

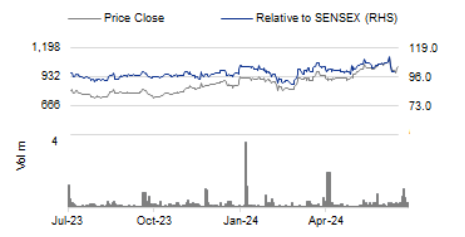
India

ADD (no change)

Consensus ratings*: Buy 7 Hold 3 Sell 3	
Current price:	Rs1,027
Target price: ▲	Rs1,200
Previous target:	Rs1,100
Up/downside:	16.8%
InCred Research / Consensus:	11.2%
Reuters:	UTIA.NS
Bloomberg:	UTIAM IN
Market cap:	US\$1,563m Rs130,864m
Average daily turnover:	US\$2.7m Rs226.1m
Current shares o/s:	0.0m
Free float:	46.0%
*Source: Bloomberg	

Key changes in this note

- Overall market share for UTI AMC dipped to ~5.27% from ~5.37% whereas the share of equity funds dipped to ~3.45% vs. ~3.68% as of Mar 2024-end.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.3	7.7	28.7
Relative (%)	1.6	(0.8)	7.3

Major shareholders	% held
T ROWE PRICE	22.9
PNB	15.2
SBI	10.0

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UTI AMC

Concerns remain over loss of market share

- UTI AMC has reported a superior PAT of Rs2.74bn (+51% qoq) led by improved yields (+3bp) & similar moderation in the expense ratio to ~26bp.
- Overall market share for UTI AMC dipped to ~5.27% against ~5.37% whereas the share of equity funds dipped to ~3.45% vs ~3.68% as of Mar 2024-end.
- We like UTI AMC for its steady inflow, rising operating efficiency & favourable risk-reward ratio. Retain ADD rating with a target price of Rs1,200.

Profitability healthy led by improved revenue yield, lower expenses

UTI AMC reported a superior 1QFY25 PAT of Rs2.74bn (+51% qoq) led by improved revenue yield on the back of growth in better yield equity funds' AUM (+21.7% yoy) and hybrid funds' AUM (+29.7% yoy) whereas the overall expenses were well managed, down by ~5% qoq. Management has been trying to moderate operating expenses, which was visible during the quarter, but sustainability of the same is a key monitorable.

Market share trend disappointing across portfolios

UTI AMC reported a decline in its overall market share sequentially at ~5.27% against ~5.37% in Mar 2024 as mutual fund QAAUM stood at Rs3.11tr (+25.2% yoy) in Jun 2024. Overall equity fund AUM for the company grew by ~21.7% yoy whereas hybrid funds, AUM rose by ~29.7% yoy. This resulted in a loss in equity market share to ~3.45% from ~3.68% last quarter. The company witnessed flat market share movement in debt funds' AUM at ~3.22% and, similarly, market share in ETFs improved to ~13.3% vs. ~13.2% in Mar 2024.

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

Outlook and valuation

We like UTI AMC considering the improving performance of its schemes leading to steady inflow and healthy AUM, rationalization of operating expenses to strengthen operating performance and a favourable risk-reward ratio. We retain ADD rating on the stock with a higher target price of Rs1,200 (Rs1,100 earlier), corresponding to ~13.8x 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	21,306	25,672	30,217
Operating Revenue (Rsm)	12,901	17,447	21,538	25,941	30,523
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	4,374	7,657	9,081	11,035	12,954
Core EPS (Rs)	34.46	60.26	71.47	86.85	101.95
Core EPS Growth	(18%)	75%	19%	22%	17%
FD Core P/E (x)	29.81	17.05	14.37	11.83	10.08
DPS (Rs)	22.00	22.00	35.00	45.00	50.00
Dividend Yield	2.14%	2.14%	3.41%	4.38%	4.87%
BVPS (Rs)	304.8	345.4	387.5	435.1	492.8
P/BV (x)	3.37	2.97	2.65	2.36	2.08
ROE	11.7%	18.5%	19.5%	21.1%	22.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings estimates

Rs m	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Revenue from operations	2,931	4,358	2,952	3,007	4,678	4,041	4,491	4,161	5,292	13.1%	27.2%
Other income	129	41	-18	80	8	15	12	42	45		
Total revenue (Rs m)	3,060	4,399	2,934	3,087	4,686	4,056	4,502	4,203	5,337	13.9%	27.0%
Total expenditure	1,995	1,774	1,910	1,913	1,802	1,858	1,895	2,024	1,924	6.8%	-4.9%
Cost-to-income (%)	65.2%	40.3%	65.1%	62.0%	38.4%	45.8%	42.1%	48.1%	36.1%		
Profit before tax	1,065	2,626	1,024	1,174	2,884	2,198	2,607	2,180	3,413	18.3%	56.6%
Tax	121	597	424	317	540	370	573	365	670	24.1%	83.5%
Tax rate (%)	11.3%	22.8%	41.4%	27.0%	18.7%	16.8%	22.0%	16.8%	19.6%		
Profit after tax	944	2,028	600	857	2,344	1,828	2,034	1,814	2,743	17.0%	51.2%
QAAUM (Rs tr)	2.24	2.34	2.41	2.39	2.48	2.67	2.73	2.91	3.11	25.2%	6.8%

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	21,407	21,538	0.6%	25,546	25,941	1.5%	30,051	30,523	1.6%
PAT	8,721	9,081	4.1%	10,727	11,035	2.9%	12,585	12,954	2.9%
EPS (Rs)	68.6	71.5	4.1%	84.4	86.8	2.9%	99	101.9	2.9%
Dividend payout (%)	50.0	50.0	0.0%	50.0	50.0	0.0%	50	50.0	0.0%
QAAUM (Rs tr)	3.6	3.6	0.0%	4.3	4.3	0.0%	5	5.2	0.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

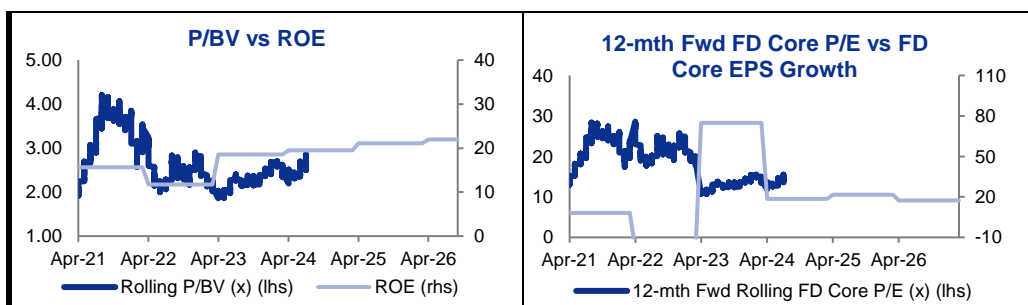
Figure 3: InCred BFSI coverage universe

Banks	Rating	CMP(Rs)	TP(Rs)	P/B(X) (at TP)			ROA(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
SBI **	ADD	848	1,000	2.1	1.8	1.6	1.0%	1.1%	1.1%	16.3%	17.2%	17.6%
HDFC Bank **	ADD	1,616	2,000	3.1	2.8	2.6	1.9%	2.0%	2.0%	15.4%	16.3%	16.9%
ICICI Bank	ADD	1,197	1,300	3.5	3.0	2.6	2.3%	2.2%	2.3%	17.7%	17.3%	17.7%
Axis Bank	HOLD	1,175	1,300	2.0	1.7	1.5	1.7%	1.7%	1.7%	16.8%	16.0%	16.3%
IndusInd Bank	HOLD	1,379	1,650	1.8	1.6	1.4	1.7%	1.7%	1.7%	14.1%	14.4%	14.8%
NBFCs	Rating	CMP(Rs)	TP(Rs)	P/B(X) (at TP)			ROA(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Bajaj Finance	ADD	6,647	9,000	6.0	5.1	4.2	4.2%	4.4%	4.5%	21.0%	23.5%	25.4%
Cholamandalam Finance	ADD	1,363	1,400	5.0	4.1	3.4	2.5%	2.5%	2.5%	21.0%	21.8%	22.5%
MMFS **	ADD	289	370	2.4	2.2	2.0	1.8%	1.9%	2.0%	12.3%	14.0%	15.7%
Shriram Finance **	ADD	2,679	2,950	2.0	1.7	1.4	3.4%	3.5%	3.5%	16.9%	17.3%	17.9%
SBI Cards **	REDUCE	730	500	3.4	2.9	2.5	3.6%	3.2%	3.0%	17.8%	16.6%	16.3%
Aavas Financiers	ADD	1,778	2,000	3.5	3.0	2.6	3.3%	2.9%	2.9%	14.7%	14.1%	14.9%
Home First Finance	ADD	1,030	1,100	4.2	3.7	3.2	3.4%	3.4%	3.4%	16.2%	17.7%	19.3%
Spandana Spoorthy	ADD	699	1,300	2.1	1.8	1.5	4.4%	4.6%	4.6%	16.7%	17.9%	18.2%
Fusion Micro Finance	HOLD	438	580	1.7	1.4	1.1	4.7%	4.7%	4.7%	19.4%	19.6%	19.7%
AMCs	Rating	CMP(Rs)	TP(Rs)	P/E(X) (at TP)			ROAUM(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Nippon AMC	ADD	639	800	35.7	29.5	23.7	0.28%	0.26%	0.25%	35.2%	41.8%	50.7%
HDFC AMC	HOLD	4,058	4,250	33.5	29.9	25.3	0.37%	0.35%	0.35%	32.8%	34.2%	37.3%
UTI AMC	ADD	1,027	1,200	16.8	13.8	11.8	0.30%	0.30%	0.29%	19.5%	21.1%	22.0%
ABSL AMC**	ADD	697	950	26.9	22.0	18.2	0.27%	0.27%	0.27%	29.9%	32.0%	33.9%
Insurance	Rating	CMP(Rs)	TP(Rs)	P/EV (X) (at TP)			Return on EV (%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
SBI Life Insurance	HOLD	1695	1750	2.5	2.2	1.8	18.9%	18.5%	18.1%	15.4%	16.6%	16.2%

note: ** High Conviction

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	21,306	25,672	30,217
Operating Revenue	12,901	17,447	21,538	25,941	30,523
Total Non-Interest Expenses					
Pre-provision Operating Profit	5,856	9,868	12,416	15,079	17,539
Total Provision Charges					
Operating Profit After Provisions	5,856	9,868	12,416	15,079	17,539
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	5,856	9,868	12,416	15,079	17,539
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,856	9,868	12,416	15,079	17,539
Exceptional Items					
Pre-tax Profit	5,856	9,868	12,416	15,079	17,539
Taxation	(1,459)	(1,848)	(2,607)	(3,317)	(3,859)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	4,397	8,020	9,808	11,762	13,681
Minority Interests	(23)	(364)	(727)	(727)	(727)
Pref. & Special Div					
FX And Other Adj.					
Net Profit	4,374	7,657	9,081	11,035	12,954
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%	7.4%	9.3%	10.1%
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	5,095	6,406	7,473
Long-term Investments	32,479	44,283	47,826	52,609	58,922
Total Assets	41,751	53,379	58,920	65,120	72,612
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	49,243	55,287	62,614
Minority Interests	5,850	5,850	5,850	5,850	5,850
Total Equity	38,680	49,732	55,093	61,137	68,465

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	85.1%	35.2%	23.4%	20.4%	17.7%
Pretax Profit Growth	(11%)	69%	26%	21%	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%	49.0%	51.8%	49.0%
Return On Average Assets	10.72%	16.10%	16.17%	17.79%	18.81%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
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