

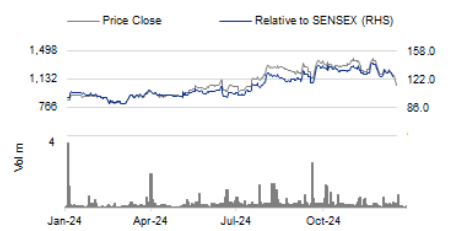
India

ADD (no change)

Consensus ratings*:	Buy 9 Hold 4 Sell 4
Current price:	Rs1,052
Target price:	Rs1,350
Previous target:	Rs1,450
Up/downside:	28.3%
InCred Research / Consensus:	2.7%
Reuters:	UTIA.NS
Bloomberg:	UTIAM IN
Market cap:	US\$1,555m Rs134,579m
Average daily turnover:	US\$4.7m Rs410.7m
Current shares o/s:	127.9m
Free float:	31.1%
*Source: Bloomberg	

Key changes in this note

➤ PAT hammered by lower other income on account of volatile capital markets, with a sharp rise in net sales leading to market share expansion in all MF products except equity.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(15.8)	(12.6)	23.9
Relative (%)	(12.7)	(7.4)	17.5

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

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UTI AMC

Mixed trend in market share continues

- UTI AMC reported an in-line 3Q core operating performance, although low other income (treasury-linked) led to a drop of ~37% qoq in PAT to Rs1.5bn.
- The company reported market share gains in all products, except equity funds, led by a sharp rise in net sales in cash & arbitrage and income funds.
- We appreciate market share gains in other categories; however, equity fund inflow is crucial. Retain ADD with Rs1,350 TP amid a favourable risk-reward.

Sequentially improving yields, net sales; lower other income

UTI AMC reported a weak 3QFY25 PAT of Rs1.5bn (-19% yoy) due to the low other income partially offset by sequentially improving yields and stable total expenses at ~25bp. There was a sharp improvement in net sales to Rs102bn, up ~1.8x, from combined net sales in 1HFY25 led by a sharp sequential rise in cash & arbitrage funds and income funds. 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.

Non-equity fund market share improves, but equity fund softens qoq

UTI AMC reported a fall in its overall market share sequentially to ~5.13%, from ~5.17% in Sep 2024, with mutual fund QAAUM at Rs3.52tr (+29% yoy; +2.9% qoq) as of Dec 2024-end. The overall equity AUM of the company fell by ~1.7% qoq due to volatile markets, resulting in a loss in equity fund market share to ~3.16% vs. ~3.32% last quarter. However, hybrid funds witnessed a sequential rise in market share to ~4.26% from ~4.20% last quarter. Similarly, market share in ETFs improved to ~13.54% from ~13.51% in Sep 2024.

Monthly SIP inflow managed but SIP AUM witnesses volatility

UTI AMC managed to maintain a healthy trend in SIP inflow with a total inflow of Rs22bn (+7% qoq); however, overall SIP AUM witnessed a sequential decline of ~4% to Rs383.7bn, which we attribute to the choppy trend in equity markets.

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 steady 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 Rs1,350, corresponding to ~15.9x FY26F EPS, from Rs1,450 earlier. Key downside risks: Lower growth and weak yields impacting profitability.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	12,669	17,370	19,634	24,685	29,985
Operating Revenue (Rsm)	12,901	17,439	19,774	24,847	30,169
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	4,374	7,649	8,431	10,808	13,524
Core EPS (Rs)	34.46	60.26	66.42	85.14	106.54
Core EPS Growth	(18%)	75%	10%	28%	25%
FD Core P/E (x)	30.52	17.46	15.84	12.36	9.87
DPS (Rs)	22.00	22.00	35.00	45.00	55.00
Dividend Yield	2.09%	2.09%	3.33%	4.28%	5.23%
BVPS (Rs)	304.8	345.7	382.8	428.7	486.0
P/BV (x)	3.45	3.04	2.75	2.45	2.16
ROE	11.7%	18.5%	18.2%	21.0%	23.3%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	YoY (%)	QoQ (%)
Revenue from operations	4,678	4,041	4,491	4,161	5,292	5,384	4,176	-7.0%	-22.4%
Other income	8	15	12	42	45	17	29		
Total revenue (Rs m)	4,686	4,056	4,502	4,203	5,337	5,401	4,205	-6.6%	-22.1%
Total expenditure	1,802	1,858	1,895	2,024	1,924	2,044	1,993	5.2%	-2.5%
<i>Cost-to-income (%)</i>	38.4%	45.8%	42.1%	48.1%	36.1%	37.8%	47.4%		
Profit before tax	2,884	2,198	2,607	2,180	3,413	3,357	2,212	-15.2%	-34.1%
Tax	540	370	573	365	670	726	476	-17.0%	-34.4%
<i>Tax rate (%)</i>	18.7%	16.8%	22.0%	16.8%	19.6%	21.6%	21.5%		
Profit after tax	2,344	1,828	2,034	1,814	2,743	2,631	1,736	-14.6%	-34.0%
QAAUM (Rs tr)	2.48	2.67	2.73	2.91	3.11	3.43	3.52	29.1%	2.9%

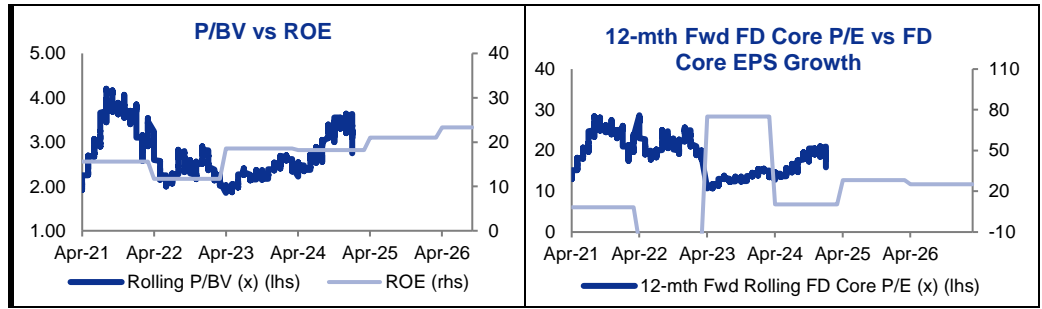
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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	22,378	19,774	-11.6%	26,639	24,847	-6.7%	31,832	30,169	-5.2%
PAT	9,949	8,431	-15.3%	12,056	10,808	-10.4%	14,635	13,524	-7.6%
EPS (Rs)	78.4	66.4	-15.3%	95.0	85.1	-10.4%	115	106.5	-7.6%
Dividend payout (%)	50.0	50.0	0.0%	50.0	50.0	0.0%	50	50.0	0.0%
QAAUM (Rs tr)	3.7	3.6	-2.0%	4.4	4.3	-2.0%	5	5.2	-2.0%

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	19,634	24,685	29,985
Operating Revenue	12,901	17,439	19,774	24,847	30,169
Total Non-Interest Expenses					
Pre-provision Operating Profit	5,856	9,861	11,593	14,694	18,271
Total Provision Charges					
Operating Profit After Provisions	5,856	9,861	11,593	14,694	18,271
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	5,856	9,861	11,593	14,694	18,271
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,856	9,861	11,593	14,694	18,271
Exceptional Items					
Pre-tax Profit	5,856	9,861	11,593	14,694	18,271
Taxation	(1,459)	(1,848)	(2,434)	(3,159)	(4,020)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	4,397	8,013	9,158	11,535	14,251
Minority Interests	(23)	(364)	(727)	(727)	(727)
Prof. & Special Div					
FX And Other Adj.					
Net Profit	4,374	7,649	8,431	10,808	13,524
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%	8.2%	8.9%
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	4,449	5,538	6,548
Long-term Investments	32,479	44,283	47,826	52,609	58,922
Total Assets	41,751	53,379	58,274	64,253	71,686
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	48,597	54,420	61,689
Minority Interests	5,850	5,850	5,850	5,850	5,850
Total Equity	38,680	49,732	54,448	60,270	67,539

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	85.1%	35.2%	13.4%	25.7%	21.4%
Pretax Profit Growth	(11%)	68%	18%	27%	24%
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%	21.5%	22.0%
Net Dividend Payout Ratio	63.8%	36.5%	52.7%	52.9%	51.6%
Return On Average Assets	10.72%	16.08%	15.10%	17.64%	19.90%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.

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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:

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- 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.