

### Issue Highlights

Industry	Mutual Fund
Total Issue (Shares) - Offer for sale	36,720,000
Total Issue (Shares) - Fresh Issue	24,480,000
<b>Net Offer to the Public</b>	<b>61,200,000</b>
Issue Size (Rs. Cr.)	1511-1542
Price Band (Rs.)	247-252
Offer Date	25-Oct-17
Close Date	27-Oct-17
Face Value	10
Lot Size	59

### Issue Composition

	In shares
Total Issue for Sale	61,200,000
QIB	30,600,000
NIB	9,180,000
Retail	21,420,000

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	95.57%	85.75%
QIB	1.84%	6.76%
NIB	2.59%	3.99%
Retail	0.00%	3.50%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The Offer consists of the Fresh Issue and the Offer for Sale. The 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 our Subsidiary (Reliance AIF) for investment as continuing interest in the new AIF schemes managed by Reliance AIF;
- Investing towards its continuing interest in new mutual fund schemes managed by the company
- Funding inorganic growth and other strategic initiatives; and
- Meeting expenses towards general corporate purposes.

### Book Running Lead Manager

- JM financial Institutional Securities Ltd
- CLSA India Private Limited
- IIFL Holdings Limited
- Edelweiss Financial Services Limited
- Nomura Financial Advisory And Securities (India) Pvt Ltd
- Axis Capital Limited
- SBI Capital Markets Limited
- Yes Securities (India) Limited

Name of the registrar

Karvy Computer share pvt Ltd

### About the Company

Incorporated in 1995, Reliance Nippon Life Asset Management Ltd 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. It 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. The company handles offshore funds across Asia, Middle East, Europe and US and provides advisory services to its clients.

The following table sets forth the closing AUM (in Crore) of its respective offerings as of the dates indicated:

Particulars	June 30, 2017	March 31, 2017	March 31, 2016
Mutual funds (Including ETF)	209950	203587	146142
Managed accounts	150393	145263	124695
Offshore funds and advisory mandates	2207	1905	4327
<b>Total end of period AUM</b>	<b>362550</b>	<b>350755</b>	<b>275164</b>

### Strength

**Leading Asset Management Company with Strong Credentials to Drive Growth:** It is the third largest asset management company in India, in terms of mutual fund QAAUM, as of June 30, 2017, according to ICRA. It has a diversified investor base, and as of June 30, 2017, it manages assets for 7.01 million investor folios, which comprised 6.72 million retail folios. As of June 30, 2017, its branches were spread across 145 districts in India. Its QAAUM, total revenues and profit after tax have increased between the financial years 2013 to 2017, by a compound annual growth rate of 22.2%, 18.2% and 15.0%, respectively. According to ICRA, It had the highest net worth among the top five asset management companies based on AAUM in India, as of March 31, 2016, which it believes is well positioned to meet the current regulatory requirements, increases investor confidence in its business as well as allows it to make significant investments in its business and operations. It believes that it significantly benefits from its Promoters, Reliance Capital and Nippon Life, including through the use of the 'Reliance' brand.

**Multi Channel Distribution Network:** The Company has a strong presence across India, has set up subsidiaries in Singapore and Mauritius and a representative office in Dubai. In India, the Company has a pan-India network of 171 branches, of which 132 branches are located in B15 locations and approximately 58,000 distributors as of June 30, 2017. As a result of its well diversified and geographically spread distribution network, none of its distributors account for over 4% of AUM, as of June 30, 2017. Its strong distribution network in India has helped the company garner high retail AUM. The company has also expanded its online presence recently by allowing investors to purchase its products from third-party websites, including those belonging to its key distributors. Its distribution partners can manage their mutual funds business online using 'Business Easy', a web and mobile based application, which supports them with transaction ability, servicing investor needs, tracking transactions, customer relationship management and product and market updates. In addition, it offers 'Invest Easy (Corporate)', a comprehensive online transaction facility for its institutional and corporate investors.

**Comprehensive Suite of Products with Distinguished Investment Track Record:** The Company has a well-diversified product suite across mutual funds and ETFs, managed accounts and offshore funds and advisory mandates. As of June 30, 2017, it managed 55 open-ended mutual fund schemes including 16 ETFs, which covered various indices across different asset classes. As part of its managed accounts business, it provides portfolio management services and manages AIFs and pension funds. It also manages offshore funds, which enable it to cater to investors across Asia, Middle East, UK, US, and Europe. As for the managed assets business (41 per cent of AUMs), managing funds of the Employees' Provident Fund Organization (EPFO) accounts for over 80 per cent of this portfolio. The company offers portfolio management services or PMS to individuals (mainly high net worth) and manages alternative investment funds (AIF), though their contribution to AUMs and revenues is quite meager for now.

**Strong Focus on Processes:** The Company's focus on processes has contributed significantly to its growth. It is certified on the International Quality Standard, ISO 9001:2008 and has implemented a robust Quality Management system. The Risk Management Committee oversees the various investment limits and processes, to ensure compliance and mitigate risks. It also has a dedicated credit research team, which conducts extensive research involving business and financial analysis, peer firm reviews, market feedback, debt structuring and examination of parameters including promoter quality and group reputation and debt-servicing record.

**Focus on Customer Centricity and Innovation:** The Company has processed approximately 26.47 million transactions, one of the highest among asset management companies in India, and received 1,309 investor complaints (0.02% of folios according to AMFI) during the financial year 2017. The Company has launched innovative products such as 'Reliance Any Time Money Card'; 'SIP Insure' and 'Invest Easy (Corporate)'. The company has also set-up a dedicated learning academy, 'EDGE' to focus on learning and development by launching several modules on financial literacy for its investors and distributors. EDGE has conducted approximately 26,000 training programs at over 200 locations in India. The academy's online portal has witnessed approximately 11,000 learners completing approximately 48,000 online learning courses since its inception in April 2008.

## Strategy

**Expand its Investor Base and Focus on Retail Customers:** The company intends to increase its branch network by adding 150 new branches in B-15 locations and relocating 54 existing branches across India by March 31, 2021. It undertakes communication across television, print, radio and digital and social channels in order to increase its customer base. Its advertising and marketing initiatives also include publicity and marketing of various mutual fund schemes managed by the company. It intends to continue to promote its products including by placing advertisements and commercials on television, newspapers, hoardings and on digital media.

**Focus on Developing its AIF Business:** Its Subsidiary, Reliance AIF is the investment manager to Reliance Capital AIF Trust (Category II) and Reliance Event Opportunities Trust (Category III). Reliance AIF launched its first AIF in 2014 and is currently managing six schemes of which, four are closed for subscription. Reliance AIF intends to introduce and launch various offerings to capitalize on market opportunities, by managing products across various asset classes and the risk return spectrum, in order to deliver value to investors.

**Inorganic Growth through Strategic Acquisition:** The company continues to maintain organic growth momentum and intends to explore inorganic expansion as well by leveraging on the experience it has gained through its previous acquisition. It also continues to selectively evaluate targets or partners for strategic acquisitions and investments in order to consolidate its market position in existing businesses, strengthen and expand its product portfolio, enhance its depth of experience, knowledge-base and know-how and increase its branch network, customers and geographical reach.

**Leveraging Technology to Improve Investor Experience:** The Company has recently integrated its online product offerings with several distributors, including digital distributors. The company intends to extend this facility to the platform of its other key distributors. Further, a new distribution channel has recently been introduced by SEBI to promote digitization, by allowing asset management companies to accept investment in mutual funds from investors through e-wallets, thereby creating new opportunities in the retail market and it is focused on capitalizing on such opportunity.

**Expand its Overseas Operations:** The Company offers a comprehensive suite of investment products and advisory services to retail and institutional clients overseas. It has dedicated teams covering investment, product, sales and operations of its offshore funds and advisory mandates, which work alongside the large research and portfolio management, set up in India. It intends to leverage its core research and fund management capabilities in India to look for strategic tie-ups globally in order to become a global asset management company. In addition, it regularly evaluates opportunities to obtain additional advisory service mandates to garner additional revenue as well as grow its brand and goodwill in overseas market.

**Continue to Focus on Robust Investment Process and Product Innovation:** The company intends to continue to pursue its rigorous in-house research based approach, increase the number of companies covered by its in-house research team and improve the interaction between its research team and fund managers and companies. The company also intends to grow its funds portfolio using market research, innovation and distributor feedback, by launching funds such as real estate funds, multi-asset allocation funds, long-short strategy funds and ETFs and through digital solutions to address the financial needs of retail investors.

## **Risk factors**

**Future revenue and profit are largely dependent on the growth, value and composition of AUM of the schemes managed by the company:** Management fees are usually calculated and charged to clients as a percentage of the Assets Under anagement ("AUM") of the schemes managed by the company. Any decrease in such AUM will cause a decline in management fees and therefore total and net revenue. The AUM may decline or fluctuate for various reasons, many of which are outside the company's control.

**Underperformance of investment products in respect of which it provides asset management services:** The investment products in respect of which it provides asset management services may at any time not outperform either their relevant benchmarks, or similar investment products provided by its competitors, for many reasons. Underperformance by such funds may hinder its ability to grow AUM of the schemes managed and in some cases, may contribute to a reduction in AUM managed by the company. Consequently, underperformance by any of these funds may adversely affect its revenue and profitability.

**Competition from existing and new market participants offering investment products:** The financial services industry is rapidly evolving and intensely competitive. The company faces significant competition from companies seeking to attract clients' financial assets, including traditional and online brokerage firms, other mutual fund companies and larger financial institutions.

**Depend on third-party distribution channels and other intermediaries:** Most of the AUM managed by the company is attributable to clients who it accesses, directly or indirectly, through third-party intermediaries (for example Independent Financial Advisors ("IFAs"), foreign banks, Indian private banks, public sector banks, broking companies, national distributors and digital platforms) known as distributors. Its ability to access clients is dependent on the distribution systems and client bases of these distributors.

## Peer comparison

There are no comparable listed peers in India.

## Valuation

Considering the P/E valuation on the upper end of the price band of Rs. 252, the stock is priced at pre issue P/E of 36.76x on its FY17 EPS of Rs. 6.86. Post issue, the stock is priced at a P/E of 38.29 x on its EPS of Rs. 6.58. Looking at the P/B ratio at Rs. 252 the stock is priced at P/B ratio of 7.82x on the pre issue book value of Rs.32.21 and on the post issue book value of Rs. 41.00 the P/B comes out to 6.15x.

On the lower end of the price band of Rs.247 the stock is priced at pre issue P/E of 36.03x on its FY17 EPS of Rs. 6.86. Post issue, the stock is priced at a P/E of 37.53x on its EPS of Rs. 6.58. Looking at the P/B ratio at Rs. 247, the stock is priced at P/B ratio of 7.67x on the pre issue book value of Rs. 32.21 and on the post issue book value of Rs. 41.00, the P/B comes out to 6.02x.

## Industry Overview

According to data released by the International Monetary Fund (“IMF”), the world economy grew by 3.1% in the financial year 2016, while India’s economy expanded by 6.8%, thus making it the fastest growing large economy in the world, ahead of China (+6.7%), Brazil (-3.6%), Russia (-0.2%) and South Africa (+0.3%). The growth rates of the G-7 (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) economies, slowed to 1.5% in the financial year 2016, from 2.0% in the financial year 2015. 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). In addition, one AMC is yet to start operations. 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 the financial year 2015 to the financial year 2017. 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 QAAUM for the quarter ending March 31, 2017 and June 30, 2017.

## Outlook

The company is the third-largest asset management company in India, in terms of mutual fund quarterly average asset under management (QAAUM) and most profitable AMC’s among its peers. Its Profit before tax has grown eight times in last 10 years and performed consistency well over FY13-17. It has created a wide distribution network through branches and empanelled distributors. As per management, it is managing and advising on assets over Rs. 380000 crore as on 31.08.17 and is second largest ETF player as of June 30, 2017 with 25.4 % market share. Considering these facts, investors may opt the issue for long term horizon and as first listed; it’s likely to gain post listing.

## An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	October 25, 2017
Bid/Offer Closing Date	October 27, 2017
Finalisation of Basis of Allotment with the Designated Stock Exchange	November 1, 2017
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	November 3, 2017
Credit of Equity Shares to depository accounts of Allottees	November 3, 2017
Commencement of trading of the Equity Shares on the Stock Exchanges	November 6, 2017

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-17 (3 Months)	Period ended 31-Mar-17 (12 Months)	Period ended 31-Mar-16 (12 Months)
Total Operating Income	364.40	1,307.50	1200.08
management fees			
Total expenditure	256.26	836.66	787.11
Operating Profit	108.13	470.83	412.97
OPM%	29.67	36.01	34.41
Other Income	30.40	128.39	113.73
PBDIT	138.54	599.22	526.70
Depreciation	8.14	17.91	4.31
PBIT	130.40	581.31	522.39
Interest	0	0.00	0
PBT	130.40	581.31	522.39
Tax	42.613	178.56	125.96
Profit After Tax	87.79	402.76	396.43

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-17	As on 31-Mar-17	As on 31-Mar-16
<b>Non-current assets</b>			
Property, plant and equipments	9.45	8.65	8.54
Intangible assets	235.67	242.49	3.38
Non - current investments	575.88	589.48	527.16
Deferred tax assets (net)	2.80	3.71	8.56
Long - term loans and advances	170.72	148.82	378.07
Other non - current assets	7.42	7.41	7.87
<b>Total Non- Current Assets</b>	<b>1001.93</b>	<b>1000.57</b>	<b>933.58</b>
<b>Current assets</b>			
Current investments	185.26	357.04	383.59
Trade receivables	67.64	43.16	59.42
Cash and bank balance	79.37	39.72	79.51
Short - term loans and advances	555.21	584.00	460.17
Other current assets	38.74	26.82	14.49
<b>Total current assets</b>	<b>926.21</b>	<b>1050.74</b>	<b>997.18</b>
<b>Total Assets</b>	<b>1928.14</b>	<b>2051.31</b>	<b>1930.76</b>
<b>Minority interest</b>			<b>8.88</b>
<b>Non-current liabilities</b>			
<b>Other Long term liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.05</b>
Long - term provisions	13.47	11.60	7.48
<b>Total non-current liabilities</b>	<b>13.47</b>	<b>11.60</b>	<b>7.53</b>
<b>Current liabilities</b>			
Trade payables			
Outstanding dues of creditors other than MSMED	92.52	108.33	65.02
Other current liabilities	128.23	28.85	53.94
Short - term provisions	13.63	9.95	3.50
<b>Total current liabilities</b>	<b>234.38</b>	<b>147.13</b>	<b>122.46</b>
<b>Total</b>	<b>247.86</b>	<b>158.74</b>	<b>129.99</b>
<b>NET Worth</b>	<b>1680.29</b>	<b>1892.57</b>	<b>1791.89</b>
Net worth represented by:			
Share capital	41.52	41.52	41.52
Reserves and surplus	1638.77	1851.05	1750.37
<b>Net Worth</b>	<b>1680.29</b>	<b>1892.57</b>	<b>1791.89</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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