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# IPO REPORT

**“Subscribe for Long Term” to  
UTI Asset Management Company Ltd.**

## Salient features of the IPO:

- **UTI Asset Management Company Ltd.** (UTI AMC), one of India's oldest AMC, is planning to raise up to Rs. 21,600mn through an IPO, which will open on 29<sup>th</sup> Sept. and close on 1<sup>st</sup> Oct. 2020. The price band is Rs. 552 - 554 per share.
- The issue consists of only OFS portion. As a result, the company will not receive any proceeds from it.

## Key competitive strengths:

- Well-positioned to capitalize on favorable industry dynamics, including the under penetration of mutual fund products
- Pure-play independent asset manager with strong brand recognition and diverse portfolio of funds and services
- Multiple distribution channels with wide reach and broad & stable client base
- Long-term track record of product innovation, consistent and stable investment performance and AUM growth
- Established position in retirement solutions through product innovation and large retirement fund mandates
- Experienced management and investment teams supported by strong governance structures and human resources programs
- Enhanced profitability driven by size and product mix

## Risk and concerns:

- Continued subdued economic growth post Covid-19 pandemic
- Decline in global & domestic equity markets and delayed recovery
- Changes in interest rates and defaults
- Unfavorable composition of AUM
- Intense competition and unfavorable regulation

**Peer comparison and valuation:** At the higher price band of Rs. 554 per share, UTI AMC is demanding a P/E valuation of 23.3x, which is at a discount to the peer average of 35.1x.

## Below are few key observations of the issue: (continued in next page)

- Mutual fund assets in India have seen robust growth, especially in recent years, driven by a growing investor base due to increasing penetration across geographies, strong growth of the capital markets, technological progress and regulatory efforts aimed at making mutual fund products more transparent and investor friendly. Although mutual fund AUM as a percent of GDP rose from 4.3% in FY02 to approximately 11% in FY20, penetration levels remain well below the world average of 63%. With supportive industry policies, financialization of the household saving, increasing penetration in the B30 cities, the macros of the domestic mutual fund industry are positive and provides huge scope for growth and development.
- Aggregate mutual fund industry AUM grew at around 14.9% CAGR from Rs. 11.9tn as of 31st Mar. 2015 to Rs. 24.6tn as of 30th Jun. 2020. This impressive growth was despite the industry witnessing IL&FS default and continuing NBFC crisis, which subsequently got exacerbated by the Covid-19 global pandemic. Q1 FY21 saw a drop in AUM as a result of the nationwide lockdown and overall capital markets performance. Due to pandemic led destruction, mutual fund quarterly AAUM growth is expected to be near-flat for FY21. However, post FY21, quarterly AAUMs are expected to gradually bounce back and grow to approximately Rs. 52tn by Mar. 2025 (i.e. a growth of around 18% CAGR between Mar. 2021 and Mar. 2025).
- As of 30<sup>th</sup> Jun. 2020, UTI AMC is the second largest AMC in India in terms of total AUM and eight largest in India with domestic QAAUM (quarterly average AUM) of Rs. 1,336.3bn. Among the top-10 domestic AMCs, the company has the highest proportion of its monthly average AUM attributable to B30 cities, which is characterized by a particularly low penetration of mutual fund products. By FY20 end, the industry generated only 12.6% of the total AUM from these cities.

Recommendation	Subscribe for Long Term
Price Band	Rs. 552 - 554 per Share
Face Value	Rs. 10
Shares for Fresh Issue	Nil
Shares for OFS	38.99mn shares
Fresh Issue Size	N/a
OFS Issue Size	Rs. 21,520.9 - 21,598.8mn
Total Issue Size	38.99mn shares (Rs. 21,520.9 - 21,598.8mn)
Reserved for employees	0.2mn shares
Net issue size	38.79mn shares (Rs. 21,410.5 - 21,488mn)
Bidding Date	29 <sup>th</sup> Sept. - 1 <sup>st</sup> Oct. 2020
MCAP at Higher Price Band	Rs. 70,240mn
Enterprise Value at Higher Price Band	Rs. 73,172mn
Book Running Lead Manager	Kotak Mahindra Capital Company Ltd., Axis Capital Ltd., Citigroup Global Markets India Pvt. Ltd., DSP Merrill Lynch Ltd., ICICI Securities Ltd., JM Financial Ltd. and SBI Capital Markets Ltd.
Registrar	KFin Technologies Pvt. Ltd.
Sector/Industry	Asset Management Company
Promoters	UTI AMC is a professionally managed company and does not have an identifiable promoter

issue breakup		
Category	Percent of issue (%)	Number of shares (mn)
QIB portion	50%	19.39mn shares
Non institutional portion	15%	5.82mn shares
Retail portion	35%	13.58mn shares

Indicative IPO process time line	
Finalization of basis of allotment	7 <sup>th</sup> Oct. 2020
Unblocking of ASBA account	8 <sup>th</sup> Oct. 2020
Credit to demat accounts	9 <sup>th</sup> Oct. 2020
Commencement of trading	12 <sup>th</sup> Oct. 2020

Pre and post - issue shareholding pattern		
	Pre - Issue	Post - Issue
Promoter & Promoter Group	00.00%	00.00%
Public	100.00%	100.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Retail application money at higher cut-off price per lot	
Number of Shares per Lot	27
Application Money	Rs. 14,958 per Lot

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## Peer comparison and valuation (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. mn)	EV (Rs. mn)	Stock return (%)				Operating revenue (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EBITDA margin (%)	PAT margin (%)
					1 W	1 M	3 M	1 Y					
<b>UTI Asset Management Company Ltd.</b>	<b>10</b>	<b>554</b>	<b>70,240</b>	<b>73,172</b>					<b>8,823</b>	<b>3,660</b>	<b>3,021</b>	<b>41.5%</b>	<b>34.2%</b>
HDFC Asset Management Company Ltd.	5	2,111	449,345	451,868	-15.2%	-13.7%	3.5%	-26.3%	19,104	14,930	12,730	78.2%	66.6%
Nippon Life Asset Management Ltd.	10	254	155,660	154,292	-8.7%	-18.2%	8.7%	-3.3%	11,110	5,623	4,462	50.6%	40.2%
<b>Average</b>												<b>64.4%</b>	<b>53.4%</b>

Company Name	AUM (Rs. mn)	Mutual fund market share (%)	Operating revenue / AUM (%)	Net profit / AUM (%)	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)
UTI Asset Management Company Ltd.	1,336,300 <b>**</b>	5.4%	0.66%	0.23%	23.8	223.6	5.0
HDFC Asset Management Company Ltd.	3,674,000	14.5%	0.52%	0.35%	59.8	189.3	12.0
Nippon Life Asset Management Ltd.	2,569,000	7.3%	0.43%	0.17%	7.3	42.4	6.0
<b>Average</b>			<b>0.48%</b>	<b>0.26%</b>			<b>9.0</b>

Company Name	Debt Equity Ratio	Total Asset Turnover Ratio	RoE (%)	RoA (%)	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	MCAP / AUM (x)	Earning Yield (%)
<b>UTI Asset Management Company Ltd.</b>	<b>0.1</b>	<b>0.3</b>	<b>10.7%</b>	<b>9.3%</b>	<b>23.3</b>	<b>2.5</b>	<b>8.3</b>	<b>20.0</b>	<b>8.0</b>	<b>5.3%</b>	<b>4.3%</b>
HDFC Asset Management Company Ltd.	0.1	0.4	31.6%	29.7%	35.3	11.2	23.7	30.3	23.5	12.2%	2.8%
Nippon Life Asset Management Ltd.	0.1	0.4	17.2%	15.5%	34.9	6.0	13.9	27.4	14.0	6.1%	2.9%
<b>Average</b>	<b>0.1</b>	<b>0.4</b>	<b>24.4%</b>	<b>22.6%</b>	<b>35.1</b>	<b>8.6</b>	<b>18.8</b>	<b>28.9</b>	<b>18.8</b>	<b>9.1%</b>	<b>2.8%</b>

Note: All financial data are of TTM; **\*\*** It is mutual fund AUM, however total AUM is Rs. 9.8tn; Source: Choice Broking Research

- UTI AMC also provides portfolio management services (PMS) to institutional clients and high net worth individuals (HNI), manage retirement funds, offshore funds and alternative investment funds (AIF). As of 30<sup>th</sup> Jun. 2020, in term of AUM - the company is the second largest PMS provider in India. Of the total AUM as of 30<sup>th</sup> Jun. 2020, domestic mutual fund AUM is around 13.6%, while PMS and retirement solutions AUM share is 70.9% and 13.8%, respectively. However, on the management fees front, domestic mutual fund accounted for 58.7% of the total income in Q1 FY21.
- With 10.9mn live folios (as of 31<sup>st</sup> Mar. 2020), the company's client base accounts for 12.2% of the approximately 89.7mn folios managed by the Indian mutual fund industry. Individual domestic clients represented 43.8% of its domestic mutual fund AUM, which helps it in reducing short-term churn and volatility. Moreover, these individual clients had a holding period of more than three years.
- UTI AMC has a comprehensive multi-channel distribution network comprising of 53,000 independent financial advisors (IFA), direct distribution (which includes internal sales teams for institutional & PSU clients and digital platforms) and banks & distributors. As of 30<sup>th</sup> Jun. 2020, these IFAs contributed 29.8%, while direct distribution contributed 58.7% of its domestic mutual fund AUM. This wide distribution network is spread across 697 districts (out of total 722 districts) in India, thereby giving access to the investors even in the remote areas.
- The financial performance of UTI AMC is not encouraging. Despite being one of the pioneers of mutual fund in India and with relatively better distribution network, the company is consistently losing the market share. Its market share has consistently declined from 8.2% in FY14 to 6.5% in FY19 to 5.4% in Q1 FY21.
- Over FY17-20, the mutual fund industry was marred by regulatory actions, adverse credit market, Covid-19 pandemic etc. These events cumulatively resulted to a fall in UTI AMC's mutual fund AUM and thus the corresponding management fees. During this period, the company witnessed 4% CAGR fall in the management fees (which is around an average 86% of the top-line during the period). Consequently, consolidated top-line declined by 9.1% CAGR over FY17-20. Consolidated EBITDA and PAT declined by 19.7% and 17.4%, respectively, with contraction in EBITDA and PAT margin by over 11ppts and 675bps. UTI AMC has consistently generated a positive operating cash flow over FY17-20, but it declined by 26.5% CAGR. With fall in profitability, RoIC and RoE is in declining trend. RoIC and RoE contracted by 934bps and 988bps, to be at 9% and 9.9%, respectively in FY20. It is a consistently paying dividend with an average payout ratio of 16.7% over FY17-20.
- In Q1 FY21, the company reported higher revenues and improved profitability, mainly on the back of recovery in the equity market performance, lower operating expenditure and tax rate. But this performance seems to be unsustainable.
- Based on our quick estimate, UTI AMC is expected to report an 8.1% CAGR rise in top-line over FY20-23 to Rs. 10,797.6mn in FY23. EBITDA and PAT margins are likely to improve by 370bps and 31bps, respectively. RoIC and RoE are forecasted to improve by 82bps and 87bps to be at 9.8% and 10.8%, respectively, in FY23.

At the higher price band of Rs. 554 per share, UTI AMC is demanding a P/E valuation of 23.3x, which is at a discount to the peer average of 35.1x. Considering the above observations and positive macros of the domestic mutual fund industry, we assign a **"Subscribe for Long Term"** rating for the issue.

## About the issue:

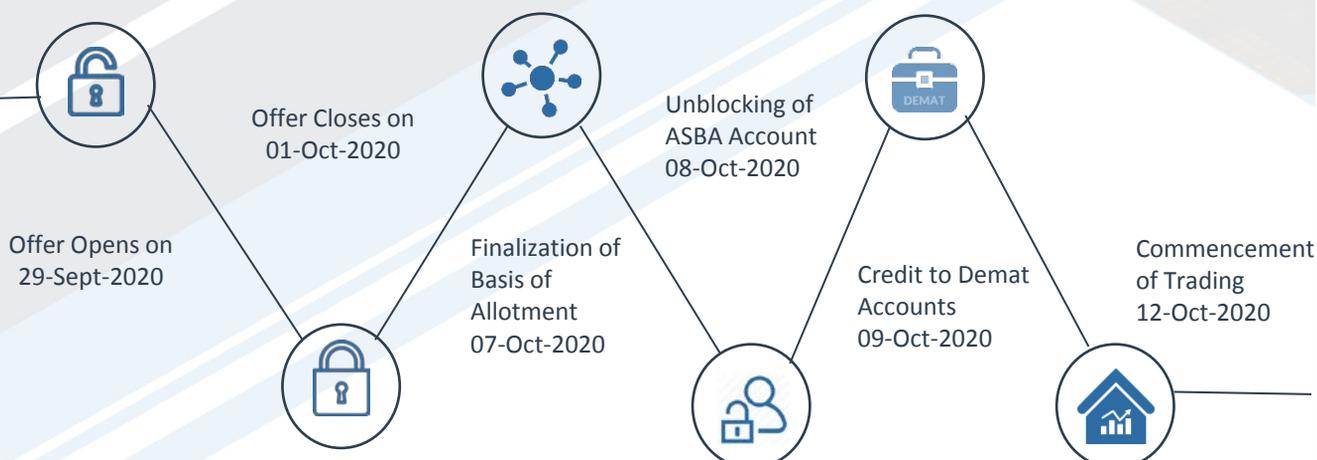
- UTI AMC is coming up with an IPO with 38.99mn shares (fresh issue: nil; OFS shares: 38.99mn shares) in offering. The offer represents around 30.75% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 21,520.9 - 21,598.8mn.
- The issue will open on 29<sup>th</sup> Sept. 2020 and close on 1<sup>st</sup> Oct. 2020.
- The issue is through book building process with a price band of Rs. 552 - 554 per share.
- The issue consists of only OFS portion. As a result, the company will not receive any proceeds from it.
- 50% of the net issue shall be allocated on a proportionate basis to qualified institutional buyers, while rest 15% and 35% is reserved for non-institutional bidders and retail investors, respectively.
- UTI AMC is a professionally managed company and does not have any identifiable promoter. Public holding will remain 100% both pre and post-IPO.

### Pre and post issue shareholding pattern (%)

	Pre Issue	Post Issue (at higher price band)
Promoter & Promoter Group	00.00%	00.00%
Public	100.00%	100.00%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Company introduction:

As of 30<sup>th</sup> Jun. 2020, **UTI AMC** is the second largest asset management company in India in terms of total AUM (asset under management) and the eighth largest AMC (asset management company) in India in terms of mutual fund QAAUM. Among the top-10 AMCs, the company also had the largest share of its monthly average AUM attributable to B30 cities. UTI AMC caters to a diverse group of individual and institutional investors through a wide variety of funds and services. It manages the domestic mutual funds of UTI Mutual Fund, provides PMS to institutional clients and HNI, manage retirement funds, offshore funds and AIF.

UTI AMC had total QAAUM of Rs. 1,336.3bn, while its other AUM was Rs. 8,493.9bn at the end of Jun. 2020. With 10.9mn live folios as of 31<sup>st</sup> Mar. 2020, its client base accounts for 12.2% of the approximately 89.7mn folios that are managed by the Indian mutual fund industry.

The company's history and track record in the mutual fund industry, strong brand recognition, distribution reach, performance and client relationships provide a platform for future growth. The company and its predecessor (Unit Trust of India) have been active in the asset management industry for more than 55 years, having established the first mutual fund in India. UTI AMC is a professionally managed company led by its Board of Directors and a dedicated and experienced management team. Its four sponsors are the State Bank of India, Life Insurance Corporation of India, Punjab National Bank and Bank of Baroda, each of which has the Government of India as a majority shareholder. T. Rowe Price Group, Inc., a global AMC, through its subsidiary T. Rowe Price International Ltd. (TRP) is the other major shareholder. Cumulatively, these five shareholders have a pre-ipo stake of 98.96% in UTI AMC. Post-IPO, the stake will decline to 68.21%.

The company has a national footprint and offers its schemes through a diverse range of distribution channels. As of 30<sup>th</sup> Jun. 2020, its distribution network includes 163 UTI Financial Centers (UFC), 257 Business Development Associates (BDA) and Chief Agents (CA), most of which are located in B30 cities. Moreover, its IFA channel includes approximately 53,000 Independent Financial Advisors (IFA). BDA and CA network are exclusively engaged with the company and primarily in B30 cities, thereby allowing it to efficiently & effectively develop, maintain and service relationships with the distributors and investors. UTI AMC's banks & distributors (B&D) channel involves distribution arrangements with domestic and foreign banks, as well as with national and regional distributors. Additionally, the company has a dedicated sales teams for institutional and public sector undertaking clients and also offer products directly through the UFCs, digital applications and website. The distribution channels is supported by 459 relationship managers (RM), who interact with clients and distributors and help generate new business and maintain the existing relationships. Investors are also able to directly invest in the company's mutual funds through mobile applications. UTI AMC also has offices in London, Dubai, Guernsey and Singapore, through which it services offshore and domestic mutual funds to offshore investors who seek to invest in India.

UTI AMC's clients include domestic individual investors (which represented 43.8% of the its total closing AUM of domestic mutual funds, as of 30<sup>th</sup> Jun. 2020), corporate & other institutional investors (which represented 45.4% of its domestic mutual fund closing AUM), and banks & other financial institutions (which represented 3.5% of its domestic mutual fund closing AUM. Trusts (5.7%) and non-resident Indians (1.7%) represented the remainder of domestic mutual fund closing AUM as of 30<sup>th</sup> Jun. 2020. The company manages 153 domestic mutual fund schemes, comprising equity, hybrid, income, liquid and money market funds. As of 30<sup>th</sup> Jun. 2020, its domestic mutual fund QAAUM was Rs. 1,336.3bn, which accounted for approximately 5.4%, or the eighth largest amount of the total QAAUM invested in all mutual funds in India.

Set forth below is the breakdown of its domestic mutual fund QAAUM by category of mutual funds:

₹ 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	332.7	24.9%	387.5	24.6%	381.9	25.2%	372.6	23.3%	366.7	23.7%
Passive <sup>(1)</sup>	244.5	18.3%	198.0	12.5%	252.2	16.7%	167.4	10.5%	92.1	5.9%
<b>Total Equity</b>	<b>577.2</b>	<b>43.2%</b>	<b>585.5</b>	<b>37.1%</b>	<b>634.1</b>	<b>41.9%</b>	<b>540</b>	<b>33.8%</b>	<b>458.8</b>	<b>29.6%</b>
Hybrid	187.9	14.1%	221.5	14.0%	209.6	13.8%	219.3	13.7%	219.1	14.1%
Income	193.3	14.5%	318.3	20.2%	213.5	14.1%	391.9	24.5%	487.5	31.5%
Liquid /Money Market <sup>(2)</sup>	377.9	28.2%	453.3	28.7%	457.9	30.2%	445.8	27.9%	384.0	24.8%
<b>Total</b>	<b>1,336.3</b>	<b>100%</b>	<b>1,578.7</b>	<b>100%</b>	<b>1,515.1</b>	<b>100%</b>	<b>1,596.9</b>	<b>100%</b>	<b>1,549.4</b>	<b>100%</b>

Source: Company RHP

## Company introduction (Contd...):

UTI AMC's investment philosophy endeavors to deliver investment outperformance against benchmarks and competitors, and its investment strategy is to have a balanced and well-diversified portfolio within each of the funds, which are subject to internal norms governing asset allocation, sectoral allocation and security selection. The company's domestic equity mutual fund management team includes 19 members, with an average of more than 11 years of experience, while its domestic fixed income mutual fund management team is composed of 13 members, with an average of over 12 years of experience. Many of its equity mutual funds have demonstrated strong performance through economic cycles. The company has a rigorous internal control structure with emphasis on risk management, internal audit systems and regulatory compliance.

UTI AMC's PMS business provides portfolio management services to institutional clients and HNIs. It provides discretionary PMS to the Employees' Provident Fund Organization, the Coal Mines Provident Fund Organization, the Employees' State Insurance Corporation, the National Skill Development Fund and to HNIs, non-discretionary PMS to Postal Life Insurance, and advisory PMS to various offshore and domestic accounts. As on 31<sup>st</sup> Oct. 2019, the company was approved to manage 55% of the total corpus of the Central Board of Trustees, EPF, accounting for Rs. 5,916.6bn, or 84.9% of its PMS AUM as of 30<sup>th</sup> Jun. 2020. UTI AMC's PMS AUM increased from Rs. 1,158.5bn in FY18 to Rs. 6,890.6bn in FY20, representing a CAGR of 143.9%, and to Rs. 6,970.5bn as of 30<sup>th</sup> Jun. 2020.

The company also manages retirement funds (in its retirement solutions business, which manages the National Pension System funds), offshore funds (including the Shinsei UTI India Fund, a co-branded fund with Shinsei Bank of Japan) and alternative investment funds. These other businesses (excluding the domestic mutual funds and PMS business) had an aggregate closing AUM of Rs. 1,523.4bn as of 30<sup>th</sup> Jun. 2020.

The following table sets forth the breakdown of the company's Other AUM (in absolute amounts and as a percentage of the total) by category of business:

Category	As of June 30,				As of March 31,					
	2020		2019		2020		2019		2018	
	AUM	% of Total	AUM	% of Total	AUM	% of Total	AUM	% of Total	AUM	% of Total
PMS <sup>(1)</sup>	6,970.5	82.1%	4,849.8	80.4%	6890.6	83.2%	1,332.7	55.6%	1,158.5	56.6%
Retirement Solutions	1,355.9	15.9%	1,020.9	16.9%	1,222.0	14.7%	937.1	39.1%	694.8	33.9%
Offshore Funds	156.9	1.8%	147.2	2.4%	157.7	1.9%	118.7	5.0%	187.9	9.2%
Alternative Investment Funds	10.6	0.1%	9.7	0.2%	10.5	0.1%	8.3	0.4%	7.0	0.3%
<b>Total</b>	<b>8,493.9</b>	<b>100%</b>	<b>6,027.6</b>	<b>100%</b>	<b>8,280.8</b>	<b>100%</b>	<b>2,396.9</b>	<b>100%</b>	<b>2,048.2</b>	<b>100%</b>

Source: Company RHP

**Competition:** Investment performance, distribution reach, quality of service, continuity of client relationships, brand recognition and business reputation are the principal competitive factors in the asset management industry. Fee competition also affects UTI AMC's business, as do compensation, administration, commissions and other expenses paid to intermediaries. Prospective clients typically base their decisions on the company's ability to generate returns that exceed a market index, and HNIs, corporate and other institutional investors, in particular, carefully consider pricing when selecting an asset manager. It face particularly intense competition in major metropolitan areas. UTI AMC's key competitors in the asset management industry include HDFC Asset Management Company Ltd., ICICI Prudential Asset Management Company Ltd., SBI Funds Management Pvt. Ltd., Aditya Birla Sun Life AMC Ltd., Nippon Life Asset Management Company Ltd. and Kotak Asset Management Company Ltd. In addition, the company competes with a large number of investment management firms, investment advisors, commercial banks, brokerage firms, broker-dealers & other financial institutions, and technology platforms. It also competes with other savings providers, such as insurance companies and banks. Bank deposits, small savings schemes and other savings products, life insurance and pension products are among the key products competing with the funds. For example, ULIPs provided by insurance companies vigorously compete with equity mutual funds, as some of these insurance plans may offer higher returns while also providing insurance coverage. Advertising and sales promotions also influence competition for sales.

The company face intense competition in attracting and retaining qualified employees, including fund managers, research analysts and sales persons. The ability to continue to compete effectively in its businesses depends in part on its ability to attract and retain such talent. A number of key competitors are part of diversified financial institutions and may have greater resources and offer a broader range of services than the company. The mutual fund industry in India is expected to attract a number of new entrants in the upcoming years due to favorable market conditions and the low barriers to entry. In the offshore business, UTI AMC competes with many well established international asset managers for opportunities to manage assets dedicated to India.

## Company introduction (Contd...):

**Financial performance:** Over FY17-20, the mutual fund industry was marred by regulatory actions, adverse credit market, Covid-19 pandemic etc. These events cumulatively resulted to a fall in UTI AMC's mutual fund AUM and thus the corresponding management fees. During this period, the company witnessed 4% CAGR fall in the management fees (which is around an average 86% of the top-line during the period). Consequently, consolidated top-line declined by 9.1% CAGR over FY17-20 to Rs. 8,549.7mn. In Q1 FY21, management fees declined by 21.6% Y-o-Y (due to fall in AUM), while on the back of smart recovery in the equity market, net gain on fair value changes increased by 438% Y-o-Y. As a result, Q1 FY21 consolidated top-line improved by 11.6% Y-o-Y to Rs. 2,617.9mn. On TTM basis, top-line stood at Rs. 8,822.5mn.

Total operating expenditure increased by 1.3% CAGR (as compared to a fall in top-line) during FY17-20, thereby leading to a 19.7% CAGR fall in consolidated EBITDA to Rs. 3,492.7mn in FY20. EBITDA margin contracted by over 11ppts during the period to remain at 40.9% in FY20. During Q1 FY21, consolidated EBITDA increased by 15.4% Y-o-Y to Rs. 1,247mn - mainly on account of lower operating expenses. EBITDA margin improved by 157bps Y-o-Y to 47.6%. On TTM basis, consolidated EBITDA stood at Rs. 3,659.6mn with a margin of 41.5%.

Depreciation charge increased by 10.6% CAGR, while other income increased by 64.4% CAGR during FY17-20. Effective tax expenses declined by 25.8% CAGR, thereby leading to a 17.4% CAGR fall in consolidated PAT to Rs. 2,730.3mn in FY20. PAT margin contracted by 675bps during the period to stand at 31.9% in FY20. During Q1 FY21, PAT increased by 40.6% Y-o-Y with 791bps expansion in the PAT margin. On TTM basis, consolidated PAT stood at Rs. 3,020.5mn with a margin of 34.2%.

The company has consistently generated a positive operating cash flow over FY17-20, but it declined by 26.5% CAGR. Average operating cash flow during the period stood at Rs. 2,367mn. With fall in profitability, RoIC and RoE is in declining trend. RoIC contracted by 934bps, while RoE contracted by 988bps to be at 9% and 9.9%, respectively in FY20. It is a consistently paying dividend over FY17-20 with an average payout ratio of 16.7%.

Consolidated financial snapshot (Rs. mn)	FY17	FY18	FY19	FY20	Q1 FY20	Q1 FY21	TTM	CAGR (%)	Y-o-Y (%, Annual)	Y-o-Y (%, Quarterly)
Interest income	54.0	67.5	140.5	177.9	37.5	34.2	174.7	81.5%	26.6%	-8.6%
Dividend income	2.5	5.7	4.9	2.5	0.3	0.1	2.4	-0.2%	-48.5%	-57.1%
Rental income	15.5	102.6	62.5	75.2	14.4	24.4	85.1	120.5%	20.2%	69.1%
Net gain on fair value changes	1,028.4	(225.1)	931.7	(86.6)	167.5	901.2	647.1		-109.3%	438.1%
Sale of services	8,544.3	9,668.6	8,906.3	7,878.9	2,038.4	1,597.8	7,438.3	-4.0%	-11.5%	-21.6%
Others - Net gain/loss on sale of investments	704.7	1,881.2	459.2	501.9	87.1	60.2	474.9	-15.6%	9.3%	-30.9%
<b>Revenue from operations</b>	<b>10,349.3</b>	<b>11,500.5</b>	<b>10,505.1</b>	<b>8,549.7</b>	<b>2,345.1</b>	<b>2,617.9</b>	<b>8,822.5</b>	<b>-9.1%</b>	<b>-18.6%</b>	<b>11.6%</b>
<b>EBITDA</b>	<b>5,421.6</b>	<b>5,686.9</b>	<b>4,982.0</b>	<b>3,492.7</b>	<b>1,080.1</b>	<b>1,247.0</b>	<b>3,659.6</b>	<b>-19.7%</b>	<b>-29.9%</b>	<b>15.4%</b>
<b>Reported PAT</b>	<b>4,003.1</b>	<b>3,642.1</b>	<b>3,528.3</b>	<b>2,730.3</b>	<b>715.3</b>	<b>1,005.5</b>	<b>3,020.5</b>	<b>-17.4%</b>	<b>-22.6%</b>	<b>40.6%</b>
Restated adjusted EPS	31.6	28.7	27.8	21.5	5.6	7.9	23.8	-17.4%	-22.6%	40.6%
Cash flow from operating activities	3,608.1	2,685.6	1,227.1	1,947.2	425.5	151.4	1,673.1	-26.5%	58.7%	-64.4%
NOPLAT	3,907.0	3,828.7	3,345.8	2,494.5	696.7	1,006.1	2,800.7	-20.1%	-25.4%	44.4%
FCF		766.1	1,358.3	1,388.2					2.2%	
RoIC (%)	18.3%	15.7%	12.7%	9.0%	2.6%	3.5%	9.8%	(934) bps	(367) bps	94 bps
Revenue growth rate (%)		11.1%	-8.7%	-18.6%		11.6%			(996) bps	
EBITDA growth rate (%)		4.9%	-12.4%	-29.9%		15.4%			(1,750) bps	
EBITDA margin (%)	52.4%	49.4%	47.4%	40.9%	46.1%	47.6%	41.5%	(1,153) bps	(657) bps	157 bps
EBIT growth rate (%)		4.8%	-13.4%	-32.2%		16.5%			(1,885) bps	
EBIT margin (%)	49.9%	47.1%	44.7%	37.2%	42.5%	44.4%	37.9%	(1,273) bps	(746) bps	187 bps
Restated adjusted PAT growth rate (%)		-9.0%	-3.1%	-22.6%		40.6%			(1,949) bps	
Restated adjusted PAT margin (%)	38.7%	31.7%	33.6%	31.9%	30.5%	38.4%	34.2%	(675) bps	(165) bps	791 bps
Fixed asset turnover ratio (x)	2.7	3.1	3.0	2.4			2.4	-6.5%	-21.2%	
Total asset turnover ratio (x)	0.4	0.4	0.3	0.3			0.3	-19.0%	-22.3%	
RoE (%)	19.8%	15.4%	13.5%	9.9%			10.7%	(988) bps	(366) bps	
RoA (%)	16.0%	12.5%	11.7%	8.7%			9.3%	(734) bps	(306) bps	

Source: Choice Equity Broking



## Competitive strengths:

- Well-positioned to capitalize on favorable industry dynamics, including the under penetration of mutual fund products
- Pure-play independent asset manager with strong brand recognition and diverse portfolio of funds and services
- Multiple distribution channels with wide reach and broad & stable client base
- Long-term track record of product innovation, consistent and stable investment performance and AUM growth
- Established position in retirement solutions through product innovation and large retirement fund mandates
- Experienced management and investment teams supported by strong governance structures and human resources programs
- Enhanced profitability driven by size and product mix

## Business strategy:

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



## Risk and concerns:

- Continued subdued economic growth post Covid-19 pandemic
- Decline in global & domestic equity markets and delayed recovery
- Changes in interest rates and defaults
- Unfavorable composition of AUM
- Intense competition
- Unfavorable regulation

## Financial statements:

### Consolidated profit and loss statement (Rs. mn)

	FY17	FY18	FY19	FY20	Q1 FY20	Q1 FY21	TTM	CAGR over FY17 - 20 (%)	Annual growth over FY19 (%)	Quarterly growth (%)
<b>Revenue from operations</b>	<b>10,349.3</b>	<b>11,500.5</b>	<b>10,505.1</b>	<b>8,549.7</b>	<b>2,345.1</b>	<b>2,617.9</b>	<b>8,822.5</b>	<b>-9.1%</b>	<b>-18.6%</b>	<b>11.6%</b>
Fees and commission expense	(5.7)	(17.9)	(21.1)	(29.1)	(6.4)	(6.7)	(29.4)	125.2%	38.0%	4.2%
Impairment on financial instruments	0.0	(19.0)								
Employee benefit expenses	(2,865.8)	(3,207.6)	(3,066.5)	(3,398.6)	(888.3)	(980.4)	(3,490.7)	8.9%	10.8%	10.4%
Other expenses	(2,056.2)	(2,569.1)	(2,435.5)	(1,629.3)	(370.3)	(383.9)	(1,642.9)	-11.0%	-33.1%	3.7%
<b>EBITDA</b>	<b>5,421.6</b>	<b>5,686.9</b>	<b>4,982.0</b>	<b>3,492.7</b>	<b>1,080.1</b>	<b>1,247.0</b>	<b>3,659.6</b>	<b>-19.7%</b>	<b>-29.9%</b>	<b>15.4%</b>
Depreciation, amortization and impairment	(256.1)	(272.5)	(291.5)	(313.4)	(82.7)	(84.6)	(315.3)	10.6%	7.5%	2.2%
<b>EBIT</b>	<b>5,165.5</b>	<b>5,414.4</b>	<b>4,690.5</b>	<b>3,179.3</b>	<b>997.4</b>	<b>1,162.4</b>	<b>3,344.3</b>	<b>-21.5%</b>	<b>-32.2%</b>	<b>16.5%</b>
Finance cost	(93.4)	(87.1)	(81.9)	(84.8)	(20.5)	(22.9)	(87.2)	-4.7%	3.5%	11.6%
Other income	133.2	127.0	303.9	359.9	87.5	92.8	365.2	64.4%	18.4%	6.0%
<b>PBT</b>	<b>5,205.3</b>	<b>5,454.3</b>	<b>4,912.5</b>	<b>3,454.5</b>	<b>1,064.4</b>	<b>1,232.2</b>	<b>3,622.3</b>	<b>-18.5%</b>	<b>-29.7%</b>	<b>15.8%</b>
Tax expenses	(1,253.1)	(1,403.4)	(1,433.2)	(689.6)	(354.6)	(221.5)	(556.5)	-25.8%	-51.9%	-37.5%
<b>PAT before minority interest</b>	<b>3,952.2</b>	<b>4,050.9</b>	<b>3,479.3</b>	<b>2,764.9</b>	<b>709.8</b>	<b>1,010.8</b>	<b>3,065.9</b>	<b>-16.4%</b>	<b>-20.5%</b>	<b>42.4%</b>
Minority interest	50.9	(408.9)	49.0	(34.6)	5.6	(5.2)	(45.3)		-170.5%	-193.9%
<b>Reported PAT</b>	<b>4,003.1</b>	<b>3,642.1</b>	<b>3,528.3</b>	<b>2,730.3</b>	<b>715.3</b>	<b>1,005.5</b>	<b>3,020.5</b>	<b>-17.4%</b>	<b>-22.6%</b>	<b>40.6%</b>

### Consolidated balance sheet statement (Rs. mn)

	FY17	FY18	FY19	FY20	Q1 FY20	Q1 FY21	TTM	CAGR over FY17 - 20 (%)	Annual growth over FY19 (%)	Quarterly growth (%)
Equity share capital	1,267.9	1,267.9	1,267.9	1,267.9	1,267.9	1,267.9	1,267.9	0.0%	0.0%	0.0%
Other equity	18,992.2	22,406.5	24,775.9	26,357.1	25,263.9	27,081.4	27,081.4	17.8%	6.4%	7.2%
Minority interest	1,050.9	701.9	371.9	107.9	366.4	114.4	114.4	-68.0%	-71.0%	-68.8%
Trade payables	1,179.0	1,609.0	714.0	662.2	466.0	331.7	331.7	-25.1%	-7.3%	-28.8%
Other financial liabilities	1,585.1	1,543.9	1,593.9	1,755.8	1,647.7	1,782.2	1,782.2	5.2%	10.2%	8.2%
Provisions	228.1	1,061.2	916.1	830.9	1,135.4	1,298.1	1,298.1	90.9%	-9.3%	14.3%
Net current tax liabilities	57.2	50.7	43.4	44.9	172.4	76.9	76.9	-11.3%	3.5%	-55.4%
Net deferred tax liabilities	636.9	438.3	363.4	444.5	399.8	498.8	498.8	-16.5%	22.3%	24.7%
Other non financial liabilities	34.1	113.3	86.2	78.0	208.1	182.8	182.8	51.2%	-9.6%	-12.2%
<b>Total liabilities</b>	<b>25,031.2</b>	<b>29,192.5</b>	<b>30,132.6</b>	<b>31,549.2</b>	<b>30,927.5</b>	<b>32,634.2</b>	<b>32,634.2</b>	<b>12.3%</b>	<b>4.7%</b>	<b>5.5%</b>
Property, plant and equipments	2,638.9	2,585.5	2,529.4	2,503.9	2,510.7	2,471.1	2,471.1	-2.6%	-1.0%	-1.6%
Other intangible assets	14.9	24.9	36.1	118.0	31.1	104.5	104.5	181.4%	226.6%	235.8%
Capital work in progress	1.0	22.9	8.8	2.8	24.3	5.7	5.7	67.7%	-67.7%	-76.5%
Intangible assets under development	29.9	31.2		7.6		19.1	19.1	-49.7%		
Investment property	122.9	117.7	112.5	107.3	111.2	106.0	106.0	-6.6%	-4.6%	-4.7%
Right of use assets	1,039.1	912.7	834.2	896.5	846.3	959.4	959.4	-7.1%	7.5%	13.4%
Net current tax assets	167.3	170.6	320.6	461.1	434.3	500.6	500.6	66.0%	43.8%	15.3%
Other non financial assets	149.7	208.3	238.0	231.7	282.8	264.8	264.8	24.4%	-2.7%	-6.4%
Trade receivables	587.7	549.2	637.3	553.6	767.3	513.2	513.2	-2.9%	-13.1%	-33.1%
Investments	18,001.9	21,788.5	22,613.7	23,557.5	23,185.5	24,573.9	24,573.9	14.4%	4.2%	6.0%
Cash and cash equivalents	1,100.7	1,501.9	1,241.8	1,192.5	1,150.6	1,238.6	1,238.6	4.1%	-4.0%	7.6%
Loans	375.0	356.8	281.7	374.4	277.1	364.1	364.1	-0.1%	32.9%	31.4%
Other financial assets	802.2	922.3	1,278.6	1,542.4	1,306.3	1,513.5	1,513.5	38.7%	20.6%	15.9%
<b>Total assets</b>	<b>25,031.2</b>	<b>29,192.5</b>	<b>30,132.6</b>	<b>31,549.2</b>	<b>30,927.5</b>	<b>32,634.2</b>	<b>32,634.2</b>	<b>12.3%</b>	<b>4.7%</b>	<b>5.5%</b>

Source: Choice Equity Broking

## Financial statements:

### Consolidated cash flow statement (Rs. mn)

Particulars (Rs. mn)	FY17	FY18	FY19	FY20	Q1 FY20	Q1 FY21	TTM	CAGR over FY17 - 20 (%)	Annual growth over FY19 (%)	Quarterly growth (%)
Cash flow before working capital changes	3,750.2	4,014.1	3,726.1	3,118.2	860.3	227.9	2,485.8	-8.8%	-16.3%	-73.5%
Change in working capital	1,027.9	283.1	(833.6)	(423.6)	(131.9)	98.3	(193.5)		-49.2%	-174.5%
<b>Cash flow from operating activities</b>	<b>3,750.2</b>	<b>4,014.1</b>	<b>3,726.1</b>	<b>3,118.2</b>	<b>860.3</b>	<b>227.9</b>	<b>2,485.8</b>	<b>-8.8%</b>	<b>-16.3%</b>	<b>-73.5%</b>
Purchase of property, plant & equipment	(1,065.7)	(118.0)	(65.6)	(217.7)	(29.9)	(14.9)	(202.7)	-54.8%	232.1%	-50.1%
<b>Cash flow from investing activities</b>	<b>(2,630.1)</b>	<b>(1,537.9)</b>	<b>(257.8)</b>	<b>(1,058.6)</b>	<b>(397.4)</b>	<b>(162.2)</b>	<b>(823.4)</b>	<b>-36.6%</b>	<b>310.6%</b>	<b>-59.2%</b>
<b>Cash flow from financing activities</b>	<b>(647.6)</b>	<b>(746.5)</b>	<b>(1,229.4)</b>	<b>(937.8)</b>	<b>(119.3)</b>	<b>56.9</b>	<b>(761.7)</b>	<b>20.3%</b>	<b>-23.7%</b>	<b>-147.7%</b>
<b>Net cash flow</b>	<b>330.4</b>	<b>401.3</b>	<b>(260.1)</b>	<b>(49.3)</b>	<b>(91.2)</b>	<b>46.0</b>	<b>88.0</b>		<b>-81.1%</b>	<b>-150.5%</b>
Opening balance of cash and bank balances	770.3	1,100.7	1,501.9	1,241.8	1,241.8	1,192.5	1,192.5	27.0%	-17.3%	-4.0%
<b>Closing balance of cash and bank balances</b>	<b>1,100.7</b>	<b>1,501.9</b>	<b>1,241.8</b>	<b>1,192.5</b>	<b>1,150.6</b>	<b>1,238.6</b>	<b>1,280.5</b>	<b>4.1%</b>	<b>-4.0%</b>	<b>7.6%</b>

### Consolidated financial ratios

Particulars (Rs. mn)	FY17	FY18	FY19	FY20	Q1 FY20	Q1 FY21	TTM
Revenue growth rate (%)		11.1%	-8.7%	-18.6%		11.6%	
EBITDA growth rate (%)		4.9%	-12.4%	-29.9%		15.4%	
EBITDA margin (%)	52.4%	49.4%	47.4%	40.9%	46.1%	47.6%	41.5%
EBIT growth rate (%)		4.8%	-13.4%	-32.2%		16.5%	
EBIT margin (%)	49.9%	47.1%	44.7%	37.2%	42.5%	44.4%	37.9%
PAT growth rate (%)		-9.0%	-3.1%	-22.6%		40.6%	
PAT margin (%)	38.7%	31.7%	33.6%	31.9%	30.5%	38.4%	34.2%
<b>Turnover ratios</b>							
Debtor days	20.7	18.0	20.6	25.4	119.4	71.6	21.2
Payable days	(41.6)	(44.2)	(40.4)	(29.4)	(72.5)	(46.2)	(13.7)
Cash conversion cycle	(20.9)	(26.2)	(19.7)	(4.0)	46.9	25.3	7.5
Fixed asset turnover ratio (x)	2.7	3.1	3.0	2.4			2.4
Total asset turnover ratio (x)	0.4	0.4	0.3	0.3			0.3
<b>Return ratios</b>							
RoE (%)	19.8%	15.4%	13.5%	9.9%			10.7%
RoA (%)	16.0%	12.5%	11.7%	8.7%			9.3%
<b>Per share data</b>							
Restated reported EPS (Rs.)	31.6	28.7	27.8	21.5	5.6	7.9	23.8
Restated DPS (Rs.)	3.7	4.0	5.0	5.0			5.0
Restated BVPS (Rs.)	159.8	186.7	205.4	217.9	209.3	223.6	223.6
Restated operating cash flow per share (Rs.)	28.5	21.2	9.7	15.4	3.4	1.2	13.2
Restated free cash flow per share (Rs.)		6.0	10.7	10.9			
Dividend payout ratio	11.7%	13.9%	18.0%	23.2%			21.0%

Note: Ratios calculated on pre-issue data; Source: Company RHP

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