

India

**ADD** (no change)

Consensus ratings\*: Buy 11 Hold 3 Sell 1

Current price:	Rs804
Target price: ▲	Rs1,050
Previous target:	Rs1,000
Up/downside:	30.6%
InCred Research / Consensus:	17.8%
Reuters:	UTIA.NS
Bloomberg:	UTIAM IN
Market cap:	US\$1,226m Rs102,070m
Average daily turnover:	US\$2.1m Rs178.6m
Current shares o/s:	0.0m
Free float:	46.0%

\*Source: Bloomberg

**Key changes in this note**

- Assuming the new TER norms are applicable from FY25F, we have increased our EPS estimate by ~40% for FY24F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.9	(1.6)	5.1
Relative (%)	2.7	(1.1)	(6.7)

Major shareholders	% held
T ROWE PRICE	23.0
PNB	15.0
SBI	10.0

**Analyst(s)**



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# UTI AMC

## Subdued 2Q; attractive valuation

- UTI AMC posted in-line 2QFY24 PAT at Rs1.83bn, despite a sequential decline in yields and elevated expenses, amid a lower tax outgo.
- However, a consistent loss in market share (total as well as equity) remains an issue. The share in equity AUM dipped to ~4.25% from ~4.47% in Jun 2023.
- Assuming the new TER norms are applicable from FY25F, we have increased our FY24F EPS by ~40%. Retain ADD rating with a higher TP of Rs1,050.

### Yields down sequentially; lower tax expenses aid profitability

UTI AMC has witnessed a sequential decline in 2QFY24 yields to ~16bp against ~19bp last quarter amid a rise in debt and ETF AUM as well as elevated competition among AMCs, but profits remained in line with our estimate amid a rise in lower tax outgo for the quarter. The company reported ~7.5% sequential growth in AUM to Rs2.67tr, but the spurt was mainly visible in the AUM of ETF and debt funds which remain low-yield products,

### Market share trend disappointing across portfolios

UTI AMC witnessed a dip in its overall market share sequentially to ~5.68% against 5.76% last quarter, despite a sequential improvement in QAAUM. Equity AUM witnessed a sequential decline in market share to ~4.25% from ~4.47% during the last quarter.

### Privatization on cards – likely stake acquisition from PSU banks

Post-IPO, T Rowe Price International (a global investment management firm) is the largest shareholder with ~23% stake in UTI AMC. T Rowe Price also owns a major stake in UTI Trustee Company. Considering improving efficiencies of UTI AMC, T Rowe Price (already being an investment manager) can opt to buy out majority stake from public sector banks (the easiest route) and can become the promoter.

### Outlook & valuation

UTI AMC is losing market share, mainly in equity funds, but the impact on its revenue yields due to the change in the Securities and Exchange Board of India or SEBI norms remain uncertain. However, even post recent run-up, UTI AMC continues to offer an attractive risk-reward ratio. We now believe that the new total expense ratio or TER norms will be applicable only from FY25F and thus we have increased our FY24F EPS by ~40%. We maintain our ADD rating on the stock with a higher target price of Rs1,050, corresponding to ~18x FY25F EPS, from Rs1,000 earlier. Key downside risks: Lower growth and industry-related risks.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	13,189	12,669	16,863	17,640	19,098
Operating Revenue (Rsm)	13,271	12,901	17,142	17,969	19,480
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	5,341	4,374	7,643	7,342	8,255
Core EPS (Rs)	42.12	34.46	60.23	57.86	65.05
Core EPS Growth	8%	(18%)	75%	(4%)	12%
FD Core P/E (x)	19.08	23.32	13.34	13.89	12.36
DPS (Rs)	21.00	22.00	40.00	45.00	50.00
Dividend Yield	2.61%	2.74%	4.98%	5.60%	6.22%
BVPS (Rs)	284.4	304.8	325.2	338.3	353.5
P/BV (x)	2.83	2.64	2.47	2.38	2.27
ROE	15.6%	11.7%	19.1%	17.4%	18.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly results**

Rs m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
<b>Revenue from operations</b>	<b>2,931</b>	<b>4,358</b>	<b>2,952</b>	<b>3,007</b>	<b>4,678</b>	<b>4,041</b>	<b>-7.3%</b>	<b>-13.6%</b>
Other income	129	41	-18	80	8	15		
<b>Total revenue (Rs m)</b>	<b>3,060</b>	<b>4,399</b>	<b>2,934</b>	<b>3,087</b>	<b>4,686</b>	<b>4,056</b>	<b>-7.8%</b>	<b>-13.4%</b>
Total expenditure	1,995	1,774	1,910	1,913	1,802	1,858	4.8%	3.1%
<i>Cost-to-income (%)</i>	65.2%	40.3%	65.1%	62.0%	38.4%	45.8%		
<b>Profit before tax</b>	<b>1,065</b>	<b>2,626</b>	<b>1,024</b>	<b>1,174</b>	<b>2,884</b>	<b>2,198</b>	<b>-16.3%</b>	<b>-23.8%</b>
Tax	121	597	424	317	540	370	-38.1%	-31.6%
<i>Tax rate (%)</i>	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%		
<b>Profit after tax</b>	<b>944</b>	<b>2,028</b>	<b>600</b>	<b>857</b>	<b>2,344</b>	<b>1,828</b>	<b>-9.9%</b>	<b>-22.0%</b>
<b>QAAUM (Rs tr)</b>	<b>2.24</b>	<b>2.34</b>	<b>2.41</b>	<b>2.39</b>	<b>2.48</b>	<b>2.67</b>	<b>14.2%</b>	<b>7.5%</b>

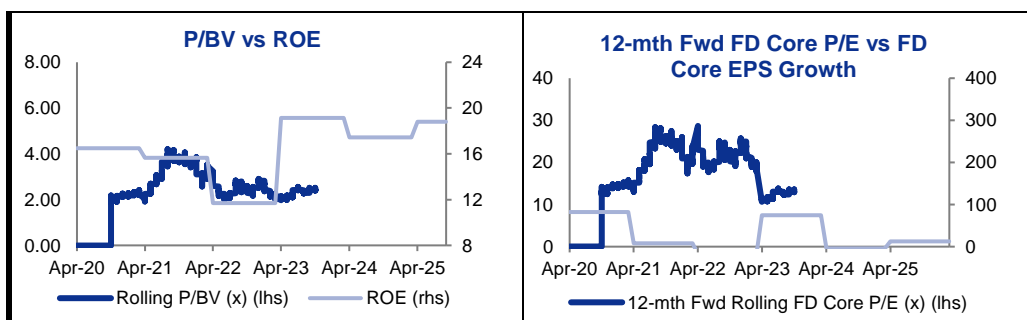
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

Y/e Mar (Rs m)	FY24F			FY25F			FY26F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	14,332	17,142	19.6%	16,793	17,969	7.0%	19,657	19,480	-0.9%
PAT	5,436	7,643	40.6%	6,574	7,342	11.7%	7,698	8,255	7.2%
EPS (Rs)	42.8	60.2	40.6%	51.8	57.9	11.7%	60.7	65.0	7.2%
Dividend payout (%)	70.0	70.0	0.0%	80.0	80.0	0.0%	80.0	80.0	0.0%
QAAUM (Rs tn)	2.7	2.7	0.0%	3.2	3.2	0.0%	3.7	3.7	-1.7%

SOURCES: INCRED RESEARCH

**BY THE NUMBERS**



**Profit & Loss**

(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income					
<b>Total Non-Interest Income</b>	<b>13,189</b>	<b>12,669</b>	<b>16,863</b>	<b>17,640</b>	<b>19,098</b>
Operating Revenue	13,271	12,901	17,142	17,969	19,480
<b>Total Non-Interest Expenses</b>	<b>(6,303)</b>				
Pre-provision Operating Profit	6,600	5,856	9,349	9,443	10,613
<b>Total Provision Charges</b>					
Operating Profit After Provisions	6,600	5,856	9,349	9,443	10,613
<b>Pretax Income/(Loss) from Assoc.</b>					
Operating EBIT (incl Associates)	6,600	5,856	9,349	9,443	10,613
<b>Non-Operating Income/(Expense)</b>					
Profit Before Tax (pre-EI)	6,600	5,856	9,349	9,443	10,613
<b>Exceptional Items</b>					
Pre-tax Profit	6,600	5,856	9,349	9,443	10,613
Taxation	(1,256)	(1,459)	(1,683)	(2,077)	(2,335)
Consolidation Adjustments & Others					
<b>Exceptional Income - post-tax</b>					
Profit After Tax	5,344	4,397	7,666	7,366	8,278
Minority Interests	(3)	(23)	(23)	(23)	(23)
Prof. & Special Div					
<b>FX And Other Adj.</b>					
Net Profit	5,341	4,374	7,643	7,342	8,255
Recurring Net Profit					

**Balance Sheet Employment**

(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	7.9%	9.3%	9.4%	10.0%	9.7%
<b>Avg Liquid Assets/Avg IEAs</b>					
Net Cust Loans/Assets					
<b>Net Cust Loans/Broad Deposits</b>					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
<b>Provision Charge/Avg Cust Loans</b>					
<b>Provision Charge/Avg Assets</b>					
Total Write Offs/Average Assets					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rsm)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
<b>Total Gross Loans</b>					
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets					
<b>Total Provisions/Loan Loss Reserve</b>					
Total Net Interest Earning Assets					
Intangible Assets					
<b>Other Non-Interest Earning Assets</b>	<b>2,701</b>	<b>2,147</b>	<b>2,204</b>	<b>2,263</b>	<b>2,326</b>
<b>Total Non-Interest Earning Assets</b>	<b>6,108</b>	<b>5,699</b>	<b>5,827</b>	<b>5,960</b>	<b>6,096</b>
Cash And Marketable Securities	3,983	3,572	4,543	4,499	4,651
<b>Long-term Investments</b>	<b>29,782</b>	<b>32,479</b>	<b>34,103</b>	<b>35,808</b>	<b>37,599</b>
Total Assets	39,873	41,751	44,473	46,267	48,346
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,697	3,071	3,203	3,342	3,488
Total Liabilities	3,697	3,071	3,203	3,342	3,488
Shareholders Equity	36,062	38,680	41,270	42,925	44,858
<b>Minority Interests</b>	<b>114</b>				
Total Equity	36,177	38,680	41,270	42,925	44,858

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Income Growth					
Operating Profit Growth	9.1%	85.1%	32.9%	4.8%	8.4%
Pretax Profit Growth	9%	(11%)	60%	1%	12%
Net Interest To Total Income					
Cost Of Funds					
Return On Interest Earning Assets					
Net Interest Spread					
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit					
Interest Return On Average Assets					
Effective Tax Rate	19.0%	24.9%	18.0%	22.0%	22.0%
Net Dividend Payout Ratio	49.9%	63.8%	66.4%	77.8%	76.9%
Return On Average Assets	13.96%	10.72%	17.73%	16.18%	17.45%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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