

July 25, 2024

RESULT REPORT Q1 FY25 | Sector: Asset Managers

UTI Asset Management Co.

UTI remains cheapest asset manager play

Our view – Revenue yield was stable while operating margin improved

Revenue Yield - Calculated revenue yield was stable even after unfavorable product mix change: The share on equity QAAUM and Hybrid QAAUM in total QAAUM was down sequentially by -63bps and -11bps respectively. On the other hand, the share of ETF & Index fund QAAUM in total QAAUM was up by 126bps sequentially. The revenue yield of Equity and Hybrid funds is much higher than ETF & Index fund's yield. However, even after the unfavorable product mix change the calculated revenue yield for the quarter has remain stable sequentially.

Operating Expense and Margin - Higher operating efficiency leads to better operating margin: The Equity QAAUM has grown by 4.5% QoQ and Hybrid QAAUM has grown by 5.4% QoQ. Even after sequential business growth in key fund segments the employee cost in 1QFY25 was down by -2.5% QoQ and other operating expense was down by -9.4% QoQ. The total opex in 1Q was down -5.1% QoQ. This has led to an improvement in operating margin which came in at 47.1% in 1Q up by 617bps QoQ and 653bps YoY.

We maintain an 'ADD' rating on UTI with an unchanged price target of Rs 1225: We value UTI at 19x FY26 P/E at which it would trade at a FY26 P/B of 3.2x.

(UTI AMC did not host a call this quarter and does so only in even quarters.)

Other Aspects (See "Our View" above for elaboration and insight)

- **Revenue:** Revenue from operations at Rs 3,368mn was up 6.0%/19.1% QoQ/YoY lagging the growth of MF QAAUM at 6.8%/25.2% QoQ/YoY
- **Share of Equity in AUM:** Share of Equity in AUM at 28.5% was down -63bps QoQ and -83bps YoY
- **Share of B-30 in AUM:** Share of B-30 at 21% was flat QoQ but down by -100 bps YoY
- **Channel mix:** Share of Banks + Distributors, MFD and Direct channel was 8%, 23% and 69%, respectively in overall AUM

Exhibit 1: Result table

Rs mn	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ
Revenue from operations	3,368	2,828	19.1%	3,177	6.0%
As % of QAUM^	0.43%	0.46%	-2bps	0.44%	0bps
Fees and Commission Exp.	6	5	28.3%	6	-6.3%
As % of revenues	0.2%	0.2%	1bps	0.2%	-2bps
Employee Benefit Expenses	1,137	1,063	6.9%	1,165	-2.5%
As % of revenues	33.7%	37.6%	-386bps	36.7%	-293bps
Other Expenses	638	612	4.3%	704	-9.4%
As % of revenues	19.0%	21.6%	-268bps	22.2%	-322bps
Total Expense	1,781	1,680	6.0%	1,876	-5.1%
Operating Profit	1,587	1,148	38.3%	1,301	22.0%
As % of QAUM^	0.20%	0.19%	2bps	0.18%	3bps
As % of revenues	47.1%	40.6%	653bps	41.0%	617bps
Other Income	1,970	1,858	6.0%	1,026	91.9%
Finance cost	32	25	24.4%	30	5.0%
Depreciation	112	96	16.2%	118	-4.8%
Profit before Tax	3,413	2,884	18.3%	2,180	56.6%
Tax Expense	670	540	24.1%	365	83.5%
Profit After Tax	2,743	2,344	17.0%	1,814	51.2%
As % of QAUM^	0.4%	0.4%	-2bps	0.2%	10bps
As % of revenues	81.4%	82.9%	-146bps	57.1%	2433bps

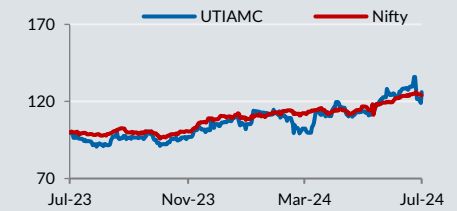
Source: Company, YES Sec-Research, ^ Annualised

Recommendation	: ADD
Current price	: Rs 1,027
Target price	: Rs 1,225
Potential Return	: +19%

Stock data (as on July 25, 2024)

Nifty	24,406
52 Week h/l (Rs)	1089 / 716
Market cap (Rs/USD mn)	129488 / 1547
Outstanding Shares (mn)	127
6m Avg t/o (Rs mn):	186
Div yield (%):	4.7
Bloomberg code:	UTIAM IN
NSE code:	UTIAMC

Stock performance



	1M	3M	1Y
Absolute return	0.7%	8.4%	26.8%

Shareholding pattern (As of Mar'24 end)

Promoter	0.0%
FII+DII	66.9%
Others	33.1%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	1225	1225

Financial Summary

Rs mn	FY24	FY25E	FY26E
Net Revenue	11,821	13,417	15,611
YoY Growth	4.5%	13.5%	16.3%
EBIDTA Margin	40.5%	43.2%	47.0%
PAT	8,020	6,744	8,039
YoY Growth	82.4%	-15.9%	19.2%
ROE	19.4%	15.0%	17.1%
EPS (Rs)	63.0	53.0	63.2
P/E (x)	16.4	19.5	16.3
BV (Rs)	344.8	360.7	379.7
P/BV (x)	3.0	2.9	2.7

Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	NA	53.0	63.2
EPS (Old)	NA	52.3	62.5
% change	NA	1.2%	1.1%

SHIVAJI THAPLIYAL

Head of Research (Overall)
& Lead Sector Research Analyst
shivaji.thapliyal@ysil.in



SIDDHARTH RAJPUROHIT, Analyst

SURAJ SINGHANIA, Associate

Exhibit 2: Other Business Parameters

Rs mn	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ
MF QAAUM	3,106,969	2,480,875	25.2%	2,908,808	6.8%
Industry market share	5.3%	5.8%	-49bps	5.4%	-10bps
Gross SIP Flows	18,490	16,520	11.9%	17,730	4.3%

QAAUM Mix

Equity	886,060	728,110	21.7%	847,770	4.5%
ETF & Index	1,272,270	884,310	43.9%	1,154,480	10.2%
Cash & Arbitrage	377,440	408,690	-7.6%	362,600	4.1%
Hybrid	273,970	211,170	29.7%	259,820	5.4%
Income	297,240	248,590	19.6%	284,130	4.6%

QAAUM Mix (% proportion)

Equity	29%	29%	-83bps	29%	-63bps
ETF & Index	41%	36%	530bps	40%	126bps
Cash & Arbitrage	12%	16%	-433bps	12%	-32bps
Hybrid	9%	9%	31bps	9%	-11bps
Income	10%	10%	-45bps	10%	-20bps

Channel Mix (% proportion)*

Bank & Distributors	8%	7%	100bps	8%	0bps
MFD	23%	26%	-300bps	24%	-100bps
Direct	69%	67%	200bps	68%	100bps

Geographical Spread

T-30	79%	78%	100bps	79%	0bps
B-30	21%	22%	-100bps	21%	0bps

Source: Company, YES Sec – Research, *The numbers are comparable QoQ and YoY. However, there has been a change in reporting where the MFD segment now consists only of IFA business while NDs and RDs have been taken along Banks and Distributors segment.

Exhibit 3: Quarterly Actuals Vs Estimates

Q1FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	3,368	3,427	(1.7)
Operating profit	1,587	1,403	13.1
Profit after tax	2,743	2,012	36.3

Source: Company, YES Sec – Research

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Exhibit 4: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	1,270	1,270	1,273	1,273	1,273
Total Reserves	34,793	37,409	42,609	44,632	47,044
Shareholder's Funds	36,062	38,678	43,882	45,905	48,317
Minority Interest	114	0	5,850	5,850	5,850
Deferred Tax Assets / Liabilities	286	152	407	367	330
Long Term Provisions	245	108	253	301	354
Other long term liabilities	270	272	297	352	415
Trade Payables	1,138	1,326	1,207	1,370	1,594
Other Current Liabilities	1,763	1,213	1,514	1,796	2,117
Total Liabilities	39,877	41,749	53,410	55,940	58,977
Net Block	2,498	2,615	1,627	1,827	2,027
Other Intangible assets	152	130	108	108	108
Right of use assets	910	938	1,152	1,175	1,198
Non Current Investments	97	92	1,261	1,496	1,763
Other Non Current Assets	686	762	760	902	1,063
Currents Investments	29,782	32,479	44,283	45,700	47,388
Sundry Debtors	849	938	839	952	1,108
Cash and Bank	3,983	3,572	3,200	3,567	4,069
Other Financial Assets	784	109	95	112	133
Short Term Loans and Advances	136	115	86	102	120
Total Assets	39,877	41,749	53,410	55,940	58,977

Source: Company, YES Sec – Research

Exhibit 5: Profit and Loss Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Management Fees	11,189	11,314	11,821	13,417	15,611
Fees and Commission	27	29	19	22	26
Employee Expense	4,067	4,145	4,393	4,745	5,124
Other Expenses	2,117	2,376	2,624	2,860	3,117
Total Expenses	6,211	6,550	7,036	7,627	8,268
Operating Profit	4,978	4,764	4,785	5,791	7,343
Other Income	2,084	1,587	5,619	3,211	3,330
Depreciation	368	399	423	457	507
Finance Cost	92	96	113	115	117
Profit before Tax	6,602	5,856	9,868	8,430	10,049
Tax	1,256	1,459	1,848	1,686	2,010
Net Profit	5,346	4,397	8,020	6,744	8,039

Source: Company, YES Sec – Research

Exhibit 6: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	6,602	5,856	9,868	8,430	10,049
Depreciation	368	399	423	457	507
Change in working cap	(649)	(261)	(283)	259	306
Tax paid	(1,293)	(1,419)	(1,740)	(1,727)	(2,047)
Others	(1,658)	(622)	(5,018)	(3,096)	(3,213)
Cash flow from operations	3,370	3,954	3,251	4,323	5,603
Capex	(379)	(519)	(805)	(680)	(730)
Change in investments	(431)	(773)	(1,132)	(1,651)	(1,956)
Others	211	367	478	3,211	3,330
Cash flow from investments	(598)	(925)	(1,458)	880	644
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Dividend (incl tax)	(2,155)	(2,666)	(2,794)	(4,721)	(5,628)
Others	(115)	(28)	150	(115)	(117)
Cash flow from financing	(2,270)	(2,694)	(2,644)	(4,836)	(5,745)
Net change in cash	502	335	(851)	367	502

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	NA	13,417	15,611	NA	13,315	15,500	NA	0.8	0.7
Operating Profit	NA	5,791	7,343	NA	5,689	7,232	NA	1.8	1.5
Profit After Tax	NA	6,744	8,039	NA	6,662	7,949	NA	1.2	1.1

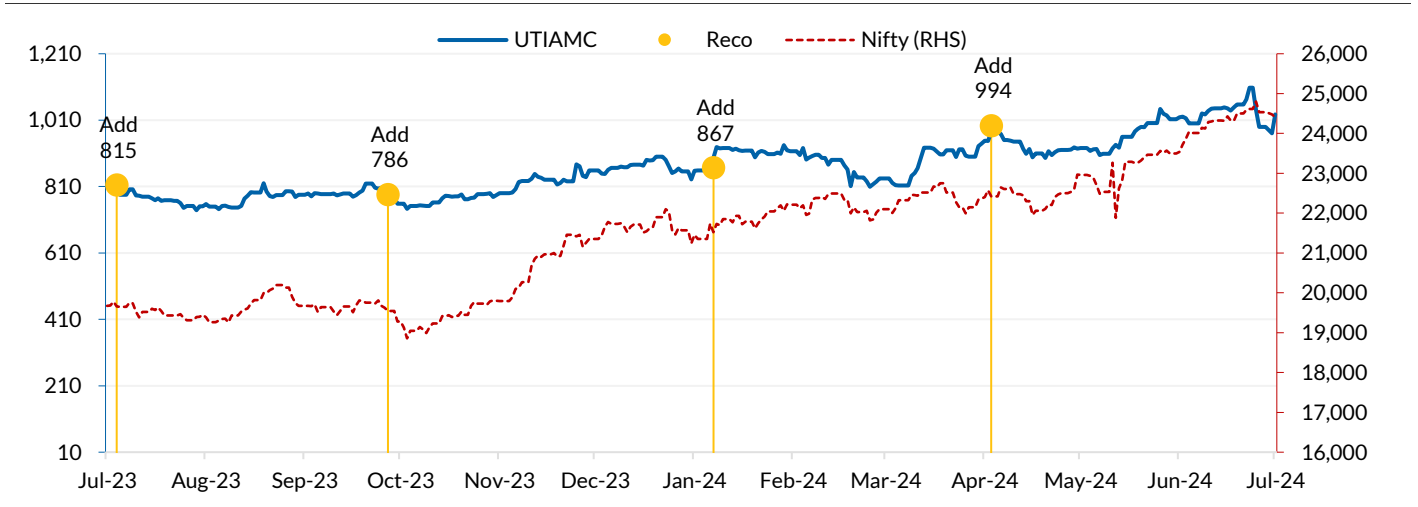
Source: Company, YES Sec – Research

Exhibit 8: Ratios

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth ratios (%)					
AAUM	32.6%	11.0%	14.8%	18.6%	17.9%
Revenue	38.7%	1.1%	4.5%	13.5%	16.3%
Staff Cost	7.0%	1.9%	6.0%	8.0%	8.0%
Total Operating Expenses	18.1%	5.5%	7.4%	8.4%	8.4%
Profit Before Tax	9.5%	-11.3%	68.5%	-14.6%	19.2%
Net profit	8.1%	-17.8%	82.4%	-15.9%	19.2%
As a % of Avg AUM					
Management Fees	0.53%	0.48%	0.44%	0.42%	0.41%
Staff Cost	0.19%	0.18%	0.16%	0.15%	0.14%
Other Expenses	0.10%	0.10%	0.10%	0.09%	0.08%
PBT	0.31%	0.25%	0.37%	0.26%	0.27%
Net profit	0.25%	0.19%	0.30%	0.21%	0.21%
Operating Ratios					
Operating Profit Margin	44.5%	42.1%	40.5%	43.2%	47.0%
PBT Margin	59.0%	51.8%	83.5%	62.8%	64.4%
PAT Margin	47.8%	38.9%	67.9%	50.3%	51.5%
ROE	15.6%	11.7%	19.4%	15.0%	17.1%
Dividend Payout Ratio	49.5%	62.5%	72.2%	70.0%	70.0%
Per share (Rs)					
EPS	42	34	63	53	63
Book Value	284	305	345	361	380
Valuation Ratios (x)					
P/E	24.5	29.9	16.4	19.5	16.3
P/BV	3.6	3.4	3.0	2.9	2.7
Mcap to AUM	6.2%	5.6%	4.9%	4.1%	3.5%
Dividend Yield	2.0%	2.1%	4.6%	3.6%	4.3%

Source: Company, YES Sec – Research

Recommendation Tracker



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BUY: Upside greater than 20% over 12 months

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

Lead Analyst signature

Analyst signature

Associate signature

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a wholly owned subsidiary of YES BANK LIMITED. YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSIL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSIL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSIL by SEBI/Stock Exchanges.