

UTI Asset Management Company | REDUCE

Valuations ahead of performance, downgrade to REDUCE



UTI AMC reported weak results with a PAT of INR 1.3bn (-48% QoQ, -50% YoY, -24 JMFe) due to one-offs of INR 314mn in employee expenses. Beyond this, operating performance was in line while Other Income missed JMFe at INR 314mn (against INR 510mn). The one-offs (of INR 249mn for family pension and INR 65mn for other retirement benefits), were due to pay revision and VRS (Voluntary Retirement Scheme) offered to 476 employees over 50 years of age. The scheme will conclude on 31st October, post which actual impact would be known. If widely adopted, the scheme would help rejuvenate the workforce as Mr. Vetri takes over as the CEO. Estimating the impact of the VRS, we cut FY26e EPS by 15%, maintain FY27e EPS and raise FY28e EPS by 3%. The company continues to lose market share in SIP inflows and stock equity AUM, hence, we cut our target price to INR 1,350 (from INR 1,500 earlier), valuing it at 18x FY27e EPS. We change to REDUCE under our new rating system from HOLD earlier.

- **With a strong opening AUM, core revenues grew despite weak markets and muted inflows:** Core revenues rose to INR 3.9bn (+3% QoQ, +7% YoY, -1% JMFe) as the QAAUM grew (5% QoQ, 11% YoY) while equity QAAUM grew (6% QoQ, 6% YoY). This was on account of a strong close to 1Q, as closing AUM fell 1% QoQ. Revenue yields declined (1bp QoQ, 2bps YoY) with telescopic pricing and decline in blended yields in debt as clients avoided duration. Despite a 3.8% market correction during the quarter, UTI's equity portfolio was down only 2.5%, highlighting resilience. Secondly, it saw net inflows of INR 5bn in equity (+hybrid) with without any NFO – the company had seen outflows from 2QFY23 to 1QFY25, before recovering to inflows of INR 15bn or lower in the last 5 quarters, driven by NFOs and SIPs, with sustained lumpsum redemptions.
- **One-time provisions for VRS in 2Q drag profits, additional provisions expected in 3Q:** Operating expenses increased sharply to INR 1.6bn (+23% QoQ, +38% YoY, +23% JMFe) due to actuarial adjustments for pay revision and VRS. The VRS is offered to 476 employees aged 50+ years, with an average payout of INR 6-6.5mn. Average annual employee cost for these employees was around INR 3bn, and management believes it will need to replace only ~70 of these employees. Final impact on FY26 P&L will be known next impact. We have assumed ~120 employees opt for the scheme, leading to an additional payout of INR 75bn in this year, with benefits coming from FY27e, in the form of lower employee costs and a rejuvenated workforce. Mr. Vetri briefed on a strategy of focusing on performance and market opportunity as two separate buckets to garner inflows, with improving fund performance.
- **Valuations and view – REDUCE as we wait for sustained fund performance and sales-force rejuvenation:** The stock is currently trading at 19x FY27e EPS which is above its mean P/E ratio. MTM loss in the second quarter will drag AUM, revenues and Other income downwards in FY26. Due to this and the one-time VRS provisions, we cut our FY26e EPS by 15%, resulting in an estimated 8% decline in EPS YoY. We largely maintain FY27e EPS while we raise FY28e earnings by 3%, as employee costs reduce. We value the company at 18x (vs 20x earlier) FY27e EPS of INR 76 (unchanged) to get a revised target price of INR 1,350.

Financial Summary (INR mn)

Year	FY24	FY25	FY26E	FY27E	FY28E
Mutual Fund AUM (closing basis, INR bn)	2,846	3,348	3,954	4,612	5,404
YoY growth (%)	28%	18%	18%	17%	17%
% of equity MF AUM (closing basis)	38%	36%	35%	34%	35%
Operating Revenues (INR mn)	11,821	14,453	15,894	17,719	20,479
Total operating expenses (INR mn)	7,571	8,078	9,582	8,888	9,449
PAT (INR mn)	8,020	8,130	7,470	9,629	11,431
YoY growth (%)	82%	1%	-8%	29%	19%
PAT / Avg. MF AUM (RoAUM) (%)	0.30%	0.24%	0.20%	0.22%	0.23%
RoE (%)	19.4%	18.1%	16.0%	19.7%	22.2%
EPS (INR)	63.0	63.9	58.7	75.7	89.8
P/E (x)	15.9	15.7	17.0	13.2	11.1

Source: Company data, JM Financial. Note: Valuations as of 17/Oct/2025

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Recommendation and Price Target

Current Reco.	REDUCE
Previous Reco.	HOLD
Current Price Target (12M)	1,350
Upside/(Downside)	-3.7%
Previous Price Target	1,500
Change	-10.0%

Key Data – UTIAM IN

Current Market Price	INR1,402
Market cap (bn)	INR179.8/US\$2.0
Free Float	55%
Shares in issue (mn)	126.8
Diluted share (mn)	126.8
3-mon avg daily val (mn)	INR234.4/US\$2.7
52-week range	1,472/891
Sensex/Nifty	83,952/25,710
INR/US\$	88.0

Price Performance

%	1M	6M	12M
Absolute	2.7	38.4	9.1
Relative*	1.1	29.5	5.6

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key concall takeaways:

■ Revenue yields

- Equity and Hybrid 75bps (flattish over 2HFY25),
- Debt 19-20bps (reduced due to shorter duration).
- Liquid funds 9bps,
- ETF and Index funds 8bps (improved from 6bps),

■ Leadership change

- Mr. Imtaiyazur Rahman will step down as MD & CEO on 1st Feb'26, with Mr. Vetri Subramaniam, CIO, succeeding him as the MD & CEO,
 - Mr. Imtaiyazur will stay on as a Strategic Advisor till Jun'26;
- Mr. Vetri outlined the following key strategic directions:
 - Focus on sales-force rejuvenation – focus on having more hunters (feet on the ground salespeople) and reducing supervisory salespeople – the VRS scheme should help towards that,
 - Funds highlighted to be bucketed into two key categories, (a) funds with strong performance track record, and (b) funds (sectoral / thematic / hybrid) which provide a good market opportunity,
 - On Systematic Investment Fund (SIF) category – while it offers a good opportunity to expand the market, salespeople compliant with SEBI norms are limited at this point, hence, growth will be gradual. UTI is working on its branding and strategy for the same.

■ Employee cost and VRS Update

- Voluntary Retirement Scheme(VRS) announced on 23rd September, applicable to 476 employees, approx. 1/3rd of workforce, with an average payout of INR 6-6.5 mn per employee,
 - Average annual employee cost for these employees was around INR 3mn per annum,
 - Out of 476, 351 are associated with sales and related functions,
 - On account of the VRS, the actuarial impact on family pension liability was accounted for in 1Q – INR 249mn and INR 65mn on account of other retiral benefits;
- The company will hit the P&L in 3Q with actual, once the scheme closes on 31st October.

■ Market share

- Overall MF QAAUM market share at 4.91% vs 5.00% in 1QFY26.
- Equity MF QAAUM market share at 2.93% vs 3.01% in 1QFY26.
- SIP market share for the month of Sep-25 at 2.7% vs 2.9% for Sep-24.
- Overall Net equity sales for 2Q26 at INR 57bn vs 99bn in 1QFY26, 43% decline QoQ.
- Launched a Multicap fund in May having an asset base of INR 15.8bn - 67% was collected during NFO.

■ UTI International

- Rebranded as UTI Investments, with an offshore AUM of USD 2.67bn;
- This saw a AUM decline to MTM impact and maturing of one of the funds, Phoenix Fund, resulting in an AUM loss of INR 20bn.

Exhibit 1. UTI AMC (consol) – 2QFY26 – Earnings table

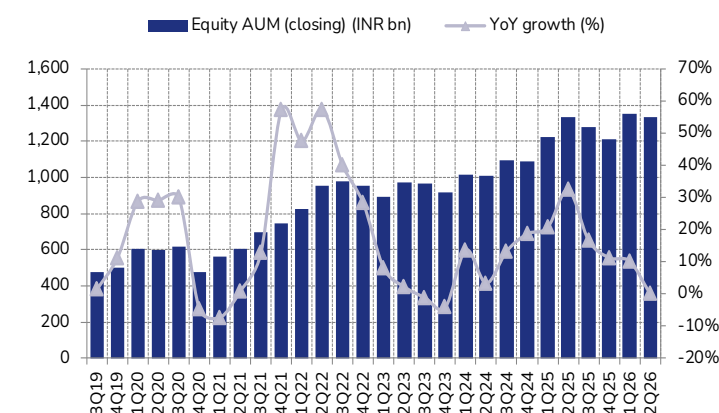
Consol P&L (INR mn) - UTI AMC	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	2Q26e	Var (%)
Revenue from operations	3,730	3,793	3,900	2.8%	4.6%	3,954	-1.4%
Employee benefits expense	1,153	1,292	1,588	23.0%	37.7%	1,292	23.0%
Depreciation & Amortisation	112	123	127	3.5%	13.0%	123	3.5%
Business Development and Others	778	812	858	5.7%	10.2%	812	5.7%
Total expenses	2,044	2,226	2,573	15.6%	25.9%	2,226	15.6%
Operating PBT	1,686	1,567	1,327	-15.3%	-21.3%	1,729	-23.2%
Other income	1,671	1,693	314	-81.4%	-81.2%	510	-38.4%
PBT	3,357	3,260	1,641	-49.7%	-51.1%	2,239	-26.7%
PAT	2,631	2,539	1,322	-47.9%	-49.7%	1,744	-24.2%
PAT after minority interest	2,631	2,539	1,322	-47.9%	-49.7%	1,744	
EPS	21	20	10	-47.9%	-3.5%	14	
Qtrly Avg AAUM (INR bn)	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)		
Equity	1,295	1,294	1,366	5.6%	5.5%		
Debt	210	247	254	2.8%	21.3%		
Liquid	469	517	539	4.3%	14.9%		
Other	1,451	1,551	1,624	4.8%	11.9%		
Overall	3,425	3,609	3,784	4.9%	10.5%		
Dupont analysis	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)		
Revenue / QAAUM (%)	0.44%	0.42%	0.41%	-0.01%	-0.02%		
Employee exp / QAAUM(%)	0.13%	0.14%	0.17%	0.02%	0.03%		
Business Development and Other opex / QAAUM(%)	0.10%	0.10%	0.10%	0.00%	0.00%		
Total cost / QAAUM (%)	0.24%	0.25%	0.27%	0.03%	0.03%		
Operating PBT / QAAUM(%)	0.20%	0.17%	0.14%	-0.03%	-0.06%		
Other income / QAAUM (%)	0.20%	0.19%	0.03%	-0.15%	-0.16%		
PBT / QAAUM (%)	0.39%	0.36%	0.17%	-0.19%	-0.22%		
PAT / QAAUM(%)	0.31%	0.28%	0.14%	-0.14%	-0.17%		

Source: Company, JM Financial

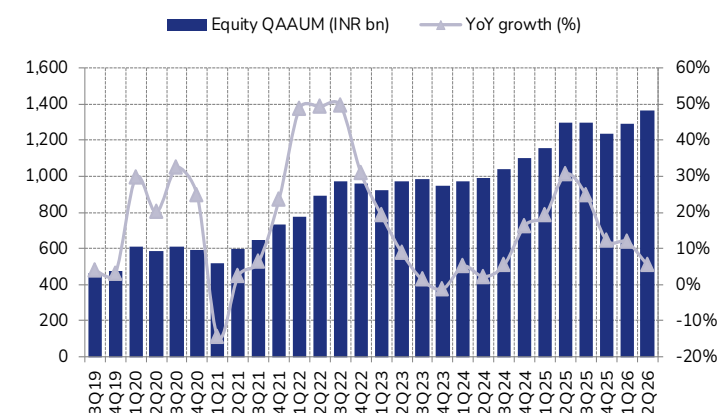
Exhibit 2. UTI AMC: Change in estimates - JMFe

Change in estimate	FY26E, Old	FY26E, New	Change	YoY	FY27E, Old	FY27E, New	Change	YoY	FY28E, Old	FY28E, New	Change	YoY
Revenue	19,739	19,815	0.4%	6.5%	21,318	21,901	2.7%	10.5%	23,621	24,896	5.4%	13.7%
Operating PBT	7,381	6,312	-14.5%	-1.0%	8,547	8,831	3.3%	39.9%	10,226	11,030	7.9%	24.9%
PAT	8,758	7,470	-14.7%	-8.1%	9,687	9,629	-0.6%	28.9%	11,157	11,431	2.5%	18.7%

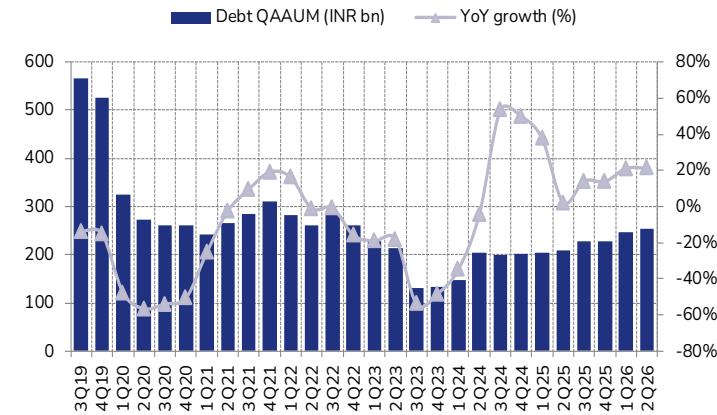
Source: Company, JM Financial

Exhibit 3. UTI AMC: Trend in equity AUM growth (closing basis)


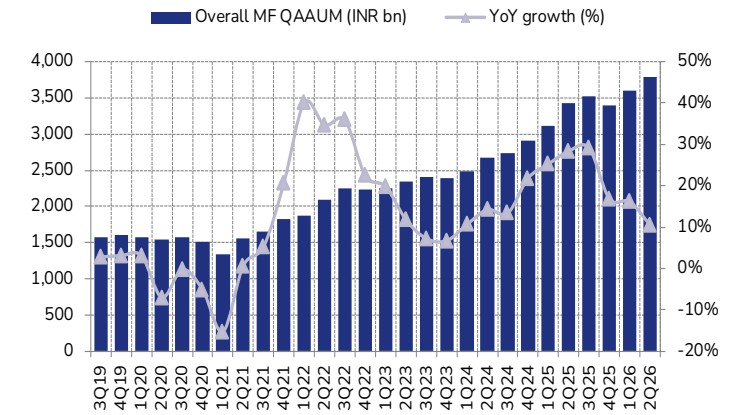
Source: Company, JM Financial

Exhibit 4. UTI AMC: Trend in QAAUM growth


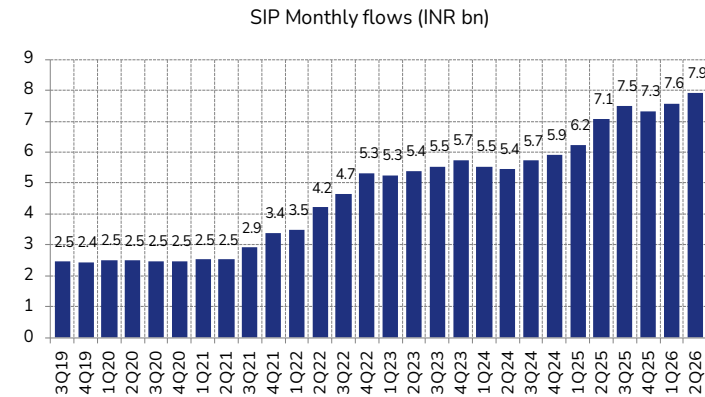
Source: Company, JM Financial

Exhibit 5. UTI AMC: Debt QAAUM was up 3% sequentially


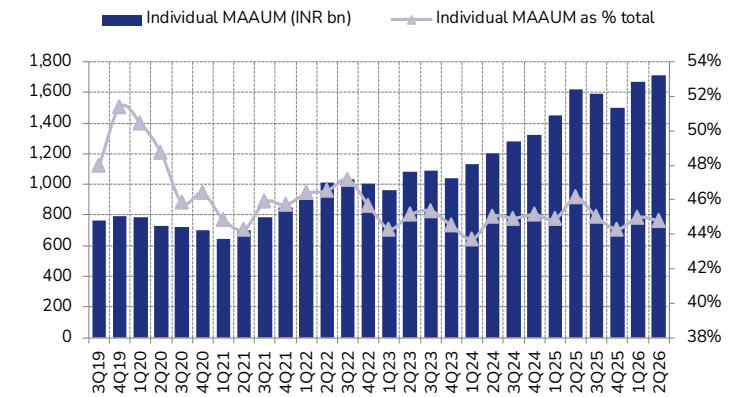
Source: Company, JM Financial

Exhibit 6. UTI AMC: MF QAAUM growth has lagged industry


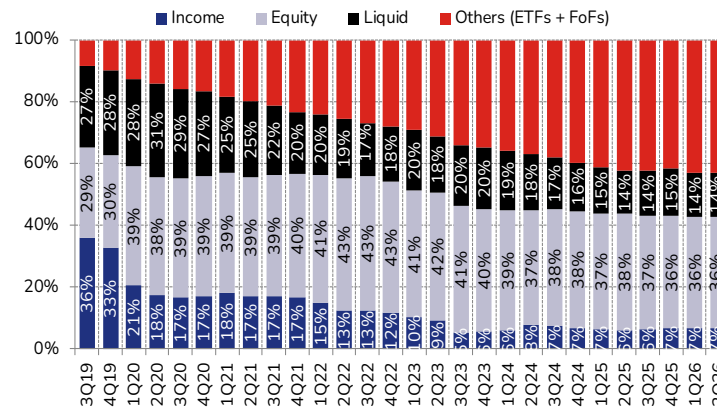
Source: Company, JM Financial

Exhibit 7. UTI AMC: SIP monthly inflows increased in 2Q26


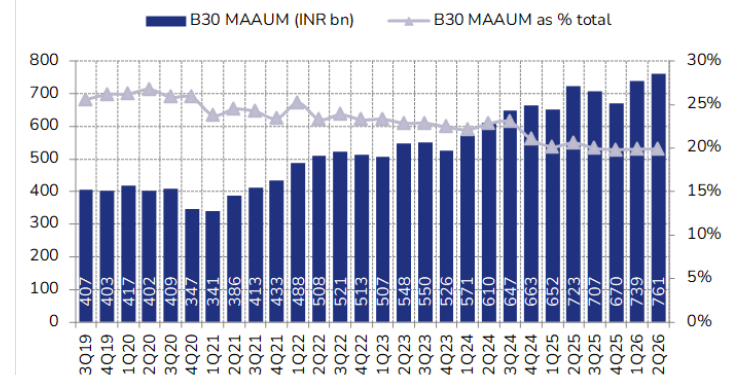
Source: Company, JM Financial

Exhibit 8. UTI AMC: Individual MAAUM as % of total (%)


Source: Company, JM Financial

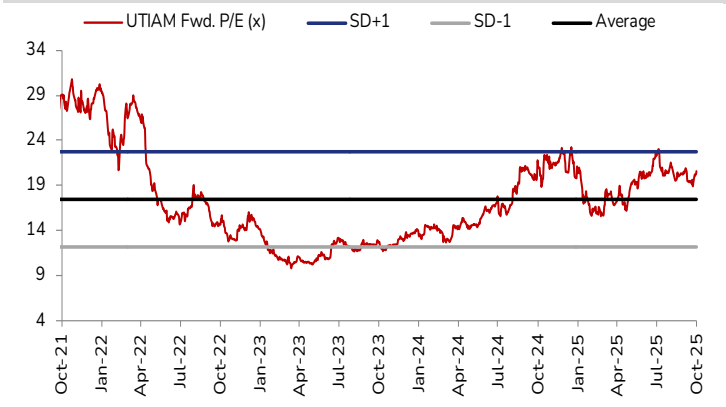
Exhibit 9. Segmental AUM Mix


Source: Company, JM Financial, end month SIP flows from 3Q20

Exhibit 10. UTI AMC: B30 AUM has plateaued at 20% levels, of total AUM


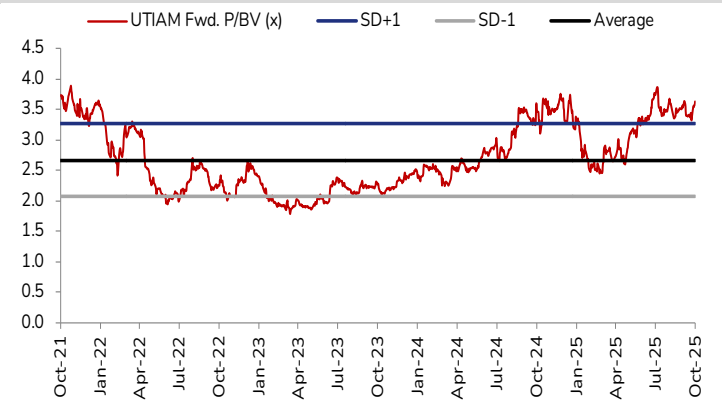
Source: Company, JM Financial

Exhibit 11. UTI AMC: Trading above historical mean P/E



Source: Company, JM Financial

Exhibit 12. UTIAMC: Trading above historical mean P/BV



Source: Company, JM Financial

Financial Tables (Consol)

Income Statement (INR mn)

	FY24A	FY25A	FY26E	FY27E	FY28E
MF Fees	11,520	14,240	15,655	17,452	20,180
PMS Fees	301	213	239	267	299
Investment Management fees	11,821	14,453	15,894	17,719	20,479
Total Other income	5,619	4,146	3,921	4,182	4,417
Total Revenue	17,439	18,599	19,815	21,901	24,896
Employee costs	4,393	4,580	5,953	5,072	5,427
Admin & Other expenses	2,512	3,017	2,876	3,020	3,178
Mktg & publicity expenses	243	26	271	287	304
Total Operating Expenses	7,148	7,622	9,100	8,378	8,909
Depreciation/Diminution in LT	423	455	482	510	539
Total Expenditure	7,571	8,078	9,582	8,888	9,449
PBT	9,868	10,522	10,233	13,013	15,448
Tax	(1,848)	(2,392)	(2,763)	(3,383)	(4,016)
Reported Profit (PAT)	8,020	8,130	7,470	9,629	11,431
Share of Minority	364	815	-	-	-
PAT after minority interest	7,657	7,315	7,470	9,629	11,431
Dividend	5,981	6,108	5,613	7,235	8,589
Retained earnings	2,039	2,021	1,857	2,394	2,842

Source: Company, JM Financial

Balance Sheet (INR mn)

	FY24A	FY25A	FY26E	FY27E	FY28E
Share capital	1,273	1,273	1,273	1,273	1,273
Reserves & Surplus	42,609	44,630	46,487	48,881	51,723
Net worth	43,882	45,903	47,760	50,154	52,996
Minority Interest	-	-	-	-	-
Secured Loans	5,850	7,020	8,425	10,109	12,131
Current Liabilities	3,425	4,110	4,932	5,918	7,101
Provisions	253	279	307	337	371
Total Liabilities	53,410	57,312	61,423	66,519	72,600
Net Fixed Assets	4,147	4,556	5,005	5,499	6,041
Non-Current investments	44,283	41,818	45,111	47,598	50,325
Trade and other receivables	839	940	1,052	1,179	1,320
Cash and bank balance	3,200	9,064	9,325	11,319	13,993
Other Assets	941	934	929	924	921
Total Assets	53,410	57,312	61,423	66,519	72,600

Source: Company, JM Financial

Mutual Fund AUM (INR bn)

	FY24A	FY25A	FY26E	FY27E	FY28E
Closing AUM					
Equity	1,088	1,211	1,380	1,588	1,881
Debt	199	223	285	313	347
Liquid	349	441	463	490	518
Others	1,210	1,473	1,827	2,222	2,657
Total AUM	2,846	3,348	3,954	4,612	5,404

Source: Company, JM Financial

Mutual Fund AUM Mix (%)

	FY24A	FY25A	FY26E	FY27E	FY28E
Based on Closing AUM					
Equity	38%	36%	35%	34%	35%
Debt	7%	7%	7%	7%	6%
Liquid	12%	13%	12%	11%	10%
Others	43%	44%	46%	48%	49%
Total AUM	100%	100%	100%	100%	100%

Source: Company, JM Financial

Key Ratios

	FY24A	FY25A	FY26E	FY27E	FY28E
As a % of Avg AUM					
Core Revenues / Avg. AUM	0.34%	0.34%	0.33%	0.32%	0.31%
Other Revenues / Avg. AUM	0.31%	0.21%	0.19%	0.17%	0.16%
Total Revenues / Avg. AUM	0.65%	0.55%	0.52%	0.49%	0.47%
Employee cost / Avg. AUM	0.16%	0.14%	0.13%	0.12%	0.10%
Brokerage / Avg. AUM	0.01%	0.01%	0.01%	0.01%	0.01%
Operating cost / Avg. AUM	0.28%	0.24%	0.22%	0.20%	0.18%
PBT / Avg. AUM	0.37%	0.31%	0.30%	0.29%	0.29%
PAT / Avg. AUM	0.30%	0.24%	0.23%	0.22%	0.22%
As a % of Balance sheet					
Core Revenues / Avg. Assets	24.8%	26.1%	26.6%	27.0%	27.8%
Other Revenues / Avg. Assets	11.8%	7.5%	6.6%	6.1%	6.0%
Total Revenues / Avg. Assets	36.7%	33.6%	33.2%	33.2%	33.8%
Employee cost / Avg. Assets	9.2%	8.3%	8.1%	7.8%	7.4%
Brokerage / Avg. Assets	0.5%	0.4%	0.4%	0.4%	0.4%
Operating cost / Avg. Assets	15.9%	14.6%	14.2%	13.7%	13.2%
PBT / Avg. Assets	20.7%	19.0%	19.0%	19.4%	20.6%
RoA (%)	16.9%	14.7%	14.7%	15.1%	16.0%
Avg Assets/Equity (x)	1.15	1.23	1.27	1.30	1.35
RoE (%)	19.4%	18.1%	18.6%	19.7%	21.5%

Source: Company, JM Financial

Growth ratios (YoY %)

	FY24A	FY25A	FY26E	FY27E	FY28E
Inv mgmt fees	4.5%	23.6%	9.9%	11.5%	15.6%
PMS fees + Other income	213.7%	-26.4%	-4.6%	7.0%	6.0%
Revenue	35.1%	6.7%	6.5%	10.5%	13.7%
Employee cost	6.0%	4.2%	30.0%	-14.8%	7.0%
Admin & other exp	11.6%	20.1%	-4.7%	5.0%	5.3%
Marketing & publicity exp	-2.4%	-89.2%	933.4%	6.0%	6.0%
Total operating exp	7.6%	6.6%	19.4%	-7.9%	6.3%
PBT	68.3%	6.6%	-2.7%	27.2%	18.7%
Tax	26.6%	29.4%	15.5%	22.5%	18.7%
PAT	82.2%	1.4%	-8.1%	28.9%	18.7%
Total Assets	27.9%	7.3%	7.2%	8.3%	9.1%
Equity AUM	19%	11%	14%	15%	18%
Debt AUM	46%	12%	28%	10%	11%
Liquid AUM	-1%	26%	5%	6%	6%
Other AUM	46%	22%	24%	22%	20%
Total AUM	28%	18%	18%	17%	17%

Source: Company, JM Financial

Valuation

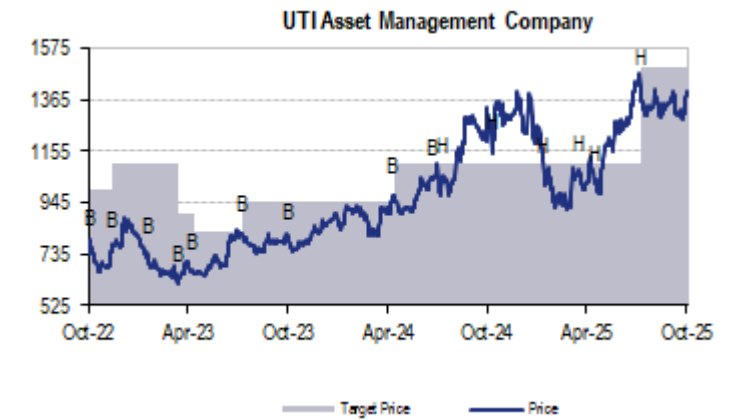
	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in issue (mn)	127.3	127.3	127.3	127.3	127.3
EPS (INR)	63.0	63.9	58.7	75.7	89.8
EPS (YoY)(%)	82%	1%	-8.11%	29%	19%
PER (x)	22.3	22.0	24.0	18.6	15.7
BV (INR)	344.8	360.7	375.3	394.1	416.4
BV (YoY)	13.2%	4.6%	4.0%	5.0%	5.7%
P/BV (x)	4.1	3.9	3.7	3.6	3.4
DPS (INR)	47.0	48.0	44.1	56.9	67.5
Div. yield (%)	3.3%	3.4%	3.1%	4.0%	4.8%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
29-Jan-22	Buy	1,350	
22-Mar-22	Buy	1,350	0.0
27-Apr-22	Buy	1,225	-9.3
27-Jul-22	Buy	1,000	-18.4
16-Aug-22	Buy	1,000	0.0
21-Oct-22	Buy	1,000	0.0
29-Nov-22	Buy	1,100	10.0
2-Feb-23	Buy	1,100	0.0
29-Mar-23	Buy	900	-18.2
27-Apr-23	Buy	830	-7.8
26-Jul-23	Buy	950	14.5
19-Oct-23	Buy	950	0.0
28-Apr-24	Buy	1,100	15.8
9-Jul-24	Buy	1,100	0.0
26-Jul-24	Hold	1,100	0.0
27-Oct-24	Hold	1,100	0.0
28-Jan-25	Hold	1,100	0.0
4-Apr-25	Hold	1,100	0.0
1-May-25	Hold	1,100	0.0
24-Jul-25	Hold	1,500	36.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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