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# Brokerages Maintain Buy Rating on Reliance Nippon

## But CLSA slashes target price on mutual fund by 26% to factor in lower growth in AUMs

Our Bureau

**Mumbai:** Brokerages have largely maintained their buy rating on Reliance Nippon Life Asset Management after the company reported a 34% rise in profit for the three months ended March at ₹151 crore.

The company's total income fell to ₹397.5 crore from ₹440.2 crore a year ago. CLSA, Emkay, JM Financial and HDFC Securities have maintained the buy rating on the company.

However, CLSA has slashed its target price on Reliance Nippon by 26% to ₹230 to factor in lower growth in assets under management (AUMs).

Reliance Nippon's AUMs were down 5% from the year-ago level due to a fall in debt AUMs, which were partly compensated by growth in equity AUMs, said CLSA. The brokerage added that the loss of market share in corporate and HNI clients needs to be regained to help in growth.

"We lower earnings estimates to factor in weaker growth in AUMs and despite a slower rise in topline, earnings can see mid-teens growth due to lower costs," said CLSA. The recent change in regulations, especially the switch to slab-wise fees on equity AUMs, will drive down fee income on that pool by 12-13 basis points, it said. CLSA added that this can be managed since a large part of the reduction has been passed on to distributors as lower brokerages, and it sees headroom to control discretionary expenses. Meanwhile, Nomura has maintained a neutral stance on Reliance Nippon.

Reliance Nippon has seen a 17% plus decline in debt AUMs in the past six months impacted by a liquidity crisis and exposures to its group companies through ₹380 crore of Investment Corporation of Dubai (ICD), and ₹1,750 crore of scheme exposures. Nomura said they remain a key risk to flows and can impact profitability.

### Keeping Trust

| Brokerage | Rating Before Result | Rating After Result | Target Price Before Result | Target Price After Result |
|---|---|---|---|---|
| CLSA | Buy | **Buy** | 310 | **230** |
| HDFC Securities | Buy | **Buy** | 242 | **254** |
| JM Financial | Buy | **Buy** | 220 | **220** |
| Nomura | Neutral | **Neutral** | 210 | **210** |

(Figures in ₹)

SOURCE: **Brokerages**