

Issue Details

Listing	BSE & NSE
Open Date	29 Sep 2020
Close Date	01 Oct 2020
Price Band	Rs.552-554
Market Lot	27 shares
Minimum Lot	1 Lot

Incorporated in 2002, UTI AMC is the 2nd largest asset management company in India in terms of Total AUM and the 8th largest asset management company in India in terms of mutual fund QAAUM as on 30th June 2020, according to CRISIL. The company 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 portfolio management services (PMS) to institutional clients and high net worth individuals (HNIs) and manages retirement funds, offshore funds and alternative investment funds.

Issue Structure

Offer for sale	100%
Fresh Issue	0%
Issue Size	Rs. 2,160 Cr
No of shares	3,89,87,081
QIB share (%)	≤ 50
Non-Inst share (%)	≥ 15
Retail share (%)	≥ 35

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. The company is a professionally managed company led by a Board of Directors and a dedicated and experienced management team. For purposes of the SEBI Mutual Fund Regulations, the company's 4 sponsors are State Bank of India (SBI), Life Insurance Corporation of India (LIC), Punjab National Bank (PNB) and Bank of Baroda (BOB) (collectively, the "Sponsors"), each of which have the Government of India as a majority shareholder. T. Rowe Price Group, Inc., a global asset management company, is its other major shareholder (through its subsidiary T. Rowe Price International Ltd.).

Shareholding Pattern

Shareholder	%	%
Promoters	0.0	0.0
Institutional	100.0	84.6
Public	0.0	15.4

During the year ended March 2020, the company reported revenues from operations of Rs. 855.0 Cr which was a YoY decline of 18.6%. The de-growth was mainly on account of a decline in services income. EBITDA for the year stood at Rs. 349.3 Cr. EBITDA margins declined to 40.9% as against 47.4% in FY19 majorly on account of decline in revenues. PAT for the year reported was Rs. 276.5 Cr, with profit margins at 32.3% aided by an increase in other income and a decline in tax rates to 20% as against 29.2% in FY19. For the quarter ended June 2020, the company reported revenues of Rs. 261.8 Cr which showed a growth of 11.6% YoY as against Rs. 234.5 Cr in Q1FY19. PAT for the quarter stood at Rs. 101.1 Cr as against Rs. 71 Cr in Q1FY19.

Key Financials (in ₹ crores)

	Sales	EBITDA	Net Profit	EBITDA Margin (%)	Net Margin (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/E (x)	P/BV (x)
FY18	1150.1	568.7	405.1	49.4	35.2	32.0	186.7	17.1	16.5	17.3	3.0
FY19	1050.5	498.2	347.9	47.4	33.1	27.4	205.4	13.4	12.6	20.2	2.7
FY20	855.0	349.3	276.5	40.9	32.3	21.8	217.9	10.0	9.2	25.4	2.5

❖ **Key investment highlights:**

UTI Asset Management Company Ltd. has the following competitive strengths which makes it a good choice to invest in:

- **Well-positioned to capitalise on favourable industry dynamics, including the under-penetration of mutual fund products:** The company has the highest proportion of its monthly average AUM as on 30th June 2020 attributable to B30 cities of the top ten asset management companies in India, according to CRISIL. CRISIL notes that there is a particularly low penetration of mutual fund products in B30 cities; as on 31st March 2020 the Indian mutual fund industry's AUM attributable to B30 cities was only 12.6% of total industry AUM. The company's size and diverse client base, coupled with its strong product portfolio and, particularly in B30 cities, extensive distribution network and widely recognized brand, positions it to capitalise on future growth in the Indian mutual fund industry.
- **Multiple distribution channels with wide reach and broad and stable client base:** The company has a comprehensive multi-channel distribution network with both in-house capabilities and external distribution channels. The company reaches clients through a number of distribution channels, including IFAs, direct distribution, and banks and distributors. Its IFA distribution channel comprises approximately 53,000 IFAs, while its direct distribution channel includes internal sales 150 teams for institutional and PSU clients and digital platforms, and its banks and distributors ("BND") channel comprises arrangements with various domestic and foreign banks and other distributors. Digital initiatives, including its digital transaction system for institutional clients, UTI Buddy mobile app for distributors, UTI mobile app for customers, mobile applications for its sales force, digital marketing platform and data driven digital marketing campaigns, are also an increasingly important part of the company's distribution, particularly following the outbreak of the COVID-19 pandemic. Its wide-spread distribution network in India gives access to its investors located in 697 districts (out of 722 districts in total), including remote areas, and reinforces the company's strong presence in small and medium towns, cities and villages.
- **Experienced management and investment teams supported by strong governance structures and human resources programs:** UTI AMC Ltd. is a professionally managed asset management company led by its Board of Directors and a dedicated and experienced senior management team. The company has a 42 -member investment team, with a total of 519 years of experience, across its domestic mutual fund, PMS, RSL and offshore businesses, including 19 members in domestic equity mutual fund management team, 13 members in domestic fixed income mutual fund management team, 5 members in its PMS investment team, 3 members in RSL investment team, and 2 members in its offshore fund management team.

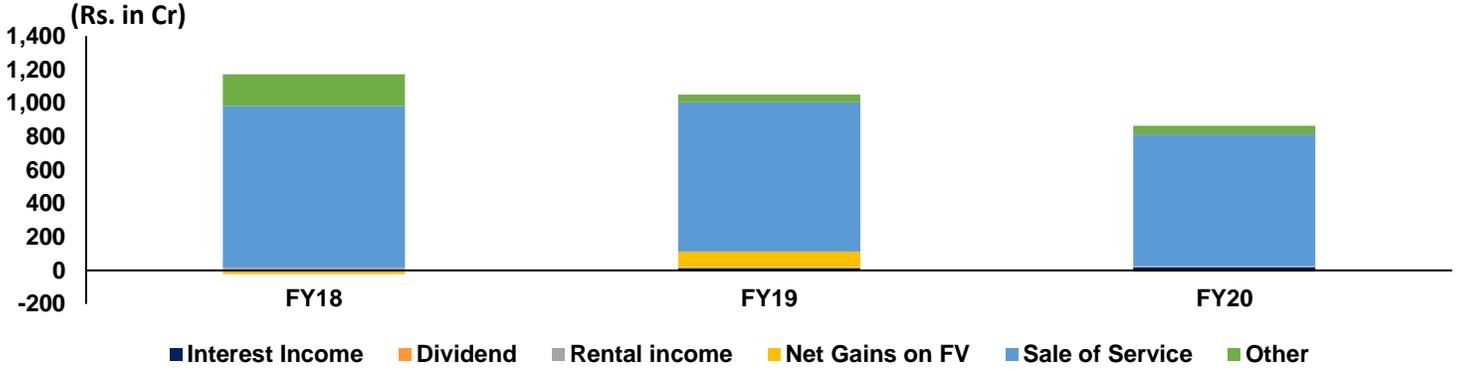
Aside from the above-mentioned strengths, there are certain risks associated with the company which need to be kept in mind before investing. These include:

- **The company's income and profit are largely dependent on the value and composition of its AUM, which may decline because of factors outside its control:** A substantial part of the company's income is dependent on the total value and composition of its AUM, as management fees are usually calculated as a percentage of its AUM. Its income from management fees for the quarter ended June 30, 2020 and June 30, 2019 was Rs. 1.6 billion and Rs. 2.0 billion, respectively, representing 58.8% and 83.6%, respectively, of its total consolidated income for this period. Any decrease in the value, and certain changes to the composition, of its AUM will cause a decline in income and profit. For example, the total QAAUM of domestic mutual funds ("Domestic Mutual Fund QAAUM") decreased by Rs. 242.4 billion, or 15.4%, from Rs. 1,578.7 billion as of June 30, 2019 to Rs. 1,336.3 billion as of June 30, 2020 as a result of the impact of the COVID-19 pandemic on financial markets and an increase in redemption requests from investors, driving a significant decline income from management fees.
- **Decline in market share consistently over the past years which could have an adverse impact on the business, financial condition and results of operations:** Factors such as increased competition in the mutual fund industry, including from technology-driven platforms, underperformance by the company's funds as compared to its respective benchmarks and competing schemes and shifts in the investment preferences of customers may hinder the ability to maintain or grow its market share. While the company's Domestic Mutual Fund QAAUM has almost doubled from Rs. 742.3 billion as of March 31, 2014 to Rs. 1,336.3 billion as of June 30, 2020, with some of its funds underperforming as compared to their respective benchmarks and competing schemes, and competition in the mutual fund industry increasing, as per CRISIL, its market share has fallen from 8.2% to 5.4% over the same period. In the future its market share may continue to decline and the company may be forced to reduce its management fees, or incur increased sales and marketing costs and increased capital expenditures on technology upgrades, in order to maintain or increase its market share, which could have an adverse impact on our business.
- **Business being subject to extensive regulation, including periodic inspections by SEBI and by the Pension Fund Regulatory and Development Authority (PFRDA):** As an asset management company, the company is regulated by SEBI under the SEBI Mutual Fund Regulations. SEBI also issues guidelines applicable to asset management companies in the form of circulars and notifications from time to time. Any non-compliance with existing regulations or SEBI's or PFRDA's observations or its failure or delay to obtain, maintain or renew regulatory approvals could expose it to penalties and restrictions.

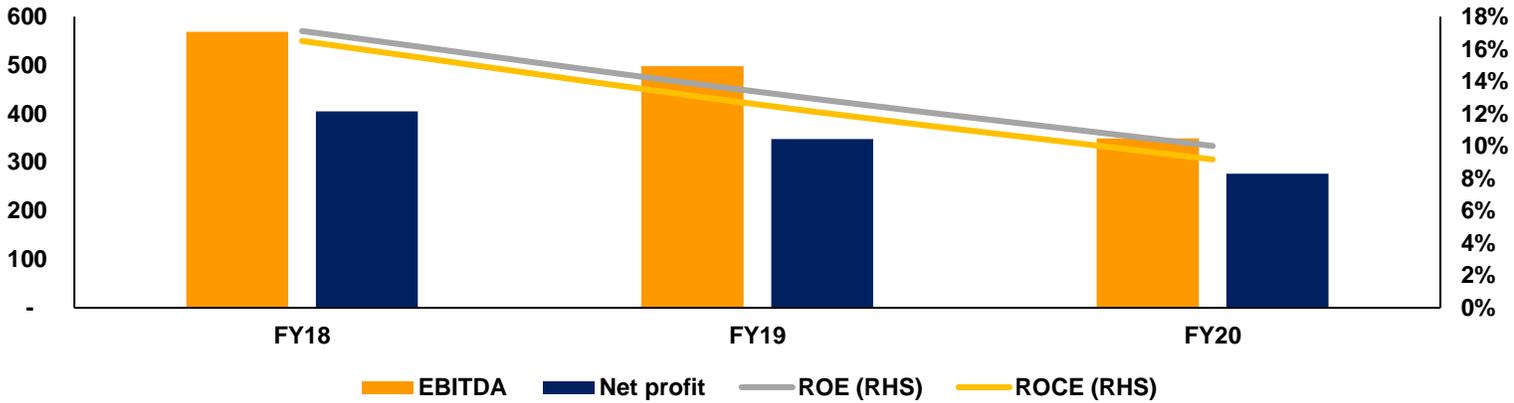


UTI AMC Ltd. story in charts

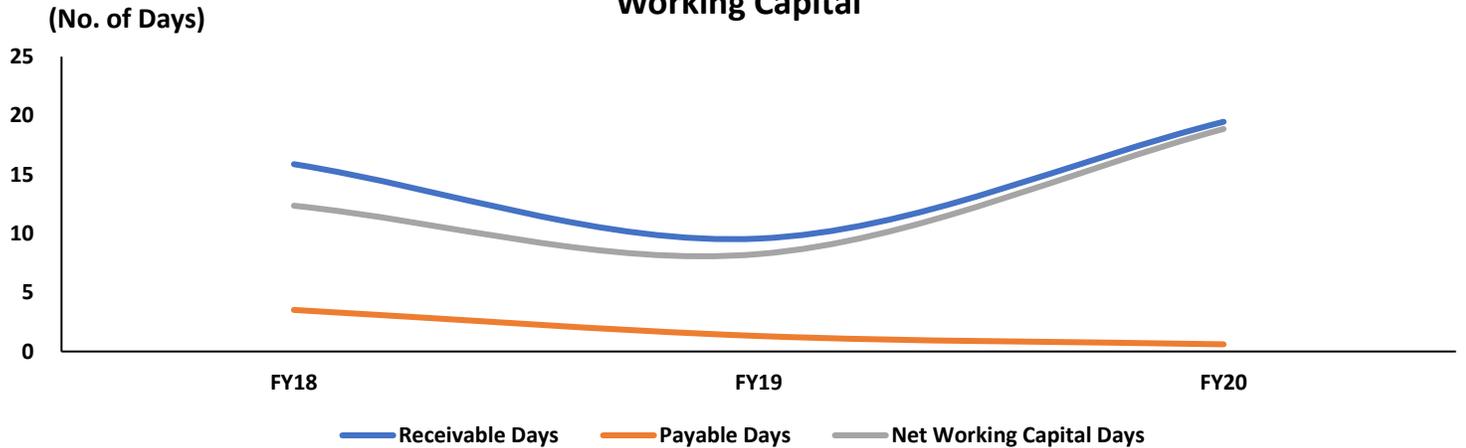
Revenue and Revenue Growth



Profit and Return Ratios



Working Capital



❖ Issue Structure and Offer Details

The proposed issue size is Rs. 2,160 cr with an offer for sale of 3,89,87,081 shares (based on the higher price band of Rs.554). The price band for the issue is Rs. 552-554 per share, and the bid lot is 27 shares and multiple thereof.

Issue Structure		
Category	No of Shares Offered	% of shares Offered*
QIB	1,93,93,540	≤ 50
Non Institutional Bidders	58,18,062	≥ 15
Retail	1,35,75,479	≥ 35
Employee Share	2,00,000	
Total	3,89,87,081	100

* Share based on net offering after considering employee share

❖ Objects of Offer:

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and the sale of up to 38,987,081 Equity Shares by the selling shareholders (as per the table below) in the offer. Further, the listing of Equity Shares will enhance the company's brand name and provide liquidity to the existing Shareholders.

Institution	Shares Offered for sale
State Bank Of India	1,04,59,949
Life Insurance Corporation	1,04,59,949
Bank of Baroda	1,04,59,949
Punjab National Bank	38,03,617
T Rowe Price	38,03,617
Total	3,89,87,081

❖ Valuation

At a higher price band of Rs. 554, UTI AMC Ltd. is trading at FY20 P/E of 25.4X. FY20 EPS of Rs. 21.8.

Key Management Personnel

Key Person	Designation	Details
Dinesh Kumar Mehrotra	Non-Executive Chairman and Independent Director	He holds a B.Sc.(Honours) degree from University of Patna. He has previously served as the chairman and the managing director of LIC. He has also served as the executive director of international operations at LIC. He was appointed as an Independent Director of the company w.e.f. August 23, 2017.
Imtaiyazur Rahman	Whole-time Director and Chief Executive Officer	He holds a B.Sc. degree from Lalit Narayan Mithila University, Darbhanga, and a Post Graduate Diploma in Computer Application from Institute of Modern Management, Calcutta He was appointed as the Whole-time Director of our Company with effect from August 23, 2019. Further, he has been appointed as the Chief Executive Officer of our Company for a period of two years with effect from June 13, 2020
Surojit Saha	Chief Financial Officer	He holds a B.Com. (Honours) degree from University of Calcutta, and an M. Com. degree from University of Calcutta. He has passed the final examination held by the Institute of Cost and Works Accountants of India . He joined Erstwhile UTI on December 5, 1990 and was subsequently transferred to the company w.e.f. January 15, 2003.
Amandeep Singh Chopra	Group President and Head of Fixed Income	He holds a B.Sc. degree from University of Delhi and an MBA degree from University of Delhi. He joined Erstwhile UTI on June 27, 1994 and was subsequently transferred to the company w.e.f. January 15, 2003.

Source: Company Reports & RHP

Financial Statements

Figures are in Rs Cr	FY18	FY19	FY20	Figures are in Rs Cr	FY18	FY19	FY20
Income Statement				Per Share Data (Rs)			
Net Revenue	1,150.1	1,050.5	855.0	Adjusted EPS	32.0	27.4	21.8
<i>YoY Growth (%)</i>		<i>(8.7)</i>	<i>(18.6)</i>	Adjusted Cash EPS	34.1	29.7	24.3
Total Expenditure	581.4	552.3	505.7	Dividend Yield (%)	0.1	0.1	0.1
<i>YoY Growth (%)</i>		<i>(5.0)</i>	<i>(8.4)</i>	Adjusted Book Value per Share	186.7	205.4	217.9
EBITDA	568.7	498.2	349.3	Debt Burden			
<i>Margin (%)</i>	<i>49.4</i>	<i>47.4</i>	<i>40.9</i>	Total Debt to Equity	0.0	0.0	0.0
Depreciation	27.3	29.1	31.3	Return Ratios			
EBIT	541.4	469.1	317.9	Return on Equity (%)	17.1	13.4	10.0
<i>Margin (%)</i>	<i>47.1</i>	<i>44.7</i>	<i>37.2</i>	Return on Capital Employed (%)	16.5	12.6	9.2
Other Income	12.7	30.4	36.0	Working Capital			
Finance Cost	8.7	8.2	8.5	Receivable Days	16	10	19
<i>Interest Coverage</i>	<i>62.2</i>	<i>57.3</i>	<i>37.5</i>	Payable Days	4	1	1
PBT	545.4	491.2	345.4	Net Working Capital Days	12	8	19
<i>Margin (%)</i>	<i>47.4</i>	<i>46.8</i>	<i>40.4</i>	Valuation Ratios			
Tax	140.3	143.3	69.0	P/E	17.3	20.2	25.4
<i>Tax Rate (%)</i>	<i>25.7</i>	<i>29.2</i>	<i>20.0</i>	P/BV	3.0	2.7	2.5
PAT	405.1	347.9	276.5	Cash Flow Statement			
<i>Margin (%)</i>	<i>35.2</i>	<i>33.1</i>	<i>32.3</i>	Profit Before Tax	545.4	491.2	345.4
Min Int/Share of Associates	0.0	0.0	0.0	Adjustments	(144.0)	(118.6)	(33.6)
Net Profit	405.1	347.9	276.5	Change in Working Capital	28.3	(83.4)	(42.4)
<i>Margin (%)</i>	<i>35.2</i>	<i>33.1</i>	<i>32.3</i>	Less: Tax Paid	(161.2)	(166.5)	(74.7)
Balance Sheet				Cash Flow from Operations	268.6	122.7	194.7
Share Capital	126.8	126.8	126.8	Net Capital Expenditure	(11.8)	(6.6)	(21.8)
Total Reserves	2,240.6	2,477.6	2,635.7	Change in Investment Activities	(142.0)	(19.2)	(84.1)
Shareholders' Fund	2,437.6	2,641.6	2,773.3	Cash Flow from Investing	(153.8)	(25.8)	(105.9)
Financial Liabilities	315.3	230.8	241.8	Proceeds from Equity Issues	0.0	0.0	0.0
Borrowings	0.0	0.0	0.0	Dividend & DDT	(50.7)	(63.4)	(63.4)
Trade Payable	11.1	3.8	1.4	Less: Finance Cost	(23.9)	(59.5)	(30.4)
Non Financial Liabilities	166.3	140.9	139.8	Cash Flow from Financing	(74.6)	(122.9)	(93.8)
Total Liabilities	2,919.2	3,013.3	3,154.9	Net Cash Flow	40.1	(26.0)	(4.9)
Financial Assets	2,511.9	2,605.3	2,722.0	Opening Cash Balance	110.1	150.2	124.2
Trade receivable	50.0	27.6	45.6	Closing Cash Balance	150.2	124.2	119.3
Cash & Cash Equivalent	150.2	124.2	119.3				
Non Financial Assets	407.4	407.9	432.9				
Propert, Plant & Equipment	258.6	252.9	250.4				
Total Assets	2,919.2	3,013.3	3,154.9				

Source: Company Reports & Ventura Research

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