

April 25, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	615		610	
Revenue (Rs. m)	19,597	22,429	19,668	22,657
% Chng.	(0.4)	(1.0)		
Opex (Rs. m)	7,776	8,302	7,502	8,137
% Chng.	3.7	2.0		
Core EPS (Rs.)	14.4	17.3	15.2	18.1
% Chng.	(4.8)	(4.7)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Revenue (Rs m)	13,498	16,432	19,597	22,429
Opex	5,890	6,849	7,776	8,302
Employee	3,004	3,340	3,853	4,009
Others	2,886	3,509	3,923	4,293
Core Inc. (Rs m)	7,609	9,584	11,821	14,128
PAT (Rs mn)	7,228	11,063	11,558	13,580
Core PAT (Rs m)	5,929	7,839	9,102	10,878
Core EPS (Rs.)	9.5	12.4	14.4	17.3
Gr. (%)	3.6	30.8	16.1	19.5
AAuM (Rs bn)	2,877	3,683	4,559	5,495
Gr. (%)	7.5	28.0	23.8	20.5
Core RoAAuM (%)	0.21	0.21	0.20	0.20
Core RoE (%)	27.2	35.6	38.7	43.3
P/Core EPS (x)	17.5	20.9	35.6	29.4

Key Data

NIPF.BO | NAM IN

52-W High / Low	Rs.623 / Rs. 230	
Sensex / Nifty	73,853 / 22,402	
Market Cap	Rs. 4,422.4bn/ \$ 368.5m	
Shares Outstanding	630.5m	
3M Avg. Daily Value	Rs. 528.8m	

Shareholding Pattern (%)

Promoter's	72.86
Foreign	5.48
Domestic Institution	14.4
Public & Others	7.26
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	25.2	57.0	139.7
Relative	24.0	40.9	113.7

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Equity outperformance to drive earnings

Quick Pointers:

- Core income miss led by lower revenue and higher other opex.
- Equity market share further enhanced by 12bps QoQ to 6.77%.

NAM core income missed PLe by 4.6% driven by higher other opex and lower blended yields that fell by 1.4bps QoQ to 43.4bps. However, as per company sequential movement in AMC yields was normal. While share of small and mid-cap funds is higher for NAM vs HDFC AMC, company has been pushing sales of its large-cap fund which has been performing well. Share of large-cap fund in net equity flows enhanced from 7.3% in Q1'24 to 35.3% in Q4'24. Equity performance within 1yr/3yr buckets remains one of the best-in-class which resulted in strong net flows' market share of 12% in FY24 (vs 5.3% in FY23). Hence equity market share further expanded to 6.8% (+12bps QoQ). Over FY24-26E we expect a healthy core PAT CAGR of 17.8% (16.0% for HDFC AMC) led by higher than industry equity growth. Stock is trading at 29.4x on FY26E core EPS (15% discount to HDFC AMC). We slightly tweak multiple from 30x to 31x and marginally increase TP to Rs615 from Rs610. Retain BUY.

- Core income miss due to lower yields/higher opex:** QAAuM at Rs4314bn (+14.2% QoQ) was in-line led by equity which came in at Rs1949bn, +15.5% QoQ. Revenue was a miss at Rs4.68bn (PLe Rs4.74bn) led by decrease in revenue yields QoQ from 44.8bps to 43.4bps (PLe 44.0bps). Opex spiked to Rs.1.87bn (PLe Rs.1.79bn) due to increase in other expenses. Due to lower yields and more other opex, core income was weaker at Rs2.82bn (4.6% below of PLe). Hence, operating yields were a miss at 26.1bps (PLe 27.4bps). Other income was higher at Rs923mn (PLe Rs650mn) due to MTM gains. Tax rate reduced from 20.7% in Q3'24 to 8.4% led by shift of investments from short term to long term and reversal of tax provisions from previous year. Hence core PAT was Rs2.58bn (13.4% beat). PAT was 23.4% ahead of PLe at Rs3.4bn due to lower tax rate and higher other income.
- Equity share continues to improve protecting yields:** During Q4'24 due to strong equity market growth, share of equity (incl. balanced) enhanced by 0.5% QoQ to 45.2% while that of debt declined by 1.4% to 14.8%. As per company, although blended consol yields have seen a steeper decline QoQ, AMC yields have fallen by a lesser extent, as yields on new flows have remained constant sequentially. Driven by superior equity performance leading to market share gains in net equity flows, market share in equity+bal QAAuM has been enhancing post Q3FY23; it improved QoQ by 12bps to 6.77%. As of Mar'23, basis weighted average equity performance, NAM remains one of the top performing fund (rank 2 or 3) in the 1-yr and 3-yr bucket.
- Adjusting for ESOP, NAM expects opex rise between 8-10%:** After a gap of ~3yrs, board has approved a new ESOP plan to retain talent. Costs are expected to range between Rs850-900mn over next 4 years of which 50%/25% will accrue in FY25/26E. Other opex rose this quarter due to marketing and technology expenses. Over near to medium term, investments would be made in digital technology, brand and building human capital. Commission expenses increased in FY24 YoY from Rs500mn to Rs620mn as they are linked to increased brokerage costs which is a function of revenue growth. Adjusting for ESOP we are factoring a 9% CAGR in overall opex.

Exhibit 1: PAT beat at Rs3.42n led by higher other income and lower tax rate

Financials (Rs m)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)
Revenue	4,683	3,483	34.4	4,233	10.6
Total Expenses	1,865	1,488	25.3	1,723	8.2
Employees	886	712	24.6	875	1.3
Other expenses	978	777	26.0	849	15.2
Operating Income	2,818	1,995	41.2	2,510	12.3
Other Income	923	397	132.6	1,071	(13.8)
Profit before tax	3,741	2,392	56.4	3,581	4.5
Tax	315	415	(24.1)	741	(57.5)
Profit after tax	3,426	1,977	73.3	2,840	20.6
Core PAT	2,581	1,649	56.5	1,991	29.6
Profitability ratios (bps)					
Revenue yield	43.4	47.5	(9)	44.8	(3)
Employee to AuM	8.2	9.7	(15)	9.3	(11)
Opex to AuM	33.3	40.7	(18)	35.7	(7)
Core income/AuM	26.1	27.2	(4)	26.6	(2)
PAT/AuM	31.8	27.0	18	30.1	6
Core PAT/AuM	23.9	22.5	6	21.1	13
QAAuM (Rs. mn)					
QAAuM (Rs. mn)	43,14,041	29,32,258	47.1	37,76,159	14.2
Equity	17,70,176	10,56,809	67.5	15,26,535	16.0
Balanced	1,79,121	1,40,225	27.7	1,61,648	10.8
Debt	6,40,108	5,06,866	26.3	6,11,315	4.7
Liquid	3,93,903	3,90,146	1.0	3,41,712	15.3
ETF	11,15,715	7,00,205	59.3	9,28,901	20.1
Index	80,670	47,694	69.1	89,572	(9.9)
Arbitrage	1,34,348	90,313	48.8	1,16,475	15.3

Source: Company, PL.

Revenue grew 10.6% QoQ led by increase in equity market share.

Operating expenses grew 25.3% YoY/ 8.2% QoQ.

Other income was higher at 0.9bn driven by MTM gains.

Revenue yield declined to 43.4bps, while RoAAuM increased to 31.8bps

QAAuM growth of 47.1% YoY continues to be driven by equity (+67.5% YoY) and balanced (+27.7% YoY)

Key Q4FY24 Conference Call Highlights

Industry:

- Equity market showed moderate performance in Q4 compared to Q3.
- Nifty moved 3% QoQ and Nifty small and mid-cap grew by 2% and 4 % respectively
- RBI held the repo rates steady at 6.5%.
- Industry QAAUM grew 10% QoQ and 34% YoY to Rs54.1trn in Q4FY24.
- Share of equity in overall AUM continued growing ending at 58% for Q4FY24.
- Equity (excluding index and arbitrage) witnessed gross inflow of Rs1.94trn and net flow Rs798bn. Both gross and net flows were higher QoQ.
- Strong inflows were witnessed on thematic, sectoral, multi asset class, allocation and large cap funds and inflows in small cap and mid cap funds were lower sequentially.
- Debt and liquid witnessed net outflows of Rs464bn in a seasonally weak quarter.

Company Performance

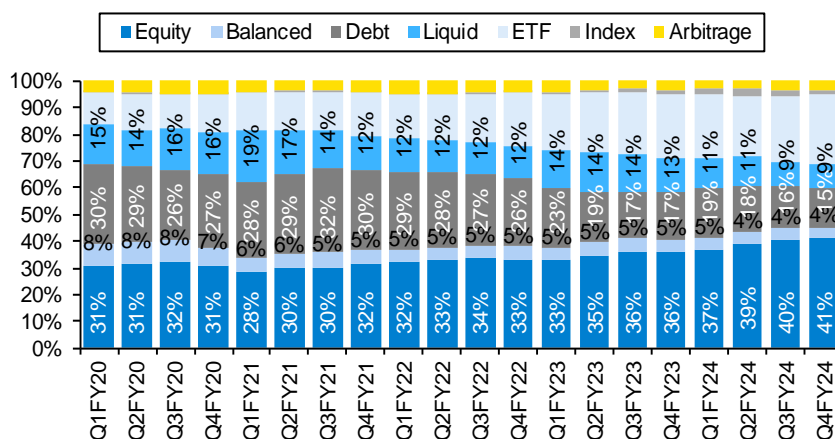
- Company reported **highest ever** quarterly operating profit and profit after tax in Q4FY24
- Management indicated asset class wise **yields**; equity - 63bps, debt -25bps, liquid -10-12bps, ETF - 15bps. Blended yields declined 1bp YoY; yields ex ETF declined just 0.5bpYoY. Yields in new flows have remained constant sequentially.
- **Reduction in tax rate to 8.4%** in Q4FY24 driven by shift of investments from short term to long term and reversal of tax provisions from previous year.
- **Reduction in employee costs** in current quarter is driven by reduction in provisions for employee performance incentives.
- **Increase in Fees and Commission expenses** is linked to the increased brokerage costs as the revenue grows.
- **Other income increase** by around 42% QoQ is driven by MTM gains.
- Restrictions in small cap funds in SIP/STP had no impact on the **SIP flows** as 75% SIP ticket size is less than 10k.

Outlook/Other

- Company is expecting **operating expenses** to be in the range of 8-10% excluding ESOP cost. Management is not expecting a significant increase hereon. Mainly the investments will be made in digital technology, brand and building human capital.

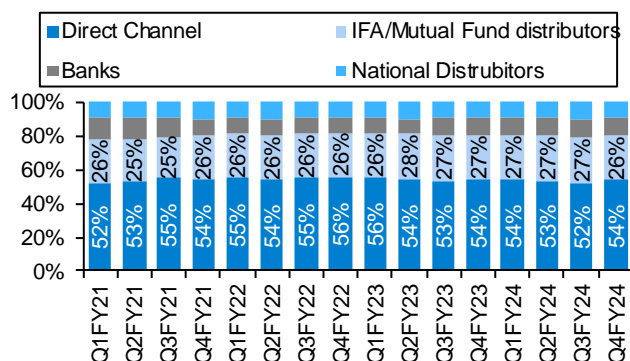
- Board has approved a **new ESOP plan** after a gap of around 3 years with an intention to retain talent. Costs are expected to range over Rs850-900mn in the next 4 years out of which around 50% will accrue in FY25. Except the ESOP, staff costs are expected to remain at current run rate.
- Admin costs** run rate is expected to be same and will be mainly driven by branch expansion.
- Currently 95% of the revenues are coming from Mutual Fund. Management intends to increase the share of **AIF and Offshore** to reduce the dependence on mutual fund business. Company has recently launched credit AIF and small cap equity AIF which are in fundraising process. Geography wise main focus is on Japan in Offshore piece.

Exhibit 2: Equity + Bal share increased to ~45%/ debt declined to ~15%



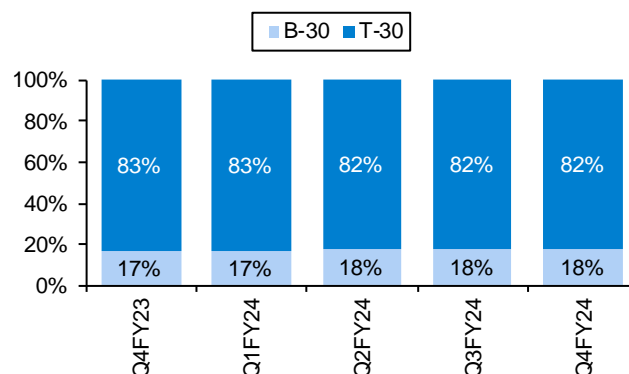
Source: Company, PL

Exhibit 3: Total distribution: Direct dominates at 54%



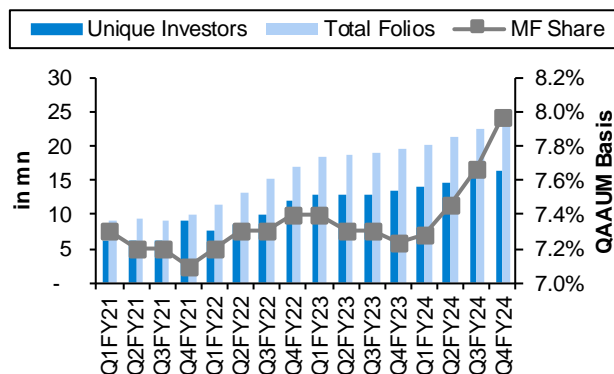
Source: Company, PL

Exhibit 4: B-30/T-30 mix constant



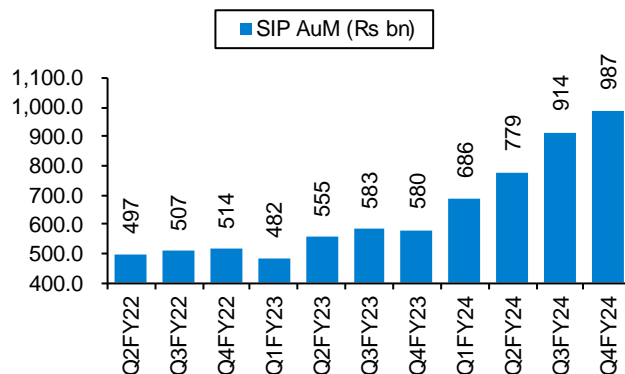
Source: Company, PL

Exhibit 5: Consistently growing share and investors



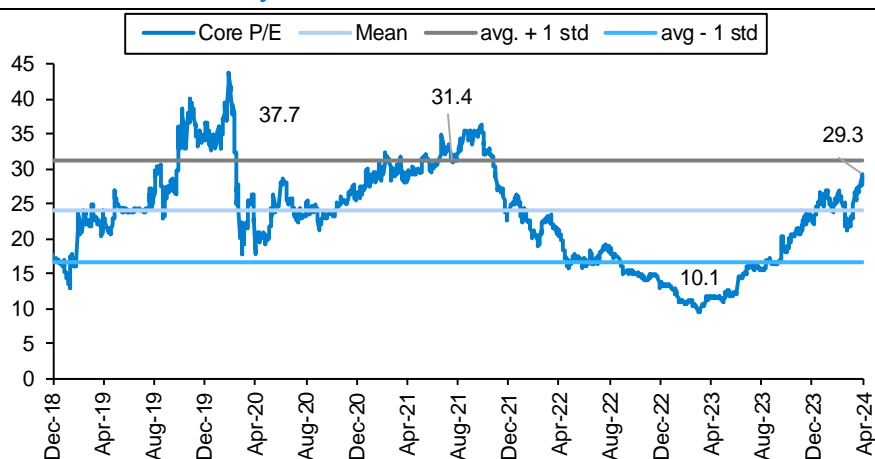
Source: Company, PL

Exhibit 6: SIP AuM continues to grow (+70%YoY/8%QoQ)



Source: Company, PL

Exhibit 7: NAM-India 1-yr fwd. P/Core EPS trades at 29x



Source: Company, PL

Financials

Exhibit 8: Quarterly Financials

Particulars (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Revenue	3,380	3,161	3,316	3,538	3,483	3,542	3,975	4,233	4,683
Expenses	1,381	1,448	1,459	1,494	1,488	1,611	1,650	1,723	1,865
Employee	745	781	765	747	712	780	799	875	886
Others	566	599	623	669	695	750	779	784	905
Depreciation	69	68	71	77	82	81	72	65	73
Core Income	1,999	1,713	1,857	2,045	1,995	1,931	2,325	2,510	2,818
Other Income	345	-167	819	619	397	1,169	779	1,071	923
PBT	2,344	1,546	2,676	2,664	2,392	3,099	3,104	3,581	3,741
Tax	595	403	615	616	415	746	661	741	315
PAT	1,748	1,143	2,060	2,048	1,977	2,354	2,443	2,840	3,426
Core PAT	1,491	1,267	1,430	1,572	1,649	1,466	1,830	1,991	2,581
QAAuM	28,33,535	27,94,764	28,51,110	29,28,422	29,32,258	31,36,285	35,06,854	37,76,159	43,14,041
Equity	33.1%	32.9%	34.8%	36.2%	36.0%	36.6%	38.9%	40.4%	41.0%
Balanced	4.8%	4.8%	4.9%	4.9%	4.8%	4.6%	4.3%	4.3%	4.2%
Debt	25.5%	22.6%	19.1%	17.3%	17.3%	18.7%	17.5%	16.2%	14.8%
Liquid	12.5%	13.6%	14.4%	14.0%	13.3%	11.4%	11.0%	9.0%	9.1%
ETF	19.7%	21.5%	22.4%	23.3%	23.9%	23.5%	23.0%	24.6%	25.9%
Index	0.5%	0.7%	1.0%	1.2%	1.6%	2.4%	2.4%	2.4%	1.9%
Market share (%)	7.38	7.40	7.30	7.27	7.24	7.28	7.46	7.67	7.97
Equity	6.99	6.90	6.89	6.94	6.95	7.05	7.40	7.63	7.77
Balanced	3.32	3.25	3.21	3.18	3.12	3.07	3.04	3.01	2.99
Eq+Bal	6.13	6.04	6.04	6.08	6.07	6.17	6.46	6.65	6.77
Debt	2.56	2.79	2.99	3.08	3.47	4.39	4.61	4.72	3.90
Liquid	7.44	7.27	6.83	6.64	6.61	7.01	6.92	6.92	7.25
ETF	6.86	7.19	7.34	7.44	7.02	6.32	6.65	6.29	6.76
Index	13.5	14.1	13.8	13.5	13.7	13.9	14.0	15.4	16.7
QAAuM Growth (%)	1.0	-1.4	2.0	2.7	0.1	7.0	11.8	7.7	14.2
Equity	-0.5	-1.9	7.9	6.8	-0.2	8.7	18.6	12.0	16.0
Balanced	0.5	-1.4	4.0	2.8	-2.2	1.9	6.7	6.0	10.8
Eq+Bal	-0.4	-1.9	7.4	6.3	-0.4	7.9	17.3	11.4	15.5
Debt	7.8	7.8	7.8	0.3	-5.2	-8.5	7.7	-11.1	15.3
Liquid	8.3	7.7	6.3	7.0	2.5	5.4	9.5	15.0	20.1
ETF	16.2	55.2	40.7	23.9	31.2	58.9	9.6	7.8	-9.9
Index	-7.1	-4.3	-9.2	-11.1	3.1	-3.2	16.6	14.3	15.3
Dupont (bps)									
Revenue yield	47.7	45.2	46.5	48.3	47.5	45.2	45.3	44.8	43.4
Opex to AuM	19.5	20.7	20.5	20.4	20.3	20.5	18.8	18.3	17.3
Staff cost	10.5	11.2	10.7	10.2	9.7	9.9	9.1	9.3	8.2
Other opex	8.0	8.6	8.7	9.1	9.5	9.6	8.9	8.3	8.4
Depreciation	1.0	1.0	1.0	1.1	1.1	1.0	0.8	0.7	0.7
Core income/AuM	28.2	24.5	26.0	27.9	27.2	24.6	26.5	26.6	26.1
PAT/AuM	24.7	16.4	28.9	28.0	27.0	30.0	27.9	30.1	31.8
Core PAT/AuM	21.1	18.1	20.1	21.5	22.5	18.7	20.9	21.1	23.9
Profitability (%)									
Staff cost/revenue	22.1	24.7	23.1	21.1	20.4	22.0	20.1	20.7	18.9
Other opex/revenue	16.8	18.9	18.8	18.9	20.0	21.2	19.6	18.5	19.3
Core income/revenue	59.2	54.2	56.0	57.8	57.3	54.5	58.5	59.3	60.2
Tax rate	25.4	26.0	23.0	23.1	17.3	24.1	21.3	20.7	8.4
PAT margin	51.7	36.2	62.1	57.9	56.8	66.5	61.4	67.1	73.2
Core PAT margin	44.1	40.1	43.1	44.4	47.3	41.4	46.0	47.0	55.1

Source: Company, PL

Exhibit 9: Summary Financials (Rs mn)

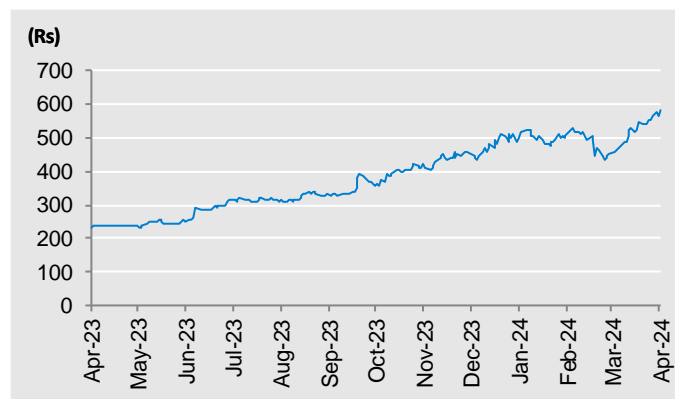
Particulars	FY23	FY24	FY25E	FY26E	Particulars	FY23	FY24	FY25E	FY26E
Profit & Loss					Balance Sheet				
Revenue	13,498	16,432	19,597	22,429	Net Worth	35,156	39,822	40,631	41,582
Investment mgmt.	12,190	14,833	17,653	20,032	Capital (FV Rs5)	6,232	6,300	6,300	6,300
PMS / Advisory	1,309	1,599	1,944	2,397	Reserves	28,925	33,522	34,331	35,282
Expenses	5,890	6,849	7,776	8,302	Employee benefit	127	84	101	121
Employee	3,004	3,340	3,853	4,009	Others	2,365	3,845	3,936	4,031
Others	2,588	3,218	3,607	3,967	Total Liabilities	37,648	43,750	44,668	45,733
Depreciation	298	291	316	326	Cash and Bank	2,727	2,706	2,757	2,810
Core Income	7,609	9,584	11,821	14,128	Investment	30,231	35,127	38,900	43,004
Other Income	1,668	3,941	3,190	3,509	Fixed assets	3,073	3,328	3,428	3,530
PBT	9,276	13,525	15,011	17,637	Others	1,616	2,590	2,769	2,961
Tax	2,048	2,462	3,453	4,056	Total Assets	37,648	43,750	47,854	52,306
PAT	7,228	11,063	11,558	13,580	AuM Data				
Core PAT	5,929	7,839	9,102	10,878	AAuM	28,76,638	36,83,335	45,59,433	54,94,844
Dividend	7,161	10,395	10,749	12,630	Equity	10,06,676	14,52,064	18,93,297	23,41,928
Growth ratios (%)					Balanced	1,39,257	1,59,004	1,76,441	1,92,920
Revenue	3.3	21.7	19.3	14.5	Debt	5,47,342	6,12,932	7,01,908	7,88,744
Opex	7.7	16.3	13.5	6.8	Liquid	3,97,911	3,69,295	3,96,905	4,28,657
Employee	3.5	11.2	15.4	4.0	ETF	6,55,664	8,97,735	11,65,847	14,72,396
Others	12.8	24.3	12.1	10.0	Index	33,562	82,277	1,15,821	1,44,589
Core income	0.2	26.0	23.3	19.5	Arb & FoF	96,227	1,10,027	1,09,214	1,25,610
PAT	-2.8	53.0	4.5	17.5	Mix				
Core PAT	3.8	32.2	16.1	19.5	Equity	35.0	39.4	41.5	42.6
DuPont analysis (%)					Balanced	4.8	4.3	3.9	3.5
Revenue	0.47	0.45	0.43	0.41	Debt	19.0	16.6	15.4	14.4
Expenses	0.20	0.19	0.17	0.15	Liquid	13.8	10.0	8.7	7.8
Employee	0.10	0.09	0.08	0.07	ETF	22.8	24.4	25.6	26.8
Others	0.09	0.09	0.08	0.07	Index	1.2	2.2	2.5	2.6
Depreciation	0.01	0.01	0.01	0.01	Arb & FoF	3.3	3.0	2.4	2.3
Core Income	0.26	0.26	0.26	0.26	Growth				
Other Income	0.06	0.11	0.07	0.06	Overall	7.5	28.0	23.8	20.5
PBT	0.32	0.37	0.33	0.32	Equity	14.3	44.2	30.4	23.7
Tax	0.07	0.07	0.08	0.07	Balanced	8.0	14.2	11.0	9.3
PAT (RoAAuM)	0.25	0.30	0.25	0.25	Debt	13.5	40.6	28.5	22.5
Core RoAAuM	0.21	0.21	0.20	0.20	Liquid	-25.1	12.0	14.5	12.4
ROE	20.7	29.5	27.6	29.5	ETF	36.4	36.9	29.9	26.3
Core RoE	27.2	35.6	38.7	43.3	Index	218.3	145.2	40.8	24.8
Other Ratios (%)					Valuations				
Staff cost/revenue	22.3	20.3	19.7	17.9	EPS	11.6	17.6	18.3	21.6
Other opex/revenue	19.2	19.6	18.4	17.7	Core EPS	9.5	12.4	14.4	17.3
Core Income/revenue	56.4	58.3	60.3	63.0	CPS	52.9	60.1	66.1	72.7
Other Income/revenue	12.4	24.0	16.3	15.6	DPS	0.0	0.0	0.0	0.0
Yield on Investments	5.0	11.1	8.0	8.0	Dividend yield	0.0	0.0	0.0	0.0
Effective tax rate	22.1	18.2	23.0	23.0	BVPS	98	112	119	126
PAT margin	53.6	67.3	59.0	60.5	P/B	2.4	3.2	4.9	4.6
Core PAT margin	48.6	52.8	51.6	54.3	P/E	15.4	20.6	31.6	26.9
Dividend payout (%)	99.1	94.0	93.0	93.0	P/core EPS	17.5	20.9	35.6	29.4

Source: Company, PL



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Mar-24	BUY	610	508
2	10-Apr-24	BUY	610	526

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,660	1,626
2	Axis Bank	BUY	1,400	1,063
3	Bank of Baroda	BUY	270	268
4	Can Fin Homes	BUY	900	799
5	City Union Bank	Accumulate	160	155
6	DCB Bank	BUY	160	126
7	Federal Bank	BUY	180	155
8	HDFC Asset Management Company	BUY	4,100	3,707
9	HDFC Bank	BUY	2,000	1,531
10	ICICI Bank	BUY	1,300	1,087
11	IndusInd Bank	BUY	1,740	1,568
12	Kotak Mahindra Bank	BUY	2,250	1,788
13	LIC Housing Finance	Hold	540	649
14	Nippon Life India Asset Management	BUY	610	526
15	State Bank of India	BUY	770	768
16	UTI Asset Management Company	BUY	900	915

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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