

Reliance Nippon Life AMC plans IPO this fiscal, to sell 10% stake

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MUMBAI: Reliance Nippon Life Asset Management Ltd, India's third largest mutual fund manager, plans to sell shares amounting to a 10% stake in an initial public offering (IPO) as it seeks to tap an equity boom that has propelled stock prices to record highs.

The share sale will happen in 2017-18 and the company would sell more shares over the next four years, adding up to a 25% stake by 2021, chief executive Sundeep Sikka said at a press conference on Wednesday.

"The idea is to be in a state of readiness for both growth opportunities that lies ahead and even more (for) the consolidation that will happen," Sikka said, offering a rationale for the fund raising.

"The proceeds will be used for both organic and inorganic opportunities and growth for this company," added Sikka. The asset management company (AMC) will now approach the Securities and Exchange Board of India for approval.

An investment banker, who did not wish to be identified, said the company could be valued at around 5% of assets under management (AUM), as is the case with most AMCs.

Reliance Nippon Life Asset Management's AUM is around ₹3.6 lakh crore, giving it a valuation of about ₹18,000 crore at 5% of AUM.

Sikka said Reliance and Nippon Life would both participate in the IPO, but added that the two would continue their shareholding in equal proportion after the listing.

Reliance Capital owns 51% of the company and Nippon Life 49%, according to Sikka.

"It is a very good development. We have not had a listing of an AMC for ages. With the rising size of industry, listing will bring more transparency to the business," said Prithvi Haldea, founder and chairman of Prime Database, which tracks the primary market.

India's mutual fund industry has around ₹19 lakh crore worth of assets under management, up from around ₹14 lakh crore three years ago.

Reliance Group companies have sued HT Media Ltd, Mint's publisher, and nine others in the Bombay high court over a October 2, 2014 front-page story that they have disputed. HT Media is contesting the case.