

UTI AMC

BUY

CMP Rs 623

Target Rs 858

Upside 38%

Result Highlights

- ✓ **Revenue** – Management Fees was at Rs.2.4bn was in line with our estimates. Management fees were higher by 29% yoy and witnessed a growth of 11% on sequential basis.
- ✓ **Yield on Management fees** - The Yield on Management fees was at 0.52%, which was an improvement of 4bps YoY, against our estimate of 0.53%.
- ✓ **Operating Profit** - Operating profit came at Rs.1,056mn which was higher than our estimates of Rs.1,008mn due to lower than expected operating costs and employee costs.
- ✓ **Profits** - PAT stood at Rs.1,336mn v/s our estimates of Rs.1,472mn led by significantly lower other income offset by stronger operating performance and lower tax rate.
- ✓ **Valuations** - The stock currently trades at FY23E P/E of 12x.
- ✓ **Dividend**: The Board of Directors have recommended a dividend of Rs17 per share

Our view: We remain extremely positive on UTI AMC as 1) Industry AUM growth to be strong double digit, 2) gaining market share in the equity segment, 3) revival in debt market share, 4) impetus from higher yields in the NPS assets. We have raised estimates (6% in FY22, 9% in FY23) to factor in better than expected AUM performance in March 2021 and PFRDA earning boost. EBIDTA margins to expand significantly from 36% in FY20 to 49% in FY23E, while ROE to expand from 10% in FY20 to 18% in FY23E driven by improved profitability and sustained high dividend payouts (policy of 65%+ payout ratio). Given the FY20-23E earnings CAGR of 32%, we find FY23E P/E of 12.3x attractive. Retain BUY with a revised 1-year target price of Rs858 (from Rs786 earlier).

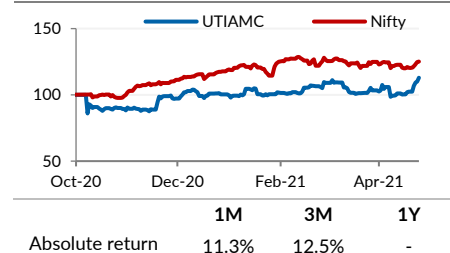
Exhibit 1: Result Table

	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ
Revenue	2,356	1,825	29%	2,118	11%
As % of QAUM	0.52%	0.47%	4bps	0.63%	-12bps
Fees and Commission	9	8	7%	9	4%
As % of revenues	0.37%	0.45%	-8bps	0.40%	-3bps
Employee Cost	743	1,102	-33%	1,161	-36%
As % of revenues	31.6%	60.4%		54.8%	
Other Expenses	548	360	52%	394	39%
As % of revenues	23.3%	19.7%	353bps	18.6%	467bps
Total Expense	1,301	1,471	-12%	1,563	-17%
Operating Profit	1,056	354	198%	555	90%
As % of QAUM	0.23%	0.09%	14bps	0.17%	6bps
As % of revenues	44.8%	19.4%	2540bps	26.2%	1860bps
Other Income	574	-355	-262%	1,365	-58%
Finance cost	23	29	-21%	23	1%
Depreciation	90	78	15%	95	-5%
Profit before Tax	1,516	-108	-1500%	1,802	-16%
Tax Expense	180	152	18%	399	-55%
Profit After Tax	1,336	-260	-614%	1,402	-5%
As % of QAUM	0.29%	-0.07%	36bps	0.42%	-13bps
As % of revenues	56.7%	-14.3%	7097bps	66.2%	-948bps

Stock data (as on April 29, 2021)

Sensex:	14,895
52 Week h/l (Rs)	642 / 471
Market cap (Rs/USD mn)	79312 / 1071
Outstanding Shares	127
6m Avg t/o (Rs mn):	199
Div yield (%):	2.7
Bloomberg code:	UTIAM IN
NSE code:	UTIAMC

Stock performance



Shareholding pattern (As of Dec'20 end)

Promoter	0.00%
FII+DII	68.21%
Others	48.76%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	858	786

Financial Summary

	FY22E	FY23E	FY24E
Net Revenue	11,018	12,959	15,531
YoY Growth	36.6%	17.6%	19.8%
EBIDTA Margin	44.6%	49.3%	54.4%
PAT	5,186	6,402	8,060
YoY Growth	4.9%	23.4%	25.9%
ROE	15.6%	18.1%	21.3%
EPS	40.9	50.5	63.6
P/E	15.2	12.3	9.8
BV	270.8	288.5	307.5
P/BV	2.3	2.2	2.0

Δ in earnings estimates

Rs	FY22e	FY23e
EPS (New)	40.9	50.5
EPS (Old)	39.0	46.0
% change	4.9%	9.7%

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CON-CALL HIGHLIGHTS

AUM and Business Overview

- ✓ Players with stronger stand in B30 cities will be better positioned to grow faster than industry.
- ✓ Visible gain in Equity and Debt AUM market share.
- ✓ QoQ growth AUM at 10.6% against industry growth of 8%.
- ✓ Captured 6% of Gross Inflows of the industry. Except Liquid, all categories witnessed net inflows in Q4FY21.
- ✓ Subscription opened for flagship debt schemes have garnered - Rs. 4,730mn in Q2FY21, Rs. 24,360 mn in Q3FY21 and Rs. 4,290m in Q4FY21. Expect to regain the share with strong distribution capabilities
- ✓ 48% contribution from Individual AUM as on March 2021.
- ✓ SIP market share stands at 5.03%. SIP inflows grew by 8% for UTI AMC against industry degrowth of 4%
- ✓ SIP is a focused area and there is a dedicated team for the same. 62% growth in new SIP registration against 20% growth for the industry.
- ✓ Appointed as fund manager of PFRDA and will be profitable business for the company. Yield are same as competitor but intentionally decided to charge lesser yield on 1st slab as it will not have any material profitability impact. All the required resources for Retirement solutions are in place, may required 1-2 employees but does not envisage any material increase in expenses.
- ✓ Going forward, if required will pay dividend to the parent from cash in UTI RSL.

Yield

- ✓ Pass of TER reduction generally takes a time lag but overall would not take any impact on P/L of AMC.

Distribution

- ✓ Increased traction with fintech companies like Cuevra, ETmoney, Paytym, etc and have seen increase in SIPs from 53,101 in FY20 to 1.40 lac SIPs in FY21. (162% growth) There is Digital marketing team to manage the fintech tie-ups.
- ✓ Engagement in banking channel was good in FY21. PNB and BoB too witnessed good traction.

Cost

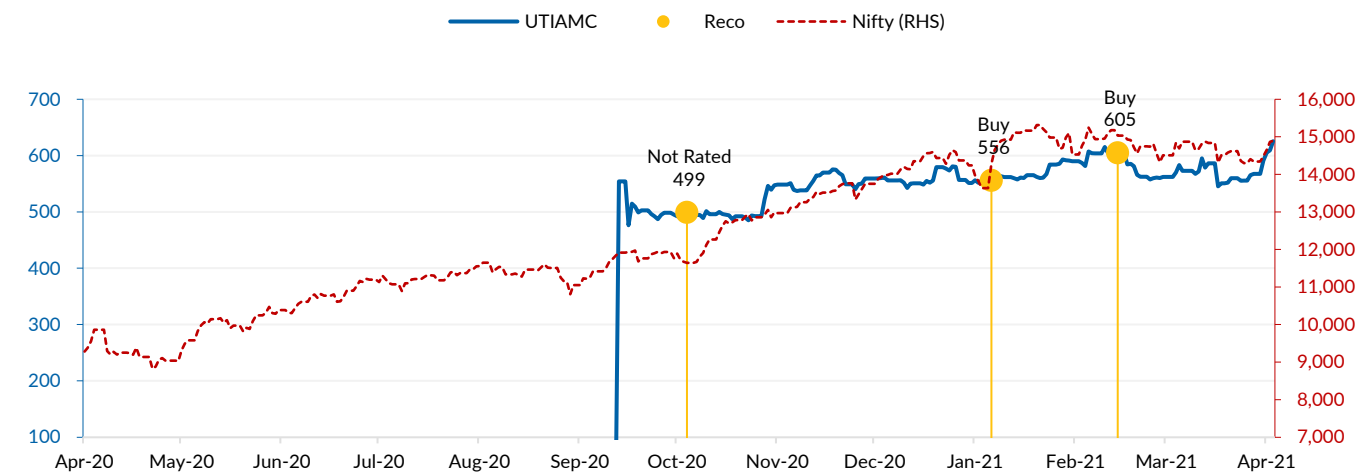
- ✓ No major increase in other expenses except CSR expense to the tune of Rs. 90mn and other additional digital initiative expense in Q4FY21.
- ✓ Employee expense has 4 main constituents – managerial, non-managerial, fixed and variable pay.
- ✓ ESOP cost in Q4FY21 at Rs35mn v/s Rs. 105mn in Q3FY21.
- ✓ Expensed Rs. 450mn in Q3FY21 on account of Variable pay and the actual cost came at 380mn, therefore Q4FY21 saw a reversal of the differential cost. Also, there was Rs. 1200mn one time hit on non- managerial settlement in Q4FY20.

- ✓ There will be a down trend in employee cost due to lower esop cost, fix cost not expected to see any hike and variable pay will depend on the business performance.
- ✓ Cumulative Employee cost saving of Rs. 650 to 750mn in the next 4years. Post that, expect saving in employee cost of about 10-15% on annual basis. ESOP cost to come down by 170mn in FY22
- ✓ No plan for VRS at this particular point of time.
- ✓ Interbranch service fees – Rs. 270mn v/s Rs. 260mn in FY0
- ✓ Managerial Fixed Pay – Rs. 1680mn , Non-managerial Fixed Pay – Rs. 660mn , Variable Pay – Rs. 380mn

Others

- ✓ Standalone effective tax rate of 23.19% in FY21 v/s 17.8% in FY20 due to deferred tax reassessment. Console effective tax rate at 18.06% in FY21 and 19.04% in FY20 mainly due to UTI International and Singapore having some carry forward losses.
- ✓ UTI International is very important subsidiary for the company. Heavily investing in ESG strategies, next year expected to be a good year.
- ✓ Payout policy is on standalone basis.

Recommendation Tracker



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