

UTI AMC

BUY

CMP Rs 991

Target Rs 1,197

Upside 21%

Result Highlights

- ✓ **Revenue** – Management Fees was at Rs.2.6bn was better than our estimates of Rs2.45bn as AUM and yields both were better than our forecasts. While AUM Management fees were higher by 64% yoy, sequential growth was at 11%.
- ✓ **Yield on Management fees** - The Yield on Management fees was at 0.56%, which was a improvement of 2bps YoY, against our estimate of 0.52%. Increase can be attributed to 1) higher yields on NPS AUM and 2) higher share of equity AUM.
- ✓ **Operating Profit** -Operating profit came at Rs.1,123mn which was 10% lower than our estimates of Rs.1,249mn due to higher than expected operating costs and employee costs. Employee costs in particular was a negative surprise.
- ✓ **Profits** – PAT stood at Rs.1,550mn v/s our estimates of Rs.1,386mn as weaker EBIDTA performance was more than offset by ahead of estimates other income.

Our view: Since we have assumed coverage on UTI AMC in Q3 FY21 result update the stock has rallied 78%. 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 (13% in FY22, 8% in FY23) to factor in better than expected AUM performance in March 2021 and slightly lower employee costs given company's guidance of flat employee costs for the year. EBIDTA margins to expand significantly from 36% in FY20 to 50.3% in FY23E, while ROE to expand from 10% in FY20 to 19.3% in FY23E driven by improved profitability and sustained high dividend payouts. Given the FY20-23E earnings CAGR of 36%, we find FY23E P/E of 18.2x attractive. Retain BUY with a revised 1-year target price of Rs1,197.

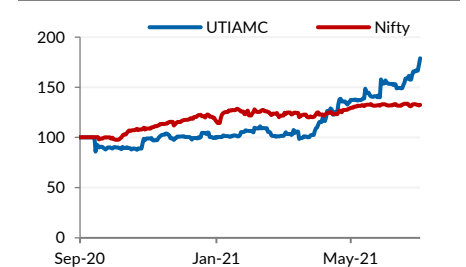
Exhibit 1: Result Table

	Q1FY22	Q1FY21	YoY	Q4FY21	QoQ
Revenue from operation	2,615	1,598	64%	2,356	11%
As % of QAUM	0.56%	0.48%	8bps	0.52%	4bps
Fees and Commission	7	7	5%	9	-20%
As % of revenues	0.27%	0.42%	-15bps	0.37%	-11bps
Employee Expenses	943	980	-4%	743	27%
As % of revenues	36.0%	61.4%	-2531bps	31.6%	450bps
Other Expenses	542	379	43%	548	-1%
As % of revenues	20.7%	23.7%	-297bps	23.3%	-254bps
Total Expense	1,492	1,366	9%	1,301	15%
Operating Profit	1,123	232	384%	1,056	6%
As % of QAUM	0.24%	0.07%	17bps	0.23%	1bps
As % of revenues	43.0%	14.5%	2843bps	44.8%	-185bps
Other Income	886	1,106	-20%	574	54%
Finance cost	23	11	102%	23	1%
Depreciation	90	81	11%	90	0%
Profit before Tax	1,896	1,245	52%	1,516	25%
Tax Expense	346	227	52%	180	92%
Profit After Tax	1,550	1,019	52%	1,336	16%
As % of QAUM	0.33%	0.30%	3bps	0.29%	4bps
As % of revenues	59.3%	63.7%	-446bps	56.7%	257bps
QAUM	1,872,100	1,336,000	40%	1,828,530	2%

Stock data (as on July 29, 2021)

Sensex:	15,778
52 Week h/l (Rs)	1000 / 471
Market cap (Rs/USD mn)	125722 / 1692
Outstanding Shares	127
6m Avg t/o (Rs mn):	272
Div yield (%):	1.7
Bloomberg code:	UTIAM IN
NSE code:	UTIAMC

Stock performance



	1M	3M	1Y
Absolute return	17.8%	61.5%	NA

Shareholding pattern (As of Jun'21 end)

Promoter	0.00%
FII+DII	90.83%
Others	9.04%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,197	858

Financial Summary

	FY22E	FY23E	FY24E
Net Revenue	11,175	13,081	15,613
YoY Growth	38.6%	17.1%	19.4%
EBIDTA Margin	5,134	6,577	8,602
PAT	45.9%	50.3%	55.1%
YoY Growth	5,867	6,897	8,623
ROE	18.7%	17.6%	25.0%
EPS	17.5%	19.3%	22.5%
P/E	46.3	54.4	68.0
BV	21.4	18.2	14.6
P/BV	272.9	292.0	312.4

Δ in earnings estimates

Rs	FY22e	FY23e
EPS (New)	46.3	54.4
EPS (Old)	40.9	50.5
% change	13%	8%

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CON-CALL HIGHLIGHTS

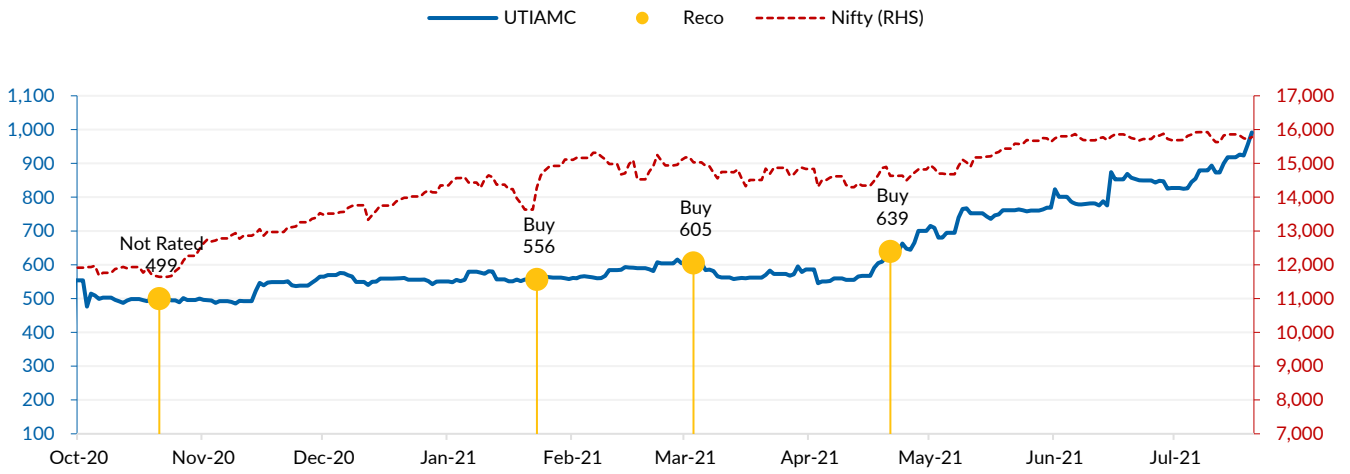
Granularity of AUM:

- ✓ Closing AUM Rs1,939bn, 9.7% qoq, 35.1% yoy, 5.76% market share
- ✓ Flow market share: 10.24% of industry net inflows as compared to 6% in previous year, ETFs 11.58%, Equity 6.24%
- ✓ Added 0.1mn folios in Q1 FY22 as compared to addition of 0.13mn folios in FY21, currently there are 11.1mn live folios,
- ✓ 31% yoy growth in SIP accounts and currently has 1.6mn live SIP folios, SIP flows for June 2021 were at Rs3.48bn 45% yoy growth, for Q1 FY22 SIP flows were at Rs10.09bn a growth of 40% yoy, SIP AUM saw a 55% yoy jump from Rs99.85bn to Rs155.23bn.

Employee costs:

- ✓ ESOP expenses FY21 Rs300mn, FY22 expectation is of Rs120mn, ESOP scheme has just 1 change, wherein exercise period has been increased from 3 years to 5 years exercise period, issued at market price and does not expect incremental ESOP costs.
- ✓ Qoq variation in employee expense was owing to 1) variable expenses of Rs450mn was provisioned in Q3 FY21, however actual payout was Rs380mn leading to a reversal of Rs70mn in Q4 FY21. During Q1 FY22, there was a payout of Rs90mn towards variable payments leading to a Rs160mn deviation qoq, 2) Additionally Rs40mn was incurred towards annual wage hike.
- ✓ Company expects to stay within Rs3.8bn spent in FY21 on employee costs.
- ✓ **Banking partners:** Healthy market share in PNB and BOB, continuing to work with SBI to include UTI AMC products in their selling list
- ✓ **NFOs:** Focused Equity Fund, Multicap fund to be launched and received SEBI approval for the same
- ✓ **Other expenses:** PFRDA fees Rs62.3mn, vs Rs15mn as under new regulations the charge is on 1.5bps as compared to 0.5bps until last fiscal. PMS that manages Post office schemes, was asked to reduce equity exposure leading to one time Rs68mn brokerage expense.
- ✓ **Other income:** Driven by sale of shares in Big Basket leading to Rs240mn gain, some more exits expected over the next one year, 1.73% stake still left in Big Basket.
- ✓ **Tax rate:** Another two years 18-20% tax rate on group basis
- ✓ **Digital initiatives:** refreshing digital apps and website, whatsapp for distributors, live chatbox and interaction with distributors and investors, digital transactions are increasing 1.7mn transactions,
- ✓ **Digital aggregators:** are registered investment advisors, partnering with most of RIAs, Phonepe most recent and all schemes are live, Groww, Paytm Money, ET Money are marketing UTI products
- ✓ **UTI International:** extremely profitable, IDEF has reached AUM of US\$890mn, Have plans to launch three funds, large MTM gains is owing to own money invested US\$25mn in IDEF and now at US\$32mn. Profitability will be driven by scale, trail commission is 45bps, when money stays much better revenue jump
- ✓ **Technology costs:** Rs180mn recurring, Rs100mncapex

Recommendation Tracker



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