

Industry
Bloomberg
BSE CODE

Financial
NAM IN
540767

RATING	HOLD
CMP	243
Price Target	267
Potential Upside	10%
Rating Change	↓
Estimate Change	↓
Target Change	↓

STOCK INFO	
52wk Range H/L	453/192
Mkt Capital (Rs Cr)	14,899
Free float (%)	24%
Avg. Vol 1M (,000)	2,496
No. of Shares (Cr)	61
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY18	FY19	FY20
Net Sales	1592	1479	1203
EBITDA	509	539	609
EBIT	501	529	575
PAT	456	486	415
EPS (Rs)	7	8	7
EPS gr(%)	-98%	7%	-15%
ROE (%)	19%	19%	16%
ROCE (%)	21%	21%	22%
BV	39	42	42
P/B (X)	6.4	5.0	5.7
P/E (x)	33.1	26.4	35.9

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Profitability dragged by low AUM as well as MTM Losses

4QFY20 Result update

- QAAUM grew by -12%/0.4% YoY/QoQ in 4QFY20 on the account of degrowth in Equity AUM majorly. Fall in equity AUM is contributed by fall in equity markets in March 2020 mainly.
- Revenue degrew by 20%/9% YoY/QoQ due to change in product mix i.e. decline in equity and movement towards liquid and ultra-short term funds funds more. On fixed income side movement is expected to be towards lower duration funds more.
- Other income has declined to -ve 125 Cr in 4QFY20 as against Rs 58 Cr last quarter due to MTM loss on company's investment to its own equity schemes on the account of volatility in markets in March 2020. The Company does not have any direct exposure to equity.
- Total Expenses declined by 44%/28% YoY/QoQ due to decline in employee cost as well as discretionary expenses on the other expenses line. Around 1/3rd of employee cost is variable which can be rationalized as per the situation as per the management.
- PAT degrew by 98%/98% YoY/QoQ manly on the account of lower revenue and MTM losse on other income side.

QAAUM Growth

QAAUM grew by -12%/0.4% YoY/QoQ in 4QFY20 on the account of degrowth in Equity AUM majorly. For the quarter ended March 31, 2020, Equity Assets contributed 42% to NIMF's AUM as against 44% for the last quarter. Equity AUM declined due to fall in equity markets in March 2020. Retail assets contributed 24% to NIMF's AUM. ETF market share of the company is 16% currently and has AIF commitment of Rs 3200 Cr across various schemes. On the debt funds side the management is seeing traction to liquid and short duration funds more now.

MTM losses dragging the profitability

PAT degrew to Rs 4 Cr from Rs 149 Cr last quarter on the account of low revenues as well as loss on other income side of Rs 125 Cr. Other income decline has been on the account of MTM losses in 4QFY20 mainly the fall triggered in equity markets in March 2020. The investment book of the company as at March 2020 stood at Rs 1800 Cr from which Rs 400 Cr is in to its own equity schemes which reported a fall of almost 26% (i.e. 125 Cr) being the reason for decline in other income.

View and Valuation

QAAUM increased sequentially in 4QFY20. Revenue declined due to decline in equity AUM majorly coming from fall in the markets in March 2020. Debt funds are expected to see some focus shift to other categories i.e. short duration funds. SIP book declined. Operating expenses remained under control and are likely to be the same going ahead. Focus on retail assets may help the company going ahead. In the long term once things become normal (i.e. COVID-19 impact reduces) growth will be there however in the near term on the account of market situation as well as performance of its own schemes there may be impact on the profitability due to the same we decline our rating to HOLD from BUY with reduced target price at Rs 267. The stock is currently trading at 36x FY20 EPS. HOLD.

Key Risks to our rating and target

- AAUM growth trend.
- Macroeconomic conditions may have an impact on the company.
- Regulatory changes.

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4QFY20 Results PAT Below estimates

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY %	QoQ%	FY19	FY20	YoY %
Net Sales	343	325	300	303	275	-20.0%	-9.4%	1,479	1,203	-18.6%
Other Income	54	35	22	58	(125)	NA	NA	171	(10)	NA
Empl. Cost	77	83	86	81	53	-31.1%	-35.0%	293	302	3.0%
Fee/Comm Exp.	63	25	14	12	20	-68.5%	65.2%	258	70	-72.7%
Other Exp.	62	63	56	63	40	-35.3%	-35.9%	388	222	-42.8%
EBITDA	141	155	145	147	162	14.3%	9.9%	539	609	12.9%
EBITDA Mar.	41%	48%	48%	49%	59%	42.9%	21.3%	0	1	38.8%
Depreciation	(16)	8	8	9	9	NA	-2.5%	10	33	230.2%
EBIT	158	147	138	138	153	-3.2%	10.7%	529	575	8.8%
Interest	-	2	2	2	0	NA	-75.4%	-	6	NA
PBT	212	181	158	194	27	-87.1%	-85.9%	700	560	-20.1%
Excep. Item	-	-	-	-	-	-	-	-	-	-
Tax	60	55	22	44	23	-61.6%	-47.6%	213	144	-32.4%
PAT	151	125	137	149	4	-97.5%	-97.5%	486	415	-14.7%
PAT Margin	44%	39%	46%	49%	1%	-96.9%	-97.2%	33%	34%	4.9%

Concall Highlights

- Revenue declined by almost 9% QoQ in 4QFY20 due to change in product mix i.e. decline in equity and movement towards liquid and ultra-short term funds more. On fixed income side movement is expected to be towards lower duration funds more.
- Other income has been at Rs -125 Cr in 4QFY20 as against Rs 58 Cr last quarter due to MTM loss of company's investment to its own equity schemes on the account of volatility in markets in March 2020. The Company does not have any direct exposure to equity.
- Employee cost declined QoQ to Rs 53 Cr from Rs 81 Cr last quarter because 1/3rd part of it is variable so decline in incentives and long term phantom valuations in 4QFY20.
- Other expenses declined to Rs 40 Cr from Rs 63 Cr last quarter due to decline in discretionary and marketing spends. Expenses are expected to be controlled as per the prevailing situation going ahead.
- Retail AUM stood at 24% of the company's AUM as at the end of March 2020.
- As per the management business recovery is on track after Nippon Life Insurance became principal shareholder. Post rebranding, NIMF took positive strides towards regaining its lost industry market share and investor base.
- The company has decided to make fresh investments in AA & above rated issuers only, in all NIMF schemes going ahead.
- All the business operations are now happening through WFH mode (digital mode).
- Inducted 290+ corporate and SME investors in H2 FY20.
- Digital contribution to the company's business now stand at 45%.
- Consistent focus on improving yields through increased retail participation
- The AMC does not have any exposure to Reliance Capital Ltd.

Exhibit: MF QAAUM Growth

MF AUM degrew YoY

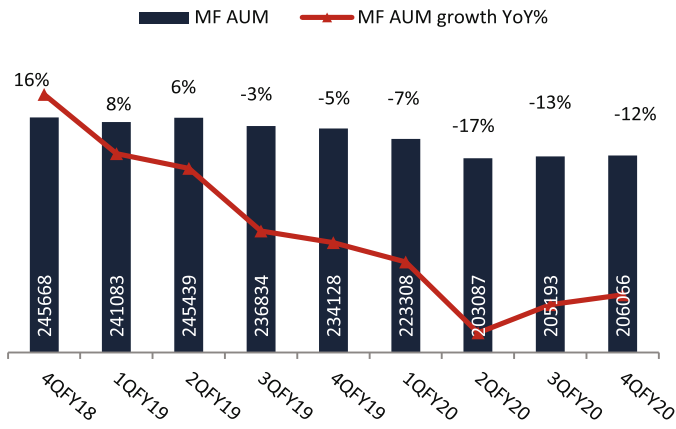


Exhibit: MF AUM Breakup(Schemewise)

Equity AUM as a composition mix decline in 4QFY20.

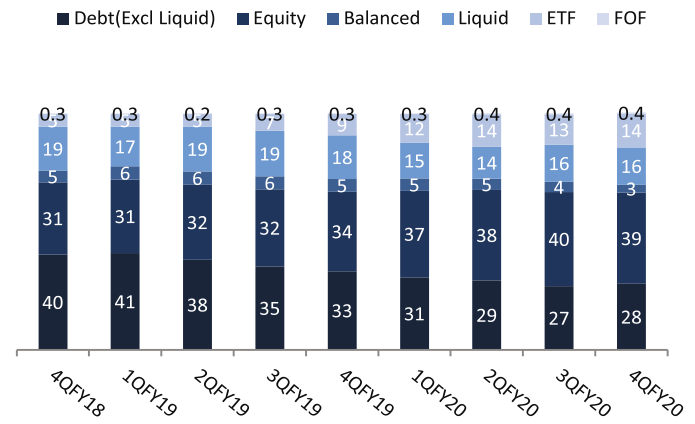


Exhibit: Distri.mix%

Banks as distributors increased QoQ

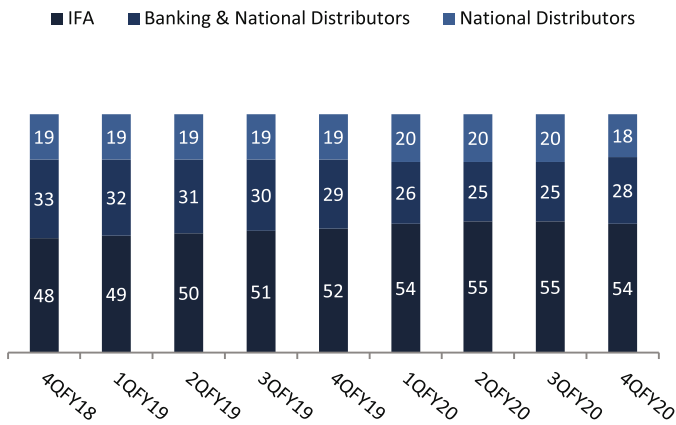


Exhibit: IFA AUM

AUM through IFAs declined due to pandemic impact.

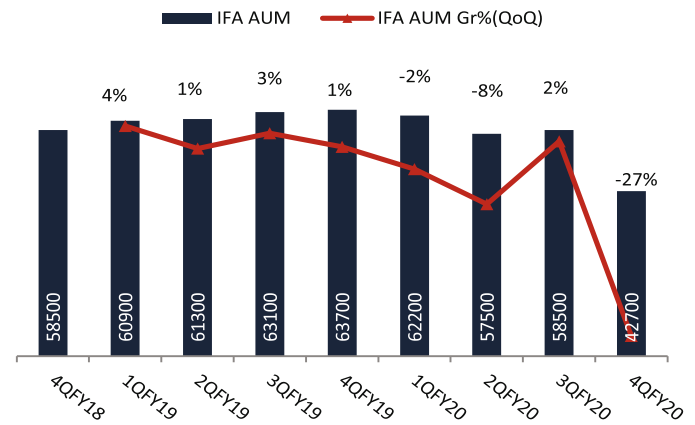


Exhibit: SIP Book

SIP book degrew in 4QFY20

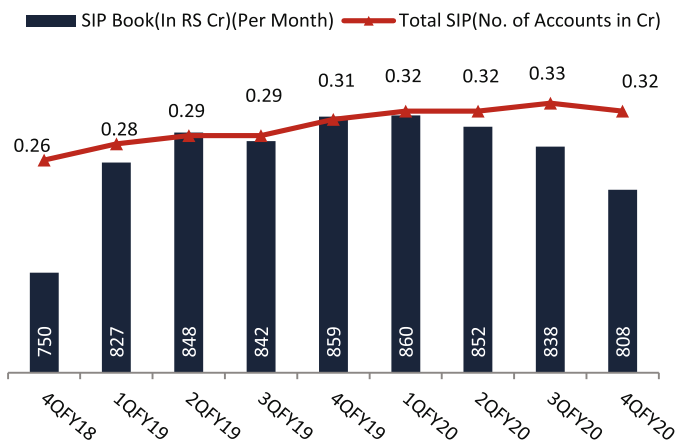


Exhibit: Mgmt Fee as% AUM

Change in product mix caused decline in mgmt fees

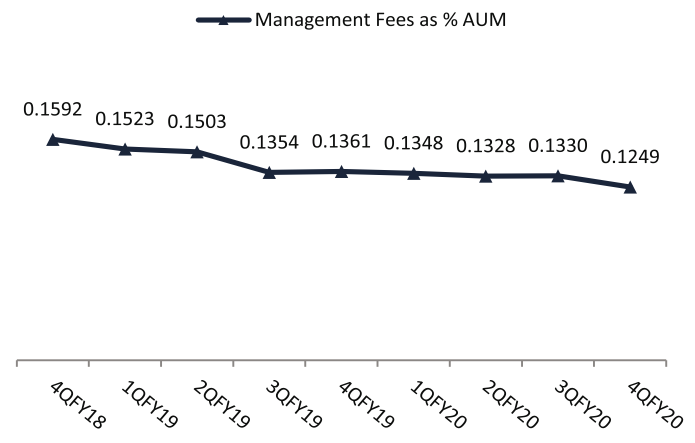


Exhibit: Revenue Growth

Revenue decline due to fall in equity AUM.

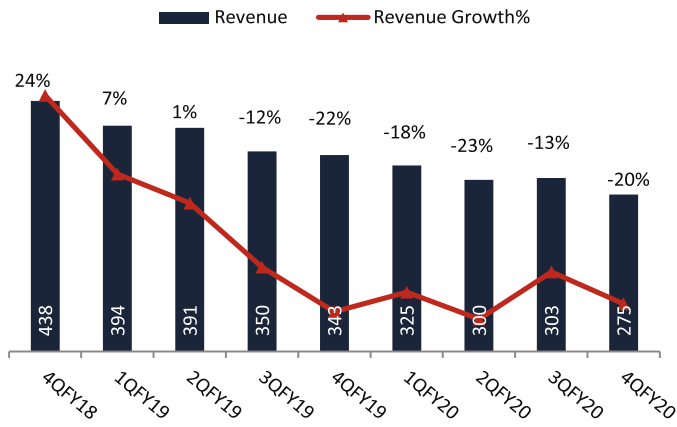


Exhibit: PAT Growth

PAT degrew drastically due to MTM losses.

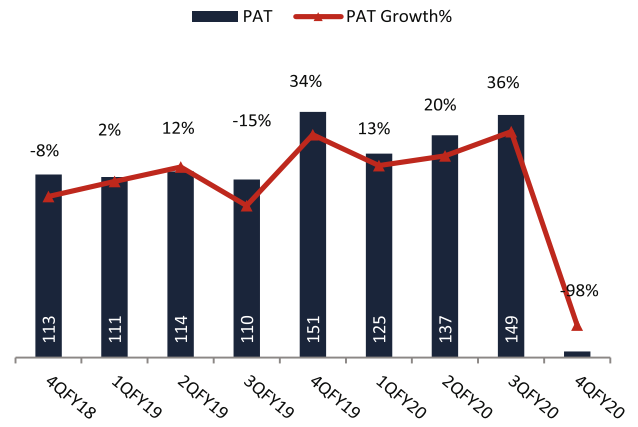


Exhibit: Margin Performance

Margins contracted in 4QFY20.

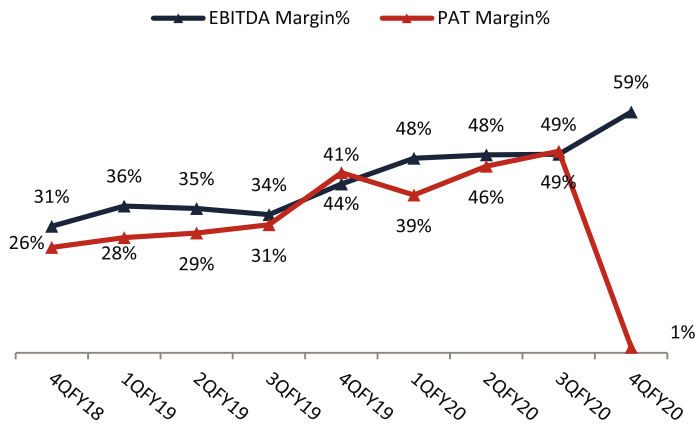
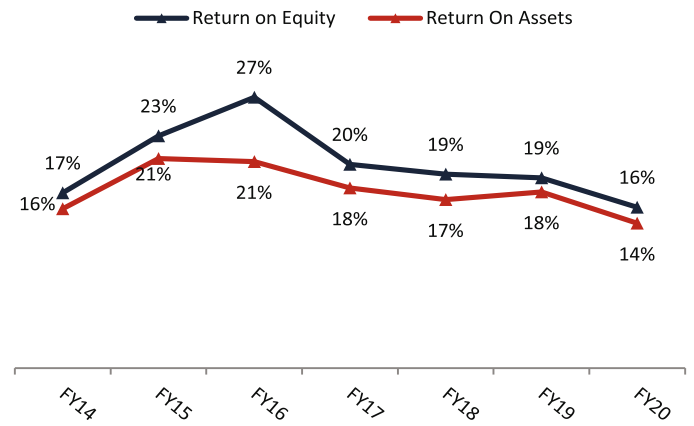


Exhibit: Return Ratios

Return ratios declined YoY.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Share Capital	11	41	42	12	612	612	612
Reserves	1543	1495	1431	1973	1753	1958	1981
Networth	1554	1536	1472	1985	2365	2570	2593
Minority Interest	4	9	9	45	65	0	0
Debt	0	0	0	30	0	0	0
Other Non Cur Liab	2	3	8	38	95	98	81
Total Capital Employed	1560	1548	1489	2098	2525	2668	2675
Net Fixed Assets (incl CWIP)	14	7	12	252	260	257	326
Non Cur Investments	289	403	527	1144	993	1290	1885
Other Non Financial Asst	138	314	395	259	318	148	100
Non Curr Assets	441	724	934	1656	1572	1694	2311
Inventory	-	-	-	-	-	-	-
Debtors	11	18	59	43	40	103	59
Cash & Bank	65	60	80	47	609	543	463
Current Investments	453	432	384	0	0	0	0
Other Financial Assets	740	468	475	499	501	436	48
Curr Assets	1268	978	997	590	1151	1081	570
Creditors	76	93	65	113	133	47	68
Provisions	3	10	304	0	0	0	0
Other Financial Liab	69	50	74	34	64	61	139
Curr Liabilities	148	153	443	147	197	108	206
Net Curr Assets	1120	824	554	443	954	973	364
Total Assets	1709	1702	1932	2245	2722	2776	2881

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Revenue from Operation	676	847	1,200	1,308	1,592	1,479	1,203
Change (%)		25%	42%	9%	22%	-7%	-19%
EBITDA	241	363	413	471	509	539	609
Change (%)		50%	14%	14%	8%	6%	13%
Margin (%)	36%	43%	34%	36%	32%	36%	51%
Depr & Amor.	14	7	4	18	9	10	33
EBIT	227	356	409	453	501	529	575
Int. & other fin. Cost	-	-	-	-	2	-	6
Other Income	103	108	114	128	157	171	(10)
EBT	330	464	522	581	656	700	560
Exp Item	-	-	-	-	-	-	-
Tax	59	109	126	179	198	213	144
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-
Reported PAT	271	355	396	402	456	486	415
Adjusted PAT	271	355	396	402	456	486	415
Change (%)	-	31%	12%	1%	13%	7%	-15%
Margin(%)	40%	42%	33%	31%	29%	33%	34%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
ROE	17%	23%	27%	20%	19%	19%	16%
ROCE	15%	23%	28%	23%	21%	21%	22%
Asset Turnover	0.4	0.5	0.6	0.6	0.6	0.5	0.4
Debtor Days	-	-	18	12	9	25	18
Payable Days	-	-	20	32	30	12	21
Int Coverage	-	-	-	-	-	-	-
P/E	-	-	-	-	33.1	26	36
P/B	-	-	-	-	6	5	6
EV/EBITDA	-	-	-	-	28	23	24

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
PBT	330	464	522	581	656	700	560
(inc)/Dec in Working Capital	3	(302)	(59)	248	39	35	103
Non Cash Op Exp	14	7	4	18	9	10	33
Int Paid (+)	-	-	-	-	-	-	6
Tax Paid	(79)	(99)	(143)	(159)	(190)	(212)	(150)
others	(90)	(112)	(106)	(132)	(138)	(148)	54
CF from Op. Activities	177	(42)	218	556	376	386	605
(inc)/Dec in FA & CWIP	(3)	(4)	(9)	(257)	(15)	(8)	(4)
Free Cashflow	175	(47)	209	299	361	378	601
(Pur)/Sale of Inv	(129)	(58)	(19)	20	197	(239)	(681)
others	146	507	(0)	(77)	(442)	213	722
CF from Inv. Activities	14	445	(28)	(315)	(260)	(35)	37
inc/(dec) in NW	(0)	-	-	-	577	(66)	2
Transitional impact(IND AS)	-	-	-	-	-	-	(28)
inc/(dec) in Debt	-	-	-	-	-	-	-
Int. Paid	-	-	-	-	-	-	-
Div Paid (inc tax)	-	-	-	-	-	-	-
Tax paid	(189)	(404)	(174)	(300)	(669)	(292)	(443)
Div Paid (inc tax)	(189)	(404)	(174)	(300)	(92)	(359)	(468)
CF from Fin. Activities	7	(3)	3	(2)	-	-	-
Inc(Dec) in Cash	10	(5)	19	(61)	24	(7)	174
Add: Opening Balance	55	65	60	74	13	37	30
Closing Balance(Cash+Bank)	65	60	80	47	609	543	463

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