

## India

## ADD (no change)

Consensus ratings\*: Buy 11 Hold 4 Sell 3

Current price: Rs1,029  
 Target price: ▼ Rs1,300  
 Previous target: Rs1,350  
 Up/downside: 26.3%  
 InCred Research / Consensus: 8.5%

Reuters: UTIA.NS  
 Bloomberg: UTIAM IN  
 Market cap: US\$1,542m  
 Rs131,666m  
 Average daily turnover: US\$3.3m  
 Rs283.4m  
 Current shares o/s: 127.9m  
 Free float: 32.4%

\*Source: Bloomberg

## Key changes in this note

- We have cut AUM estimates to incorporate a slower-than-expected start for the mutual fund industry.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.7	(15.4)	16.4
Relative (%)	5.4	(18.3)	8.3

Major shareholders	% held
T ROWE PRICE	22.8
PNB	15.1
SBI	9.9

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## UTI AMC

## In the heat of choppy markets

- UTI AMC missed estimates in 4QFY25 due to a fall in sales, & high MTM losses along with a rise in opex, leading to a drop of ~42% qoq in PAT to Rs875m.
- The company reported market share gains in all products, except equity funds, led by a sharp rise in net sales of cash & arbitrage and income funds.
- We appreciate market share gains in other categories; however, equity fund inflow is crucial. Retain ADD with Rs1,300 TP & a favourable risk-reward ratio.

## Drop in sales and MTM losses dent top line

UTI AMC reported a weak 4QFY25 PAT of Rs875m (-46% yoy and -42% qoq) due to a drop in sales, high mark-to-market or MTM losses and a rise in total expenses. Total revenue declined by ~10% both yoy and qoq. The company has cut its distribution rates from 4QFY25, which will provide a cushion to yields in the coming quarters. There was a sharp decline in net sales to ~Rs7bn, from ~Rs102bn in 3QFY25, led by a sharp sequential fall in cash & arbitrage funds with a net outflow of ~Rs49bn, which was offset by a net inflow in all other categories, led by ETF and index funds, of ~Rs37bn. Management has been trying to moderate the operating expenses, which was visible during the last two quarters, but sustainability of the same is a key monitorable.

## Debt fund market share up; equity market share continues to dip

UTI AMC reported a fall in its overall market share sequentially to ~5.04%, from ~5.14% in Dec 2024, with mutual fund QAAUM at Rs3.4tr (+17% yoy; -3.6% qoq) as of 4QFY25. The overall equity AUM of the company fell by ~6.3% qoq due to volatile markets, resulting in a 6bp qoq loss in equity fund market share to ~3.1% while index and ETF funds saw a sharper loss of ~46bp qoq to ~13.08%. However, debt funds witnessed ~15bp qoq rise in market share to ~3.39%. The systematic investment plan or SIP inflow was a positive surprise, with the inflow up 1% qoq amid market volatility, although the SIP AUM declined by ~2% qoq to Rs376bn.

## Privatization on the cards – chances of stake acquisition from 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 the improving efficiency of UTI AMC, T Rowe Price (already being an investment manager) could opt to buy a majority stake from public sector banks (the easiest route) and can become the promoter.

## Outlook and valuation

We like UTI AMC considering its improving scheme performance leading to improved inflow and healthy AUM, rationalization of operating expenses to strengthen operating performance and a favourable risk-reward ratio. We maintain our ADD rating on the stock with a lower target price of Rs1,300 (Rs1,350 earlier), corresponding to ~12.1x FY27F EPS. Key downside risks: Lower growth and weak yields impacting profitability.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	17,370	18,511	24,055	29,221	35,065
Operating Revenue (Rsm)	17,439	18,599	24,158	29,338	35,198
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	7,657	7,315	10,383	13,024	15,786
Core EPS (Rs)	60.26	60.26	85.53	107.29	130.05
Core EPS Growth	75%	0%	42%	25%	21%
FD Core P/E (x)	17.07	17.07	12.03	9.59	7.91
DPS (Rs)	22.00	48.00	45.00	55.00	65.00
Dividend Yield	2.14%	4.67%	4.37%	5.35%	6.32%
BVPS (Rs)	345.4	378.9	426.1	485.1	485.1
P/BV (x)	2.98	2.72	2.41	2.12	2.12
ROE	18.5%	16.3%	21.3%	23.5%	26.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly results summary (Rs m)**

Rs m	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	QoQ (%)
Revenue from operations	4,678	4,041	4,491	4,161	5,292	5,384	4,176	3,759	-9.7%	-10.0%
Other income	8	15	12	42	45	17	29	0		
<b>Total revenue (Rs m)</b>	<b>4,686</b>	<b>4,056</b>	<b>4,502</b>	<b>4,203</b>	<b>5,337</b>	<b>5,401</b>	<b>4,205</b>	<b>3,759</b>	<b>-10.6%</b>	<b>-10.6%</b>
Total expenditure	1,802	1,858	1,895	2,024	1,924	2,044	1,993	2,219	9.7%	11.4%
Cost-to-income (%)	38.4%	45.8%	42.1%	48.1%	36.1%	37.8%	47.4%	59.0%		
<b>Profit before tax</b>	<b>2,884</b>	<b>2,198</b>	<b>2,607</b>	<b>2,180</b>	<b>3,413</b>	<b>3,357</b>	<b>2,212</b>	<b>1,540</b>	<b>-29.3%</b>	<b>-30.4%</b>
Tax	540	370	573	365	670	726	476	520	42.4%	9.3%
Tax rate (%)	18.7%	16.8%	22.0%	16.8%	19.6%	21.6%	21.5%	33.8%		
<b>Profit after tax (before minority interest)</b>	<b>2,344</b>	<b>1,828</b>	<b>2,034</b>	<b>1,814</b>	<b>2,743</b>	<b>2,631</b>	<b>1,736</b>	<b>1,020</b>	<b>-43.8%</b>	<b>-41.2%</b>
<b>QAAUM (Rs tr)</b>	<b>2.48</b>	<b>2.67</b>	<b>2.73</b>	<b>2.91</b>	<b>3.11</b>	<b>3.43</b>	<b>3.52</b>	<b>3.40</b>	<b>16.8%</b>	<b>-3.6%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

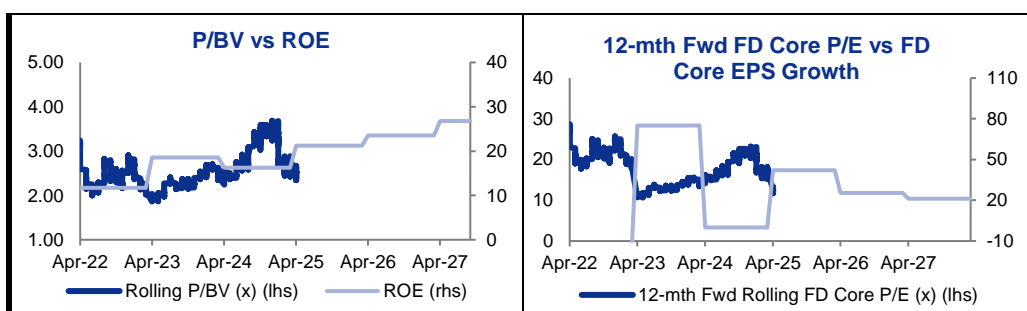
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	24,847	24,158	-2.8%	30,169	29,338	-2.8%		35,198	
PAT	10,808	10,383	-3.9%	13,524	13,024	-3.7%		15,786	
EPS (Rs)	85.1	85.5	0.5%	107	107.3	0.7%		130.0	
Dividend payout (%)	50.0	50.0	0.0%	50	50.0	0.0%		50.0	
QAAUM (Rs tr)	4.3	4.2	-1.9%	5	5.1	-2.7%		6.1	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

### 4QFY25 earnings-call highlights ►

- UTI AMC has added 68 branches in tier-2 and tier-3 cities in FY25 at a minimum additional cost by utilizing its existing resources.
- Implemented the Salesforce platform for investors and mutual fund distributors to engage in personalized communication.
- The product pipeline includes a multi-cap fund already open for subscription and other passive funds (ETF and index funds).
- The combined yield on equity and hybrid funds was 75bp, on debt funds it was 22-23bp, on liquid funds it was ~9-10bp and on liquid funds it was ~5-6bp.
- Consolidated employee costs could increase by 400-500bp yoy in FY26F led by expansion in MF, UTI International and UTI Pension businesses.
- In UTI International, the company is expanding its presence in the US and Europe.

## BY THE NUMBERS



### Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
<b>Total Non-Interest Income</b>	<b>17,370</b>	<b>18,511</b>	<b>24,055</b>	<b>29,221</b>	<b>35,065</b>
Operating Revenue	17,439	18,599	24,158	29,338	35,198
<b>Total Non-Interest Expenses</b>					
Pre-provision Operating Profit	9,868	10,522	14,264	17,742	21,284
<b>Total Provision Charges</b>					
Operating Profit After Provisions	9,868	10,522	14,264	17,742	21,284
<b>Pretax Income/(Loss) from Assoc.</b>					
Operating EBIT (incl Associates)	9,868	10,522	14,264	17,742	21,284
<b>Non-Operating Income/(Expense)</b>					
Profit Before Tax (pre-EI)	9,868	10,522	14,264	17,742	21,284
<b>Exceptional Items</b>					
Pre-tax Profit	9,868	10,522	14,264	17,742	21,284
Taxation	(1,848)	(2,392)	(3,067)	(3,903)	(4,682)
Consolidation Adjustments & Others					
<b>Exceptional Income - post-tax</b>					
Profit After Tax	8,020	8,130	11,198	13,839	16,601
Minority Interests	(364)	(815)	(815)	(815)	(815)
Pref. & Special Div					
<b>FX And Other Adj.</b>					
Net Profit	7,657	7,315	10,383	13,024	15,786
Recurring Net Profit					

### Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	7.1%	7.5%	9.6%	10.6%	6.2%
<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					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<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>3,117</b>	<b>3,037</b>	<b>3,080</b>	<b>3,125</b>	<b>3,172</b>
<b>Total Non-Interest Earning Assets</b>	<b>5,896</b>	<b>5,854</b>	<b>5,954</b>	<b>6,056</b>	<b>6,162</b>
Cash And Marketable Securities	3,200	5,045	6,423	7,666	1,032
<b>Long-term Investments</b>	<b>44,283</b>	<b>45,575</b>	<b>50,133</b>	<b>56,148</b>	<b>62,886</b>
Total Assets	53,379	56,474	62,509	69,871	70,080
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,678	4,981	5,171	5,370	5,580
Total Liabilities	3,678	4,981	5,171	5,370	5,580
Shareholders Equity	43,882	45,991	51,726	58,889	58,889
<b>Minority Interests</b>	<b>5,850</b>	<b>5,612</b>	<b>5,612</b>	<b>5,612</b>	<b>5,612</b>
Total Equity	49,732	51,603	57,338	64,501	64,501

### Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	35.2%	6.7%	29.9%	21.4%	20.0%
Pretax Profit Growth	69%	7%	36%	24%	20%
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	18.7%	22.7%	21.5%	22.0%	22.0%
Net Dividend Payout Ratio	36.5%	79.7%	52.6%	51.3%	50.0%
Return On Average Assets	16.10%	13.32%	17.45%	19.68%	22.56%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.