

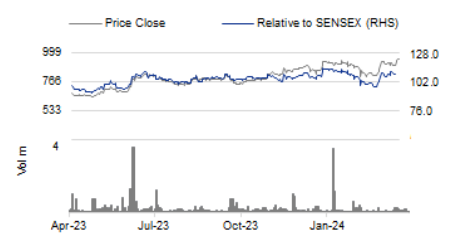
India

ADD (no change)

Consensus ratings*: Buy 9 Hold 3 Sell 3	
Current price:	Rs947
Target price: ▲	Rs1,100
Previous target:	Rs1,050
Up/downside:	16.2%
InCred Research / Consensus:	16.0%
Reuters:	UTIA.NS
Bloomberg:	UTIAM IN
Market cap:	US\$1,447m Rs120,570m
Average daily turnover:	US\$2.1m Rs178.1m
Current shares o/s:	0.0m
Free float:	46.0%
*Source: Bloomberg	

Key changes in this note

► The overall market share for UTI AMC dipped to ~5.37% against ~5.54% whereas the share of equity funds dipped to ~3.68% vs. ~3.98% as of Dec 2023.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	15.4	10.3	42.2
Relative (%)	12.5	4.9	15.4

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

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UTI AMC

Loss of market share is an area of concern

- UTI AMC reported 4Q PAT of Rs1.6bn, below our estimate of Rs2.2bn, amid pressure on revenue yields (-2bp qoq) & elevated expenses (+7% qoq).
- Overall market share for UTI AMC dipped to ~5.37% against ~5.54% whereas the share of equity funds declined to ~3.68% vs. ~3.98% as of end-Dec 2023.
- We like UTI AMC amid its steady inflow, rising operating efficiency and favourable risk-reward ratio. Retain ADD rating with a higher TP of Rs1,100.

Profitability impacted by lower revenue yields, higher expenses

UTI AMC reported 4QFY24 PAT of Rs1.81bn (-11.8% qoq), lower than our estimate of Rs2.2bn, due to lower revenue yields as the growth in better-yield equity AUM (+20.3% yoy) was slower than the growth in low-yield ETF AUM (+39.3% yoy) in FY24. The consistent loss of market share in equity fund AUM continues to remain a cause of concern as the company needs to address the same to gain yield momentum. The company also reported a qoq spurt in operating expenses by ~7% amid elevated employee expenses, which grew by ~11% sequentially. The company's management has been trying to moderate operating expenses, but the actual trend continues to remain adverse.

Market share trend disappointing across portfolios

UTI AMC reported a decline in overall market share sequentially to ~5.37% against ~5.54% in Dec 2023 as mutual fund QAAUM stood at Rs2.91tr (+21.8% yoy) as of Mar 2024. Overall equity fund AUM of the company grew by ~5.1% yoy whereas the hybrid fund declined by ~20.2% yoy. This resulted in a loss in equity fund market share to ~3.68% against ~3.98% last quarter. The company witnessed a marginal improvement in debt fund AUM to ~3.24% against ~3.16% in Dec 2023 and similarly, the market share in exchange traded funds or ETFs improved to ~13.2% against ~13.1% in Dec 2023.

Privatization on the cards – chances of stake acquisition from PSBs

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. With the rising importance of financial savings among Indian households along with under-penetration and concentrated business model of mutual funds, the outlook for AMCs in India remains buoyant. Considering improving efficiency of UTI AMC, T Rowe Price (already being an investment manager) can opt to buy out majority stake from public sector banks or PSBs (the easiest route) and can become the promoter.

Outlook and valuation

We like UTI AMC considering its schemes' improving performance leading to steady inflow and healthy AUM, rationalization of operating expenses strengthening operating performance and a favourable risk-reward ratio. We retain ADD rating on the stock with a higher target price of Rs1,100 (Rs1,050 earlier), corresponding to ~13.4x FY26F EPS. Key downside risks: Lower growth and weak yields impacting profitability.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Non-Interest Income (Rsm)	12,669	17,370	20,609	24,054	28,306
Operating Revenue (Rsm)	12,901	17,447	20,700	24,160	28,426
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	4,374	7,657	8,851	10,419	12,171
Core EPS (Rs)	34.46	60.26	69.66	82.00	95.79
Core EPS Growth	(18%)	75%	16%	18%	17%
FD Core P/E (x)	27.49	15.72	13.60	11.55	9.89
DPS (Rs)	22.00	22.00	35.00	40.00	50.00
Dividend Yield	2.32%	2.32%	3.69%	4.22%	5.28%
BVPS (Rs)	304.8	345.4	382.9	427.7	476.4
P/BV (x)	3.11	2.74	2.47	2.22	1.99
ROE	11.7%	18.5%	19.1%	20.2%	21.2%
% 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	4QFY24	YoY (%)	QoQ (%)
Revenue from operations	2,931	4,358	2,952	3,007	4,678	4,041	4,491	4,161	38.4%	-7.3%
Other income	129	41	-18	80	8	15	12	42		
Total revenue (Rs m)	3,060	4,399	2,934	3,087	4,686	4,056	4,502	4,203	36.2%	-6.6%
Total expenditure	1,995	1,774	1,910	1,913	1,802	1,858	1,895	2,024	5.8%	6.8%
<i>Cost to Income (%)</i>	65.2%	40.3%	65.1%	62.0%	38.4%	45.8%	42.1%	48.1%		
Profit before tax	1,065	2,626	1,024	1,174	2,884	2,198	2,607	2,180	85.6%	-16.4%
Tax	121	597	424	317	540	370	573	365	15.1%	-36.3%
<i>Tax rate (%)</i>	22.9%	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	2,034	1,814	111.7%	-10.8%
QAAUM (Rs tn)	2.24	2.34	2.41	2.39	2.48	2.67	2.73	2.91	21.8%	6.6%

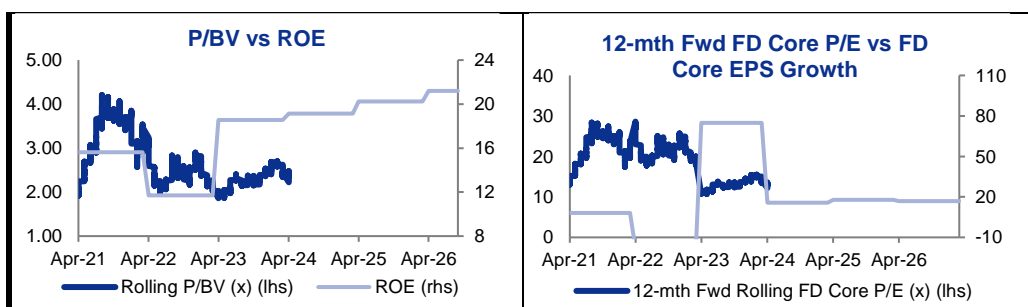
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	17,850	20,700	16.0%	20,017	24,160	20.7%	NA	28,426	NA
PAT	7,283	8,851	21.5%	8,613	10,419	21.0%	NA	12,171	NA
EPS (Rs)	57.4	69.7	21.4%	67.9	82.0	20.8%	NA	95.8	NA
Dividend payout (%)	80.0	50.0	-37.5%	80.0	50.0	-37.5%	NA	50.0	NA
QAAUM (Rs tn)	3.2	3.4	7.8%	3.7	4.1	10.5%	NA	4.9	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income					
Total Non-Interest Income	12,669	17,370	20,609	24,054	28,306
Operating Revenue	12,901	17,447	20,700	24,160	28,426
Total Non-Interest Expenses					
Pre-provision Operating Profit	5,856	9,868	11,664	13,824	16,070
Total Provision Charges					
Operating Profit After Provisions	5,856	9,868	11,664	13,824	16,070
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	5,856	9,868	11,664	13,824	16,070
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,856	9,868	11,664	13,824	16,070
Exceptional Items					
Pre-tax Profit	5,856	9,868	11,664	13,824	16,070
Taxation	(1,459)	(1,848)	(2,449)	(3,041)	(3,535)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	4,397	8,020	9,214	10,783	12,535
Minority Interests	(23)	(364)	(364)	(364)	(364)
Pref. & Special Div					
FX And Other Adj.					
Net Profit	4,374	7,657	8,851	10,419	12,171
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	9.3%	7.1%	6.9%	8.1%	8.1%
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-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
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	2,147	3,117	3,165	3,216	3,268
Total Non-Interest Earning Assets	5,699	5,896	5,999	6,106	6,217
Cash And Marketable Securities	3,572	3,200	4,501	5,468	5,390
Long-term Investments	32,479	44,283	47,826	52,609	58,922
Total Assets	41,751	53,379	58,326	64,182	70,528
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,071	3,678	3,827	3,983	4,147
Total Liabilities	3,071	3,678	3,827	3,983	4,147
Shareholders Equity	38,680	43,882	48,649	54,349	60,531
Minority Interests	5,850	5,850	5,850	5,850	5,850
Total Equity	38,680	49,732	54,499	60,199	66,381

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	85.1%	35.2%	18.6%	16.7%	17.7%
Pretax Profit Growth	(11%)	69%	18%	19%	16%
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	24.9%	18.7%	21.0%	22.0%	22.0%
Net Dividend Payout Ratio	63.8%	36.5%	50.2%	48.8%	52.2%
Return On Average Assets	10.72%	16.10%	15.85%	17.01%	18.07%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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