



Q4FY24

HDFC Asset Management Co. Ltd.



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One-off adjustments impact blended yields; TER to normalize from Q1FY25E

CMP INR 3,648	Target INR 4,235	Potential Upside 16.1%	Market Cap (INR Mn) 7,77,082	Recommendation BUY	Sector Asset Management Services
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Result Highlights Q4FY24:

- In Q4FY24, revenue stood at INR 6,954 Mn, an increase of 28.6% YoY/ 3.6% QoQ. Revenues were 6.3% lower than our estimates due to the fall in blended yields.
- EBITDA was reported at INR 5,393 Mn (excluding other income), which grew by 31.4% YoY/ 5.4% QoQ with margins of 77.5%. EBITDA margins expanded by 165 bps YoY and 136 bps QoQ during the quarter, led by healthy revenues. EBITDA was 4.9% lower than our estimates due to lower-than-expected sales, but margins were better than our estimates of 76.5%.
- Net profit for Q4FY24 grew by 43.8% YoY/ 10.5% QoQ to INR 5,411 Mn, led by higher other income and a lower tax rate at 20.0%. Thus, these two factors resulted in a 7.2% higher net profit than our estimates.
- We revised our EPS estimates upward for FY25E and FY26E by 2.1% and 8.5%, respectively, primarily driven by higher AUM growth. However, we remain cautious in the near term due to pressure on flows, pricing, and regulatory risks. We are applying a P/E multiple of 37x on FY26E EPS of INR 114.5 to arrive at a target price of INR 4,235 per share (earlier INR 4,005), an upside of 16.1% over the CMP.**

MARKET DATA

Shares outs (Mn)	213
Equity Cap (INR Mn)	70,791
Mkt Cap (INR Mn)	7,77,082
52 Wk H/L (INR)	4,067/ 1,728
Volume Avg (3m K)	503
Face Value (INR)	5
Bloomberg Code	HDFCAMC: IN

KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	21,154	21,668	25,844	33,645	38,878
EBITDA	15,999	16,179	19,615	26,210	30,286
PAT	13,931	14,239	19,459	21,423	24,445
EPS (INR)	65.4	66.7	91.1	100.4	114.5
EBITDA Margin	75.6%	74.7%	75.9%	77.9%	77.9%
NPM	65.9%	65.7%	75.3%	63.7%	62.9%

Source: Company, KRChoksey Research

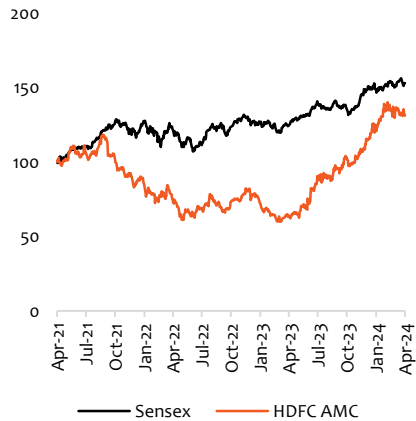
AUM growth in Q4FY24 was driven by equity segment traction, which also led to 30 bps YoY market share gain:

- As of March 31, 2024, the closing AUM stood at INR 607,300 Mn, reflecting 39.1% YoY/ 5.6% QoQ growth driven by a higher tilt towards equity-oriented assets.
- In FY24, HDFCAMC expanded its product offerings and sectoral and thematic space by launching five new funds. On the passive front, it has enhanced its bouquet by launching five index funds and two ETFs.
- The Company has witnessed healthy growth in its unique investor count. It added 3.0 Mn new customers during the year, taking the total number of unique customers to 9.6 Mn, with 16.6 Mn live accounts. The Company continues to hold the pole position for its market share in individual investor AUMs and is second highest in terms of B-30 AUMs.
- The actively managed equity-oriented fund closing AUM stood at INR 3,754 Bn, a growth of 61.7% YoY/ 8.3% QoQ. The equity mix reported an improvement from 56.2% as of March 31, 2023, to 65.4% as of March 31, 2024 (vs. 63.8% as of December 31, 2024). The mix continued to be better than the overall industry, where the equity mix for the industry stood at 57.0%.
- HDFCAMC's market share in overall AUM improved from 11.1% in FY23 to 11.4% in FY24. It has seen a healthy improvement in its equity-oriented segment by 90 bps YoY. The Company believes it has been witnessing a gradual market share growth across all segments.
- HDFC AMC added 24 new branches as of January 02, 2024, bringing the total number of branches to 254 as of March 31, 2024. This will help further improve the Company's penetration in B-30 locations.
- HDFCAMC also continues to invest in its digital infrastructure to support its distribution partners. Thus, it has been constantly evaluating additional opportunities for growth and expansion.

One-time TER led to a sharp decline in yields; robust earnings growth driven by higher other income:

- The Company's blended yield reported for the quarter stood at 45 bps, a decline of 6.0% YoY and 7.0% QoQ. A one-off in the quarter led to the yield compression, which the Company believes should realign by Q1FY25E. This would be a fraction of 1 bps statistically, but that is a meaningful amount for the Company, especially when the same is looked upon from a particular quarter.
- According to management, the employee cost for FY24 increased by 13.0% YoY as it included an ESOP cost of INR 470 Mn, while for FY25E, the ESOPs will reduce to INR 200 Mn.
- The investment income for Q4FY24 stood at INR 1,555 Mn, growing by 60.5% YoY/ 9.1% QoQ, led by healthy MTM gains driven by the capital market momentum.
- The effective tax rate during the quarter was lower at 20.0%, primarily due to a decrease in deferred tax charges, mainly attributed to the holding period of certain investments, transitioning from short-term to long-term.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	73,649
NIFTY	22,336

SHARE HOLDING PATTERN (%)

Particulars	Mar-24	Dec-23	Sep-23
Promoters	52.6	52.6	52.6
FIIIs	20.0	18.0	16.0
DIIIs	18.4	19.4	20.7
Others	9.0	10.0	10.7
Total	100.0	100.0	100.0

21.5%

Revenue CAGR between FY23 and FY26E

19.7%

PAT CAGR between FY23 and FY26E

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Concall Highlights:

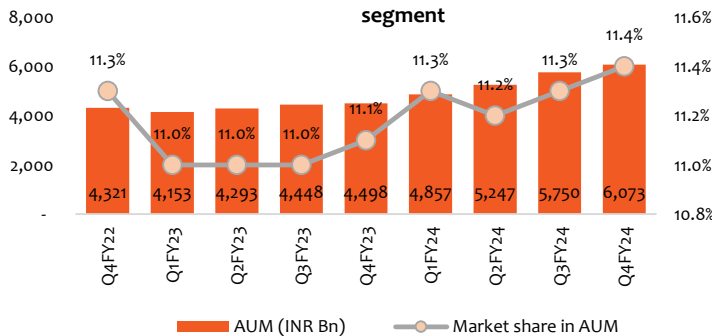
- The industry closed FY24 with AUM of INR 53.4 Tn, a 35.0% YoY growth.
- Industry net flows for the year came in at INR 3.5 Tn.
- The largest contributors to the net flows were actively managed equity-oriented funds. They attracted INR 2.4 Tn in FY24, a notable increase from INR 1.6 Tn in FY23. The contribution of NFOs to this number was INR 546 Bn.
- The industry's equity index funds saw net new flows of INR 247 Bn. Net flows into debt funds were INR 83 Bn.
- Debt ETF stood at INR 109 Bn which adds up to INR 192 Bn, though debt index funds had net outflows of INR 90 Bn. Thus, overall net flows for the industry were INR 102 Bn in debt, that is active and passive, combined.
- The industry continues to set records in terms of monthly SIP flows, with overall contribution for FY24 reaching INR 2.0 Tn, as against INR 1.6 Tn in FY23. The SIP flows in the month of March 2024 reached INR 193 Bn.
- The equity-oriented ETFs attracted flows of INR 293 Bn in FY24.
- The unique investor base for industry expanded to 44.6 Mn which means the industry added 6.9 Mn new investors.
- HDFCAMC's systematic transactions, that is both SIP and STP, saw flows adding up to INR 23.9 Bn in March of 2024. This number was INR 17.1 Bn in March of 2023.
- There was a fall in the direct TER of some of HDFCAMC's schemes during the last quarter, and the same has been reinstated to an extent starting April 1, 2024.
- For the Small Cap Fund, its direct planned TER decreased from 72 bps on December 31, 2023, to 58 bps on March 31, 2024, and subsequently increased to 63 bps on April 1, 2024.
- The Direct Plan TER of Transportation, Logistics, and Dividend Yield Fund increased by 7 bps and 5 bps, respectively, between March 31 and April 1, 2024.
- The Company is actively pursuing deeper partnerships with HDFC Bank, despite experiencing a decline in its share of total equity AUM from 8.1% in FY23 to 7.6% in FY24. On the other hand, the flow share of HDFC Bank surpasses the book.
- HDFCAMC has opened 24 new branches in Q4FY24 with increased focus on B-30 locations. The total branches has reached to 254 with 174 branches in B-30 locations.

Valuation and view: HDFCAMC saw a mixed performance in Q4FY24 with robust growth in AUM led by its well-balanced product mix, while a disappointment was witnessed on the yields side due to its sharp decline on account of the one-off year-end adjustments. HDFCAMC has seen marginal pressure on blended yields due to the revision of TER slabs. However, a part of it has been offset by the robust AUM growth during the quarter, leading to healthy operating income. Thus, yields are expected to reverse in Q1FY25E, leading to further improvement in core revenue growth.

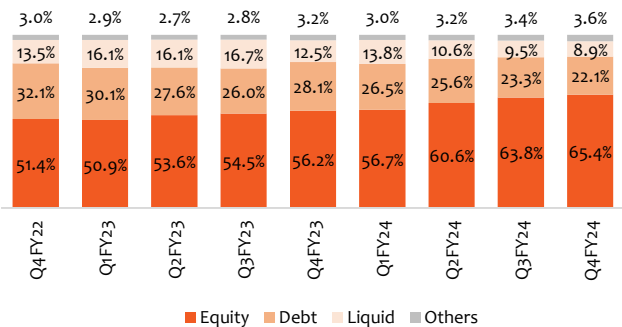
It is anticipated that the market share will experience a gradual increase in the future, owing to the wide range of products and the expansion of branches. HDFCAMC introduced thematic funds in the equity segment, expanding its product portfolio. This expansion was likely to meet the changing investment preferences of its customers. The mutual fund industry is poised to thrive due to several favorable factors. These include the increasing significance of financial savings among Indian households, the untapped potential of mutual funds, the growing awareness and education of investors, strong distribution platforms, and the convenience of digital transactions.

The broad distribution network that HDFC AMC possesses, including its entire network of HDFC Bank, and its strong brand identity contribute to its growth. **We expect AUM to grow at a CAGR of 24.0% over FY23–26E, driven by a higher share of the equity-oriented segment. We revise our EPS estimates for FY25E/ FY26E by 4.3%/ 11.6%, respectively. We expect Revenues/ EBITDA/ PAT to grow at 21.5%/ 23.2%/ 19.7% over FY23–26E. HDFCAMC shares are currently trading at a P/E of 36.3x/ 31.9x on FY25E/ FY26E earnings. However, we remain cautious in the near term due to pressure on flows, pricing and regulatory risks. We are applying a P/E multiple of 37x on FY26E EPS of INR 114.5 to arrive at a target price of INR 4,235 per share (earlier INR 4,005), an upside of 16.1% over the CMP. We reiterate our “BUY” rating on the shares of HDFC AMC.**

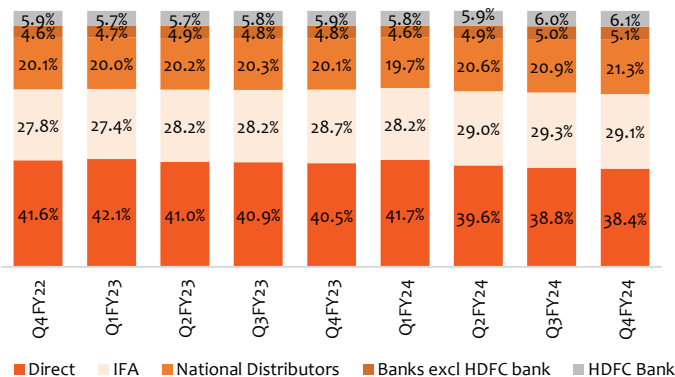
Closing AUM and market share
Robust growth in AUM led by continued traction in equity segment



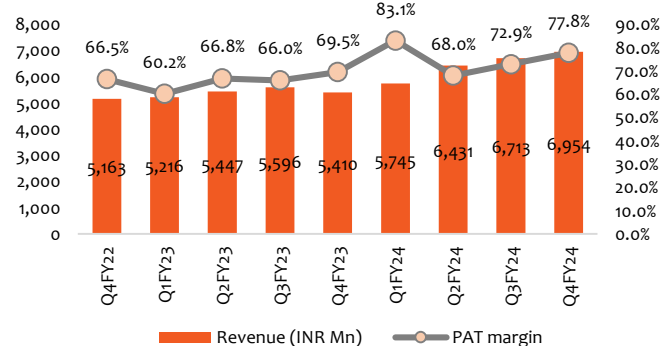
Segment-wise AUM mix (%)
Core segment mix continues to outperform industry



Distribution Mix on AUM basis (%)
HDFC Bank share sees gradual improvement



Financial operations:
Lower taxation expenses keeps margin high



Source: Company, KRChoksey Research

HDFC Asset Management Co. Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY22	FY23	FY24	FY25E	FY26E
Revenue from operations	21,154	21,668	25,844	33,645	38,878
Total expenses	5,154	5,489	6,229	7,435	8,592
Employee benefit expenses	3,122	3,127	3,535	4,206	4,860
Other operating expenses	2,032	2,363	2,694	3,230	3,732
EBITDA	15,999	16,179	19,615	26,210	30,286
EBITDA Margin	75.6%	74.7%	75.9%	77.9%	77.9%
Depreciation	539	533	523	556	631
EBIT	15,461	15,645	19,092	25,654	29,655
EBIT Margin	73.1%	72.2%	73.9%	76.2%	76.3%
Other income	3,178	3,158	5,781	3,006	3,036
Finance cost	86	97	91	95	98
PBT	18,553	18,706	24,782	28,565	32,593
Tax	4,622	4,467	5,323	7,141	8,148
PAT	13,931	14,239	19,459	21,423	24,445
PAT margin	65.9%	65.7%	75.3%	63.7%	62.9%
EPS (INR)	65.4	66.7	91.1	100.4	114.5

Source: Company, KRChoksey Research

INR Mn	FY22	FY23	FY24	FY25E	FY26E
Net Cash Generated From Operations	12,537	11,493	16,200	20,155	25,006
Net Cash Flow from/(used in) Investing Activities	(5,080)	(2,182)	(5,467)	(6,799)	(10,530)
Net Cash Flow from Financing Activities	(7,455)	(9,299)	(10,662)	(13,236)	(14,517)
Net Inc/Dec in cash equivalents	2	13	71	120	(41)
Opening Balance	17	19	31	102	222
Closing Balance Cash and Cash Equivalents	19	31	102	222	180

Source: Company, KRChoksey Research

HDFC Asset Management Co. Ltd.

Exhibit 2: Balance Sheet

INR Mn	FY22	FY23	FY24	FY25E	FY26E
Cash and Cash Equivalents	19	31	102	222	180
Bank Balance	62	9	10	10	10
Trade Receivables	745	1,837	933	2,692	3,110
Other Receivables	60	126	132	236	272
Investments	55,702	60,792	71,900	77,993	87,742
Other Financial Assets	252	312	212	673	778
Total Financial Assets	56,840	63,107	73,288	81,825	92,092
Current Tax Assets (net)	306	305	310	404	467
Deferred Tax Assets (net)	0	0	0	0	0
Property, Plant and Equipment	1,222	1,376	1,363	1,513	1,663
Intangible Assets Under Development	5	21	9	32	32
Goodwill	60	60	60	60	60
Other Intangible Assets	69	68	89	80	80
Other Non-Financial Assets	302	428	455	593	685
Total Non-Financial Assets	1,964	2,259	2,287	2,683	2,988
Total Assets	58,804	65,365	75,576	84,507	95,080
Trade Payables	292	356	388	446	516
Other Financial Liabilities	1,896	2,063	2,068	3,028	3,499
Total Financial Liabilities	2,189	2,419	2,456	3,474	4,015
Current Tax Liabilities (net)	74	184	63	63	63
Provisions	118	126	164	164	164
Deferred Tax Liabilities (net)	753	1,008	1,156	1,156	1,156
Other Non-Financial Liabilities	370	545	947	673	778
Total Non-Financial Liabilities	1,315	1,863	2,329	2,055	2,160
Equity Share Capital	1,066	1,067	1,067	1,067	1,067
Other Equity	54,234	60,017	69,723	77,911	87,838
Total Equity	55,300	61,084	70,791	78,978	88,906
Total Liabilities and Equity	58,804	65,365	75,576	84,507	95,080

Source: Company, KRChoksey Research

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
EBITDA margin	75.6%	74.7%	75.9%	77.9%	77.9%
EBIT margin	73.1%	72.2%	73.9%	76.2%	76.3%
PAT margin	65.9%	65.7%	75.3%	63.7%	62.9%
Return on Assets	23.7%	21.8%	25.7%	25.4%	25.7%
Return on Equity	25.2%	23.3%	27.5%	27.1%	27.5%

Source: Company, KRChoksey Research

HDFC Asset Management Co. Ltd.

HDFC Asset Management Co. Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
23-Apr-24	3,648	4,235	BUY
16-Jan-24	3,436	4,005	BUY
13-Oct-23	2,852	3,035	ACCUMULATE
28-Jul-23	2,535	2,725	ACCUMULATE
26-Apr-23	1,738	1,970	ACCUMULATE
27-Jan-23	1,934	2,202	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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