

October 18, 2017

IPO NOTE

ISSUE DETAILS

Price Band: Rs. 247 to Rs. 252

Issue Opens on: October 25, 2017

Issue Closes on: October 27, 2017

Lot Size: 59 Shares & in Multiples thereafter

ISSUE HIGHLIGHTS

Issue Size : Rs. 1,542.24Cr.

No of Shares : 61,200,000

Face Value : Rs. 10

OFFER STRUCTURE

Issuance	Particulars
Fresh Issue	Rs. 616.896 Cr.
Offer for Sale	Rs. 925.344 Cr.
Net Offer	Rs.1,542.24Cr.

Issue Breakup

Reservation for	% of Issue	Rs. In crores (at upper band)
QIB	50	771.12
Non-Institutional	15	231.336
Retail	35	539.784
Total	100	1542.24

* Company may allocate up to 60% Shares of the QIB Portion to Anchor Investors.

Listing

NSE & BSE

Listing

CLSA India Pvt. Ltd; Axis Capital; Nomura Financial Advisory and Securities ; JM Financial ; Edelweiss ; IIFL ; SBI Capital ; YES Securities

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COMPANY OVERVIEW

Reliance Nippon AMC is one of the largest asset management companies in India, managing total AUM of Rs.3,625.50 billion as of June 30, 2017. They manage Mutual Funds, managed accounts, portfolio management services, alternative investment funds, pension funds, offshore funds and advisory mandates. It is a joint venture between Reliance Capital Limited and NIPPON Life Insurance Company of Japan, which is a leader in the segment in Japan.

The company was ranked the 3rd largest asset management company, in terms of mutual fund quarterly average AUM with a market share of 11.4% as of June 30, 2017. They enjoy a client base of around 70 lakh Investors. 85% of their revenue is coming from domestic mutual funds while the remaining 15% comes from ETFs and Alternate Investments. Their focus is on the small investors instead of the institutions and HNI clients which reflects in the 6.72 million retail portfolios that they manage. The average ticket size for their SIPs is between Rs. 2100 to Rs. 2700.

Apart from the above mentioned funds, the company manages investments for the PFRDA, the EPFO and the NPS.

HIGHLIGHTS

- ✦ 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 process.
- ✦ Focus on customer centricity and innovation.
- ✦ Experienced management team.
- ✦ Focused on retail customers from tier-2 and tier-3 cities.
- ✦ Solid dividend policy. 60 to 70% of PAT is given as dividends.

Objects of the issue

- Setting up new branches and relocating certain existing branches (383.06Mn).
- Upgrading the IT system (406.45Mn).
- Advertising, Marketing and brand building activities (720.92Mn).
- Lending to Subsidiary Reliance AIF for investment as continuing interest in the new AIF schemes managed by Reliance AIF (1250Mn).
- Investing towards our continuing interest in new mutual fund schemes managed by us (1000Mn).
- Funding inorganic growth and other strategic initiatives (1650Mn).
- Meeting expenses towards general corporate purposes.

OUR VIEW

The exposure of mutual funds in India is very scarce, with only 3% of the population investing in MFs presently. The AUMs of the industry have been growing rapidly with more and more people turning to mutual funds with the decrease in interest rates of traditional investment vehicles.

Looking at the financials, the AUM has grown at a CAGR of 22% in the last 5 years, while the revenue and PAT have grown at 18% and 15% respectively. The company has a dividend policy where 60-80% of the earnings are shared with the shareholders. The management plans to continue this practice. Valuation wise the P/E Ratio comes to 36, but the P/E is not an ideal measure to value an asset management company. The company is valued at 4.25% of the total AUM, while the industry standard is between 2 to 3%.

Given the Reliance brand, the expertise of Nippon and the current leadership position of the company, we advise investors to subscribe to the offer and reap the benefits of the growth in this industry.

Brief Financials

PARTICULARS	Rs. In Million			
	FY '17	FY'16	FY'15	FY'14
Total Revenue	14358.85	13138.19	9551.2	7787.67
Total Expenditure	8545.74	7914.22	4912.66	4489.73
Profit before Tax	5813.11	5223.97	4638.54	3297.94
Profit after Tax	4027.55	3964.3	3544.57	2706.35
E.P.S. [diluted (Rs.)]	6.86	6.75	6.29	---
RONW (%)	21.28%	22.12%	23.08%	17.41%
P/E	36.74	---	---	---

PRICE CHART

LOT SIZE	Amount
59	14,868
118	29,736
177	44,604
236	59,472
295	74,340
354	89,208
413	104,076
472	118,944
531	133,812
590	148,680
649	163,548
708	178,416
767	193,284

Please go through the RHP for salient features.

(http://www.sebi.gov.in/filings/public-issues/oct-2017/reliance-nippon-life-asset-management-limited_36278.html)

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