

UTI Asset Management Company Ltd : Good Issue

IPO Note : Largest AMC in terms of Total AUM with strong history: Negative Growth : Good Net Margin: Priced Reasonably : Ranking***



Issue details

Price band (Rs)	Rs.552-554
IPO Opening Date	29/09/2020
IPO Closing Date	01/10/20
Issue Size	Rs.2160 Cr.

Recommendations

On the financial performance front, for the last three fiscals, on a consolidated basis, UTI AMC has posted revenue/ net profits of Rs. 1162.75 cr. / Rs. 405.09 cr. (FY18), Rs. 1080.89 cr./ Rs. 347.93 cr. (FY19) and Rs. 890.96 cr. / Rs. 275.49 cr. (FY20). **Thus it has shown declining trends in income. However, for the Q1 of FY21, the company has earned a net profit of Rs. 101.08 cr. on revenue of Rs. 271.07 cr.** The issue is priced at a P/BV of 2.48 based on its NAV of Rs. 223.60 as on June 30, 2020. As per offer documents, UTI AMC has shown HDFC AMC (market cap Rs. 44746 cr.) and Nippon Life AMC (market cap Rs. 15565 cr.) as its listed peers. They are currently trading at a P/Es of 35.19 and 35.08 respectively. If we attribute annualize latest earnings and attribute on fully diluted equity post issue, **then asking price is at a P/E of around 17.37 against industry average P/E of 35.14.** However, if we attribute FY20 earnings then the issue is at a **P/E of 25.41.** The issue seems attractive in comparison to its peer companies. **Investors may gain from this IPO.**

Highlights

- UTI AMC is the second-largest AMC with a track record of 55+ years.
- As of June 30, 2020, its 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.
- It manages 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 Rs. 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 Introduction

Incorporated in 2002, UTI AMC is in the business of managing the domestic mutual funds of UTI Mutual Fund, provides portfolio management services to institutional clients and high net worth individuals like Employee Provident Fund Organisation, National Skill Development Fund, Postal Life Insurance, and manages retirement funds viz. NPS, offshore funds like Shinsei UTI India Fund, and alternative investment funds catering to a diverse group of individuals, institutional investors, banks, trusts, and NRIs.

UTI Asset Management Company Ltd. (UTI AMC) 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, according to CRISIL. As of June 30, 2020, it also had the largest share of monthly average AUM attributable to B30 cities of the top ten Indian asset management companies by QAAUM as of June 30, 2020, according to CRISIL. UTI AMC caters to a diverse group of individual and institutional



<https://utimf.com>

Financial Summary (Rs. In Crore)

Particulars	Qtr. Ended June 2020	FY2020	FY2019	FY2018
Total Income	271.06	890.96	1080.89	1162.74
Net Profit	101.07	276.48	347.92	405.09
EPS (Rs)	7.97*	21.8	27.44	31.9

EPS : Not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

investors through a wide variety of funds and services.

Company Promoters:

UTI AMC is a professionally managed company and does not have an identifiable promoter in terms of SEBI.

The object of the issue

The objects of the Offer are:

1. To achieve the benefits of listing the Equity Shares on the Stock Exchanges and
2. The sale of up to 38,987,081 Equity Shares by the Selling Shareholders

IPO Issue Proceed

For listing gains and to provide an exit to existing stakeholders, UTI AMC is coming out with a maiden IPO of an offer for sale of 38987081 shares of Rs. 10 each. The issue opens for subscription on September 29, 2020, and will close on October 01, 2020. The company has fixed the price band of Rs. 552 - Rs. 554 per share. Minimum application is to be made for 27 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. UTI AMC mulls mobilizing around Rs. 2152.09 cr. - Rs. 2159.88 cr. (based on lower and upper price band) through this IPO. Issue constitutes 30.75% of the post issue paid-up capital of the company. The company has reserved 200000 shares for eligible employees. From the residual portion, it has reserved 50% for QIBs, 15% for HNIs and 35% for retail category. UTIAMC's current paid-up equity capital of Rs. 126.79 cr. will remain the same post-issue following secondary offer. With this issue, the company is looking for a market cap of Rs. 7024.01 cr. (based on upper price band).

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