



**IPO note: UTI Asset Management Company Limited - "SUBSCRIBE for listing gains"**

**Sep. 29, 2020**

Incorporated as 'UTI Asset Management Company Private Limited', on November 14, 2002. UTI Asset Management Company Limited ("UTI AMC") is the 2<sup>nd</sup> largest Asset Management Company in India in terms of Total AUM and the 8<sup>th</sup> largest asset management company in India in terms of mutual fund QAAUM as of June 30, 2020. UTI AMC and its predecessor (Unit Trust of India) have been active in the asset management industry for more than 55 years. For purposes of the SEBI Mutual Fund Regulations, its 4 sponsors are the State Bank of India ("SBI"), Life Insurance Corporation of India ("LIC"), Punjab National Bank ("PNB") and Bank of Baroda ("BOB") (collectively, the "Sponsors"). T. Rowe Price Group, Inc., a global asset management company, is their other major shareholder (through its subsidiary T. Rowe Price International Ltd. ("TRP")).

UTI AMC manages the domestic mutual funds of UTI Mutual Fund, provide portfolio management services ("PMS") to institutional clients and high net worth individuals ("HNIs"), and manage retirement funds, offshore funds and alternative investment funds. As of June 30, 2020, the total QAAUM for its domestic mutual funds ("Domestic Mutual Fund QAAUM") was Rs. 133,630 crore, while the Other AUM was Rs. 849,390 crore. With 1.09 crore Live Folios as of March 31, 2020, its client base accounts for 12.2% of the approximately 8.97 crore folios that are managed by the Indian mutual fund industry.

UTI AMC also manages retirement funds (in its retirement solutions business, which manages the National Pension System ("NPS") 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 its domestic mutual funds and its PMS business) had an aggregate closing AUM of Rs. 152,340 crore As of June 30, 2020, UTI AMC manages 153 domestic mutual fund schemes, comprising equity, hybrid, income, liquid and money market funds. The Company's distribution network includes 163 UTI Financial Centres ("UFCs"), 257 Business Development Associates ("BDAs") and Chief Agents ("CAs") (40 of whom operate Official Points of Acceptance ("OPAs")) and 43 other OPAs, most of which are in each case located in B30 cities.

**Investment recommendation and rationale**

According to CRISIL, the Indian mutual fund industry is expected to continue to grow due to supportive industry dynamics and long-term structural drivers, including the increasing financialisation of household savings, increasing market penetration of mutual fund products, particularly in B30 cities, and favourable population and urbanisation trends. As a percentage of GDP, the AUM of domestic mutual funds in India (12%) was significantly lower than the global average (63%) as of December 2019, according to CRISIL. UTI AMC being 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. At the upper end of the price band, the IPO is valued at a P/E of 26x on FY20 EPS of Rs. 21.53, which we believe is decent. We believe the Company will not get a higher P/E as compared to its immediate listed peers HDFC AMC and Nippon AMC as its peers have equity oriented schemes which has a higher growth potential as compared to debt and liquid schemes managed by UTI. With due consideration to the above and below factors a) *well-positioned to capitalise on favourable industry dynamics, including the under penetration of mutual fund products,* b) *established position in retirement solutions through product innovation and large retirement fund mandates,* we recommend to "SUBSCRIBE the issue for listing gains".

Particulars -Rs. crs.	Q1FY20	FY20	FY19	FY18
Revenue from operations	262	855	1,051	1,151
Profit after tax	101	276	348	405
PAT margin (%)	38.61	32.34	33.12	35.22
Equity share cap.	126.79	126.79	126.79	126.79
Networth	2,834	2,653	2,763	2,604
Post IPO EPS (Rs.)	7.93	21.53	27.83	28.73
P/E (x)	-	26	20	19
Book value (Rs.)	224	218	205	187
RoE (%)	-	9.88	13.55	15.38

Source: RHP

Issue date	Sep. 29 – Oct. 01, 2020
Finalisation of basis of allotment	Oct. 07, 2020
Refunds/ASBA unblocking	Oct. 08, 2020
Credit of equity shares to DP account	Oct. 09, 2020
Listing date	Oct. 12, 2020
Issue type& size	Offer for sale: 38,987,081 equity shares State Bank of India – 10,459,949 shares Life Insurance Corporation – 10,459,949 shares Bank of Baroda -10,459,949 shares Punjab National Bank – 3,803,617 shares T Rowe Price International – 3,803,617 shares
Issue size	Rs. 2,160 crores
Issue structure	QIB – 50%, NIB – 15%, Retail – 35%
Price Band	Rs. 552 – Rs. 554 (Face value: Rs. 10)
Post IPO no. of equity shares	126,787,254
Post issue Market Cap	Rs. 7,024 crores
Bid lot	27 equity shares and in multiples thereof
BRLM	Kotak Mahindra Capital, Citigroup Global, DSP ML, ICICI Sec, JM Financial, SBI Capital Markets
Registrar to the issue	Kfin Technologies Pvt. Ltd.

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