

BONANZA WEALTH MANAGEMENT RESEARCH



28th March 2025

Nippon Life India – BUY

CMP : Rs. 588.0
Target Price : Rs. 790.0
Upside : 27%+
Stop Loss : Rs. 495.0 (Closing basis)

Investment Thesis

- Nippon Life India Asset Management (NAM) has successfully maintained its position as the fourth largest player in India's mutual fund (MF) industry, achieving a compound annual growth rate of 24% in monthly average assets under management (MAAUM) from FY20 to FY24, ultimately reaching Rs. 4.4 trillion. This growth is significantly driven by a 31% increase in equity MAAUM, which constitutes 51% of its total assets. NAM has consistently held a market share in the early double digits for net equity flows and boasts an early mover advantage in the exchange-traded fund (ETF) sector with a market share of 18.1%.
- Operational expenditures have risen by 23% YoY due to investments in distribution and technology. However, sustained growth in the equity mix is expected to mitigate pressure from total expense ratio (TER) cuts, supporting profitability.
- NAM's strategy focuses on enhancing existing schemes rather than launching numerous new funds, aligning with management's belief that this will yield more consistent inflows. Additionally, NAM is engaging with the Government of India's ONDC initiative to facilitate financial inclusion, aiming to reach retail customers in underserved Tier III and IV cities. Plans for international expansion include the launch of two India-focused funds in Japan within the next 3-6 months.
- While blended yields have experienced a slight decline, the management is committed to maintaining profitability through careful expense management and an evaluation of the commission structure, prioritizing sustainable growth over sheer market share acquisition.

Financials

- NAM's operating revenue came in at Rs. 590 Cr., resulting in a growth of 39% YoY and 3% QoQ. Yields reached to 41.3bp in 3QFY25. For 9MFY25, revenue came in at Rs. 1,660 Cr. recording a growth of 42% YoY.

Particular (Rs./Cr.)	FY24	FY25E	FY26E	FY27E
Revenue	1,643.00	2,218.05	2,794.74	3,130.11
EBITDA	1,387.00	1,798.05	2,170.76	2,429.11
EBITDA Margin (%)	0.68	0.70	0.69	0.69
PAT	1,106.00	1,318.05	1,598.76	1,792.11
EPS (Rs.)	17.44	20.79	25.22	28.27
P/E (x)	33.71	28.28	23.32	20.80

Stock Data

Market Cap (Rs. Mn)	3,73,150
Market Cap (\$ Mn)	4,356
Shares O/S (in Mn)	635
Avg. Volume (3 month)	11,03,340
52-Week Range (Rs.)	816.0/ 473.0

Shareholding Pattern

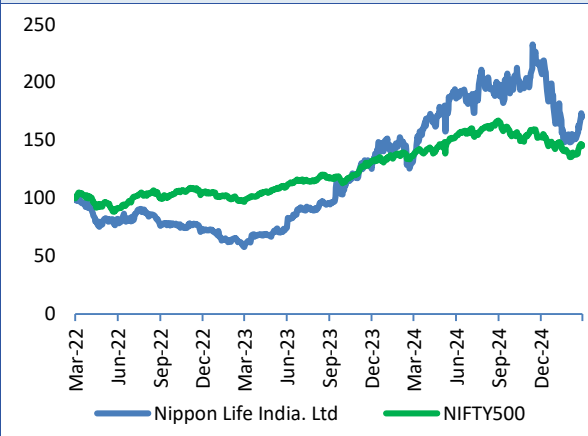
Promoters	72.43%
FII's	8.28%
Institutions	13.02%
Others (incl. body corporate)	6.27%

Key Ratios

Div Yield	2.81%
TTM PE	28.1x
ROE	29.5%
TTM EPS (Rs.)	21.0/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	12.5%	-10.3%	26.9%
NIFTY 500	5.4%	-12.6%	6.6%



- Total opex grew 23% YoY and 3% QoQ to Rs.211 Cr. Resultant EBITDA stood at Rs. 391 Cr. in 3QFY25, +49% YoY. EBITDA margin improved 440bp YoY to 65.6%. For 9MFY25, EBITDA grew 53% YoY to Rs. 1080 Cr. PAT stood at Rs. 295 Cr. in 3QFY25; PAT rose 4% YoY. In 9MFY25, PAT grew 29% YoY to Rs. 983 Cr. Investments in talent and technology are expected to continue, and management has guided an expense growth of 15-17%, excluding ESOP.

Key Business Highlights

- Nippon Life India Asset Mgt. is engaged in managing mutual funds including exchange traded funds (ETFs); managed accounts, including portfolio management services, alternative investment funds and pension funds; and offshore funds and advisory mandates.
- Nippon emphasizes a strong distribution network, utilizing approximately 1,11,400 distributors, and focuses on expanding its equity portfolio to enhance topline growth. Recognizing the importance of customer retention, NAM has achieved a large investor base of around 2 Cr., with unique customer market share of 38%. The diversified distribution channels include significant contributions from direct sales, mutual fund distributors (MFDs), and a banca network.
- On the product front, NAM recently launched two index funds, i.e., the Nifty Realty Index Fund and the Offshore Index Fund. It guides to launch many more such passive funds with no focus on mega NFO launches. It also launched a Nifty Large Cap Gift Fund in the Gift City, which is a feeder fund investing into existing large-cap funds in India

Valuation

- We believe NAM remains well-placed to steer healthy growth over the medium to long term driven by (a) a well-diversified product suite encompassing both active and passive segments, (b) strong retail franchise, (c) gradually improving market share across segments, and (d) focus on profitable growth. We believe NAM would be a key beneficiary of the under-penetration of mutual funds in India, facilitating further market share improvement. **We recommend BUY on NAM with a TP of Rs. 790 valuing it at 28x FY27E P/E.**

Risk & Concern

- Any decline in equity markets can hurt the net flows and ultimately impact the AUM growth.
- If there is any regulation that could negatively impact the total Expense ratio would lead to decline in earnings.
- Slow growth in AUM and pressure on yields would impact our top-line estimates.
- The asset management industry is strongly regulated and regulatory uncertainty would impact our estimates.

Graphs & Charts

Figure 1: Investor Segment wise AUM

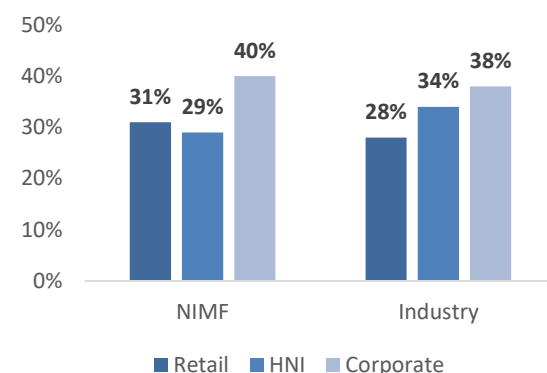


Figure 2: B-30 AUM

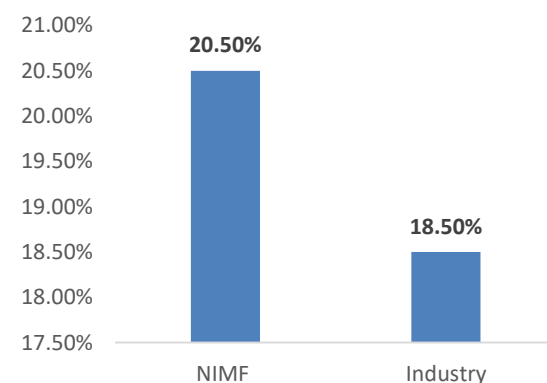


Figure 3: Asset under management / Cr.

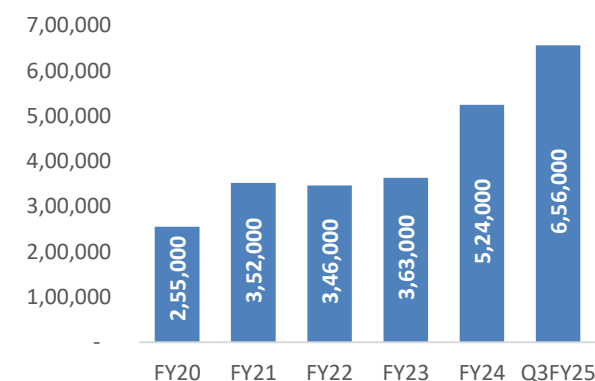
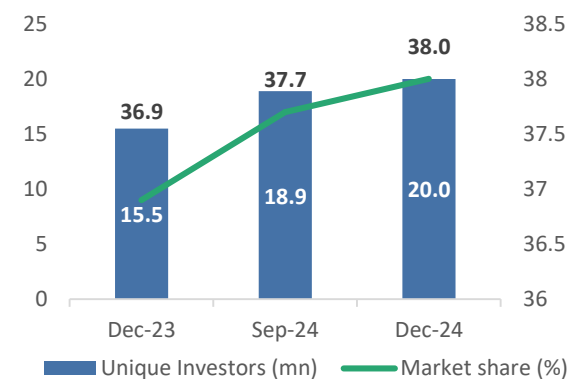


Figure 4: Unique Investors & Market share



Name	Designation
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