

## Operationally superior; market share remains catalyst

HDFC AMC reported a mixed performance wherein subdued revenue was offset by unsustainable other income leading to growth in earnings. Equity AUM increased led by rally in equities, though stains of redemption were evident. Robust accretion in debt schemes led to healthy traction in overall AUM.

Industry AUM increased from ₹ 26.9 lakh crore as of Q2FY21 to ₹ 31 lakh crore as of Q3FY21, largely led by pick up in non-equity inflows. Equity related AUM increased by 12% YoY at ₹ 12.2 lakh crore, proportion of equity AUM stood at 39% as against 41% YoY. Debt schemes witnessed healthy traction at ~31% YoY. SIP inflows increased sequentially from ₹ 7800 crore to ₹ 8400 crore.

HDFC AMC's AUM grew 10.3% YoY to ₹ 406800 crore (14.7% QoQ), mainly driven by 40% YoY rise in debt AUM to ₹ 155300 crore. Non-equity oriented AUM increased by 21% YoY to ₹ 242200 crore and now form 59% of total AUM. Equity AUM rose 14.2% QoQ to ₹ 164600 crore, though remained behind 20%+ rally seen in equities, attributable to redemption. HDFC AMC has witnessed ~10 bps QoQ decline in market share to 13.1% in Q3FY21. Equity AUM market share also declined ~20 bps QoQ to 13.4% in Q3FY21.

Change in AUM mix tilting towards debt schemes led to 8% YoY decline in revenue to ₹ 481 crore. Subsequently, yields contracted 4 bps YoY to 47 bps of closing AUM. Other income was up 68% YoY to ₹ 113 crore, due to attributable to gains in investment and one off unrealised gains in NCDs worth ~₹ 11 crore. Such higher other income coupled with controlled opex led to 4.7% YoY growth in earnings to ₹ 369 crore.

SIP inflows remained steady at ₹ 910 crore in Dec'20 compared to ₹ 900 crore in Sep'20. SIP book market share declined further from ~11.5% in Q3FY20 to ~10.8% in Q3FY21 (market shares calculated).

## Valuation & Outlook

Healthy accretion in debt schemes which are relatively low yielding and continued contraction in market share in equity AUM remain near term concern. Aiming at accelerating AUM growth and gain market share, steps have been undertaken including product launches, introduction of festive offers, bringing diversification in investment style. We continue to remain positive on the strong brand franchise and efficient operational strength, however, still clarity is awaited on outcome of steps undertaken to shore up AUM. Rolling on FY23E estimates, we revise our target price to ₹3000 per share (earlier ₹ 2500). With recent rally in stock price, we maintain our **HOLD** rating on the stock.



### Particulars

	Amount
Market Capitalisation	₹ 66789 crore
AUM (Q3FY21)	₹ 406800 crore
Equity AUM (Q3FY21)	₹ 164600 crore
Networth (FY20)	₹ 4029 crore
52 week H/L	3448/1964
Face Value	₹ 5
DII Holding (%)	5.6
FII Holding (%)	9.1

### Key Highlights

- AUM increased to ₹ 406800 crore, led by robust accretion in debt schemes
- Traction in SIP flow remained lower compared to industry at ₹ 900 crore
- Market share declined by ~10 bps to 13.1% in Q3FY21
- Maintain Hold with revised target price of ₹ 3000
- 

### Risk to our call

- **Upside Risk:** Higher than expected accretion in AUM
- **Downside Risk:** Subdued schemes performance or higher redemption remain risk

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### Key Financial Summary

	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY19-22E)
Revenue from operation (₹ crore)	1915	2003	1913	2249	2556	8%
PBT (₹ crore)	1375	1653	1833	1972	2236	11%
Net Profit (₹ crore)	931	1262	1365	1469	1666	10%
EPS (₹)	43.9	59.2	64.1	69.0	78.2	
P/E (x)	71.5	53.0	49.0	45.5	40.1	
AUM /share (₹)	15754	14976	19741	21983	24205	
P/AUM (%)	19.9	20.9	15.9	14.3	13.0	
DPS (₹)	24.0	28.0	32.0	34.5	39.1	
RoE (%)	30.3	31.3	29.0	27.0	26.5	

Source: Company, ICICI Direct Research

**Exhibit 1: Variance Analysis**

	Q3FY21	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Comments
Revenue from operation	481.9	517.2	524.7	-8.2	456.3	5.6	Decline in yield led by higher accretion in debt scheme
Revenue/AUM	0.47%	0.53%	0.57%	12 bps	0.51%	3 bps	
Other Income	113.1	68.3	67.3	68.1	113.7	NA	Surge led due to MTM gain in debt investment and revaluation of bonds. However, such growth trajectory is not sustainable ahead
Net Total Income	594.9	585.5	592.0	0.5	570.0	4.4	
Staff cost	56.9	55.0	57.1	-0.3	53.5	6.4	
Other Operating Expenses	55.4	59.5	68.9	-19.6	52.0	6.7	
Total Expense	112.3	114.5	126.0	-10.9	105.4	6.5	Focus on cost control continues
PBT	482.6	471.0	466.0	3.6	464.6	3.9	
Tax Outgo	113.4	122.5	113.5	-0.1	124.9	-9.2	
PAT	369.3	348.6	352.6	4.7	339.7	8.7	Higher other income led to growth in earnings
Total AUM	4,06,800	3,90,341	3,68,900	10.3	3,54,400	14.8	Rise in equities and accretion in debt schemes led to growth in AUM

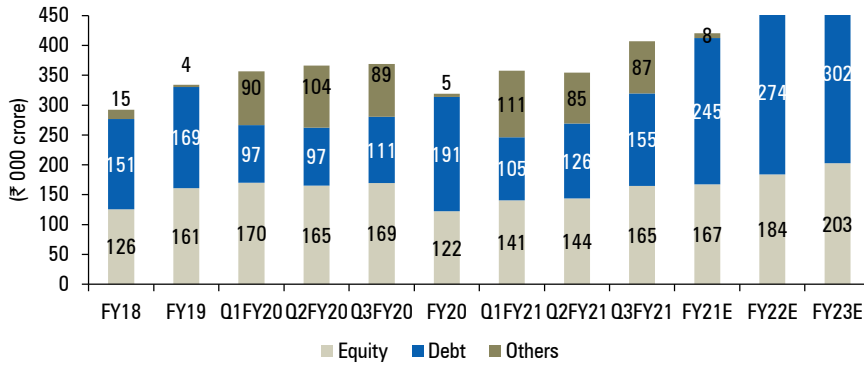
Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY21E			FY22E			FY23E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue from Operation	1,928	1,913	-0.8	2,182	2,249	3.1	2,556
PBT	1,625.0	1,832.7	12.8	1,863.7	1,972.2	5.8	2,235.7
Revenue/AUM	0.55	0.44	-10 bps	0.54	0.47	-7 bps	0.48
PAT	1,240.9	1,365.4	10.0	1,423.3	1,469.3	3.2	1,665.6
EPS(₹)	58.2	64.1	10.0	66.8	69.0	3.2	78.2

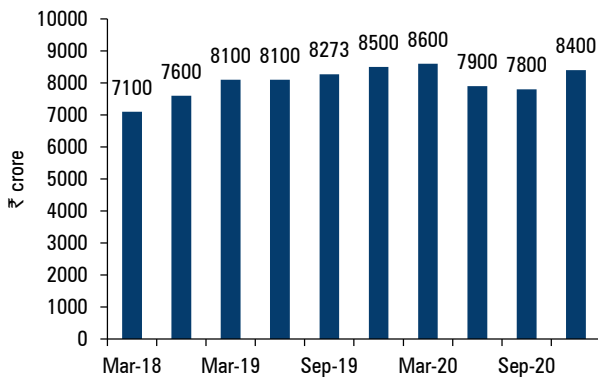
Source: Company, ICICI Direct Research

Exhibit 3: Revival in AUM growth led by accretion in debt schemes



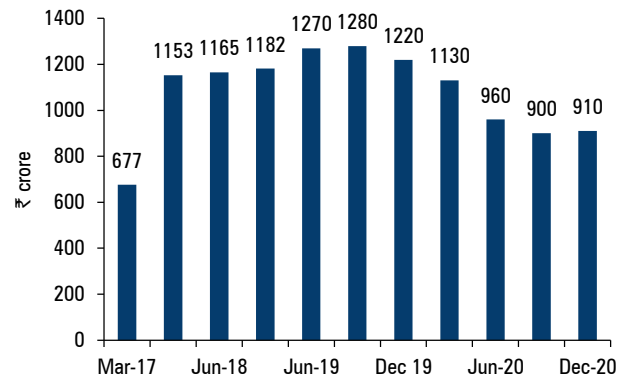
Source: Company, ICICI Direct Research

Exhibit 4: Marginal increase in industry SIP flows (monthly)



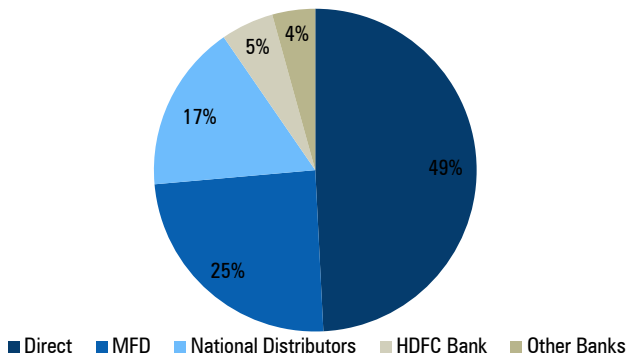
Source: AMFI, ICICI Direct Research, \*- Monthly flows and not annualised

Exhibit 5: SIP for HDFC AMC remained stable



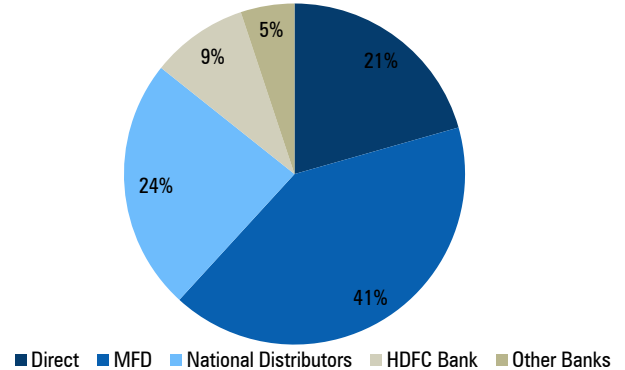
Source: AMFI, ICICI Direct Research, \*- Monthly flows and not annualised

Exhibit 6: Distribution channel (total AUM) (Q3FY21)



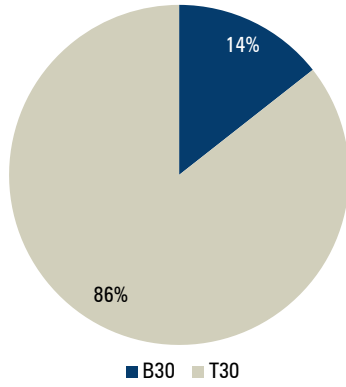
Source: Company, ICICI Direct Research

Exhibit 7: Distribution channel (equity AUM) (Q3FY21)



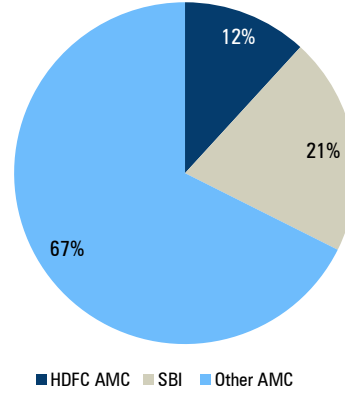
Source: Company, ICICI Direct Research

Exhibit 8: B30 AUM as percentage of total AUM



Source: Company, ICICI Direct Research

Exhibit 9: Second largest AMC in B30 by market share



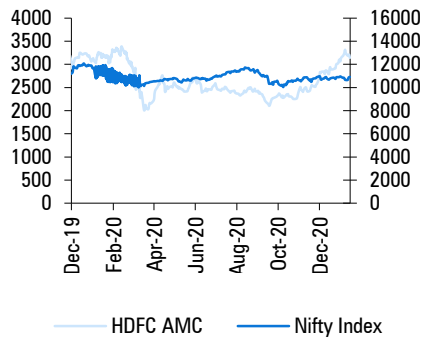
Source: Company, ICICI Direct Research

Exhibit 10: Shareholding Pattern

in %	Sep-19	Dec-19	Mar-20	Jun-20	Dec-20
Promoter	82.7	79.7	79.6	74.0	73.9
DII	5.8	8.1	1.4	3.2	5.6
FII	1.7	0.9	8.0	10.7	9.1
Others	9.8	11.3	11.0	12.2	11.3

Source: Company, ICICI Direct Research

Exhibit 11: Price Chart



Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 12: Profit & Loss Statement

(₹ crores)	FY19	FY20	FY21E	FY22E	FY23E
Revenue from Operations	1,915.2	2,003.3	1,913.3	2,249.1	2,555.6
Growth (%)	9.0%	4.6%	-4.5%	17.6%	13.6%
Other Income	181.6	139.9	374.6	220.6	223.6
Total Revenue	2,096.8	2,143.1	2,287.9	2,469.6	2,779.2
Employee Benefit Expenses	206.3	214.7	220.5	245.4	273.1
Depreciation & Amortization Expense	12.9	50.4	56.4	56.4	56.4
Other Expenses (incl fees)	503.0	225.1	178.3	195.6	213.9
Total Expenses	722.1	490.2	455.2	497.4	543.4
Profit Before Tax	1,374.7	1,652.9	1,832.7	1,972.2	2,235.7
Taxes	444.1	390.6	467.3	502.9	570.1
Profit After Tax	930.6	1,262.3	1,365.4	1,469.3	1,665.6
EPS (₹)	43.9	59.2	64.1	69.0	78.2

Source: Company, ICICI Direct Research

### Exhibit 13: Balance Sheet

(₹ crores)	FY19	FY20	FY21E	FY22E	FY23E
<b>Sources of Funds</b>					
Share capital	106.3	106.4	106.4	106.4	106.4
Reserves and surplus	2964.4	3922.9	4605.5	5340.2	6173.0
Total Shareholders funds	3070.7	4029.3	4711.9	5446.6	6279.4
<b>Applications of Funds</b>					
Property, plant and equipment	25.6	141.4	148.5	163.3	179.6
Intangible assets	14.1	15.3	16.3	17.3	18.3
Intangible asset under development	3.2	4.6	4.6	4.6	4.6
Investments*	2935.0	3944.5	4449.7	4993.3	5609.6
Long term loans and advances	47.9	27.1	27.1	27.1	27.1
Deferred tax assets (net)	0.0	21.7	21.7	21.7	21.7
Total Current Assets and Others	198.0	154.0	351.4	557.2	790.2
Total Assets	3223.8	4308.6	5019.2	5784.6	6651.2
<b>Total Non-Current Liabilities</b>					
	4.6	3.9	4.3	4.8	5.2
<b>Total Current Liabilities</b>					
	148.4	275.4	302.9	333.2	366.6
<b>Total</b>					
	3223.8	4308.6	5019.2	5784.6	6651.2

Source: Company, ICICI Direct Research

### Exhibit 14: Key Ratios

	FY19	FY20	FY21E	FY22E	FY23E
<b>Valuation</b>					
No of Equity shares (crore)	21.2	21.3	21.3	21.3	21.3
EPS	43.9	59.2	64.1	69.0	78.2
DPS	24.0	28.0	32.0	34.5	39.1
BVPS	144.8	189.1	221.1	255.6	294.7
P/E	71.5	53.0	49.0	45.5	40.1
P/BV	21.7	16.6	14.2	12.3	10.6
<b>Operating Ratios (%)</b>					
Rev/AUM	0.6	0.6	0.4	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
<b>Return Ratios (%)</b>					
RoNW	30.3%	31.3%	29.0%	27.0%	26.5%
NAV per equity share	28.9%	29.3%	27.2%	25.4%	25.0%

Source: Company, ICICI Direct Research

**Exhibit 15: ICICI Direct coverage universe (BFSI)**

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			P/ABV (x)			RoAUM (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
HDFC AMC (HDFAMC)	3,130	3,000	Hold	66,276	59.2	64.1	69.0	52.8	48.8	45.4	16.6	14.2	12.2	0.4	0.3	0.3	31.3	29.0	27.0
Nippon AMC (RELNIP)	329	300	Hold	20,218	6.8	9.6	11.1	48.5	34.4	29.6	7.8	7.3	6.9	0.1	0.3	0.3	14.1	16.6	16.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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