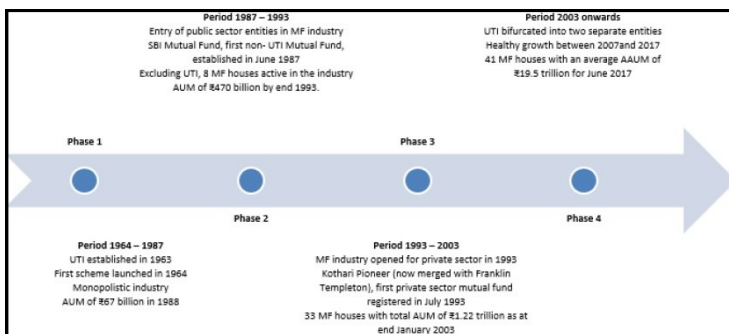


**IPO UPDATE**

**Reliance Nippon Life Asset Management Limited**

**Industry:**

In February 2003, following the repeal of the Unit Trust of India Act 1963, UTI was bifurcated into two separate entities, the Specified Undertaking of the Unit Trust of India and the UTI Mutual Fund. Since then the mutual fund industry has witnessed a healthy growth, supported by various regulatory measures as well as investor education initiatives, reaching an AUM of Rs17.5trillion as of March 31, 2017, up from Rs3.3trillion as of March 31, 2007, CAGR of 18% over this period. The Indian mutual fund industry is expected to cross the Rs20 trillion threshold in the current financial year, and a reported AUM of Rs19.5trillion in June 2017.



Source: Red Herring Prospectus

As of June 2017, there are 41 active AMC's actively operating in the current market comprising of 7 entities sponsored by public sector banks, 2 entities sponsored by financial institutions, 25 AMC's sponsored by the private sector and other financial companies and 7 entities sponsored by foreign players (including joint ventures). Despite the increase in the number of players, the Indian mutual fund industry remains concentrated with the ten largest AMC's attributing to over 80% of the industry's total AUM from FY15 to FY17. ICICI Prudential AMC, HDFC AMC, Reliance AMC, Birla Sun Life AMC and SBI Funds Management are the five largest AMC's, together attributing to 57% of the quarterly average assets under management ("QAAUM") for the quarter ending March 31, 2017 and June 30, 2017.

**About the company :**

Reliance Nippon Life Asset Management Ltd is one of the largest asset management companies in India, managing total AUM of Rs3,625.5bn as of June 30, 2017.

The company is involved in managing the following:

- (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.

The company is promoted by Reliance Capital Limited, an RBI registered non-banking finance company with business interests in asset management and mutual funds, life, health and general insurance, commercial and home finance, stock broking, wealth management services, and distribution of financial products, asset reconstruction and proprietary investments. The co-promoter, Nippon Life Insurance Company is one of the leading private life insurers in Japan with assets of approximately USD577bn, as of March 31, 2017.

SNAPSHOT	
Issue Opens	Wednesday, October 25, 2017
Issue Closes	Friday, October 27, 2017
Price Band	Rs247 to Rs252
Bid Lot	59 shares and multiples thereafter
Face Value	Rs10
Listing	BSE & NSE
Type of Issue	Fresh Issue and Offer for Sale
Offer Size	Fresh Issue - Rs6,169mn Offer for Sale - Rs9,253mn
Implied Market Cap	Rs1,54,224mn
PE (based on FY17 earning)	38.9

Details of Selling Shareholder & No of Shares	
Nippon Life	2,54,89,800
Reliance Capital	1,12,30,200
<b>Total</b>	<b>3,67,20,000</b>

Issue allocation	
Reservations	As % of offer
QIB	50%
NIP	15%
Retail	35%
<b>Total</b>	<b>100%</b>

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

Last 3 year Summarized Financials			
Rs(mn)	FY15	FY16	FY17
Revenue	8,472	12,001	13,075
EBITDA	3,628	4,130	4,708
EBITDA %	42.8	34.4	36.0
PAT	3,545	3,964	4,028
PAT %	41.8	33.0	30.8
Cash flow Summary			
Cash flow from Operation	570	3,613	7,145
Cash flow from Investing	4,446	(285)	(2,942)
Cash flow from financing	(4,040)	(1,737)	(3,003)

**IPO UPDATE**

**Reliance Nippon Life Asset Management Limited**

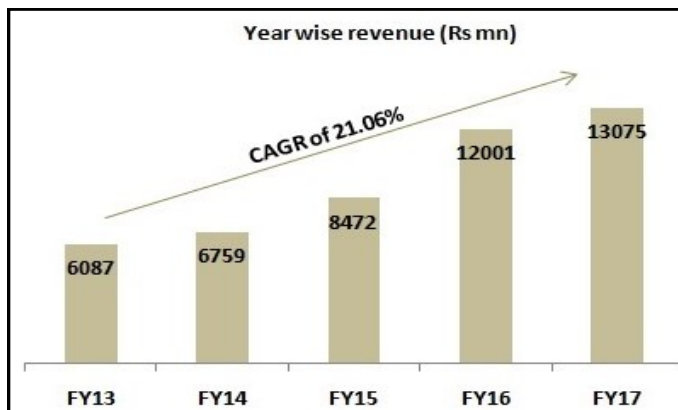
**About the company: (contd)**

It is ranked as 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, according to ICRA. For FY16, it is ranked the second most profitable asset management company in India, according to ICRA. It started the mutual fund operations in 1995 as the asset manager for Reliance Mutual Fund, managed QAAUM of Rs2,229.64bn and 7.01mn investors folios, as of June 30, 2017. It manages 55 open-ended mutual fund schemes including 16 ETFs and 174 closed ended schemes for Reliance Mutual Fund as of June 30, 2017.

**Financials**

Consolidated Rs (mn)	FY13	FY14	FY15	FY16	FY17
Revenue	7,346	7,788	9,551	13,138	14,359
Expenses	4,414	4,490	4,913	7,914	8,546
PBT	2,933	3,298	4,639	5,224	5,813
Tax	628	591	1,094	1,260	1,786
PAT	2,304	2,707	3,545	3,964	4,028
EPS (basic)	208	245	321	344	350

Source: Red Herring Prospectus



Source: Red Herring Prospectus

**Outlook and Recommendations:**

On the upper price band of Rs252 and based on the FY17 earning, the P/E works out to be 38.9x. Post issue book value per share (BVPS) would be Rs.37.5. The company doesn't have any direct peers to compare if the IPO is highly or underpriced. However, it is the first AMC that would be listed in India which could attract investors. One can invest in the IPO with a 2-3 years horizon. One may or may not get the listing gains

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