

Issue Date: 25th Oct – 27th Oct 2017
Price Band (Rs.): 247-252
Lot Size (No. of Share): 59

| Issue Details | |
|-------------------------------|-----------|
| Issue Opens | 25-Oct-17 |
| Issue Closes | 27-Oct-17 |
| Issue Size (Rs. Crore) | 1542.24 |
| Face value (per equity share) | 10 |
| Price Band (Rs.) | 247-252 |
| Lot Size (No of Share) | 59 |
| No of Shares on Offer (crore) | 3.67 |
| QIB (%) | 50% |
| Non-Institutional (%) | 15% |
| Retail (%) | 35% |
| Commencement of Trading | 06-Nov-17 |

Company Background

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. Nippon Life Insurance Company, one of the leading private life insurers in Japan is the co-promoter of the company. Nippon Life offers a wide range of financial products, including individual and group life and annuity policies.

Financials

| Particulars | For the year/period ended (in Rs. Million) | | | | |
|-------------------------|--|--------|--------|--------|--------|
| | FY-17 | FY-16 | FY-15 | FY-14 | FY-13 |
| Total Assets | 20,198 | 18,858 | 16,630 | 16,812 | 15,087 |
| Total Revenue | 14,004 | 12,711 | 9,301 | 7,840 | 7,127 |
| Profit After Tax | 4,056 | 3,901 | 3,496 | 3,023 | 1,990 |

Concerns

- Retaining investment professionals and personnel remains key risk.
- Underperformance of investment products to impact profitability.
- Competition could reduce market share or margins.
- Acquisition targets have not been identified.

Strengths

- Third largest asset management company in India backed by strong promoters.
- Strong presence across India.

- Well-diversified product suite across mutual funds and ETFs, managed accounts and offshore funds and advisory mandates.

Our View

On the upper price band of Rs.252 and on FY17 EPS of Rs.6.72, P/E ratio works out to 37.5x. Similarly based on standalone restated FY17 EPS the P/E ratio works out to 36.6x and 3years restated EPS, P/E ratio works out to be 37.7x. Even based on last 3years restated consolidated EPS of Rs6.85, P/E ratio works out to 36.7x. Means, company is asking higher price band of Rs252 in the P/E ratio of 36.6x to 37.7x. There is no listed peers to check whether the issue price is highly priced or under priced.

Company revenues grew at 18% CAGR in the last 5 years. It has posted good margins of over 28% in the last 5 years. The issue price cannot be ascertained whether it is under priced or over priced. It's the first AMC that would get listed in India which is attracting investors. Considering these positive factors, investors can invest for medium to long term as it is a first mover.

| Shareholding pattern | Pre Issue (%) | Post Issue (%) |
|----------------------|---------------|----------------|
| Promoters | | |
| Nippon Life | 49.0 | 42.9 |
| Reliance Capital | 46.6 | 42.9 |
| Public and Others | 4.4 | 14.2 |
| Total | 100.0 | 100.0 |

Objects of the Issue

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

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 its continuing interest in new mutual fund schemes managed by them;
6. Funding inorganic growth and other strategic initiatives; and
7. Meeting expenses towards general corporate purposes.