



# ***RELLANCE NIPPON LIFE ASSET MANAGEMENT LIMITED***

***IPO***

***PRICE BAND: ₹ 247 – ₹ 252***

***OUR RECOMMENDATION “SUBSCRIBE”***

# THE OFFER

**Issue Open : 25 Oct 2017 to 27 Oct 2017**

»» Issue Type: Book Built Issue IPO

»» Issue Size:

› Fresh Issue of **24,480,000** Equity Shares

› Offer for Sale of **36,720,000** Equity Shares

»» Face Value: **₹ 10** Per Equity Share

»» Issue Price: **₹ 247 - ₹ 252** Per Equity Share

»» Market Lot: **59** Shares

»» Minimum Order Quantity: **59** Shares

»» Listing At: NSE, BSE

# **CAPITAL STRUCTURE**

*The share capital of Company, is set forth below:-*

*(Amount in ₹ except share data)*

***Authorized Share Capital :-***

***1,000,000,000 Equity Shares @10 Aggregate value 10,000,000,000***  
***3,000,000 Preference Shares @10 Aggregate value 300,000,000***

***Issued, subscribed and paid up capital before the Issue :-***

***587,520,000 Equity Shares @10 Aggregate value 5,875,200,000***

***Present Issue:-***

***Fresh Issue of 24,480,000 Equity Shares***

***Offer for Sale of 36,720,000 Equity Shares***

# OBJECT OF THE OFFER

*The Offer consists of the Fresh Issue and the Offer for Sale. Company will not receive any proceeds from the Offer for Sale.*

*The objects for which the Company intends to use the Net Proceeds are as follows:*

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

# **COMPANY OVERVIEW**

*Reliance Nippon Life is one of the largest asset management companies in India with AUM of ₹3,62,500cr as of June 2017.*

*Company is involved in managing MFs ( including ETFs), managing PMS (portfolio management services), AIFs (alternative investment funds) and pension funds.*

*Company is ranked third in terms of quarterly average AUM for mutual funds and enjoys 11.4% market share. Company currently manages reliance Mutual fund's 55 open-ended mutual funds including 16 ETFs and 174 closed ended schemes.*

*Company's plan to open 50 new branches per year from FY19 to FY21. This will add 150 new branches under company's existing retail branch network of 171 branches. This implies nearly doubling the branches by FY21.*

# ROAD MAP AHEAD

*Company objectives are to expand their market share and aim to accomplish this through the following strategies:*

- ❖ *Expand Investor Base and Focus on Retail Customers.*
- ❖ *Focus on Developing AIF Business.*

*The company plans to utilize the funds raised from fresh issue primarily for lending to subsidiary - Reliance AIF (20%), new mutual fund schemes being managed by the company (16%) and funding inorganic growth (26%). The rest will be utilized for **setting up new branches**, upgrading IT systems, brand building activities and general purpose.*

# STRENGTHS

- *Leading Asset Management Company with Strong Credentials to Drive Growth.*
- *Multi Channel Distribution Network.*
- *Comprehensive Suite of Products with Distinguished Investment Track Record.*
- *Strong Focus on Processes.*
- *Focus on Customer Centricity and Innovation.*
- *Experienced Management Team*

# **FINANCIAL PERFORMANCE**

The Total AUM grew from ₹ 1,60,045cr as of March 31, 2013 to ₹ 3,50,755cr as of March 31, 2017 and reached ₹3,62,500cr as of June 30, 2017.

*Total Revenues stood ₹ 955.1cr, ₹ 1313.8cr, ₹ 1435.5cr and ₹394.7cr in FY15, FY6, FY17 and Q1 FY18 respectively.*

*In the period Fiscal 2013 through Fiscal 2017, Total revenues increased at a **CAGR of 18.39%**.*

*PBT of ₹ 463.8cr, ₹ 522.3cr, ₹ 581.3cr and ₹ 130.4cr in FY15, FY6, FY17 and Q1 FY18 respectively.*

*PAT of ₹ 354.4cr, ₹ 396.4cr, ₹ 402.7cr and ₹ 87.7cr in FY15, FY6, FY17 and Q1 FY18 respectively.*



# SNAPSHOT - CONSOLIDATED

Company has seen slower growth in FY17 due to higher competition though the mutual fund market has increased tremendously.

Company has almost **doubled** its spend on advertisement and brand building which led to **lower PAT growth of 1.6% YOY in FY17.**

## FINANCIAL PERFORMANCE (In Cr)

PARTICULARS	Q1 FY18	FY17	FY16	FY15
REVENUE	394.7	1435.5	1313.8	955.1
PAT	87.7	402.7	396.4	354.4
EPS	1.4	6.8	6.7	6

# RISK FOR THE BUSINESS

- ❖ *Company future revenue and profit are largely dependent on the growth, value and composition of AUM of the schemes managed by company, which may decline.*
- ❖ *Company depend on third-party distribution channels and other intermediaries, and problems with these distribution channels and intermediaries could adversely affect business.*
- ❖ *Company dependent on the Reliance Group and Nippon Life for certain aspects of business and operations.*

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- ❖ *Company business operations and client services are highly dependent on information technology.*
- ❖ *Company regularly introduce new products for customers, and there is no assurance that new products will be profitable in the future.*
- ❖ *Company have had negative net cash flows in the past and may continue to have negative cash flows in the future.*

# VALUATION

*Reliance Nippon Life is one of the largest asset management companies in India with AUM of ₹ 3,62,500cr as of June 2017. It has a strong presence across India, have set up subsidiaries in Singapore and Mauritius and a representative office in Dubai.*

*However, considering that the company is looking at almost doubling its branch network (50 new branches per year from FY19 to FY21. This will add 150 new branches under company's existing retail branch network of 171 branches). Also, expectation on company's ad spent to yield results over the next couple of years. On the upper price band of ₹252 with EPS of ₹6.8 for FY17, P/E works out at 37x. Hence, we recommend to **SUBSCRIBE** the IPO.*



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