



# 5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

## NIPPON LIFE INDIA ASSET MANAGEMENT

### WHAT WE LIKE

#### TAILWINDS FOR THE AMC INDUSTRY

There are multiple factors aiding the rise of the AMC and mutual fund industry in India. Some of these are:

- India's equity-oriented AUM as a % of Market Cap is 5% vs 55% in USA & 40% in UK.
- India's AUM as a % of GDP is 12.1% vs emerging economies like Brazil(68%) & South Africa(48%)
- Rising financial literacy & working-age population & access to internet.
- Rise of new-age investment apps like Paytm, Zerodha, Groww, etc who have made MF investment very accessible and easy

#### PROMOTER PEDIGREE

Nippon India Life AM is promoted by Nippon Life Insurance Company, Japan's biggest private insurance house with assets of over \$774 billion as of March 31, 2021. NAM's offshore and AIF businesses have good potential for growth by leveraging the global network of Nippon Life. NAM has already formed strategic partnerships & distribution tie-ups in EU, South America, Australia, Singapore, South Korea, Hong Kong, Taiwan & Japan which enables it to be the only AMC in India to offer investment opportunities in some of these in-demand regions.

#### MARKET LEADER IN ETF & MF INNOVATOR

ETFs have been rising fast in India. As retail participation and pension investing are rising, so is the demand for exchange-traded funds with smaller TERs and greater simplicity as compared to actively managed funds. This represents a big opportunity for NAM which is the market leader in ETFs in India today with 70% market share in ETF volumes & 58% market share of ETF folios.

NAM is launching many 1st-of-its-kind products in India like Taiwan Equity Fund, EV Index Fund, Nifty Auto ETF, S&P EU 350 Index fund, etc which should help cement its status as an MF innovator.

#### BIG POTENTIAL FROM B30 REGIONS IN INDIA

Beyond Top 30 Cities (B30 regions) are seen as the next frontier for the AMC industry. NAM is among the leading players in these geographies due to its long presence, brand image and its robust distribution network of >82,400 distributors. NAM also boasts of 57% of distributed assets coming from IFAs, which affords it a big opportunity for market capture as the majority of investing activity in B-30 regions is driven by IFAs.

### WHAT WE DON'T LIKE

#### MACROECONOMIC WORRIES

The Global & Indian Economy have been severely affected by Coronavirus. Initially these worries were heightened due to events like the uncertain US elections, stalling Brexit deal, etc. There is still much uncertainty ahead about the evolving situation of COVID-19 & how everyone will recover from the economic pitfall of 2020.

AMC business is a proxy for the economy, so when the economy faces difficulties, AMC business would naturally suffer too in the same period.

#### REDEMPTION WORRIES IN CASE OF BIG STOCK MARKET FALLS

History reveals that when the stock market tanks, retail investors panic and sell off their equity and MF investments. However, we at Smart Sync, believe that due to increasing awareness of the advantage of long term investing in equity asset class, and the prevalence of SIPs as an investing mechanism, the chances of such mass redemption are much lower now.

#### RISING COMPETITION IN THE AMC INDUSTRY

The competition in the AMC industry is heating up rapidly with incumbent players like HDFC AMC & UTI AMC looking to preserve their market share in the fast-growing market and tech-enabled disruptors like Zerodha, Paytm, Navi & Groww, who are looking to capture the new generation of investors entering the market with their tech experience advantage and using advanced analytics to trump the traditional asset management model.

Thus, it is important that NAM keeps its foot on the pedal at all times and maintains its pace with the evolving AMC industry or it will get left behind in the ever-heating race to capture the MF space in India.

#### REPUTATION OVERHANG FROM RELIANCE CAPITAL

RNAM was historically one of the leading MF houses in India but it was steadily losing market share in the last decade. This fall in stature coincided with the issues regarding parent Reliance Capital & the Anil Ambani Group and their severe debt woes. All of this culminated in Reliance Capital selling off its entire stake in RNAM to Nippon Life in 2019 & rebranding of RNAM into NAM-India. Although NAM is steadily recovering its lost market share, the bad rep from RNAM days is still fresh in most investor's minds.

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