

April 27, 2022

RESULT REPORT Q4 FY22 | Sector: Asset Managers

UTI Asset Management Co.

Opex marring quarter is not a structural problem

Result Highlights

- ✓ **Revenue:** Revenue from operations at Rs 2950mn was up 4.6%/25.2% QoQ/YoY exceeding the growth of MF QAAUM at 0%/22% QoQ/YoY
- ✓ **Share of Equity in AUM:** Share of Equity in AUM (including Hybrid funds) at 43% was down -47 bps QoQ but up 278 bps YoY
- ✓ **Share of B-30 in AUM:** Share of B-30 at 23% was down -100 bps QoQ and flat YoY
- ✓ **Channel mix:** Share of Banks+ND, MFD and Direct channel was 9%, 27% and 64%, respectively in overall AUM
- ✓ **Operating profit margin:** Calculated operating profit margin for the quarter, at 38.8%, was down -848 bps QoQ and -601 bps YoY

Our view - Opex marring quarter is not a structural problem

Operating expenses evolved negatively for the quarter due to a variety of factors: Employee cost was Rs 0.74bn in 4QFY21, which increased to Rs 1.15bn in 4QFY22, a difference of Rs 0.41bn. Rs 0.33bn of this differential was due to variable pay. Other opex was an extra Rs 0.16bn compared with quarterly average run rate for 9MFY22. Rs 0.07bn of the extra cost came from additional trail fees, Rs 0.02bn from charges paid to PFRDA, Rs 0.02bn from payment to BCG and Rs 0.04bn from cost related to digital initiatives. On the positive side, 96 employees are expected to retire over FY23-24. The saving due to this would amount to Rs 0.41bn and about half of this would come in FY23.

Overall revenue yield for domestic business was maintained at 41 bps, similar to levels seen in 3QFY22: The yield for the domestic equity business is 85-90 bps. The yield for the international business is about 55 bps.

We maintain 'BUY' rating on UTI with a revised price target of Rs 1248: We value UTI at 23x FY23 P/E for an FY21-24E EPS CAGR of 19.8%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Exhibit 1: Result table

Rs mn	Q4FY22	Q4FY21	YoY	Q3FY22	QoQ
Revenue from operations	2,950	2,356	25.2%	2,820	4.6%
As % of QAUM [^]	0.5%	0.5%	1bps	0.5%	3bps
Fees and Commission Expenses	8	9	-13.6%	6	26.7%
As % of revenues	0.3%	0.4%	-12bps	0.2%	4bps
Employee Benefit Expenses	1,151	743	54.8%	971	18.5%
As % of revenues	39.0%	31.6%	745bps	34.4%	459bps
Other Expenses	647	548	18.1%	510	26.8%
As % of revenues	21.9%	23.3%	-133bps	18.1%	385bps
Total Expense	1,806	1,301	38.8%	1,487	21.4%
Operating Profit	1,144	1,056	8.4%	1,333	-14.2%
As % of QAUM [^]	0.20%	0.23%	-3bps	0.24%	-3bps
As % of revenues	38.8%	44.8%	-601bps	47.3%	-848bps
Other Income	(54)	574	-109.4%	265	-120.3%
Finance cost	22	23	-2.6%	26	-12.2%
Depreciation	95	90	5.1%	93	1.8%
Profit before Tax	973	1,516	-35.8%	1,480	-34.2%
Tax Expense	434	180	141.4%	211	106.0%
Profit After Tax	539	1,336	-59.7%	1,269	-57.5%
As % of QAUM [^]	0.1%	0.3%	-20bps	0.2%	-13bps
As % of revenues	18.3%	56.7%	-3844bps	45.0%	-2673bps

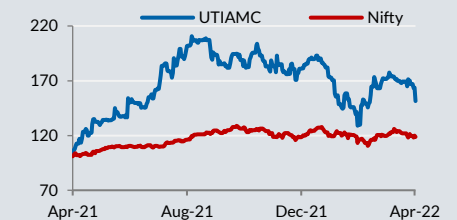
Source: Company, YES Sec-Research, [^]Annualised

Recommendation	: BUY
Current price	: Rs 860
Target price	: Rs 1,248
Potential Return	: 45%

Stock data (as on April 27, 2022)

Nifty	17,038
52 Week h/l (Rs)	1216 / 595
Market cap (Rs/USD mn)	109183 / 1427
Outstanding Shares (mn)	127
6m Avg t/o (Rs mn):	245
Div yield (%):	2.4
Bloomberg code:	UTIAM IN
NSE code:	UTIAMC

Stock performance



	1M	3M	1Y
Absolute return	-11.6%	-12.3%	44.8%

Shareholding pattern (As of Mar'22 end)

Promoter	0.0%
FII+DII	89.8%
Others	10.3%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1248	1300

Financial Summary

Rs mn	FY22E	FY23E	FY24E
Net Revenue	11,189	13,603	16,151
YoY Growth	38.7%	21.6%	18.7%
EBIDTA Margin	44.5%	48.7%	52.9%
PAT	5,346	6,889	8,512
YoY Growth	8.1%	28.9%	23.6%
ROE	15.6%	18.5%	21.4%
EPS (Rs)	42.1	54.3	67.0
P/E (x)	20.4	15.9	12.8
BV (Rs)	284.1	303.1	323.2
P/BV (x)	3.0	2.8	2.7

Δ in earnings estimates

Rs.	FY22E	FY23E	FY24E
EPS (New)	NA	54.3	67.0
EPS (Old)	NA	54.7	67.6
% change	NA	-0.7%	-0.9%

SHIVAJI THAPLIYAL

Lead Analyst

shivaji.thapliyal@ysil.in

+91 22 6885 0521



SIDDHARTH RAJPUROHIT, Analyst

COMPREHENSIVE CON-CALL TAKEAWAYS

AUM aspects

- ✓ **Group AUM**
 - Total AMC AUM stood at Rs 13.49 trn as of FY22, up 16.2% YoY.
- ✓ **Total MF AUM**
 - Total MF AUM stood at Rs 2.23 trn as of FY22 compared with Rs 1.82trn as of FY21.
 - Market share in total MF AUM stood at 5.83% as of FY22.
- ✓ **Equity AUM**
 - Equity AUM (excluding Hybrid) has risen 36.5% YoY to Rs 692.87bn.
 - Market share in Equity AUM stood at 5.17% as of FY22.
- ✓ **Net Sales**
 - The Net Sales in pure Equity (excluding Hybrid) in FY22 amounted to Rs 89.31bn, accounting for a market share of 5.8%.

Operating expenses

- ✓ **Employee expenses**
 - Total employee cost for FY22 is Rs 270mn higher YoY.
 - Rs 170mn of the rise is due to higher provision for variable pay.
 - Rs 20mn is due to Covid-related cost.
 - Rs 80mn is due to increased fixed cost of Group employees.
 - **4QFY22 vs 4QFY21**
 - Employee cost was Rs 0.74bn in 4QFY21, which increased to Rs 1.15bn in 4QFY22, a difference of Rs 0.41bn.
 - Rs 0.33bn of this differential was due to variable pay.
 - The remaining was Rs 0.02bn each due to ESOP amortization, medical expenses and fixed pay.
 - **Impact from retirements**
 - 96 employees are expected to retire over FY23-24.
 - The saving due to this would amount to Rs 0.41bn.
 - It can be assumed that about half of this would come in FY23.
 - **General comment**
 - Employee cost is also impacted by actuarial valuation of gratuity and other aspects.
 - Fixed pay is on a downward trend.
- ✓ **Other operating expenses**
 - Other operating expenses for 9MFY22 were Rs 1.47bn, which implies a quarterly run rate of Rs 0.49bn.
 - The actual other operating expenses for FY22 turned out to be Rs 2.12bn, implying an extra Rs 0.16bn compared with run rate.
 - Rs 0.07bn of the extra cost came from additional trail fees.
 - Rs 0.02bn came from charges paid to PFRDA.
 - Rs 0.02bn came from payment to BCG.
 - Rs 0.04bn came from cost related to digital initiatives.

(Con call takeaways continue on the next page)

Pension business

- ✓ The allocation from the PFRDA under National Pension Scheme has been restored.
- ✓ 4QFY22 has seen inflows of Rs 170bn on this front.
- ✓ The restored allocation would continue in FY23.

Yield aspects

- ✓ The yield for the international business is about 55 bps.
- ✓ The yield for the Indian business is about 41 bps.
- ✓ The yield for the domestic equity business is 85-90 bps.

New Fund Pipeline

- ✓ In FY23, there would be the launch of a Multi Asset Fund, which is a gap currently.
- ✓ Apart from this, new launches would be focused on the passive space, including a Smart Beta Fund.

Effective tax rate

- ✓ Effective tax rate was 18-19% in FY22.
- ✓ It would be in the 18-20% range in FY23.

Dividend payout

- ✓ Dividend payout has improved from Rs 17 to Rs 21 on a per share basis.

Exhibit 2: Other Business Parameters

Rs mn	Q4FY22	Q4FY21	YoY	Q3FY22	QoQ
MF QAAUM	2,238,420	1,828,530	22%	2,246,710	0%
Industry market share	5.8%	5.7%	13bps	5.9%	-5bps
Gross SIP Flows	14,890	8,930	67%	13,520	10%
QAAUM Mix					
Equity	692,870	507,510	37%	700,850	-1%
ETF & Index	624,470	425,810	47%	603,400	3%
Liquid	478,480	430,420	11%	471,290	2%
Hybrid	264,440	223,670	18%	270,640	-2%
Income	178,160	240,920	-26%	200,530	-11%
QAAUM Mix (% proportion)					
Equity	31%	28%	320bps	31%	-24bps
ETF & Index	28%	23%	461bps	27%	104bps
Liquid	21%	24%	-216bps	21%	40bps
Hybrid	12%	12%	-42bps	12%	-23bps
Income	8%	13%	-522bps	9%	-97bps
Channel Mix (% proportion)					
Bank & Distributors	9%	9%	0bps	9%	0bps
MFD	27%	29%	-200bps	28%	-100bps
Direct	64%	62%	200bps	63%	100bps
Geographical Spread					
T-30	77%	77%	0bps	76%	100bps
B-30	23%	23%	0bps	24%	-100bps

Source: Company, YES Sec – Research

Exhibit 3: Quarterly Actuals Vs Estimates

Q4FY22 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue	2,950	2,871	2.7
Operating profit	1,144	1,357	(15.7)
Profit after tax	539	1,288	(58.1)

Source: Company, YES Sec – Research

ANNUAL FINANCIALS

Exhibit 4: Balance Sheet

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Share Capital	1,268	1,268	1,270	1,270	1,270
Total Reserves	26,357	30,991	34,793	37,204	39,758
Shareholder's Funds	27,625	32,259	36,062	38,474	41,027
Minority Interest	108	111	114	114	114
Deferred Tax Assets / Liabilities	489	1,008	286	257	231
Long Term Provisions	831	486	245	282	323
Other long term liabilities	78	137	270	311	356
Trade Payables	662	933	1,138	1,383	1,642
Other Current Liabilities	1,756	1,715	1,763	2,033	2,326
Total Liabilities	31,549	36,649	39,877	42,854	46,020
Net Block	2,504	2,407	2,498	2,698	2,898
Other Intangible assets	128	161	152	69	69
Right of use assets	897	977	910	928	946
Non Current Investments	107	102	97	112	128
Other Non Current Assets	693	834	686	791	906
Currents Investments	23,558	27,469	29,782	31,469	33,257
Sundry Debtors	554	497	849	1,033	1,226
Cash and Bank	1,193	2,060	3,983	4,694	5,376
Other Financial Assets	1,542	1,891	784	904	1,034
Short Term Loans and Advances	374	252	136	157	179
Total Assets	31,549	36,649	39,877	42,854	46,020

Source: Company, YES Sec – Research

Exhibit 5: Profit and Loss Statement

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Management Fees	7,879	8,066	11,189	13,603	16,151
Fees and Commission	29	30	27	7	6
Employee Expense	3,399	3,795	4,067	4,514	4,966
Other Expenses	1,629	1,693	2,117	2,453	2,639
Total Expenses	5,057	5,518	6,211	6,974	7,610
Operating Profit	2,822	2,548	4,978	6,629	8,541
Other Income	1,021	3,921	2,084	2,454	2,600
Depreciation	336	358	368	378	406
Finance Cost	94	81	92	94	96
Profit before Tax	3,413	6,030	6,602	8,611	10,640
Tax	664	1,087	1,256	1,722	2,128
Net Profit	2,749	4,943	5,346	6,889	8,512

Source: Company, YES Sec – Research

Exhibit 6: Cash flow statement

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
PBT	3,413	6,030	6,602	8,611	10,640
Depreciation	336	358	368	378	406
Change in working cap	(308)	153	439	136	152
Tax paid	664	1,087	1,256	1,722	2,128
Others	(545)	1,849	1,127	(0)	0
Cash flow from operations	2,233	7,303	7,280	7,403	9,069
Capex	(456)	(374)	(383)	(513)	(624)
Change in investments	(939)	(3,906)	(2,308)	(1,703)	(1,804)
Others					
Cash flow from investments	(1,395)	(4,280)	(2,691)	(2,215)	(2,428)
Free cash flow	838	3,023	4,590	5,188	6,641
Equity raised/(repaid)	0	0	2	0	0
Debt raised/(repaid)					
Dividend (incl tax)	888	2,155	2,666	4,478	5,958
Others					
Cash flow from financing	(888)	(2,155)	(2,664)	(4,478)	(5,958)
Net change in cash	(49)	867	1,925	710	683

Source: Company, YES Sec – Research

Exhibit 7: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	NA	13,603	16,151	11,442	13,352	15,884	NA	1.9	1.7
Operating Profit	NA	6,629	8,541	5,274	6,596	8,514	NA	0.5	0.3
Profit After Tax	NA	6,889	8,512	5,985	6,931	8,575	NA	(0.6)	(0.7)

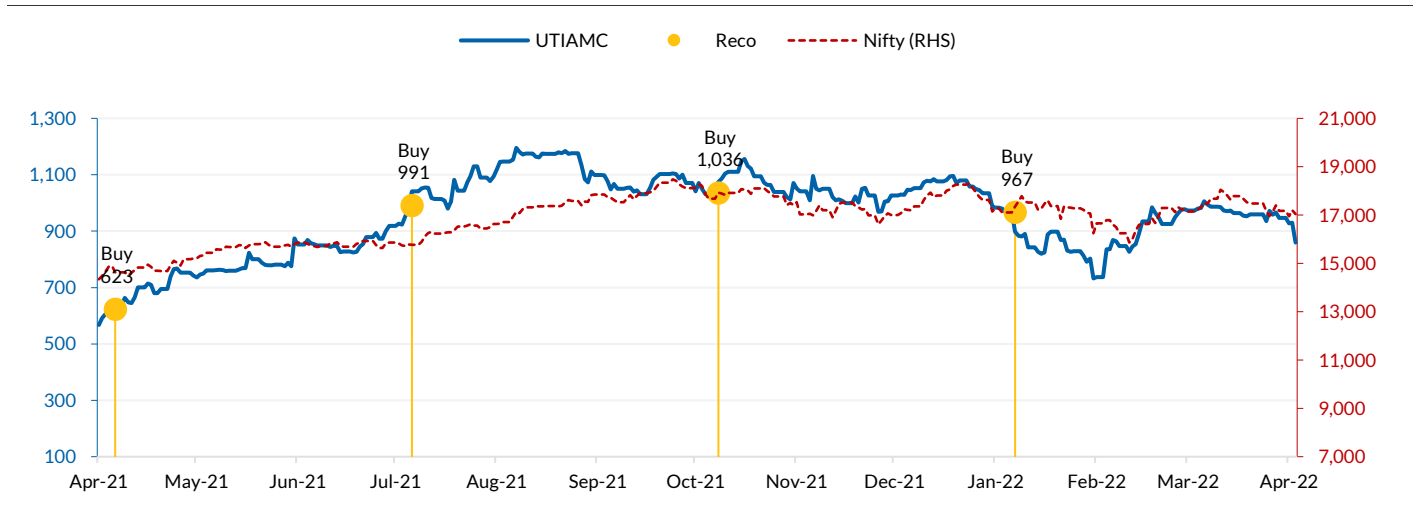
Source: Company, YES Sec – Research

Exhibit 8: Ratios

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
Growth ratios (%)					
AAUM	-2.5%	2.6%	32.6%	15.3%	14.4%
Revenue	-11.5%	2.4%	38.7%	21.6%	18.7%
Staff Cost	10.8%	11.7%	7.2%	11.0%	10.0%
Total Operating Expenses	-8.4%	9.1%	12.6%	12.3%	9.1%
Profit Before Tax	-30.5%	76.7%	9.5%	30.4%	23.6%
Net profit	-21.0%	79.8%	8.1%	28.9%	23.6%
As a % of Avg AUM					
Management Fees	0.51%	0.51%	0.53%	0.56%	0.58%
Staff Cost	0.22%	0.24%	0.19%	0.19%	0.18%
Other Expenses	0.10%	0.11%	0.10%	0.10%	0.09%
PBT	0.22%	0.38%	0.31%	0.35%	0.38%
Net profit	0.18%	0.31%	0.25%	0.28%	0.31%
Operating Ratios					
Operating Profit Margin	35.8%	31.6%	44.5%	48.7%	52.9%
PBT Margin	43.3%	74.8%	59.0%	63.3%	65.9%
PAT Margin	34.9%	61.3%	47.8%	50.6%	52.7%
ROE	10.1%	16.5%	15.6%	18.5%	21.4%
Dividend Payout Ratio	42.0%	44.3%	49.4%	65.0%	70.0%
Per share (Rs)					
EPS	21	39	42	54	67
Book Value	218	254	284	303	323
Valuation Ratios (x)					
P/E	40.2	22.1	20.4	15.9	12.8
P/BV	3.9	3.4	3.0	2.8	2.7
Mcap to AUM	7.0%	6.9%	5.2%	4.5%	3.9%
Dividend Yield	0.8%	2.0%	2.4%	4.1%	5.5%

Source: Company, YES Sec – Research

Recommendation Tracker



DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited (YSL) distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YSL analyst's truthful views about the subject securities and/or issuers discussed herein. YSL is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House,
Off Western Express Highway, Santacruz East,
Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House,
Lok Bharti Complex, Marol Maroshi Road, Andheri East,
Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in
Website: www.yesinvest.in

DISCLOSURE OF INTEREST

Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.



Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX: INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code - 94338.

Details of Compliance Officer: Name: Vaibhav Purohit, Email id: compliance@ysil.in, Contact No: +91-22-6885 0278