

January 29, 2024

**RESULT REPORT Q3 FY24** | Sector: Asset Managers

# UTI Asset Management Co.

## Equity business improvement seems to be work-in-progress

### Our view – Equity fund under-performance seems to be still impacting equity business

Overall calculated revenue yield declined 1 bp sequentially despite share of equity moving up: Share of pure equity excluding hybrid in total AUM inched up 13 bps QoQ to 29.5% whereas the share of equity including hybrid moved up 55 bps QoQ to 38.5%. However, overall calculated revenue yield still inched lower 1 bp QoQ to 42 bps.

Pure equity AUM growth at 9.3% YoY is relatively sluggish whereas hybrid fund AUM has done better, growing 17.6% YoY: The 9.3% YoY growth of pure equity fund AUM excluding hybrid funds is relatively lower than the growth for other listed players and a reflection, among other factors, of fund under-performance. Hybrid funds have grown faster but, being smaller in size, take overall equity AUM growth to a still modest 11.1%.

We maintain a less-than-bullish 'ADD' rating on UTI with a revised price target of Rs 980: We value UTI at 18.4x FY25 P/E at which it would trade at a FY25 P/B of 3.1x.

### Result Highlights (See "Our View" above for elaboration and insight)

- **Revenue:** Revenue from operations at Rs 2,900mn was down/up -0.6%/2.2% QoQ/YoY lagging the growth of MF QAUM at 2.3%/13.3% QoQ/YoY
- **Share of Equity in AUM:** Share of Equity in AUM at 29% up 13bps QoQ but down -110 bps YoY
- **Share of B-30 in AUM:** Share of B-30 at 23% was flat QoQ and YoY
- **Channel mix:** Share of Banks+ND, MFD and Direct channel was 5%, 28% and 67%, respectively in overall AUM
- **Operating profit margin:** Calculated operating profit margin for the quarter, at 39.2%, was down -160 bps QoQ and -396 bps YoY

### Exhibit 1: Result table

Rs mn	Q3FY24	Q3FY23	YoY	Q2FY24	QoQ
Revenue from operations	2,900	2,836	2.2%	2,916	-0.6%
As % of QAUM <sup>^</sup>	0.42%	0.47%	-5bps	0.44%	-1bps
Fees and Commission Expenses	5	8	-38.2%	3	62.1%
As % of revenues	0.2%	0.3%	-11bps	0.1%	6bps
Employee Benefit Expenses	1,053	1,041	1.2%	1,112	-5.3%
As % of revenues	36.3%	36.7%	-37bps	38.1%	-181bps
Other Expenses	704	563	25.1%	611	15.3%
As % of revenues	24.3%	19.8%	444bps	20.9%	334bps
<b>Total Expense</b>	<b>1,762</b>	<b>1,611</b>	<b>9.4%</b>	<b>1,725</b>	<b>2.1%</b>
<b>Operating Profit</b>	<b>1,138</b>	<b>1,225</b>	<b>-7.1%</b>	<b>1,191</b>	<b>-4.5%</b>
As % of QAUM <sup>^</sup>	0.17%	0.20%	-4bps	0.18%	-1bps
As % of revenues	39.2%	43.2%	-396bps	40.8%	-160bps
Other Income	1,602	(70)	NA	1,140	40.6%
Finance cost	29	25	17.1%	28	1.4%
Depreciation	104	103	1.5%	104	-0.1%
Profit before Tax	2,607	1,028	153.5%	2,198	18.6%
Tax Expense	573	424	35.2%	370	55.2%
<b>Profit After Tax</b>	<b>2,034</b>	<b>604</b>	<b>236.5%</b>	<b>1,828</b>	<b>11.2%</b>
As % of QAUM <sup>^</sup>	0.3%	0.1%	20bps	0.3%	2bps
As % of revenues	70.1%	21.3%	4882bps	62.7%	744bps

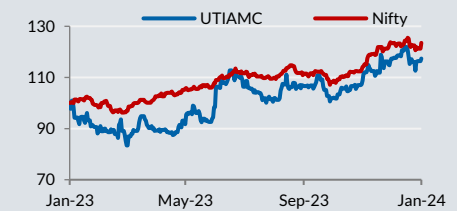
Source: Company, YES Sec-Research, <sup>^</sup>Annualised

Recommendation	: ADD
Current price	: Rs 867
Target price	: Rs 980
Potential Return	: +13%

### Stock data (as on January 29, 2024)

Nifty	21,738
52 Week h/l (Rs)	927 / 608
Market cap (Rs/USD mn)	109278 / 1315
Outstanding Shares (mn)	127
6m Avg t/o (Rs mn):	160
Div yield (%):	2.5
Bloomberg code:	UTIAM IN
NSE code:	UTIAMC

### Stock performance



	1M	3M	1Y
Absolute return	0.0%	15.3%	17.4%

### Shareholding pattern (As of Sept'23 end)

Promoter	0.00%
FII+DII	66.6%
Others	33.4%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	980	975

### Financial Summary

Rs mn	FY24E	FY25E	FY26E
Net Revenue	12,031	14,009	16,326
YoY Growth	6.3%	16.4%	16.5%
EBIDTA Margin	40.9%	44.7%	48.2%
PAT	5,633	6,757	8,122
YoY Growth	28.1%	19.9%	20.2%
ROE	14.3%	16.3%	18.6%
EPS (Rs)	44.4	53.2	64.0
P/E (x)	19.5	16.3	13.6
BV (Rs)	317.9	333.9	353.1
P/BV (x)	2.7	2.6	2.5

### Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	44.4	53.2	64.0
EPS (Old)	44.1	52.9	63.6
% change	0.5%	0.6%	0.5%

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## Exhibit 2: Other Business Parameters

Rs mn	Q3FY24	Q3FY23	YoY	Q2FY24	QoQ
MF QAAUM	2,729,445	2,408,410	13.3%	2,668,132	2.3%
Industry market share	5.5%	6.0%	-44bps	5.7%	-14bps
Gross SIP Flows	16,950	16,570	2.3%	16,480	2.9%
<b>QAAUM Mix</b>					
Equity	804,550	736,310	9.3%	782,910	2.8%
ETF & Index	1,039,230	815,800	27.4%	984,210	5.6%
Cash & Arbitrage	361,060	423,310	-14.7%	401,810	-10.1%
Hybrid	247,010	210,000	17.6%	230,380	7.2%
Income	277,600	222,990	24.5%	268,810	3.3%
<b>QAAUM Mix (% proportion)</b>					
Equity	29%	31%	-110bps	29%	13bps
ETF & Index	38%	34%	420bps	37%	119bps
Cash & Arbitrage	13%	18%	-435bps	15%	-183bps
Hybrid	9%	9%	33bps	9%	42bps
Income	10%	9%	91bps	10%	10bps
<b>Channel Mix (% proportion)</b>					
Bank & Distributors	5%	5%	-5bps	6%	-105bps
MFD	28%	29%	-128bps	26%	172bps
Direct	67%	66%	133bps	68%	-67bps
<b>Geographical Spread</b>					
T-30	77%	77%	0bps	77%	0bps
B-30	23%	23%	0bps	23%	0bps

Source: Company, YES Sec - Research

## Exhibit 3: Quarterly Actuals Vs Estimates

Q3FY24 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	2,900	3,003	(3.4)
Operating profit	1,138	1,230	(7.5)
Profit after tax	2,034	2,209	(7.9)

Source: Company, YES Sec - Research

## ANNUAL FINANCIALS

### Exhibit 4: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	1,270	1,270	1,270	1,270	1,270
Total Reserves	34,793	37,409	39,099	41,126	43,562
<b>Shareholder's Funds</b>	<b>36,062</b>	<b>38,678</b>	<b>40,368</b>	<b>42,396</b>	<b>44,832</b>
Minority Interest	114	0	0	0	0
Deferred Tax Assets / Liabilities	286	152	137	123	111
Long Term Provisions	245	108	123	142	165
Other long term liabilities	270	272	312	360	416
Trade Payables	1,138	1,326	1,410	1,642	1,913
Other Current Liabilities	1,763	1,213	1,390	1,605	1,856
<b>Total Liabilities</b>	<b>39,877</b>	<b>41,749</b>	<b>43,741</b>	<b>46,268</b>	<b>49,293</b>
Net Block	2,498	2,615	2,815	3,015	3,215
Other Intangible assets	152	130	130	130	130
Right of use assets	910	938	957	976	996
Non Current Investments	97	92	105	121	140
Other Non Current Assets	686	762	873	1,008	1,165
Currents Investments	29,782	32,479	33,662	35,081	36,787
Sundry Debtors	849	938	998	1,162	1,354
Cash and Bank	3,983	3,572	3,945	4,480	5,165
Other Financial Assets	784	109	125	144	167
Short Term Loans and Advances	136	115	131	152	175
<b>Total Assets</b>	<b>39,877</b>	<b>41,749</b>	<b>43,741</b>	<b>46,268</b>	<b>49,293</b>

Source: Company, YES Sec – Research

### Exhibit 5: Profit and Loss Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Management Fees</b>	<b>11,189</b>	<b>11,314</b>	<b>12,031</b>	<b>14,009</b>	<b>16,326</b>
Fees and Commission	27	29	5	6	7
Employee Expense	4,067	4,145	4,518	4,925	5,368
Other Expenses	2,117	2,376	2,589	2,822	3,076
Total Expenses	6,211	6,550	7,113	7,754	8,452
<b>Operating Profit</b>	<b>4,978</b>	<b>4,764</b>	<b>4,918</b>	<b>6,255</b>	<b>7,874</b>
Other Income	2,084	1,587	2,615	2,713	2,829
Depreciation	368	399	394	422	450
Finance Cost	92	96	97	99	101
Profit before Tax	6,602	5,856	7,042	8,446	10,152
Tax	1,256	1,459	1,408	1,689	2,030
<b>Net Profit</b>	<b>5,346</b>	<b>4,397</b>	<b>5,633</b>	<b>6,757</b>	<b>8,122</b>

Source: Company, YES Sec – Research

## Exhibit 6: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	6,602	5,856	7,042	8,446	10,152
Depreciation	368	399	394	422	450
Change in working cap	700	(98)	98	162	192
Tax paid	1,256	1,459	1,408	1,689	2,030
Others	866	899	0	0	0
<b>Cash flow from operations</b>	<b>7,280</b>	<b>5,597</b>	<b>6,126</b>	<b>7,341</b>	<b>8,764</b>
Capex	(383)	(523)	(613)	(641)	(670)
Change in investments	(2,308)	(2,692)	(1,196)	(1,435)	(1,724)
Others					
<b>Cash flow from investments</b>	<b>(2,691)</b>	<b>(3,215)</b>	<b>(1,809)</b>	<b>(2,076)</b>	<b>(2,394)</b>
Free cash flow	4,590	2,382	4,316	5,264	6,370
Equity raised/(repaid)	2	0	0	0	0
Debt raised/(repaid)					
Dividend (incl tax)	2,666	2,794	3,943	4,730	5,685
Others					
<b>Cash flow from financing</b>	<b>(2,664)</b>	<b>(2,793)</b>	<b>(3,943)</b>	<b>(4,730)</b>	<b>(5,685)</b>
<b>Net change in cash</b>	<b>1,925</b>	<b>(411)</b>	<b>373</b>	<b>534</b>	<b>685</b>

Source: Company, YES Sec – Research

## Exhibit 7: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	12,031	14,009	16,326	11,993	13,962	16,272	0.3	0.3	0.3
Operating Profit	4,918	6,255	7,874	4,880	6,208	7,820	0.8	0.8	0.7
Profit After Tax	5,633	6,757	8,122	5,603	6,719	8,078	0.5	0.6	0.5

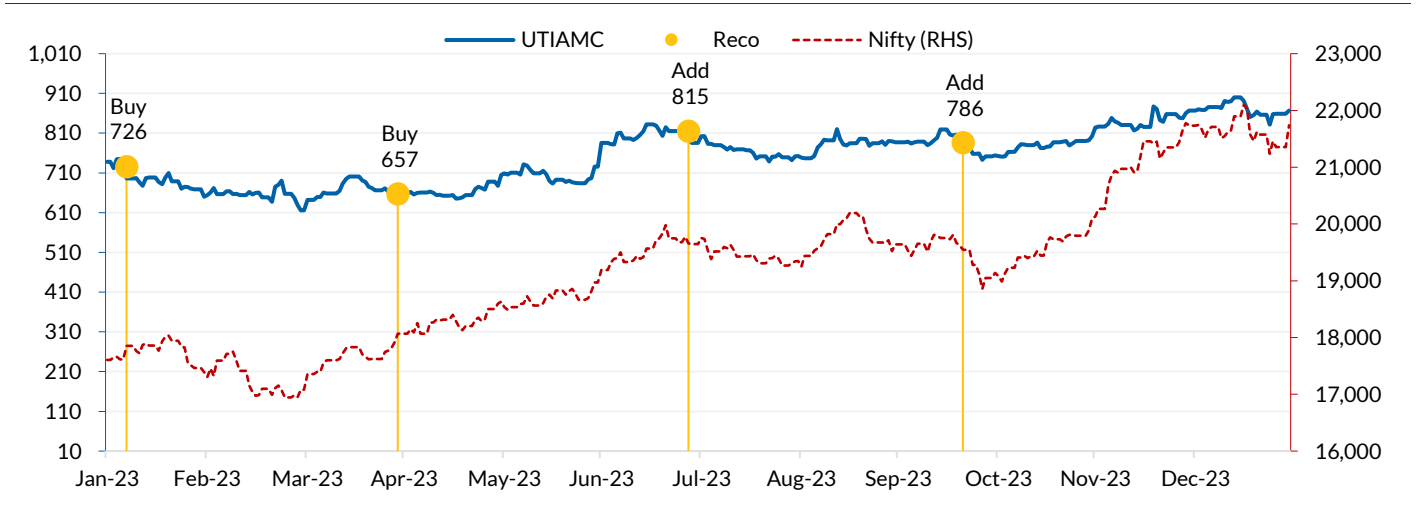
Source: Company, YES Sec – Research

## Exhibit 8: Ratios

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth ratios (%)</b>					
AAUM	32.6%	11.0%	14.6%	15.5%	15.6%
Revenue	38.7%	1.1%	6.3%	16.4%	16.5%
Staff Cost	7.0%	1.9%	9.0%	9.0%	9.0%
Total Operating Expenses	18.1%	5.5%	8.6%	9.0%	9.0%
Profit Before Tax	9.5%	-11.3%	20.2%	19.9%	20.2%
Net profit	8.1%	-17.8%	28.1%	19.9%	20.2%
<b>As a % of Avg AUM</b>					
Management Fees	0.53%	0.48%	0.45%	0.45%	0.46%
Staff Cost	0.19%	0.18%	0.17%	0.16%	0.15%
Other Expenses	0.10%	0.10%	0.10%	0.09%	0.09%
PBT	0.31%	0.25%	0.26%	0.27%	0.28%
Net profit	0.25%	0.19%	0.21%	0.22%	0.23%
<b>Operating Ratios</b>					
Operating Profit Margin	44.5%	42.1%	40.9%	44.7%	48.2%
PBT Margin	59.0%	51.8%	58.5%	60.3%	62.2%
PAT Margin	47.8%	38.9%	46.8%	48.2%	49.7%
ROE	15.6%	11.7%	14.3%	16.3%	18.6%
Dividend Payout Ratio	49.5%	62.5%	70.0%	70.0%	70.0%
<b>Per share (Rs)</b>					
EPS	42	34	44	53	64
Book Value	284	305	318	334	353
<b>Valuation Ratios (x)</b>					
P/E	20.6	25.2	19.5	16.3	13.6
P/BV	3.1	2.8	2.7	2.6	2.5
Mcap to AUM	5.2%	4.7%	4.1%	3.5%	3.1%
Dividend Yield	2.4%	2.5%	3.6%	4.3%	5.2%

Source: Company, YES Sec – Research

## Recommendation Tracker



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**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

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