

Incorporated as 'UTI Asset Management Company Private Limited', on November 14, 2002. UTI Asset Management Company Limited ("UTI AMC") is the 2nd largest Asset Management Company in India in terms of Total AUM and the 8th largest asset management company in India in terms of mutual fund QAAUM as of June 30, 2020.

For purposes of the SEBI Mutual Fund Regulations, its 4 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"). T. Rowe Price Group, Inc., a global asset management company, is their other major shareholder (through its subsidiary T. Rowe Price International Ltd. ("TRP")).

UTI AMC manages the domestic mutual funds of UTI Mutual Fund, provide portfolio management services ("PMS") and manage retirement funds, offshore funds and alternative investment funds. As of June 30, 2020, the total QAAUM for its domestic mutual funds ("Domestic Mutual Fund QAAUM") was ₹133,630 crore, while the Other AUM was ₹849,390 crore. With 1.09 crore Live Folios as of March 31, 2020, its client base accounts for 12.2% of the approximately 8.97 crore folios that are managed by the Indian mutual fund industry. Its distribution network includes 163 UTI Financial Centres.

Issue summary	Indicative Timetable				
Price band : ₹ 552 – 554	Activity		On or about		
Bid Lot: 27 Shares and in multiple thereof.	Finalisation of Basis of Allotment		07-10-2020		
Post Issue Implied Market Cap =	Refunds/Unblocking ASBA Fund		08-10-2020		
₹ 6,999 Cr – 7,024 Cr	Credit of equity shares to DP A/c		09-10-2020		
BRLMs: Axis Capital, Kotak Mahindra Cap, Citigroup Global, DSP ML, ICICI Sec, JM Financial, SBI Capital Markets	Trading commences		12-10-2020		
Registrar: KFin Technologies Pvt. Ltd.	Issue break-up				
Issue opens on: Tuesday, 29th Sep'2020	Reservation for	No of Shares	Amount ₹ Cr		% of Issue
Issue closes on: Thursday, 1st Oct'2020			Upper	Lower	
	QIB*	19,393,540	1,070.52	1,074.40	50%
	QIB - Anchor	11,636,124	642.31	644.64	-
	QIB - Other	7,757,416	428.21	429.76	-
	NIB	5,818,062	321.16	322.32	15%
	Retail	13,575,479	749.37	752.08	35%
	Employees	200,000	11.04	11.08	-
	Total	39,987,081	2,152.09	2,159.88	100%
	<i>* 60% Shares of the QIB Portion to Anchor Investors</i>				

Company Financials

Here is the summary of the financial information of the company.

Fin. Year ending	Total Revenues (Rs in Crores)	Profits after tax (Rs in Crores)	Profit %
Mar-2018	1,162.7	405.0	34.8%
Mar-2019	1,080.8	143.3	13.3%
Mar-2020	890.8	276.4	31.0%

Its EPS for FY2020 is Rs 21.53 and last 3 years average EPS is Rs 24.83.

Reasons to invest in this IPO

- 1) 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.
- 2) Its products/services are diversified. It offers a diversified portfolio of mutual fund schemes as well as portfolio management services, retirement solutions and alternative investment funds (AIFs).
- 3) Company generates high margins. Its margins are 31% for FY2020.

Risk Factors of investing in this IPO

These risk factors can impact company revenue and margins which would affect its share price. Investors should go through these points and understand them before investing.

- 1) Its revenues are on declining mode. Its revenues were at Rs 1,162 Crores for FY2018 Vs Rs 890 Crores for FY2020.
- 2) Company income and profit are largely dependent on the value and composition of its AUM, which may decline because of factors outside its control.
- 3) Under performance of its investment portfolio could lead to a loss of clients and reduction in AUM and result in a decline in its income.
- 4) Its market share has declined consistently over the past years and may continue to do so, which could have an adverse impact on its business, financial condition and results of operations.
- 5) Concentration in its investment portfolio could have a material adverse effect on its business, financial condition and results of operations.
- 6) For complete internal and external risk factors, you can refer the RHP of the company.

Our View

- 1) On the upper price band of Rs 554 and EPS of Rs 21.53 for FY20, the P/E ratio works out to be 25.7x. For last 3 years EPS of Rs 24.8, the PE ratio is 22.3x.
- 3) Means, the company is asking the issue price of Rs 554 of the upper price band in the P/E range of 22.3x to 25.7x.
- 4) There are listed peers like Nippon Life AMC, whose shares are trading at P/E of 40.7x (Highest) and HDFC AMC at P/E of 36.5x (Lowest) and the industry average is 38.6x. Hence as per above analysis, the company issue price of Rs 554 at P/E of 22.3x to 25.7x is reasonably priced.

One can look at listing gains as well as can remain invested for medium to long term.