

July 22, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	700		615	
Sales (Rs. m)	21,024	24,599	19,597	22,784
% Chng.	7.3	8.0		
Core Inc. (Rs. m)	12,902	15,802	11,777	14,369
% Chng.	9.6	10.0		
EPS (Rs.)	15.8	9.3	14.4	17.6
% Chng.	9.6	10.0		

Key Financials - Company Type

Y/e Mar	FY23	FY24	FY25E	FY26E
Revenue (Rs m)	13,498	16,432	21,024	24,599
Opex	5,890	6,849	8,122	8,797
Employee	3,004	3,360	4,139	4,303
Others	2,886	3,489	3,983	4,494
Core Inc. (Rs m)	7,609	9,584	12,902	15,802
PAT (Rs mn)	7,228	11,062	12,399	14,898
Core PAT (Rs m)	5,929	7,839	9,935	12,167
Core EPS (Rs.)	9.5	12.4	15.8	19.3
Gr. (%)	3.6	30.8	26.7	22.5
AAuM (Rs bn)	2,877	3,683	5,165	6,575
Gr. (%)	7.5	28.0	40.2	27.3
Core RoAAuM (%)	0.21	0.21	0.19	0.19
Core RoE (%)	27.2	35.6	42.1	48.0
P/Core EPS (x)	17.5	19.1	36.1	29.1

Key Data

IGAS.BO | IGAL IN

52-W High / Low	Rs. 687 / Rs. 306
Sensex / Nifty	80,605 / 24,531
Market Cap	Rs.400.9 bn/ \$ 4,791.8m
Shares Outstanding	631.8m
3M Avg. Daily Value	Rs. m

Shareholding Pattern (%)

Promoter's	72.66
Foreign	6.56
Domestic Institution	14.35
Public & Others	6.44
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.2)	24.3	103.2
Relative	(8.6)	10.6	79.0

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Equity outperformance to drive earnings

Quick Pointers:

- Core income in-line; revenue miss offset by lower other opex
- Equity market share further enhanced by 15bps QoQ to 6.93%

NAM saw a mixed quarter since revenue miss was offset by lower other opex. Blended yields declined by 1.7bps QoQ, which was attributable to telescopic pricing driven by strong equity market growth. Core income at Rs3.08bn was largely in-line. Staff cost (ex-ESOP) was a miss and rose by +11% QoQ due to higher increment, variable pay, headcount addition and spends on employee engagement. Led by class leading equity performance, net flow market share that increased from 5.3% in FY23 to 12% in FY24, is sustaining well. Hence, equity market share further expanded to 6.9% (+15bps QoQ). We raise core EPS for FY25E/FY26E by ~10% each due to upgrade in FY25E closing equity AuM for the industry from 13% to 28%. We expect a healthy core PAT CAGR of 24.6% (earlier 18.8%). Stock is trading at 29x on FY26E core EPS (17% discount to HDFC AMC). We slightly tweak multiple to 33x from 31x and increase TP to Rs700 from Rs615. Retain BUY.

- Mixed quarter; revenue miss offset by lower other opex:** QAAuM was in-line at Rs4.84trn (+12.2% QoQ) led by equity, which grew by 13.4% QoQ to Rs2.2trn. Revenue was a miss at Rs5.05bn (PLe Rs5.13bn) due to 1.7bps QoQ decline in revenue yields, which came in at 41.7bps (PLe 42.4bps). Opex was Rs1.97bn (PLe Rs2.1bn) due to controlled other expenses at Rs851mn (PLe Rs950mn). Staff cost (ex-ESOP) was 4.3% above PLe at Rs969mn; ESOP charge was Rs82.7mn. Lower revenue was offset by lesser other opex, leading to core income being in-line at Rs3.08bn. Resulting operating yields were at 25.5bps (PLe 25.4bps). Other income was a beat at Rs1.3bn (PLe Rs1bn). Tax rate was a bit higher at 24.3% (PLe 23%). Core PAT was Rs2.33bn (PLe Rs2.36bn). PAT was 6.1% ahead of PLe at Rs3.3bn due to higher other income and lower other opex.
- Healthy equity momentum continues:** During Q1FY25, due to strong equity market growth, share of equity in QAAuM increased by 52bps QoQ to 45.7%, while that of debt/liquid declined by 80/65bps QoQ to 13.6%/8.5%. As per the company, decline in blended yields QoQ was led by telescopic pricing due to healthy equity growth. Driven by superior equity performance leading to market share gains in net equity flows, market share in equity+bal QAAuM has been improving post Q3FY23; it improved QoQ by 15bps to 6.93%. As of Jun'24 basis weighted avg. equity performance, NAM remains one of the top performing funds (rank 2 or 3) in the 1- and 3-year buckets. Share in SIP flows also increased from 7.9% in Q1FY24 to 12.0% in Q1FY25.
- Opex growth to remain elevated:** Adjusting for ESOP charge, staff cost rose by Rs100mn or 11.5% QoQ/27.3% YoY due to (1) higher annual increment (12-13%) compared to last year, (2) variable pay provisions higher than Q1'24, (3) more spends on employee engagement activity and (4) increased headcount (company added 46 employees in a quarter). As per the board-approved new ESOP plan, costs are likely to be at Rs850-900mn over the next 4 years, of which 50%/25% will accrue in FY25/26E. Over the near to medium term, investments would be made in digital technology, brand and building human capital. Barring staff cost, NAM expects other opex to rise by 12-13%.

Exhibit 1: PAT beat at Rs3.3bn led by higher other income & lower other opex

Financials (Rs m)	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)
Revenue	5,050	3,542	42.6	4,683	7.8
Total Expenses	1,970	1,611	22.3	1,865	5.7
Employees	969	761	27.3	868	11.6
Other expenses	723	683	5.9	790	(8.4)
Operating Income	3,080	1,931	59.5	2,818	9.3
Other Income	1,308	1,169	11.9	923	41.7
Profit before tax	4,388	3,099	41.6	3,741	17.3
Tax	1,066	746	42.9	315	238.6
Profit after tax	3,322	2,354	41.1	3,426	(3.1)
Core PAT	2,331	1,466	59.0	2,581	(9.7)
Profitability ratios (bps)					
Revenue yield	41.7	45.2	(4.4)	43.4	(1.7)
Employee to AuM	8.0	9.7	(2.7)	8.0	(0.0)
Opex to AuM	16.3	20.5	(5.3)	17.3	(1.0)
Core income/AuM	25.5	24.6	(0.2)	26.1	(0.7)
PAT/AuM	27.5	30.0	(3.6)	31.8	(4.3)
Core PAT/AuM	19.3	18.7	(0.4)	23.9	(4.7)
QAAuM (Rs. mn)					
QAAuM	48,38,329	31,36,285	54.3	43,14,041	12.2
Equity	20,18,100	11,48,677	75.7	17,70,176	14.0
Balanced	1,93,215	1,42,821	35.3	1,79,121	7.9
Debt	6,57,501	5,86,298	12.1	6,20,448	6.0
Liquid	4,10,188	3,57,047	14.9	3,93,903	4.1
ETF	12,95,360	7,38,276	75.5	11,15,715	16.1
Index	1,14,517	75,782	51.1	1,00,331	14.1
Arbitrage	1,49,448	87,383	71.0	1,34,348	11.2

Source: Company, PL.

Revenue grew 7.8% QoQ led by increase in equity market share.

Operating expenses grew 22.3% YoY/ 5.7% QoQ.

Other income was higher at Rs1.3bn

Revenue yield declined to 41.7bps, while RoAAuM increased to 27.5bps.

QAAuM growth of 54.3% YoY continues to be driven by equity (+75.7% YoY) and balanced (+35.3% YoY).

Key Q1FY25 Conference Call Highlights

Industry:

- Equity market showed strong performance in Q1FY25.
- Nifty moved up by 7.5% QoQ, while Nifty mid-cap indices grew by 17% and 19%, respectively.
- Industry QAAuM grew by 9% QoQ and 37% YoY to Rs59trn.
- Share of equity in overall AuM continued growing ending at 59.4%.
- Strong inflows were witnessed in sectoral, thematic, multi-cap and multi-asset allocation funds.

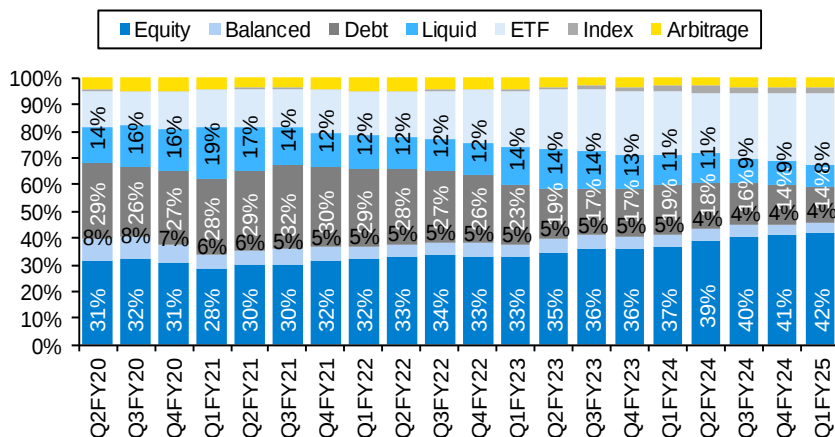
Financial Performance:

- **Yield compression** was driven by the impact of telescopic pricing due to equity AuM increase.
- Asset wise yields: Equity – 60bps, Debt - 25bps, Liquid - 10-12bps, ETF – 8-10bps
- **Sharp increase in employee costs** in was led by i) fresh ESOPs granted of Rs82.7mn, ii) higher-than-average increments (12-13%) and iii) higher spend on employee engagement activities.
- Excluding ESOP cost, **other staff cost** is expected to increase by 12-13% for FY24-25.
- **ESOP cost** is expected to be ~Rs450mn for FY24-25, which is equivalent to 50% of the total ESOP cost accrued in the first year of granting ESOPs. For the next year, ~25% of the costs will be accrued, with the balance accrual happening in the 3rd and 4th year.
- 100 employees are expected to be added in the next 3-4 years.
- Only 10-15 **branches** are expected to be opened in a year as majority business is coming via digital routes.
- **Other opex** is expected to increase by 12-13% every year and will be largely driven by digital and advertising expenses.
- ~25% of employee expenses are variable and majority of other opex is fixed in nature. Management is not expecting to cut down on expenses, which can give them long-term benefits.
- As a practice, proportionate **reduction in distributor charges** is being made every quarter in line with **TER movements**.
- **Closing AuM:** Equity - Rs2,598bn, Debt - Rs733bn, Liquid - Rs336bn and ETF - Rs102bn

Other

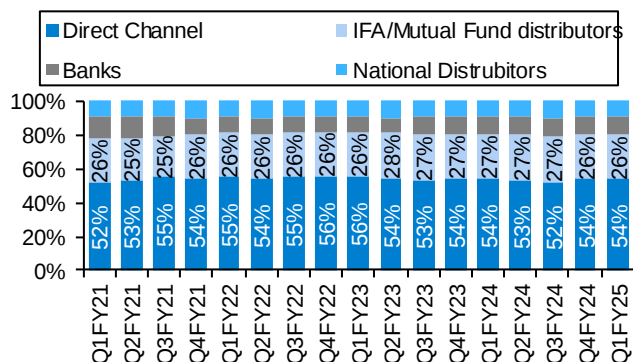
- While sector and thematic funds witnessed high inflows on the back of large number of NFOs, NAM India has opted to stay out of this trend with focus on existing core flagship products.
- NAM has launched **two new products** under the AIF category. Fundraising is underway and both have completed initial closing.
- The management is evaluating **SEBI's consultation paper** on a new asset class, in terms of the associated risks; more clarity is expected in Q2FY25.
- As per the management, SIP flows that were mainly anchored towards small-cap funds, have become more broad based.
- B-30 market share in IFA has slipped for NAM in Q1FY25 due to more participation by clients in NFOs of other AMCs.

Exhibit 2: Equity + bal share increased to ~46%; debt steady at ~15%



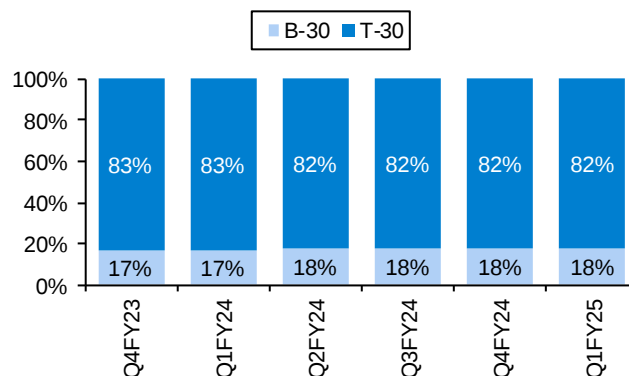
Source: Company, PL

Exhibit 3: Total distribution – Direct dominates at 54%



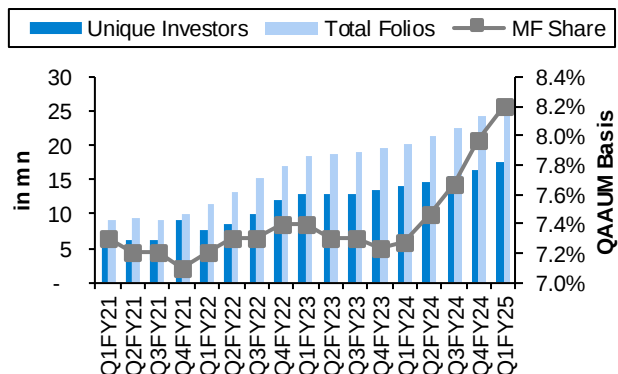
Source: Company, PL

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



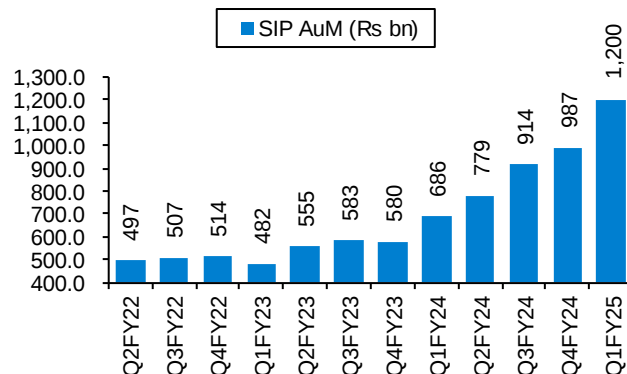
Source: Company, PL

Exhibit 5: Consistently growing share and investors



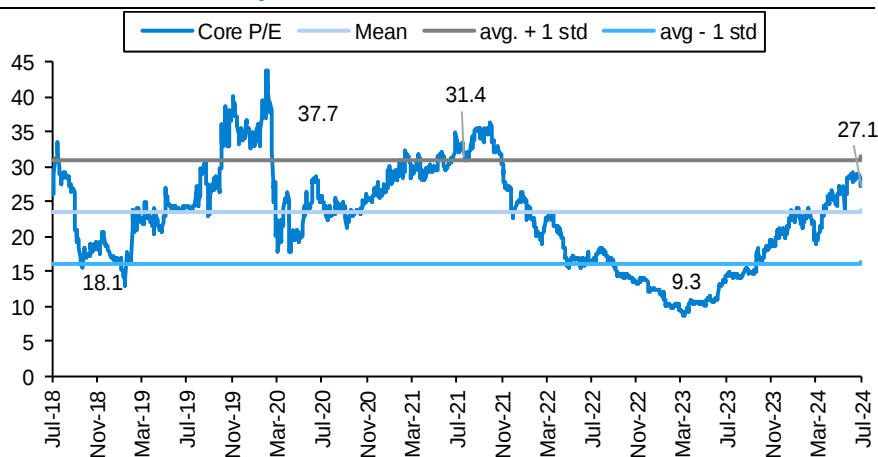
Source: Company, PL

Exhibit 6: SIP AuM continues to grow (+75% YoY/22% QoQ)



Source: Company, PL

Exhibit 7: NAM India 2-yr fwd. P/Core EPS trades at 27x



Source: Company, PL

Financials

Exhibit 8: Quarterly Financials

Particulars (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Revenue	3,161	3,316	3,538	3,483	3,542	3,975	4,233	4,683	5,050
Expenses	1,448	1,459	1,494	1,488	1,611	1,650	1,723	1,865	1,970
Employee	781	765	747	712	780	799	875	886	969
Others	599	623	669	695	750	779	784	905	851
Depreciation	68	71	77	82	81	72	65	73	68
Core Income	1,713	1,857	2,045	1,995	1,931	2,325	2,510	2,818	3,080
Other Income	-167	819	619	397	1,169	779	1,071	923	1,308
PBT	1,546	2,676	2,664	2,392	3,099	3,104	3,581	3,741	4,388
Tax	403	615	616	415	746	661	741	315	1,066
PAT	1,143	2,060	2,048	1,977	2,354	2,443	2,840	3,426	3,322
Core PAT	1,267	1,430	1,572	1,649	1,466	1,830	1,991	2,581	2,331
QAAuM	27,94,764	28,51,110	29,28,422	29,32,258	31,36,285	35,06,854	37,76,159	43,14,041	48,38,329
Equity	32.9%	34.8%	36.2%	36.0%	36.6%	38.9%	40.4%	41.0%	41.7%
Balanced	4.8%	4.9%	4.9%	4.8%	4.6%	4.3%	4.3%	4.2%	4.0%
Debt	22.6%	19.1%	17.3%	17.3%	18.7%	17.5%	16.2%	14.8%	13.6%
Liquid	13.6%	14.4%	14.0%	13.3%	11.4%	11.0%	9.0%	9.1%	8.5%
ETF	21.5%	22.4%	23.3%	23.9%	23.5%	23.0%	24.6%	25.9%	26.8%
Index	0.7%	1.0%	1.2%	1.6%	2.4%	2.4%	2.4%	1.9%	2.4%
Market share (%)	7.40	7.30	7.27	7.24	7.28	7.46	7.67	7.97	8.20
Equity	6.90	6.89	6.94	6.95	7.05	7.40	7.63	7.77	7.94
Balanced	3.25	3.21	3.18	3.12	3.07	3.04	3.01	2.99	2.96
Eq+Bal	6.04	6.04	6.08	6.07	6.17	6.46	6.65	6.77	6.93
Debt	2.79	2.99	3.08	3.47	4.39	4.61	4.72	3.90	5.03
Liquid	7.27	6.83	6.64	6.61	7.01	6.92	6.92	7.25	7.07
ETF	7.19	7.34	7.44	7.02	6.32	6.65	6.29	6.76	6.91
Index	14.1	13.8	13.5	13.7	13.9	14.0	15.4	16.7	17.8
QAAuM Growth (%)	-1.4	2.0	2.7	0.1	7.0	11.8	7.7	14.2	12.2
Equity	-1.9	7.9	6.8	-0.2	8.7	18.6	12.0	16.0	14.0
Balanced	-1.4	4.0	2.8	-2.2	1.9	6.7	6.0	10.8	7.9
Eq+Bal	-1.9	7.4	6.3	-0.4	7.9	17.3	11.4	15.5	13.4
Debt	7.8	7.8	0.3	-5.2	-8.5	7.7	-11.1	15.3	4.1
Liquid	7.7	6.3	7.0	2.5	5.4	9.5	15.0	20.1	16.1
ETF	55.2	40.7	23.9	31.2	58.9	9.6	7.8	-9.9	14.1
Index	-4.3	-9.2	-11.1	3.1	-3.2	16.6	14.3	15.3	11.2
Dupont (bps)									
Revenue yield	45.2	46.5	48.3	47.5	45.2	45.3	44.8	43.4	41.7
Opex to AuM	20.7	20.5	20.4	20.3	20.5	18.8	18.3	17.3	16.3
Staff cost	11.2	10.7	10.2	9.7	9.9	9.1	9.3	8.2	8.0
Other opex	8.6	8.7	9.1	9.5	9.6	8.9	8.3	8.4	7.0
Depreciation	1.0	1.0	1.1	1.1	1.0	0.8	0.7	0.7	0.6
Core income/AuM	24.5	26.0	27.9	27.2	24.6	26.5	26.6	26.1	25.5
PAT/AuM	16.4	28.9	28.0	27.0	30.0	27.9	30.1	31.8	27.5
Core PAT/AuM	18.1	20.1	21.5	22.5	18.7	20.9	21.1	23.9	19.3
Profitability (%)									
Staff cost/revenue	24.7	23.1	21.1	20.4	22.0	20.1	20.7	18.9	19.2
Other opex/revenue	18.9	18.8	18.9	20.0	21.2	19.6	18.5	19.3	16.8
Core income/revenue	54.2	56.0	57.8	57.3	54.5	58.5	59.3	60.2	61.0
Tax rate	26.0	23.0	23.1	17.3	24.1	21.3	20.7	8.4	24.3
PAT margin	36.2	62.1	57.9	56.8	66.5	61.4	67.1	73.2	65.8
Core PAT margin	40.1	43.1	44.4	47.3	41.4	46.0	47.0	55.1	46.2

Source: Company, PL

Exhibit 9: Summary Financials (Rs mn)

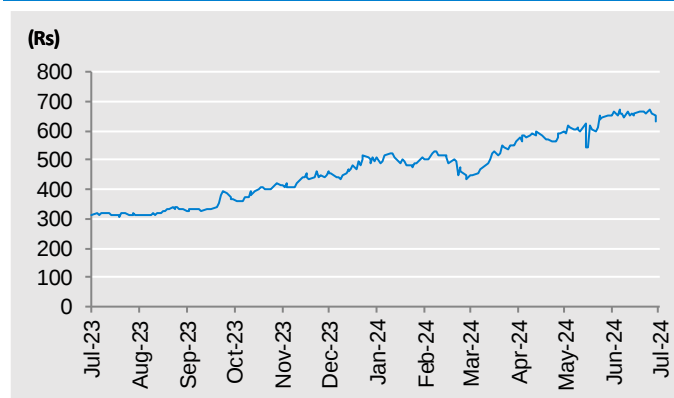
Particulars	FY23	FY24	FY25E	FY26E	Particulars	FY23	FY24	FY25E	FY26E
Profit & Loss					Balance Sheet				
Revenue	13,498	16,432	21,024	24,599	Net Worth	35,156	39,822	43,957	48,521
Investment mgmt.	12,190	14,793	18,904	21,850	Capital (FV Rs5)	6,232	6,300	6,300	6,300
PMS / Advisory	1,309	1,640	2,120	2,749	Reserves	28,925	33,522	37,657	42,221
Expenses	5,890	6,849	8,122	8,797	Employee benefit	127	84	101	121
Employee	3,004	3,360	4,139	4,303	Others	2,365	2,952	3,026	3,102
Others	2,588	3,197	3,667	4,168	Total Liabilities	37,648	42,857	47,083	51,744
Depreciation	298	291	316	326	Cash and Bank	2,727	2,706	2,757	2,810
Core Income	7,609	9,584	12,902	15,802	Investment	30,231	35,127	39,171	43,647
Other Income	1,668	3,941	3,201	3,546	Fixed assets	3,073	3,328	3,428	3,530
PBT	9,276	13,525	16,103	19,347	Others	1,616	1,697	1,728	1,757
Tax	2,048	2,462	3,704	4,450	Total Assets	37,648	42,857	47,083	51,744
PAT	7,228	11,062	12,399	14,898	AuM Data				
Core PAT	5,929	7,839	9,935	12,167	AAuM	28,76,638	36,83,335	51,64,776	65,74,818
Dividend	7,161	10,370	11,532	13,855	Equity	10,06,676	14,52,064	20,89,885	26,54,701
Growth ratios (%)					Balanced	1,39,257	1,59,004	1,99,992	2,25,343
Revenue	3.3	21.7	27.9	17.0	Debt	5,47,342	6,08,017	6,74,758	7,67,008
Opex	7.7	16.3	18.6	8.3	Liquid	3,97,911	3,69,295	3,88,191	4,13,341
Employee	3.5	11.9	23.2	4.0	ETF	6,55,664	8,97,735	15,57,246	22,08,006
Others	12.8	23.5	14.7	13.7	Index	33,562	87,192	1,33,743	1,73,191
Core income	0.2	26.0	34.6	22.5	Arb & FoF	96,227	1,10,027	1,20,962	1,33,227
PAT	-2.8	53.0	12.1	20.1	Mix				
Core PAT	3.8	32.2	26.7	22.5	Equity	35.0	39.4	40.5	40.4
DuPont analysis (%)					Balanced	4.8	4.3	3.9	3.4
Revenue	0.47	0.45	0.41	0.37	Debt	19.0	16.6	13.1	11.7
Expenses	0.20	0.19	0.16	0.13	Liquid	13.8	10.0	7.5	6.3
Employee	0.10	0.09	0.08	0.07	ETF	22.8	24.4	30.2	33.6
Others	0.09	0.09	0.07	0.06	Index	1.2	2.2	2.6	2.6
Depreciation	0.01	0.01	0.01	0.00	Arb & FoF	3.3	3.0	2.3	2.0
Core Income	0.26	0.26	0.25	0.24	Growth				
Other Income	0.06	0.11	0.06	0.05	Overall	7.5	28.0	40.2	27.3
PBT	0.32	0.37	0.31	0.29	Equity+Bal	13.5	40.6	42.1	25.8
Tax	0.07	0.07	0.07	0.07	Debt	-25.1	11.1	11.0	13.7
PAT (RoAAuM)	0.25	0.30	0.24	0.23	Liquid	22.5	-7.2	5.1	6.5
Core RoAAuM	0.21	0.21	0.19	0.19	ETF	36.4	36.9	73.5	41.8
ROE	20.7	29.5	29.6	32.2	Index	218.3	159.8	53.4	29.5
Core RoE	27.2	35.6	42.1	48.0	Arb & FoF	-19.0	14.3	9.9	10.1
Other Ratios (%)					Valuations				
Staff cost/revenue	22.3	20.4	19.7	17.5	EPS	11.6	17.6	19.7	23.6
Other opex/revenue	19.2	19.5	17.4	16.9	Core EPS	9.5	12.4	15.8	19.3
Core Income/revenue	56.4	58.3	61.4	64.2	CPS	52.9	60.1	66.6	73.7
Other Income/revenue	12.4	24.0	15.2	14.4	DPS	11.5	16.5	18.3	22.0
Yield on Investments	5.0	11.2	8.0	8.0	Dividend yield	4.2	4.5	2.9	3.5
Effective tax rate	22.1	18.2	23.0	23.0	BVPS	56	63	70	77
PAT margin	53.6	67.3	59.0	60.6	P/B	4.3	5.7	9.1	8.3
Core PAT margin	48.6	53.0	52.6	55.7	P/E	15.4	20.6	32.3	26.9
Dividend payout (%)	99.1	93.7	93.0	93.0	P/core EPS	17.5	19.1	36.1	29.1

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
3	25-Apr-24	BUY	615	584
4	9-Jul-24	BUY	615	667

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,720	1,800
2	Axis Bank	BUY	1,450	1,287
3	Bank of Baroda	BUY	290	274
4	Can Fin Homes	BUY	950	880
5	City Union Bank	Accumulate	170	170
6	DCB Bank	BUY	180	137
7	Federal Bank	BUY	195	186
8	HDFC Asset Management Company	BUY	4,700	4,196
9	HDFC Bank	BUY	2,000	1,648
10	ICICI Bank	BUY	1,450	1,233
11	IndusInd Bank	BUY	1,800	1,434
12	Kotak Mahindra Bank	BUY	2,100	1,853
13	LIC Housing Finance	Hold	660	771
14	Nippon Life India Asset Management	BUY	615	667
15	State Bank of India	BUY	910	860
16	UTI Asset Management Company	BUY	1,050	1,049

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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