



IPO DETAILS

Issue Date 29th Sept-01st Oct 2020

Price Band 552-554 per Share

Bid Lot 27 & in multiplethere

Face Value Rs 10/Share

Listing BSE, NSE

Issue Size 38,987,081 Eq Shares

Offer For Sale 38,987,081 Eq Shares

Pre Issue Eq Shares 126,787,254 Eq Shares

Post Issue Eq Shares 126,787,254 Eq Shares

BRLM Kotak Mahindra Capital
Company Ltd , Axis Capital
Ltd , Citigroup Global Markets
India Pvt Ltd,DSP Merrill
Lynch Ltd, ICICI Securities Ltd,
JM Financial Ltd, SBI Capital
Markets Ltd

Registrar KFin Technologies
Private Limited

Company is the second largest asset management company in India in terms of Total AUM and the eighth largest asset management company in India in terms of mutual fund QAAUM as of June 30, 2020. As of June 30, 2020 company also had the largest share of its monthly average AUM attributable to B30 cities of the top ten Indian asset management companies by QAAUM as of June 30, 2020.

With 10.9 million Live Folios as March 31, 2020, company's client base accounts for 12.2% of the approximately 89.7 million folios that were managed by the Indian mutual fund industry as of that date. Company's list of clients includes individual investors, banks and other financial institutions, corporate and other institutional investors, trusts and NRIs., with the number of Live Folios increasing from 10.7 million as of March 31, 2018 to 10.9 million as of June 30, 2020.

Company have a national footprint and offer its schemes through a diverse range of distribution channels. As of June 30, 2020, 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. Company's IFAs channel includes approximately 53,000 Independent Financial Advisors ("IFAs") as of June 30, 2020. Company's BDA and CA network distinguishes it from other asset management companies in India, as company's BDAs and CAs, who are engaged by company on an exclusive basis primarily in B30 cities, allow company to efficiently and effectively develop, maintain and service its relationships with its distributors and investors.

Company manage 153 domestic mutual fund schemes, comprising equity, hybrid, income, liquid and money market funds as of June 30, 2020. Company's Domestic Mutual Fund QAAUM was ₹1,336.3 billion as of June 30, 2020, which accounted for approximately 5.4%, or the eighth largest amount, of the total QAAUM invested in all mutual funds in India as of June 30, 2020.

Company provide Discretionary PMS to the Employees' Provident Fund Organization ("EPFO"), the Coal Mines Provident Fund Organisation ("CMPFO"), the Employees' State Insurance Corporation ("ESIC"), the National Skill Development Fund ("NSDF") and to HNIs, Non- Discretionary PMS to Postal Life Insurance ("PLI"), and Advisory PMS to various offshore and domestic accounts. Company approved to manage 55.0% of the total corpus on October 31, 2019 of the Central Board of Trustees, EPF ("CBT, EPF"), accounting for ₹5,916.6 billion, or 84.9% of its PMS AUM as of June 30, 2020.

Valuation

Company is bringing the issue at p/e multiple of approx 25x at higher end of price band of Rs 552-554/share on FY20 eps basis. Company is pure play independent asset manager with strong brand recognition & diverse portfolio of funds with multiple distribution channels , wide reach , broad and stable client base. Company has established position in retirement solutions through product innovation and large retirement fund mandates. Also valuation are looking reasonable at which company is bringing the issue.

Therefore, we recommend "Subscribe" the issue.



COMPANY OVERVIEW

Company cater to a diverse group of individual and institutional investors through a wide variety of funds and services. Company manage 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, company’s total QAAUM for its domestic mutual funds (“**Domestic Mutual Fund QAAUM**”) was ₹1,336.3 billion, while its Other AUM was ₹8,493.9 billion. With 10.9 million Live Folios as of March 31, 2020, company’s client base accounts for 12.2% of the approximately 89.7 million folios that, are managed by the Indian mutual fund industry. 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. 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. For purposes of the SEBI Mutual Fund Regulations, the four 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”), each of which has the Government of India as a majority shareholder. T. Rowe Price Group, Inc., a global asset management company, is company’s other major shareholder (through its subsidiary T. Rowe Price International Ltd. (“TRP”).



INVESTMENT RATIONALE

Multiple distribution channels with wide reach and broad and stable client base.

Company have a comprehensive multi-channel distribution network with both in-house capabilities and external distribution channels. Company reach clients through a number of distribution channels, including IFAs, direct distribution, and banks and distributors. Company's IFA distribution channel comprises approximately 53,000 IFAs, while its direct distribution channel includes internal sales teams for institutional and PSU clients and its digital platforms, and its banks and distributors ("BND") channel comprises arrangements with various domestic and foreign banks and other distributors. Although IFAs remain a significant distribution channel by AUM (accounting for 29.8% of company's Domestic Mutual Fund QAAUM as of June 30, 2020), direct distribution is becoming an increasingly important channel for company (accounting for 58.7% of company's Domestic Mutual Fund QAAUM as of June 30, 2020). Digital initiatives, including company's digital transaction system for its institutional clients, UTI Buddy mobile app for its distributors, UTI mobile app for customers, mobile applications for company's sales force, digital marketing platform and data-driven digital marketing campaigns, are also an increasingly important part of company's distribution, particularly following the outbreak of the COVID-19 pandemic. Sales through company's and third-party digital platforms accounted for 6.5%, 15.9%, 22.9%, 18.9% and 41.3% of company's equity and hybrid mutual fund gross sales in the fiscal years ended March 31, 2018, 2019 and 2020, and the three-month periods ended June 30, 2019 and 2020, respectively. Company's wide-spread distribution network in India gives access to company's investors located in 697 districts (out of 722 districts in total), including remote areas, and reinforces company's strong presence in small and medium towns, cities and villages

Established position in retirement solutions through product innovation and large retirement fund mandates

Company have developed particular strengths in managing retirement funds for beneficiaries right across the socioeconomic spectrum .In company's domestic mutual funds business. Company manage the largest income tax -notified fund in the retirement fund category in India (the UTI Retirement Benefit Pension Fund), which as of June 30, 2020 had QAAUM of ₹ 26.0 billion . This scheme counts a number of micro pensioners as investors, including, as of June 30, 2020, more than 189,000 teachers in Bihar through an arrangement company have entered into with the Government of Bihar. Through company's PMS business company is one of two fund managers appointed to manage the EPFO corpus and have also been appointed as a fund manager for CMPFO, ESIC and NSDF. These appointments have resulted in strong growth in company's PMS AUM, which totalled ₹1,158.5 billion, ₹1,332.7 billion and ₹6,890.6 billion as of March 31, 2018, 2019 and 2020, respectively, representing a CAGR of 143.9% over the relevant period; as of June 30, 2020, company's PMS AUM had increased to ₹6,970.5 billion, largely due to new mandates from EPFO, ESIC and CMPFO. Similarly, company's RSL business, which manages NPS funds, had AUM of ₹694.8 billion, ₹937.1 billion and ₹1,222.0 billion as of March 31, 2018, 2019 and 2020, respectively, representing a CAGR of 32.6% over the relevant period; as of June 30, 2020, company's RSL AUM had increased to ₹1,355.9 billion, primarily due to a steady increase in the number of individuals enrolled in both company's Government and non-Government NPS schemes during the relevant periods. As of June 30, 2020 company had the second highest market share by AUM of PMS services in India (at 44.7%), and the second highest market share by AUM of NPS funds (at 29.2%). The track record that company is continuing to develop in retirement solutions enhances company's brand value and provides additional cross-selling opportunities to grow company's AUM, particularly in its domestic mutual funds business.



Increase geographical reach and expand distribution channels

Company seek to continue to develop its distribution network and increase its geographical reach through reinforcing and expanding Its distribution channels. Company plan to do so by deepening its presence in T30 cities, where there remain attractive growth opportunities, and expanding its reach into new markets. To improve company's distribution execution and productivity in its existing cities, company have initiated a cross-functional executive mentoring program, wherein senior management members will mentor a select number of managers of its UFCs.

Actively pursue additional partnership opportunities

Company is actively exploring potential additional strategic partnership opportunities with different types of distributors, including banks, aggregators, and fintech platforms, in order to further enhance its distribution reach and capabilities. In particular, company is pursuing a potential additional tie-up with a bank in order to significantly expand its geographical footprint beyond company's current locations. Company expect this to further improve its positioning to capitalise on future AUM growth in underpenetrated markets and to increase its market share in T30 cities. Company believe that a preferential tie-up with a bank would enable company to compete more effectively with many of its competitors that are part of diversified financial institutions and so benefit from referrals from their affiliates.

Continue to develop PMS, offshore and alternative funds businesses

Company seek to increase AUM by accessing new markets which are strategically viable. Company intend to use its track record with institutional mandates to manage superannuation funds (such as EPFO and CMPFO) to pursue other opportunities in its PMS business. The latest CMPFO and ESIC mandates awarded to company in January 2020, as well as the EPFO mandate awarded to company in September 2019, enhanced its credibility as a provider of portfolio management services for the pension and superannuation funds of similar institutions. Such additional institutional pension fund mandates not only drive AUM growth and profitability in its PMS business, but also provide cross-selling opportunities that to date have resulted in asset allocations to its domestic mutual funds, providing scale to its passive funds in particular. In its offshore business company aim to capture a disproportionate share of India -directed investment flows, with a particular focus on growing its three UCITS funds and other products with maturities of more than one year. Company plan to grow its offshore business by focusing on distribution partnerships, including co-branded and white-labelled funds, expanding its in-house distribution and client coverage capabilities, including through making further in-market hires overseas, and strengthening its relationships with wealth platforms and local banks. Company is also seeking to grow its alternative investment funds business, leveraging and augmenting the new team company hired at UTI Capital in 2017. In particular, to build upon the success of its debut private debt fund, UTI Structured Debt Opportunities Fund I, company plan to launch a new private debt fund, UTI Structured Debt Opportunities Fund II (for which company obtained SEBI approval on May 20, 2020), to take advantage of emerging opportunities to provide credit in situations not adequately serviced by banks and non-bank financial companies



Risk Factors:

Factors such as increased competition in the mutual fund industry, including from technology-driven platforms, underperformance by company's funds as compared to their respective benchmarks and competing schemes and shifts in the investment preferences of company's customers may hinder its ability to maintain or grow its market share and may contribute to a reduction in company's market share. While company's Domestic Mutual Fund QAAUM has almost doubled from ₹742.3 billion as of March 31, 2014 to ₹1,336.3 billion as of June 30, 2020, with some of company's funds underperforming as compared to their respective benchmarks and competing schemes, and competition in the mutual fund industry increasing, company's market share has fallen from 8.2% to 5.4% over the same period.

Objects of Issue:

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 in the Offer

Financial Statement

(Rs Cr)

Particulars	FY18	FY19	FY20	Q1FY21
Total Income	1150.05	1050.51	854.97	261.79
Total Exp	581.36	552.31	505.70	137.10
EBIDTA	568.69	498.20	349.27	124.70
Other Income	12.70	30.39	35.99	9.28
Depreciation	27.25	29.15	31.34	8.456
EBIT	554.14	499.44	353.92	125.52
Interest	8.71	8.19	8.48	2.293
PBT	545.43	491.25	345.45	123.22
E/O Items	0.00	0.00	0.00	0
PBT	545.43	491.25	345.45	123.22
Sh Of Profit in Asso	0.00	0.00	0.00	0.00
PBT	545.43	491.25	345.45	123.22
Tax	140.34	143.32	68.96	22.148
PAT	405.09	347.93	276.49	101.08
Eq Cap	126.79	126.79	126.79	126.79
Net Worth	2,437.62	2,641.57	2,773.28	2,849.37
Eq Shares	12.68	12.68	12.68	12.68
EPS	28.73	27.83	21.53	7.93
ROE	15.38	13.55	9.88	3.55

Source:RHP

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