

Steady performance; market share to be watched...

HDFC AMC reported a steady operational performance though lower than expected AUM growth and continued loss in market share remain a concern.

Industry AUM increased from ₹ 31 lakh crore as of Q3FY21 to ₹ 31.4 lakh crore as of Q4FY21, largely led by pick up in equity markets and offset by outflow in debt segment. Equity related AUM increased 6.5% QoQ at ₹ 13 lakh crore, proportion of equity AUM were at 41% vs. 39% QoQ. Debt schemes witnessed outflow thereby declining ~4% QoQ. SIP inflows increased sequentially from ₹ 8400 crore to ₹ 9200 crore.

HDFC AMC's AUM saw a marginal decline of 2.7% QoQ to ₹ 395500 crore (24% YoY), mainly led by ~19% QoQ decline in liquid AUM to ₹ 63800 crore. Equity AUM increased 3% QoQ to ₹ 165400 crore, now forming 43% of total AUM. HDFC AMC continued to witness decline in market share from 14.3% in Q4FY20 to 13.1% in Q3FY21 and 12.6% in Q4FY21. Equity AUM (actively managed) market share also declined from 14.7% in Q4FY20 to 13.4% in Q3FY21 and 12.9% in Q4FY21.

Income from operations increased 6% YoY, 4% QoQ to ₹ 503 crore while other income became normalised at ₹ 43 crore, after elevated level seen in Q2FY21 and Q3FY21. Opex increased 9% QoQ to ₹ 123 crore, led by an increase in employee expenses, though opex to AUM remained in long term trajectory of 12 bps of AUM. Net profit for the quarter was at ₹ 316 crore, up 26% YoY, down 14% QoQ, led by lower other income.

In line with industry, SIP inflows witnessed an increase from ₹ 910 crore in December 2020 to ₹ 1040 crore in Q4FY21 but still lower than ₹ 1130 crore in March 2020. Thus, the SIP book market share has increased from ~10.8% in Q3FY21 (market shares calculated) to 11.3% in Q4FY21 though it was lower compared to 13.1% in Q4FY20.

Valuation & Outlook

Post moderation in SIP flows and outflow from equity schemes in major part of FY21, the industry witnessed a revival in March 2021. HDFC AMC has followed suit but continued decline in market share remains a concern. Aiming at accelerating AUM growth and gaining market share, slew of products launches (thematic funds) are underway, though outcome of steps undertaken to shore up AUM needs to be closely watched. Overall, **we continue to remain positive on the strong brand franchise and efficient operational strength shown in FY21.** Therefore, we maintain our **HOLD** rating on the stock with an unchanged target price of ₹ 3000/share.



Particulars

	Amount
Market Capitalisation	₹ 61020 crore
AUM (Q4FY21)	₹ 406800 crore
Equity AUM (Q4FY21)	₹ 164600 crore
Networth (Q4FY21)	₹ 4029 crore
52 week H/L	3358/2071
Face Value	₹ 5
DII Holding (%)	6.0
FII Holding (%)	9.4

Key Highlights

- AUM remained steady at ₹ 3.95 lakh crore, led by outflow in debt schemes
- Traction in SIP flow revived to ₹ 1040 crore from ₹ 910 crore
- Market share declined by ~50 bps to 12.6% in Q4FY21
- Maintain HOLD with target price of ₹ 3000

Risk to our call

- Higher than expected accretion in AUM acts as upside risk to our estimates
- Further loss of market share to impact premium valuation and remain downside risk

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Key Financial Summary

₹ crore	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Revenue from operation (₹ crore)	1915	2003	1853	2267	2546	17%
PBT (₹ crore)	1375	1653	1749	1965	2206	12%
Net Profit (₹ crore)	931	1262	1326	1464	1644	11%
EPS (₹)	43.9	59.2	62.2	68.7	77.1	
P/E (x)	65.3	48.4	46.0	41.7	37.1	
AUM /share (₹)	15754	14976	18548	21061	23646	
P/AUM (%)	18.2	19.1	15.4	13.6	12.1	
DPS (₹)	24.0	28.0	34.0	34.3	38.6	
RoE (%)	30.3	31.3	27.8	26.6	26.0	

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Revenue from operation	502.9	521.0	476.1	5.6	481.9	4.4	
Revenue/AUM	0.51%	0.49%	0.60%	12 bps	0.47%	3 bps	Increase in equity AUM and decline in liquid AUM led to QoQ increase in yields
Other Income	42.6	84.4	-26.5	-260.8	113.1	-62.3	Other income normalised post jump in Q2FY21 and Q3FY21, led by MTM gains
Net Total Income	545.6	605.4	449.6	21.3	594.9	-8.3	
Staff cost	63.8	57.9	43.2	47.9	56.9	12.3	Stock option granted and charge undertaken led to increase in staff cost
Other Operating	58.7	56.7	76.9	-23.6	53.9	9.0	
Total Expense	122.6	114.6	120.1	2.1	110.8	10.7	
PBT	423.0	490.8	329.6	28.4	484.2	-12.6	
Tax Outgo	106.9	122.7	79.7	34.1	113.4	-5.7	
PAT	316.1	368.1	249.8	26.5	370.8	-14.8	Steady performance on earnings with ~32 bps of AUM
Total AUM	395,500	422,004	319,100	23.9	406,800	-2.8	Outflow in liquid funds primarily led to QoQ decline in AUM

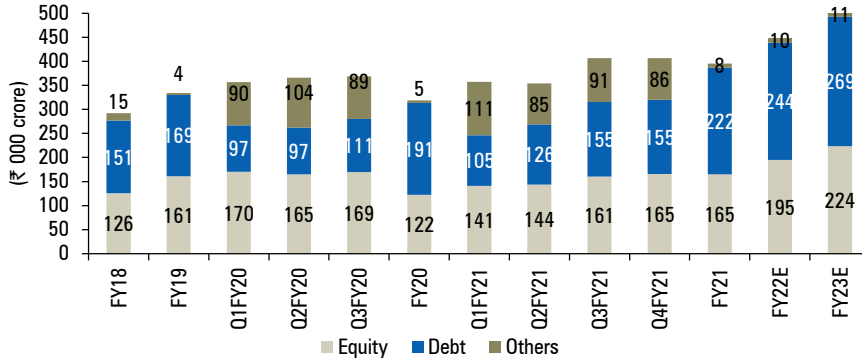
Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E		
	Old	New	% Change	Old	New	% Change
Revenue from Operation	2,249	2,267	0.8	2,555.6	2,546	-0.4
PBT	1,972.2	1,964.7	-0.4	2,235.7	2,206.1	-1.3
Revenue/AUM	0.47	0.49	2 bps	0.48	0.49	1 bps
PAT	1,469.3	1,463.7	-0.4	1,665.6	1,643.5	-1.3
EPS(₹)	69.0	68.7	-0.4	78.2	77.1	-1.3

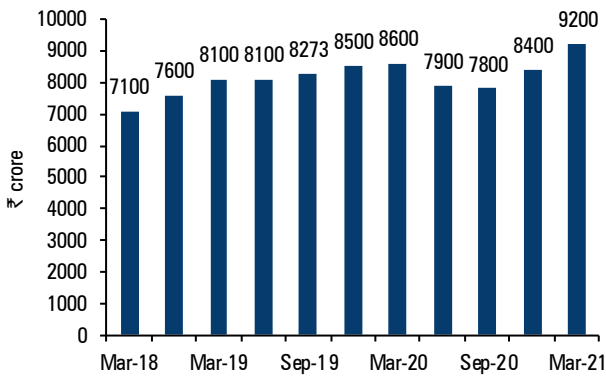
Source: Company, ICICI Direct Research

Exhibit 3: AUM growth witnesses revival in Q4FY21



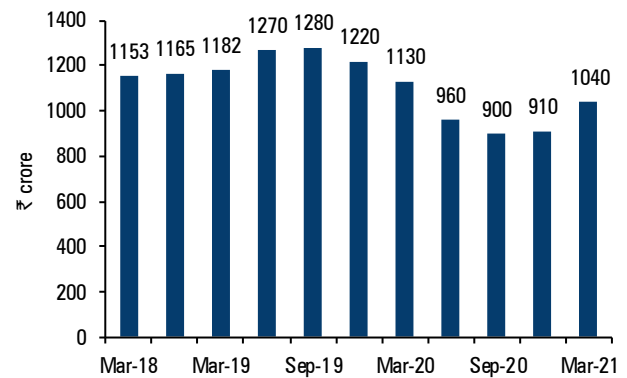
Source: Company, ICICI Direct Research

Exhibit 4: Industry witnesses increase in SIP flows (monthly)



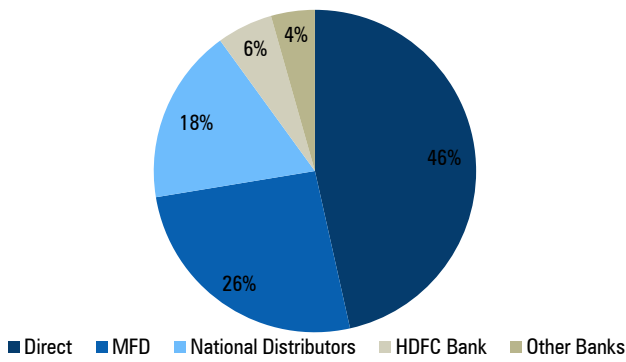
Source: AMFI, ICICI Direct Research, *- Monthly flows and not annualised

Exhibit 5: SIP for HDFC AMC follows industry trend



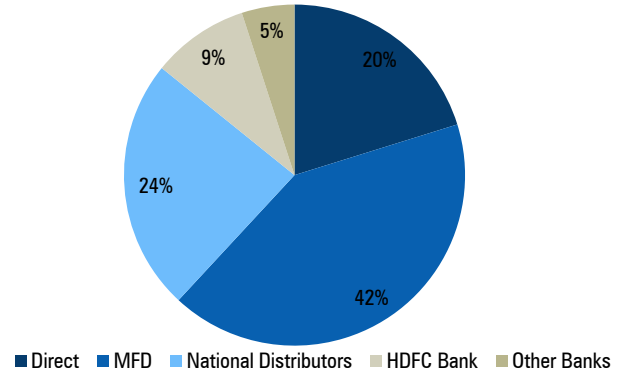
Source: AMFI, ICICI Direct Research, *- Monthly flows and not annualised

Exhibit 6: Distribution channel (total AUM) (Q4FY21)



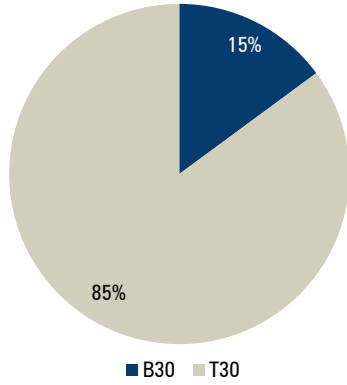
Source: Company, ICICI Direct Research

Exhibit 7: Distribution channel (equity AUM) (Q4FY21)



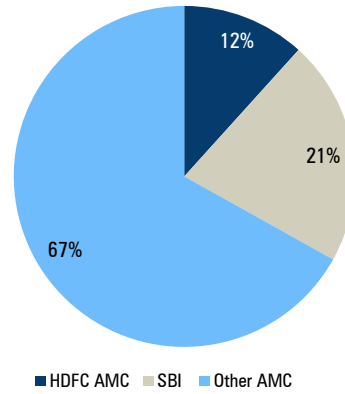
Source: Company, ICICI Direct Research

Exhibit 8: B30 AUM as percentage of total AUM



Source: Company, ICICI Direct Research

Exhibit 9: Second largest AMC in B30 by market share



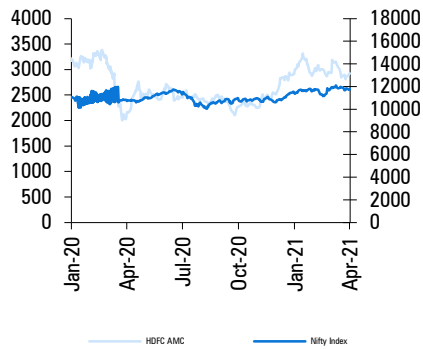
Source: Company, ICICI Direct Research

Exhibit 10: Shareholding Pattern

in %	Dec-19	Mar-20	Jun-20	Dec-20	Mar-21
Promoter	79.7	79.6	74.0	73.9	73.9
DII	8.1	1.4	3.2	5.6	6.0
FII	0.9	8.0	10.7	9.1	9.4
Others	11.3	11.0	12.2	11.3	10.8

Source: Company, ICICI Direct Research

Exhibit 11: Price Performance



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 12: Profit & Loss Statement

(₹ crores)	FY19	FY20	FY21	FY22E	FY23E
Revenue from Operations	1,915.2	2,003.3	1,852.5	2,266.7	2,546.3
Growth (%)	9.0%	4.6%	-7.5%	22.4%	12.3%
Other Income	181.6	139.9	349.2	200.6	202.6
Total Revenue	2,096.8	2,143.1	2,201.7	2,467.2	2,748.8
Employee Benefit Expenses	206.3	214.7	226.8	254.7	275.5
Depreciation & Amortization Expense	12.9	50.4	55.4	55.4	55.4
Other Expenses (incl fees)	503.0	225.1	170.6	192.4	211.9
Total Expenses	722.1	490.2	452.8	502.5	542.7
Profit Before Tax	1,374.7	1,652.9	1,749.0	1,964.7	2,206.1
Taxes	444.1	390.6	423.2	501.0	562.6
Profit After Tax	930.6	1,262.3	1,325.8	1,463.7	1,643.5
EPS (₹)	43.9	59.2	62.2	68.7	77.1

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet

(₹ crores)	FY19	FY20	FY21	FY22E	FY23E
Sources of Funds					
Share capital	106.3	106.4	106.5	106.5	106.5
Reserves and surplus	2964.4	3922.9	4669.7	5401.6	6223.3
Total Shareholders funds	3070.7	4029.3	4776.2	5508.0	6329.8
Applications of Funds					
Property, plant and equipment	25.6	141.4	136.9	150.5	165.6
Intangible assets	14.1	15.3	16.4	17.4	18.4
Intangible asset under development	3.2	4.6	1.2	1.2	1.2
Investments*	2935.0	3944.5	4753.3	5294.8	5902.9
Long term loans and advances	47.9	27.1	37.3	37.3	37.3
Deferred tax assets (net)	0.0	21.7	0.0	0.0	0.0
Total Current Assets and Others	198.0	154.0	149.8	357.2	589.8
Total Assets	3223.8	4308.6	5094.7	5858.4	6715.2
Total Liabilities					
Total Non-Current Liabilities	4.6	3.9	4.3	4.8	5.3
Total Current Liabilities	148.4	275.4	314.2	345.6	380.2
Total	3223.8	4308.6	5094.7	5858.4	6715.2

Source: Company, ICICI Direct Research

Exhibit 14: Key Ratios

	FY19	FY20	FY21	FY22E	FY23E
Valuation					
No of Equity shares (crore)	21.2	21.3	21.3	21.3	21.3
EPS	43.9	59.2	62.2	68.7	77.1
DPS	24.0	28.0	34.0	34.3	38.6
BVPS	144.8	189.1	224.2	258.5	297.1
P/E	65.3	48.4	46.0	41.7	37.1
P/BV	19.8	15.2	12.8	11.1	9.6
Operating Ratios (%)					
Rev/AUM	0.6	0.6	0.5	0.5	0.5
EBITDA/AUM	0.3	0.5	0.4	0.4	0.4
PAT/AUM	0.3	0.4	0.3	0.3	0.3
Return Ratios (%)					
RoNW	30.3%	31.3%	27.8%	26.6%	26.0%
ROCE	28.9%	29.3%	26.0%	25.0%	24.5%

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (AMC)

Sector / Company	CMP			M Cap (₹ bn)	EPS (₹)			P/E (x)			P/ABV (x)			RoAUM (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
HDFC AMC (HDFAMC)	2,685	3,000	Hold	610	62.2	68.7	77.1	43.2	39.1	34.8	12.0	10.4	9.0	0.3	0.3	0.3	27.8	26.6	26.0
Nippon AMC (RELNIP)	340	300	Hold	210	9.6	11.1	-	35.5	30.6	-	7.6	7.1	-	0.3	0.3	-	16.6	16.1	-

Source: Company, ICICI Direct Research

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