

Reliance Nippon Life Asset Management Ltd : Good Issue IPO Note : First Indian AMC to go public : Second largest ETF player with 25.4 % market share BUT High Asking Price : Ranking***



Issue details	
Price band (Rs)	Rs.247-252
IPO Opening Date	25/10/2017
IPO Closing Date	27/10/2017
Issue Size	Rs. 1542 Cr.

Recommendation

Total revenue grew at a CAGR of 18.24% from Rs.734.61 Cr for the FY 2013 to Rs.1435.88 Cr for FY 2017 and Net Profit grew at a CAGR of 14.99% in the same period. Net profit grew from Rs.230.41 crore to Rs.402.75 crore. For Q1 of current fiscal it has earned net profit of Rs. 87.79 crore on total revenue of Rs. 394.80 crore. If we annualize latest earnings and attribute on fully diluted equity post issue, then asking price is at a **P/E of around 44+**. Thus issue is fully priced. It has no peers to compare with and hence is a first mover in the segment to get listed. As per the information shared by the management, it is managing and advising on assets over Rs. 380000 crore as on 31.08.17. First Indian AMC to go public. **Concern: Its Net Profit growth was 1.59% in FY17 and NPM has decreased from 41.84% in FY15 to 30.80% in FY17. Being the first mover in this segment is only advantage. Investment may be considered only for short term. Listing gain may or may not be there.**

Highlights

- Reliance Nippon Life Asset Management Ltd. (RNL) (erstwhile known as Reliance Capital Asset Management Ltd.) is one of the largest asset management companies in India
- RNL is involved in managing (i) mutual funds (including ETFs); (ii) managed accounts, including portfolio management services, alternative investment funds (“AIFs”) and pension funds; and (iii) offshore funds and advisory mandates.
- It is ranked the third largest asset management company, in terms of mutual fund quarterly average AUM (“QAAUM”) with a market share of 11.4%, as of June 30, 2017
- It managed 55 open-ended mutual fund schemes including 16 ETFs and 174 closed ended schemes for Reliance Mutual Fund as of June 30, 2017.
- RNL is second largest ETF player as of June 30, 2017 with 25.4 % market share.

Company Introduction

Incorporated in 1995, Reliance Nippon Life Asset Management Ltd is Mumbai, India based asset management company. Company has market share of over 11.4% in mutual funds offerings in India. Reliance Nippon Life is ranked the 2nd most profitable asset management company in India. Company is promoted by Reliance Capital Limited. Reliance Capital is an RBI registered non-banking finance company with business interests including in asset management and mutual funds, life, health and general insurance, commercial and home finance, stock broking, wealth management services, distribution of financial products, asset reconstruction and proprietary investments. Reliance Capital Limited is a part of Reliance Group led by Mr. Anil D. Ambani. Nippon Life Insurance Company, one of the leading private life insurers in Japan is the co-promoter of the company.

Reliance Nippon Life is involved in managing: 1. Mutual funds




www.reliancemutual.com

Financial Summary (Rs. In Crore)

Particulars	Qtr. Ended June 2017	FY2017	FY 2016	FY2015
Total Income	394.79	1435.88	1313.82	955.12
Net Profit	87.79	402.75	396.44	354.49
EPS (Rs)	1.43*	6.58	6.47	5.79

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

(including ETFs) 2. Managed accounts, including portfolio management services, alternative investment funds (AIFs) and pension funds; and 3. Offshore funds and advisory mandates. Company manages 55 open-ended mutual fund schemes including 16 ETFs and 174 closed ended schemes. Company has a network of 171 branches and over 58,000 distributors including banks, financial institutions, national distributors and independent financial advisors as of June 30, 2017.

Company Promoters:

1. Reliance Capital Limited; and
2. Nippon Life Insurance Company

The object of the issue

1. Setting up new branches and relocating certain existing branches;
2. Upgrading the IT system;
3. Advertising, marketing and brand building activities;
4. Lending to Subsidiary (Reliance AIF) for investment as continuing interest in the new AIF schemes managed by Reliance AIF;
5. Investing towards continuing interest in new mutual fund schemes
6. Funding inorganic growth and other strategic initiatives
7. Meeting expenses towards general corporate purposes.

IPO Issue Proceed

To part finance relocating of existing branches, new branches, IT system up-gradation, brand building activities, lending to subsidiaries, investing in new mutual fund schemes and other corpus fund needs, RNL is coming out with a maiden IPO of 6.12 crore equity share of Rs. 10 each via book building route with a price band of Rs. 247 to Rs. 252 per share to mobilize Rs. 1511.64 crore to Rs. 1542.24 crore (based on lower and upper price bands). Issue consists of fresh equity issue of 24480000 shares and offer for sale of 36720000 shares. Issue opens for subscription on 25.10.17 and will close on 27.10.17. Minimum application is to be made for 59 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue RNL's current paid up equity capital of Rs. 587.52 crore will stand enhanced to Rs. 612.00 crore. Reliance and Nippon each will continue to hold around 42.5% stake in post issue equity.

DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.