

India

ADD (no change)

Consensus ratings*: Buy 11 Hold 5 Sell 3

Current price:	Rs1,416
Target price:	Rs1,600 ▲
Previous target:	Rs1,300
Up/downside:	13.0%
InCred Research / Consensus:	22.3%
Reuters:	UTIA.NS
Bloomberg:	UTIAM IN
Market cap:	US\$2,098m Rs181,301m
Average daily turnover:	US\$3.5m Rs306.5m
Current shares o/s:	127.9m
Free float:	32.4%

*Source: Bloomberg

Key changes in this note

- Increase AUM growth for FY27F & FY28F to incorporate the better long-term outlook.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.7	26.0	39.2
Relative (%)	12.5	21.4	35.6

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

Research Analyst(s)

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UTI AMC

Corporate-dominated flows; high MTM gains

- UTI AMC reported an in-line 1QFY26 operating profit and higher treasury gains which led to PAT beat at Rs2.4bn, up 2.7x qoq.
- Net inflow was strong at Rs99bn vs. Rs7bn qoq, mostly corporate-driven, in ETF, liquid and debt fund segments. SIP inflow up 22% yoy/2% qoq at Rs23bn.
- We appreciate market share gains in other categories; however, equity fund inflow is crucial. Retain ADD with Rs1,600 TP on favourable risk-reward ratio.

Strong capital market gains significantly elevate PAT margin

UTI AMC reported a strong 1QFY26 PAT of Rs2.4bn (down 7% yoy and up 2.7x qoq) on account of very strong treasury gains of Rs1.5bn. Mutual fund yields remained largely flat qoq at ~34bp. Net sales stood at Rs99bn, down 30% yoy but up from Rs7bn qoq led by corporate-driven segments such as ETF & index funds, liquid schemes, and debt funds. Asset management revenue was up 13% yoy and 5% qoq at Rs3.8bn aided by strong other income of Rs1.7bn, but down from Rs2bn yoy and up from Rs158m qoq. As a result, total revenue was up 3% yoy and 46% qoq. Total operating expenses were up 16% yoy & flat qoq.

Strong market share gains in ETF & debt funds, equity funds slack

UTI AMC reported mutual fund QAAUM growth of 16% yoy and 6% qoq at Rs3.6tr led by ETF & index schemes (up 22% yoy and 10% qoq) and debt schemes (up 26% yoy & 4% qoq), accounting for 53.4% of total mutual fund QAAUM cumulatively. Equity funds moved at a relatively slower pace, up 7% yoy and 4% qoq, contributing 26.3% to total mutual fund QAAUM. The company shed 4bp market share in 1QFY26 to stand at 5% of the industry QAAUM. The decline was led by a 2pp qoq drop in hybrid schemes which was partially offset by a 3pp qoq rise in ETF market share. Within the non-mutual fund book, UTI Retirement Solution grew by 20% yoy and 6% qoq while PMS grew by 11% yoy and 3% qoq.

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 strengthening the operating performance, and a favourable risk-reward ratio. We maintain our ADD rating on the stock with a higher target price of Rs1,600 (Rs1,300 earlier), corresponding to ~18x 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)	11,821	14,453	17,001	20,643	24,791
Operating Revenue (Rsm)	17,439	18,599	22,684	26,602	32,281
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	7,657	7,315	9,685	11,269	13,636
Core EPS (Rs)	60.26	57.35	75.94	88.35	106.90
Core EPS Growth	75%	(5%)	32%	16%	21%
FD Core P/E (x)	23.49	24.68	18.64	16.02	13.24
DPS (Rs)	22.00	48.00	65.00	75.00	90.00
Dividend Yield	1.55%	3.39%	4.59%	5.30%	6.36%
BVPS (Rs)	345.4	360.6	393.7	422.9	460.0
P/BV (x)	4.10	3.93	3.60	3.35	3.08
ROE	18.5%	16.3%	20.1%	21.6%	24.2%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary (Rs m)

Rs m	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Revenue from operations	3,368	3,730	3,754	3,602	3,793	12.6%	5.3%
Other income	1,970	1,671	451	158	1,693	-14.0%	974.4%
Total revenue (Rs m)	5,337	5,401	4,205	3,759	5,486	2.8%	45.9%
Total expenditure	1,924	2,044	1,993	2,219	2,226	15.7%	0.3%
<i>Cost-to-income (%)</i>	<i>36.1%</i>	<i>37.8%</i>	<i>47.4%</i>	<i>59.0%</i>	<i>40.6%</i>		
Profit before tax	3,413	3,357	2,212	1,540	3,260	-4.5%	111.7%
Tax	670	726	476	520	722	7.7%	38.7%
<i>Tax rate (%)</i>	<i>19.6%</i>	<i>21.6%</i>	<i>21.5%</i>	<i>33.8%</i>	<i>22.1%</i>		
Profit after tax	2,743	2,631	1,736	1,020	2,539	-7.5%	148.9%
QAAUM (Rs tr)	3.1	3.4	3.5	3.4	3.6	16.1%	6.2%
Equity	0.9	1.0	1.0	0.9	0.9	7.1%	4.4%
<i>% of mutual fund's QAUM</i>	<i>28.5%</i>	<i>28.8%</i>	<i>27.5%</i>	<i>26.7%</i>	<i>26.3%</i>		
Hybrid	0.3	0.3	0.3	0.3	0.3	19.8%	4.4%
<i>% of mutual fund's QAUM</i>	<i>8.8%</i>	<i>8.9%</i>	<i>9.0%</i>	<i>9.3%</i>	<i>9.1%</i>		
Debt	0.3	0.3	0.3	0.4	0.4	26.2%	4.1%
<i>% of mutual fund's QAUM</i>	<i>9.6%</i>	<i>9.2%</i>	<i>9.8%</i>	<i>10.6%</i>	<i>10.4%</i>		
Liquid	0.4	0.4	0.4	0.4	0.4	7.5%	1.6%
<i>% of mutual fund's QAUM</i>	<i>12.1%</i>	<i>10.8%</i>	<i>11.4%</i>	<i>11.8%</i>	<i>11.2%</i>		
ETF & Index	1.3	1.5	1.5	1.4	1.6	21.9%	9.6%
<i>% of mutual fund's QAUM</i>	<i>40.9%</i>	<i>42.4%</i>	<i>42.3%</i>	<i>41.6%</i>	<i>43.0%</i>		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our earnings revision summary

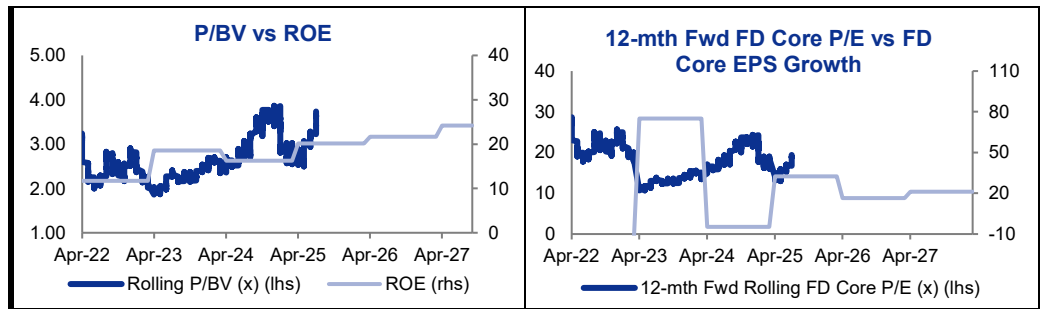
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	22,468	22,684	1.0%	28,243	26,602	-5.8%	32,640	32,281	-1.1%
PAT	9,594	9,685	1.0%	13,237	11,269	-14.9%	15,789	13,636	-13.6%
EPS (Rs)	75.2	75.9	1.0%	104	88.3	-14.9%	124	106.9	-13.6%
Dividend payout (%)	85.0	85.0	0.0%	85	85.0	0.0%	85	85.0	0.0%
QAAUM (Rs tr)	4.2	4.2	0.9%	5	5.0	5.2%	6	6.2	9.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY26 earnings-call highlights ►

- The share of T-30 states moved up by 2pp qoq and is currently contributing 80% to total AUM, indicating continued dominance by the corporate sector.
- Systematic investment plan or SIP AUM grew by 12% qoq, after a consistent decline for the last two quarters.
- Live SIP portfolios are steadily moving up, currently at 13.5m (up 2% qoq) while the monthly SIP inflow grew by 2% qoq.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
Total Non-Interest Income	11,821	14,453	17,001	20,643	24,791
Operating Revenue	17,439	18,599	22,684	26,602	32,281
Total Non-Interest Expenses					
Pre-provision Operating Profit	9,868	10,522	13,312	15,346	18,385
Total Provision Charges					
Operating Profit After Provisions	9,868	10,522	13,312	15,346	18,385
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	9,868	10,522	13,312	15,346	18,385
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	9,868	10,522	13,312	15,346	18,385
Exceptional Items					
Pre-tax Profit	9,868	10,522	13,312	15,346	18,385
Taxation	(1,848)	(2,392)	(2,947)	(3,397)	(4,069)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	8,020	8,130	10,366	11,949	14,316
Minority Interests	(364)	(815)	(680)	(680)	(680)
Pref. & Special Div					
FX And Other Adj.					
Net Profit	7,657	7,315	9,685	11,269	13,636
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%	4.2%		
Avg Liquid Assets/Avg IEAs					
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans					
Provision Charge/Avg Assets					
Total Write Offs/Average Assets					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans					
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets					
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets					
Intangible Assets					
Other Non-Interest Earning Assets	3,117	3,037			
Total Non-Interest Earning Assets	5,896	5,854			
Cash And Marketable Securities	3,200	5,045			
Long-term Investments	44,283	45,575	63,381	76,584	95,475
Total Assets	53,379	56,474	63,381	76,584	95,475
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	2,794	3,155	3,516
Total Liabilities	3,678	4,981	2,794	3,155	3,516
Shareholders Equity	43,882	45,991	50,220	53,937	58,674
Minority Interests	5,850	5,612			
Total Equity	49,732	51,603	50,220	53,937	58,674

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	35.2%	6.7%	22.0%	17.3%	21.3%
Pretax Profit Growth	69%	7%	27%	15%	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%	22.1%	22.1%	22.1%
Net Dividend Payout Ratio	36.5%	83.7%	85.6%	84.9%	84.2%
Return On Average Assets	16.10%	13.32%	16.16%	16.10%	15.85%

SOURCES: 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.

Country Ratings

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.