

September 26, 2020

| Issue Details                      |   |            |
|------------------------------------|---|------------|
| Issue Opens                        | 29-Sep-20   |            |
| Issue Closes                       | 01-Oct-20   |            |
| Issue Size (in Crs)                | Rs. 2152.09 - Rs.2159.88  |            |
| Issue Size (Shares)                | 38,987,081  |            |
| Authorised Shares                  | 200,000,000   |            |
| Issued, Subscribed and Paid Up Sh. | 126,787,254   |            |
| Offer for Sale                     | 38,987,081  |            |
| Face Value                         | Rs. 10.00   |            |
| Employee Reservation               | Up to 200,000   |            |
| Lot Size (Sh) Min/Max              | 27/351  |            |
| Price Band                         | Rs.552.00- Rs.554.00  |            |
| Issue Type                         | Book Building   |            |
| Listing                            | BSE & NSE   |            |
| BRLMs                              | Kotak Mahindra Capital Company Ltd, Axis Capital Limited,Citigroup Global Markets India Pvt Ltd.BoA Securities, ICICI Securities, JM Financial Ltd. |            |
| Registrar                          | Kfin Technologies Pvt Ltd.  |            |
| Finalization of Allotment          | On or about 07-Oct-20   |            |
| Initiation of refund               | On or about 08-Oct-20   |            |
| Credit to Demat Account            | On or about 09-Oct-20   |            |
| Listing                            | On or about 12-Oct-20   |            |
| Issue Structure                    |   |            |
| Categories                         | Allocation  |            |
| QIBs                               | 50.00%  |            |
| Non-Institutional                  | 15.00%  |            |
| Retail Portion                     | 35.00%  |            |
| Total                              | 100.00%   |            |
| Shareholding Pattern               |   |            |
| Categories                         | Pre issue   | Post Issue |
| Promoter & Promoter Group          | 98.96%  | 68.21%     |
| Public & Employee                  | 1.04%   | 31.79%     |
| Total                              | 100.00%   | 100.00%    |
| Recommendation                     |   |            |
| SUBSCRIBE                          |   |            |

## Company Background

UTI Asset Management Company (AMC) was incorporated in 2002. UTI AMC & its predecessor (Unit Trust of India) have been active in the asset management company for more than 55 years, having established as the first mutual fund in India. UTI is the second largest AMC in terms of total AUM (Asset under Management) and eighth largest AMC in terms of mutual fund QAAUM (Quarterly Average Asset Under Management) as of June 30, 2020 as per CRISIL. UTI manages the domestic mutual funds of UTI Mutual Fund, provides portfolio management services ("PMS") to institutional & high net worth individuals ("HNIs") clients, and also manages retirement funds, offshore funds and alternative investment funds. Company has offices in London, Dubai, and Guernsey & Singapore. Its five selling shareholders are SBI, LIC, BOB & PNB with 18.24% stake each and TRP (T. Rowe Price International Ltd, UK) with 26% stake.

## Objects of the Issue

- To carry out the Offer for Sale of up to 38,987,081 Equity Shares by the Selling Shareholder;
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

## Key Points

- UTI AMC manages 153 domestic mutual fund schemes, comprising equity, hybrid, income, liquid and money market funds as of June 2020.
- UTI AMC, QAAUM for domestic mutual funds ("Domestic Mutual Fund QAAUM") was Rs.1,336.3 bn, while Other AUM was Rs.8,493.9 bn. With 10.9 million Live Folios as of March 31, 2020. Its total client base accounts for 12.2% of the approx. 89.7 million folios that are managed by the Indian mutual fund industry as per CRISIL.
- UTI AMC has pan India presence and offers schemes through diverse distribution network which includes 163 UTI Financial centres (UFCs), 257 business development associates and chief agents which are located in B30 cities (beyond 30 top cities). The company has dedicated sales team of 459 RMs who deal with PSU and institutional clients.
- UTI AMC is well positioned to capitalize the under penetration of mutual fund industry in B30 cities which holds only 12.6% of the total industry AUM of Rs.25.48 tn as on 30<sup>th</sup> June, 2020.
- UTI AMC individual domestic clients represent 43.8% & institutional clients represent 54.5% of domestic mutual fund closing AUM as of 30<sup>th</sup> June 2020.
- UTI manages the largest income-tax fund in the retirement fund category in India, which had QAAUM of Rs.26 bn. The PMS business of UTI AMC increased from Rs.1.16tn in FY18 to 6.9tn in FY20 representing a CAGR of 143.9% during the period.
- On consolidated basis UTI AMC has posted net revenue and PAT of Rs.854.97 crs and Rs.273.03 crores in FY20. If we consider the annualized EPS of Q1FY21, then the stock is trading around 17.47 times forward earnings which is lower than the industry average P/E of 38.64. However, if we consider FY20 EPS of Rs.21.53 then the issue is at a P/E of 25.73. When compared with its listed peers HDFC AMC & Nippon Life AMC, they are trading at P/E of 35.50 & 37.60 which makes the stock reasonably priced and therefore we recommend to SUBSCRIBE for medium to long term.

| Particulars (in Rs. Crs)(Consol) | Q1FY21 | Q1FY20 | Var%   | FY20   | FY19    | Var%   | FY18    |
|----------------------------------|--------|--------|--------|--------|---------|--------|---------|
| Net Revenue                      | 261.79 | 234.51 | 11.63  | 854.97 | 1050.51 | -18.61 | 1150.05 |
| Other Income                     | 9.28   | 8.75   | 5.98   | 35.992 | 30.39   | 18.45  | 12.70   |
| Total Income                     | 271.07 | 243.26 | 11.43  | 890.96 | 1080.89 | -17.57 | 1162.75 |
| Total expenses                   | 137.10 | 126.49 | 8.39   | 505.70 | 552.31  | -8.44  | 5813.58 |
| Profit Before Tax                | 123.22 | 106.43 | 15.78  | 345.45 | 391.25  | -11.71 | 545.43  |
| Tax                              | 22.15  | 35.46  | -37.55 | 68.961 | 143.32  | -51.88 | 140.34  |
| PAT                              | 100.55 | 71.53  | 40.57  | 273.03 | 352.83  | -22.62 | 364.21  |
| EPS (Rs.)                        | 7.93   | 5.64   | 40.57  | 21.53  | 27.83   | -22.62 | 28.73   |
| Book Value (Rs)                  | 223.60 | 209.26 | 6.85   | 217.88 | 205.41  | 6.07   | 186.73  |
| Equity Shares (in Crs)           | 126.79 | 126.79 | -      | 126.79 | 126.79  | -      | 126.79  |

### **Competitive Strengths**

- Drive superior investment performance across categories of funds
- Increase geographical reach and expand distribution channels.
- Actively pursue additional partnership opportunities.
- Continue to develop PMS, offshore and alternative funds
- Leverage technology and digitization to enhance organizational efficiency and cost optimization, improve customer acquisition and experience, and ensure data security
- Continue to attract, retain and develop human capital

### **Risk Factors**

- Decline in the Indian equity markets may affect the domestic mutual funds performance and cause AUM to decline.
- Underperformance of the fund may lead to loss of clients and reduction in AUM and impact the revenue of the company.
- Factors such as increased competition in mutual fund industry may result in reduction in the market share of the company.
- Redemption and withdrawals due to adverse market condition, inconsistent or poor performance of the funds may affect the AUM.
- The amount of expenses funds can charge is also usually based on a percentage of AUM composition in equity, debt and hybrid funds which vary significantly depending on the market conditions.
- Increase in interest rates in future could have an adverse effect on the fixed income, liquid and hybrid AUM of the company.

### **AUM Information**

| (In ₹ billions, except percentages) | As of June 30, |             |                |             | As of March 31, |             |                |             |                |             |
|-------------------------------------|----------------|-------------|----------------|-------------|-----------------|-------------|----------------|-------------|----------------|-------------|
|                                     | 2020           |             | 2019           |             | 2020            |             | 2019           |             | 2018           |             |
| Category of Fund                    | QAAUM          | % of Total  | QAAUM          | % of Total  | QAAUM           | % of Total  | QAAUM          | % of Total  | QAAUM          | % of Total  |
| Active                              | 332.70         | 24.90%      | 387.50         | 24.60%      | 381.90          | 25.20%      | 372.60         | 23.30%      | 366.70         | 23.70%      |
| Passive(1)                          | 244.50         | 18.30%      | 198.00         | 12.50%      | 252.20          | 16.70%      | 167.40         | 10.50%      | 92.10          | 5.90%       |
| Total Equity                        | 577.20         | 43.20%      | 585.50         | 37.10%      | 634.10          | 41.90%      | 540.00         | 33.80%      | 458.80         | 29.60%      |
| Hybrid                              | 187.90         | 14.10%      | 221.50         | 14.00%      | 209.60          | 13.80%      | 219.30         | 13.70%      | 219.10         | 14.10%      |
| Income                              | 193.30         | 14.50%      | 318.30         | 20.20%      | 213.50          | 14.10%      | 391.90         | 24.50%      | 487.50         | 31.50%      |
| Liquid / Money Market (2)           | 377.90         | 28.20%      | 453.30         | 28.70%      | 457.90          | 30.20%      | 445.80         | 27.90%      | 384.00         | 24.80%      |
| <b>Total</b>                        | <b>1336.30</b> | <b>100%</b> | <b>1578.70</b> | <b>100%</b> | <b>1515.10</b>  | <b>100%</b> | <b>1596.90</b> | <b>100%</b> | <b>1549.40</b> | <b>100%</b> |

(1) Includes the UTI Gold Exchange Traded Fund which had QAAUM of Rs.4.8bn as of June 30, 2020

(2) Includes the UTI Overnight Fund and the Floater Fund which had QAAUM of Rs.48.9 bn & Rs.13.9bn, respectively, as of June 30, 2020

Source: Company's RHP, Ace Equity, AUM Research

### AUM Information

| (In ₹ billions, except percentages) | As of June 30, |                |                |                | As of March 31, |                |                |                |                |                |
|-------------------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
|                                     | 2020           |                | 2019           |                | 2020            |                | 2019           |                | 2018           |                |
| Category                            | QAAUM          | % of Total     | QAAUM          | % of Total     | QAAUM           | % of Total     | QAAUM          | % of Total     | QAAUM          | % of Total     |
| PMS(1)                              | 6970.50        | 82.10%         | 4849.80        | 80.40%         | 6890.60         | 83.20%         | 1332.70        | 55.60%         | 1158.50        | 56.60%         |
| Retirement Solutions                | 1355.90        | 15.90%         | 1020.90        | 16.90%         | 1222.00         | 14.70%         | 937.10         | 39.10%         | 694.80         | 33.90%         |
| Offshore Funds                      | 156.90         | 1.80%          | 147.20         | 2.40%          | 157.70          | 1.90%          | 118.70         | 5.00%          | 187.90         | 9.20%          |
| Alternative Investment Fund         | 10.60          | 0.10%          | 9.70           | 0.20%          | 10.50           | 0.10%          | 8.30           | 0.40%          | 7.00           | 0.30%          |
| <b>Total</b>                        | <b>8493.90</b> | <b>100.00%</b> | <b>6027.60</b> | <b>100.00%</b> | <b>8280.80</b>  | <b>100.00%</b> | <b>2396.90</b> | <b>100.00%</b> | <b>2048.20</b> | <b>100.00%</b> |

(1) Includes assets under advisory services

Source: Company's RHP, Ace Equity, AUM Research

### Comparison with listed Peers

| Name of Company                      | Face Value<br>(in Rs per sh.) | Closing Price<br>on Sep 24, 2020<br>(in Rs. per Sh.) | Total<br>Income<br>for FY20<br>(in Rs.<br>Crs) | EPS (1) (in Rs. Per Sh.) |         | Book<br>Value (4)<br>in Rs. Per<br>Sh) | P/E(x)<br>(2) | RoNW<br>(%)<br>(3) |
|--------------------------------------|-------------------------------|--|--|--------------------------|---------|--|---------------|--------------------|
|                                      |                               |  |  | Basic                    | Diluted |  |               |                    |
| UTI AMC                              | 10                            | NA   | 8,909.61                                       | 21.53                    | 21.53   | 217.88                                 | NA            | 9.88%              |
| <b>Peer Group</b>                    |                               |  |  |                          |         |  |               |                    |
| HDFC Asset Management Company Ltd.   | 5                             | 2,103.25   | 21,434.30                                      | 59.37                    | 59.24   | 189.34                                 | 35.50         | 31.33%             |
| Nippon Life Asset Management Limited | 10                            | 251.55   | 11932.1  | 6.78                     | 6.69    | 42.36                                  | 37.60         | 16.03%             |

(1) Basic EPS & Diluted EPS Sourced from annual reports of the respective company. (2) P/E ratio calculated on closing price of shares available on NSE as on Sep 24, 2020, (3) RoNW is computed as PAT divided by shareholders funds. (4) NAV/book value is computed as the net worth divided by the number of equity shares outstanding as on March 31, 2020.

Source: Company's, RHP, Ace Equity, AUM Research

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