 36.0 % | DII | 13.0 % | Market Cap | 37065 Cr |
| RoIC | 220 % | Public | 6.26 % | Enterprise value | 36838 Cr |
| | | No of Shares | 63.5 Cr | Cash Equivalents | 227 Cr |

source : Company filings

Company's Overview Based on Recent Concall and Performance:

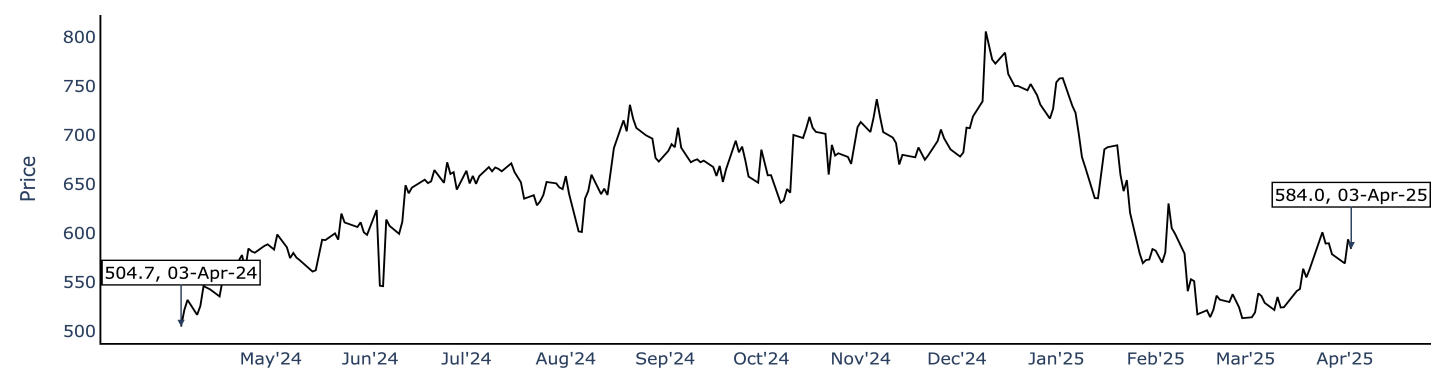
In the recent earnings conference call, Nippon Life India Asset Management (NAM India) highlighted several key initiatives and strategies. The company has been the fastest-growing asset management company (AMC) among the top 10 AMCs on a year-to-date basis, as well as over one, two, and three-year periods. This growth has led to an increase in their overall Assets Under Management (AUM) and equity AUM market share. Notably, NAM India achieved its highest-ever quarterly operating profit at INR 3.76 billion. A significant development is the establishment of a branch in GIFT City, acquiring a Fund Management Entity (FME) license to manage funds, and launching the Nippon India Large Cap Fund GIFT in January 2025. This feeder fund will invest in their existing large-cap mutual fund, which has a proven track record. More fund launches are anticipated later in the year, indicating a robust pipeline for future growth.

NAM India's business strategies focus on scaling up non-mutual fund businesses and maintaining a strong presence in the passive investment space. The company has launched two new products in the index funds category: the Nippon India Nifty Realty Index Fund and the Nippon India Nifty Auto Index Fund. Digital transformation is a key focus, with digital purchase transactions rising to 4.08 million in Q3 FY25, up 141% year-on-year. A groundbreaking feature on their Mutual Fund Android App, Voice Integration, aims to make investing more accessible and inclusive, allowing seamless transactions through voice commands. This innovation is designed to empower all investors, including differently-abled individuals, by providing independence and ease in managing investments.

Looking ahead, NAM India is optimistic about the growth of its passive business, with plans to launch new schemes and capitalize on its head start in the market. The company believes that both active and passive investments will continue to grow, and it aims to offer the best options to investors in both categories. The focus remains on scaling existing schemes rather than launching new ones, particularly avoiding mega New Fund Offers (NFOs) which are seen as less stable. The company is also working closely with Nippon Life Japan and other associates to raise more offshore money, with a focus on expanding its footprint in the Japanese institutional space and offering new investment options in the Indian Mid & Small Cap space to international investors.

From a financial perspective, NAM India's revenue for Q3 FY25 stood at INR 5.88 billion, up 39% year-on-year. Operating expenses increased by 23% year-on-year, driven by investments in talent, non-MF businesses, and technology infrastructure. The company has rationalized distribution costs for existing AUM in its Large Cap & Multi Cap schemes, which have a combined AUM of approximately INR 760 billion. This move is part of a broader strategy to maintain profitability and optimize operational efficiency. While the company has shown strong performance, there is room for improvement in managing market volatility and ensuring consistent growth across all segments.

NAM-INDIA Daily Closing One Year Price Chart



| Name | Mar Cap (Rs. Cr.) | P/E | ROE | Sales(G) QoQ | Sales(G) QYoY | PAT(G) QoQ | PAT(G) QYoY |
|------------------|-------------------|-------|--------|--------------|---------------|------------|-------------|
| Muthoot Finance | 95178.81 | 20.04 | 17.86% | 7.43% | 39.64% | 8.95% | 32.69% |
| Bajaj Finance | 533057.80 | 33.35 | 22.07% | 5.52% | 27.33% | 6.17% | 16.70% |
| Nippon Life Ind. | 37064.56 | 28.93 | 28.97% | 3.49% | 39.03% | -13.86% | 11.88% |
| Bajaj Finserv | 307851.63 | 35.90 | 15.28% | -4.93% | 10.34% | 6.90% | 3.40% |
| Jio Financial | 146366.85 | 91.08 | 1.27% | -36.79% | 5.98% | -57.22% | 0.33% |

| Aspect | Commentary |
|----------------------|---|
| Revenue | The company experienced a significant revenue increase, with a 39% YoY growth, indicating strong market demand and effective sales strategies. The quarterly revenue also showed a positive trend, reflecting consistent performance and potential for future growth. |
| Profit & Loss | Operating profit margins are robust, with a notable annual profit increase. However, quarterly profit shows a slight decline, suggesting potential seasonal impacts or increased operational costs that need addressing to maintain profitability. |
| Profitability Matrix | High operating and net profit margins indicate efficient cost management and strong pricing power. The EPS growth further supports profitability, showcasing the company's ability to generate shareholder value effectively. |
| Valuation Matrix | The valuation metrics suggest the company is trading at a premium, with a high P/E ratio. The PEG ratio indicates growth potential, while the EV/EBITDA and P/B ratios reflect market confidence in the company's financial health. |
| Growth (YoY) | Year-over-year growth is impressive, with significant increases in sales and PAT, highlighting the company's successful expansion strategies and market penetration. The dividend yield also adds to shareholder returns. |
| Growth (QoQ) | Quarterly growth shows mixed results, with sales increasing but PAT declining, indicating potential cost pressures or market challenges. The company needs to address these issues to sustain quarterly growth momentum. |
| Capital Allocation | Strong returns on equity, assets, and capital employed demonstrate effective capital allocation and operational efficiency. The high return on invested capital underscores the company's ability to generate substantial returns from its investments. |
| Holdings | The promoter holding is substantial, indicating strong confidence in the company's prospects. Institutional holdings are also significant, reflecting market trust and potential for stable long-term growth. |
| Leverage | The company maintains a debt-free status, enhancing financial stability and flexibility. This conservative leverage approach reduces financial risk and positions the company well for future investment opportunities. |

Analyst viewpoint: Nippon Life India Asset Management (NAM India) continues to exhibit robust performance, positioning itself among the fastest-growing asset management companies in the industry. Quarter-on-quarter growth reflects strategic initiatives, with sales increasing by 3.42% and a noteworthy year-over-year sales growth of 39.03%. This impressive trajectory is bolstered by NAM India's focus on innovative products and digital transformation, which includes remarkable digital transaction growth. The company trades with a P/E ratio of 28.93, suggesting market confidence in its valuation and growth prospects. The strategic launch of new index funds and the acquisition of a Fund Management Entity license in GIFT City earlier this year underscores NAM India's commitment to expanding its product offerings and geographical footprint. This growth is complemented by a debt-free stance, ensuring financial stability and enabling ongoing strategic investments.

NAM India's strong performance is echoed through an operating profit of INR 3.76 billion and a high return on equity of 29%. The company has prudently rationalized distribution costs to optimize operational efficiency. However, it faces some challenges in managing market volatility, as indicated by a quarterly PAT decrease of 13.86%. Looking forward, NAM India remains optimistic about its passive investment strategies and aims to leverage its partnership with Nippon Life Japan to capture more offshore investment. With robust capital allocation, industry-leading innovation, and a diversified product suite, NAM India is well-positioned for sustained growth. Yet, it must maintain vigilance in navigating cost pressures to avoid impacting the impressive momentum observed during this fiscal period.

Please read detailed disclosure on next page.

