

Nippon Life India Asset Management | BUY

Slight beat across parameters leads to 5% beat on PBT

NAM reported strong performance across key parameters to beat JMFe PBT by 5%. Investment management fees were reported at INR 5.7bn, +1.6% JMFe, -3.6% QoQ, +21% YoY. Opex was reported at INR 2,118mn, -2.8% JMFe, flat QoQ, +14% YoY. While employee expenses were broadly in line, the company moderated other expenses in a quarter where equity markets were volatile. With this, operating PBT came in at INR 3.5bn, +4.4% JMFe, -10% QoQ, +21% YoY. Other income was largely in line at INR 230mn, against INR199mn JMFe. The company reported PBT of INR 3.8bn, +5.0% JMFe, -2.5% QoQ, +1% YoY. Effective tax rate was 21.0%, against 25.0% JMFe, 24.6% in 3Q25 and 8.4% in 4Q24. PAT came in at INR 2,983mn, +10.6% JMFe, +1% QoQ, -13% YoY. Further, despite self-imposed restrictions on inflows into its small and mid-cap schemes, the company enjoyed a market share of 10.16% in SIP inflows for 4Q, and >10% of FY25 inflows, ex-NFOs. On FY26 outlook, there were two negatives. First, the company issued additional stock units to its employees, as a result of which the projected ESOP expenses for FY26 stands raised to INR 485mn against INR 225mn earlier. Secondly, management mentioned that they do not intend to further reduce distributor commissions in next 1-2 quarters, after realigning ~45% of the company's equity AUM. This results in a 4% cut in our FY26e EPS. We do not cut FY27e EPS materially. We estimate 6%/12% equity returns in FY26e/FY27e and expect NAM to hold its market share of near 10%, resulting in EPS CAGR of 17% over FY25-FY27e. At CMP, the stock trades at 29x/23x FY26e/FY27e EPS. We value the stock at 26x FY27e EPS (against 24x earlier) of INR 28 to get a revised target price of INR 730 (up from INR 700). We maintain BUY.

- **Revenue yields hold up despite a fall in equity share of QAAUM:** Equity share of total QAAUM fell 140bps QoQ to 48.2%, however, blended yields held up at 0.41% as the fall in equity yields (with telescopic pricing) was arrested. Going ahead, we expect yields to decline only gradually as the AMC reduces payouts on its schemes. As of now, NAM has rationalised payouts in ~45% of its AUM and is watching the impact before taking further cuts.
- **While costs were controlled in 4Q, ESOP costs to rise in FY26:** In 4Q, while employee costs grew 4% QoQ, other expenses were controlled, falling 5% QoQ. As a result, opex was flat QoQ at INR 2,118mn, +14% YoY. The Board approved additional stock grants to employees, as a result of which the company raised its ESOP cost guidance for FY26 by INR 250mn. With this, we expect FY26e opex growth of ~13%.
- **Valuation and view:** At CMP, the stock trades at 29x/23x FY26e/FY27e EPS. While the near-term EPS growth outlook gets clouded with elevated ESOP costs and a pause in rationalisation of distributor payouts, improving outlook on equity markets augurs well for the company. The company paid cumulative dividends of INR 18 for FY25, ~90% of its EPS. We value the stock at 26x FY27e EPS (against 24x earlier) of INR 28 to get a revised Target Price of INR 730 (up from INR 700). We maintain BUY.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	730
Upside/(Downside)	14.8%
Previous Price Target	700
Change	4.3%

Key Data – NAM IN

Current Market Price	INR636
Market cap (bn)	INR414.6/US\$4.8
Free Float	22%
Shares in issue (mn)	612.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR808.2/US\$9.3
52-week range	816/430
Sensex/Nifty	76,520/23,205
INR/US\$	86.5

Price Performance

%	1M	6M	12M
Absolute	9.9	-6.2	9.6
Relative*	6.0	-6.0	2.0

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary		(INR mn)			
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Mutual Fund AUM (INR bn)	4,313	5,545	6,662	8,163	9,973
YoY growth (%)	50%	29%	20%	23%	22%
% of equity MF AUM (closing basis)	49%	48%	49%	51%	52%
Consol. Revenues (INR mn)	20,373	25,207	27,777	32,992	39,840
Total operating expenses (INR mn)	6,849	8,264	9,316	9,998	11,172
Consol. PAT (INR mn)	11,063	12,857	14,122	17,591	21,932
YoY growth (%)	53%	16%	10%	25%	25%
Consol PAT / Avg. AUM (RoAUM) (%)	0.30%	0.24%	0.23%	0.24%	0.24%
RoE (%)	29.5%	31.4%	32.5%	36.7%	39.8%
EPS (INR)	17.6	20.3	22.3	27.7	34.6
P/E (x)	36.2	31.4	28.6	22.9	18.4

Source: Company data, JM Financial. Note: Valuations as of 28/Apr/2025

Key concall takeaways:

- **Revenue yields:** Blended yields at 37bps [against calc. yields of 41bps]
 - Equity 58bps (similar to 3Q)
 - Debt 25bps
 - Liquid 10-12bps
 - ETFs 15bps
- **Market share**
 - SIP market share >10% in 4Q25, from 5.15% in Mar'22 to 10.16% in Mar'25;
 - Net sales market share high single digits, above book market share;
 - SIP book growth better than industry, stoppages lower than industry;
 - Focussed on diversifying SIP across multiple categories.
- **Guidance on costs**
 - The company granted 172k stock options at INR 578 per share and 417k PSUs at INR 10 per share, resulting in elevated ESOP costs
 - ESOP costs for 4Q25 at INR 110mn, FY25 ESOP costs at INR 430mn
 - Expect FY26 ESOP costs in the range of INR 480mn – 490mn
- **Tax rate**
 - Lower tax rate in 4Q [21%] was on account of favourable assessment orders
 - Expect tax rate to range in 24%-25% for next year
- **Cyber-attack** – On the cyber-attack on 9th April, the company mentioned:
 - Fund management applications up and running next day;
 - Other systems up and running as of date;
 - Minimum business impact as other channels were activated.
- **Non-MF business**
 - Planning launch of one Long/Short fund and another Fund of Funds
 - Tech VC FoF was fully invested in 4Q, across 14 funds, with underlying exposure to 280 companies.
 - Launched Nippon India ETF Nifty50 BEE – 2nd GIFT City Fund, after 1st Nissay Asset Management, a wholly owned subsidiary of Nippon Life, catering to Japanese market.
 - Appointed Mr. Andrew Holland to oversee the journey on new asset class (Special Investment Fund).

Exhibit 1. NAM 4Q25 – Key quarterly trends

Consolidated P&L (INR mn)	4Q24	3Q25	4Q25	QoQ (%)	YoY (%)
Revenue from operations	4,683	5,879	5,665	-3.6%	21.0%
Employee benefits expense	886	1,065	1,105	3.8%	24.7%
Marketing & publicity expense	172	187	159	-15.2%	-7.9%
Other operating expenses	806	864	854	-1.1%	6.0%
Total expenses	1,865	2,116	2,118	0.1%	13.6%
Operating PBT	2,818	3,763	3,548	-5.7%	25.9%
Other income	923	154	230	49.5%	-75.0%
PBT	3,741	3,917	3,778	-3.5%	1.0%
PAT	3,423	2,952	2,980	1.0%	-12.9%

QAAUM (INR bn)	4Q24	3Q25	4Q25	QoQ (%)	YoY (%)
Equity	2,082	2,829	2,686	-5.1%	29.0%
Debt	409	534	519	-2.8%	26.8%
Liquid	605	678	670	-1.1%	10.8%
Other	1,217	1,659	1,697	2.3%	39.5%
Overall	4,313	5,700	5,572	-2.2%	29.2%

Dupont analysis	4Q24	3Q25	4Q25	QoQ (%)	YoY (%)
Revenue / QAAUM (%)	0.43%	0.41%	0.41%	-0.01%	-0.03%
Employee exp / QAAUM(%)	0.08%	0.07%	0.08%	0.00%	0.00%
Marketing & publicity exp / QAAUM(%)	0.02%	0.01%	0.01%	0.00%	0.00%
Total cost / QAAUM (%)	0.17%	0.15%	0.15%	0.00%	-0.02%
Operating PBT / QAAUM(%)	0.26%	0.26%	0.25%	-0.01%	-0.01%
Other income / QAAUM(%)	0.09%	0.01%	0.02%	0.01%	-0.07%
PBT / QAAUM (%)	0.35%	0.27%	0.27%	0.00%	-0.08%
PAT / QAAUM(%)	0.32%	0.21%	0.21%	0.01%	-0.10%

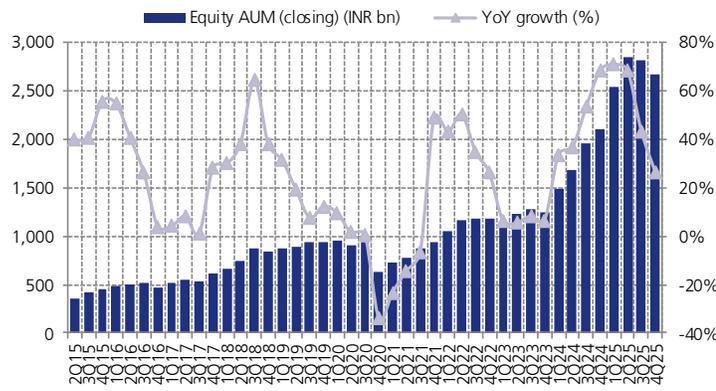
Source: Company, JM Financial

Exhibit 2. We cut FY26e with higher ESOP costs and delayed rationalisation in payouts, largely maintain FY27e

Change in estimate	FY25E	FY25A	Change	YoY	FY26E, Old	FY26E, New	Change	YoY	FY27E, Old	FY27E, New	Change	YoY
Revenue	25,088	25,207	0.5%	23.7%	28,703	27,777	-3.2%	10.2%	32,920	32,992	0.2%	18.8%
Operating PBT	13,894	14,043	1.1%	46.5%	16,841	15,767	-6.4%	12.3%	20,040	20,220	0.9%	28.2%
PAT	12,572	12,857	2.3%	16.1%	14,830	14,122	-4.8%	9.8%	17,444	17,591	0.8%	24.6%

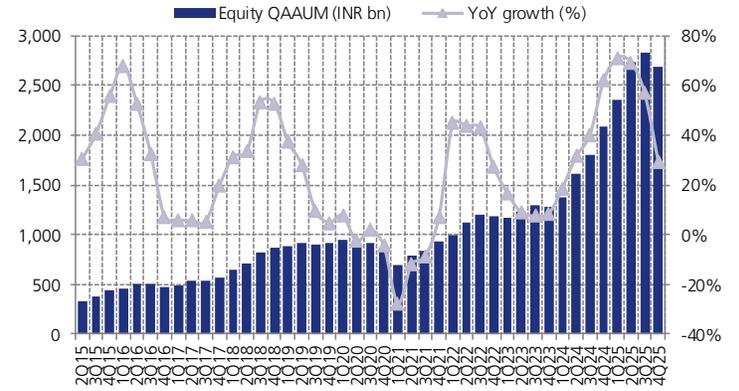
Source: Company, JM Financial

Exhibit 3. Equity AUM closed +26% YoY, -5% QoQ



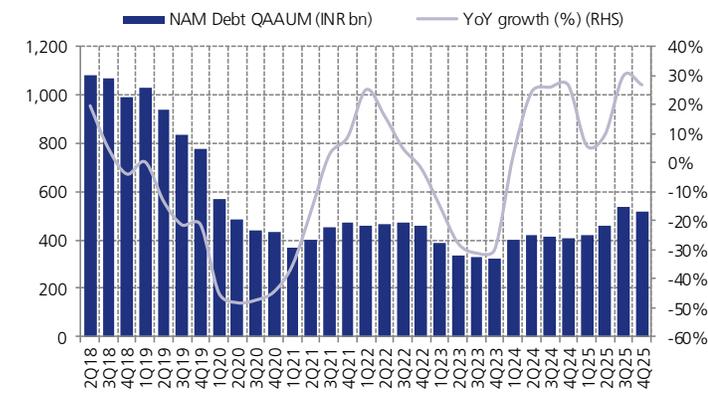
Source: Company, JM Financial

Exhibit 4. Equity QAAUM grew +29% YoY, -5% QoQ



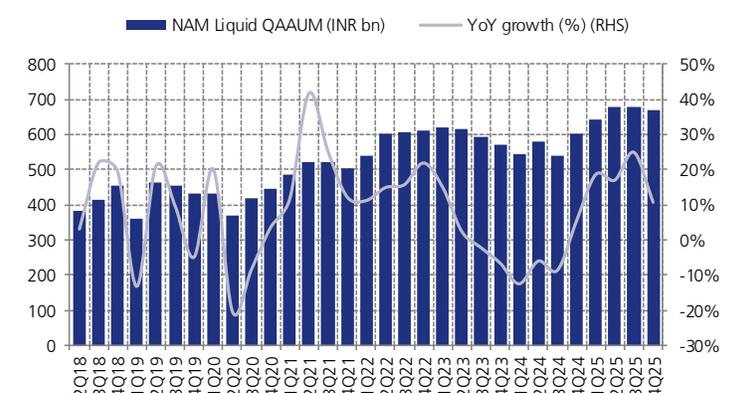
Source: Company, JM Financial

Exhibit 5. Debt QAAUM grew +27% YoY, -3% QoQ



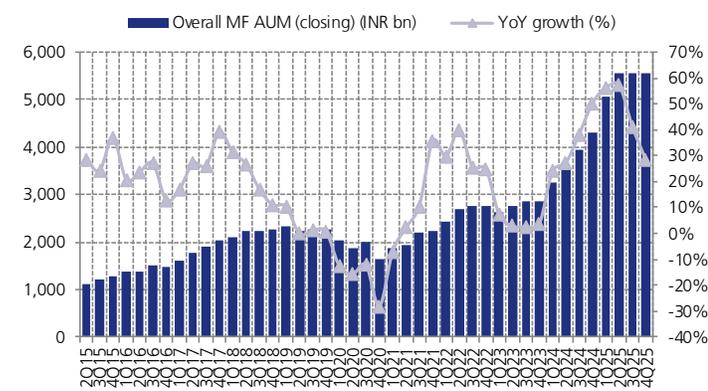
Source: Company, JM Financial

Exhibit 6. Liquid QAAUM grew +11% YoY, -1% QoQ



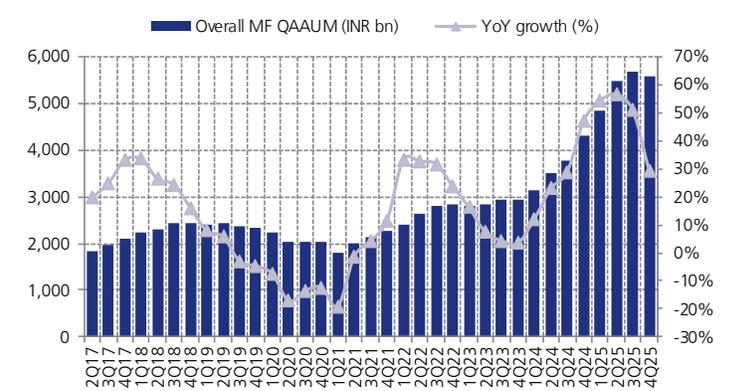
Source: Company, JM Financial

Exhibit 7. Overall MF AUM closed +29% YoY, flat QoQ



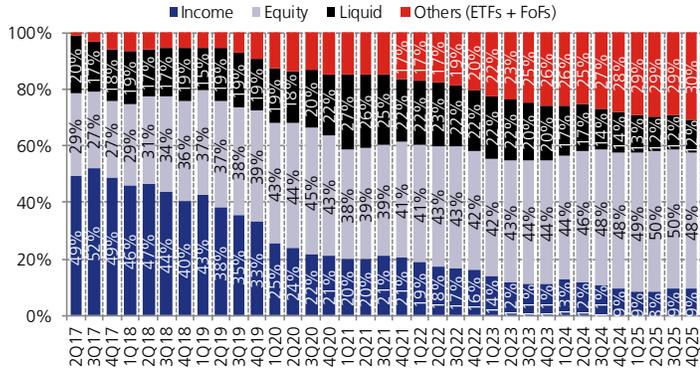
Source: Company, JM Financial

Exhibit 8. Overall MF QAAUM grew +29% YoY, -2% QoQ



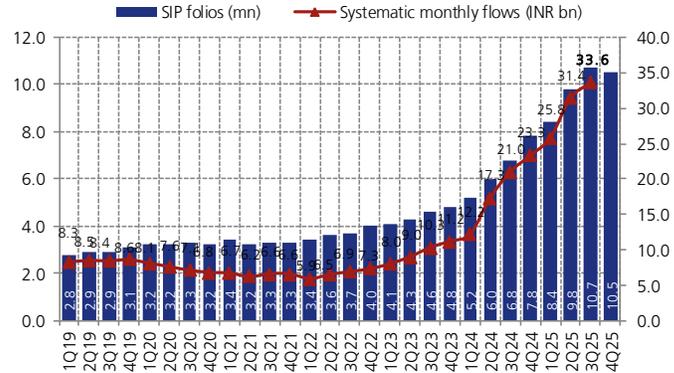
Source: Company, JM Financial

Exhibit 9. Equity share of AUM contracted with weak markets



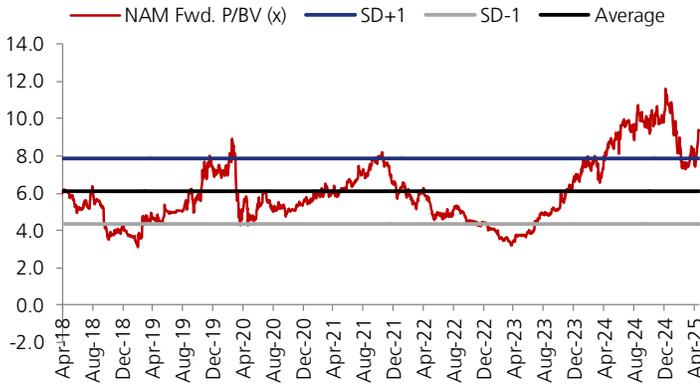
Source: Company, JM Financial

Exhibit 10. SIP inflows cooled off in 4Q, in line with industry



Source: Company, JM Financial

Exhibit 11. NAM: Stock has seen de-rating with weak capital markets



Source: Bloomberg, JM Financial

Exhibit 12. NAM: Stock is trading at about historical mean P/Ex



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
	FY24A	FY25A	FY26E	FY27E	FY28E
Invst. Mgmt. Fees	16,133	21,922	24,640	29,708	35,494
PMS Fees	299	385	443	510	1,234
Investment Management fees	16,432	22,307	25,083	30,218	36,728
Total Other income	3,941	2,900	2,694	2,774	3,112
Total Revenue	20,373	25,207	27,777	32,992	39,840
Employee costs	3,360	4,290	4,886	5,169	5,640
Admin & Other expenses	2,064	2,883	2,611	2,872	3,303
Mktg & publicity expenses	1,133	785	1,486	1,593	1,832
Total Operating Expenses	6,557	7,958	8,983	9,634	10,775
Diminution in LT investments	291	306	334	364	396
Total Expenditure	6,849	8,264	9,316	9,998	11,172
PBT	13,525	16,943	18,461	22,994	28,669
Tax	(2,462)	(4,086)	(4,338)	(5,404)	(6,737)
PAT (Pre-Extraordinaries)	11,063	12,857	14,122	17,591	21,932
Less: Share of Minority SHs	11	-	-	-	-
Reported Profit (PAT)	11,073	12,857	14,122	17,591	21,932

Source: Company, JM Financial

Balance Sheet (INR mn)					
	FY24A	FY25A	FY26E	FY27E	FY28E
Share capital	6,300	6,347	6,347	6,347	6,347
Reserves & Surplus	33,522	35,782	38,480	44,773	52,632
Networth	39,822	42,129	44,827	51,120	58,979
Preference shares	-	-	-	-	-
Minority interest	-	-	-	-	-
Current Liabilities	2,951	4,451	4,896	5,385	5,924
Provisions	84	121	152	190	237
Total Liabilities	42,857	46,701	49,875	56,695	65,140
Net Fixed Assets	3,328	8,717	9,589	10,547	11,602
Non Current investments	35,127	34,400	36,848	40,992	46,739
Total Non-current assets	38,847	43,117	46,493	51,442	58,099
Total Current investments	-	-	-	-	-
Total Current Assets	4,009	3,585	3,381	5,252	7,041

Source: Company, JM Financial

Source: Company, JM Financial

Mutual Fund AUM Mix (%)					
Based on closing AUM	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	49%	48%	49%	51%	52%
Debt	9%	9%	8%	7%	7%
Liquid	12%	10%	9%	8%	7%
Others	30%	33%	34%	34%	35%
Total AUM	100%	100%	100%	100%	100%

Source: Company, JM Financial

Growth ratios (YoY %)					
	FY24A	FY25A	FY26E	FY27E	FY28E
Inv mgmt fees	21.7%	35.8%	12.4%	20.5%	21.5%
Other income	136.3%	-26.4%	-7.1%	3.0%	12.2%
Revenue	34.3%	23.7%	10.2%	18.8%	20.8%
Employee cost	11.9%	27.7%	13.9%	5.8%	9.1%
Admin & other exp	20.8%	39.7%	-9.4%	10.0%	15.0%
Marketing & publicity exp	29.1%	-30.7%	89.3%	7.2%	15.0%
Total operating exp	17.3%	21.4%	12.9%	7.3%	11.8%
PBT	45.8%	25.3%	9.0%	24.6%	24.7%
Tax	20.2%	65.9%	6.2%	24.6%	24.7%
PAT	53.1%	16.1%	9.8%	24.6%	24.7%
Total Assets	13.1%	9.0%	6.8%	13.7%	14.9%
Equity AUM	68.4%	26.5%	22.2%	26.6%	25.8%
Debt AUM	7.8%	25.6%	8.9%	9.1%	9.0%
Liquid AUM	10.1%	11.0%	5.0%	6.2%	6.2%
Other AUM	65.3%	39.7%	25.0%	24.2%	23.2%
Total AUM	50.4%	28.5%	20.1%	22.5%	22.2%

Source: Company, JM Financial

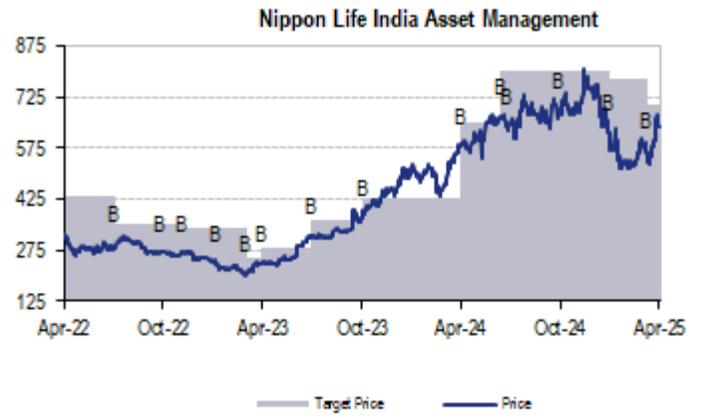
Valuation					
	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in issue (mn)	630.0	634.7	634.7	634.7	634.7
EPS (INR)	17.6	20.3	22.3	27.7	34.6
EPS (YoY)(%)	51%	15%	10%	25%	25%
PER (x)	36.2	31.4	28.6	22.9	18.4
BV (INR)	63.2	66.4	70.6	80.5	92.9
BV (YoY)	12.1%	5.0%	6.4%	14.0%	15.4%
P/BV (x)	10.1	9.6	9.0	7.9	6.8
DPS (INR)	12.9	18.0	17.8	22.2	27.6
Div. yield (%)	2.0%	2.8%	2.8%	3.5%	4.3%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
27-Jan-21	Buy	365	
28-Apr-21	Buy	350	-4.1
31-Aug-21	Hold	435	24.3
15-Dec-21	Buy	435	0.0
27-Jan-22	Buy	435	0.0
26-Apr-22	Buy	435	0.0
28-Jul-22	Buy	350	-19.5
19-Oct-22	Buy	350	0.0
29-Nov-22	Buy	340	-2.9
30-Jan-23	Buy	340	0.0
29-Mar-23	Buy	250	-26.5
26-Apr-23	Buy	280	12.0
27-Jul-23	Buy	365	30.4
30-Oct-23	Buy	430	17.8
28-Apr-24	Buy	650	51.2
9-Jul-24	Buy	800	23.1
21-Jul-24	Buy	800	0.0
25-Oct-24	Buy	800	0.0
24-Jan-25	Buy	777	-2.9
4-Apr-25	Buy	700	-9.9

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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