

**Result Update**
**BFSI | Nippon Life India Asset Management Ltd.**
**HOLD**

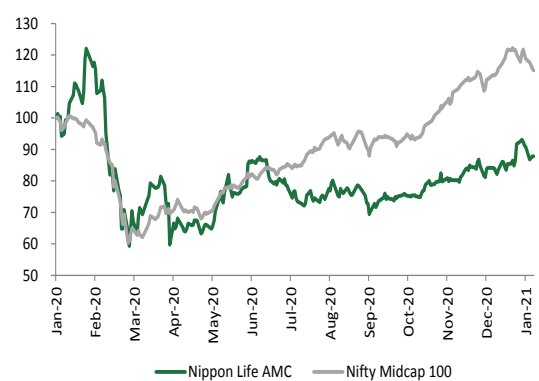
<b>CMP (Rs)</b>	320
<b>Target Price (Rs)</b>	348
<b>Potential Upside</b>	8.8%
<b>Sensex</b>	46,832
<b>Nifty</b>	13,793

**Key Stock data**

<b>BSE Code</b>	540767
<b>NSE Code</b>	NAM-INDIA
<b>Bloomberg</b>	RNAM:IN
<b>Shares o/s, Cr (FV 10)</b>	61.2
<b>Market Cap (Rs Cr)</b>	19,637
<b>3M Avg Volume</b>	4,92,037
<b>52 week H/L</b>	453/208

**Shareholding Pattern**

(%)	Jun-20	Sep-20	Dec-20
<b>Promoter</b>	75.9	75.0	75.8
<b>FII</b>	5.8	5.1	5.4
<b>DII</b>	6.3	6.3	6.6
<b>Others</b>	12.1	13.6	12.2

**1 Year relative price performance**

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**Higher other income and lower opex drives profitability**

Nippon Life AMC reported decent set of numbers in Q3FY21 which was largely in-line with our expectations. Its mutual fund QAAUM grew by 6.5% QoQ led by healthy growth in both equity as well as debt AUM which grew by 7.3% and 5.3% QoQ. Further, despite lower yields, PAT grew by 42.7% QoQ driven by higher other income and cost saving initiatives. Going forward, we remain positive on Nippon AMC as it plans to regain its lost market share through a series of measures. In the long run, its consistent increase in equity assets, industry leading retail assets and strong presence in B-30 cities augurs well for the growth prospects of the company. Recommend Hold.

**Result Update Q3FY21**

- Nippon AMC's revenue growth remained tepid as it grew by 4.3% QoQ despite QAAUM growth of 6.5%. This was on account of lower debt yields during the quarter. However, strong growth in other income (+98.6%) driven by higher equity MTM gain, resulted in total income growth of 23.6% QoQ. Additionally, sharp control over operating expense led to PAT growth of 42.7% QoQ to Rs. 205 cr. On a YoY basis, total income and PAT grew by 9.3% and 34.1% YoY. Its QAAUM grew by 4.2% YoY.
- Other key highlights:** i) the company has managed to restrict the decline in market share and has plans to increase the same going ahead. This would be led by expanding fund management team and re-alignment of portfolios, ii) the management mentioned that December SIP inflows of Rs. 6.6 bn is higher as certain SIP inflows of November 2020 was recorded in December (due to public holiday from November 28-30).

**Outlook & Valuation**

The mutual fund industry has witnessed consistent outflows in the recent past which remains a key concern for the industry. However, the long-term growth story remains intact with increased thrust on the financialization of savings, higher penetration of mutual funds (especially in B-30 locations), and increased preference of mutual funds over traditional saving avenues. Further, NAM's consistent increase in equity assets, industry-leading retail assets and strong presence in B-30 cities augur well for the growth prospects of the company. The consistent increase in monthly SIP book (Rs. 6.6 bn) would ensure longevity and regular inflows providing stable growth. We have marginally tweaked our estimates and have a HOLD rating on the stock with a target price of Rs. 348.

**Financial Summary - standalone**

Particulars, Rs cr	FY20	FY21E	FY22E	FY23E
AUM (Rs. bn)	1,635	2,207	2,450	2,695
Revenue from operations	1,132	1,166	1,271	1,372
APAT	412.3	709.5	695.7	760.8
EPS (Rs)	6.7	11.6	11.4	12.4
PE (x)	47.5	27.6	28.2	25.7
RoE (%)	16.2	26.1	23.0	23.0
DPS	5.0	6.0	7.0	7.5
Dividend Payout ratio (%)	74.2	51.8	61.6	60.3

Source : RBL Research

## P&amp;L Account Quarterly - standalone

Particulars (cr)	Q3FY21	Q3FY20	Y-o-Y %	Q2FY21	Q-o-Q %
Revenue from operations	250.9	285.4	-12.1	240.5	4.3
Other income	123.0	56.5	117.5	61.9	98.6
<b>Total Revenue</b>	<b>373.8</b>	<b>341.9</b>	<b>9.3</b>	<b>302.4</b>	<b>23.6</b>
Employee cost	60.7	75.7	-19.8	62.0	(2.1)
Other expenses	44.7	59.4	-24.7	43.9	1.8
Depreciation	7.6	9.1	-16.7	7.7	(1.8)
<b>Total expenditure</b>	<b>113.0</b>	<b>144.2</b>	<b>-21.6</b>	<b>113.6</b>	<b>(0.5)</b>
PBT	260.8	197.8	31.9	188.8	38.1
Tax	55.7	44.8	24.4	45.0	23.6
Tax Rate (%)	21.3	22.6	-129bps	23.9	-251bps
<b>PAT</b>	<b>205.2</b>	<b>153.0</b>	<b>34.1</b>	<b>144</b>	<b>42.7</b>
<b>AUM data (Rs. Bn)</b>					
Mutual Fund QAAUM	2,130	2,044	4.2	2,000	6.5
Retail MAAUM	586	546	7.3	520	12.7

Source : RBL Research

## P&amp;L Account - standalone

Particulars (cr)	FY20	FY21E	FY22E	FY23E
<b>Revenue from operations</b>	<b>1,131.7</b>	<b>1,165.6</b>	<b>1,270.5</b>	<b>1,372.2</b>
Other income	2.6	340.0	255.0	275.4
<b>Total Income</b>	<b>1,134.3</b>	<b>1,505.6</b>	<b>1,525.5</b>	<b>1,647.6</b>
Expenditure				
Employee cost	278.5	256.4	266.8	274.4
Other expenses	218.0	221.5	241.4	260.7
Depreciation	113.1	113.1	113.1	113.1
<b>Total Expenditure</b>	<b>609.5</b>	<b>591.0</b>	<b>621.3</b>	<b>648.2</b>
<b>PBT</b>	<b>561.4</b>	<b>946.0</b>	<b>927.6</b>	<b>1,014.4</b>
Tax	149.1	236.5	231.9	253.6
<b>Reported profit</b>	<b>412.3</b>	<b>709.5</b>	<b>695.7</b>	<b>760.8</b>
<b>PATM (%)</b>	<b>36.4</b>	<b>60.9</b>	<b>54.8</b>	<b>55.4</b>

Source : Company; RBL Research

## Balance sheet - standalone

Particulars (cr)	FY20	FY21E	FY22E	FY23E
Share Capital	612.1	612.1	612.1	612.1
Reserves & Surplus	1,936.9	2,279.1	2,546.3	2,848.0
<b>Total Shareholder's Fund</b>	<b>2,549.0</b>	<b>2,891.2</b>	<b>3,158.4</b>	<b>3,460.1</b>
<b>Non-Current Liabilities</b>				
Trade payables	66.4	68.3	74.5	80.5
Provisions	38.2	39.3	42.9	46.3
Other Liabilities	157.8	162.6	177.2	191.4
<b>Total liabilities</b>	<b>2,811.4</b>	<b>3,161.4</b>	<b>3,453.0</b>	<b>3,778.2</b>
Fixed Assets	9.0	9.0	9.0	9.0
Intangible assets	312.9	312.9	312.9	312.9
Non current investment	1,870.4	2,017.4	2,140.4	2,219.4
Long term loans and advances	48.8	48.8	48.8	48.8
Deferred Tax Assets	8.2	8.2	8.2	8.2
<b>Current Assets</b>				
Trade receivables	50.9	52.5	57.2	61.8
Cash & Cash equivalents	409.1	610.7	774.5	1,016.2
<b>Total assets</b>	<b>2,811.4</b>	<b>3,161.4</b>	<b>3,453.0</b>	<b>3,778.2</b>

Source : Company; RBL Research

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[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]

S. No.	Statement	Answer	
		Yes	No
		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

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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