

BUY

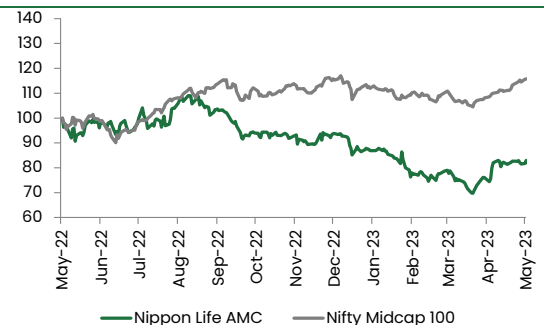
CMP (Rs)	239
Target Price (Rs)	291
Potential Upside	21.8%
Sensex	62,161
Nifty	18,348

Key Stock data	
BSE Code	540767
NSE Code	NAM-INDIA
Bloomberg	NAM:IN
Shares o/s, Cr (FV 10)	62.3
Market Cap (Rs Cr)	14,925
3M Avg Volume	484,586
52 week H/L	326/197

Shareholding Pattern

(%)	Sep-22	Dec-22	Mar-23
Promoter	73.7	73.7	73.7
FII	6.4	5.8	5.0
DII	10.0	9.1	9.4
Others	9.9	11.5	12.0

1 Year relative price performance



1 - Year Forward PE (x)



Research Analyst

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Muted top-line, margins improved

Q4FY23 Result Update | Sector: BFSI-AMC | May 16, 2023

Decline in top-line due to moderation in yields: Nippon Life's standalone revenue from operations increased by 3.6% YoY but declined sequentially by 1.6% QoQ as margins declined marginally by 0.2bps YoY and 0.8bps QoQ at 48bps in Q4FY23 at Rs 325cr. Other income declined by 21% QoQ due to mark to market losses in fixed income securities but increased by 34% YoY.

Yield to stabilize in long run: While the top-line yield declined marginally from 0.483% in Q3FY23 to 0.475% in Q4FY23, the rate of decline was lower compared to previous quarters. The decline in yields was due to increase in share of ETF in AuM mix. While we expect yields to remain under pressure in the short term, we believe yields will stabilize in estimates as net return to investors remains high.

AuM growth remained flat sequentially: Mutual funds AuM in the quarter stood at Rs 2,932bn as the growth remained flat sequentially at 0.1%, however, it increased by 3.5% YoY. The growth in AuM was slightly below the industry growth of 0.6% QoQ/5.5% YoY as debt AuM declined by ~28% YoY while equity AuM remained stable. We remain positive on the AuM growth in the estimates as the share of ETFs has seen growth higher than the industry. We expect AuM to grow at 8% CAGR over FY23-25E.

Strong holding amongst retail investors: With regards to SIP, quarterly book stood at Rs 32.2bn with an increase of 10.7% QoQ/51.2% YoY while folios saw an increase of 4.3% QoQ/20% YoY at 4.8mn. The market share in B-30 cities was strong at 11.7% in Q4FY23 from 10.5% in Q4FY21. Also, unique investors grew by 13% YoY with a market share 36.2%. We expect to see growth in estimates amongst retail investors to its superior returns in funds and rise in distributors.

Valuation: We remain positive on the company on the back strong market share in ETFs mix in AuM, stabilizing margins in long run and increase in retail investors. We expect the company to benefit from the sector tailwinds and strong performance of its funds. The company has a dividend payout of ~100% in FY23 with a dividend yield of ~4.6%. We estimate revenue/EBITDA/PAT to grow at 9.5%/12%/12.1% CAGR over FY23-25E. We maintain Buy with a revised target price of Rs 291 valuing the company at 20x of FY25E P/E.

Financial Summary - standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Revenue from operations	1,214.0	1,259.2	1,363.0	1,499.2
Other income	214.4	172.0	189.2	217.5
Total income	1,428.4	1,431.2	1,552.2	1,716.7
Total expenses	452.5	480.4	498.5	521.7
Profit before tax	945.4	917.8	1,020.3	1,161.1
Margin (%)	66.2%	64.1%	65.7%	67.6%
Profit after tax	711.2	714.9	785.6	898.7
Margin (%)	49.8%	50.0%	50.6%	52.3%
EPS	10.5	11.5	12.6	14.4
P/E	22.7	20.8	19.0	16.6
RoE (%)	22.6%	20.7%	22.8%	25.5%

Source : RBL Research

Con-call Highlights:

- 1) The management believes that the market share will increase going forward on the back of increase in systematic flows amongst retail investors.
- 2) Full year yields moderated to 42bps from 44bps on the NAV side due to replacement of old assets by new assets and cost of acquisition of newer assets remaining higher as compared to old assets.
- 3) Other income declined due to mark to market adjustment in fixed income schemes.
- 4) Regarding yields, the yields on equity funds stands in the range of 70-80bps while on the debt side ultra-short term categories was ~23-30bps and liquid funds yields was ~15-20bps.
- 5) Going forward, the company sees higher allocations in gold and silver ETFs as lot of HNI family offices keeps on taking tactical calls on gold and silver.
- 6) In the long run, the company intends to focus on active funds as well along with its strong foothold in passive funds while continuing its presence in passive debt segment.

Income statement – Standalone

Particulars, Rs cr	Q4FY23	Q4FY22	Y-o-Y %	Q3FY23	Q-o-Q %
Revenue from operations	325.2	314.0	3.6%	330.4	-1.6%
Yield (%)	0.48%	0.48%	-0.2bps	0.48%	-0.8bps
Other Income	46.3	34.5	34.3%	58.6	-21.0%
Total Income	371.5	348.5	6.6%	389.0	-4.5%
Fees and Commission	1.6	5.3	-70.8%	2.3	-32.0%
Employees Cost	63.2	68.7	-8.0%	68.2	-7.2%
Misc Expenses	54.4	38.2	42.2%	50.5	7.7%
EBITDA	206.1	201.8	2.1%	209.5	-1.6%
Margin (%)	63.4%	64.3%	-89bps	63.4%	-3bps
Depreciation	8.0	6.9	15.7%	7.6	5.3%
EBIT	198.2	194.9	1.6%	201.9	-1.9%
Margin (%)	60.9%	62.1%	-115bps	61.1%	-19bps
Finance Cost	1.1	1.1	2.7%	1.1	7.5%
Profit before tax	243.3	228.3	6.6%	259.4	-6.2%
Margin (%)	65.5%	65.5%	-2bps	66.7%	-121bps
Tax	44.3	57.7	-23.1%	61.0	-27.3%
Tax rate (%)	18.2%	25.3%	-704bps	23.5%	-528bps
Profit after tax	199.0	170.6	16.6%	198.5	0.2%
Margin (%)	53.6%	49.0%	459bps	51.0%	253bps
EPS - Basic (Rs.)	3.2	2.8	16.0%	3.2	0.0%

Source : RBL Research

Business parameters – Standalone

Particulars, Rs cr	Q4FY23	Q4FY22	Y-o-Y %	Q3FY23	Q-o-Q %
AuM	2,932.0	2,833.0	3.5%	2,928.0	0.1%
B-30 MAAUM	557.0	478.0	16.5%	562.0	-0.9%
Market share (%)	8.1%	7.7%	40bps	8.1%	0bps
Quarterly Book	32.2	21.3	51.2%	29.1	10.7%
Folios (mn)	4.8	4	20.0%	4.6	4.3%
B-30 Folios (mn)	7.5	6.5	15.4%	7.3	2.7%
Market share (%)	12%	12%	20bps	12%	0bps

Source : RBL Research

Revenue from operations declined by 1.6% QoQ due to moderation in yields

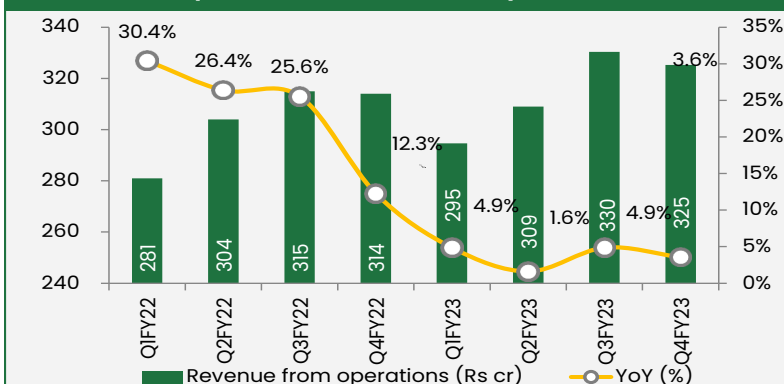
Other income decreased by 21% QoQ due to mark to market losses in fixed income securities

Mutual funds AuM saw a moderate growth of 3.5% YoY/0.1% QoQ due to outflow of debt funds

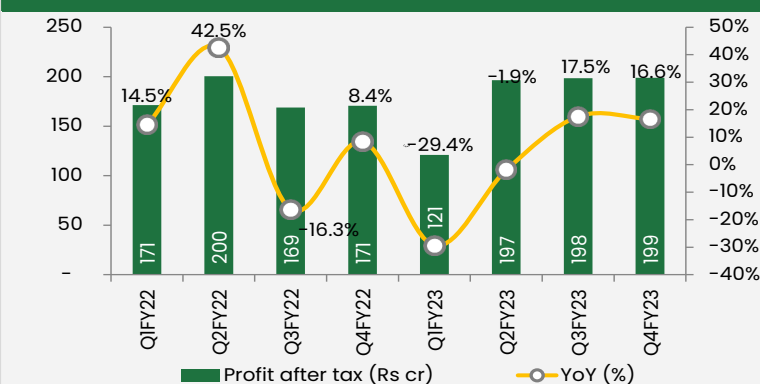
Market share in B-30 regions increased by 40bps YoY

Story in charts

Revenues from operations moderated due to yields

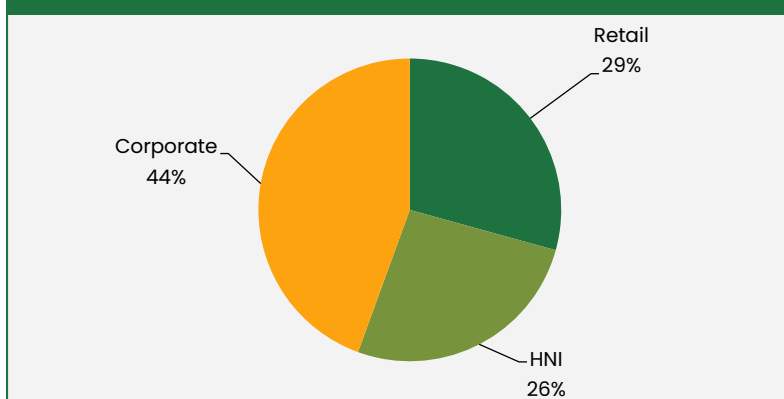


PAT increased by 16% YoY in Q4FY23

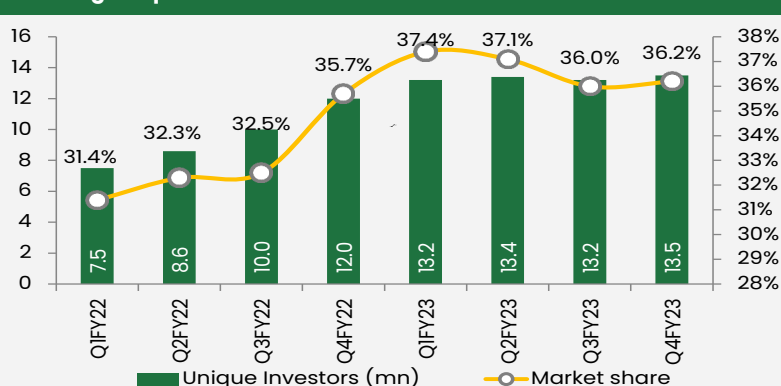


Source : RBL Research

Investors mix

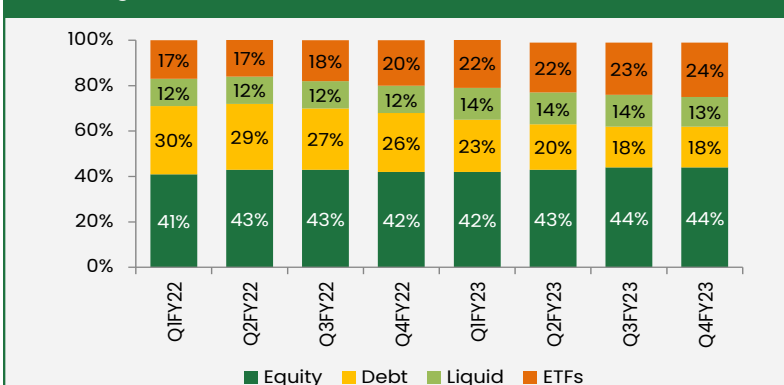


Growing unique investors

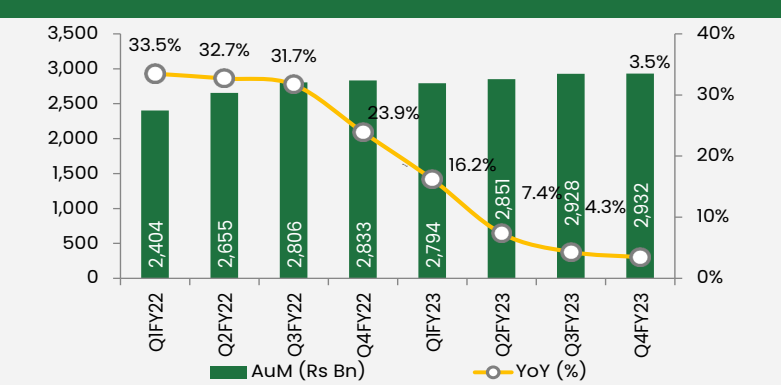


Source : RBL Research

Increasing ETFs share in AuM mix

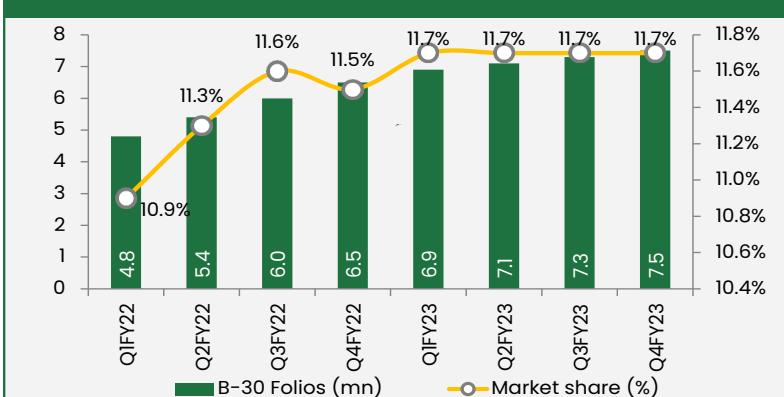


AuM growth in preceding 2 years

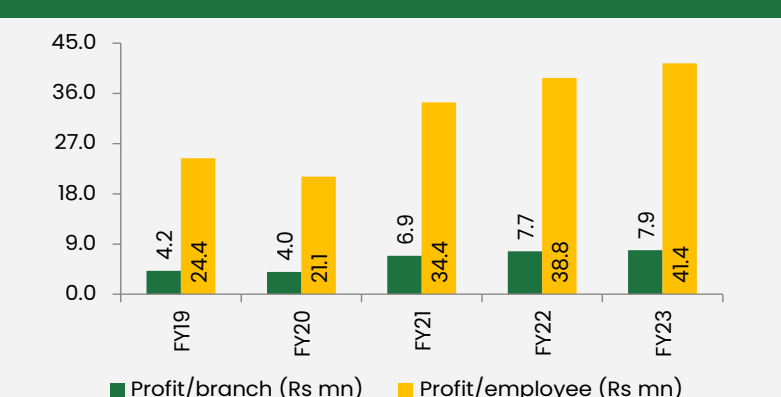


Source : RBL Research

Stable hold in B-30 cities



Increasing operating efficiencies



Source : RBL Research

P & L Account – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Revenue from operations	1,214.0	1,259.2	1,363.0	1,499.2
Total income	1,428.4	1,431.2	1,552.2	1,716.7
Fee and commission expenses	15.9	10.3	10.9	11.5
Employee benefits expenses	267.9	272.7	282.3	294.7
Others expenses	168.7	197.4	205.3	215.6
Total expenses	452.5	480.4	498.5	521.7
EBITDA	761.5	778.8	864.5	977.5
Depreciation, amortization and impairment	26.7	29.1	29.3	29.7
EBIT	734.8	749.7	835.2	947.8
Other income	214.4	172.0	189.2	217.5
Finance costs	3.8	3.9	4.1	4.2
Profit before tax	945.4	917.8	1,020.3	1,161.1
Margin (%)	66.2%	64.1%	65.7%	67.6%
Tax	234.2	202.8	234.7	262.4
Tax rate (%)	24.8%	22.1%	23.0%	22.6%
Profit after tax	711.2	714.9	785.6	898.7
Margin (%)	49.8%	50.0%	50.6%	52.3%
EPS	10.5	11.5	12.6	14.4
P/E	22.7	20.8	19.0	16.6

Source : RBL Research

Balance Sheet – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Cash and bank balance	275.3	231.1	231.7	236.1
Trade receivables	65.9	86.8	92.5	104.6
Loans	36.3	66.7	62.7	64.6
Investments	2,877.8	2,934.8	3,005.2	3,083.4
Other financial assets	22.4	21.8	23.6	26.0
Sub-total - financial assets	3,277.6	3,341.3	3,415.8	3,514.6
Current tax assets (net)	31.4	13.6	13.6	13.6
Property, plant and equipment	9.9	11.3	10.5	10.8
Intangible assets	285.7	294.0	274.8	280.7
Other non-financial assets	39.5	37.4	40.5	44.6
Sub-total - Non financial assets	366.5	356.3	339.4	349.7
Total assets	3,644.2	3,697.6	3,755.1	3,864.3
Total outstanding dues	47.1	40.6	37.4	35.1
Other financial liabilities	112.2	115.7	120.4	126.4
Sub-total - financial liabilities	159.2	156.4	157.7	161.5
Current tax liabilities (Net)	-	25.3	25.3	25.3
Provisions	14.0	11.2	8.1	7.5
Deferred tax liabilities (Net)	67.7	58.0	58.0	58.0
Other non-financial liabilities	34.3	35.0	35.0	35.0
Sub-total - Non financial liabilities	116.0	129.4	126.4	125.8
Share Application money	0.8	0.3	0.3	0.3
Equity share capital	622.0	623.2	623.2	623.2
Other equity	2,746.1	2,788.3	2,847.5	2,953.5
Total equity	3,368.1	3,411.5	3,470.7	3,576.7
Total liabilities and equity	3,644.2	3,697.6	3,755.1	3,864.3

Source : RBL Research

Cashflow – standalone

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit Before Tax	945.4	917.8	1,020.3	1,161.1
Depreciation	26.7	29.1	29.3	29.7
Interest Expenses	3.8	3.9	4.1	4.2
Other adjustments	(178.9)	(148.9)	(24.6)	(28.2)
Changes In working Capital	(34.3)	(40.8)	(5.2)	(17.0)
Cash Flow after changes in Working Capital	762.7	761.0	1,024.0	1,149.8
Tax Paid	(202.0)	(168.8)	(234.7)	(262.4)
Cash from operating activities	560.7	592.2	789.3	887.4
Interest Income	23.6	35.8	24.6	28.2
(Purchase)/sale of investment	(154.8)	121.6	(70.4)	(78.1)
Other adjustments	(6.6)	(39.8)	7.6	(46.1)
Cash flow from investing activities	(137.7)	117.6	(38.3)	(96.0)
Interest Paid	(3.8)	(3.9)	(4.1)	(4.2)
Equity Dividend Paid	(526.3)	(716.7)	(746.4)	(782.8)
Other adjustments	104.8	7.6	-	-
Cash from financing activities	(425.3)	(713.0)	(750.4)	(787.0)
Net cash inflow/outflow	(2.3)	(3.2)	0.6	4.4
Opening cash and cash equivalents	6.8	4.5	1.2	1.8
Closing cash & cash equivalents	4.5	1.2	1.8	6.2

Source : RBL Research

Valuation

Particulars	FY22	FY23	FY24E	FY25E
P/E (x)	22.7	20.8	19.0	16.6
P/B (x)	4.4	4.4	4.3	4.2
Mcap to AuM (%)	5.5%	5.1%	4.7%	4.3%
Dividend yield (%)	4.7%	4.9%	5.0%	5.3%

Source : RBL Research

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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