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Initial Public Offer of UTI Asset Management Company Limited

Issue Opens on: September 29, 2020 | Issue Closes on: October 1, 2020

Price Band: Rs. 552 to Rs. 554 per share

Minimum Bid Lot of 27 shares; Bids in multiples of 27 shares thereafter

Initial Public Offering of up to 38,987,081* equity shares of face value of Rs. 10 each ("Equity Shares") of UTI Asset Management Company Limited (the "Company" or the "Issuer") for cash at a price of Rs.554* per equity share, including a premium of Rs. 544* per equity share, (the "Offer Price") aggregating up to Rs. 21,599* million ("Offer") through an offer for sale 10,459,949 equity shares aggregating up to ₹ 5,795 million by STATE BANK OF INDIA ("SBI"), up to 10,459,949 equity shares aggregating up to ₹ 5,795 million by LIFE INSURANCE CORPORATION OF INDIA ("LIC"), up to 10,459,949 equity shares aggregating up to ₹ 5,795 million by BANK OF BARODA ("BOB"), up to 3,803,617 equity shares aggregating up to ₹ 2,107 million by PUNJAB NATIONAL BANK ("PNB") and up to 3,803,617 equity shares aggregating up to ₹ 2,107 million by T. ROWE PRICE INTERNATIONAL LTD ("TRP" and together with SBI, LIC, BOB and PNB, the "selling shareholders"). This offer includes a reservation of up to 200,000 equity shares (constituting up to 0.16% of the post-offer paid-up equity share capital of our company) for purchase by eligible employees (the "employee reservation portion"). The offer less the employee reservation portion is hereinafter referred to as the "net offer". The offer and the net offer would constitute at least 30.75% and 30.59% of our post-offer paid-up equity share capital, respectively.

*Assuming aggregate shares, amounts and/or percentage calculated at higher Price Band of Rs.554.

Overview of the Company

Business Overview

- UTI 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 the Company 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.
- Company caters to a diverse group of individual and institutional investors through a wide variety of funds and services. Company manages the domestic mutual funds of UTI Mutual Fund, provide portfolio management services ("PMS") to institutional clients and high net worth individuals ("HNIs"), and manage retirement funds, offshore funds and alternative investment funds.
- As of June 30, 2020, Company's total QAAUM for domestic mutual funds ("Domestic Mutual Fund QAAUM") was ₹1,336.3 billion, while the Other AUM was ₹8,493.9 billion. With 10.9 million Live Folios as of March 31, 2020, Company's client base accounts for 12.2% of the approximately 89.7 million folios that, according to CRISIL, are managed by the Indian mutual fund industry. Company's history and track record in the mutual fund industry, strong brand recognition, distribution reach,

performance and client relationships provide a platform for future growth.

- Company has a national footprint and offers their schemes through a diverse range of distribution channels. As of June 30, 2020, Company's 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's IFAs channel includes approximately 53,000 Independent Financial Advisors ("IFAs") as of June 30, 2020
- Company's banks and distributors ("BND") channel involves distribution arrangements with domestic and foreign banks, as well as with national and regional distributors. In addition, Company has a dedicated sales teams for institutional and public sector undertaking ("PSU") clients and also offer products directly through their UFCs, digital applications and website. The distribution channels are supported by 459 relationship managers ("RMs") (as of June 30, 2020), who interact with clients and distributors and help generate new business and maintain their existing relationships. Company also has offices in London, Dubai, Guernsey and Singapore, through which they market through their offshore and domestic mutual funds to offshore investors who seek to invest in India.

Key Management Personnel

- 1) **Mr. Imtaiyazur Rahman** (*Whole Time Director & CEO*)
 - Holds a B.Sc. degree from Lalit Narayan Mithila University, Darbhanga, a Post Graduate Diploma in Computer Application from Institute of Modern Management, Calcutta and executive programs from ISB and Kellogg School of Management
 - Has over 30 years of experience in management, business leadership and forming strategic alliance
 - Has been associated with Company since 2003
- 2) **Mr. Amandeep Singh Chopra** (*Group President and Head of Fixed Income*):
 - Holds a B.Sc. degree from University of Delhi and an MBA degree from University of Delhi
 - With UTI since 1994 and subsequently transferred to Company with effect from January 15, 2003
- 3) **Mr. Vetri Subramaniam** (*Group President and Head of Equity of our Company*):
 - Holds a B. Com. degree from University of Madras and a Post Graduate Diploma in Management from IIM, Bangalore
 - With UTI since January 2017, previously associated with Invesco Asset Management Private Limited, Kotak Mahindra Asset Management Company Limited, Motilal Oswal Securities Limited, S S Kantilal Ishwarlal Services Private Limited and Kotak Mahindra Finance Limited
- 4) **Mr. Surojit Saha** (*Chief Financial Officer*)
 - Holds a B.Com. (Honours) degree from University of Calcutta, an M. Com. degree from University of Calcutta
 - With UTI since 1990 subsequently transferred to Company with effect from January 15, 2003

Strengths

Well-positioned to capitalise on favourable industry dynamics, including the under penetration of mutual fund products.

- Company has the highest proportion of their monthly average AUM as of June 30, 2020 attributable to B30 cities of the top ten asset management companies in India as of June 30, 2020 according to CRISIL
- CRISIL notes that there is a particularly low penetration of mutual fund products in B30 cities; as of March 31, 2020 the Indian mutual fund industry's AUM attributable to B30 cities was only 12.6% of total industry AUM
- Company's size and diverse client base, coupled with their strong product portfolio and, particularly in B30 cities, extensive distribution network and widely recognized brand, position them to capitalise on future growth in the Indian mutual fund industry

Pure-play independent asset manager with strong brand recognition and diverse portfolio of funds and services

- UTI brand was amongst the top five preferred industry brands in the Nielsen Mutual Fund Studies for December 2015 to January 2016 and September 2017
- Company's investment professionals can better serve clients with their expertise in investment products, and their in-house research analysts are able to provide independent and objective analyses to their investment professionals, in each case free from many of the conflicts of interest that can arise with other business lines
- Company offers a diverse portfolio of domestic funds, including equity, hybrid, income, liquid and money market funds, as well as portfolio management services, retirement solutions, and offshore and alternative investment funds

Multiple distribution channels with wide reach and broad and stable client base

- Company reaches its clients through a number of distribution channels, including IFAs, direct distribution, and banks and distributors with IFAs remaining a significant distribution channel by AUM accounting for 29.8% and direct distribution accounting for 58.7% of their Domestic Mutual Fund QAAUM as of June 30, 2020
- Company's wide-spread distribution network in India gives them access to investors located in 697 districts (out of 722 districts in total), including remote areas, and reinforces their strong presence in small and medium towns, cities and villages
- With 10.9 million Live Folios as of March 31, 2020, their client base accounts for 12.2% of the approximately 89.7 million folios that, according to CRISIL, were managed by the Indian mutual fund industry
- Individual domestic clients (including clients investing through systematic transactions) represented 43.8% and Institutional clients represent 54.5% of Domestic Mutual Fund Closing AUM and nearly 100% of the AUM of PMS business as of June 30, 2020

Long-term track record of product innovation, consistent and stable investment performance and AUM growth

- Many of the Company's open-ended funds were the first in their category in India or have been established for more than ten years (including five with over 25 years of track record), including India's first equity-oriented fund, according to CRISIL (the UTI Mastershare Unit Scheme), and first tax saving cum insurance fund (the UTI ULIP)
- Schemes representing 92.3% of the closing AUM invested as of June 30, 2020 in six core equity strategies have outperformed their respective benchmark indices (by an average of 1.3% per annum, weighted by AUM as of June 30, 2020)
- From March 31, 2018 to March 31, 2020, the QAAUM of domestic equity mutual funds increased at a CAGR of 17.6% (largely due to inflows into passive schemes)
- Company's Other AUM grew at a CAGR of 101.1% over the same period, primarily due to our appointment to manage ₹3,282.8 billion of additional assets for the EPFO and increased by a further ₹213.1 billion in the three-month period ended June 30, 2020
- Company's SIP AUM has grown at a CAGR of 3.3% from March 31, 2018 to March 31, 2020, and continued to increase by a further ₹21.2 billion in the three-month period ended June 30, 2020, despite the COVID-19 pandemic

Established position in retirement solutions through product innovation and large retirement fund mandates

- According to CRISIL Company manages the largest income tax-notified fund in the retirement fund category in India (the UTI Retirement Benefit Pension Fund), which as of June 30, 2020 had QAAUM of ₹26.0 billion
- Company is one of two fund managers appointed to manage the EPFO corpus, and have also been appointed as a fund manager for CMPFO, ESIC and NSDF. These appointments resulted in strong growth in PMS AUM, which totalled ₹1,158.5 billion, ₹1,332.7 billion and ₹6,890.6 billion as of March 31, 2018, 2019 and 2020, respectively, representing a CAGR of 143.9% over the relevant period; as of June 30, 2020
- According to CRISIL, as of June 30, 2020 Company had the highest market share by AUM of PMS services in India (at 44.7%), and the second-highest market share by AUM of NPS funds (at 29.2%), the track record of Company to develop retirement solutions enhances its brand value and provides additional cross-selling opportunities to grow its AUM, particularly in their domestic mutual funds business

Experienced management and investment teams supported by strong governance structures and human resources programs

- Company has a 42-member investment team, with a total of 519 years of experience, across domestic mutual fund, PMS, RSL and offshore businesses
- This includes 19 members in domestic equity mutual fund management team, 13 members in domestic fixed income mutual fund management team, 5 members in PMS investment team, 3 members in RSL investment team, and 2 members in offshore fund management team
- Organisation including Board of Directors and senior management team, operates within strong governance structures, including audit, risk management and nomination and remuneration board committees and internal audit, risk management and compliance policies and procedures

Enhanced profitability driven by size and product mix

- The fees charged for equity and hybrid funds are generally higher than that for income and liquid and money market funds, and Company's QAAUM for equity and hybrid funds (excluding passive funds) as a percentage of Domestic Mutual Fund QAAUM were 24.9% and 14.1%, respectively, of Domestic Mutual Fund QAAUM as of June 30, 2020
- Company's size and broad distribution network, particularly in B30 cities, provides them with economies of scale, particularly in distribution, marketing, and back-office activities
- Company's total expenses as a percentage of total income equalled 53.1%, 54.5% and 61.2% in the fiscal years ended March 31, 2018, 2019 and 2020, respectively. Total expenses as a percentage of total income equalled 54.5% and 56.2% for the three-month period ended June 30, 2020 and June 30, 2019, respectively

Strategies

- Drive superior investment performance across categories of funds
- Increase geographical reach and expand distribution channels
- Actively pursue additional partnership opportunities
- Continue to develop PMS, offshore and alternative funds businesses
- Leverage technology and digitisation to enhance organisational efficiency and cost optimisation, improve customer acquisition and experience, and ensure data security
- Continue to attract, retain and develop human capital

Major Shareholders

| Sl.No. | Shareholder | No: of equity shares | % of total paid up capital |
|--------|--------------------|----------------------|----------------------------|
| 1. | SBI | 23,125,000 | 18.24% |
| 2. | LIC | 23,125,000 | 18.24% |
| 3. | BOB | 23,125,000 | 18.24% |
| 4. | PNB | 23,125,000 | 18.24% |
| 5. | TRP | 32,964,686 | 26.00% |
| 6. | Others (Employees) | 1,318,587 | 1.04% |
| | Total | 126,787,254 | 100.00% |

Financial summary

| Particulars (in ₹ million, other than share data) | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Financial Year | | |
|---|----------------------------------|----------------------------------|----------------|-----------|-----------|
| | | | 2020 | 2019 | 2018 |
| Equity Share Capital | 1,267.87 | 1,267.87 | 1,267.87 | 1,267.87 | 1,267.87 |
| Net worth | 28,349.29 | 26,531.75 | 27,624.96 | 26,043.72 | 23,674.33 |
| Total Revenue from operations | 2,617.93 | 2,345.10 | 8,549.69 | 10,505.08 | 11,500.52 |
| Profit / (loss) for the period from continuing operations | 1,005.54 | 715.30 | 2,730.30 | 3,528.31 | 3,642.05 |
| Earnings per Equity Share (basic and diluted) | | | | | |
| - Basic (in ₹) | 7.93 | 5.64 | 21.53 | 27.83 | 28.73 |
| - Diluted (in ₹) | 7.93 | 5.64 | 21.53 | 27.83 | 28.73 |
| Net asset value per Equity Share (in ₹) | 223.60 | 209.26 | 217.88 | 205.41 | 186.72 |
| Total borrowings | - | - | - | - | - |

AUM Information

| (In ₹ billions, except percentages) | As of June 30, | | | | As of March 31, | | | | | |
|--------------------------------------|----------------|--------------|----------------|--------------|-----------------|--------------|----------------|--------------|----------------|--------------|
| | 2020 | | 2019 | | 2020 | | 2019 | | 2018 | |
| Category of Fund | QAAUM | % of Total | QAAUM | % of Total | QAAUM | % of Total | QAAUM | % of Total | QAAUM | % of Total |
| Active | 332.7 | 24.9% | 387.5 | 24.6% | 381.9 | 25.2% | 372.6 | 23.3% | 366.7 | 23.7% |
| Passive ⁽¹⁾ | 244.5 | 18.3% | 198.0 | 12.5% | 252.2 | 16.7% | 167.4 | 10.5% | 92.1 | 5.9% |
| Total Equity | 577.2 | 43.2% | 585.5 | 37.1% | 634.1 | 41.9% | 540 | 33.8% | 458.8 | 29.6% |
| Hybrid | 187.9 | 14.1% | 221.5 | 14.0% | 209.6 | 13.8% | 219.3 | 13.7% | 219.1 | 14.1% |
| Income | 193.3 | 14.5% | 318.3 | 20.2% | 213.5 | 14.1% | 391.9 | 24.5% | 487.5 | 31.5% |
| Liquid / Money Market ⁽²⁾ | 377.9 | 28.2% | 453.3 | 28.7% | 457.9 | 30.2% | 445.8 | 27.9% | 384.0 | 24.8% |
| Total | 1,336.3 | 100% | 1,578.7 | 100% | 1,515.1 | 100% | 1,596.9 | 100% | 1,549.4 | 100% |

⁽¹⁾ Includes the UTI Gold Exchange Traded Fund, which had QAAUM of ₹4.8 billion as of June 30, 2020.

⁽²⁾ Includes the UTI Overnight Fund and the UTI Floater Fund, which had QAAUM of ₹48.9 billion and ₹13.9 billion, respectively, as of June 30, 2020

| (₹ in billions, except percentages) | As of June 30, | | | | As of March 31, | | | | | |
|-------------------------------------|----------------|-------------|----------------|-------------|-----------------|-------------|----------------|-------------|----------------|-------------|
| | 2020 | | 2019 | | 2020 | | 2019 | | 2018 | |
| Category | AUM | % of Total | AUM | % of Total | AUM | % of Total | AUM | % of Total | AUM | % of Total |
| PMS ⁽¹⁾ | 6,970.5 | 82.1% | 4,849.8 | 80.4% | 6890.6 | 83.2% | 1,332.7 | 55.6% | 1,158.5 | 56.6% |
| Retirement Solutions | 1,355.9 | 15.9% | 1,020.9 | 16.9% | 1,222.0 | 14.7% | 937.1 | 39.1% | 694.8 | 33.9% |
| Offshore Funds | 156.9 | 1.8% | 147.2 | 2.4% | 157.7 | 1.9% | 118.7 | 5.0% | 187.9 | 9.2% |
| Alternative Investment Funds | 10.6 | 0.1% | 9.7 | 0.2% | 10.5 | 0.1% | 8.3 | 0.4% | 7.0 | 0.3% |
| Total | 8,493.9 | 100% | 6,027.6 | 100% | 8,280.8 | 100% | 2,396.9 | 100% | 2,048.2 | 100% |

⁽¹⁾ Includes assets under advisory services

Objects of the Offer

- The objects of the Offer are to
 - carry out the Offer for Sale of up to 38,987,081 Equity Shares by the Selling Shareholder;
 - achieve the benefits of listing the Equity Shares on the Stock Exchanges
- The Company will not receive any proceeds from the Offer
- Further, the Company expects that proposed listing of the Equity Shares will enhance its brand image and provide liquidity to its existing Shareholders and will also provide a public market for the Equity Shares in India

The Red Herring Prospectus can be accessed at <http://www.icicisecurities.com>