

# Shubh Nivesh



CMP: ₹ 711

Target: ₹ 850 (20%)

Target Period: 12 months

BUY

November 4, 2024

## Strong performance, market share gain aids profitability

About the stock: Nippon Life India AMC is among the largest asset managers in India with an AUM size of ₹ 6.54 lakh crore. Focus on strong distribution network (~107800+ distributors) and passive schemes (Market share of ~17.8% on QAAUM basis) remains key strategy.

- Market share as on Q2FY25 was at 8.29% on QAAUM basis
- Strong presence in B-30 cities that contributes to 19% of total AUM

### Investment Rationale

- Strategy to focus on core with gain in market share to aid top-line:** Consistent focus on strategy towards equities coupled with industry tailwind led to gain in market share at ~8.29% (blended basis) and ~18.3% for ETF bodes well. Consistent scheme performance, robust SIP flows (market share increased 60 bps QoQ at ~12.6%) and accretion in unique customer base (market share at 37.7%) to aid stickiness and thus inflows. Continued focus on distribution in B-30 locations (contributing 19% of AUM) and emphasis on existing active & passive schemes is expected to aid AUM growth.
- Diversified channel mix with focus on customer accretion:** Focus on customer accretion resulted in large investor base of ~1.9 crore, with market share at ~37.7%. Diversified distribution mix with 54% contribution from direct channel, ~26% by MFDs, ~11% by banca network and national distributors comprising of ~9% of AUM. Diversified distribution and granularity in customer is expected to aid growth and earnings momentum
- Higher equity mix, rationalization of commission & steady opex to aid profitability:** Building distribution strength through addition of manpower & investment in tech along with business growth has led to 26% YoY rise in opex. While traction in opex is expected to remain steady ahead with continued investment in distribution & manpower, sustained proportion of equity mix is expected to mitigate pressure of TER cuts, thereby aiding profitability. Expect PAT to increase at ~13% CAGR in FY24-27E.

### Rating and Target Price

- Buoyant equities, improved performance & SIP inflows coupled with focus on passive business led to strong growth in AUM and gain in market share. Focus on strengthening distribution, customer accretion and performance is expected to drive AUM traction. Realignment of distribution structure to share impact of TER cut could act a catalyst in near term, limiting pressure of declining yield on bottom-line.
- Though the stock has witnessed an uptick in recent past, considering relatively higher business growth without any balance sheet risk, we remain positive on the stock. Valuing the stock at ~33x FY27E EPS, we revise our target at ₹850 per share, and maintain Buy recommendation.

### Key Financial Summary

₹ Crore	FY21	FY22	FY23	FY24	3 year CAGR (FY21-FY24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Net Profit	860.7	870.5	743.2	1105.4	9%	1394.2	1518.7	1614.9	13%
EPS	14.0	14.0	11.9	17.8	8%	22.4	24.4	26.0	13%
P/E (x)	50.9	50.8	59.5	40.0		31.7	29.1	27.4	
AUM /share	37122.2	4555.5	4713.0	6934.0		9568.9	11482.7	13205.1	
P/AUM (%)	1.9	15.6	15.1	10.3		7.4	6.2	5.4	
DPS	8.0	11.0	11.5	16.5		20.2	22.0	23.4	
RoE (%)	30.0	29.9	25.4	37.1		46.8	50.9	54.2	

Source: Company, ICICI Direct Research



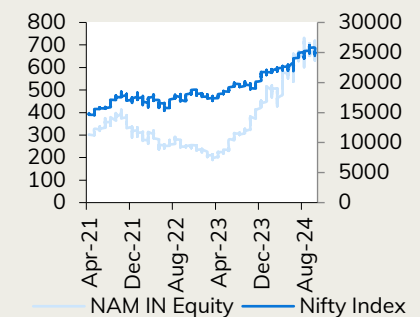
### Particulars

Particulars	Amount
Market Capitalisation	₹ 45,178 crore
Networth	₹ 4,068 crore
52 week H/L	749 / 387
Face Value	₹ 10
DII Holding (%)	13.5
FII Holding (%)	7.7

### Shareholding pattern

	Dec 23	Mar 24	Jun 24	Sept 24
Promoter	73.1	72.9	72.7	72.5
FII	5.5	5.5	6.6	7.7
DII	14.2	14.4	14.3	13.5
Others	7.2	7.3	6.4	6.3

### Price Chart



### Key risks

- Regulatory decline in TER
- Heightened volatility in equities and thus AUM

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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