

IPO Report

Reliance Nippon Life Asset Management Ltd

October 20, 2017



The Issue

Price Band	Rs. 247 - 252 per share
Issue Opens on	October 25, 2017
Issue Closes on	October 27, 2017
Issue Type	100% Book Built Issue IPO
Market Lot	59 shares & in multiples thereafter
Minimum order quantity	59 shares
No of shares to be issued	61200000
Total Issue Size	Rs. 1512-1542 crores
Fresh Issue (no. of shares)	24480000 (40%)
Offer for Sale (no. of shares)	36720000 (60%)
Face Value	Rs. 10 per share
Listing at	NSE & BSE
Registrar	Karvy Computershare Pvt. Ltd.



ALWAYS ACTING IN YOUR INTEREST (%)



Objects of the Issue

Proposed schedule of implementation and deployment of the Net Proceeds

The Net Proceeds are currently expected to be deployed in accordance with the schedule as stated below:

(in ₹ million)

Particulars	Total Estimated Cost	Amount to be funded from Net Proceeds	Amount to be deployed from the Net Proceeds in		
			Fiscal 2019	Fiscal 2020	Fiscal 2021
Setting up new branches and relocating certain existing branches	383.06	383.06	125.51	124.93	132.62
Upgrading the IT system	406.45	406.45	146.43	127.43	132.59
Advertising, marketing and brand building activities	720.92	720.92	199.87	240.61	280.44
Lending to our Subsidiary (Reliance AIF) for investment of continuing interest in the new AIF schemes managed by Reliance AIF	1,250.00	1,250.00	350	350	550
Investing towards our continuing interest in new mutual fund schemes managed by us	1,000.00	1,000.00	350	350	300
Funding inorganic growth and strategic initiatives	1,650.00	1,650.00			1,650.00
General corporate purposes [^]	[•]	[•]	[•]	[•]	[•]
Total	[•]	[•]	[•]	[•]	[•]

[^]To be finalised upon determination of the Offer Price.



ALWAYS ACTING IN YOUR INTEREST (%)



Reliance Nippon Life Asset Management Ltd

- **Among the largest AMCs in India** - Reliance Nippon Life Asset Management Ltd (RNLAM) is the Investment Manager (AMC) for Reliance Mutual Fund, the 3rd largest mutual fund in India by Assets under Management (AUM) - AUM of Rs. 2.37 lakh crores as on Sep 30, 2017
- **Strong parentage** - It is a JV between Reliance Capital (part of Anil Ambani controlled Reliance ADAG group) and Japan's Nippon Life
- **Large Diversified AUM** - As on June 30, 2017, RNLAM was managing AUM worth Rs. 3.625 lakh crores - Mutual Fund AUM of Rs. 2.10 lakh crores, Managed Account AUM of Rs. 1.50 lakh crores & Rs. 2207 crores under Offshore funds & Advisory Mandates
- **Strong Retail franchise in Tier II locations (B15)** - Highest total AUM among all AMCs from B15 locations, meaning a greater penetration in the hinterland; attractively poised to benefit from the ongoing shift of household savings from physical to financial savings



ALWAYS ACTING IN YOUR INTEREST (%)



Company Strengths -

- **Comprehensive product suite with distinguished long term track record** – manages 55 open ended schemes including 16 ETFs across asset classes, AIFs, PMS, Pension Funds and offshore funds
- **Experienced Senior Management & Investment Teams** – 44 investment professionals, members of senior investment team have average investment management experience of approx. 19 years
- **Recognition from Public Sector** – manages Rs. 1.50 lakh crores (as on June 30, 2017) under its managed accounts business, providing –
 - Portfolio management services to EPFO (Employees’ Provident Fund Organisation) and CMPFO (Coal Mines Provident Fund Organisation).
 - Manages pension assets under the National Pension System (NPS) being a certified Pension Fund manager under PFRDA

Particulars (Rs. crores)	June 30, 2017
NPS	177
EPFO	126488
CMPFO	21215
AIF	1337
PMS	1176
Total	150293



ALWAYS ACTING IN YOUR INTEREST (%)



Company Strengths -

- Third largest AMC in India by total AUM
- Large and diversified distribution network spread across 145 districts with 171 branches (mostly in Tier 2 locations) and approx. 58000 distributors, with no single distributor contributing more than 4% of AUM (as on June 30, 2017)
- **Among the fastest growing large AMCs in India** with Quarterly Average AUM, Total Revenues and Profit after Tax growing at CAGR of 22.2%, 18.2% and 15%, respectively
- Second most profitable AMC in India
- The AMC with the highest Net Worth among top 5 AMCs as on March 31, 2016
- **Future Strategy –**
 - Expand Investor base & Focus on Retail Customers
 - Develop AIF business
 - Strategic Acquisitions for inorganic growth
 - Leverage Technology to improve investor experience
 - Continue focus on Investment process & Product Innovation
 - Expand Overseas operations



ALWAYS ACTING IN YOUR INTEREST (%)



A strong retail franchise

AUM by customer category (Rs. crore)	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17	30-Jun-17	CAGR (%)
Retail	9276	14038	27307	34050	52656	58370	54.2
Corporate	45164	54764	70709	85788	111850	114460	24.5
HNI	34018	30707	36372	31743	36516	36922	1.9
Other Institutions	3511	3853	7125	8454	12645	10832	30.4
Total	91969	103362	141513	160035	213667	220584	22.9
Retail folio count	6,064,209	5,305,279	5,363,027	5,691,362	6,576,793	6,724,167	2.5
Per Ticket size	40,044	47,630	62,651	73,361	94,689	98,838	23.7

- Retail AUM of RNLAM has grown at 54% p.a. in the 4 year 3 month period from April 2013, more than double the pace of its total AUM, highlighting its strong retail franchise.
- Retail folio growth looks muted due to industry wide fall in FY14. However, from FY14 onwards, retail folios have grown at CAGR of 7.6%
- 2nd largest number of Retail Folios in India with 67.2 lakh retail folios
- 2nd largest Retail AUM in India of Rs. 58370 crores (as on June 30, 2017; 13.6% total market share)



ALWAYS ACTING IN YOUR INTEREST (%)



Industry

- Huge upcoming shift in Household Savings from Physical Assets (Property, Gold) to Financial Assets (Capital markets, Banks)
- Demonetization, GST and Government schemes like Jan Dhan Yojana likely to accelerate this shift
- Within financial assets, share of mutual funds has risen from 1.35% of net financial savings in 2012 to 2.94% in 2016 due to better post-tax returns than bank deposits

Exhibit 8: Net household savings in India

Parameter	Units	Financial year 2012	Financial year 2013	Financial year 2014	Financial year 2015	Financial year 2016
Net Financial Savings	INR billion	6,426	7,336	8,321	9,192	10,825
Saving in physical assets	INR billion	13,892	14,625	14,120	15,782	14,835
Saving in form of gold and silver ornaments	INR billion	336	367	368	456	439
Net Household Savings	INR billion	20,655	22,327	22,809	25,430	26,099
Net Financial Savings	%	31.11	32.86	36.48	36.15	41.47
Saving in physical assets	%	67.26	65.50	61.91	62.06	56.84
Saving in form of gold & silver ornaments	%	1.63	1.64	1.61	1.79	1.68
Net Household Savings	%	100.00	100.00	100.00	100.00	100.00

Source: Company



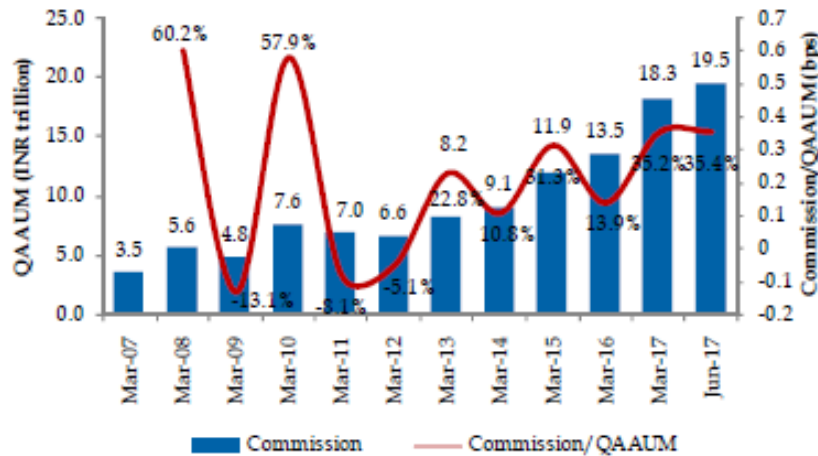
ALWAYS ACTING IN YOUR INTEREST (%)



Industry

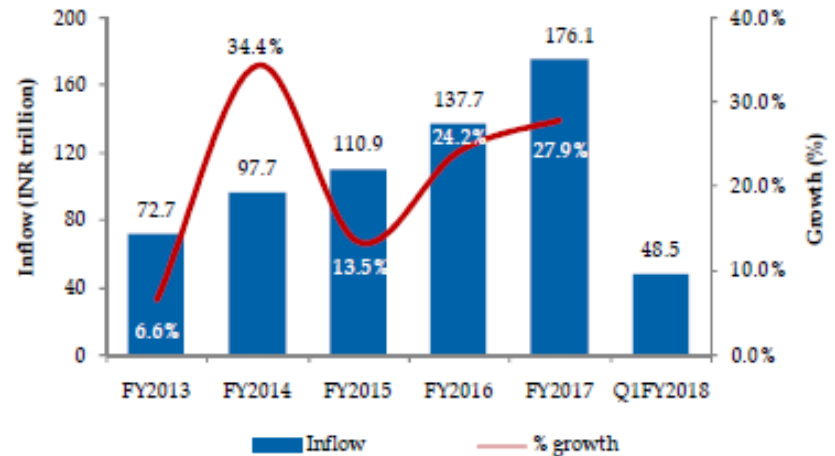
- Average MF AUM has grown at a CAGR of 22.2% since FY13, growing from Rs. 8.2 trillion in FY13 to Rs. 18.3 trillion in FY17. Average AUM was at Rs. 19.5 trillion as on June 30, 2017
- Fresh Inflows in Mutual Funds have grown at a CAGR of approx. 24.8% since FY13, growing from Rs. 72.7 trillion in FY13 to Rs. 176 trillion in FY17
- Projected average AUM growth over next 5 years – MF AUM is projected to grow at a CAGR of 20-22% to reach Rs. 45-50 trillion by FY2022

Exhibit 12: AUM Growth Trends



Source: Company

Exhibit 13: Mutual Fund Industry's Inflow and Outflow Trend



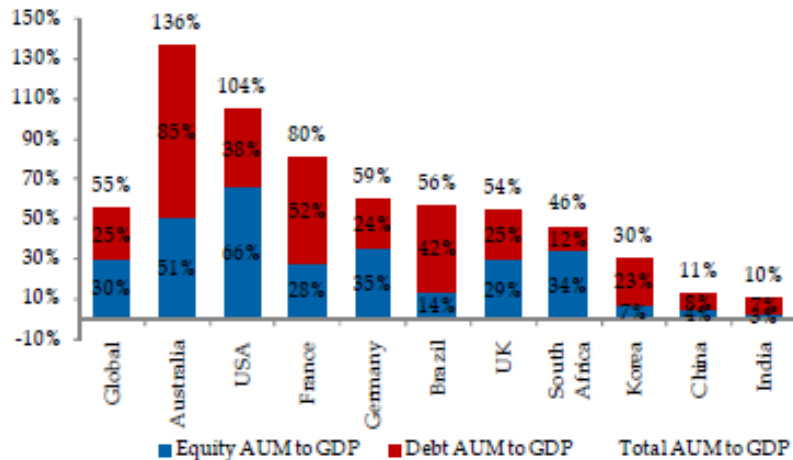
ALWAYS ACTING IN YOUR INTEREST (%)



Industry – Growth Drivers

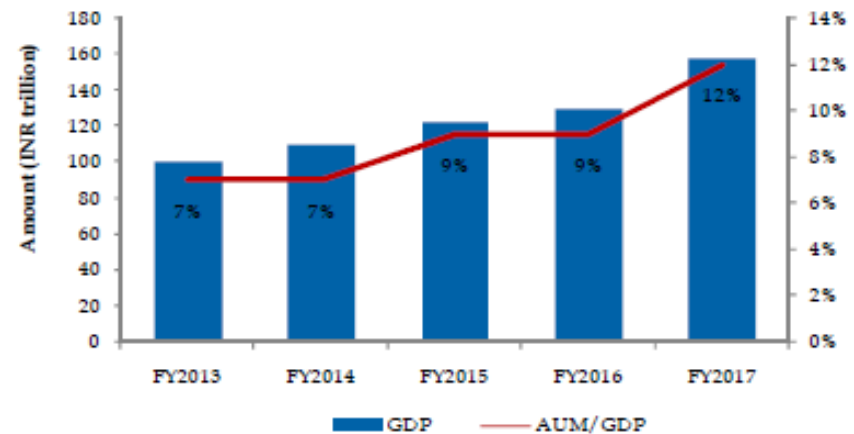
- India is poised to be the fastest growing among major economies in the world
- Penetration levels of mutual funds in India are very low. Total AUM to GDP ratio in India is about 12% in FY17, against a global average of 55%.
- There is a huge scope for expansion in share of mutual fund savings in India
- The rise in investor preference for SIPs in Mutual Fund schemes is driving sustainable growth in the industry. Average monthly flows through SIPs rose from Rs. 3660 crores in FY17 to Rs. 4750 crores in first five months of FY18

Exhibit 16: AUM/GDP across economies



Source: Company

Exhibit 17: AUM/GDP in India over the years



ALWAYS ACTING IN YOUR INTEREST (%)

Just Trade
Create Wealth.

Investment Arguments -

- **Strong & Sustained Industry Growth potential** – MF industry AUM is expected to grow at CAGR of 20-22% between FY 2018 to FY2022 to reach Rs. 45-50 trillion by 2022
- **Only listed pure play Asset Management company in India** with a strong brand, big size, market leadership, solid growth prospects, long profitable track record
- **Strong Balance Sheet** –
 - **Asset light business** – fixed assets (inclu. intangibles) account for 12-12.5% of total assets
 - **Well-capitalized** – Highest Net Worth among leading large players in the industry
 - **Zero debt**
- **Growth** – Consistent growth in the past, secular long term growth prospects for industry given the ongoing shift of household savings and severe under penetration of capital markets and more importantly mutual funds in Indian households.
- **Profitability** –
 - Strong & consistently positive operating cash flows as well as free cash flows
 - Solid profit margins (averaging more than 30% in the 4 year period from FY13 to FY17),
 - High Return on Equity (weighted average – 22%)



ALWAYS ACTING IN YOUR INTEREST (%)



Suitability & Investment Horizon

Risks –

- **Market Risk** - The AMC business is cyclical and has deep linkages to the financial and investment markets. A sustained downturn in any of the asset classes (Equity / Debt / Commodities, etc.) may lead to a slowdown in business or fall in profitability for the AMC.
- **Intense competition** – There are more than 40 AMCs in India. RNLAM is the 3rd largest AMC in India. The Top 10 AMCs are owned by banks, large private owners, MNCs and public financial institutions. Each of them have a popular brand and the resources to provide a tough competition to RNLAM on most fronts. However, the highly underpenetrated nature of the MF industry (just 3% of Net financial savings) means that there is enough space for all the players to co-exist and grow at a solid pace.

Suitability –

- The issue is suitable for investors with “**Aggressive Risk Profile**” and **Prior Experience** of investing in stock markets either directly or through mutual funds
- It is suitable for investors with an **Investment Horizon of 3 years or more**



ALWAYS ACTING IN YOUR INTEREST (%)



Restated Consolidated Summary Statement of Profit & Loss

Rs. Crore

	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17	CAGR (%) (FY13 to FY17)	30-Jun-17
Income							
Revenue from operations - management fees	609	676	847	1,200	1,307	21.1	364
Other Income	126	103	108	114	128	0.5	30
Total Revenue	735	779	955	1,314	1,436	18.2	395
Expenditure							
Employee benefits expenditure	160	151	161	192	196	5.2	61
Administrative & other expenditure	130	167	181	216	256	18.3	75
Marketing & Publicity expenditure	139	111	150	375	389	29.4	120
Total Expenditure	441	449	491	791	855	18.0	264
Profit before Tax	293	330	464	522	581	18.7	130
Profit after Tax	230	271	354	396	403	15.0	88
PAT Margin	31.4%	34.8%	37.1%	30.2%	28.0%		22.2%
Operating Cash flows (A)	48.0	177.3	-42.1	218.1	556.5		100.0
Cash flows from Investing (B)	164.3	14.3	444.6	-28.5	-294.2		189.0
Free Cash flows (A+B)	212.3	191.6	402.5	189.7	262.3		288.9

Source: Company



ALWAYS ACTING IN YOUR INTEREST (%)



Restated Consolidated Summary Statement of Profit & Loss

Rs. Crore

	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17
Operating Revenue as % of AUM	0.66%	0.65%	0.60%	0.75%	0.61%
Operating Costs as % of AUM	0.48%	0.43%	0.35%	0.49%	0.40%
<i>Employee Costs as % of AUM</i>	<i>0.17%</i>	<i>0.15%</i>	<i>0.11%</i>	<i>0.12%</i>	<i>0.09%</i>
<i>Administrative Costs as % of AUM</i>	<i>0.14%</i>	<i>0.16%</i>	<i>0.13%</i>	<i>0.13%</i>	<i>0.12%</i>
<i>Marketing & Publicity Costs as % of AUM</i>	<i>0.15%</i>	<i>0.11%</i>	<i>0.11%</i>	<i>0.23%</i>	<i>0.18%</i>
PBT as % of AUM	0.32%	0.32%	0.33%	0.33%	0.27%
PAT as % of AUM	0.25%	0.26%	0.25%	0.25%	0.19%

Source: Company



ALWAYS ACTING IN YOUR INTEREST (%)



Restated Consolidated Summary Statement of Assets & Liabilities

Rs. Crore

	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17	30-Jun-17
Share Capital	11	11	41	42	42	42
<i>Equity Share Capital</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>
<i>Preference Share Capital</i>			<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
Reserves & Surplus	1,446	1,543	1,495	1,750	1,851	1,639
Net worth	1,458	1,554	1,536	1,792	1,893	1,680
Non-current liabilities	3	2	3	8	12	13
Current Liabilities	97	148	153	122	147	234
Fixed Assets	20	14	7	12	251	245
Other Non-Current assets	1,101	427	717	922	749	757
Current Assets	440	1,268	978	997	1,051	926
RoE	16%	17%	23%	22%	21%	

Source: Company



ALWAYS ACTING IN YOUR INTEREST (%)



Disclaimer & Disclosures

Page 1

Bajaj Capital Group (“Bajaj Capital”) is engaged in diversified financial services business including merchant banking, DP services, equity broking, investment advisory, distribution of Mutual Fund, insurance products, fixed deposits and other investment products with Bajaj Capital Limited [CIN:U67120DL1965PLC004338 (“BCL”)] being the flagship company of the group. Just Trade Securities Ltd [CIN:U67120DL2004PLC130803 (“JTSL”)] is a part of the Bajaj Capital Group and is a SEBI registered Research Analyst bearing Regn. No. INH00002862. This research report (“Report”) has been prepared for the clients of BCL by JTSL.

Terms & Conditions and Other Disclosures:

- a) This Report has been prepared for BCL and is for the personal information of the authorised recipient(s). This Report is subject to changes without prior notice and may contain confidential and/or privileged material/information and is not for any type of circulation. Any retransmission, copying or any other use is strictly prohibited.
- b) The information provided in the Report is from publicly available data or from other sources believed to be reliable. While reasonable endeavors have been made to present reliable data in the Report so far as it relates to current and historical information, BCL/JTSL does not guarantee the accuracy or completeness of the data in the Report. Accordingly, BCL, JTSL or any of their affiliates including their directors, employees and/or associates/affiliates or their employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this publication.
- c) Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by JTSL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.
- d) The Report also includes analysis and views of JTSL’s research team. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument/product/ security (ies) through Bajaj Capital or as an official confirmation of any transaction.
- e) This Report is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information/data. Each recipient of this Report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the financial product/securities of companies, if any, referred to in this Report (including the merits and risks involved) and seek independent investment advice from an Investment Adviser.
- f) The Benchmarks in the Report (“BCL Benchmarks”) represent different asset allocation strategies that are believed to be suitable for investors with different risk profiles and investment horizons. Scheme recommendations and allocations are given only for reference and purpose of calculating indicative past performance of these strategies. BCL Benchmarks are publicly available and do not constitute any recommendation to invest in any particular product / scheme. The Benchmarks are generic and are not customized for any specific person / people. Recipients must consult their Investment Advisor before acting on anything contained in these Benchmarks.

Contd. to Page 2....



ALWAYS ACTING IN YOUR INTEREST (%)



Contd. from Page 1...

- g) BCL, JTSL and their directors, employees and/or associates/affiliates or their employees may have interest and/or hold position(s), financial or otherwise in the securities mentioned in this document. Affiliates of BCL/JTSL may have issued other documents/reports that are inconsistent with and reach a different conclusion from the information/date presented in this document.
- h) This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to local law, regulation or which would subject JTSL and its affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this Report may come are required to inform themselves of and to observe such restrictions.
- i) JTSL strives to minimize conflict and encourages independence in preparation of research reports. JTSL and its associates did not receive any compensation or other benefits from the subject company/ies mentioned in the Report or from a third party in connection with preparation of the Report. Accordingly, JTSL and its associates do not have any material conflict of interest at the time of publication of this Report.
- j) As JTSL and its associates are engaged in various financial services business, it might have:- (i) received any compensation (except in connection with the preparation of this Report) from the subject company in the past twelve months; (ii) managed or co-managed public offering of securities for the subject company in the past twelve months; (iii) received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (iv) received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (v) engaged in market making activity for the subject company.
- k) JTSL and its associates collectively do not own (in their proprietary position) 1% or more of the equity securities of the subject company/ies mentioned in the Report as of the last day of the month preceding the publication of the Report.
- l) The Research Analyst/s engaged in preparation of this Report or his/her relative (i) does not have any financial interests in the subject company/ies mentioned in this Report; (ii) does not own 1% or more of the equity securities of the subject company mentioned in the Report as of the last day of the month preceding the publication of the Report; (iii) does not have any other material conflict of interest at the time of publication of the Report.
- m) The Research Analyst/s engaged in preparation of this Report:- (i) has not received any compensation from the subject company in the past twelve months; (ii) has not managed or co-managed public offering of securities for the subject company in the past twelve months; (iii) has not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (iv) has not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (v) has not received any compensation or other benefits from the subject company or third party in connection with the research report; (vi) has not served as an officer, director or employee of the subject company; (vii) is not engaged in market making activity for the subject company. We submit that no material disciplinary action has been taken on JTSL by any regulatory authority impacting Equity Research Analysis.

Published on October 20, 2017. © Just Trade Securities Limited



ALWAYS ACTING IN YOUR INTEREST (%)

