

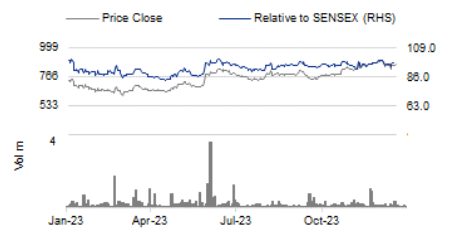
India

ADD (no change)

Consensus ratings*: Buy 9 Hold 3 Sell 3	
Current price:	Rs867
Target price:	Rs1,050
Previous target:	Rs1,050
Up/downside:	21.1%
InCred Research / Consensus:	12.4%
Reuters:	UTIA.NS
Bloomberg:	UTIAM IN
Market cap:	US\$1,327m Rs110,296m
Average daily turnover:	US\$1.7m Rs142.8m
Current shares o/s:	0.0m
Free float:	46.0%
*Source: Bloomberg	

Key changes in this note

- Consistent loss in market share (total as well as equity) remains a problem. The share in equity AUM dipped to ~4.02% from ~4.25% in Sep 2023.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.0	15.3	17.4
Relative (%)	(0.8)	1.2	(1.7)

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

UTI AMC

Healthy earnings despite market share loss

- UTI AMC posted a better-than-estimated 3QFY24 PAT of Rs2.03bn (our est: Rs1.63bn) amid sequential flat yields and well-managed operating expenses.
- However, the consistent loss in market share (total as well as equity) remains a problem. The share of equity AUM fell to ~4.02% from ~4.25% in Sep 2023.
- We keep our estimates intact but remain positive on UTI AMC amid the undertone of likely acquisition. We retain our ADD rating with a TP of Rs1,050.

Yields flat sequentially aided by a rise in the share of equity AUM

UTI AMC witnessed sequentially flat yields at ~17bp amid a rise in equity and exchange traded fund or ETF AUM, which resulted in a profitability beat in 3QFY24. The company posted a better-than-estimated PAT of Rs2.03bn against our estimate of Rs1.63bn amid sequential flat yields & well-managed operating expenses. UTI reported ~2.3% growth in AUM sequentially to Rs2.72tr, whereby the spurt was mainly visible in equity AUM (+2.8% qoq), which is also attributable to the recent capital market gains.

Market share trend is disappointing across portfolios

UTI AMC reported a dip in its overall market share sequentially to ~5.54% against 5.68% last quarter, despite a sequential improvement in QAAUM. Equity AUM witnessed a sequential decline in market share to ~4.02% from ~4.25% last quarter.

Privatization on cards – probability of stake acquisition from PSUs

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 schemes, but the impact on revenue yields due to the change in the Securities and Exchange Board of India or SEBI norms remains uncertain. However, even post recent run-up, asset management companies or AMCs continue to enjoy attractive risk-reward ratios. We believe SEBI's new TER (Total Expense Ratio) norms will be applicable only from FY25F. We keep our estimates intact but remain positive for the company amid the undertone of its likely acquisition. We retain our ADD rating on the stock with a target price of Rs1,050, corresponding to ~18x FY25F EPS. Key downside risks: Lower growth and industry-related risks.

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Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income (Rs m)	0	0	0	0	0
Total Non-Interest Income (Rs m)	13,189	12,669	17,969	17,795	19,954
Operating Revenue (Rs m)	13,271	12,901	18,016	17,850	20,017
Total Provision Charges (Rs m)	0	0	0	0	0
Net Profit (Rs m)	5,341	4,374	8,329	7,283	8,613
Core EPS (Rs)	42.12	34.46	65.64	57.39	67.88
Core EPS Growth	8%	(18%)	90%	(13%)	18%
FD Core P/E (x)	20.58	25.15	13.21	15.10	12.77
DPS (Rs)	21.00	22.00	45.00	45.00	55.00
Dividend Yield	2.42%	2.54%	5.19%	5.19%	6.35%
BVPS (Rs)	284.4	304.8	325.6	338.2	351.3
P/BV (x)	3.05	2.84	2.66	2.56	2.47
ROE	15.6%	11.7%	20.8%	17.3%	19.7%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Revenue from operations	2,931	4,358	2,952	3,007	4,678	4,041	4,491	52.1%	11.1%
Other income	129	41	-18	80	8	15	12		
Total revenue (Rs m)	3,060	4,399	2,934	3,087	4,686	4,056	4,502	53.5%	11.0%
Total expenditure	1,995	1,774	1,910	1,913	1,802	1,858	1,893	-0.9%	1.9%
<i>Cost-to-income (%)</i>	65.2%	40.3%	65.1%	62.0%	38.4%	45.8%	42.1%		
Profit before tax	1,065	2,626	1,024	1,174	2,884	2,198	2,609	154.8%	18.7%
Tax	121	597	424	317	540	370	573	35.2%	55.2%
<i>Tax rate (%)</i>	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%		
Profit after tax	944	2,028	600	857	2,344	1,828	2,036	239.2%	11.3%
QAAUM (Rs tr)	2.24	2.34	2.41	2.39	2.48	2.67	2.73	13.3%	2.3%

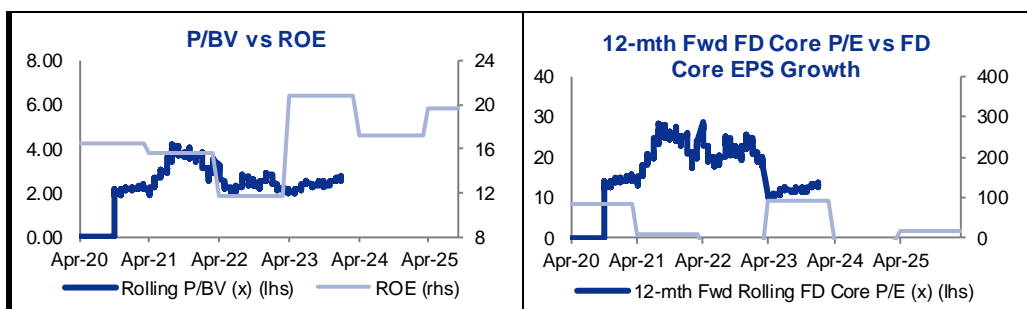
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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	17,142	18,016	5.1%	17,969	17,850	-0.7%	19,480	20,017	2.8%
PAT	7,643	8,329	9.0%	7,342	7,283	-0.8%	8,255	8,613	4.3%
EPS (Rs)	60.2	65.6	9.0%	57.9	57.4	-0.8%	65.0	67.9	4.3%
Dividend payout (%)	70.0	70.0	0.0%	80.0	80.0	0.0%	80.0	80.0	0.0%
QAAUM (Rs tr)	2.7	2.7	0.9%	3.2	3.2	0.9%	3.7	3.7	0.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss					
(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Interest Income					
Total Non-Interest Income	13,189	12,669	17,969	17,795	19,954
Operating Revenue	13,271	12,901	18,016	17,850	20,017
Total Non-Interest Expenses	(6,303)				
Pre-provision Operating Profit	6,600	5,856	10,186	9,249	11,073
Total Provision Charges					
Operating Profit After Provisions	6,600	5,856	10,186	9,249	11,073
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	6,600	5,856	10,186	9,249	11,073
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	6,600	5,856	10,186	9,249	11,073
Exceptional Items					
Pre-tax Profit	6,600	5,856	10,186	9,249	11,073
Taxation	(1,256)	(1,459)	(1,834)	(1,942)	(2,436)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,344	4,397	8,353	7,307	8,637
Minority Interests	(3)	(23)	(23)	(23)	(23)
Prof. & Special Div					
FX And Other Adj.					
Net Profit	5,341	4,374	8,329	7,283	8,613
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%	9.5%	10.0%	9.4%
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					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
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	2,701	2,147	2,204	2,263	2,326
Total Non-Interest Earning Assets	6,108	5,699	5,827	5,960	6,096
Cash And Marketable Securities	3,983	3,572	4,595	4,492	4,368
Long-term Investments	29,782	32,479	34,103	35,808	37,599
Total Assets	39,873	41,751	44,525	46,260	48,063
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	41,322	42,918	44,575
Minority Interests	114				
Total Equity	36,177	38,680	41,322	42,918	44,575

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Income Growth					
Operating Profit Growth	9.1%	85.1%	39.6%	(0.9%)	12.1%
Pretax Profit Growth	9%	(11%)	74%	(9%)	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	19.0%	24.9%	18.0%	21.0%	22.0%
Net Dividend Payout Ratio	49.9%	63.8%	68.6%	78.4%	81.0%
Return On Average Assets	13.96%	10.72%	19.31%	16.05%	18.26%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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