

# UTI Asset Management Co. Ltd.



# UTI Asset Management Company Limited

**Issue Opens On**  
29 September 2020

**Issue Closes On**  
01 October 2020

**Price Band (INR)**  
552-554

**Issue Size (INR Cr.)**  
2,149

**Rating**  
SUBSCRIBE

**UTI Asset Management Company Limited (UTI)** is a SEBI-registered asset management company; sponsored by State Bank of India (SBI), Punjab National Bank (PNB), Bank of Baroda (BOB) and Life Insurance Corporation of India (LIC). T. Rowe Price (TRP), a global Private equity, is other major shareholder of UTI with 26% stake. Incorporated in 2002, UTI AMC was established as the first MF in India and has operating history of 50+ years through its predecessor, Unit Trust of India. The 'UTI' brand enjoys a strong brand value, especially in B30 cities and proven track record in mutual fund industry with strong brand recognition.

UTI is the second largest Asset Management Company (AMC) in India in terms of Total AUM and the eighth largest AMC in India in terms of mutual fund Quarterly Adjusted Asset Under Management (QAAUM) as of June 30, 2020. UTI AMC manages 150+ domestic mutual fund schemes, comprising equity, hybrid, income, liquid, and money market funds. As of June 30, 2020, the total QAAUM for domestic mutual funds was INR 133,630 Cr., while the Other AUM was INR 849,390 Cr. UTI offers PMS services and asset management services for government retirement funds like NPS and EPFO, overseas funds and AIFs. UTI has 4 subsidiaries namely UTI Retirement Solutions, UTI International, UTI Capital and UTI Venture Funds Management.

## OBJECTIVE AND OFFER STRUCTURE

The IPO is an offer for sale of 38 mn shares by SBI, BOB, LIC, PNB and TRP. Barring TRP and PNB, the other sponsors are selling their stake to comply with SEBI's cross-holding norms and hold less than 10% stake in UTI by December 2020, failing which, the regulator would freeze their excess voting rights. It is also worth to note the selling shareholders will be entitled to the entire proceeds of the offer net of expenses. UTI will not receive any proceeds from the Offer.

Particulars	IPO Details
No. of shares under IPO (#)	38,987,081
Net offer (# shares)	38,787,081
Price band (INR)	552-554
Post issue MCAP (INR Cr.)	NA
Face Value (NR)	10/-

Source: IPO Prospectus, KRChoksey Research

Indicative Timetable	
Offer Closing Date	1 <sup>st</sup> October 2020
Finalization of Basis of Allotment with Stock Exchange	On or about 7 <sup>th</sup> October 2020
Initiation of Refunds	On or about 8 <sup>th</sup> October 2020
Credit of Equity Shares to Demat accounts	On or about 9 <sup>th</sup> October 2020
Commencement of Trading of Eq.shares on NSE	On or about 12 <sup>th</sup> October 2020

Source: IPO Prospectus, KRChoksey Research

Issue break-up	No. of shares (#)
Anchor Investors	11,636,124
QIB	7,369,545
NII	5,818,062
Retail	13,575,479
Available to Mutual Fund	387,871
Employee Quota	200,000

Source: IPO Prospectus, KRChoksey Research

Selling Shareholders		
Name of the Shareholder	Prior Holding (%)	Post IPO Holding (%)
State Bank of India (SBI)	18.24%	9.99%
Life Insurance Corporation of India (LIC)	18.24%	9.99%
Bank of Baroda (BOB)	18.24%	9.99%
Punjab National Bank (PNB)	18.24%	15.24%
T. Rowe Price (TRP)	26.00%	23.00%
New Shareholders	NA	30.75%

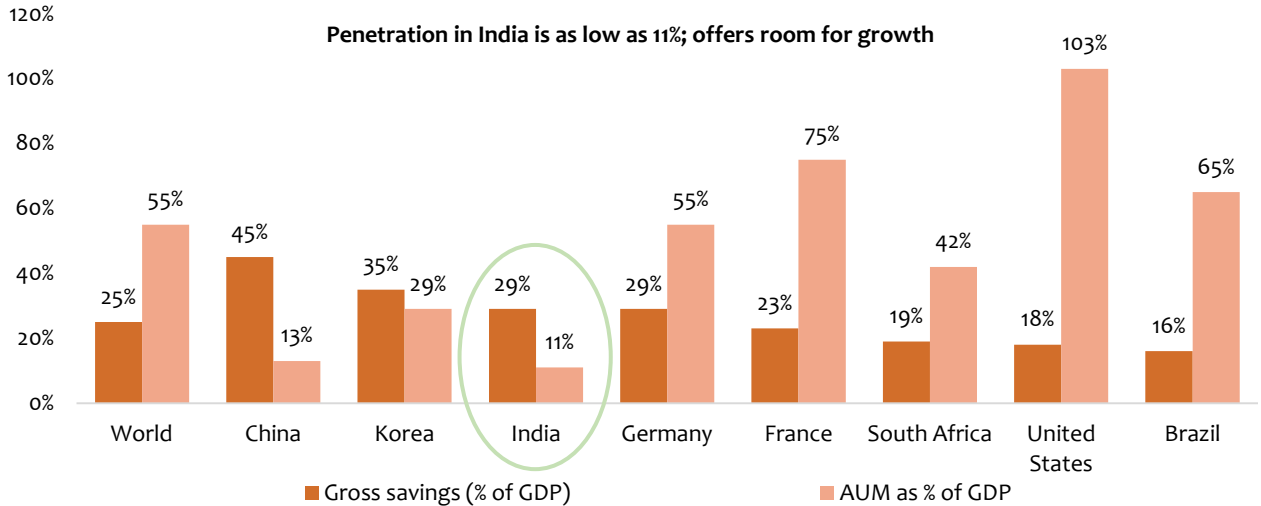
Source: IPO Prospectus, KRChoksey Research

# UTI Asset Management Company Limited

## INVESTMENT RATIONALE

### UTI is part of growing industry that offers favorable dynamics:

**Underpenetrated market:** Assets under Management (AUM) of the domestic MF industry as a percentage of GDP increased from 4.7% in FY05 to 12.5% in FY19 whereas decreased to 10.9% in FY20. This percentage is meaningfully below the global average of 55%. India is way behind emerging markets such as Brazil, where the AUM to GDP ratio is 65% in FY19. We see a highly underpenetrated market in India and offer significant room for players to expand their reach

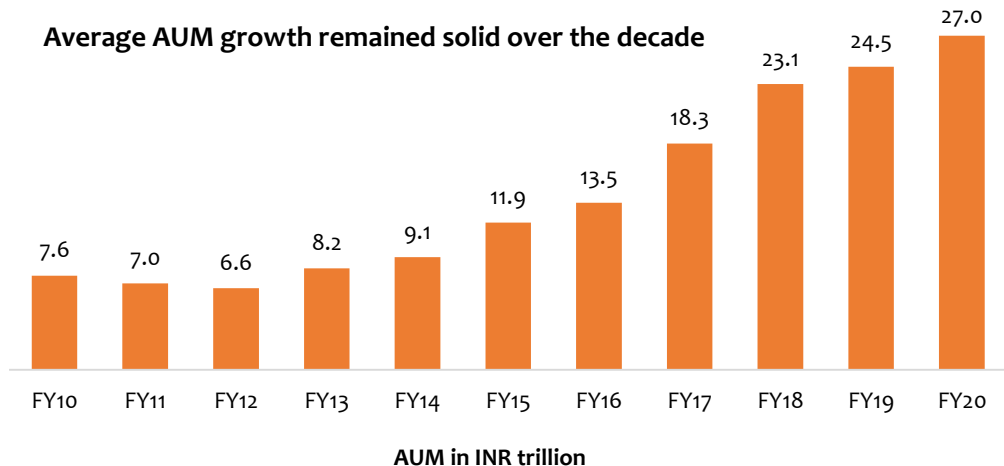


Source: World Bank, IMF, AMFI, KRChoksey Research

**Shift in savings pattern from physical assets to financial assets:** Savings pattern depict a shift towards financial assets (away from traditional physical assets such as Real Estate/Gold). MF industry is likely to benefit from this move as most of these savings get channelized in financial products such as bank deposits, stocks and debentures, mutual funds and life insurance. Share of financial assets in total household savings increased from 33% in FY13 to 39% in FY18 and declined to 36% in FY19.

While bank deposits have remained most preferred and safe choice for an individual investor over the years; mutual funds investments with varied schemes have become increasingly popular among retail investors. They significantly benefit from the expertise of the investment team and earn attractive superior market returns over bank deposits. It creates win-win scenario for mutual fund industry that outperform bank deposits and investors in terms of returns.

**Robust growth in the AUMs observed in the decade:** The Indian MF industry’s Average AUM has increased from INR 7.6 trillion in FY10 to INR 27 trillion in FY20 at a CAGR of 13.1%. The individual investors in mutual funds contribute major portion of total AUM (52.2% as of March 2020 vs. 40.1% in FY14).



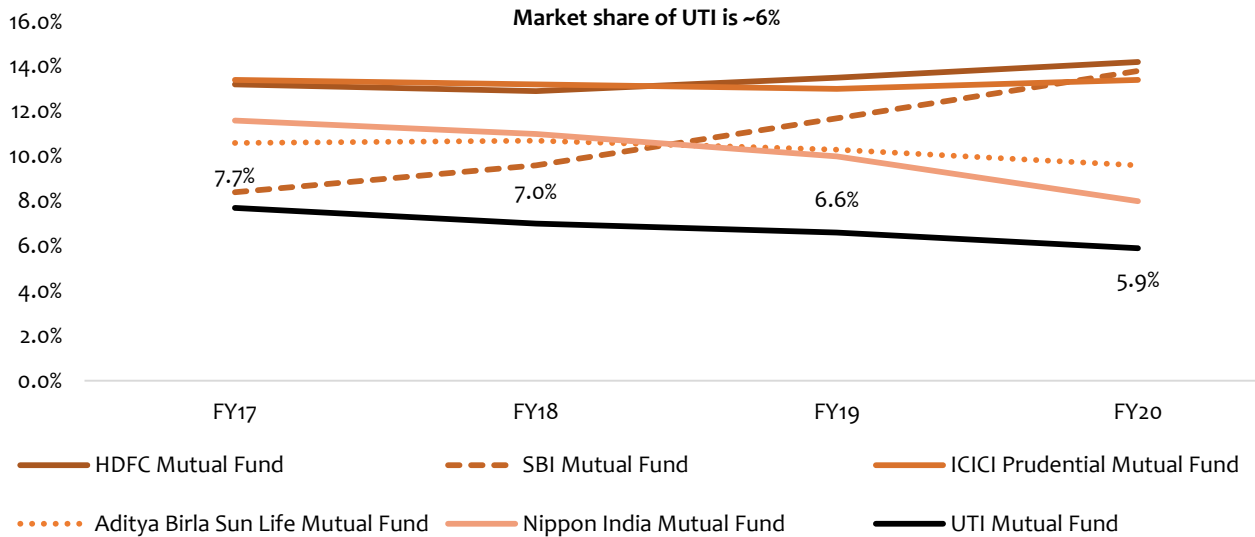
Despite the COVID-19, the MF Industry’s AUM continued to grow and stood at INR 27.28 trillion as on July 2020, albeit at slower pace, 5.7% increase compared to July 2019. Looking at historical trend, we believe that mutual fund Industry is likely to benefit from continued inflow, particularly in equity segment, attributed to i) rising preference for financial assets within household savings among retail investors, ii) increase in risk appetite, iii) industry is well regulated, and iv) rising penetration in B30 cities.

# UTI Asset Management Company Limited

## INVESTMENT RATIONALE

Among top 10 AMC in India; nonetheless, market share is declining over the period:

UTI is the eighth AMC in India in terms of mutual fund QAAUM with INR 151,510 Cr. as on March 20 and has the largest share of monthly average AUM amongst top ten Indian AMC coming from B30 cities. Amid Covid-19, QAAUM declined further to INR 133,630 Cr. as on June 30, 2020. We note that the market share is declining over the last 3-4 years; from 7.7% in FY17 to 5.9% in FY20. The AUM CAGR of UTI between FY10-FY20 stood at ~7% whereas the AUM CAGR of Industry grew at a rate of 17.3% during the same period. The management has acknowledged the market share decline and plans to regain the ground with increase geographical reach through its multi distribution channels, improvement in fund performance, and retaining and maintaining human capital



Source: AMFI, KRChoksey Research

## Multiple distribution channels with strong presence in B30 markets:

The company has penetrated well into in the B30 cities as its 250+ development officers and Chief Agents are based in B30 cities, offering significant moat to UTI. Besides, lower penetration in B30 cities together with ample opportunity to grow particularly in retail investor segment has caught the attention of mutual fund houses. Its pan-India distribution network gives them access to its investors located in ~700 districts, including remote areas, and fortifies its strong presence in towns, cities and villages. UTI enjoys strong brand recall especially in B30 segment attributed to its strong national footprint. With ~INR 370 billion or 24% of its overall AUM in B30 geographies, UTI has the highest concentration in B30 markets among the Top 10 AMCs.

B30 AUM of AMC	
Fund Name	% of AMC total AUM
UTI Mutual Fund	24%
SBI Mutual Fund	21%
Nippon India Mutual Fund	17%
Axis Mutual Fund	17%
Aditya Birla Sun Life Mutual Fund	15%
Franklin Templeton Mutual Fund	15%
HDFC Mutual Fund	13%
ICICI Prudential Mutual Fund	13%
Kotak Mahindra Mutual Fund	9%
IDFC Mutual Fund	7%

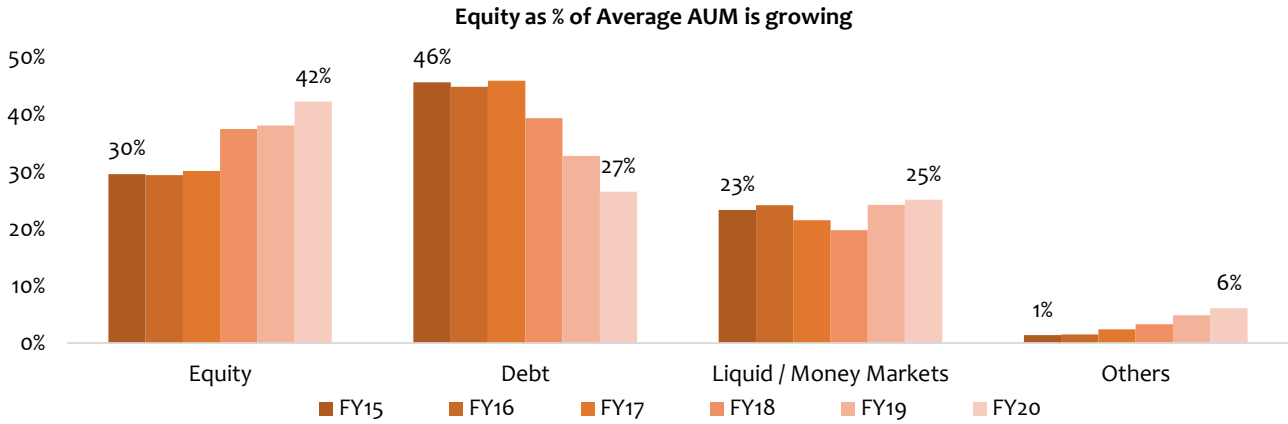
Source: IPO Prospectus, AMFI, KRChoksey Research

# UTI Asset Management Company Limited

## INVESTMENT RATIONALE

### Peer Comparison: Lower exposure to Equity scheme:

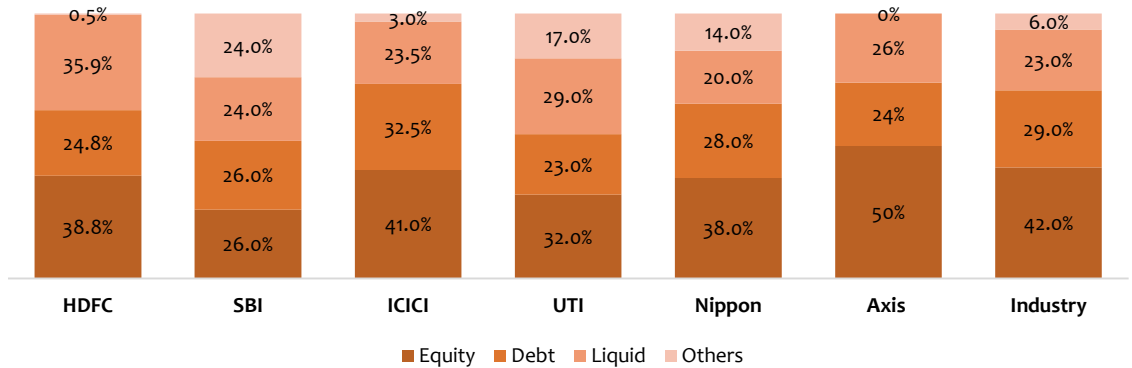
Among 68% of total individual investors, the equity-oriented schemes are preferred whereas 76% of total institutional investors prefers debt-oriented schemes, as on July 2020.



Source: AMFI, KRChoksey Research

UTI’s product mix remains tilted towards debt and Liquid assets which are less favorable to retail investors. For market leaders like HDFC Asset Management Company (HDFC AMC) and ICICI Prudential Mutual Fund (ICICI) has more favorable mix with equity assets and hybrid assets commanding a greater share in total AUM as compared to the Industry.

### UTI has less exposure to Equity schemes vs. peers



Source: IPO Prospectus, AUM data based on monthly average AUM, AMFI, KRChoksey Research

### Peer Comparison: Attractive Valuation

If we compare the valuations of HDFC AMC and Nippon India Mutual Fund (NAM India) to UTI AMC, fair value turns out to be 750-760 (Issue price INR 552-554). Hence, in terms of valuation, the IPO looks attractive in terms of valuation and an upside potential of ~35%.

	Face Value (INR per share)	FY 19-20 EPS	FY 20-21Q1 EPS	Book Value	Return on Net worth	P/E	P/B
HDFC AMC	5	59.36	14.20	189.0	31.3%	35.6x	11.2x
NAM India	10	7.17	2.44	41.6	16.0%	36.0x	6.2x
UTI AMC	10	21.53	7.93	217.0	9.9%	25.7x*	2.6x

Source: IPO Prospectus, KRChoksey Research  
 \* P/E for UTI is calculated based on IPO price.  
 Price Data as on 24<sup>th</sup> September 2020

# UTI Asset Management Company Limited

## Company Overview

UTI carved out as separate business unit from Unit Trust of India in 2002 post change in SEBI regulation. UTI is one of the oldest AMCs and one of the top-10 MFs in India with 11+ mn investor accounts under its 150+ domestic schemes/plans. UTI serves individual and institutional investors through funds and services. UTI manages assets of the domestic Mutual fund as well as provides portfolio management services to institutional clients and HNIs and manage retirement funds, offshore funds and alternative investment funds. UTI is 26% owned by T Rowe Price and 18.24% each by SBI, LIC, PNB and BOB.

**Business Segments:** UTI provides asset management services under three segments, namely MF, PMS and Retirement fund.

- Under MF segment, UTI manages 153 domestic MF schemes, comprising equity, hybrid, income, liquid and money market funds as of June 30, 2020. Domestic Mutual Fund QAAUM was INR 133,630 Cr. as of June 30, 2020, which accounted for ~6.0%, or the eighth largest amount, of the total QAAUM invested in all mutual funds in India as of June 30, 2020
- PMS segment provides portfolio management services to institutional clients and HNIs. It also provides Discretionary PMS to the Employees' Provident Fund Organization, the National Skill Development Fund and to HNIs, Non-Discretionary PMS to Postal Life Insurance, and Advisory PMS to various offshore and domestic accounts. Following mandate awarded by the EPFO in September 2019, UTI approved to manage 55.0% of the total corpus of the Central Board of Trustees, EPF.
- Retirement fund management segments works with the National Pension System, offshore funds (including the Shinsei UTI India Fund) and AIFs

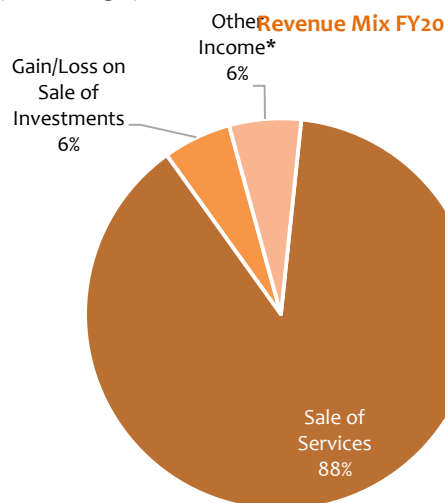
### Asset Under Management – FY17 to FY20

INR Cr.	FY17	FY18	FY19	FY20	CAGR (FY17-20)	Jun-20
Mutual Fund QAAUM, Total	136,810	154,940	159,690	151,510	3.5%	133,630
PMS	99,220	115,850	133,270	689,060	90.8%	697,050
Retirement Solutions	52,040	69,480	93,710	1,22,200	32.9%	1,35,590
Offshore Funds	21,750	18,790	11,880	15,770	-10.2%	15,690
Alternative Investment Funds	650	700	830	1,050	17.3%	1,060

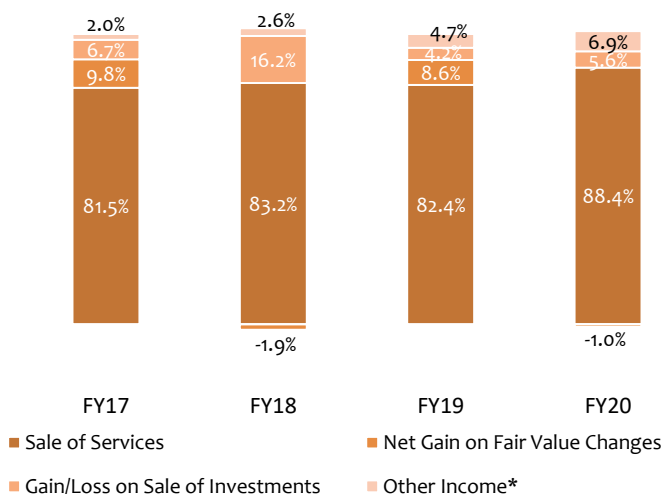
Source: IPO Prospectus, KRChoksey Research

**Sales Channel:** UTI, with its long operating history, have a national footprint and leverages multiple distribution channels to offer its schemes supported by ~500 relationship managers. i) Its distribution network includes 163 UTI Financial Centers (UFCs), 257 Business Development Associates (BDAs) and Chief Agents (CAs). Most of the BDAs and CAs are based in B30 cities, offering significant moat to UTI who is a market leader in B30 markets ii) Under Independent Financial Advisors (IFAs) channel, it has ~53,000 IFAs iii) Its banks and distributors (BND) channel involves arrangements with banks both domestic and foreign, as well as with national and regional distributors. iv) It has separate sales teams for institutional and PSU clients v) Under Direct to Consumer (DTC) channel, it offers products through UFCs, digital applications and website.

**Revenue Model:** UTI generates its revenue mainly from asset management activity primarily comprised of fee-based income such as management fees, marketing fees and Investor services fees, among others. For Q1FY21, UTI reported PAT of INR 1,011 million, up by 42.4% largely attributed to mark to market gain under treasury operations.



### Trend in revenue Mix (%)



Source: IPO Prospectus, KRChoksey Research

\* Other Income includes Rent Income, Dividend Income, Net Gain on Fair Value Changes and Others



# UTI Asset Management Company Limited

## SENIOR MANAGEMENT:



### **Imtaiyazur Rahman – Chief Executive Officer & Whole-time Director**

Mr.. Imtaiyazur Rahman is a Fellow of Cost Accountants of India, Institute of Company Secretaries of India, a Certified Public Accountant (USA) and GAMP (ISB-Kellogg). He has more than 30 years of experience in management. He Joined UTI Group in 1988 and was appointed CEO from August 14, 2018.



### **Surojit Saha – Chief Financial Officer**

Mr. Saha holds M.Com degree from University of Calcutta and cleared the Cost and Works Accountants exam of India. He joined Erstwhile UTI on December 5, 1990



### **Arvind Patkar – Company Secretary**

He is an associate member of the Institute of Company Secretaries of India. He join the company in April 2, 2008 and is on post of company Secretary since December 16, 2019.



### **Amandeep Chopra - Group President & Head of Fixed Income**

He holds MBA degree from University of Delhi. He joined Erstwhile UTI on June 27, 1994. He has prior experience with Aaina Exports Private Limited and Stenay Limited.



### **Vetri Subramaniam - Group President & Head of Equity**

Mr. Subramaniam is an alumnus of Indian Institute of Management, Bangalore. He has been a part of UTI since January 23, 2017.



### **Sandeep Samsi - Executive Vice President, Executive Assistant to Managing Director & Head of Corporate Strategy & Communications**

He holds B.Sc and M.Sc degrees in Zoology from University of Mumbai. He joined Erstwhile UTI on June 1, 2001 and was subsequently transferred to our Company with effect from January 15, 2003.



### **Siddhartha Dash - Executive Vice President & Country Head of Public Sector Undertaking Clients**

He holds B. A degree in Economics and a Post Graduate Diploma in Management from Xavier Institute of Management. He joined our Company on January 1, 2008.



### **Vivek Maheshwari - Senior Executive Vice President & Head of Risk & Compliance Officer**

He holds a B.Com degree from University of Lucknow. He cleared final chartered accountancy held by the Indian Institute of Chartered Accountants of India. Joined Erstwhile UTI with effect from November 15, 1994

Source: Company Data, LinkedIn, KRChoksey Research

# UTI Asset Management Company Limited

## FUND MANAGERS:

With team of 15 fund managers, UTI manages 150+ domestic MF schemes. Most of the Fund Managers are associated with UTI from long tenure with average tenure of ~18 years. The qualification of Fund Managers, long association with UTI and breadth of experience offers comfort to investors.

Fund Managers	Designation	Qualification	Tenure with UTI / Total Experience (years)	Role at UTI	Previous Experience / Comments
Amandeep Singh Chopra	Group President & Head of Fixed Income	-MBA from University of Delhi - Graduate in B.Sc. (Computer Science)	26 / 30	Manages 73 schemes	- Member of the Valuation Committee of AMFI - Member of the Corporate Bonds and Securitization Advisory Committee of SEBI
Vetri Subramaniam	Group President & Head of Equity	- PGDM from IIM Bangalore	3 / 25	Manages 5 schemes	Previously Head of Kotak AMC, CIO MOSL and CIO Invesco
Amit Premchandani	SVP & Fund Manager-Equity	- PGDM from IIM Indore - CFA / CA	11 / 15	Manages 6 schemes	- Covered Banks, NBFCs, telecom and cement - Worked with Deutsche Equities, JP Morgan and Peerless General Finance
Amit Sharma	VP & Fund Manager - Debt	- CA	12 / 15	Manages 38 schemes	Associated with the Dept. of Fund Management
Ankit Agarwal	Fund Manager	- PGDM from IIM, Bangalore - B. Tech from NIT	1 / 15	Managing UTI Mid Cap Fund (3 schemes)	Previously worked with Centrum, Barclays, Lehman Brothers, BNP Paribas and D. E. Shaw & Co.
Ajay Tyagi	Executive Vice President & Fund Manager-Equity	- CFA	20 / 22	Manages 9 schemes	Acting as an Investment Advisor to a few India dedicated offshore funds.
Rajeev Gupta	Executive Vice President	- MBA in Finance - Post Graduate in Commerce	31 / 38	Fund Manager of UTI Arbitrage Fund and UTI Gold ETF	Previously worked in Punjab and Sindh Bank
Ritesh Nambiar	SVP & Fund Manager-Credit Risk Fund	- CFA / FRM / GARP - MMS Finance from Mumbai University	12 / 15	Co-Fund Manager for UTI Ultra Short-term and UTI Medium Term Fund	- Senior Member of the credit research team for the BFSI - Worked in CRISIL / TransMarket
Sachin Trivedi	Senior Vice President	- CFA - MMS from Mumbai University	19 / 20	Designated Head of Research & Fund Manager, Equity	Specialized in Auto OEM, Utilities, Capital Goods and Logistics sectors
Sanjay Ramdas Dongre	Executive Vice President and Sr Fund Manager-Equity	- PGDM from IIM, Calcutta - B.E.	26 / 30	Handling all activities relating to secondary equity market operations	- Started as debt analyst - Since July'2000, working as Fund Manager-Equity
Sharwan Kumar Goyal	Vice President & Fund Manager-Equity	- CFA - MMS from Mumbai University	14 / 20	Manages 4 schemes	Responsible Risk Management, Equity Research and Portfolio Analysis
V. Srivatsa	Executive Vice President & Fund Manager-Equity	- PGDM from IIM, Indore - CA / CWA	18 / 22	Fund Manager for Overseas Investments	Responsible for Equity portion of hybrid funds
Sudhir Agarwal	Executive Vice President & Fund Manager-Fixed Income	- CFA - PGDM and Masters in Commerce	11 / 20	Fund Manager managing various debt schemes.	Previously worked with Care Ratings, and Tata Mutual Fund
Sunil Patil	Executive Vice President & Fund Manager-Debt	- MMS	31 / 35	Manages 16 schemes	Experience in fixed income
Swati Kulkarni	Executive Vice President and Fund Manager-Equity	- CFA / CAIIB - UTI - Masters in Financial Management	26 / 28	Handles Market Research, Product Reviews and Quantitative Analysis team	Designated as Fund Manager since 2004
Vishal Chopda	Fund Manager	- CFA - PGDM / B.E.	9 / 12	Manages UTI Lifestyle Fund (5 schemes)	Previously worked with Care Ratings

Source: Company Data, LinkedIn, KRChoksey Research



# UTI Asset Management Company Limited

## COMPETITIVE FUND PERFORMANCE:

UTI's various schemes have a proven track record of delivering consistent performance owing to its prudent strategies and high share of actively traded AUMs under the supervision of an experienced fund management team. Majority of the company's senior management team has been with the company for more than a decade and half and comes with more than 20 years of experience.

Most of UTI equity funds have outperformed the benchmarks over the 5-year period; however the UTI Credit Risk Fund has posted negative returns attributed to credit crisis seen in mid 2019. As per the prospectus, UTI has acknowledged that many of its clients decided either to redeem their investments or not to reinvest in few of schemes post UTI's exposure in Dewan Housing Finance Corp. (INR 34.2 billion). While the long-term fundamentals intact, we believe the flight of capital may affect AUM growth in the near-term.

UTI fund performance against benchmark; Track record of consistent outperformance in the long term				
As of 31 <sup>st</sup> August 2020				
Schemes/Benchmark	AUM (INR Cr)	1Y	3Y	5Y
UTI Equity Fund	10,982	13.2%	25.6%	51.9%
Nifty 50		4.7%	19.7%	53.0%
UTI HealthCare Fund	573	51.9%	14.2%	3.4%
S&P BSE HealthCare		43.9%	12.6%	1.1%
UTI Mid Cap Fund	3,583	16.8%	5.1%	31.6%
Nifty Midcap 150		7.8%	-5.5%	36.2%
UTI Nifty Index Fund	2,718	3.8%	5.6%	8.3%
S&P BSE Sensex		4.6%	8.0%	9.4%
UTI Core Equity Fund	782	1.7%	-0.8%	3.8%
Nifty Large Mid 50		8.3%	3.5%	9.1%
UTI Bond Fund	307	0.3%	9.5%	23.8%
CRISIL Medium to Long Term Debt Index		11.4%	8.3%	9.3%
UTI Credit Risk Fund	369	-33.1%	-10.6%	-3.2%
CRISIL Short Term Credit Risk Index		11.1%	9.1%	9.1%
UTI Corporate Bond Fund	1,805	11.1%	NA	NA
CRISIL Corporate Bond Composite Index		12.0%	NA	NA
UTI Floater Fund	1,920	7.5%	NA	NA
CRISIL Ultra Short-term Bond		6.9%	NA	NA
UTI Liquid Cash Plan	27,458	5.1%	20.9%	39.5%
CRISIL Liquid Fund Index		5.4%	21.3%	39.6%

Source: Company Data, Bloomberg, KRChoksey Research  
Data as on August 31, 2020

# UTI Asset Management Company Limited

## COMPETITIVE FUND PERFORMANCE:

UTI has outperformed its peers in equity mid cap funds in 5-year period. It has outperformed its peers in multi Cap Fund and performed reasonably well in Liquid Fund. The debt fund performance is impacted severely in the recent past. The company must significantly improve its performance in debt funds as ~55% of its AUM is related to debt segment.

UTI Fund Performance against Peers									
Scheme Name	AUM (Cr.)	1Y	3Y	5Y	Scheme Name	AUM (Cr.)	1Y	3Y	5Y
<b>Equity Fund (Multi Cap Fund)</b>					<b>Large Cap fund</b>				
HDFC Small Cap Fund	86,452	1.0%	3.7%	NA	HDFC Top 100 Fund	1,66,649	-4.7%	2.6%	35.8%
ICICI Prudential Multicap Fund	55,937	-0.1%	8.3%	41.0%	ICICI Prudential Bluechip Fund	2,43,651	3.5%	10.8%	47.0%
Nippon India Multi Cap Fund	80,533	-5.5%	-2.7%	13.1%	Nippon India Large Cap Fund	1,06,158	-0.8%	4.0%	32.8%
SBI Magnum Multicap Fund	87,224	1.3%	9.0%	55.1%	SBI Blue Chip Fund	2,26,043	3.1%	6.7%	40.3%
UTI Equity Fund	10,982	13.2%	25.6%	51.9%	UTI Core Equity Fund	782	2.1%	-0.9%	23.7%
Nifty 500		4.7%	19.7%	53.0%	Nifty 100		7.8%	-5.5%	36.2%
<b>Corporate Bond Fund</b>					<b>Mid Cap Fund</b>				
Aditya Birla Sun Life Corporate Bond	2,02,053	11.1%	29.0%	54.3%	HDFC Mid-Cap Opportunities Fund	2,21,251	8.9%	1.6%	43.5%
HDFC Corporate Bond Fund	2,10,520	10.7%	28.6%	54.4%	ICICI Prudential Midcap Fund	18,689	6.9%	-8.1%	NA
ICICI Prudential Corporate Bond Fund	1,61,619	10.6%	27.8%	52.7%	Nippon India Growth Fund	70,180	11.0%	8.3%	43.6%
Nippon India Prime Debt Fund	4,414	0.0%	0.2%	0.2%	SBI Magnum Midcap Fund	35,965	10.4%	-4.7%	23.3%
UTI Bond Fund	307	0.3%	9.5%	23.8%	UTI Mid Cap Fund	3,583	16.8%	5.1%	31.6%
CRISIL Corporate Bond		13.7%	29.7%	60.9%	Nifty MidCap		7.8%	-5.5%	36.2%
<b>Credit Risk Fund</b>					<b>Liquid Fund</b>				
HDFC Credit Risk Debt Fund	61,808	9.5%	24.6%	53.4%	HDFC Liquid Fund	8,01,651	4.9%	20.2%	38.4%
ICICI Prudential Credit Risk Fund	65,031	9.6%	25.1%	48.1%	ICICI Prudential Liquid Fund	5,40,519	0.0%	NA	NA
Nippon India Credit Risk Fund	14,893	-7.7%	1.6%	23.3%	Nippon India Liquid Fund	2,68,997	0.0%	0.1%	0.1%
SBI Credit Risk Fund	37,646	8.9%	23.5%	50.3%	SBI Liquid Inst Fund	5,10,457	5.1%	20.6%	39.0%
UTI Credit Risk Fund	369	-33.1%	-28.6%	-14.8%	UTI Liquid Cash Plan	27,458	5.1%	20.9%	39.5%
CRISIL Short Term Bond		10.2%	26.9%	50.3%	CRISIL Liquid Bond		5.4%	21.3%	39.6%
<b>Floater Fund</b>					<b>Short Duration Fund</b>				
Aditya Birla Sun Life Money Manager Fund	99,687	7.4%	25.3%	NA	Aditya Birla Sun Life Short Term Fund	2,02,053	9.9%	27.2%	53.9%
HDFC Floating Rate Debt Fund	1,06,812	9.0%	26.2%	48.6%	HDFC Short Term Fund	1,31,539	10.7%	28.0%	51.0%
ICICI Prudential Floating Interest A Fund	88,370	10.0%	27.4%	52.4%	ICICI Prudential Short Term Fund	20	11.1%	28.3%	56.3%
Nippon India Floating Rate Fund	1,21,582	2.2%	2.2%	2.4%	Nippon India Short Term Fund	76,192	7.4%	19.1%	37.0%
UTI Floater Fund	1,920	7.5%	NA	NA	UTI Short Term Income Fund	1,946	10.8%	12.1%	34.8%
CRISIL Liquid Bond		10.9%	28.7%	52.3%	CRISIL Short Term Bond		10.2%	26.9%	50.3%

Source: Company Data, Bloomberg, KRChoksey Research Data as on August 31, 2020

# UTI Asset Management Company Limited

## KEY RISKS & CONCERNS

**Off-balance sheet contingent liabilities:** There is ongoing dispute going on between UTI retired employees (who opted VRS in 2003) and UTI on arrears of pension with 12% interest. UTI has not highlighted the quantum of this contingent liability (estimated ~ INR 1,200 Cr. for 1,200 employees) in the prospectus. Recently, High court has asked UTI to incorporate the same in the prospectus. While the Company denies the significance of this ongoing dispute, we are cautious on the outcome of this dispute.

**Legacy issues:** In June 2020, UTI appointed Imtaiyazur Rahman as its CEO who was appointed as interim CEO in 2018 after Leo Puri's term came to an end. We note that UTI didn't have permanent CEO for nearly 2 years and recent appointment of CEO came as a solution to a concern raised by SEBI. Historically too, U K Sinha left MD position in 2011 and UTI had no chief for two years till Leo Puri was appointed.

**Uncertain macro-economic factors:** Risk related to GDP growth, unemployment, interest rate volatility, consumer spending behavior, geo-political tensions can severely impact industry's AUM growth and in turn affect business of UTI AMC. Indian GDP has been spiraling downwards since past 2 years with recent sharp contraction noted in Q1FY21. The continuation of unfavorable trends can impact the business model.

**Threat from competitors:** UTI is 7<sup>th</sup> largest player in the domestic mutual fund industry. UTI faces competition from other leading AMCs including listed AMCs such as HDFC AMC and Nippon AMC on many factors like technology advancements, cost management, superior customer services etc. Any significant differentiation strategy emerging from competitors might impact the business.

**Regulatory changes:** Indian mutual fund is highly regulated industry. Regulators can put further expense rate caps in the future. This might impact the revenue of the company.

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## Key Financials (Restated Consolidated Financials):

INR Million	FY17	FY18	FY19	FY20	Q1FY20 (Jun-19)	Q1FY21 (Jun-20)
Revenue	10,483	11,627	10,809	8,910	2,433	2,711
EBITDA	5,461	5,727	5,204	3,768	1,147	1,317
PAT	3,952	4,051	3,479	2,765	710	1,011
EPS (INR)	31.57	28.73	27.83	21.53	5.64	7.93
EBITDA Margin (%)	52.8%	49.8%	49.5%	44.1%	48.9%	50.3%
NPM (%)	38.2%	35.2%	33.1%	32.3%	30.3%	38.6%

Source: IPO Prospectus

## Profit and Loss statement (Restated Consolidated Financials):

INR Million	FY17	FY18	FY19	FY20	Q1FY20 (Jun-19)	Q1FY21 (Jun-20)
<b>Revenue from operations</b>	<b>10,349</b>	<b>11,501</b>	<b>10,505</b>	<b>8,550</b>	<b>2,345</b>	<b>2,618</b>
<b>Total Income</b>	<b>10,483</b>	<b>11,627</b>	<b>10,809</b>	<b>8,910</b>	<b>2,433</b>	<b>2,711</b>
Fees and Commission Expense	6	18	21	29	6	7
Impairment on Financial Instruments	-	19	-	-	-	-
Finance Cost	93	87	82	85	21	23
Employee Benefit Expenses	2,866	3,208	3,067	3,399	888	980
Depreciation, amortisation and impairment	256	273	291	313	83	85
Other expenses	2,056	2,569	2,436	1,629	370	384
<b>EBITDA</b>	<b>5,461</b>	<b>5,727</b>	<b>5,204</b>	<b>3,768</b>	<b>1,147</b>	<b>1,317</b>
EBIT	5,205	5,454	4,912	3,454	1,064	1,232
<b>PBT</b>	<b>5,205</b>	<b>5,454</b>	<b>4,912</b>	<b>3,454</b>	<b>1,064</b>	<b>1,232</b>
Current tax expense	1,253	1,403	1,433	690	355	221
<b>PAT</b>	<b>3,952</b>	<b>4,051</b>	<b>3,479</b>	<b>2,765</b>	<b>710</b>	<b>1,011</b>
<b>EPS (INR)</b>	<b>31.57</b>	<b>28.73</b>	<b>27.83</b>	<b>21.53</b>	<b>5.64</b>	<b>7.93</b>

Source: IPO Prospectus

## Free Cash flow (Restated Consolidated Financials):

INR Million	FY17	FY18	FY19	FY20	Q1FY20 (Jun-19)	Q1FY21 (Jun-20)
Net Cash Generated From Operations	3,608	2,686	1,227	1,947	425	151
Net Cash Flow from/(used in) Investing Activities	(2,630)	(1,538)	(258)	(1,059)	(397)	(162)
Net Cash Flow from Financing Activities	(648)	(746)	(1,229)	(938)	(119)	57
Net Inc/Dec in cash equivalents	330	401	(260)	(49)	(91)	46
Opening Balance	770	1,101	1,502	1,242	1,242	1,193
Closing Balance Cash and Cash Equivalents	1,101	1,502	1,242	1,193	1,151	1,239

Source: IPO Prospectus

# UTI Asset Management Company Limited

## Balance Sheet (Restated Consolidated Financials):

INR Million	FY17	FY18	FY19	FY20	Q1FY20 (Jun-19)	Q1FY21 (Jun-20)
<b>ASSETS</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	1,101	1,502	1,242	1,193	1,151	1,239
Trade Receivables	338	500	276	456	507	421
Other Receivables	250	49	362	97	261	92
Loans	375	357	282	374	277	364
Investments	18,002	21,788	22,614	23,558	23,185	24,574
Other Financial Assets	802	922	1,279	1,542	1,306	1,513
<b>Total Financial Assets</b>	<b>20,867</b>	<b>25,119</b>	<b>26,053</b>	<b>27,220</b>	<b>26,687</b>	<b>28,203</b>
<b>Non Financial Assets</b>						
Current Tax Assets (Net)	167	171	321	461	434	501
Investment Property	123	118	112	107	111	106
Property, Plant and Equipment	2,639	2,586	2,529	2,504	2,511	2,471
Right of use assets	1,039	913	834	897	846	959
Capital work in progress	1	23	9	3	24	6
Intangible assets under development	30	31	0	8	-	19
Other Intangible Assets	15	25	36	118	31	105
Other Non Financial Assets	150	208	238	232	283	265
<b>Total Non Financial Assets</b>	<b>4,164</b>	<b>4,074</b>	<b>4,080</b>	<b>4,329</b>	<b>4,241</b>	<b>4,431</b>
<b>Total Assets</b>	<b>25,031</b>	<b>29,193</b>	<b>30,133</b>	<b>31,549</b>	<b>30,928</b>	<b>32,634</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Financial Liabilities</b>						
Trade Payables	28	111	38	14	25	8
Other Payables	1	2	9	8	2	5
Borrowings	1,150	1,496	667	640	439	319
Other Financial Liabilities	1,585	1,544	1,594	1,756	1,648	1,782
<b>Total Financial Liabilities</b>	<b>2,764</b>	<b>3,153</b>	<b>2,308</b>	<b>2,418</b>	<b>2,114</b>	<b>2,114</b>
<b>Non Financial Liabilities</b>						
Current Tax Liabilities (Net)	57	51	43	45	172	77
Provisions	228	1,061	916	831	1,135	1,298
Deferred Tax Liabilities (Net)	637	438	363	445	400	499
Other Non Financial liabilities	34	113	86	78	208	183
<b>Total Non Financial Liabilities</b>	<b>956</b>	<b>1,663</b>	<b>1,409</b>	<b>1,398</b>	<b>1,916</b>	<b>2,057</b>
<b>Equity</b>						
Equity Share Capital	1,268	1,268	1,268	1,268	1,268	1,268
Other Equity	18,992	22,406	24,776	26,357	25,264	27,081
<b>Equity attributable to owners of the Company</b>	<b>20,260</b>	<b>23,674</b>	<b>26,044</b>	<b>27,625</b>	<b>26,532</b>	<b>28,349</b>
Non-controlling interests	1,051	702	372	108	366	114
<b>Total Equity</b>	<b>21,311</b>	<b>24,376</b>	<b>26,416</b>	<b>27,733</b>	<b>26,898</b>	<b>28,464</b>
<b>Total Equity and Liabilities</b>	<b>25,031</b>	<b>29,193</b>	<b>30,133</b>	<b>31,549</b>	<b>30,928</b>	<b>32,634</b>

Source: IPO Prospectus

# UTI Asset Management Company Limited

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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**KRChoksey Shares and Securities Pvt. Ltd.**

**Registered Office:**

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

**Corporate Office:**

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

#### ANALYST

Parvati Rai, [head-research@krchoksey.com](mailto:head-research@krchoksey.com), +91-22-6696 5413

#### KRChoksey Research

is also available on Bloomberg KRCS<GO>  
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576

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