

April 20, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	4,100		3,900	
Revenue (Rs. m)	30,068	34,391	30,715	35,097
% Chng.	(2.1)	(2.0)		
Opex (Rs. m)	7,421	8,186	7,741	8,493
% Chng.	(4.1)	(3.6)		
Core EPS (Rs.)	81.7	94.5	81.8	94.7
% Chng.	(0.1)	(0.2)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Revenue (Rs m)	21,668	25,844	30,068	34,391
Opex	6,120	6,842	7,421	8,186
Employee	3,127	3,535	3,750	4,111
Others	2,993	3,308	3,672	4,076
Core Inc. (Rs m)	15,549	19,001	22,647	26,204
PAT (Rs mn)	14,239	19,459	21,212	24,195
Core PAT (Rs m)	11,836	14,920	17,438	20,177
Core EPS (Rs.)	55.5	69.9	81.7	94.5
Gr. (%)	2.5	26.0	16.9	15.7
AAuM (Rs bn)	4,348	5,437	6,476	7,634
Gr. (%)	0.2	25.1	19.1	17.9
Core RoAAuM (%)	0.3	0.3	0.3	0.3
Core RoE (%)	25.6	29.6	32.8	37.5
P/Core EPS (x)	24.3	29.1	41.0	35.2

Key Data [HDFC.BO](#) | [HDFCAMC IN](#)

52-W High / Low	Rs.4,067 / Rs.1,728
Sensex / Nifty	71,721 / 21,647
Market Cap	Rs. 791.4bn/ \$ 9,481.2m
Shares Outstanding	213.5m
3M Avg. Daily Value	Rs.1,864.4m

Shareholding Pattern (%)

Promoter's	52.55
Foreign	20.01
Domestic Institution	18.37
Public & Others	9.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.9	31.7	113.4
Relative	3.4	19.2	88.6

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Revenue blip to normalise in Q1FY25

Quick Pointers:

- One-off TER impact marred core income; yields to regularize in Q1'25.
- Equity market share further enhanced by 20bps QoQ to 12.8%.

HDFC AMC revenue/core income missed PLe by 4.5% driven by one-off TER impact. QAAuM at Rs6130bn was in-line. Blended yields declined by 3.3bps QoQ to 45.4bps (PLe 47.5bps). 50% of the fall was due to telescopic pricing as there was a change in TER slabs for ~53% of equity led by strong growth. 50% of reduction was driven by one-time fall in direct TER of some schemes due to underestimation of distributor payouts. However, blended yields have reverted to 47bps since 1st Apr'24. Equity performance within 1yr/3yr buckets remains best-in-class which has resulted in strong net flows' market share of 20% in FY24 (vs 8.6% in FY23). Hence equity market share further expanded to 12.8% (+20bps QoQ). Over FY24-26E we see healthy core income CAGR of 17.0% led by higher than industry equity growth. Stock is trading at 35x on FY26E core EPS. We maintain multiple at 39x but increase TP to Rs4,100 from Rs3,900 due to slight upgrade in earnings and increase in CPS. Retain BUY.

- Miss on core income due to one-time revenue impact:** QAAuM was in-line at Rs6130bn (+11.2% QoQ) while equity at Rs3681bn grew by 15.2% QoQ. Revenue was lower at Rs6.95bn (PLe Rs7.28bn) led by decrease in revenue yields from 48.7bps in Q3'24 to 45.4bps in Q4'24 owing to a one-off impact. This was partly offset by lower opex at Rs1.72bn (PLe Rs1.79bn) due to staff cost and other opex. ESOP cost was Rs100mn for Q4'24. Core income was weaker at Rs5.24bn (-4.5% below of PLe) resulting in operating yields at 34bps (36bps last qtr). Other income was ahead at Rs1.6bn (PLe Rs0.8bn) while tax rate reduced to 20.3% (23.3% in Q3'24) due to lower deferred tax charge, mainly attributable to change in holding period of certain investments from short-term to long-term. Hence despite of a 2bps fall in operating yields core PAT was cushioned at 27.2bps (27.6bps in Q3'24). PAT was 14% ahead of PLe at Rs4.1bn due to higher other income and lower tax rate.
- Equity share continues to improve while debt falls:** During Q4FY24, due to strong equity market growth, 53% of equity AuM (incl. balanced) saw a change in TER threshold causing headwinds to yields. However, this was partly offset by (1) increase in equity mix (incl. balanced) QoQ from 57.9% to 60.1% (2) 215bps QoQ fall in debt share to 21.1%, partially protecting blended yields. Driven by superior equity performance leading to market share gains in net equity flows, market share in equity+bal and overall QAAuM has been enhancing post Q1FY23; it improved QoQ by 20/12bps to 12.8%/11.3% respectively. As of Mar'24, basis weighted average equity performance, HDFC AMC remains the top performing fund (rank 1) in the 1-yr and 3-yr bucket.
- One-time TER impact; yields have normalized since 1st Apr'24:** Blended yields declined by 3.3bps QoQ of which (1) ~50% was attributable to strong equity growth and subsequent telescopic pricing impact (2) while ~50% was driven by one-time fall in direct TER of some schemes like small cap, hybrid, credit risk etc. Underestimation of distributor commissions in these schemes led to direct TER reversal. Company suggested that blended yields have normalized to ~47bps since 1st April'24. ESOP cost for FY24 was Rs471mn and the management expects non-cash charge of Rs200mn in FY25E.

Exhibit 1: PAT ahead at Rs5.4bn due to higher other income and lower taxes

Revenue was lower than estimates due to decrease in revenue yields.

Operating expenses were lower by 2% QoQ due to lower staff cost and other opex

Other income was higher at 1.6bn due to higher MTM gains.

Revenue yield declined to 45bps, and RoAAuM decreased to 35.3bps

QAAuM growth of 36% YoY continues to be driven by equity (+66% YoY) and balanced (+42% YoY)

Financials (Rs m)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)
Revenue	6,954	5,410	28.6	6,713	3.6
Total Expenses	1,718	1,460	17.6	1,751	(1.9)
Employees	765	719	6.4	774	(1.2)
Other expenses	854	742	15.1	848	0.6
Operating Income	5,236	3,949	32.6	4,962	5.5
Other Income	1,555	969	60.5	1,424	9.1
Profit before tax	6,791	4,918	38.1	6,386	6.3
Tax	1,380	1,156	19.4	1,489	(7.3)
Profit after tax	5,411	3,762	43.8	4,897	10.5
Core PAT	4,172	3,021	38.1	3,805	9.7
Profitability ratios (bps)					
Revenue yield	45.4	48.1	(273)	48.7	(332)
Employee to AuM	5.0	6.4	(140)	5.6	(62)
Opex to AuM	5.6	6.6	(103)	6.2	(58)
Core income/AuM	34.2	35.1	(96)	36.0	(183)
PAT/AuM	35.3	33.5	185	35.5	(22)
Core PAT/AuM	27.2	26.9	36	27.6	(38)
QAAuM (Rs. mn)					
Equity	24,43,425	14,71,937	66.0	20,96,053	16.6
Balanced	12,38,087	8,72,289	41.9	10,98,955	12.7
Debt	12,95,224	11,54,384	12.2	12,83,817	0.9
Liquid	6,73,955	7,12,480	(5.4)	6,24,392	7.9
ETF	1,10,303	75,763	45.6	1,02,316	7.8
Index	2,51,973	1,41,913	77.6	2,18,257	15.4
Arbitrage	1,04,950	58,323	79.9	79,047	32.8
FoF overseas	11,721	10,061	16.5	10,960	6.9

Source: Company, PL.

Key Q4FY24 Conference Call Highlights

Industry:

- Closing AUM for industry was Rs53.4trn (+35% YoY), contributed by net flows of Rs3.5trn. Major contribution was from active equity with net flows of Rs1.6trn and NFOs contributing Rs546bn. Debt funds attracted net flows of Rs83bn.
- SIP flow contribution for FY24 was Rs2trn; SIP flow for Mar'24 was Rs193bn.
- Unique Investor base increased by ~6.9mn in FY24 to 44.6mn.

Company Performance

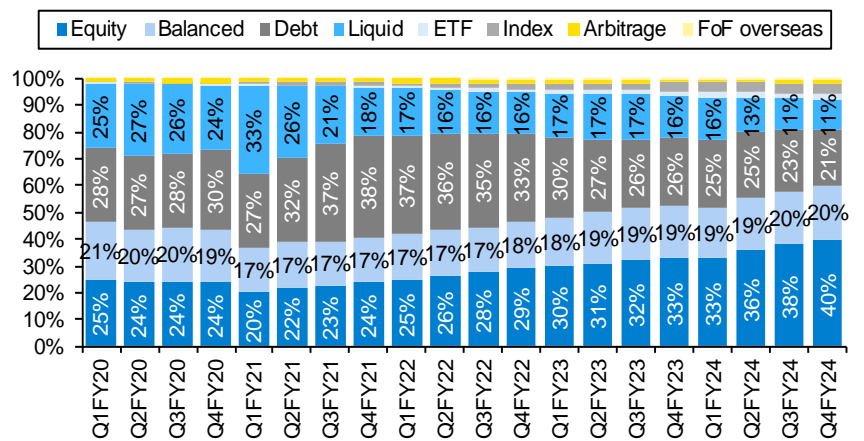
- SIP/STP flows added up to Rs23.9bn in Mar'24 (Rs17.1bn in Mar'23). SIP AUM is 37% of active equity which is in-line with industry.
- **Blended yields declined QoQ** as total expense ratio for some funds saw a one-time impact. Small cap TER decreased to 58bps from 72bps QoQ (63bps from Ap'24), hybrid TER reduced to 119bps from 127bps (124bps from Apr'24), credit risk debt TER fell to 91bps from 97bps (96bps from Ap'24). However, revenue yields which are expected to normalize from Apr'24.
- Regular TER is computed based on formula while direct TER is reduced for estimated distribution commissions. Underestimation of commission leads to reversal of TER leading to one-time adjustment in revenue.
- **Blended yields** for Q4'24 stood at ~59bps for equity, 27-28bps for debt and 11-13bps for liquid. Overall yields were ~45bps. Going forward, overall yields are guided at ~47bps, expenses guided at ~12bps. As on 1st Apr'24, equity yields stood at 59bps.
- **Flow market share** is higher than book market share while flow margin is lower than book margin. Flow margin ranges between 50-60bps vs book margin (59bps currently).
- **Staff cost** – ESOPs are amortized as 60% in first year, 30% in next year and 10% in following year. Overall non-cash charge is guided at Rs200mn for FY25. Headcount increase in FY24 was 200 employees. 2 senior resources have been hired on private credit side within AIF.
- **Total Opex**- Total expenses were 12bps considering constituent investment in digital-front, technology, branches, new recruitments (sales+tech). Focus is on prudent usage of funds and capitalizing on opportunities.
- **Taxes**- Effective tax rate is lower primarily due to decreased deferred tax charge, mainly attributable to change in holding period of certain investments from short-term to long-term.

Others

- Company announced a dividend of Rs70/share (Rs48/share in FY23). Payouts are expected to keep increasing but no such policy is disclosed.
- **Branches**- 24 new branches opened during Q4'24, with majority located in B-30 locations. Total branch base has now reached to 254 with 174 branches in B-30 locations.

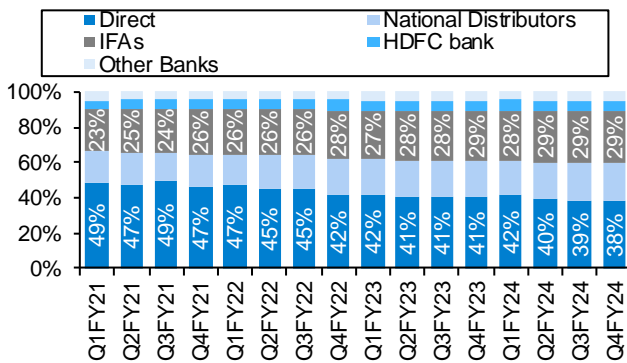
- Focus is on thematic funds. Manufacturing fund is planned to open on 26th April 2024. Investment Team is evaluating other opportunities as well.
- Fintech Platforms** – Overall group has registered 17.7mn SIPs in FY24. Company is available on all platforms to capture new flows and SIP registrations. Company has a dedicated channel to drive fintech strategy.
- Debt AUM** – A new campaign called ‘Fixed Income Sahi Hai’ has been started to create awareness in debt. Rise in debt AUM is on account of investors parking money to earn on interest rate rise.

Exhibit 2: Equity + Bal share increased to ~60%/ liquid stable at ~11%



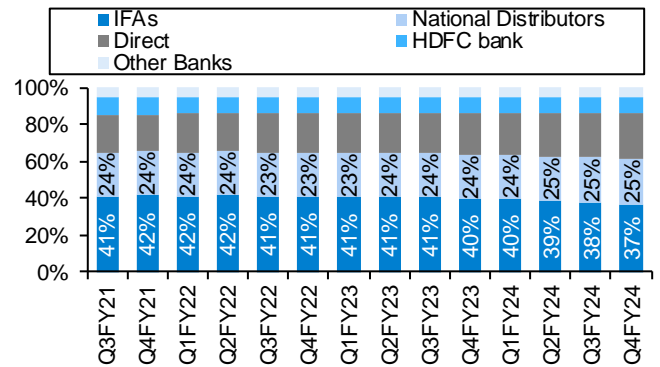
Source: Company, PL

Exhibit 3: Total distribution: Direct dominates at 38%



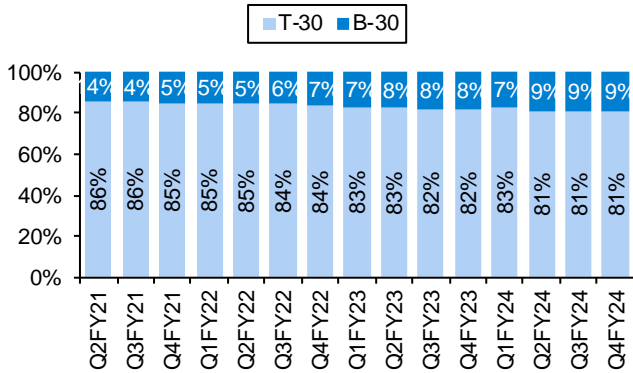
Source: Company, PL

Exhibit 4: Equity Distribution: IFAs dominate at 37%



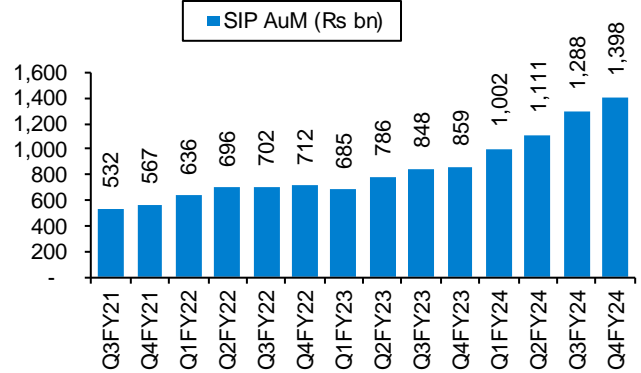
Source: Company, PL

Exhibit 5: T-30: B-30 mix stable at 81:19



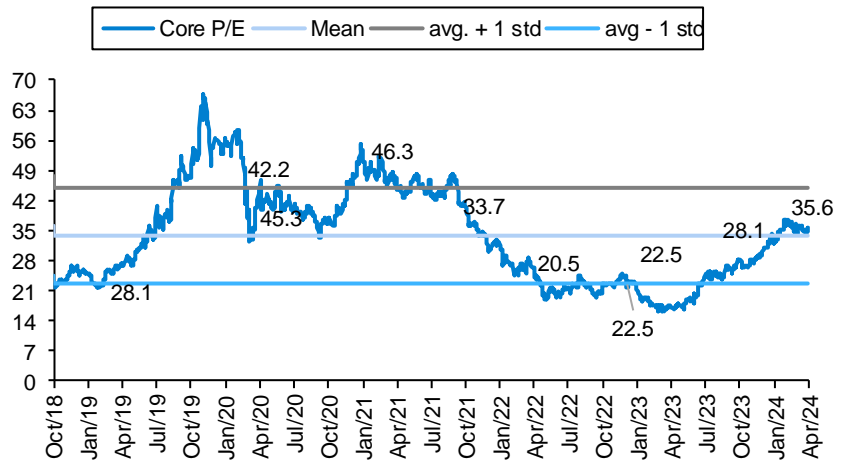
Source: Company, PL

Exhibit 6: SIP AuM continues to grow (+63%YoY/9%QoQ)



Source: Company, PL

Exhibit 7: HDFCAMC 2-yr fwd. P/Core EPS trades at 35.6x (66 mth avg. 34x)



Source: Company, PL

Financials

Exhibit 8: Quarterly Financials

Particulars (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Revenue	5,163	5,216	5,447	5,596	5,410	5,745	6,431	6,713	6,954
Expenses	1,383	1,479	1,558	1,622	1,460	1,612	1,761	1,751	1,718
Employee	714	780	839	790	719	731	798	774	765
Others	534	564	587	699	609	645	702	718	721
Depreciation	134	135	132	134	133	129	130	131	133
Core Income	3,780	3,737	3,889	3,974	3,949	4,133	4,670	4,962	5,236
Other Income	647	113	1,042	1,034	969	1,580	1,221	1,424	1,555
PBT	4,427	3,850	4,931	5,007	4,918	5,714	5,891	6,386	6,791
Tax	991	708	1,290	1,313	1,156	939	1,516	1,489	1,380
PAT	3,436	3,142	3,641	3,694	3,762	4,775	4,376	4,897	5,411
Core PAT	2,934	3,050	2,872	2,931	3,021	3,454	3,468	3,805	4,172
QAAuM	4,321,336	4,153,319	4,292,511	4,447,201	4,497,151	4,856,309	5,247,903	5,513,799	6,129,639
Equity	28.9%	29.7%	31.1%	32.4%	32.7%	32.8%	35.7%	38.0%	39.9%
Balanced	17.5%	18.4%	18.8%	19.2%	19.4%	19.0%	19.4%	19.9%	20.2%
Debt	32.7%	29.9%	27.3%	25.5%	25.7%	25.3%	24.8%	23.3%	21.1%
Liquid	15.9%	16.6%	17.2%	17.1%	15.8%	15.9%	13.1%	11.3%	11.0%
ETF	1.1%	1.1%	1.2%	1.3%	1.7%	1.9%	1.8%	1.9%	1.8%
Index	2.0%	2.4%	2.7%	2.9%	3.2%	3.7%	3.8%	4.0%	4.1%
Arbitrage	1.6%	1.6%	1.5%	1.3%	1.3%	1.1%	1.2%	1.4%	1.7%
FoF overseas	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Market share (%)	11.3	11.0	11.0	11.0	11.1	11.3	11.2	11.2	11.3
Equity	9.3	9.3	9.3	9.4	9.7	9.8	10.2	10.5	10.7
Balanced	18.5	18.5	18.6	19.0	19.4	19.9	20.3	20.4	20.7
Eq+Bal	11.5	11.4	11.4	11.6	11.9	12.0	12.3	12.6	12.8
Debt	14.6	14.3	14.7	14.8	15.1	14.7	14.7	14.5	14.7
Liquid	13.3	13.1	13.2	13.7	12.8	13.7	11.9	11.5	11.6
ETF	1.1	1.1	1.1	1.2	1.5	1.7	1.7	1.7	1.7
Index	16.6	13.4	11.6	10.9	10.3	10.5	11.2	11.5	12.2
QAAuM Growth (%)	-3.3	-3.9	3.4	3.6	1.1	8.0	8.1	5.1	11.2
Equity	1.5	-1.4	8.1	8.1	2.2	8.1	17.6	12.0	16.6
Balanced	-0.6	0.7	5.9	5.9	1.9	6.0	10.1	7.9	12.7
Eq+Bal	0.7	-0.6	7.3	7.3	2.1	7.3	14.9	10.5	15.2
Debt	-9.7	-12.2	-5.5	-3.3	1.8	6.5	5.8	-1.3	0.9
Liquid	-2.5	0.8	7.0	2.6	-6.1	8.5	-11.4	-8.9	7.9
ETF	7.9	3.1	8.0	15.1	27.9	20.3	6.3	5.6	7.8
Index	14.4	14.6	14.3	12.6	10.3	28.3	10.5	8.5	15.4
Arbitrage	-10.9	-2.0	-6.6	-5.7	-1.6	-6.8	16.0	25.3	32.8
FoF overseas	2.6	-10.0	0.2	-3.6	-0.9	0.8	0.0	8.0	6.9
Dupont (bps)									
Revenue yield	47.8	50.2	50.8	50.3	48.1	47.3	49.0	48.7	45.4
Opex to AuM	12.8	14.2	14.5	14.6	13.0	13.3	13.4	12.7	11.2
Staff cost	6.6	7.5	7.8	7.1	6.4	6.0	6.1	5.6	5.0
Other opex	4.9	5.4	5.5	6.3	5.4	5.3	5.3	5.2	4.7
Depreciation	1.2	1.3	1.2	1.2	1.2	1.1	1.0	0.9	0.9
Core income/AuM	35.0	36.0	36.2	35.7	35.1	34.0	35.6	36.0	34.2
PAT/AuM	31.8	30.3	33.9	33.2	33.5	39.3	33.4	35.5	35.3
Core PAT/AuM	27.2	29.4	26.8	26.4	26.9	28.5	26.4	27.6	27.2
Profitability (%)									
Staff cost/revenue	13.8	15.0	15.4	14.1	13.3	12.7	12.4	11.5	11.0
Other opex/revenue	10.4	10.8	10.8	12.5	11.3	11.2	10.9	10.7	10.4
Core income/revenue	73.2	71.6	71.4	71.0	73.0	71.9	72.6	73.9	75.3
Tax rate	22.4	18.4	26.2	26.2	23.5	16.4	25.7	23.3	20.3
PAT margin	66.5	60.2	66.8	66.0	69.5	83.1	68.0	72.9	77.8
Core PAT margin	56.8	58.5	52.7	52.4	55.8	60.1	53.9	56.7	60.0

Source: Company, PL

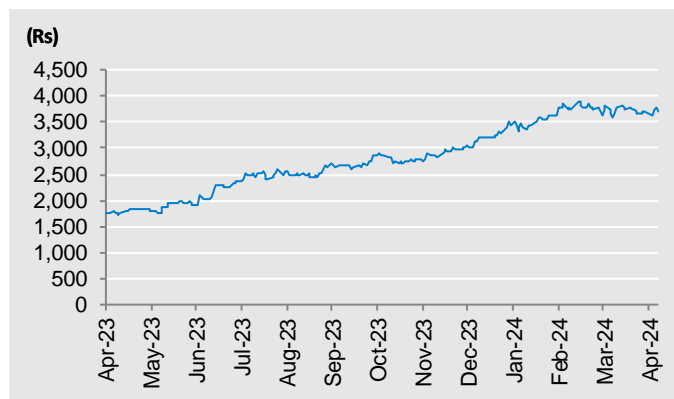
Exhibit 9: Summary Financials (Rs mn)

Particulars	FY23	FY24E	FY25E	FY26E	Particulars	FY23	FY24E	FY25E	FY26E
Profit & Loss					Balance Sheet				
Revenue	21,668	25,844	30,068	34,391	Net Worth	61,084	70,791	75,033	79,631
Investment mgmt.	21608	25771	29978	34288	Capital (FV Rs5)	1,067	1,067	1,067	1,067
PMS / Advisory	60	72	90	103	Reserves	60,017	69,723	73,966	78,563
Expenses	6,120	6,842	7,421	8,186	Employee benefit	731	0	0	0
Employee	3,127	3,535	3,750	4,111	Others	4,139	4,785	5,255	5,772
Others	2,460	2,785	3,134	3,511	Total Liabilities	65,954	75,576	80,288	85,403
Depreciation	533	523	537	564	Cash and Bank	40	112	112	112
Core Income	15,549	19,001	22,647	26,204	Investment	60,792	71,900	76,333	81,143
Other Income	3,158	5,781	4,902	5,217	Fixed assets	1,526	1,522	1,598	1,678
PBT	18,706	24,782	27,549	31,422	Others	3,596	2,042	2,246	2,471
Tax	4,467	5,323	6,336	7,227	Total Assets	65,954	75,576	80,288	85,403
PAT	14,239	19,459	21,212	24,195	AuM Data				
Core PAT	11,836	14,920	17,438	20,177	AAuM	43,47,546	54,36,912	64,75,589	76,33,585
Dividend	10,244	14,944	16,971	19,598	Equity	13,69,580	20,00,796	26,37,395	32,58,331
Growth ratios (%)					Balanced	8,24,645	10,70,055	13,11,236	15,60,977
Revenue	2.4	19.3	16.3	14.4	Debt	11,75,816	12,77,231	13,97,891	15,38,644
Opex	5.9	11.8	8.5	10.3	Liquid	7,25,511	6,89,164	6,28,059	6,74,116
Employee	0.2	13.0	6.1	9.6	ETF	58,539	1,00,170	1,28,394	1,56,805
Others	16.1	13.2	12.5	12.0	Index	1,21,215	2,13,393	2,66,778	3,27,139
Core income	1.1	22.2	19.2	15.7	Arb & FoF	72,239	86,102	1,05,837	1,17,572
PAT	2.2	36.7	9.0	14.1	Mix				
Core PAT	2.5	26.1	16.9	15.7	Equity	31.5	36.8	40.7	42.7
DuPont analysis (%)					Balanced	19.0	19.7	20.2	20.4
Revenue	0.50	0.48	0.46	0.45	Debt	27.0	23.5	21.6	20.2
Expenses	0.14	0.13	0.11	0.11	Liquid	16.7	12.7	9.7	8.8
Employee	0.07	0.07	0.06	0.05	ETF	1.3	1.8	2.0	2.1
Others	0.06	0.05	0.05	0.05	Index	2.8	3.9	4.1	4.3
Depreciation	0.01	0.01	0.01	0.01	Arb & FoF	1.7	1.6	1.6	1.5
Core Income	0.358	0.349	0.350	0.343	Growth				
Other Income	0.07	0.11	0.08	0.07	Overall	0.2	25.1	19.1	17.9
PBT	0.43	0.46	0.43	0.41	Equity	17.0	46.1	31.8	23.5
Tax	0.10	0.10	0.10	0.09	Balanced	11.1	29.8	22.5	19.0
PAT (RoAAuM)	0.33	0.36	0.33	0.32	Debt	-23.0	8.6	9.4	10.1
Core RoAAuM	0.27	0.27	0.27	0.26	Liquid	2.4	-5.0	-8.9	7.3
ROE	24.5	29.5	29.1	31.3	ETF	42.3	71.1	28.2	22.1
Core RoE	25.6	29.6	32.8	37.5	Index	74.3	76.0	25.0	22.6
Other Ratios (%)					Valuations				
Staff cost/revenue	14.4	13.7	12.5	12.0	EPS	66.7	91.2	99.4	113.3
Other opex/revenue	11.4	10.8	10.4	10.2	Core EPS	55.5	69.9	81.7	94.5
Core Income/revenue	71.8	73.5	75.3	76.2	CPS	285.0	337.3	358.1	380.6
Other Income/revenue	14.6	22.4	16.3	15.2	DPS	48.0	70.0	79.5	91.8
Yield on Investments	5.3	8.6	6.5	6.5	Dividend yield	2.4	2.6	2.1	2.5
Effective tax rate	23.9	21.5	23.0	23.0	BVPS	286	332	351	373
PAT margin	65.7	75.3	70.5	70.4	P/B	6.0	8.2	10.5	9.9
Core PAT margin	54.8	57.9	58.2	58.8	P/E	21.7	29.8	37.3	32.7
Dividend payout (%)	71.9	76.8	80.0	81.0	P/core EPS	24.3	29.1	41.0	35.2

Source: Company, PL



Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	BUY	2,100	1,751
2	26-Apr-23	BUY	2,100	1,766
3	07-Jul-23	BUY	2,100	2,260
4	25-Jul-23	BUY	2,800	2,502
5	07-Oct-23	BUY	2,800	2,648
6	13-Oct-23	BUY	2,757	3,000
7	10-Nov-23	BUY	2,762	3,000
8	8-Jan-24	BUY	3,326	3,000
9	12-Jan-24	BUY	3,900	3,501
10	10-Apr-24	BUY	3,900	3,709

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Hold	1,660	1,626
2	Axis Bank	BUY	1,250	1,076
3	Bank of Baroda	BUY	270	268
4	Can Fin Homes	BUY	900	799
5	City Union Bank	Accumulate	160	155
6	DCB Bank	BUY	160	126
7	Federal Bank	BUY	180	155
8	HDFC Asset Management Company	BUY	3,900	3,501
9	HDFC Bank	BUY	2,000	1,547
10	ICICI Bank	BUY	1,300	1,087
11	IndusInd Bank	BUY	1,740	1,568
12	Kotak Mahindra Bank	BUY	2,250	1,788
13	LIC Housing Finance	Hold	540	649
14	Nippon Life India Asset Management	BUY	610	508
15	State Bank of India	BUY	770	768
16	UTI Asset Management Company	BUY	900	875

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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