September 28, 2020

IPO Note

IPO Fact Sheet

Opening Date:	September 29, 2020
Closing Date:	October 1, 2020
BRLMs:	Axis Capital, Kotak Mahindra Cap, Citigroup Global, DSP ML, ICICI Sec, JM Financial , SBI Capital
Issue Size:	Rs 21.52 bn - Rs 21.60 bn
Numbers of Shares:	38,987,081
Face value:	Rs 10
Bid lot:	27 Shares

Indicative Timetable

Activity	Date
Finalisation of Basis of Allotment:	07/10/2020
Refunds/Unblocking ASBA Fund	08/10/2020
Credit of equity shares to DP A/c	09/10/2020
Trading commences	12/10/2020

Issue Structure

QIB	50%
NIB	15%
Retail	35%

Issue Details

Pre-issue equity ('000 shares)	126,787,254
Post-issue equity ('000 shares)*	126,787,254
Post-issue Market Cap (Rs Crs)*	Rs6,998
Post-issue Market Cap (Rs Crs)#	Rs7,024

** Upper Band / # Lower Band*

Object of the Issue

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

Shareholding Pattern

(%)	Pre-Issue	Post-Issue
Promoters	98.96	68.2
Public	1.04	32.0

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UTI Asset Management Company

Rating: Subscribe | Price Band: Rs 552 - Rs 554

Niche play in the AMC space

UTI AMC, the eighth largest AMC in India, is a dominant player in beyond T30 cities (B30) market. The growth for the company in last four years was largely driven by passive funds as it bagged chunky public investments in ETFs, pension and retirement funds. The Co witnessed steady healthy 15% QAAUM CAGR over the same period led by strong distribution franchise, sticky client base, strengths in managing retirement (2nd highest) and PMS funds. However lower yields on passive/alternate funds, higher cost structures and current pandemic led headwinds would cap near term return profile. Valuations at 26x/21x FY20/FY21E P/E based on upper price band of Rs554 although lower than peers (35-36x HDFC/NAM INDIA AMC) stand justified given business concentration risks weighing upon financials (3.5% QAAUM CAGR vs 14% industry CAGR, revenue at -3% CAGR and RoE decline of 958bps over FY17-FY20). Hence, we suggest SUBCRIBE FOR LISTING GAINS and closely monitor journey towards high profit margin business.

- **Changing macro scenario favoring MF industry:** Growing investor base, higher disposable incomes, better awareness, digitalization and perception of MFs as long-term wealth creators are some factors that drove growth in MFs AUM. CRISIL expects the doubling of MF industry size from current Rs27tn to Rs52tn by FY25e. While near term headwinds persist, AUMs are expected to gradually bounce back in FY22. Growing share of equity funds (40% of overall industry AUMs), individual investors outpacing institutional investors (52% of overall AUMs), healthy 25% CAGR in equity funds in past 5 years (22% CAGR expected next 5 years) and steady SIP contributions (increase of 1.7x over past two years) supports immense business opportunity to be tapped by AMCs.

- **Niche positioning coming at a price: (a) Dominance in B30 market:** UTI AMC has established its niche in B30 cities (24% of overall AUM in B30 market) with focus on retail investors having small ticket sizes. While UTI has been capitalizing on under-penetrated markets leveraging upon its wide distribution, marketing and digital platforms the same has come at cost of elevated cost structures. Expense as a % of income climbed to 61% in FY20 from 53% in FY18. **(b) Dominance in passive fund market:** Led by high ticket mandates from ETFs and public sector funds, UTI stands as one of the dominant players in passive and alternate funds segment. While niche positioning has aided in building scales (90%+ QAAUM CAGR over FY17-FY20), the same calls for higher business concentration risks (non-equity fund AUMs at ~60% of FY20 QAAUM mix). In light of pandemic and recent credit crisis, diversified fund mix would not only guard against volatility but should also bring cost efficiencies.

- **Business concentration affects revenue profile:** During FY17-FY20, UTI AMC observed radical shift in QAAUMs as ETF share in overall QAAUM rose from 2% to 15%. It witnessed 5% CAGR/ 12% CAGR decline in its revenues/profitability in the same period. That's because the yields on passive funds (fixed: 28bps, ETF:5-6bps, aggregate 45-46bps) tend to be lower than the equity oriented funds (equity/hybrid:100bps). While change in regulations (management fees booked at scheme level not an AMC level) is also to be blamed, lowering of prescribed TER limits could not arrest the fall in bottom-line. Having said thsat, growing B30 participation in equity/hybrid funds, stable product mix and strong investment team should aid in improving returns over next two years (FY20 ROE:10%, FY19:14%).

UTI AMC – Largest AMC with strong parentage

UTI is known to establish the first mutual fund in India and is a prominent part of asset management industry for more than 55 years with a rich history and proven track record in mutual fund markets, backed by strong brand recognition.

UTI AMC has four sponsors, viz; SBI, LIC, PNB and BOB each having Government of India as a majority shareholder. UTI AMC also has a global asset management company T. Rowe Price International Ltd (as one of its major stakeholders) holding 26% stake in the Company.

The Co. stands well-positioned to capitalize on favorable industry dynamics, including under penetration of mutual fund products. With a national footprint comprising of 163 branches, 257 Business Development Associates and Chief Agents and 43 other OPAs plus 53,000 trained IFAs as of June 30, 2020, UTI is India’s largest AMC. It has nearly 11 mn live investors accounts having highest volume of asset under management (AUM) for any Indian mutual fund company.

The Co. is a pure-play independent asset manager with strong brand recognition and diverse portfolio of funds and services. UTI AMC manages 153 domestic mutual fund schemes as of 30th Jun'20, comprising of 30 equity Schemes, 9 hybrid schemes, 129 income schemes & 4 Liquid/money market schemes. Their Domestic Mutual Fund QAAUM stood at Rs 1,336 bn as of Jun'20 which accounted for 5.4%, or the eighth largest amount, of the total QAAUM invested in all mutual funds in India as of Jun'20, according to CRISIL.

UTI AMC possess the largest share of monthly average AUM in B30 cities among the top 10 AMCs in India with Rs 340 bn or 24% of its overall AUM in B30 geographies.

UTI, alongside SBI, are the major players in passive funds among AMCs driven by high ticket mandates from public sector funds to manage investments in passive funds. The Co. manages largest dividend yield fund (the UTI Dividend Yield Fund), largest index fund excluding ETFs (the UTI Nifty Index Fund) and largest income tax-notified fund in the retirement fund category.

Co.'s investment philosophy endeavors to deliver investment outperformance against benchmarks and competitors, and their investment strategy is to have a balanced and well-diversified portfolio within each fund, subject to internal norms governing asset allocation, sectoral allocation and security selection. The Management fees from domestic mutual funds account for 88.3% of the company’s total income in FY20.

As far as customer satisfaction goes, UTI is amongst front-runners. UTI AMC has the lowest complaints against folios (0.002%), followed by Aditya Birla Sun life (0.003%), Nippon India (0.013%) and SBI Mutual Fund (0.013%).

Offer Details

Exhibit 1: Offer Details

Offer Period	Opens On: 29th September, 2020 Closes On: 1st October, 2020
Issue Details	Offer for Sale upto 38,987,081 equity shares
Issue Size	Rs 21.52 bn - Rs 21.60 bn
Price Band	Rs 552 – 554
Bid Lot	27 Shares
Employee reservations	200,000 Equity Shares
QIB	50% of net offer
NIB	15% of net offer
Retail	35% of net offer
BRLM	Axis Capital, Kotak Mahindra Cap, Citigroup Global, DSP ML, ICICI Sec, JM Financial , SBI Capital
Registrar	Kfin Technologies
Listings	BSE & NSE

Source: Company, PL

Exhibit 2: Offer for sale of up to 38,987,081 Equity Shares

Offer of Sale by:	No. of Shares
State Bank of India (SBI)	1,04,59,949
Life Insurance corporation of India (LIC)	1,04,59,949
Bank of Baroda (BOB)	1,04,59,949
Punjab National Bank (PNB)	38,03,617
T. Rowe Price International Ltd (TRP)	38,03,617

Source: Company, PL (Note: The offer and the net offer would constitute atleast 30.75% and 30.59% of Post-Offer paid-up equity share capital respectively)

Exhibit 3: Details of equity shareholding of the major Shareholders of the company as on August 28, 2020

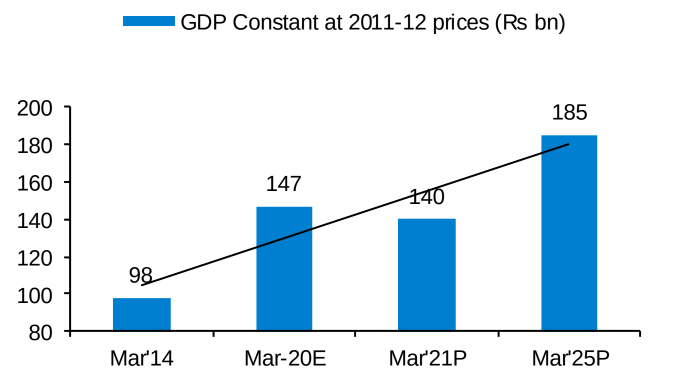
Offer of Sale by:	Pre Offer			Post Offer	
	No. of Shares	% of the pre Offer Equity Share capital (%)	Offer for sale	No. of Shares	% of the pre Offer Equity Share capital (%)
State Bank of India (SBI)	23,125,000	18.24%	1,04,59,949	1,26,65,051	9.99%
Life Insurance corporation of India (LIC)	23,125,000	18.24%	1,04,59,949	1,26,65,051	9.99%
Bank of Baroda (BOB)	23,125,000	18.24%	1,04,59,949	1,26,65,051	9.99%
Punjab National Bank (PNB)	23,125,000	18.24%	38,03,617	1,93,21,383	15.24%
T. Rowe Price International Ltd (TRP)	32,964,686	26.00%	38,03,617	2,91,61,069	23.00%
Total	**3,89,87,081**	**98.96%**	**3,89,87,081**	**8,64,77,605**	**68.21%**

Source: Company, PL

Investment Arguments

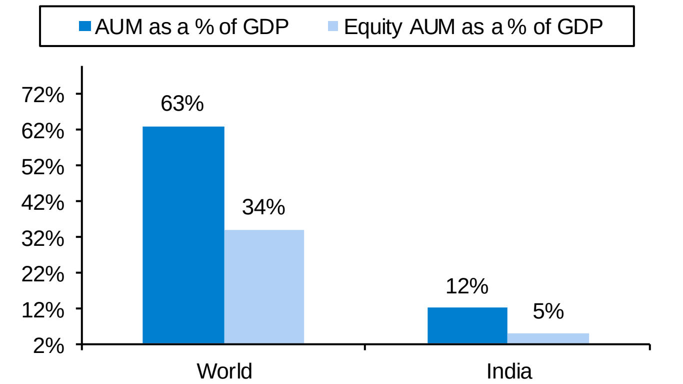
Changing Macro Scenario favoring the industry

Exhibit 4: India is expected to remain one of the fastest growing economies



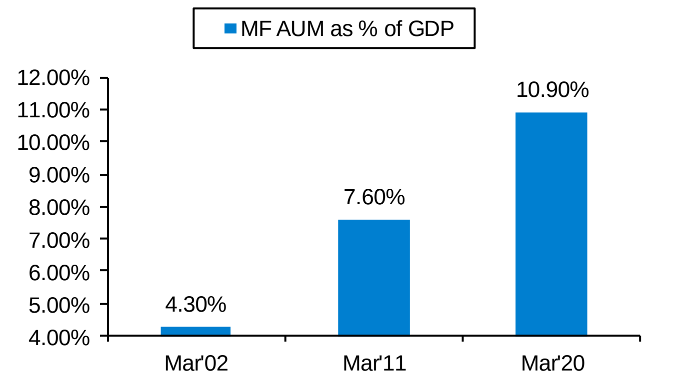
Source: Company, PL

Exhibit 5: India MF penetration is significantly lower than world average



Source: Company, PL

Exhibit 6: Capital market remains an attractive element of financial saving



Source: Company, PL

Exhibit 7: Recovery Expected in FY22

RBI announced various measures to address financial market stress due to COVID-19 impact

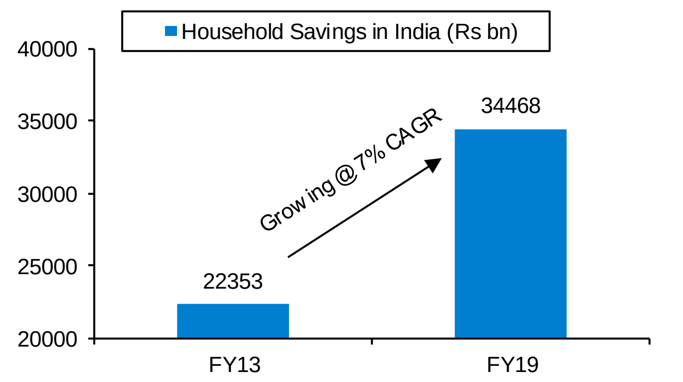
Measures include enhancing liquidity, reducing debt servicing burden, credit growth etc.

Government announced an 'Aatmanirbhar' package aimed at boosting liquidity

India stands out due to stable macros, prudent fiscal and monetary policies

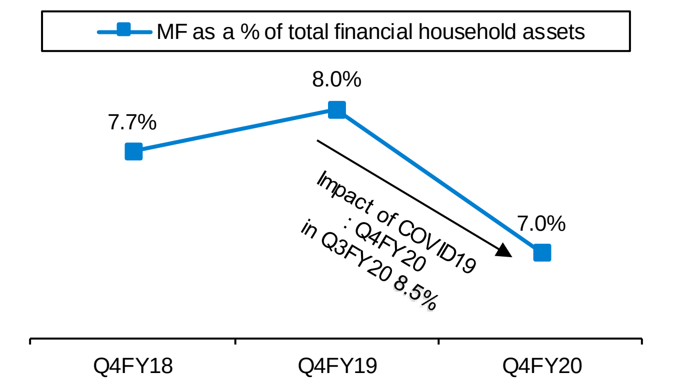
Source: Company, PL

Exhibit 8: Growing household saving in India driven by stable inflation, increasing disposable income



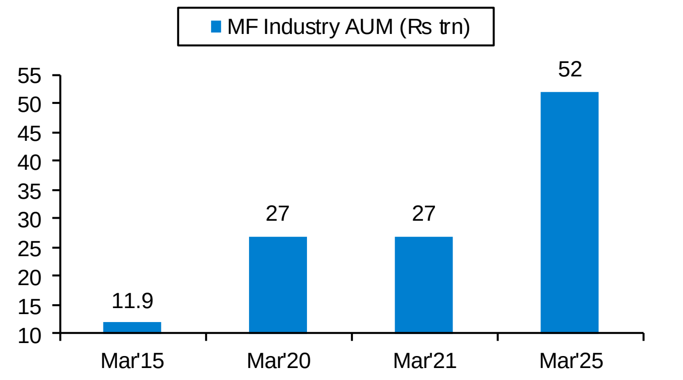
Source: Company, PL

Exhibit 9: While Mutual funds' assets in India have seen robust growth, FY20-FY21 proving a temporal aberration



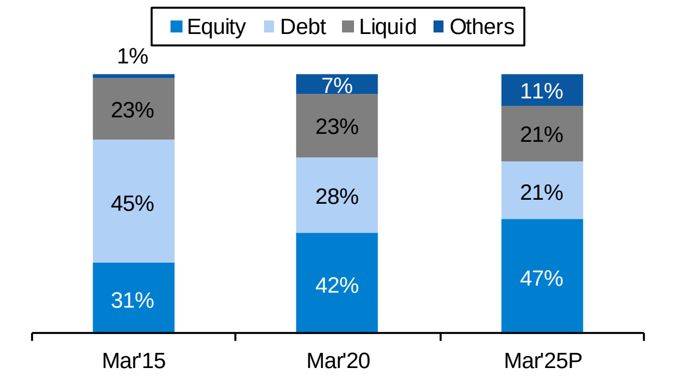
Source: Company, PL

Exhibit 10: MF Industry to expected to grow at 18%...



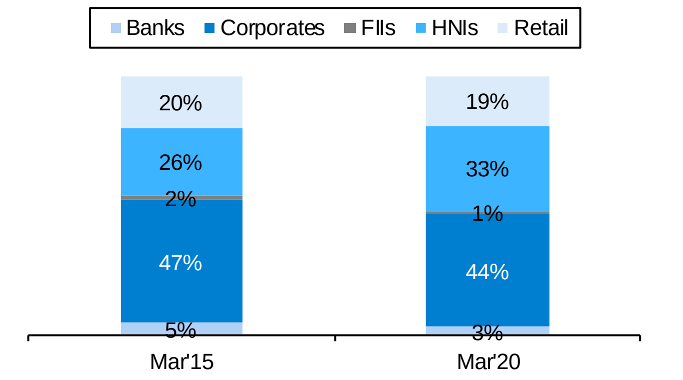
Source: CAMS, PL

Exhibit 11: …coupled with growing share of equity funds



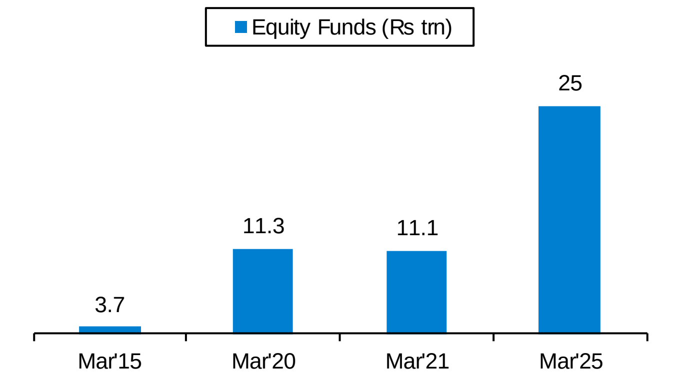
Source: CAMS, PL

Exhibit 12: Industry Client Mix



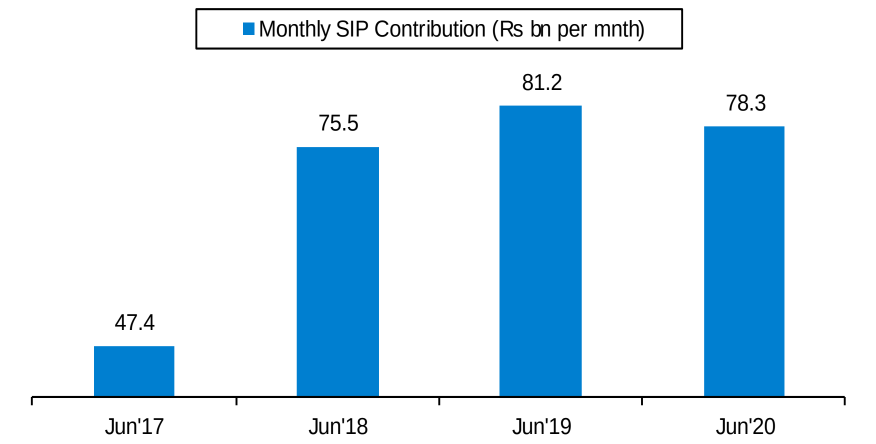
Source: Company, PL

Exhibit 13: Growing AUM of equity oriented funds



Source: Company, PL

Exhibit 14: Growth in SIP contributions

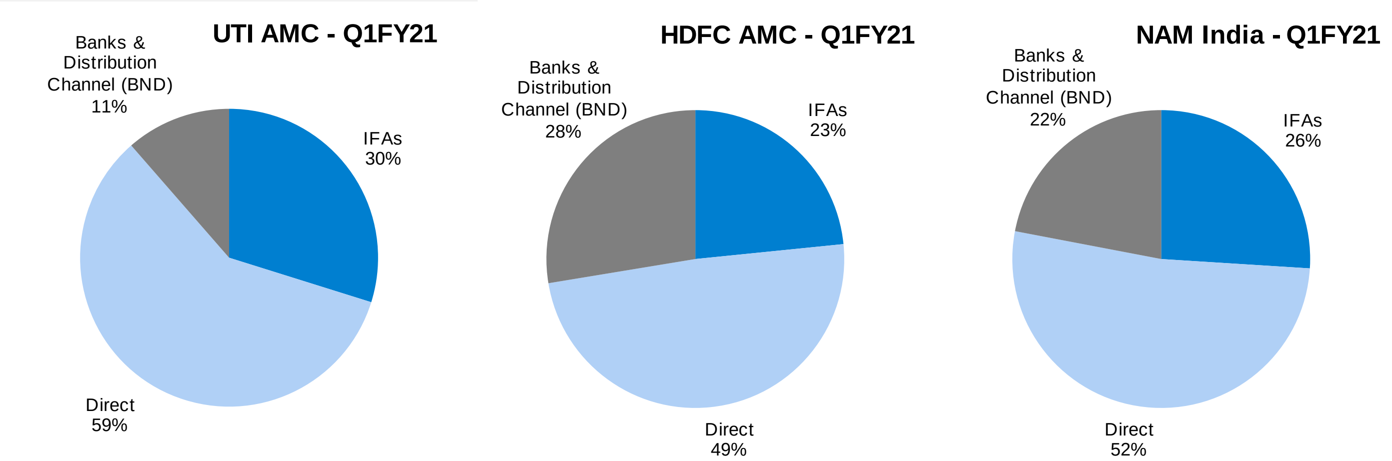


Source: CAMS, PL

Niche positioning coming at a price

UTI's distribution channel comprises of extensive 163 UTI Financial Centers (UFCs), 257 Business Development Associates (BDAs), Chief Agents (CAs) (40 of whom operate Official Points of Acceptance (OPAs)) and 43 other OPAs largely located in B30 cities. The IFAs channel includes approximately 53,000 Independent Financial Advisors (IFAs) as of Jun'20. Co.'s exclusive BDA and CA network (primarily available in B30 cities) stands distinct to any other asset management companies in India, as they very efficiently and effectively develop, maintain and service the relationships with their distributors and investors. Besides, banks and distributors (BND) channel involves distribution arrangements with not just domestic and foreign banks but also with national and regional distributors. The Co. also boasts higher share of direct distribution channel mix (59%) led by digital initiatives. Based on growing popularity of direct plans with individual investors, UTI AMC stands well equipped with digital transactions systems for clientele.

Exhibit 15: Distribution mix - UTI AMC vs HDFC and NAM India AMC

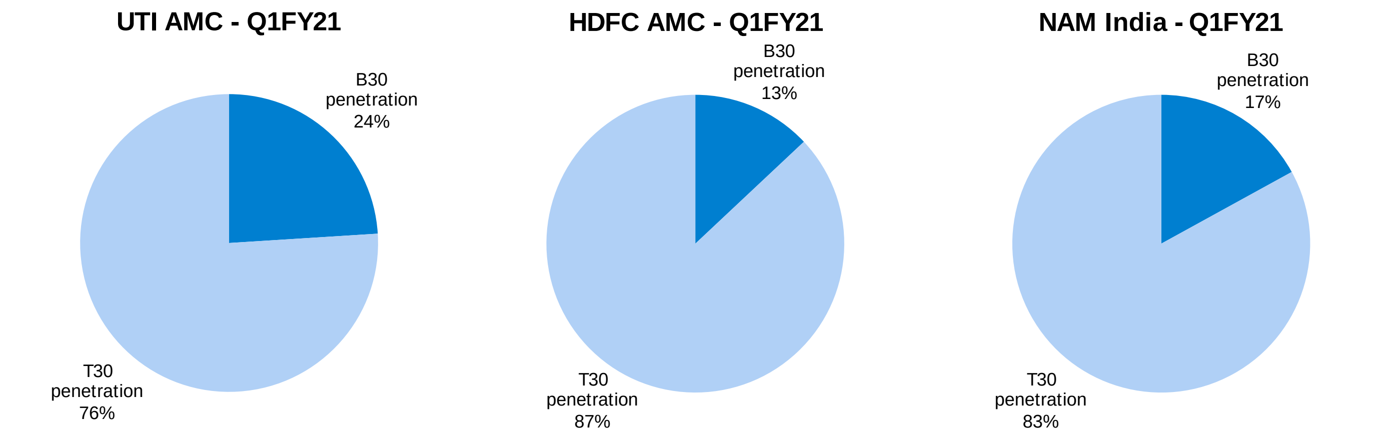


Source: Company, PL

Dominance in B30 market: UTI AMC has established its niche in B30 cities (24% of overall AUM in B30 market) with focus on retail investors having small ticket sizes.

Penetration of MF products beyond T30 cities (B30) remains a key factor in the asset management space. Among the top 10 AMCs in India, UTI AMC has largest share of monthly average AUM in B30 cities along with ~Rs340bn or 24% of its closing AUM in B30 geographies. UTI AMC's wide spread distribution network (engaged primarily in B30 cities) allows companies to develop & maintain relationship with clients & distributors, leverage their established position along with potential infrastructural capabilities in which they have already invested.

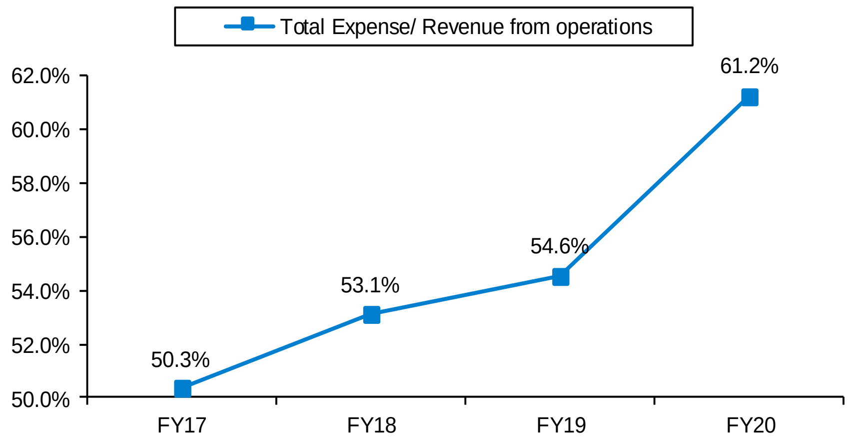
Exhibit 16: B30 penetration – Stands higher for UTI vs HDFC and NAM India AMC



Source: Company, PL

While UTI has been capitalizing on under-penetrated markets, B30 expansion has come with a cost. Wide and entrenched distribution network, marketing initiatives and investor education for digital platforms & allied have taken a toll on cost structures. Expense as a % of income climbed to 61% in FY20 from 53% in FY18.

Exhibit 17: Cost to income ratio on higher side



Source: Company, PL

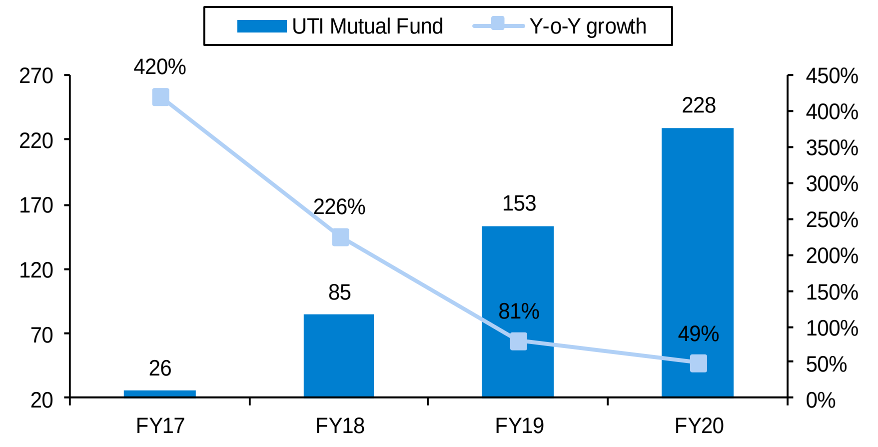
Dominance in passive fund market: Meaningful share of MAAUM in under-penetrated B30 cities, higher share of passive funds (led by ETFs, index funds, retirement fund, dividend yield fund) and robust SIP plans backed by consistent product innovation, discretionary and non-discretionary PMS for both domestic & oversees clients have provided economies of scale in distribution, marketing and back-office activities for UTI AMC. Led by high ticket mandates from ETFs and public sector funds, UTI stands as one of the dominant players in passive and alternate funds segment. Buoyed by high ticket investments, the Co.'s ETF share into overall QAAUM climbed from as low as 2% in FY17 to 15% in FY20. Being the largest index, dividend yielding and retirement fund in the industry, the Co. has witnessed stellar 106% CAGR in ETF AUMs and 68% CAGR in other funds AUM market over FY17-FY20.

Exhibit 18: QAAUM Mix: tilting towards passive funds

Assets Under Management	FY18		FY19		FY20		Q1FY20		Q1FY21	
Category of Fund	**QAAUM (Rs bn)**	***% of Total***	**QAAUM (Rs bn)**	***% of Total***	**QAAUM (Rs bn)**	***% of Total***	**QAAUM (Rs bn)**	***% of Total***	**QAAUM (Rs bn)**	***% of Total***
Active	366.7	*23.70%*	372.6	*23.30%*	381.9	*25.20%*	387.5	*24.50%*	332.7	*24.90%*
Passive*	92.1	*5.90%*	167.4	*10.50%*	252.2	*16.60%*	198	*12.50%*	244.5	*18.30%*
Total Equity	458.8	*29.60%*	540	*33.80%*	634.1	*41.90%*	585.5	*37.10%*	577.2	*43.20%*
Hybrid	219.1	*14.10%*	219.3	*13.70%*	209.6	*13.80%*	221.5	*14.00%*	187.9	*14.10%*
Income	487.5	*31.50%*	391.9	*24.50%*	213.5	*14.10%*	318.3	*20.20%*	193.3	*14.50%*
Liquid / Money Market^	384	*24.80%*	445.8	*27.90%*	457.9	*30.20%*	453.3	*28.70%*	377.9	*28.30%*
Total	**1549.4**	***100%***	**1597**	***100%***	**1515.1**	***100%***	**1578.6**	***100%***	**1336.3**	***100%***

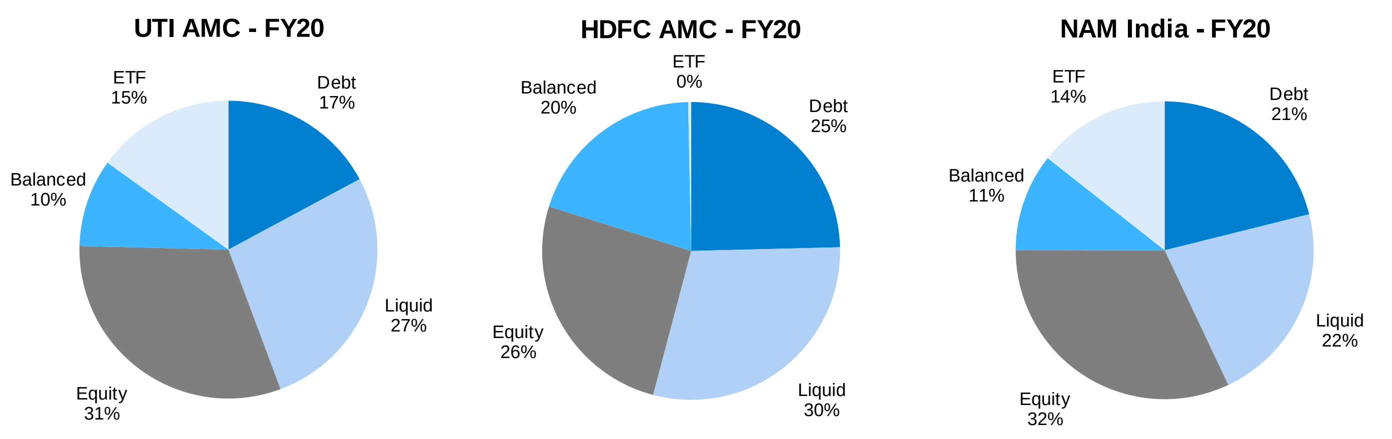
Source: RHP, PL

Exhibit 19: ETF AUMs recorded stellar 106% CAGR over FY17-FY20



Source: AMFI, PL

Exhibit 20: ETF share stands higher for UTI than the other two listed players



Source: Company, PL

On similar lines, Co. has been a dominant player in Other Funds category with meaningful increase in AUM of PMS and retirement solutions.

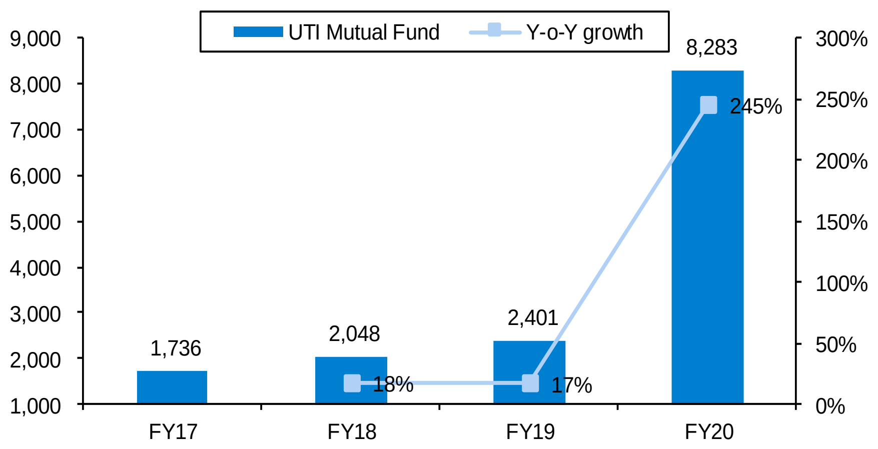
Exhibit 21: Other Funds led by PMS advisory services gaining traction

Breakdown of Other AUM	FY18		FY19		FY20		Q1FY20		Q1FY21	
Category (Rs bn)	**AUM**	***% of Total***	**AUM**	***% of Total***	**AUM**	***% of Total***	**AUM**	***% of Total***	**AUM**	***% of Total***
PMS	1,159	*56.6%*	1,333	*55.6%*	6,891	*83.2%*	4,850	*80.5%*	6,971	*82.1%*
Retirement Solutions	695	*33.9%*	937	*39.1%*	1,222	*14.8%*	1,021	*16.9%*	1,356	*16.0%*
Offshore Funds	188	*9.2%*	119	*5.0%*	158	*1.9%*	147	*2.4%*	157	*1.8%*
Alternative Investment Funds	7	*0.3%*	8	*0.3%*	11	*0.1%*	10	*0.2%*	11	*0.1%*
Total	**2,048**	***100.0%***	**2,397**	***100.0%***	**8,281**	***100.0%***	**6,028**	***100.0%***	**8,494**	***100.0%***

Source: RHP, PL

Backed by continuous product innovation and large retirement fund mandates, the other AUM share on closing AUMs jumped from 56% in FY17 to as high as 85% in FY20. Co's PMS business provides discretionary & non-discretionary services to institutional clients and high net worth individuals. In PMS business, UTI AMC, has been appointed as one of the two fund managers to manage EPFO corpus. On the retirement funds side, Co. bagged fund management mandate of NPS wherein the fund's AUM increased from Rs520.5bn in FY17 to Rs937bn in FY19 representing 34% CAGR over 3 years.

Exhibit 22: Other AUM recorded robust 68% CAGR over FY17-FY20



Source: Company, PL, Note: others" include PMS funds, index funds, gold ETFs, other ETFs and fund of fund investing overseas

Exhibit 23: UTI supersedes in the Other AUM market

	FY17	FY18	FY19	FY20
QAAUM (Rs bn)				
UTI AMC	1,368	1,549	1,597	1,515
NAM India AMC	2,126	2,458	2,343	2,057
Other AUM (Rs bn)				
UTI Mutual Fund	1,736	2,048	2,401	8,283
NAM India AMC		1,703	1,944	917

Source: Company, PL

While niche positioning has aided in building scales (90%+ QAAUM CAGR over FY17-FY20), the same calls for higher business concentration risks (non-equity fund AUMs at ~70% of FY20 QAAUM mix). In light of pandemic and recent credit crisis, a diversified fund mix would not only guard against volatility but should also bring cost efficiencies.

Business concentration dampening revenue profile

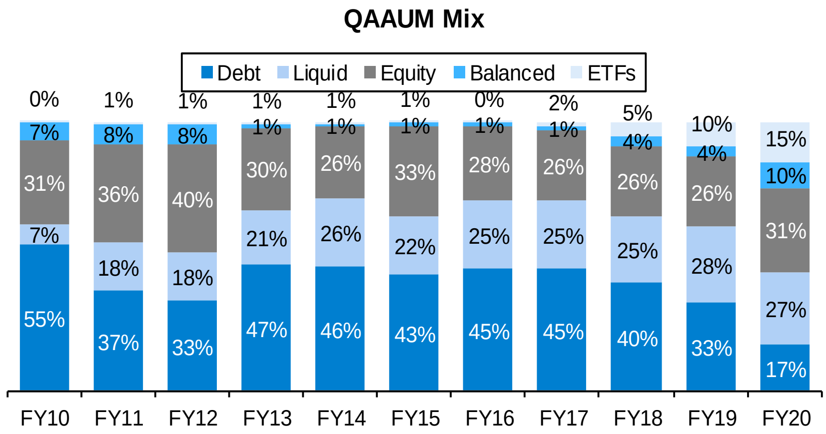
While industry AUMs have been growing at 14% CAGR over FY17-20, UTI AMC followed by two others have been witnessing sluggishness with QAAUM CAGR of 3.5% over the same period. The period also saw UTI AMC leveraging upon technology along with digitization to build stickier client base and dominant positioning in passive and other AUM markets. The QAAUM mix witnessed radical shift with ETF share in overall QAAUM rising from 2% to 15% during the same period.

Exhibit 24: UTI AMC witnessed 3.5% QAAUM CAGR as against 14% industry CAGR over FY17-FY20

AUM (Rs bn)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Industry Total AUM	**7,473**	**7,008**	**6,648**	**8,167**	**9,055**	**11,899**	**13,545**	**18,306**	**23,052**	**24,484**	**27,037**
YoY gr.		*-6%*	*-5%*	*23%*	*11%*	*31%*	*14%*	*35%*	*26%*	*6%*	*10%*
UTI Mutual Fund	802	672	589	695	742	928	1,063	1,368	1,549	1,597	1,515
YoY gr.		*-16%*	*-12%*	*18%*	*7%*	*25%*	*15%*	*29%*	*13%*	*3%*	*-5%*
SBI Mutual Fund	374	417	420	549	655	749	1,068	1,570	2,176	2,838	3,735
YoY gr.		*11%*	*1%*	*31%*	*19%*	*14%*	*42%*	*47%*	*39%*	*30%*	*32%*
HDFC Mutual Fund	1,176	863	899	1,017	1,130	1,616	1,758	2,372	3,005	3,423	3,698
YoY gr.		*-27%*	*4%*	*13%*	*11%*	*43%*	*9%*	*35%*	*27%*	*14%*	*8%*
NIPPON India Mutual Fund	1,104	1,016	781	969	1,053	1,383	1,595	2,126	2,458	2,343	2,057
YoY gr.		*-8%*	*-23%*	*24%*	*9%*	*31%*	*15%*	*33%*	*16%*	*-5%*	*-12%*
ICICI Prudential Mutual Fund	810	735	687	878	1,068	1,486	1,759	2,430	3,057	3,208	3,507
YoY gr.		*-9%*	*-6%*	*28%*	*22%*	*39%*	*18%*	*38%*	*26%*	*5%*	*9%*
Aditya Birla Mutual Fund	623	637	611	770	891	1,198	1,365	1,950	2,475	2,465	2,475
YoY gr.		*2%*	*-4%*	*26%*	*16%*	*34%*	*14%*	*43%*	*27%*	*0%*	*0%*
Kotak Mahindra Mutual Fund	347	322	262	353	334	440	584	923	1,223	1,525	1,713
YoY gr.		*-7%*	*-19%*	*35%*	*-5%*	*32%*	*33%*	*58%*	*33%*	*25%*	*12%*
DSP Mutual Fund	215	306	293	323	316	378	391	642	863	784	804
YoY gr.		*42%*	*-4%*	*10%*	*-2%*	*20%*	*3%*	*64%*	*35%*	*-9%*	*3%*
Franklin Templeton Mutual Fund	333	379	345	416	454	713	669	816	1,032	1,189	1,163
YoY gr.		*14%*	*-9%*	*21%*	*9%*	*57%*	*-6%*	*22%*	*26%*	*15%*	*-2%*
Axis Mutual Fund	36	83	88	121	162	266	376	577	773	897	1,384
YoY gr.		*134%*	*6%*	*37%*	*33%*	*65%*	*41%*	*54%*	*34%*	*16%*	*54%*
LIC Mutual Fund	423	112	58	72	106	93	132	215	201	152	166
YoY gr.		*-74%*	*-48%*	*24%*	*47%*	*-12%*	*41%*	*63%*	*-6%*	*-24%*	*9%*
Tata Mutual Fund	219	227	198	199	220	270	319	426	470	113	531
YoY gr.		*3%*	*-13%*	*0%*	*10%*	*23%*	*18%*	*34%*	*10%*	*-76%*	*369%*
L&T Mutual Fund	25	40	39	112	183	93	259	393	659	709	711
YoY gr.		*60%*	*-3%*	*187%*	*63%*	*-49%*	*179%*	*51%*	*68%*	*8%*	*0%*
HSBC Mutual Fund	62	45	49	52	77	82	73	88	103	111	113
YoY gr.		*-28%*	*9%*	*8%*	*46%*	*8%*	*-12%*	*21%*	*16%*	*8%*	*2%*

Source: AMFI, PL

Exhibit 25: Radical shift in UTI QAAUM mix over FY17-FY20



Source: Company, PL

Business concentration dampening revenue and earnings profile: Business concentration into lower yielding passive and other alternate funds have proved as a dampener to the revenue profile of the company. Moreover, lower TER limits failed to offset the fall as inherently passive funds carry lower cost structures.

Investment management fees of mutual fund schemes have been the largest contributor to operating revenue. 88% of the company's income emerged from management fees, as at the end of FY20. However, the same stood impacted over past two years primarily on account of:

- Lower fee levels from income, liquid and passive funds than for equity and hybrid funds
- Decrease in AMC's management fees and marketing fees on account of change in regulations. Regulatory requirement allows certain scheme-related expenses to be borne directly by schemes rather than by AMC and then reimbursed through management fees paid to the AMC by the schemes, thus resulting in lower AMC's management fees.
- Reduction of TERs for open-ended equity-oriented schemes from a range (depending on AUM) of 2.5% to 1.75% to the current range of 2.25% to 1.05%. These reductions resulted in a reduction in the weighted average base TER by ~8bps. SEBI also issued new regulations in February 2018 prohibiting the charging of additional TER of 0.05% in respect of schemes where an exit load is not charged. As a result, management fee income has been adversely affected, in particular for equity-oriented and closed-ended schemes.
- Lower fees for portfolio management services where UTI AMC has higher share. Moreover, PMS fees vary depending on the contractual agreements with investors. Also, the management fees for GoI mandates such as the ones from EPFO, PLI and the National Skill Development Fund also stand lower than fee levels in other businesses.

The yields on passive funds (fixed: 28bps, ETF:5-6bps, aggregate 45-46bps) tends to be lower than the equity oriented funds (equity/hybrid:100bps). While change in regulations (management fees booked at scheme level not an AMC level) is also to be blamed, lowering of prescribed TER limits could not arrest the fall in bottom-line.

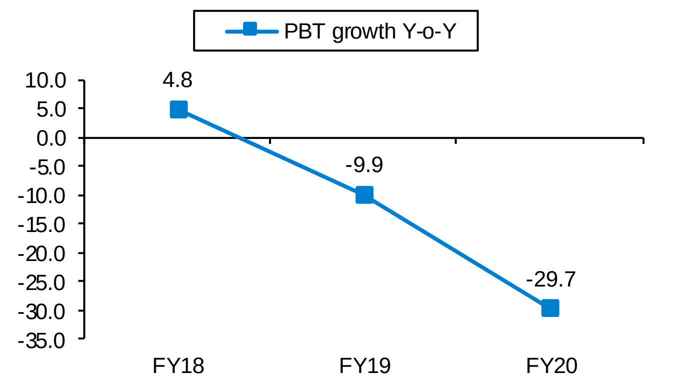
Exhibit 26: Declining yields on account of change in regulations

Revenue mix (%)	FY17	FY18	FY19	FY20
Total Revenues/AUM	0.3	0.3	0.2	0.1
Investment management fees/AUM	0.3	0.3	0.2	0.1
Other fees/AUM	0.0	0.0	0.0	0.0

Source: RHP, PL

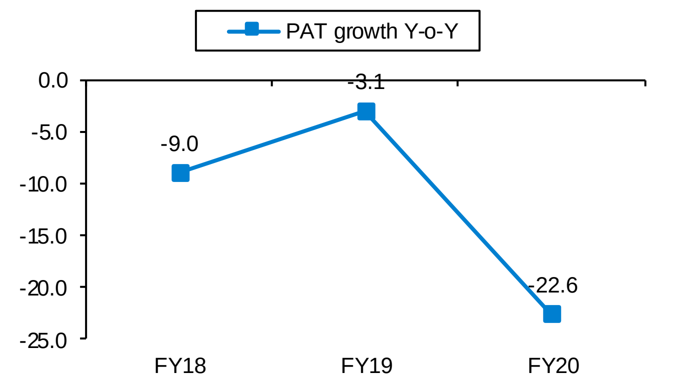
Lower yields and elevated cost structures resulted into 5% CAGR and 12% CAGR decline in revenues and profitability during the period between FY17-FY20.

Exhibit 27: Lower income impacted PBT



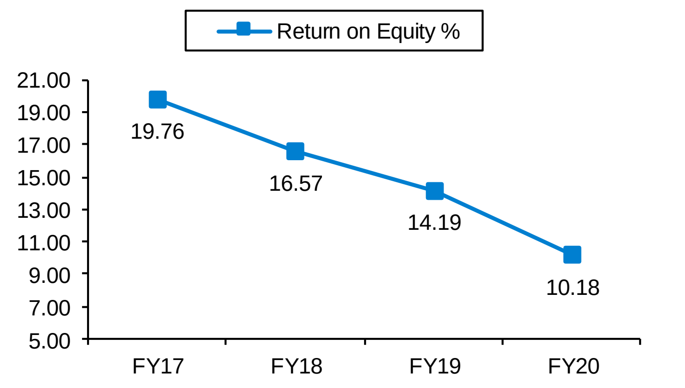
Source: Company, PL

Exhibit 28: MTM losses hurt FY20 PAT



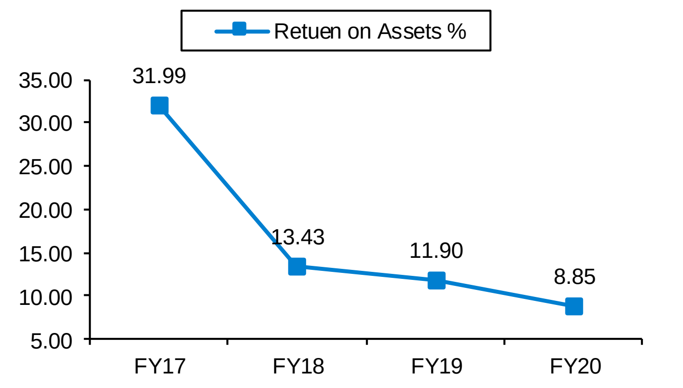
Source: Company, PL

Exhibit 29: Subdued PAT dented RoEs



Source: Company, PL

Exhibit 30: Low yielding book hurting RoAs



Source: Company, PL

Exhibit 31: Peer Comparison

Key business/profitability metrics (Q1FY21)	Industry	UTI AMC	HDFC AMC	NAM India
AUM (Rs bn)				
Mutual fund QAAUM (including ETFs)	26,069	1,336	3,562	1,801
Other AUM		8,494	-	856
MF AUM growth (% YoY)	6%	-15%	-2%	-19%
QAAUM				
Debt (ex-Liquid)	8,659	242	990	522
Debt (liquid)	5,069	329	1,186	342
Equity	7,348	420	1,319	684
Balanced	3,034	126		
ETF & Others	1,959	219	68	252
EQUITY AUM (% of total AUM)	28%	31%	37%	38%
B30 AUM (% in total AUM)	15%	24%	13%	17%
SIP live folios (mn) as on FY20	89	11	10	9
FOR FY20				
Revenue from Operations (Rs mn)		8,550	20,033	12,030
Revenue growth (% YoY)		-19%	5%	-19%
Profit Before Tax (Rs mn)		3,454	16,531	5,598
Profit (Rs mn)		2,765	12,624	4,153
Profit growth (% YoY)		-21%	36%	-15%
C/I (%)		61%	23%	53%
EPS (Rs.)		21.5	59.4	6.8
DPS (Rs.)		7.0	28.0	3.4
ROE (%)		10%	31%	16%
RoA (%)		9%	29%	14%
P/B (x)		2.5	11.1	5.9
P/E (x)		25.7	35.4	37.1

Source: Company, PL

Annexures

Exhibit 32: Diversified Product profile

Sr. No.	Products - types of fund offerings	AUM (Q1FY21)	Details
1	**Equity Funds**	**577.2**	**Minimum 65% total assets invest in equity & equity-related instruments. To provide capital appreciation in medium to long term.**
1a	Diversified Equity Funds	249.5	Invest across multiple sectors, provide broad market diversification to investors.
1b	Thematic and Sector Funds	49.4	Invest in specific market segments with an aim to deliver higher returns compared to the broader market.
1c	Index Funds	25.9	To replicate underlying indices to enable investors gain from passive exposure to the markets.
1d	Exchange Traded Funds ("ETFs")	218.6	ETFs try to replicate: a stock market index, a market sector and a commodity. It trades like a common stock on a stock exchange and their price changes throughout the day.
1e	Equity-Linked Savings Schemes ("ELSSs")	33.8	It offers certain tax benefits and invest in equities, cumulative convertible preference shares and fully convertible debentures and bonds.
2	**Hybrid Funds**	**187.9**	**Invest both in equity and fixed income securities according to the schemes.**
2a	Arbitrage:	26.5	It aim to offer liquidity while generating income through arbitrage opportunities arising out of the mispricing of assets across different markets
2b	Aggressive Hybrid Funds	34.3	Invest 65-80% of total assets in equity related instruments to generate long-term capital appreciation.
2c	Conservative Hybrid Funds	17.2	Invests in high quality debt instruments for generating stable income and part of the portfolio in equity and equity-related securities for capital appreciation.
2d	Dynamic and Multi Asset Allocation Funds	46.6	Invests in various asset classes, such as equities, fixed income, gold and cash equivalents
2e	Equity Savings Funds	1.9	It provide tax efficient returns via product diversification.
2f	Solution-Based Funds	61.4	Investors looking for need-based solutions for their specific goals, such as children's career planning and retirement planning.
3	**Income Funds**	**193.3**	**Invest in fixed income securities and money market instrument to provide regular and steady income to investors**
3a	Accrual and Duration Funds	57.5	Accrual funds are classified as ultra-short term funds or low duration funds, while duration funds are classified as short, medium or long duration funds.
(i)	Ultra-Short Term and Low Duration Funds	32.9	Invests in debt securities with short-term maturities such as money market and debt instruments,
(ii)	Short Duration and Medium Duration Funds	17.4	Invests in corporate and government bonds with short to medium maturities that prefer low to medium duration risk.
(iii)	Medium to Long Duration and Dynamic Bond Funds	7.2	Cater to clients who are looking to capitalize on interest rate movements via investing in debt and money market instruments.
3b	Gilt Funds	6.3	Primary objective of generating credit risk-free returns through investments in sovereign securities
3c	Banking and PSU Funds	1.4	To generate reasonable income with low-risk and high level of liquidity from a portfolio of predominantly high-quality banking and PSU securities
3d	Credit Quality-Oriented Funds	20.5	It makes investment decisions according to the credit quality and also ratings of the instruments in which they invest.
(i)	i. Credit Risk Funds	6.8	It provides reasonable interest income and capital appreciation by investing in high income-accruing securities with relatively moderate to low credit quality.
(ii)	ii. Corporate Bond Funds	13.7	To generate steady and reasonable interest income by investing in high credit quality instruments.
3e	Closed-Ended and Interval Funds	107.5	Invests in a variety of debt and money market instruments who seek their investment to appreciate over time until closure of the fund.
4	**Liquid and Money Market Funds**	**377.9**	**To provide access to liquidity, preservation of capital and moderate income**
4a	Liquid Funds	265.5	Invests in short-term instruments such as treasury bills, certificates of deposit, commercial paper and government securities. Provides high liquidity.
4b	Money Market Funds	49.6	Invests in money market instruments for steady returns & liquidity over short term.
4c	Overnight Funds	48.9	Invests in securities that have a maturity of one business day while generating reasonable income, with low-risk and high-level of liquidity.
4d	Floater Funds	13.9	It aims to reduce interest rate risk and generate reasonable returns by investing in a portfolio comprising predominantly floating rate instruments and fixed rate instruments swapped for floating rate returns.
	Systematic Plans		
1	**Systematic Investment Plans ("SIPs")**		**It invest in mutual funds and allow clients to invest a fixed amount at regular intervals**
1a	Flexibility of Investment Tenure		It allows to choose the tenure of their investment according to the requirements, suitability and goals with minimum period of 6 months.
1b	SIP Step Up		Monthly contributions by investors can be increased by a predetermined fixed amount, or a fixed percentage, at recurrent intervals in line with their income levels and financial goals.
2	**Systematic Transfer Plans ("STPs")**		**It allows clients to periodically transfer a certain amount of funds or units from one scheme to another at regular intervals.**
2a	Fixed STPs		A fixed and pre-determined amount is transferred from the Source Scheme to the Target Scheme on a periodic basis determined by the client.
2b	Flexi STPs		It enables clients to take advantage of market cycles by accelerating their investments automatically during falling markets.
3	**Systematic Withdrawal Plans ("SWPs")**		**SWPs offer investors the flexibility to determine frequency and amount of withdrawal per SWP transaction.**
3a	Meeting Periodical Cash Flow Requirements		It offers clients to specify the periodic withdrawal amount at the time of registration.
3b	Managing Cash Flows		Client manages redemptions from mutual fund schemes to the extent required by them & remaining amount continued to be invested.
3c	Eliminating Timing Bias		This plan help clients avoid any such timing bias and allows them to redeem the funds on a periodical basis and only to the extent needed, irrespective of market direction.

Source: RHP, PL

Experienced management and investment teams supported by rich governance structures and human resources programs: Co.'s domestic both equity and fixed income mutual fund management teams include 19 and 10 members respectively, with an average 11-15 years of extensive domain experience. Many of the Co.'s equity mutual funds have demonstrated strong performance through economic cycles. Co. has been implementing a number of measures to strengthen its workforce and improve employee performance by including training and development programs.

Exhibit 33: Board of Directors

Name	Designation	Experience
Mr. Dinesh Kumar Mehrotra	Non-Executive Chairman and Independent Director	42 years of experience in the insurance industry, served as CMD of LIC & as ED of international operations at LIC; on board of 8 other companies
Mr Ashok Shah	Independent Director	He holds a master's degree in Economics from Kumaon University. Previously, he was associated with LIC as the executive director. Presently, he is also the chairman and independent director of 3i Infotech Limited.
Mr Deepak Kumar Chatterjee	Independent Director	He holds a bachelor's and a master's degree in physics from University of Delhi. He was associated as a CEO & MD of SBI Funds Management Pvt. Ltd. He was also associated with IIFCL Projects Limited as its CEO and IIFCL AMC Ltd as a director.
Ms. Dipali H Sheth	Independent Director	She holds a bachelor's degree in economics from university of Delhi. Prior to joining our Company, she was associated with RBS Business Services Private Limited as a country head of human resources, Standard Chartered Bank, Procter & Gamble Distribution Company Limited and DCM Limited.
Mr. Edward Cage Bernard	Non-Executive Director	He holds a bachelor's degree in Religious Studies from Brown University and a master's degree in finance from New York University Leonard N. Stern School of Business. Previously, he was associated with the TRP group as a vice chairman, T Rowe Price Group Inc as a director on the board. Currently, he is also associated with T Rowe Price Group Inc as a senior advisor.
Mr. Flemming Madsen	Non-Executive Director	He is head of global financial intermediaries and an interim global head of product at T. Rowe Price. He has been associated with T. Rowe Price for 19 years. His experience in the financial industry includes capital markets transactions, investment banking, and asset management.
Mr. Imtaiyazur Rahman	Whole-time Director and Chief Executive Officer	He is a fellow member of the Institute of Company Secretaries of India and the Institute of Cost and Works Accountants of India. He has over 30 years of experience in management, business leadership and forming strategic alliance. Recently, he was a member of the working group for risk management in liquid schemes constituted by SEBI. He is associated with UTI asset management company since 2003.
Ms Jayashree Vaidhyanathan	Independent Director	She is a chartered financial analyst from the Association for Investment Management and Research. Prior to joining our Company, she was associated with Scope International Private Limited as head of Chennai technology and Accenture Services Private Limited. Presently, she is associated with Bahwan CyberTek Private Limited as president of banking and financial services institutions.
Mr. Narasimhan Seshadr	Independent Director	He holds an Master's degree from Bangalore University and an MBA degree in Banking and Finance from Indira Gandhi National Open University, New Delhi. He is also a certificated associate of the Indian Institute of Bankers. Prior to joining our Company, he was associated with Bank of India as executive director.
Mr. Rajeev Kakar	Independent Director	He holds a bachelor's degree in Mechanical Engineering from Indian Institute of Technology, Delhi and a Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He is also associated with Eurobank Ergasias SA, Fullerton Financial Holdings as its executive vice president and regional head and Dunia Finance LLC as its managing director and chief executive officer.
Ms. Uttara Dasgupta	Independent Director	She holds a bachelor's degree in History and master's degree in Archaeology from University of Calcutta. Previously, she was associated with SBI for 37 years and retired as chief general manager. She was also associated with Adhunik Metaliks Limited as nominee director of SBI and Bandhan Financial Services Private Limited as a consultant.

Source: Company, PL

Financials

Exhibit 34: Income Statements (Rs mn)

Y/E March	FY17	FY18	FY19	FY20
Revenue from ops	**8,544**	**9,669**	**8,906**	**7,879**
-Investment management fees	8,222	9,354	8,814	7,865
-Other fees	323	315	92	14
Other income	1,938	1,958	1,903	1,031
Total revenue	**10,483**	**11,626**	**10,809**	**8,910**
Total expenses	**5,277**	**6,173**	**5,896**	**5,455**
- Employee expenses	2,866	3,208	3,067	3,399
- Others	2,411	2,966	2,830	2,057
Profit before tax	**5,205**	**5,453**	**4,913**	**3,454**
Tax	1,253	1,403	1,433	690
Profit after tax	**4,003**	**3,641**	**3,528**	**2,730**

Source: Company, PL

Exhibit 35: Balance Sheet (Rs mn)

Y/E March	FY17	FY18	FY19	FY20
Equity and Liabilities				
Shareholders' funds	**20,260**	**23,673**	**26,043**	**27,624**
Share capital	1,268	1,268	1,268	1,268
Reserves and surplus	18,992	22,405	24,775	26,356
Financial liabilities	**2,759**	**3,153**	**2,308**	**2,418**
Trade payables	28	111	38	14
Other payables	1,145	1,498	676	648
Borrowings	-	-	-	-
Other financial liabilities	1,585	1,544	1,594	1,756
Non - Financial liabilities	**2,007**	**2,365**	**1,781**	**1,506**
Current tax liabilities (net)	57	51	43	45
Provisions	228	1,061	916	831
Deferred tax liability (net)	637	438	363	445
Other non-financial liabilites	1,085	815	458	186
Total	**25,026**	**29,191**	**30,132**	**31,548**
Assets				
Financial assets	**20,867**	**25,119**	**26,053**	**27,220**
Cash and bank balance	1,101	1,502	1,242	1,193
Receivables	588	549	637	554
Loans	375	357	282	374
Investments	18,002	21,788	22,614	23,558
Other financial assets	802	922	1,279	1,542
Non - Financial assets	**4,164**	**4,074**	**4,080**	**4,329**
Fixed & Intangible assets	3,847	3,695	3,521	3,636
Current tax assets	167	171	321	461
Other non-financial assets	150	208	238	232
Total	**25,030**	**29,192**	**30,133**	**31,548**

Source: Company, PL

Exhibit 36: Key Parameters

(Rs bn)	FY17	FY18	FY19	FY20
AUM	3,105	3,598	3,998	9,798
Mutual fund QAAUM (including ETFs)	1,368	1,549	1,597	1,515
Other AUM	1,736	2,048	2,401	8,283
QAAUM	1,368	1,549	1,597	1,515
Debt (ex-Liquid)	608	643	517	383
Debt (liquid)	348	341	405	422
Equity	361	413	443	444
Balanced	20	58	61	39
ETF & Others	31	93	171	227

Source: Company, PL

Exhibit 37: Key Ratios

Y/e March	FY17	FY18	FY19	FY20
Valuations				
EPS	31.6	28.7	27.8	21.5
BVPS	159.8	186.7	205.4	217.9
DPS	3.7	4.0	5.0	5.0
P/E (x)	17.5	19.3	19.9	25.7
P/BV (x)	3.5	3.0	2.7	2.5
% of AUM	2.3	2.0	1.8	0.7
Profitability ratios (%)				
ROE	19.8	16.6	14.2	10.2
RoA	32.0	13.4	11.9	8.9
Profitability ratios (%)				
Operating Revenue / AUM	0.28	0.27	0.22	0.08
Total Revenue / AUM	0.34	0.32	0.27	0.09
Staff Expense / AUM	0.09	0.09	0.08	0.03
Total Expense / AUM	0.17	0.17	0.15	0.06
PBT / AUM	0.17	0.15	0.12	0.04
PAT / AUM	0.13	0.10	0.09	0.03
Growth (%)				
Ending AUM	-	15.9	11.1	145.1
MAAUM	-	13.2	3.1	(5.1)
Operating Revenue	-	13.2	(7.9)	(11.5)
Total Revenue	-	10.9	(7.0)	(17.6)
Staff Expenses	-	11.9	(4.4)	10.8
Total Expenses	-	17.0	(4.5)	(7.5)
PBT	-	4.8	(9.9)	(29.7)
PAT	-	(9.0)	(3.1)	(22.6)
Networth	-	16.8	10.0	6.1

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	BUY	3,815	3,292
2	Cholamandalam Investment and Finance Company	Accumulate	240	203
3	HDFC	Accumulate	2,093	1,805
4	L&T Finance Holdings	Sell	52	62
5	LIC Housing Finance	Reduce	282	299
6	Mahindra & Mahindra Financial Services	Reduce	179	208
7	Manappuram Finance	Accumulate	197	179
8	SBI Cards and Payment Services	BUY	974	766
9	Shriram Transport Finance	Accumulate	805	702

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Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
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Under Review (UR)	:	Rating likely to change shortly

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