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Initiating coverage

Financial Services

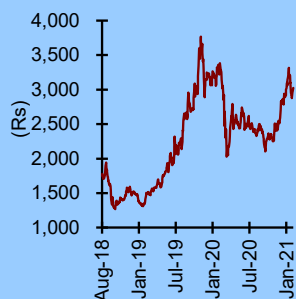
Target price Rs3,500

Shareholding pattern

	Jun '20	Sep '20	Dec '20
Promoters	74.0	73.9	73.9
Institutional investors	13.9	10.5	14.8
MFs and others	2.1	1.4	1.1
Banks/FIs	1.2	0.3	4.4
FII	10.6	8.8	9.3
Others	12.1	15.6	11.3

Source: CMIE

Price chart



INDIA

HDFC Asset Management Company

BUY

Strong franchise in a growth industry

Rs3,023

With 14.2%/13.7% total/equity market share as of 9MFY21, industry-leading profitability at 38bps of AAUM as at 9MFY21, strong brand and well-entrenched distribution, HDFC AMC is among the better plays on Indian AUM growth. We estimate HDFC AMC to generate ~10% EBITDA (ex-other income) CAGR between FY20-FY23E with RoE of 30% and FCF/dividend yield of 3.3/1.2%. Diversification in investment style and induction of new fund managers as well as MD are near term change agents which can positively impact fund performance/flows. We initiate coverage with a BUY rating and target price of Rs3,500 based on 45x core FY23E EPS of Rs71 and Rs302/share of cash and investments.

- ▶ **High AUM market share and strong brand remain two distinct strengths.** HDFC AMC has 14.2%/13.7% total/equity AUM market share in 9MFY21. This along with strong distribution (224 offices, >65,000 distributors, 9.1mn live folios and 5.4mn unique investors as on Dec'20) and digital capabilities (49.2% direct AUM mix, 20.6% direct equity AUM mix in Q3FY21) put HDFC AMC in a good position to benefit from the prospective growth of Indian AUM. Company enjoys strong brand franchise (part of HDFC group), which adds to the business strength.
- ▶ **Expect earnings CAGR of 12-16% for over the next 10 years assuming +/-300bps movement in equity market share.** Assuming that: 1) Indian nominal GDP grows at 9% CAGR over the next 10 years, 2) aggregate net inflow p.a. is 1% of aggregate GDP (vs 0.8% over 2010-20), and 3) average annual performance growth is 7.8% (vs 6% over 2010-20) - Indian AUM is likely to grow to Rs45trn by 2025 and Rs100trn by 2030. Within a possible +/-300bps change in equity market share, HDFC AMC's revenue/ operating profit / PAT CAGR is likely to be 10-14% / 15-19% / 12-16% over the next 10 years after adjusting for decline in yields from growth in AUM and periodic stepdown in allowable MF TER.
- ▶ **Low cost structure and high AUM book lead to industry-leading margins.** HDFC AMC has the lowest cost structure (average 22bps operating cost as a percentage of AAUM in FY18-FY20 split between 7bps employee cost and 15bps other costs) as well as high operating revenue (average 64bps of AAUM in FY18-FY20). These lead to an average of 34bps operating profit as a percentage of AAUM between FY18-FY20, which is higher than peers.
- ▶ **Initiate with BUY and a target price of Rs3,500 based on 45x core FY23E EPS of Rs71 and add Rs302/share of cash and investments.** Our earnings estimates are based on HDFC AMC maintaining its equity AUM market share at 14% in FY23 and increasing its market share in debt segment from 14% in FY21TD to 16% by FY23 and Indian AUM clocking 11% CAGR during FY20-FY23E.

Market Cap	Rs644bn/US\$8.8bn
Reuters/Bloomberg	HDFA.BO.HDFCAMC IN
Shares Outstanding (mn)	212.9
52-week Range (Rs)	3384/2026
Free Float (%)	26.1
FII (%)	9.3
Daily Volume (US\$'000)	13,820
Absolute Return 3m (%)	33.5
Absolute Return 12m (%)	(4.1)
Sensex Return 3m (%)	24.7
Sensex Return 12m (%)	25.6

Year to Mar	FY20	FY21E	FY22E	FY23E
Revenue (Rs mn)	3,618	3,907	4,503	5,244
EBITDA (Rs mn)	15,722	15,353	18,116	20,711
Net Income (Rs mn)	12,623	13,838	15,703	18,026
Core PAT	11,553	10,996	13,160	15,109
EPS (Rs)	59.4	65.1	73.9	84.8
P/E (x)	50.9	46.4	40.9	35.7
Core EPS (Rs)	54.3	51.7	61.9	71.1
Core PE (Rs)	55.6	58.4	48.8	42.5
Dividend Yield	0.9%	1.0%	1.0%	1.7%
RoE (%)	35.6	31.3	29.7	29.5

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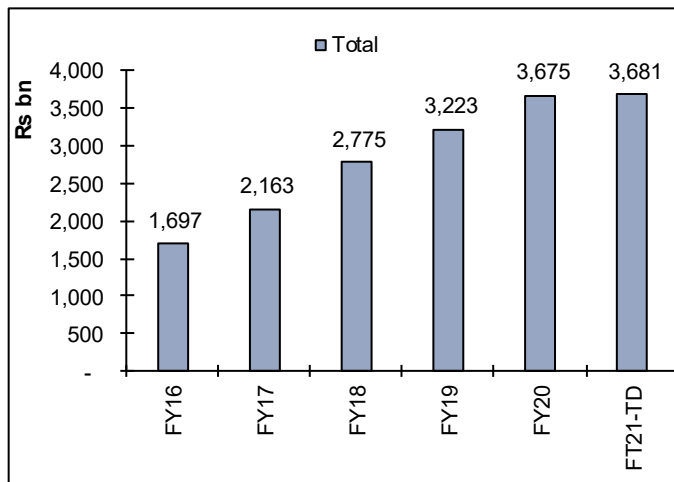

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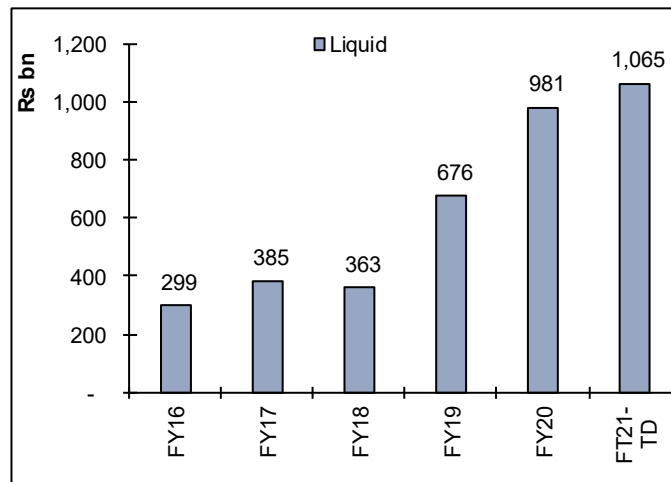
*Note: Sensex and Current Market Price are as on February 4, 2021.*

## HDFC AMC total / equity AAUM\* grew 16% / 14% CAGR in past 10 years

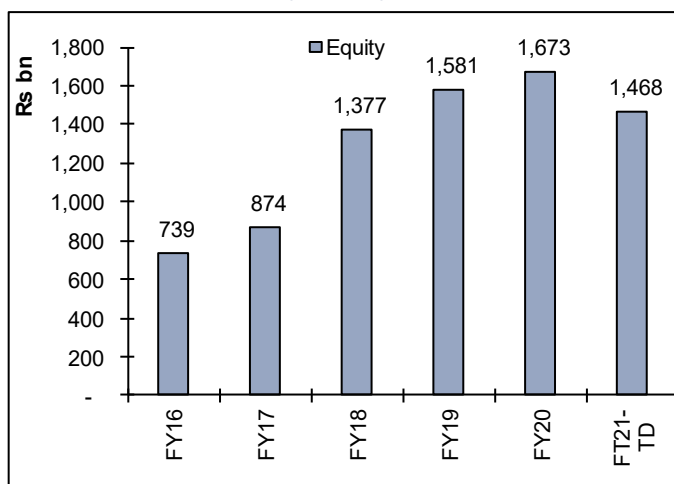
**Chart 1: Since FY16, overall AAUM CAGR has been 18%...**



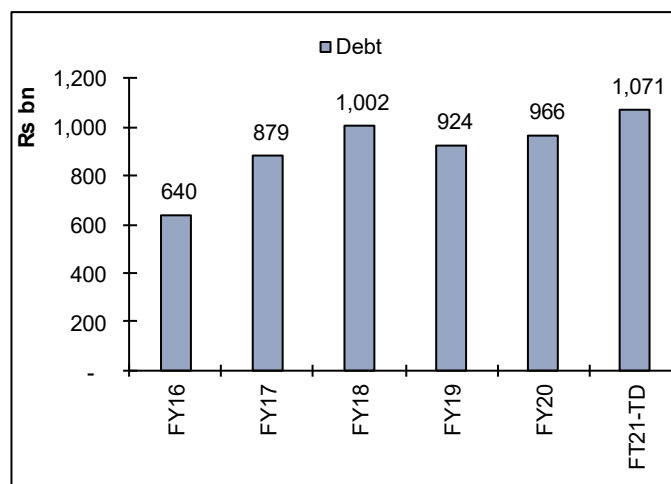
**Chart 2: ...driven by 31% CAGR of liquid AUM\*\***



**Chart 3: ...followed by equity AUM CAGR of 16%**



**Chart 4: ...and debt CAGR of 12%**



Source: ACE MF, I-Sec research

Note: FY21-TD data is as on Nov'20

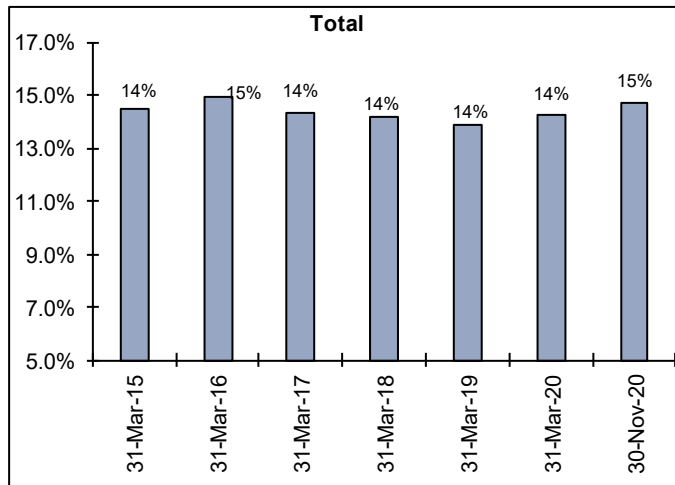
\*AAUM is based on average of monthly AUM

\*\*Liquid AUM includes money market AUM

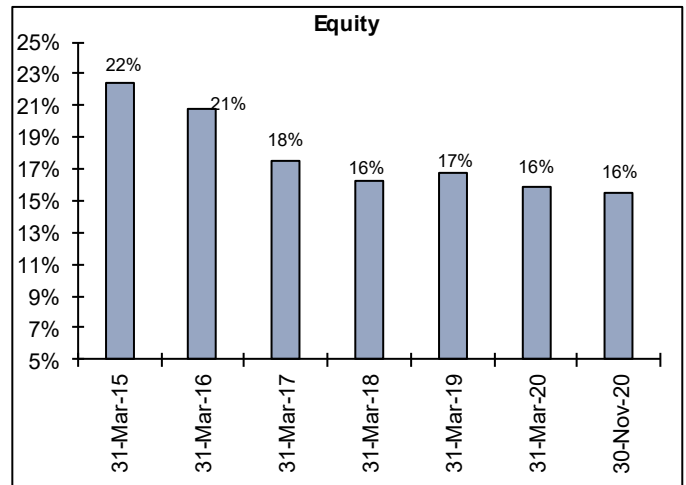
Source: ACE MF I-Sec research

HDFC AMC has been able to maintain total/equity AAUM market share\* of ~15%/16%

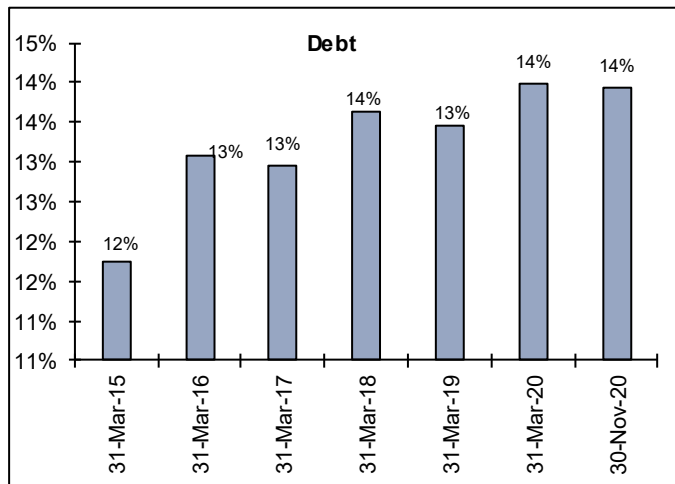
**Chart 5: Total market share been stable...**



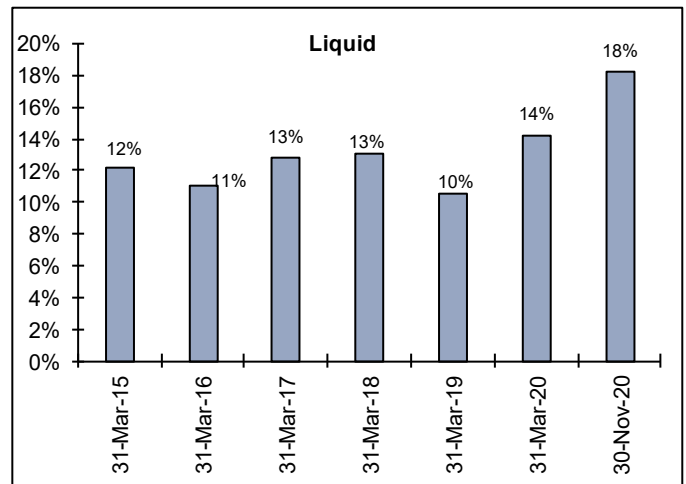
**Chart 6: ...while equity has seen erosion...**



**Chart 7: ...and debt market share has largely been stable at 14%**



**Chart 8: ...while liquid AUM has risen sharply post ILFS crisis**

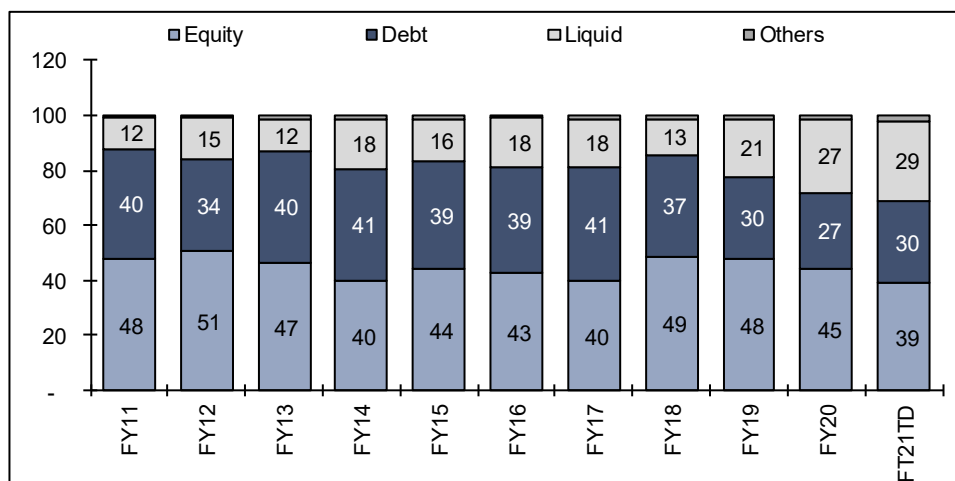


Source: ACE MF, I-Sec research

\*Market share in above exhibits is based on top 20 MFs AUM

Source: ACE MF, I-Sec research

## HDFC AMC AUM mix stands at 39% for equity and 30% for debt

**Chart 9: FY21-TD equity mix has declined 1000bps since FY18 while debt mix has declined 700bps**

Source: ACE MF, I-Sec research

\*Note: Annual mix is based on average monthly AUM

Liquid AUM includes money market AUM.

**Table 1: Current AUM and details of key schemes**

	Total AUM (Rs bn)
<b>Equity (23% of Nov'20 AUM)</b>	<b>905</b>
HDFC Equity Fund	205
HDFC Mid-Cap Opportunities Fund	242
HDFC Top 100 Fund	176
HDFC TaxSaver	73
Others	210
<b>Balanced (17% of Nov'20 AUM)</b>	<b>658</b>
HDFC Balanced Advantage Fund	381
HDFC Hybrid Equity Fund	172
Others	106
<b>Debt (35% of Nov'20 AUM)</b>	<b>1,401</b>
HDFC Banking and PSU Debt Fund	107
HDFC Corp Bond Fund	263
HDFC Floating Rate Debt Fund	149
HDFC Low Duration Fund	248
HDFC Short Term Debt Fund	169
HDFC Ultra Short Term Fund	164
Others	302
<b>Liquid (23% of Nov'20 AUM)</b>	<b>909</b>
HDFC Liquid Fund	652
HDFC Money Market Fund	121
HDFC Overnight Fund	135
<b>Others (2% of Nov'20 AUM)</b>	<b>93</b>
<b>Total</b>	<b>3,967</b>

Source: ACE MF, I-Sec research

## Key funds managed and fund managers

Company is trying to diversify its investment style as well as trying to bring in more fund managers

**Table 2: Equity AUM distribution**

<b>Total Equity and Balanced</b>		<b>1,599</b>		
<b>Chirag Setalvad</b>	<b>Nov-2020(Rsbn)</b>	<b>Fund Manager 1</b>	<b>Fund Manager 2</b>	<b>Fund Manager 3</b>
HDFC Mid-Cap Opportunities Fund(G)	242	Chirag Setalvad	Anand Laddha	-
HDFC Hybrid Equity Fund(G)	172	Chirag Setalvad	Anand Laddha	-
HDFC Small Cap Fund-Reg(G)	93	Chirag Setalvad	Anand Laddha	-
HDFC Children's Gift Fund	38	Chirag Setalvad	Anand Laddha	-
HDFC Long Term Adv Fund(G)	12	Chirag Setalvad	Shobhit Mehrotra	Anand Laddha
HDFC Retirement Savings Fund-Equity Plan-Reg(G)	11	Chirag Setalvad	Shobhit Mehrotra	Anand Laddha
HDFC Retirement Savings Fund-Hybrid-Equity Plan-Reg(G)	5	Chirag Setalvad	Shobhit Mehrotra	Anand Laddha
HDFC Retirement Savings Fund-Hybrid-Debt Plan-Reg(G)	1	Chirag Setalvad	Anand Laddha	-
<b>Total</b>	<b>575</b>			
<b>% of total AUM</b>	<b>36%</b>			
<b>Prashant Jain</b>	<b>Nov-2020(Rsbn)</b>	<b>Fund Manager 1</b>	<b>Fund Manager 2</b>	<b>Fund Manager 3</b>
HDFC Balanced Advantage Fund(G)	381	Prashant Jain	Anand Laddha	-
HDFC Equity Fund(G)	205	Prashant Jain	Anand Laddha	-
HDFC Hybrid Debt Fund(G)	24	Prashant Jain	Shobhit Mehrotra	Anand Laddha
HDFC Top 100 Fund(G)	176	Prashant Jain	Anand Laddha	-
<b>Total</b>	<b>786</b>			
<b>% of total AUM</b>	<b>49%</b>			

Source: ACE MF, I-Sec research

**Table 3: Debt AUM distribution**

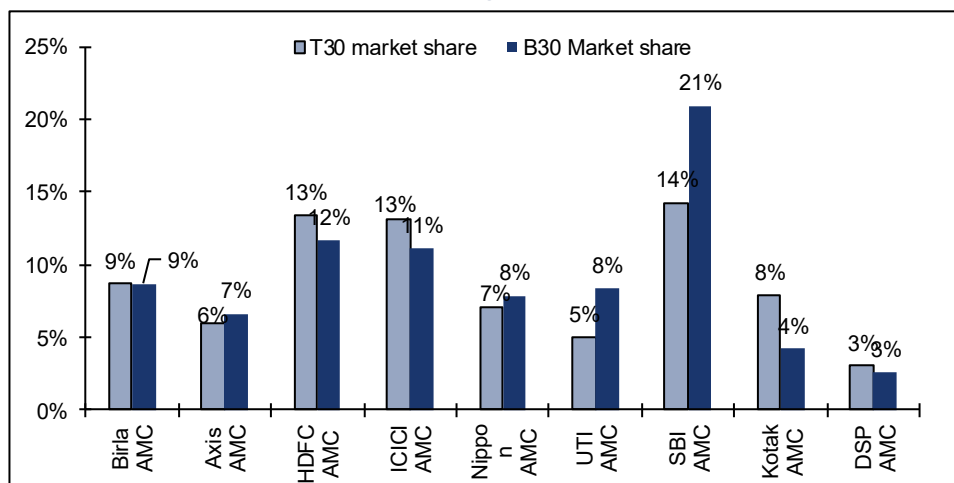
<b>Anil Bamboli</b>	<b>Nov-2020(Cr.)</b>	<b>Fund Manager 1</b>	<b>Fund Manager 2</b>	<b>Fund Manager 3</b>
HDFC Banking and PSU Debt Fund-Reg(G)	107	Anil Bamboli	Anand Laddha	-
HDFC Dynamic Debt Fund(G)	5	Anil Bamboli	Anand Laddha	-
FMP (various)	39	Anil Bamboli	Anand Laddha	-
HDFC Gilt Fund(G)	24	Anil Bamboli	Anand Laddha	-
HDFC Overnight Fund(G)	135	Anil Bamboli	Anand Laddha	-
HDFC Short Term Debt Fund(G)	169	Anil Bamboli	Anand Laddha	-
HDFC Ultra Short Term Fund-Reg(G)	164	Anil Bamboli	Anand Laddha	-
<b>Total</b>	<b>643</b>			
<b>% of total AUM</b>	<b>43%</b>			
<b>Anupam Joshi</b>	<b>Nov-2020(Cr.)</b>	<b>Fund Manager 1</b>	<b>Fund Manager 2</b>	<b>Fund Manager 3</b>
HDFC Corp Bond Fund(G)	263	Anupam Joshi	Anand Laddha	-
HDFC Low Duration Fund(G)	248	Anupam Joshi	Anand Laddha	-
FMP (Various)	74	Anupam Joshi	Anand Laddha	-
<b>Total</b>	<b>584</b>			
<b>% of total AUM</b>	<b>39%</b>			
<b>Shobhit Mehrotra</b>	<b>Nov-2020(Cr.)</b>	<b>Fund Manager 1</b>	<b>Fund Manager 2</b>	<b>Fund Manager 3</b>
HDFC Credit Risk Debt Fund-(G)	65	Shobhit Mehrotra	Anand Laddha	-
HDFC Floating Rate Debt Fund(G)	149	Shobhit Mehrotra	Vikas Agrawal	-
HDFC Income Fund(G)	7	Shobhit Mehrotra	Anand Laddha	-
HDFC Medium Term Debt Fund(G)	21	Shobhit Mehrotra	Anand Laddha	-
FMP	32			
<b>Total</b>	<b>274</b>			
<b>% of total AUM</b>	<b>18%</b>			

Source: ACE MF, I-Sec research

## HDFC AMC T-30/B-30 market share stands at 13%/12%

Based on Nov'20 AUM, HDFC AMC had 12% market share in B30 cities. It increased its footprint by increasing branch count from 136 in Mar'13 to 224 in 9MFY21, of which 146 were located in B30 cities. HDFC AMC sourced 16% of its total MAAUM from B30 cities as in 9MFY21.

**Chart 10: HDFC AMC has second highest B-30 AUM market share**



Source: AMFI, I-Sec research  
Note: AUM is based on Nov'20 data

## HDFC AMC has high individual AUM market share of 14%

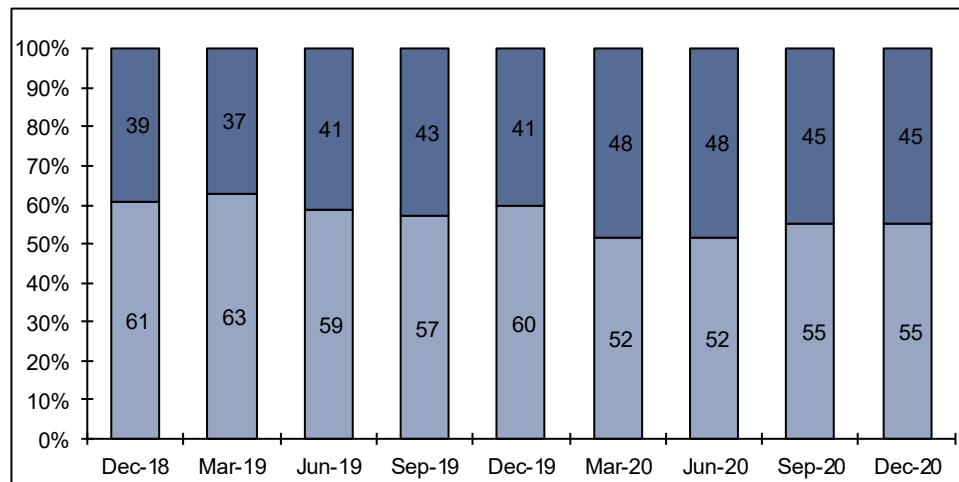
High share of individual investors tends to be revenue-lucrative as they tend to hold higher equity assets for longer tenures. HDFC AMC's individual AUM market share stood at 14% in 9MFY21. As B30 penetration increases, there will be increase in the individual investor base which will help growth of equity AUM for the firm.

**Table 4: Individual AUM market share of top AMCs**

Individual assets market share	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
HDFC AMC	15.1	15.4	15.4	15.7	15.6	15.5	15	14.6	14.1	13.8
IPRU AMC	14	13.9	13.7	13.6	13.6	13.6	13.4	13.5	13.1	12.9
SBI AMC	9.1	9.4	9.7	9.9	10.4	10.7	11.7	12	12.2	12.2
ABSL AMC	9.8	9.5	9.3	8.9	8.7	8.5	8.3	7.8	7.7	7.6
Nippon AMC	9.4	9.3	9.2	8.6	7.8	7.6	7	6.9	6.8	7.1

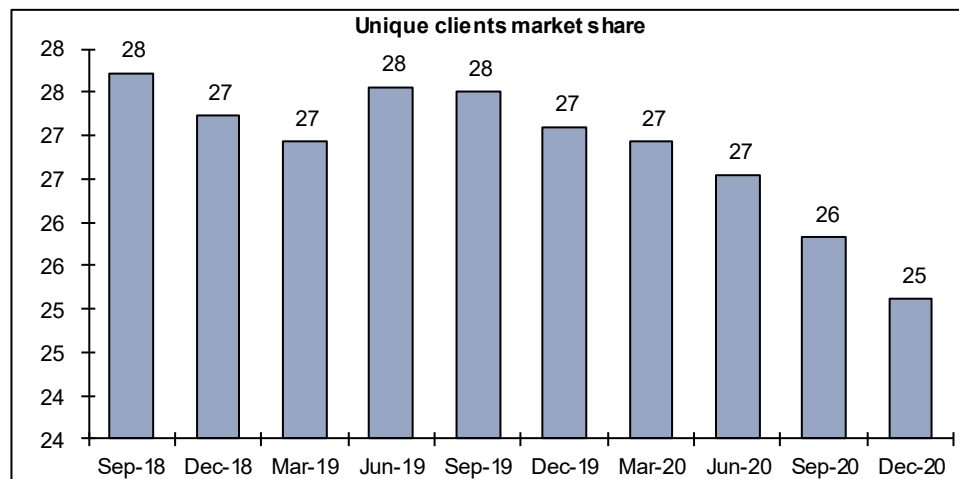
Source: Company presentation I-Sec research

**Chart 11: HDFC AMC individual/corporate AUM mix stands at 55/45% as at Q3FY21**



Source: Company, I-Sec research

**Chart 12: Unique clients market share has remained at >25% in past two years**



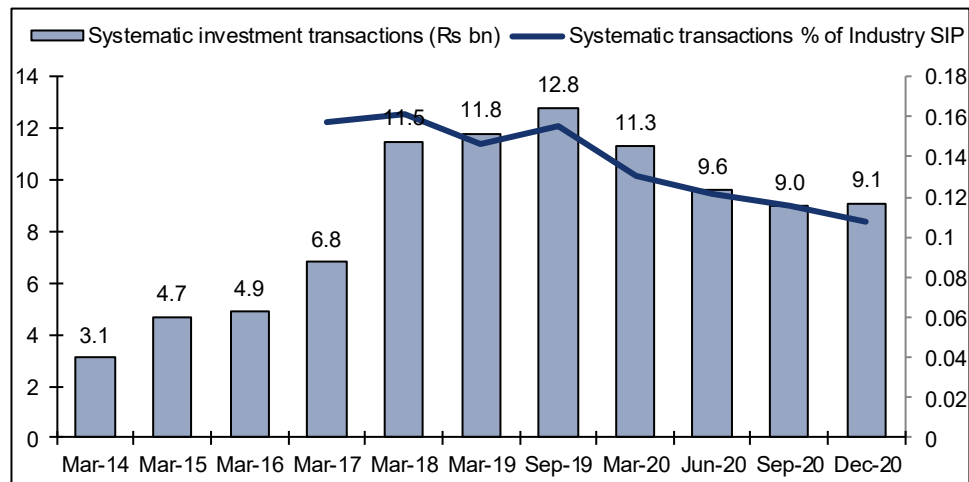
Source: Company, I-Sec research

### Systematic transactions have grown in line with industry

HDFC AMC has maintained >11bn monthly systematic transactions between FY18-FY20. Decline in flows since Mar'20 is in line with the industry trend. About 83% of its SIP book has long tenures of over five years and 72% have tenures greater than 10 years as on Dec'20.

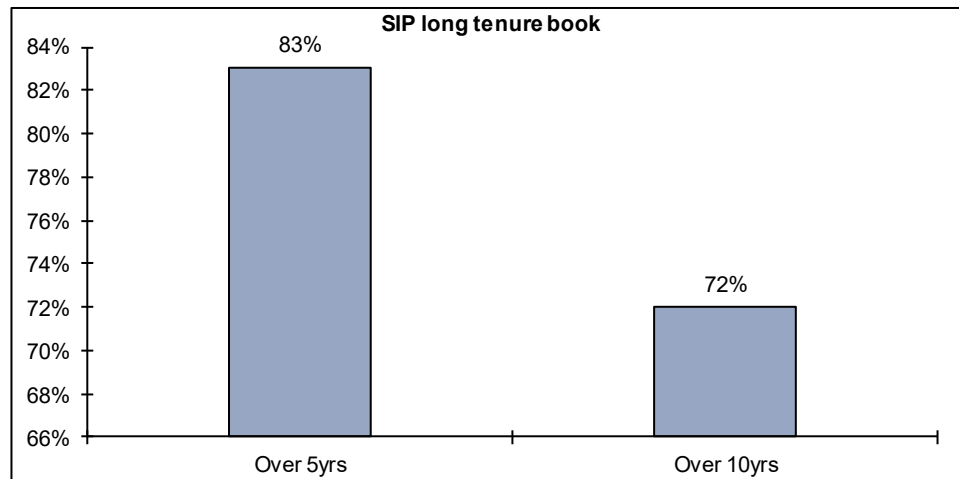


**Chart 13: HDFC AMC's systematic transactions % of industry SIP has declined in CY20**



Source: Company, I-Sec research

**Chart 14: SIP long-tenure book**



Source: Company, I-Sec research

## Q3FY21 highlights: Increase in debt market share, dip in equity market but improving performance in Nov'20/Dec'20

HDFC AMC's total QAAUM came in at Rs3.9bn (up 2% YoY and 4% QoQ). Equity AUM came in at Rs1.5tn (down 10% YoY and up 5% QoQ); Debt AUM came in at Rs1.45tn (up 34% YoY and 20% QoQ) and Liquid AUM came in at Rs821mn (down 17% both on YoY and QoQ)

- Market share in Q3FY21:
  - Overall AAUM market share (ex ETF) dipped 40bps QoQ to 14.2%
  - Equity AAUM market share dipped 50bps QoQ to 13.6%
  - Debt AAUM market share **grew** 40bps QoQ to 13.8%
  - Liquid AAUM market share dipped 150bps QoQ to 17.2%
  - In terms of individual assets market share, HDFC AMC's market share dipped to 13.8% in Q3FY21 vs 14.1% in Q2FY21 and 15.5% in Q3FY20
  - In terms of unique investors market share dipped 100bps QoQ and 200bps YoY to 25%
- Total revenue declined 8% YoY as equity mix in overall AUM declined to 39% in Q3FY21 vs 44% in Q3FY20
- Employee cost remained flat on YoY basis and rose 6% QoQ to Rs569mn
- Others expenses declined 19% YoY and rose 5% QoQ
- Other income remained flat QoQ at Rs1.1bn.
- As % of AUM, Revenue / Expenses / Operating margins came in 49bps / 11bps / 38bps. Operating margins for Q1 / Q2 / Q3 came in at 34 / 37 / 38bps respectively.
- On 9MFY21 basis, operating revenue declined 12% YoY to Rs13.5mn, other income grew 84% resulting in total revenue to decline 2% YoY. Employee expenses reduced 5% YoY and other expenses reduced 15% YoY. Higher other income and lower other expenses helped PAT to remain flat at Rs10bn
- In terms of channel of distribution based on overall AUM, direct mix improved to 49.2% in Q3FY21 vs 41.7% in Q3FY20 and 47.4% in Q2FY21.

**Table 5: Q3FY21 result review**

(Rs mn)	Q3FY21	Q3FY20	% YoY growth	Q2FY21	% QoQ growth
Average AUM	3895	3825	2%	3755	4%
Total Revenue from Operation	4,819	5,247	-8%	4,563	6%
Other Income	1,131	673	68%	1,137	-1%
<b>Total Revenue</b>	<b>5,949</b>	<b>5,920</b>	<b>0%</b>	<b>5,700</b>	<b>4%</b>
Employee Expense	569	571	0%	535	6%
Fees and Commission Expenses	14	71	-80%	13	7%
Other Expense	378	470	-19%	360	5%
<b>Total Operating expense</b>	<b>961</b>	<b>1,111</b>	<b>-14%</b>	<b>907</b>	<b>6%</b>
<b>EBITDA</b>	<b>4,988</b>	<b>4,809</b>	<b>4%</b>	<b>4,792</b>	<b>4%</b>
Depreciation and Amortisation	140	126	11%	141	0%
Finance Cost	22	22	0%	22	0%
<b>PBT</b>	<b>4,826</b>	<b>4,660</b>	<b>4%</b>	<b>4,630</b>	<b>4%</b>
<b>PAT</b>	<b>3,693</b>	<b>3,526</b>	<b>5%</b>	<b>3,381</b>	<b>9%</b>
EPS (Rs)	17.4	16.6	5%	15.9	9%

Source: Company, I-Sec research

**Table 6: As a % of Avg AUM (bps annualised)**

(Rs mn)	Q3FY21	Q3FY20	% YoY growth	Q2FY21	% QoQ growth
Total Revenue	49.5	54.9	-5.4	48.6	0.9
Employee Expense	5.8	6.0	-0.1	5.7	0.1
Fees and Commission Expenses	0.1	0.7	-0.6	0.1	0.0
Other Expense	3.9	4.9	-1.0	3.8	0.1
Depreciation	1.4	1.3		1.5	
Operating margins	38.2	41.9	-3.8	37.4	0.7
PAT	37.9	36.9	1.1	36.0	1.9

Source: Company, I-Sec research

**Table 7: QAUM Breakup**

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Equity	45.4%	43.6%	43.6%	42.6%	36.3%	38.2%	38.6%
Debt	28.5%	28.3%	28.3%	30.7%	27.8%	32.3%	37.3%
Liquid	24.5%	25.9%	25.9%	24.1%	33.2%	26.5%	21.1%
Others	1.6%	2.2%	2.2%	2.6%	2.6%	3.0%	3.0%

Source: Company, I-Sec research

Note: Above table has been taken from company presentation which includes money market AUM into Debt segment.

## Concall takeways

- Behavior of retail to take on risky bet is not yet unlocked. For the increase in the retail turnover seen in stock exchange transaction, management indicated that the number of individuals investing in the MFs are higher than those taking direct exposure of equity hence there is no risk of individual investor moving out of MF products to take direct exposure in equities.
- Performance of scheme level has improved in the month of December and not lagging the peers. Management remained optimistic for this trend to continue
- Industry SIP number in December was better than November due to holidays in the last part of the month as a result the cash flow got moved to December.
- On the opex front, management highlighted the cost tightening will continue.
- Management highlighted that in line with industry they have seen outflows in equity schemes.
- Other income was better due to 1) higher book size of investments 2) strong M2M gains due to fall in yields and 3) one off profit due to valuation of debentures
- On New fund offering, Management highlighted that they raised Rs1.5bn in Q3FY21 will have new fund offering in Q4FY21. They have already filed two proposals, whose approval are awaited.
- On increase in Direct Mix channel of distribution, management highlighted that increase in Debt AUM mix results in higher direct mix as HNIs, Corporates tend to invests directly.
- Income from equity AUM comprises of 70% of asset management business and balance comes from non-equity mix
- Debt TER saw reduction in Q1FY21 due to redemptions seen in high yield credit risk fund. In Q2FY21 and Q3FY21 there has been improvement in overall TER

## Long-term earning CAGR can be 14-17% on the basis of +/- 300bps equity AUM market share

We expect overall industry MF AUM to grow at a healthy 11% CAGR between FY21E-FY30E. We expect equity AUM to grow at a higher pace compared to overall industry AUM as demand for equity assets will increase as retail participation increases.

We analysed the operating profit and PAT sensitivity for HDFC AMC assuming that it maintains the equity AUM market share currently in the base case, while +/- 300bps change in market share remains bull / bear case scenario respectively. We have also factored decline in yields to factor increase in AUM as well periodic decrease in Total Expense Ratio (TER).

**Table 8: Yield projections in all scenarios**

bps	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Equity	99	98	95	93	92	90	88	86	84	82	80	78
Debt	29	32	28	28	26	24	22	20	18	16	14	12
Liquid	10	11	8	8	8	8	8	8	8	8	8	8
ETF	7	8	6	8	7	7	6	5	4	4	4	4

Source: I-Sec research

### Base case: Maintain equity AUM market share at 13.4%

FY21-TD equity market share for HDFC AMC stood at 13.7% and we expect it to remain at similar levels till FY30E. We expect HDFC AUM to grow at 15% CAGR to Rs14trn in FY30E. This will result in revenue / operating profit / PAT growth of 12% / 17% / 14% respectively.

**Table 9: Base case scenario**

(Rs bn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Overall Industry AUM	26,886	29,191	33,630	38,919	45,407	53,369	62,320	73,542	85,901	1,00,442
HDFC AMC AUM	3,813	4,400	5,131	6,075	7,085	8,275	9,488	10,943	12,592	14,365
Market share	14.2%	15.1%	15.3%	15.6%	15.6%	15.5%	15.2%	14.9%	14.7%	14.3%
Industry Equity AUM	11,007	12,217	14,439	17,254	20,872	25,570	30,659	37,357	44,457	52,892
HDFC AMC Equity AUM	1,506	1,752	2,014	2,478	2,973	3,568	4,210	5,052	6,012	7,094
Market share	13.7%	14.3%	14.0%	14.4%	14.2%	14.0%	13.7%	13.5%	13.5%	13.4%
Revenue	19,306	22,271	25,060	29,222	33,410	38,246	43,114	49,296	56,049	63,265
Operating profit	15,253	17,416	20,311	23,904	27,479	31,810	36,189	42,117	57,150	64,827

Source: I-Sec research

### Bear case: Decline in equity AUM market by 300bps

Assuming HDFC AMC reports an erosion of 300bps over the next 10 years in terms of market share in the equity segment, we expect overall AUM to clock 13.8% CAGR leading to revenue / operating profit / PAT CAGR of 10% / 15% / 12% respectively.

**Table 10: Bear case scenario**

(Rs bn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Overall Industry AUM	26,886	29,191	33,630	38,919	45,407	53,369	62,320	73,542	85,901	1,00,442
HDFC AMC AUM	3,813	4,400	5,131	5,914	6,892	7,904	8,954	10,119	11,441	12,862
Market share	14.2%	15.1%	15.3%	15.2%	15.2%	14.8%	14.4%	13.8%	13.3%	12.8%
Industry Equity AUM	11,007	12,217	14,439	17,254	20,872	25,570	30,659	37,357	44,457	52,892
HDFC AMC Equity AUM	1,506	1,752	2,014	2,317	2,780	3,197	3,676	4,228	4,862	5,591
Market share	13.7%	14.3%	14.0%	13.4%	13.3%	12.5%	12.0%	11.3%	10.9%	10.6%
Revenue	19,306	22,271	25,060	27,780	31,718	35,073	38,657	42,577	46,906	51,617
Operating profit	15,253	17,416	20,311	22,469	25,792	28,645	31,743	35,411	48,024	53,202

Source: I-Sec research

### Bull case: Increase of 300bps in equity AUM market share

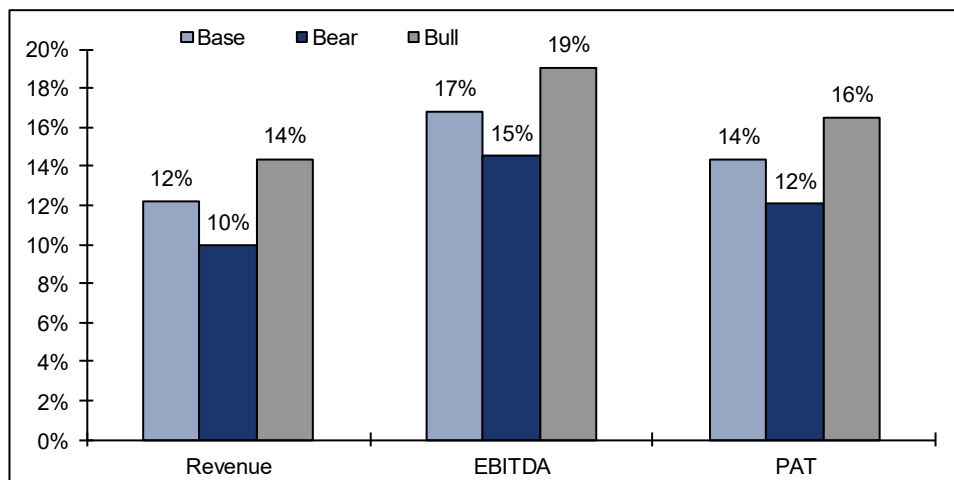
Assuming HDFC AMC reports an expansion of 300bps over 10 years in terms of market share in the equity segment, we expect overall AUM to clock 19% CAGR leading to revenue / operating profit / PAT CAGR of 14% / 19% / 16% respectively.

**Table 11: Bull case scenario**

(Rs bn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Overall Industry AUM	26,886	29,191	33,630	38,919	45,407	53,369	62,320	73,542	85,901	1,00,442
HDFC AMC AUM	3,813	4,400	5,131	6,216	7,517	8,963	10,597	12,274	14,175	16,093
Market share	14.2%	15.1%	15.3%	16.0%	16.6%	16.8%	17.0%	16.7%	16.5%	16.0%
Industry Equity AUM	11,007	12,217	14,439	17,254	20,872	25,570	30,659	37,357	44,457	52,892
HDFC AMC Equity AUM	1,506	1,752	2,014	2,619	3,404	4,256	5,319	6,383	7,596	8,822
Market share	13.7%	14.3%	14.0%	15.2%	16.3%	16.6%	17.4%	17.1%	17.1%	16.7%
Revenue	19,306	22,271	25,060	30,484	37,182	44,124	52,375	60,144	68,641	76,657
Operating profit	15,253	17,416	20,311	25,161	31,238	37,675	45,428	52,945	69,719	78,194

Source: I-Sec research

**Chart 15: Revenue and profitability growth sensitivity to movement in equity AUM market share (+/- 300bps)**



Source: I-Sec research

## Flows and performance analysis

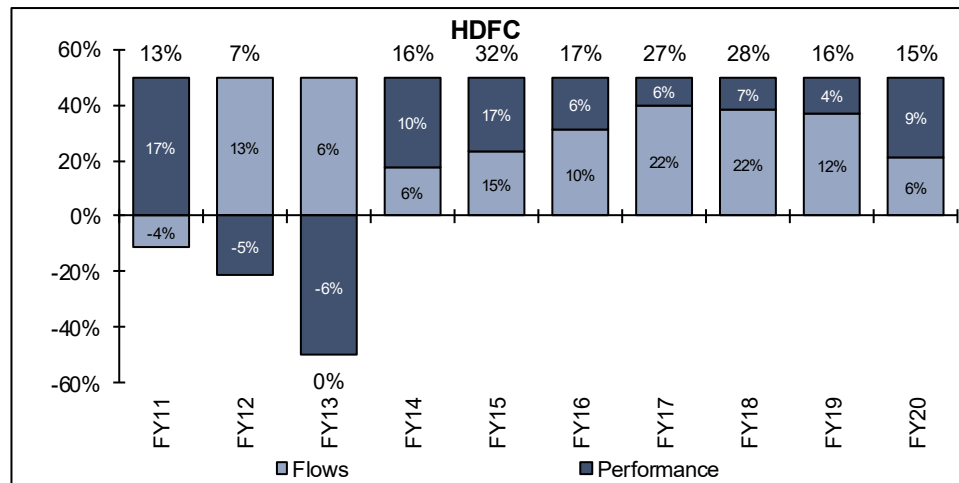
AUM growth supported more through flows; underlines franchise strength

HDFC AMC AUM has compounded by 14% (based on closing AUM) in past 10 years.

Flows have been a dominant driver of AUM growth except in FY14 and FY15 when performance played a major role.

Flows as a percentage of opening AUM has remained positive in past nine years (FY20 data is up to Dec'19).

**Chart 16: HDFC AMC AUM growth split between flows and performance**



Source: SEBI handbook statistics, I-Sec research

## Distribution: Direct mix on the rise

Direct channels have gained good traction in the recent past while banca channels have trended lower

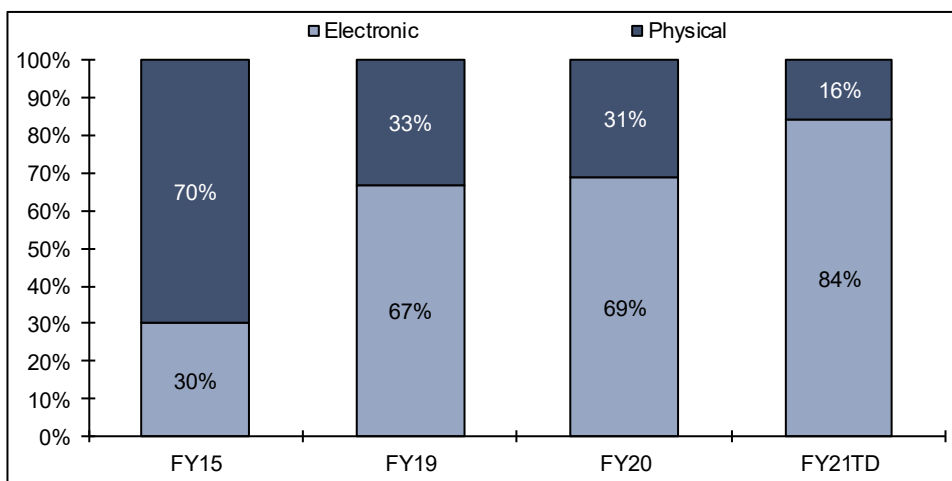
**Table 12: Distribution based on overall AUM**

Distribution	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Direct	33.8	32.2	34.1	35.8	34.5	39.7	38.3	39.2	42.5	41.7	47.8	49.0	47.4	49.2
National Distributors	21.6	22.5	21.0	20.9	20.8	18.0	20.0	20.0	17.3	19.8	18.1	17.8	17.8	16.8
IFAs	27.8	28.4	27.6	27.5	29.0	28.5	27.5	27.5	27.3	26.3	23.4	23.4	24.8	24.4
HDFC Bank	9.2	9.3	10.3	9.1	9.1	7.8	8.6	7.7	7.2	6.4	5.6	5.2	5.4	5.3
Other Banks	7.7	7.7	7.0	6.6	6.7	6.1	5.6	5.6	5.8	5.8	5.1	4.7	4.6	4.3

Source: Company, I-Sec research

## Well-entrenched digital capabilities

**Chart 17: HDFC AMC has seen significant increase in digital processing of transactions**



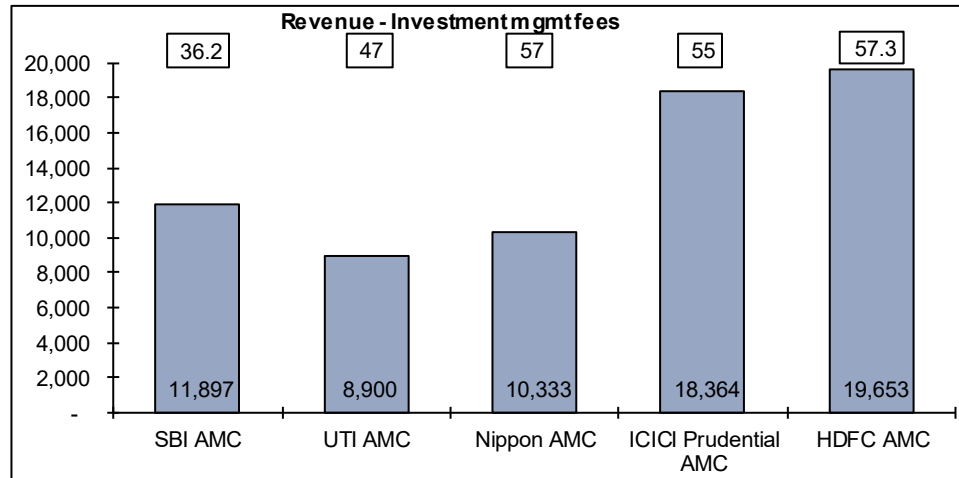
Source: Company, I-Sec research

- Dedicated separate digital platforms to distribution partners and customers
- FY15-FY20 CAGR of 36% in electronic transactions, and CAGR of 15% in total transactions
- 18% of all transactions during FY21-TD were through HDFC MF Online and mobile application
- 50k+ logins per day on MF online and 50+ new user registrations every hour

## Comparison with peers

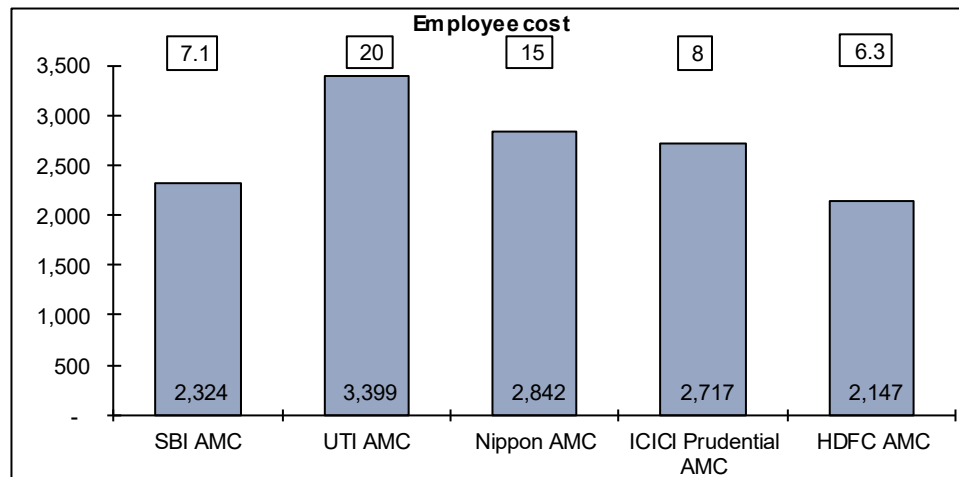
Below data is based on FY20 financials

**Chart 18: HDFC AMC earns highest revenue compared to peers...**



Source: Company annual reports, I-Sec research

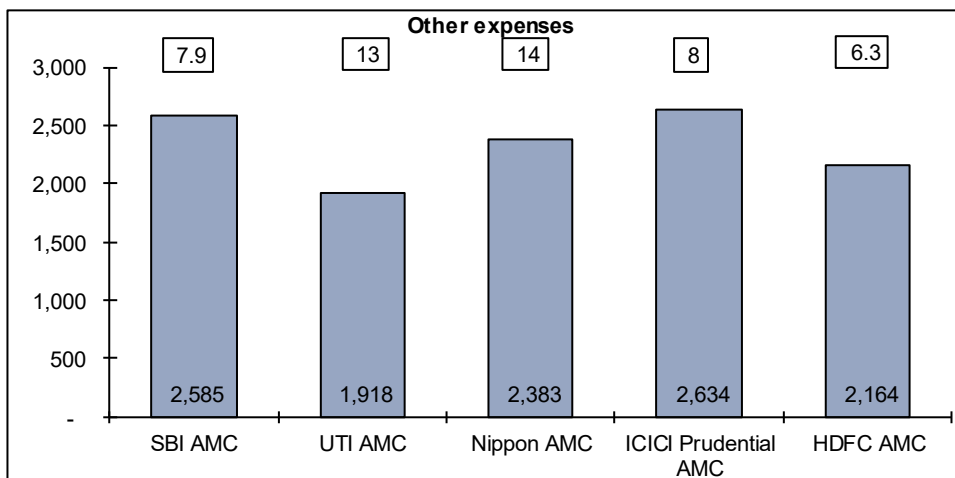
**Chart 19: ...and has lower employee cost both in absolute and % of AUM basis**



Source: Company annual reports, I-Sec research

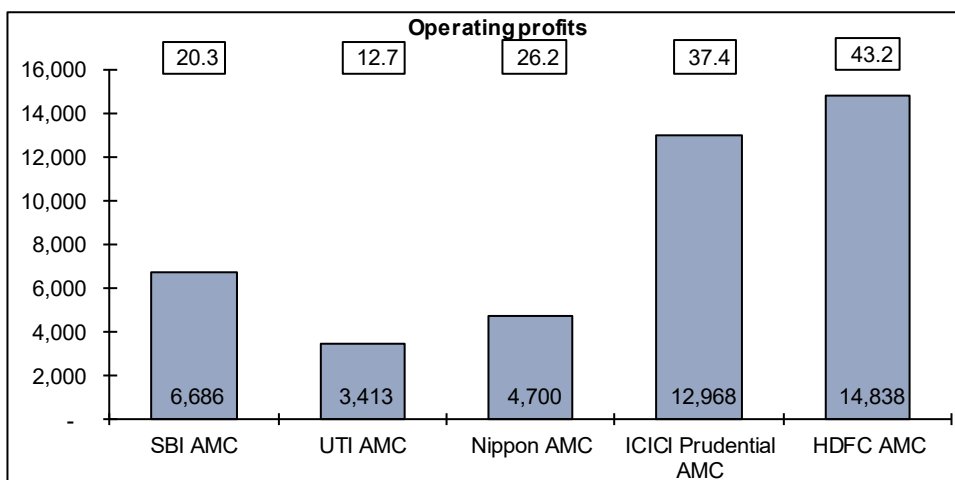


**Chart 20: Other expenses as % of AUM is lowest for HDFC AMC**



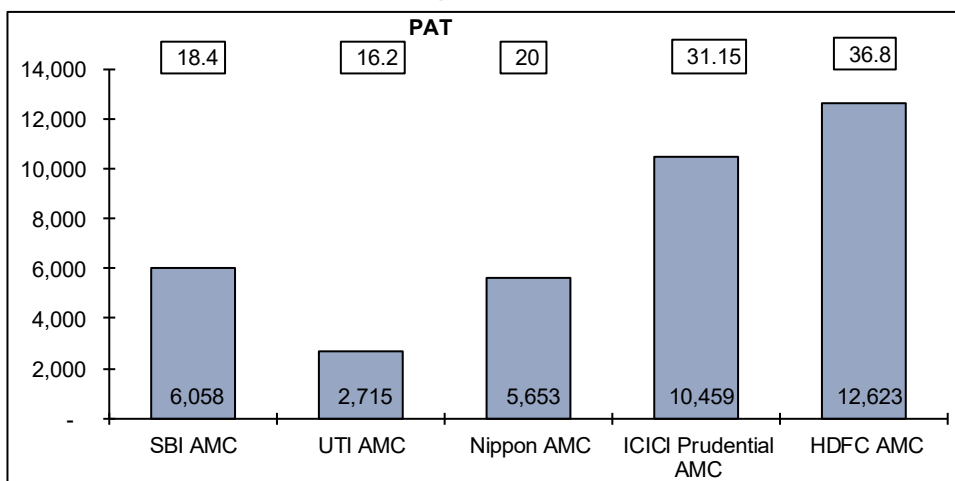
Source: Company annual reports, I-Sec research

**Chart 21: Lower employee / other costs lead to higher operating margin for HDFC AMC**



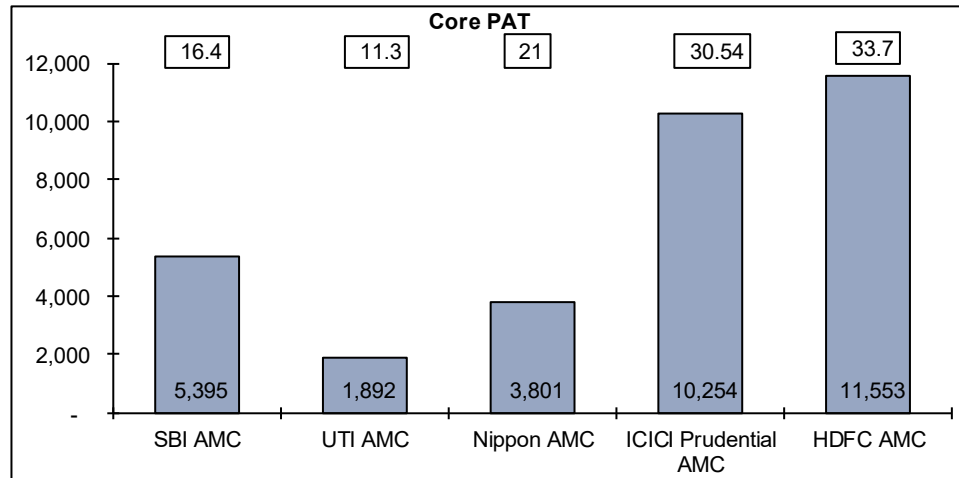
Source: Company annual reports, I-Sec research

**Chart 22: PAT as % of AUM is highest for HDFC AMC...**



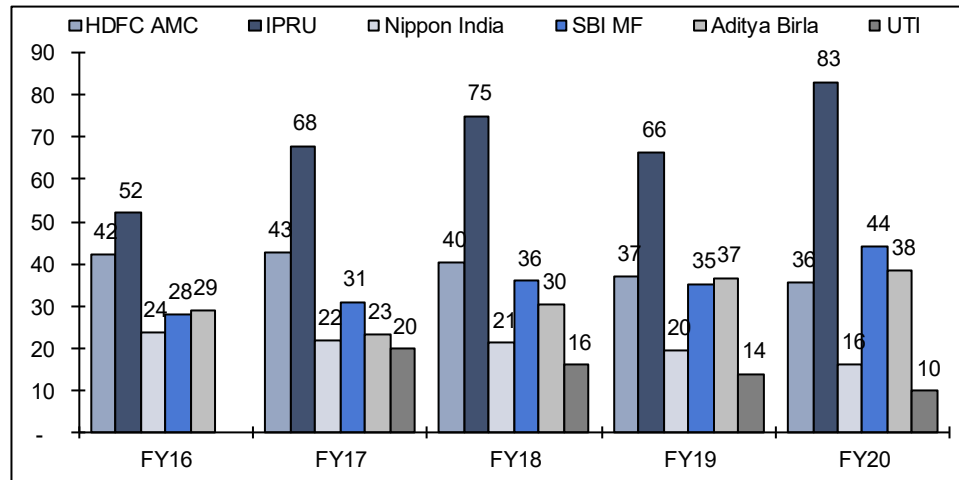
Source: Company annual reports, I-Sec research

**Chart 23: ...so is core PAT\***



Source: Company annual reports, I-Sec research  
 Core PAT excludes the impact of other income

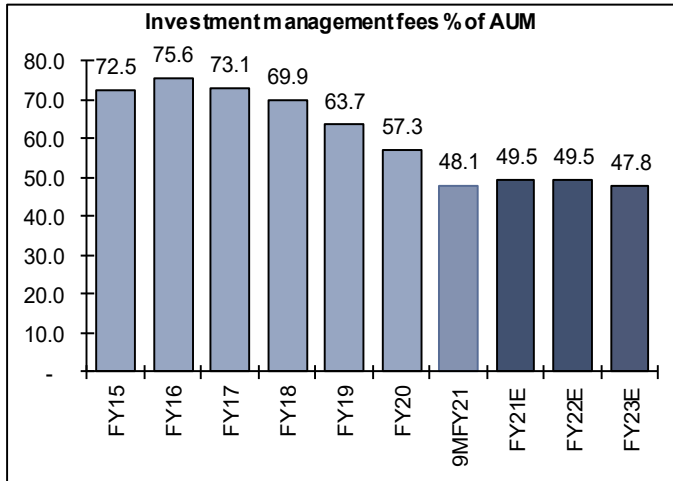
**Chart 24: RoE remains very healthy**



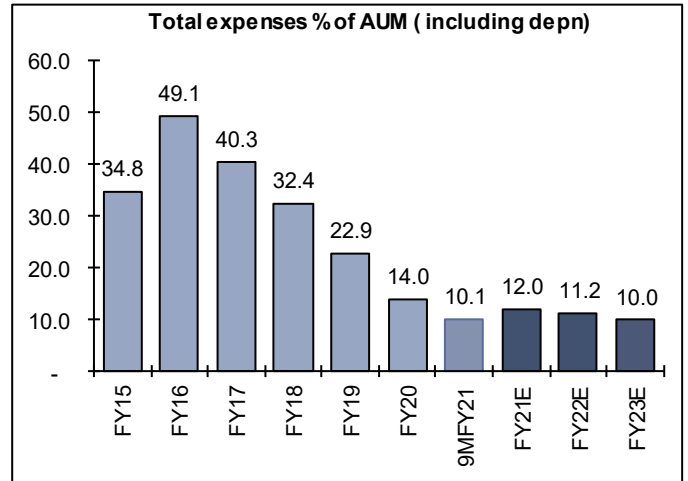
Source: Company annual reports, I-Sec research

## Financial analysis: Robust business model

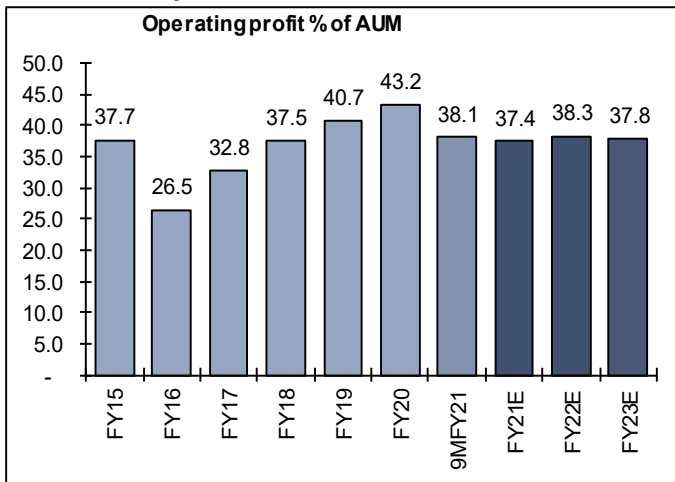
**Chart 25: Investment management fees as % of AUM remains healthy at 48% as at 9MFY21**



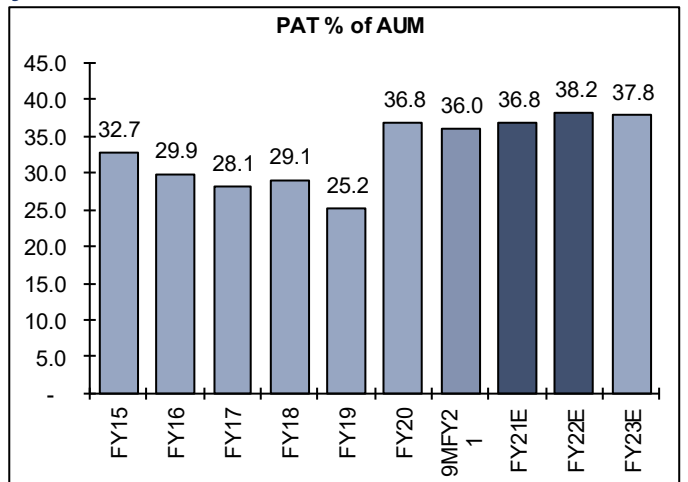
**Chart 26: Total expenses as % of AUM remains at 10bps as at 9MFY21**



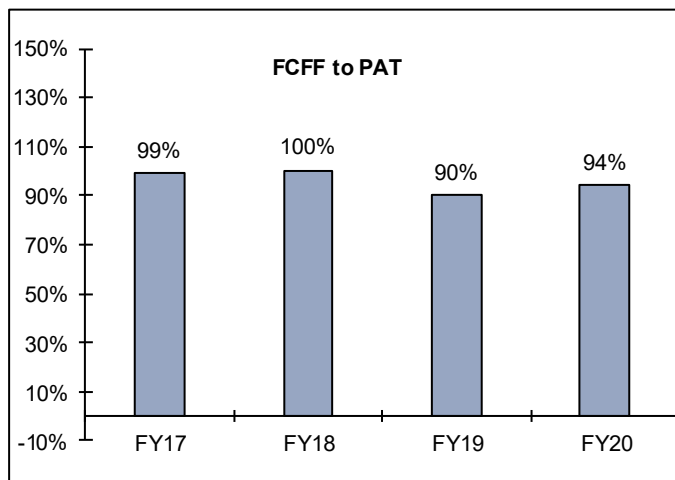
**Chart 27: Operating profit as % of AUM H1FY21 stood at 35bps**



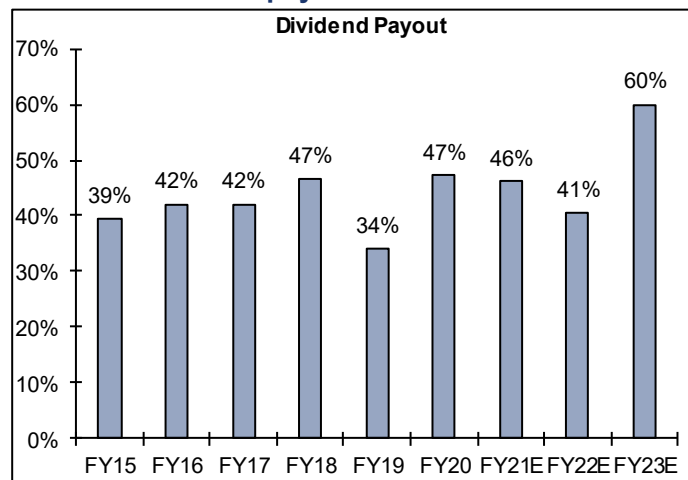
**Chart 28: PAT CAGR has been 25% in past five years**



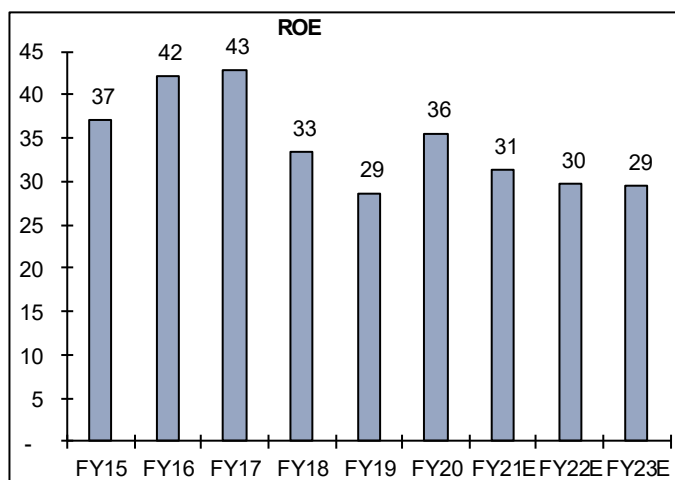
**Chart 29: FCFF to PAT trend**



**Chart 30: Dividend payout ratio trend**



Source: Company, I-Sec research

**Chart 31: RoE trend**

Source: Company, I-Sec research

**Table 13: Breakup of investments**

	<b>Total (A+B+C) (Rs mn)</b>		<b>73,706</b>
A	of which MFs (85%)		
	Liquid and Debt	51,935	
	Arbitrage	10,412	
	Equity	376	62,724
B	Other Equity (1.6%)		1,179
C	Debentures & Tax fee bond (13.4%)		9,877

Source: Company, I-Sec research

## Fund performance tracker

Strategy to diversify investment style: Core approach towards equity investing is a bottom-up approach with a belief that over time stock prices reflect their intrinsic values. However, to offer choice of diversity of style to customer and to mitigate business risk, the company has started building capabilities in other styles by hiring new fund managers.

### Equity

**Table 14: HDFC top 100 funds performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Frontline Equity Fund	7.6	10.9	8.2	11.3	25	22	15	6
Axis Bluechip Fund	18.6	20.3	10.7		1	1	2	
Baroda Large Cap	12.1	9.8	6.1		13	24	25	
BNP Paribas Large Cap Fund	17.2	15.5	9.0	12.0	2	4	8	3
Canara Robeco Bluechip Equity Fund	15.7	16.2	9.8		3	2	3	
DSP Top 100 Equity Fund	14.8	12.2	7.7	9.5	6	17	20	15
Edelweiss Large Cap Fund	11.5	14.9	8.9	11.1	18	5	9	7
Essel Large Cap Equity Fund	11.7	12.0	8.8		16	19	11	
Franklin India Bluechip Fund	5.3	8.6	6.8	9.7	27	25	24	14
<b>HDFC Top 100 Fund</b>	<b>7.7</b>	<b>12.5</b>	<b>7.7</b>	<b>10.7</b>	<b>24</b>	<b>14</b>	<b>19</b>	<b>9</b>
HSBC Large Cap Equity Fund	15.1	13.3	8.8	9.1	4	9	12	18
ICICI Prudential Bluechip Fund	9.8	13.1	9.2	12.5	22	10	6	2
IDBI India Top 100 Equity	12.7	10.7	7.3		11	23	22	
IDFC Large Cap Fund	10.6	12.4	7.1	8.7	20	15	23	19
Indiabulls Bluechip	12.0	13.8	9.7		15	7	4	
Invesco India Largecap Fund	10.5	12.2	8.7	10.2	21	18	13	12
JM Large Cap Fund	4.9	8.5	5.1	6.7	28	27	27	21
Kotak Bluechip Fund	14.2	13.0	9.0	10.4	8	11	7	10
LIC MF Large Cap Fund	15.0	13.6	7.9	9.2	5	8	17	17
L&T India Large Cap Fund	13.2	12.9	7.7	10.8	9	12	21	8
Mirae Asset Large Cap Fund	12.7	15.8	11.8	14.4	10	3	1	1
Nippon India Large Cap Fund	7.3	14.0	8.9	11.8	26	6	10	4
PGIM India Large Cap Fund	14.5	12.2	8.2	9.4	7	16	14	16
SBI Bluechip Fund	11.6	11.7	9.5	11.4	17	21	5	5
Tata Large Cap Fund	12.1	11.8	7.8	9.9	12	20	18	13
Taurus Largecap Equity Fund	8.5	8.5	5.4	6.8	23	26	26	20
Union Largecap Fund	12.0				14			
UTI Mastershare Fund	10.7	12.6	8.0	10.3	19	13	16	11

Source: AMFI, I-Sec research

**Table 15: HDFC smallcap fund performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Small Cap Fund	-11.5	2.4	5.9	10.8	17	11	9	6
Axis Small Cap Fund	19.4	14.5	11.4		1	2	2	
BOI AXA Small Cap Fund	4.3				5			
DSP Small Cap Fund	0.7	2.4	7.8	16.2	9	10	7	2
Franklin India Smaller Companies Fund	-5.0	4.0	6.3	14.6	12	9	8	3
<b>HDFC Small Cap Fund</b>	<b>-9.5</b>	<b>10.2</b>	<b>8.5</b>	<b>11.3</b>	<b>15</b>	<b>3</b>	<b>5</b>	<b>5</b>
HSBC Small Cap Equity Fund	-10.8	2.3	3.6	7.2	16	12	11	10
ICICI Prudential Smallcap Fund	10.0	6.8	5.4	10.3	2	7	10	7
IDBI Small Cap Fund	-4.4				11			
Invesco India Smallcap Fund	3.9				6			
Kotak Small Cap Fund	5.0	7.7	7.9	13.0	4	6	6	4
L&T Emerging Businesses Fund	-8.1	9.7	10.3		14	5	3	
Nippon India Small Cap	-2.5	9.8	10.0		10	4	4	
Quant Small Cap Fund	-23.5	-6.1	-0.3	7.2	18	14	14	9
SBI Small Cap Fund	6.1	15.1	13.2	17.5	3	1	1	1
Sundaram Small Cap Fund	-6.1	1.2	2.2	9.0	13	13	13	8
Tata Small Cap Fund	2.6				7			
Union Small Cap Fund	2.4	5.3	2.8		8	8	12	

Source: AMFI, I-Sec research

Table 16: HDFC mid-cap opportunity funds compared to peers

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Mid Cap Fund	-3.7	5.4	6.4	10.1	23	20	16	16
Axis Midcap	11.3	17.8	9.8		1	1	4	
Baroda Midcap	-0.8	6.7	-0.4		20	16	21	
BNP Paribas Midcap Fund	5.2	8.9	8.0	14.9	8	11	13	4
DSP Midcap Fund	9.2	11.1	10.4	14.5	3	7	2	6
Edelweiss Mid Cap Fund	5.2	10.5	8.6	15.1	9	8	9	3
Franklin India Prima Fund	3.5	9.4	8.7	14.6	12	10	8	5
HDFC Mid-Cap Opportunities Fund	0.2	8.0	8.2	15.8	14	13	12	1
ICICI Prudential Midcap Fund	-0.6	8.2	6.9	12.2	19	12	15	13
IDBI Midcap Fund	-2.5				21			
Invesco India Mid Cap Fund	3.8	12.4	8.8	15.5	10	2	7	2
Kotak Emerging Equity Fund	8.9	11.2	10.5	14.4	4	5	1	7
L&T Midcap Fund	-0.2	10.2	10.2	14.0	16	9	3	8
Mahindra Manulife Mid Cap Unnati Yojana	5.4				7			
Motilal Oswal Midcap 30 Fund	9.7	7.8	8.9		2	15	6	
Nippon India Growth Fund	6.8	11.1	8.6	10.3	5	6	10	15
PGIM India Midcap Opportunities Fund	3.6	6.0	4.8		11	18	20	
Quant Mid Cap Fund	-2.6	7.8	5.7	7.8	22	14	19	17
SBI Magnum Midcap Fund	0.1	3.1	5.7	12.5	15	21	18	12
Sundaram Mid Cap Fund	-0.3	5.9	8.0	13.1	18	19	14	11
Tata Midcap Growth Fund	6.5	11.5	8.5	13.6	6	3	11	9
Taurus Discovery (Midcap) Fund	1.6	11.3	9.0	11.5	13	4	5	14
UTI Mid Cap Fund	-0.2	6.4	5.9	13.5	17	17	17	10

Source: AMFI, I-Sec research

Table 17: HDFC equity fund performance compared to peers

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Equity Fund	8.5	11.6	10.5	11.7	17	15	6	8
Axis Multicap Fund	17.2				1			
Baroda Multi Cap Fund	8.9	9.5	5.7	7.2	16	25	22	21
BNP Paribas Multi Cap Fund	13.2	12.4	9.1	12.6	7	10	9	5
Canara Robeco Equity Diversified Fund	12.3	16.0	8.9	11.5	9	1	13	9
DSP Equity Fund	17.0	14.9	9.4	11.3	2	4	8	11
Edelweiss Multi Cap Fund	8.4	14.9			18	3		
Essel Multi Cap Fund	13.1				8			
Franklin India Equity Fund	3.3	8.9	7.2	11.8	31	26	18	7
HDFC Equity Fund	6.8	12.1	7.5	11.3	21	13	15	12
HSBC Multi Cap Equity Fund	6.2	10.0	6.6	10.5	24	23	20	17
ICICI Prudential Multicap Fund	6.0	10.8	9.1	11.5	25	18	11	10
IDBI Diversified Equity Fund	6.3	10.2	7.2		23	21	17	
IDFC Multi Cap Fund	7.6	10.7	7.4	13.8	20	19	16	2
Invesco India Multicap Fund	4.6	10.2	7.5	15.7	27	22	14	1
JM Multicap Fund	16.6	15.4	10.6	8.7	3	2	5	18
Kotak Standard Multicap Fund	12.3	14.3	11.0	13.4	9	6	2	3
LIC MF Multicap Fund	13.7	9.7	4.5	7.3	6	24	25	20
L&T Equity Fund	4.9	10.3	6.9	10.8	26	20	19	15
Mahindra Manulife Multi Cap Badhat Yojana	13.8				5			
Motilal Oswal Multicap 35 Fund	7.9	12.5	12.1		19	9	1	
Nippon India Multi Cap Fund	2.2	12.1	5.7	12.7	32	14	21	4
Parag Parikh Long Term Equity Fund	14.4	13.8	10.6		4	7	4	
PGIM India Diversified Equity Fund	10.0	11.4			15	16		
Principal Multi Cap Growth Fund	3.9	12.2	9.1	11.1	30	12	10	14
Quant Active Fund	4.0	12.4	9.5	10.5	29	11	7	16
SBI Magnum MultiCap Fund	11.0	12.8	10.8	11.2	13	8	3	13
Shriram Multicap Fund	6.5				22			
Tata Multicap Fund	10.5				14			
Taurus Starshare (Multi Cap) Fund	4.1	8.1	4.6	8.6	28	27	24	19
Union Multi Cap Fund	11.8	11.3	5.2		11	17	23	
UTI Equity Fund	11.7	14.6	9.0	12.1	12	5	12	6

Source: AMFI, I-Sec research

**Table 18: HDFC tax saver fund performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Tax Relief 96 Fund	4.3	12.5	10.0	11.5	28	14	6	12
Axis Long Term Equity Fund	14.8	17.4	11.4	17.3	2	2	2	1
Baroda ELSS 96 Fund	5.0	7.5	4.6	7.5	25	31	27	25
BNP Paribas Long Term Equity Fund	14.3	13.8	8.2	12.4	5	10	17	8
BOI AXA Tax Advantage Fund	14.6	14.8	8.8	9.2	4	6	10	24
Canara Robeco Equity Tax Saver Fund	10.8	14.5	8.6	12.1	11	7	15	9
DSP Tax Saver Fund	14.8	13.1	10.9	13.2	3	13	4	3
Edelweiss Long Term Equity Fund (Tax Savings)								
Essel Long Term Advantage Fund	9.2	11.0	7.6	10.7	15	23	22	16
Franklin India Taxshield Fund	7.9	11.2			20	20		
Franklin India Taxshield Fund	5.1	9.6	7.5	12.5	24	27	23	5
HDFC Tax saver Fund	3.7	8.6	5.3	10.1	30	29	25	18
HSBC Tax Saver Equity Fund	8.2	10.9	7.6	10.9	19	24	21	14
ICICI Prudential Long Term Equity Fund (Tax Saving)								
IDBI Equity Advantage Fund	8.8	11.3	8.4	12.4	16	19	16	6
IDFC Tax Advantage (ELSS) Fund	5.7	12.0	7.7		23	17	19	
Indiabulls Tax Savings Fund	1.9	12.3	8.7	12.4	33	15	13	7
Invesco India Tax Plan Fund	8.5				17			
JM Tax Gain Fund	9.4	13.6	9.9	13.4	14	11	7	2
Kotak Tax Saver Fund	14.9	16.1	10.3	9.8	1	3	5	19
LIC MF Tax Plan Fund	12.7	13.2	9.6	10.9	9	12	8	15
L&T Tax Advantage Fund	11.9	14.9	8.7	10.2	10	4	12	17
Mahindra Manulife ELSS Kar Bachat Yojana	4.6	11.0	8.8	11.7	26	22	11	11
Mirae Asset Tax Saver Fund	4.5	5.6			27	32		
Motilal Oswal Long Term Equity Fund	14.1	18.1			6	1		
Nippon India Tax Saver (ELSS) Fund	13.2	14.1			8	8		
PGIM India Long Term Equity Fund	1.5	5.5	3.5	11.8	34	33	28	10
Principal Tax Savings Fund	8.2	12.2			18	16		
Quant Tax Plan	2.5	11.4	8.6	11.1	32	18	14	13
Quantum Tax Saving Fund	3.0	10.3	10.9	7.4	31	25	3	26
SBI Long Term Equity Fund	-1.3				35			
Sundaram Diversified Equity Fund	4.0	8.2	6.0	9.5	29	30	24	22
Tata India Tax Savings Fund	6.2	9.5	7.7	9.3	22	28	20	23
Taurus Tax Shield Fund	13.6	14.9	11.8	13.0	7	5	1	4
Union Long Term Equity	7.7	14.1	9.4	9.7	21	9	9	20
UTI Long Term Equity Fund	10.5	9.7	4.7		12	26	26	
	10.4	11.2	7.8	9.6	13	21	18	21

Source: AMFI, I-Sec research

**Debt**

FY20 was a challenging period for the fixed income market due to a series of events as mentioned below. However, HDFC AMC's philosophy of safety, liquidity and returns helped it tide over the turbulent times for debt markets.

Month	Major credit events
Sep-18	Default by IL&FS Group
Oct-18	Sale of DHFL bond at higher yield and subsequent default by DHFL in June 19
Jan-19	Default by IL&FS Road annuity SPVs
Jan-19	Sharp correction in Zee Group Entities share prices leading to stress on LAS transactions
Feb-19	Default by Anil Ambani Group companies
Jun-19	Default by Cox & Kings
Jun-19	Default by Sintex Group
Jun-19	Rise in the yields of other HFCs post default by DHFL
Jul-19	Promoter of CCD commits suicide due to financial stress in CCD
Sep-19	Default by Altico Capital
Nov-19	Default by Simplex Group
Jan-20	Franklin Templeton writes down and side pockets its exposure in Vodafone Idea to Zero
Feb-20	Write Down of Yes bank AT1
Apr-20	Wind-up of 6 Schemes of Franklin Templeton announced. Increase in credit spreads due to redemption pressures

Source: AMFI, I-Sec research

**Table 19: HDFC corporate bond fund performance compared to peers**

HDFC Corporate bond fund	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Corporate Bond Fund	12.1	9.6	9.0	9.3	4	3	2	2
Axis Corporate Debt Fund	12.4	9.3			2	5		
BNP Paribas Corporate Bond Fund	10.4	5.7	6.6	7.7	13	14	12	12
Canara Robeco Corporate Bond Fund	10.3	8.8	7.8		14	11	10	10
DSP Corporate Bond Fund	9.7				17			
Edelweiss Corporate Bond Fund	2.8	0.7	3.2		19	15	13	13
Franklin India Corporate Debt Fund	9.7	9.2	8.5	9.3	18	8	7	7
HDFC Corporate Bond Fund	12.1	9.7	9.1	9.2	3	2	1	1
ICICI Prudential Corporate Bond Fund	10.8	9.2	8.5		10	6	6	6
IDFC Corporate Bond Fund	11.9	9.1			5	9		
Invesco India Corporate Bond Fund	10.6	8.9	8.1	8.1	11	10	8	8
Kotak Corporate Bond Fund	10.0	9.2	8.6	8.7	15	7	5	5
L&T Triple Ace Bond Fund	12.8	10.6	8.9	8.2	1	1	3	3
Nippon India Corporate Bond Fund	10.0	8.5	8.0	8.5	16	13	9	9
PGIM India Premier Bond Fund	10.5	8.6	7.3	7.4	12	12	11	11
SBI Corporate Bond Fund	11.1				8			
Sundaram Corporate Bond Fund	11.2	9.3	8.8	8.1	7	4	4	4
Union Corporate Bond Fund	11.0				9			
UTI Corporate Bond Fund	11.3				6			
Aditya Birla Sun Life Corporate Bond Fund	12.1	9.6	9.0	9.3	4	3	2	2

Source: AMFI, I-Sec research

**Table 20: HDFC low-duration fund performance compared to peers**

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Low Duration Fund	8.6	8.6	8.5	8.1	5	2	2	10
Axis Treasury Advantage Fund	7.7	8.2	8.1	8.4	8	4	5	4
Baroda Treasury Advantage Fund	-10.9	-8.2	-1.7	3.5	26	26	25	22
BNP Paribas Low Duration Fund	8.2	7.9	7.9	8.1	6	7	7	12
Canara Robeco Savings Fund	6.7	7.4	7.5	8.2	19	13	13	8
DSP Low Duration Fund	7.0	7.8	7.9		18	9	8	
Edelweiss Low Duration Fund	-2.5	0.2	3.0	4.8	25	25	24	21
Franklin India Low Duration Fund	1.9	5.4	7.0	8.2	24	19	16	9
HDFC Low Duration Fund	8.8	8.2	8.2	7.9	2	5	4	13
HSBC Low Duration Fund	4.2	3.2	5.0		22	22	21	
ICICI Prudential Savings Fund	8.7	8.3	8.3	8.7	4	3	3	1
IDFC Low Duration Fund	7.2	7.7	7.8	8.5	17	11	9	2
Invesco India Treasury Advantage Fund	7.4	8.0	7.9	8.3	12	6	6	5
JM Low Duration Fund	26.9	6.2	6.8	7.9	1	17	17	14
Kotak Low Duration Fund	8.7	8.6	8.7	8.5	3	1	1	3
LIC MF Savings Fund	7.6	6.4	7.1	7.3	10	16	14	16
L&T Low Duration Fund	7.5	6.7	7.8	8.1	11	15	10	11
Mahindra Manulife Low Duration Fund	7.2	7.8			16	10		
Mirae Asset Savings Fund	7.3	7.0	7.1		15	14	15	
Nippon India Low Duration Fund	8.0	7.7	7.8	8.2	7	12	11	7
PGIM India Low Duration Fund	3.1	0.5	3.7	6.1	23	23	22	19
Principal Low Duration Fund	6.3	0.2	3.4	6.0	21	24	23	20
SBI Magnum Low Duration Fund	7.4	7.9	7.8	8.3	13	8	12	6
Sundaram Low Duration Fund	6.6	4.0	5.6	7.1	20	20	19	18
Tata Treasury Advantage Fund	7.7	5.9	6.7	7.8	9	18	18	15
UTI Treasury Advantage Fund	7.4	3.4	5.3	7.2	14	21	20	17

Source: AMFI, I-Sec research



Table 21: HDFC short-duration fund performance compared to peers

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Short Term Fund	11.8	9.4	9.3	9.3	1	5	2	1
Axis Short Term	10.9	9.4	9.1	8.6	6	3	4	4
Baroda Short Term Bond	8.3	8.6	8.9	8.4	22	13	6	9
BNP Paribas Short term Fund	10.9	8.7	8.4	8.3	5	12	14	11
BOI AXA Short Term Income Fund	-0.5	-2.6	1.9	4.6	25	24	24	20
Canara Robeco Short Duration Fund	9.6	8.4	8.6		18	14	10	
DSP Short-term Fund	10.2	8.9	8.6	8.4	16	11	11	10
Franklin India Short-term Income Fund	-4.6	3.1	5.5	7.2	26	23	23	18
HDFC Short Term Debt Fund	11.4	9.4	8.9	9.0	3	4	5	2
HSBC Short Duration Fund	6.9	4.5	5.9	6.7	24	20	21	19
ICICI Prudential Short Term Fund	11.5	9.5	9.5	8.8	2	1	1	3
IDBI Short Term Bond	10.5	6.2	7.0		10	17	17	
IDFC Bond Fund Short Term Plan	10.2	9.1	8.7	8.5	14	6	9	6
Indiabulls Short Term Fund	7.8	7.5	7.8		23	15	15	
Invesco India Short Term Fund	10.4	9.0	8.5	8.2	11	9	13	12
Kotak Bond Short-term Fund	10.9	9.5	9.1	8.4	7	2	3	7
LIC MF Short Term Debt Fund	9.4				20			
L&T Short Term Bond Fund	10.2	9.0	8.5		15	7	12	
Mirae Asset Short Term Fund	9.5				19			
Nippon India Short-term Fund	10.4	8.9	8.7	8.4	13	10	8	8
PGIM India Short Maturity Fund	8.7	5.1	6.7	7.5	21	19	18	16
Principal Short Term Debt Fund	10.8	5.4	6.6	7.4	9	18	19	17
SBI Short Term Debt Fund	10.4	9.0	8.8	8.6	12	8	7	5
Sundaram Short Term Debt Fund	9.9	4.0	5.8	7.5	17	22	22	15
Tata Short-term Bond Fund	10.8	7.0	7.5	7.9	8	16	16	13
UTI Short-term Income Fund	11.0	4.5	6.1	7.8	4	21	20	14

Source: I-Sec research

Table 22: HDFC ultra-duration fund performance compared to peers

	31st Dec 2020				Ranks			
	1-year	3-years	5-years	10-years	1-year	3-years	5-years	10-years
Aditya Birla Sun Life Savings Fund	7.2	7.8	8.0	8.6	2	3	4	3
Axis Ultra Short Term Fund	6.2				6			
Baroda Ultra Short Duration Fund	5.3				19			
BOI AXA Ultra Short Duration Fund	5.2	6.9	7.6	8.1	20	10	6	6
Canara Robeco Ultra Short Term Fund	5.1	6.3	6.7	7.6	21	14	15	10
DSP Ultra Short Fund	5.5	6.4	6.9	7.4	18	12	12	12
Essel Ultra Short Term	4.6	6.4	6.9	7.7	23	13	13	9
Franklin India Ultra Short Bond Fund	4.1	7.5	8.1	8.9	26	4	3	2
HDFC Ultra Short Term Fund	6.7				3			
HSBC Ultra Short Duration Fund								
ICICI Prudential Ultra Short Term Fund	7.2	8.1	8.6		1	2	2	
IDBI Ultra Short Term	5.5	6.8	7.2	7.7	17	11	11	8
IDFC Ultra Short Term Fund	5.8				11			
Indiabulls Ultra Short Term	5.6	7.0	7.6		15	9	8	
Invesco India Ultra Short Term Fund	5.8	7.2	7.7		12	7	5	
Kotak Savings Fund	6.3	7.4	7.6	8.2	5	5	7	5
LIC MF Ultra Short Term Fund	4.6				24			
L&T Ultra Short Term Fund	5.8	7.1	7.5	8.2	9	8	9	4
Mahindra Manulife Ultra Short Term Fund	6.4				4			
Mirae Asset Ultra Short Duration Fund								
Motilal Oswal Ultra Short Term Fund	4.3	0.7	3.0		25	18	18	
Nippon India Ultra Short Duration Fund	5.7	5.2	6.0	6.8	14	16	16	14
PGIM India Ultra Short Term Fund	6.2	9.3	8.7	9.0	7	1	1	1
Principal Ultra Short Term Fund	4.9	4.8	5.9	7.1	22	17	17	13
SBI Magnum Ultra Short Duration Fund	6.1	7.4	7.3	8.1	8	6	10	7
Sundaram Ultra Short Term Fund	5.6				16			
Tata Ultra Short Term Fund	5.7				13			
UTI Ultra Short Term Fund	5.8	5.7	6.8	7.5	10	15	14	11
YES Ultra Short Term Fund	4.1				27			

Source: I-Sec research

## Strong band franchise

HDFC AMC’s principal shareholders include HDFC (52.7% stake as at Dec’20) and Standard Life Investment Ltd (21.2% stake as at Dec’20).

HDFC brand enjoys strong recall and trust among customers and will be a growth catalyst for HDFC AMC going forward. Good distribution network coupled with experienced teams will aid further growth for the company.

### Management team

Mr. Milind Barve, MD, will be retiring in Feb’21 and will be replaced by Mr. Navneet Munot, current CIO of SBI Mutual fund.

### Profile of new MD

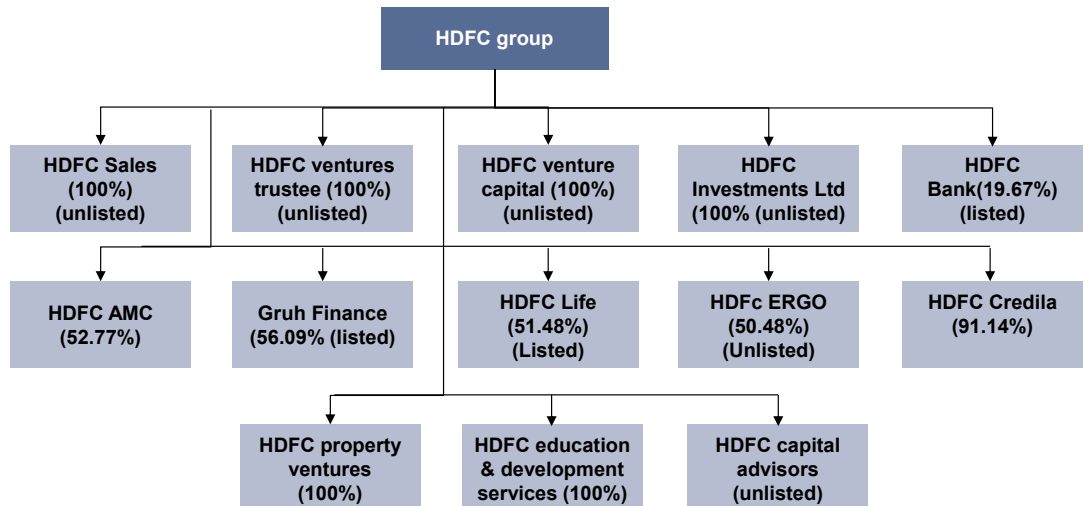
Mr. Munot has been CIO of SBI MF for the past 12 years. Before SBI Mutual, Mr Munot was a fund manager at Morgan Stanley Asset Management and CIO-fixed income at Birla Sun Life Mutual Fund.

**Table 23: Details of Key managerial persons**

Key Managerial person	Designation	Remuneration (FY20)
Mr. Milind Barve	Managing Director	Rs64.5mn
Mr. Piyush Surana	CFO	Rs13.3

Source: Company, I-Sec research

**Chart 32: Structure of HDFC group**



Source: I-Sec research

**Table 24: Board of Directors**

<b>Board of Directors</b>	<b>Designation</b>
Mr. Milind Barve	Managing Director
Mr. Deepak S. Parekh	Non-Executive - Non Independent Chairman
Mr. James Aird	Non-Executive - Non Independent Director
Mr. Keki Mistry	Non-Executive - Non Independent Director
Mr. Norman Keith Skeoch	Non-Executive - Non Independent Director
Ms. Renu Karnad	Non-Executive - Non Independent Director
Mr. Dhruv Kaji	Non-Executive - Independent Director
Mr. Jairaj Purandare	Non-Executive - Independent Director
Mr. Sanjay Bhandarkar	Non-Executive - Independent Director
Mr. Parag Shah	Non-Executive - Independent Director
Ms. Roshni Nadar Malhotra <sup>1</sup>	Non-Executive - Independent Director
Mr. Shashi Kant Sharma	Non-Executive - Independent Director
Mr. Hoshang Billimoria	Non-Executive - Independent Director
Dr. Deepak Phatak	Non-Executive - Independent Director
Mr. Vijay Merchant	Non-Executive - Independent Director

Source: Company, I-Sec research

**Table 25: Committees and their composition**

<b>Committees</b>	<b>Audit Committee</b>	<b>NRC</b>	<b>Risk management</b>
Non-Executive - Non Independent Director	3	1	3
Non-Executive - Independent Director	4	5	6

Source: Company, I-Sec research

## Financial summary

**Table 26: Profit and Loss statement**
*(Rs mn, year ending Mar 31)*

	FY19	FY20	FY21E	FY22E	FY23E
<b>AAUM (incl managed funds)</b>	<b>3,264</b>	<b>3,618</b>	<b>3,907</b>	<b>4,503</b>	<b>5,244</b>
of which MF	3,167	3,527	3,813	4,400	5,131
<b>Revenue from operations</b>	<b>19,152</b>	<b>20,033</b>	<b>19,306</b>	<b>22,271</b>	<b>25,060</b>
Investment management fees	18,954	19,653	18,858	21,788	24,539
Portfolio management fees	198	380	448	483	520
Other income	1,816	1,402	3,800	3,400	3,900
<b>Total income</b>	<b>20,968</b>	<b>21,434</b>	<b>23,106</b>	<b>25,671</b>	<b>28,960</b>
Operating expenses					
Employee expense	2,063	2,147	2,179	2,288	2,414
Other expenses	4,630	2,164	1,774	1,867	1,934
<b>Total Opex</b>	<b>6,692</b>	<b>4,311</b>	<b>3,953</b>	<b>4,155</b>	<b>4,349</b>
EBITDA (ex-other income)	<b>12,460</b>	<b>15,722</b>	<b>15,353</b>	<b>18,116</b>	<b>20,711</b>
Depreciation and amortization expenses	129	504	565	435	424
PBT	11,931	16,530	18,500	20,994	24,099
Core PBT ( ex-other income)	10,115	15,128	14,700	17,594	20,199
Tax	4,441	3,906	4,662	5,290	6,073
<b>PAT</b>	<b>7,490</b>	<b>12,623</b>	<b>13,838</b>	<b>15,703</b>	<b>18,026</b>
<b>Core PAT</b>	<b>6,350</b>	<b>11,553</b>	<b>10,996</b>	<b>13,160</b>	<b>15,109</b>

Source: Company data, I-Sec research

**Table 27: Balance sheet**
*(Rs mn, year ending Mar 31)*

	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	1,063	1,064	1,064	1,064	1,064
Reserves and Surplus	29,644	39,229	47,115	56,440	63,651
<b>Networth</b>	<b>30,707</b>	<b>40,293</b>	<b>48,179</b>	<b>57,504</b>	<b>64,715</b>
<b>Minority interest</b>	-	-	-	-	-
Trade payables	474	467	491	515	541
Provisions	10	73	73	73	73
Other Liabilities	1,018	2,254	2,254	2,254	2,254
<b>Total Liabilities</b>	<b>32,209</b>	<b>43,086</b>	<b>50,995</b>	<b>60,346</b>	<b>67,582</b>
<b>Assets</b>					
Net block (incl CWIP)	429	1,613	1,449	1,414	1,390
<b>Investments</b>	<b>29,670</b>	<b>39,716</b>	<b>47,699</b>	<b>56,984</b>	<b>64,135</b>
of which cash and cash equivalents	320	271	368	327	268
Loans and advances	681.3	0	0	0	0
Other assets	1,430	1,757	1,848	1,947	2,057
<b>Total Assets</b>	<b>32,209</b>	<b>43,086</b>	<b>50,995</b>	<b>60,346</b>	<b>67,582</b>

Source: Company data, I-Sec research

**Table 28: Cashflow statement***(Rs mn, year ending Mar 31)*

	FY19	FY20	FY21E	FY22E	FY23E
Operating Cash flow ex WC	15,949	19,065	21,428	24,523	15,949
Working Capital Changes	945	-67	-75	-84	945
Cash flow from operations	12,848	14,336	16,063	18,366	12,848
Capital Commitments ex asset sale	-298	-400	-400	-400	-298
Free Cash Flow	14,706	18,732	21,103	24,207	14,706
Cash flow from Investing Activities	-9,275	-8,286	-9,726	-7,610	-9,275
Dividend paid including taxes	-3,076	-5,952	-6,377	-10,816	-3,076
Cash flow from Financing Activities	-3,314	-5,952	-6,377	-10,816	-3,314
Chg. in Cash & Bank balance	259	97	-41	-60	259

Source: Company data, I-Sec research

**Table 29: Key ratios***(Year ending Mar 31)*

	FY19	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (in Rs.)</b>					
EPS(Basic Recurring)	35.2	59.4	65.1	73.9	84.8
Core EPS	29.9	54.3	51.7	61.9	71.1
Dividend per share (DPS)	12.0	28.0	30.0	30.0	50.9
Book Value per share	144.5	189.5	226.6	270.5	304.4
<b>Growth Ratios (%)</b>					
AUM	-21.4	10.8	8.0	15.3	16.5
Total Revenue	8.8	4.6	-3.6	15.4	12.5
EBITDA	28.9	26.2	-2.3	18.0	14.3
Recurring Net Income	3.8	68.5	9.6	13.5	14.8
Core PAT	-2.1	81.9	-4.8	19.7	14.8
<b>Valuation Ratios (x)</b>					
P/E	85.8	50.9	46.4	40.9	35.7
P/BV	20.9	15.9	13.3	11.2	9.9
Core P/E	101.2	55.6	58.4	48.8	42.5
Mcap to AUM	19.7	17.8	16.4	14.3	12.3
<b>Operating ratios</b>					
Investment management fees/total income	90.4	91.7	81.6	84.9	84.7
Operating expenses/total income	31.9	20.1	17.1	16.2	15.0
Employee expenses/operating expenses	30.8	49.8	55.1	55.1	55.5
Core PBT margin (of total income)	48.2	70.6	63.6	68.5	69.7
PAT margin (of total income)	35.7	58.9	59.9	61.2	62.2
Tax rate	37.2	23.6	25.2	25.2	25.2
Payout ratio	34%	47%	46%	41%	60%
<b>% of MF AUM (bps)</b>					
Revenue	59.9	55.7	49.5	49.5	47.8
Operating expenses	21.1	12.2	10.4	9.4	8.5
Operating margins	38.7	43.5	39.1	40.1	39.4
PAT	23.7	35.8	36.3	35.7	35.1
Core PAT	20.1	32.8	28.8	29.9	29.4
<b>ROE</b>	<b>28.6</b>	<b>35.6</b>	<b>31.3</b>	<b>29.7</b>	<b>29.5</b>

Source: Company data, I-Sec research

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