

Nippon Life India AM Q4FY21

Financial Results & Highlights

Brief Company Introduction

Nippon Life India Asset Management Limited (NAM India) is the asset manager of Nippon India Mutual Fund (NIMF). Nippon Life Insurance Company are the promoters of NAM India and currently hold 75 of its total issued and paid-up equity share capital while Reliance Capital holds 0.93% of shares in the company. Equity Shares of NAM India are listed on BSE Limited and National Stock Exchange of India Limited.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	335	142	135.92%	374	-10.43%	1326	1134	16.93%
PBT	207	37	459.46%	257	-19.46%	843	561	50.27%
PAT	157	12	1208.33%	202	-22.28%	649	412	57.52%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	362	150	141.33%	399	-9.27%	1419	1193	18.94%
PBT	218	27	707%	269	-18.96%	877	560	56.61%
PAT	167	4	4075%	212	-21.23%	679	416	63.22%

Detailed Results:

1. Revenues were up >100% YoY in Q4. Profits rose for the company with Q4 PAT rising from Rs 4 Cr last year to Rs 167 Cr in Q4FY21. All performance rise has been a lot in relative terms as last year's base was very small.
2. FY21 revenues showed healthy growth with a 19% YoY rise and PAT grew 63% YoY.
3. The company also posted its highest ever yearly PAT at Rs 679 Cr.
4. As of 31st Mar 2021, AUM was at Rs 3.52 trillion.
5. Mutual Fund AUM was at Rs 2,218 billion which was up 33% YoY.
6. NIMF added over 9 lac unique Investors & 1.4 million ETF folios in FY21. It also added 350 institutional investors as customers in the year.
7. Equity assets grew to 41% of total AUM. Retail Assets were at Rs 643 bn.
8. Fixed income (Debt + Liquid) assets have grown 10% YoY and account for 43% of total AUM.
9. The company added 5 new funds in the passive space in Q4 and added a total of 9 new funds in FY21.
10. Digital transactions now account for 53% of total purchases. Digital SIP registrations contributed to 59% of the total new SIPs registered in FY21.
11. The company enjoyed a market share of 13% in ETF space with an AUM of Rs 373 bn. It also has a volume share of 72% and a 42% share of folios in the ETF space.
12. Retail AUM accounts for 28% of total assets which is the highest in the industry.
13. B30 assets accounted for 17.9% of overall MF AUM vs industry average of 16.3%.

14. The overall distribution mix was 54% direct and 46% distributed assets. In distributed assets, Banks were at 22%, National Distributors were at 21% and IFAs were at 57%.
15. Individual AUM accounted for 83% of distributed assets which is 46% of the total MF AUM.
16. The offshore business has an AUM of Rs 103 bn.
17. NIAIF has raised commitments of Rs 37 bn as of Mar '21.
18. It also launched and closed 2 new schemes- one being a long-only equity scheme and the other an offshore real estate scheme.
19. NAM India signed Lol with Cathay SITE, Taiwan's largest asset manager, in April 2021.
20. The company announced a final dividend of Rs 5 per share bringing the total dividend for the year to Rs 8 per share.

Investor Conference Call Details

1. SIP and STP for the full year rose by more than 1.1 million for NAM.
2. The operating expenses have remained high despite a drop in other expenses due to COVID-19 as the company has incurred one-off expenses to set up its digital infrastructure.
3. The management is confident that the slide in market share in the last 2 years has finally come to an end and the company is now witnessing a good comeback.
4. The company has been leveraging its parent Nippon Life and has been able to launch 2 real estate funds in Japan and a digital innovation fund with it. It has also been able to sign the tie-up with Cathay because of Nippon Life.
5. Employee costs and other expenses have remained almost flat YoY.
6. The management assures that the company is determined to maintain good liquidity in ETFs as it is an essential part of the appeal for ETFs.
7. The company is aiming to build volumes as ETF is a volume game according to the management and thus it will be looking to maintain competitive pricing. The blended yield on ETFs is around 19 bps.
8. The share of the banca channel has gone down as the competition and preference for other products like insurance are gaining greater importance for the channel. This is primarily due to lower realization per product for MF as compared to others.
9. Another reason for the fall is the rise of the direct investing channel in the MF industry and the rise of RIAs.
10. The management sees further room for improvement in the HNI space where recovery has been the slowest.
11. The management doesn't see the lack of a dedicated bank as an issue as it helps NAM maintain a widely distributed channel base with a major focus on IFAs.
12. The management maintains that brand image is important in attracting more investors than a startup AMC; at the size and scale level of NAM, it is not too big of a differentiator for the branded part of the industry.
13. The management states that although the average SIP size for NAM is lower than the industry average, it is better for them as it enhances stickiness.
14. There is massive potential in ETFs as developed markets have around 40% of funds in ETFs while this number in India is only 10%.
15. The management maintains that reaching out to small town IFAs and supporting on-ground distributors in B30 locations is key to expansion in this segment.

16. The net yield including expenses in ETFs is around 11-12 bps.

Analyst Views:

Nippon India Life Asset Management is one of the leading asset managers in the country. The company has done well to bounce back after the rebranding last year. The company saw good performance in Q4 & FY21 with profits rising as high as 64% YoY in FY21 despite sales rising only 18% YoY. The company continues to have a good hold in the IFA space with this channel being the largest distribution channel for the company and has seen good participation in its recent NFOs. It has strengthened its hold in the passive space by launching 5 new passive funds in Q4. It continues to bring in old customers who are now looking to restart their relationship post the rebranding which is expected to be the primary reason behind adding 9 lac unique customers in FY21. It remains to be seen whether the company will be able to match the pace of growth of its prime competitor HDFC AMC in this space and how the overall economy and market sentiments will be affected by the 2nd wave of COVID-19. Nonetheless, given the company's market positioning and its competitive advantage in the ETF and AIF space, Nippon Life India Asset Management is a must-watch stock for every investor interested in the AMC space.

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