

HOLD

TP: Rs 1,946 | ▲ 1%

HDFC AMC

| NBFC

| 15 June 2023

Annual report analysis: Stable FY23; focus on growth

- **Product launches, top-tier scheme outperformance and phygital delivery channels remain key growth levers**
- **MAAUM market share flat at ~11% in FY23 with 80bps YoY growth in equity share; debt continued to lag**
- **Reversal of market share losses remains a key monitorable; maintain HOLD and TP of Rs 1,946**

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Key growth levers: HDFC AMC's MD & CEO Navneet Munot has outlined the levers for future growth – (1) launch of new products (including PMS and AIF) to build a holistic platform, as illustrated by the launch of two equity-oriented thematic sectorial funds and one long-duration debt fund, (2) expanding phygital delivery channels and enhancing the digital experience, and (3) maintaining the performance of major equity schemes in the top tier and generating alpha. The company believes an equity mix better than the industry average along with strong growth in systematic transactions served as a competitive edge in FY23.

Focus on market share and efficiency: HDFC AMC maintained ~11% market share (MAAUM) in FY23. Notably, equity MAAUM share rose to 12.2% in FY23 from 11.4% in FY22 owing to product bouquet expansion and better scheme performance. Debt remained dull shedding 90bps in market share. Systematic transactions grew 39% YoY to Rs 17bn. In terms of distribution, the share of the direct channel in overall AUM declined from 41.6% in FY22 to 40.5% in FY23 whereas MFDs grew from 27.8% to 28.7%. Market share in unique customers inched up during the year.

Stable financials: Total revenue from operations grew 2% YoY in FY23 aided by a superior AUM mix (equity at 56% vs. 51%) and 4% QAAUM growth, partially offset by a dull debt portfolio. Other income remained flat but shows an increase of 4% YoY if we exclude a one-off gain of Rs 137mn in FY22 from the sale of pledged shares. Employee cost was flat despite an 8% rise in salaries due to a 37% decline in ESOP costs. Other costs grew 18% YoY mainly due to a rise in advertising, software and CSR expenses.

Maintain HOLD: The stock is currently trading at 25x FY25E EPS, a 30% discount to the long-term mean, and we continue to value it at a similar multiple for an unchanged TP of Rs 1,946. Maintain HOLD as we monitor the company's ability to regain market share while we remain positive on its brand strength, large AUM base and robust scheme performance.

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	HDFCAMC IN/Rs 1,934
Market cap	US\$ 5.0bn
Free float	37%
3M ADV	US\$ 12.4mn
52wk high/low	Rs 2,315/Rs 1,590
Promoter/FPI/DII	63%/8%/18%

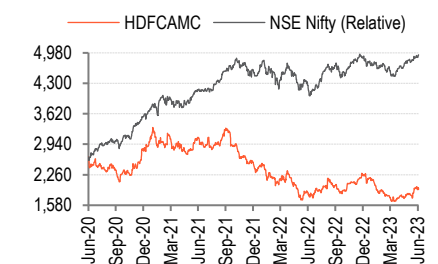
Source: NSE | Price as of 14 Jun 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Core PBT (Rs mn)	15,549	16,669	18,294
Core PBT (YoY)	1.1	7.2	9.7
Adj. net profit (Rs mn)	14,239	15,086	16,608
EPS (Rs)	66.7	70.7	77.8
Consensus EPS (Rs)	66.7	73.7	84.7
MCap/AAAUM (%)	9.2	8.7	7.8
ROAAAUM (bps)	31.7	31.7	31.6
ROE (%)	24.5	23.8	24.4
P/E (x)	29.0	27.4	24.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

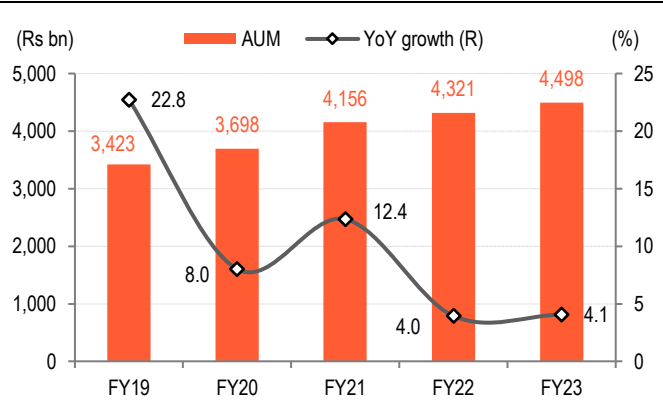


Source: NSE



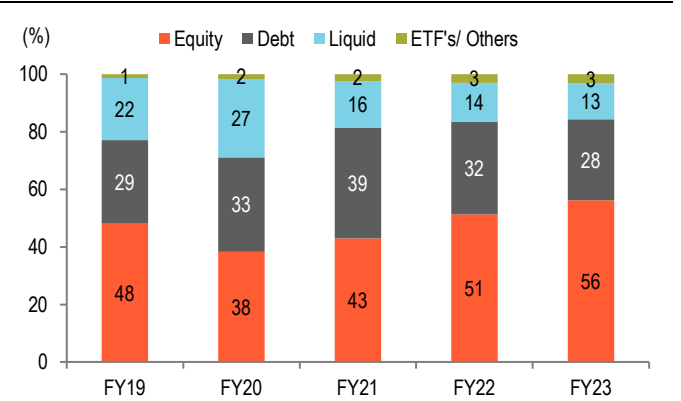
The year in charts

Fig 1 – HDFC AMC delivered 4% AUM growth in FY23



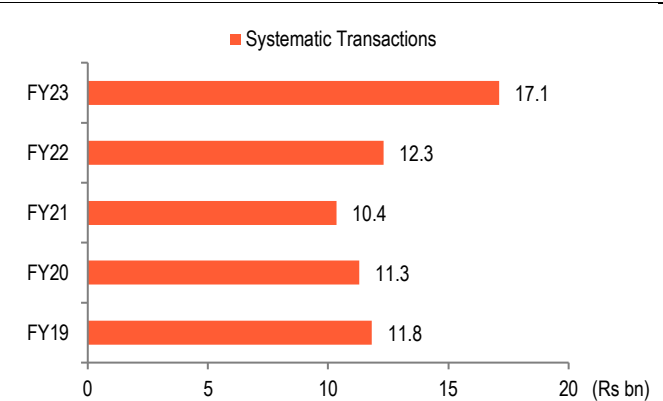
Source: Company, BOBCAPS Research | Note: AUM = QAAUM

Fig 2 – Equity contributed 56% to total AUM, up from 51% in FY22



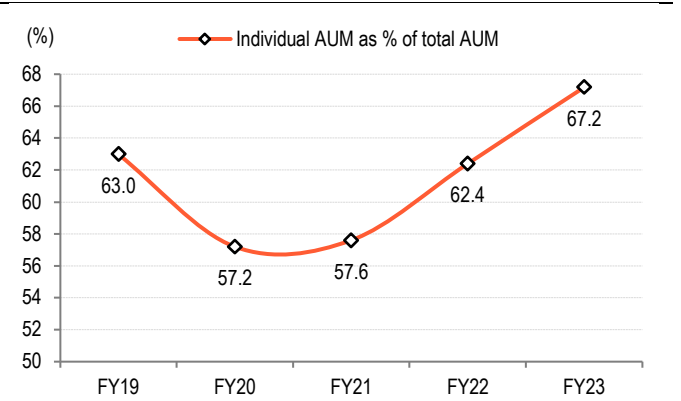
Source: Company, BOBCAPS Research | Note: AUM = Closing AUM

Fig 3 – Growth in systematic transactions a positive



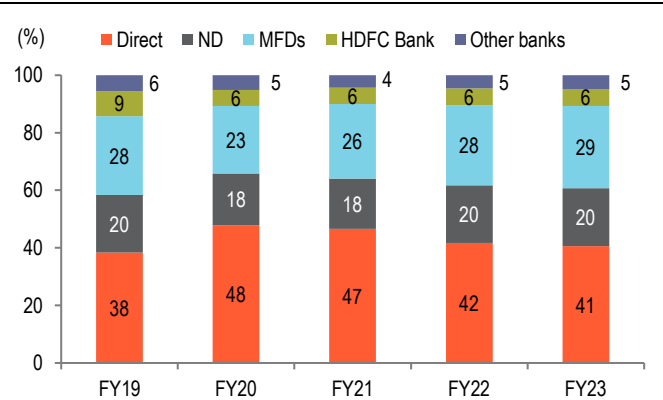
Source: Company, BOBCAPS Research

Fig 4 – Individual AUM constituted 67% of total AUM



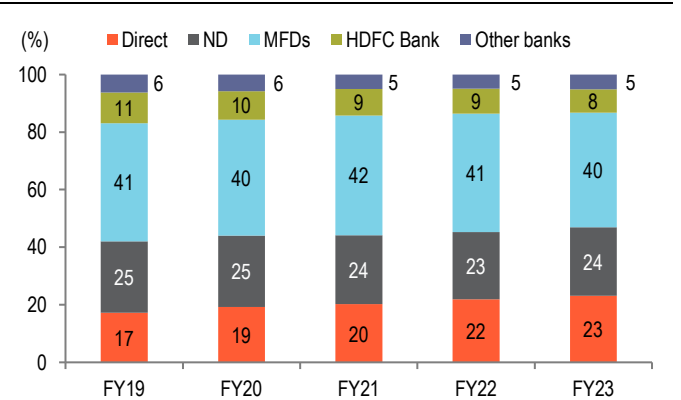
Source: Company, BOBCAPS Research Note: The above data is based on MAAUM

Fig 5 – Direct channel plays an important role in selling MF products



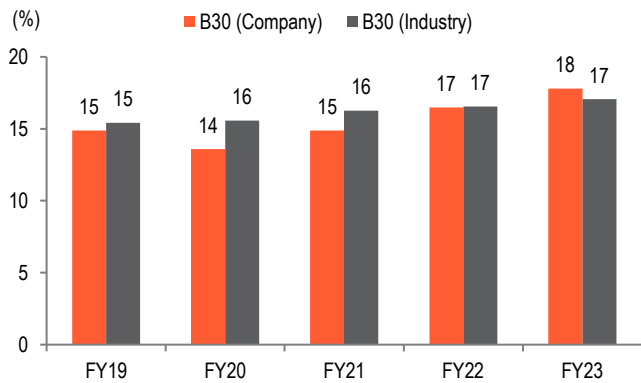
Source: Company, BOBCAPS Research

Fig 6 – Mutual fund distributors (MFD) sell most equity MF products



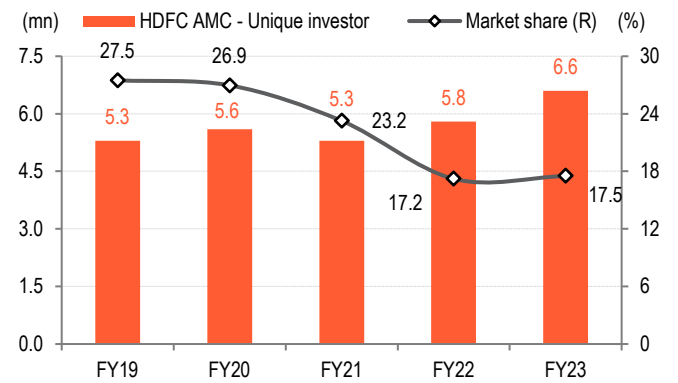
Source: Company, BOBCAPS Research | Note: Equity-oriented AUM excludes arbitrage schemes

Fig 7 – Focus on B30 cities



Source: Company, AMFI, BOBCAPS Research | Note: The above data is based on MAAUM

Fig 8 – Unique investor market share stable



Source: Company, BOBCAPS Research

Annual report takeaways

Operational highlights

- HDFC AMC’s QAAUM grew 4% YoY to Rs 4.5tn in FY23 with equity clocking a faster pace of 14%, taking the share of equity in QAAUM to 56% from 51% in FY22. Even if we look at a longer period over FY19-FY23, QAAUM clocked a 7% CAGR whereas equity grew at a faster ~11% CAGR. Active equity AUM share has increased from 46% to 52% in FY23. The proportion of debt in the mix fell from 32% to 28%.
- MAAUM market share was stable at 11.1% in FY23 (11.0% in FY22). Equity market share increased from 11.4% in FY22 to 12.2% in FY23 owing to the company’s focus on product launches and scheme performance. Debt share, however, declined from 13.8% to 12.9%.
- Unique investors grew from 5.8mn in FY22 to 6.6mn in FY23, commanding a market share of 17.5% (vs. 17.2% in FY22) – still a long way off from historical levels of 20%+, in our view.
- In terms of distribution, the share of direct channels declined from 41.6% of overall AUM in FY22 to 40.5% in FY23. MFDs grew from 27.8% to 28.7% whereas the share of national distributors/HDFC Bank was stable at 20.1%/5.9%.
- In equity AUM, MFD channel share declined from 41.3% in FY22 to 39.9% in FY23 whereas direct channels improved from 21.9% to 23.1%. Banks’ share declined marginally from 13.5% to 13.2%.

Fig 9 – Market share stable

(%)	FY19	FY20	FY21	FY22	FY23
Equity	15.6	14.4	13.0	11.4	12.2
Debt	13.6	13.2	14.4	13.8	12.9
Liquid	14.9	17.0	15.5	12.9	13.1
ETFs/ Others	0.5	0.7	1.1	1.3	1.7
Overall	14.1	13.7	12.7	11.0	11.1

Source: AMFI, BOBCAPS Research Note: The above data is based on MAAUM

Fig 10 – AUM breakup – FY23

Scheme category	Average AUM (Rs bn)
Liquid Fund/Money Market Fund/ Floater Fund	1,026
Gilt Fund/ Gilt Fund with 10-year constant duration	17
Remaining Income/ Debt Oriented Schemes	823
Growth/ Equity Oriented Schemes (Other than ELSS)	1,373
ELSS Funds	99
Hybrid Schemes	833
Solution Oriented Schemes	99
Index Funds	142
GOLD ETF	35
Other ETF	41
Fund of Fund investing overseas	10
Total	4,498

Source: Company, BOBCAPS Research

Fig 11 – Number of schemes asset-wise

Particulars	Number
Equity – Oriented	29
Debt – Oriented	32
Liquid	2
Others	23
Total	86

Source: Company, BOBCAPS Research

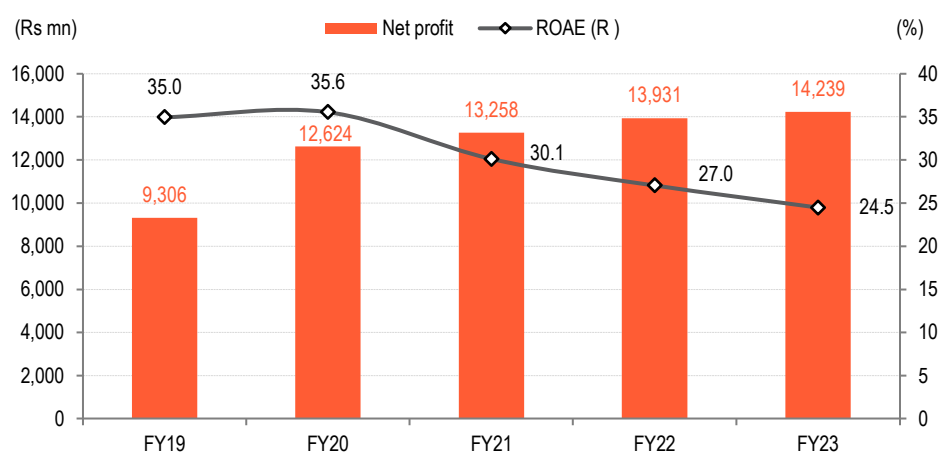
Financial highlights

- Revenue from operations grew 2.4% YoY to Rs 21.7bn in FY23, with investment management fee rising 2.7% to Rs 21.6bn owing to a product mix favouring equity and also QAAUM growth. Portfolio management and other advisory services fee fell 50% YoY to Rs 60mn, continuing with the downward trajectory of the last three years. Although no upfront fee is charged to clients, the company has the right to charge agreement-based performance fees to certain clients.
- Other income declined marginally from Rs 3.17bn in FY22 to Rs 3.15bn in FY23. This number would have been 3.8% higher if we were to exclude a one-off gain of Rs 137mn in FY22 from the sale of pledged shares (NCDs classified as financial assets on the income statement).
- Fees and commission expenses decreased from Rs 54mn in FY22 to Rs 37mn in FY23. These comprise primarily of commissions paid to distributors on the sale of MF schemes, PMS and advisory mandates. In accordance with the SEBI guidelines, no commission on fresh sales of MF schemes was charged to the company. However, certain amounts paid in the past are still being amortised, though the company indicated that the residual unamortised commissions are minuscule.
- Employee benefit expenses inched up due to a rise in salaries and allowances. HDFC AMC plans to issue further ESOPs at a grant price of Rs 1,921.7 to eligible employees. The total charge towards outstanding stock options has reduced from Rs

633mn in FY22 to Rs 400mn in FY23. The company had 1,281 permanent employees as of 31 Mar 2023.

- Other expenses increased 148% YoY from Rs 2bn to Rs 2.3bn due to higher advertisement, publicity and business promotion expenses (+38% YoY in FY23), travel and conveyance expenses (+66%), subscription and membership fees (+35%), outsourced services cost (+20%), CSR (+5%), and software and allied services cost (+44%). At the same time, NFO and mutual fund expenses fell 46%.
- The company announced dividend of Rs 48/sh in FY23 vs. Rs 42/sh in FY22 for a payout ratio of 72%.

Fig 12 – Net profit clocked 11% CAGR over FY19-FY23



Source: Company, BOBCAPS Research

Fig 13 – ESOP snapshot: Exercised at Rs 2,012/sh (weighted average) in FY23 vs. Rs 2,687/sh in FY22

Particulars	ESOS 2017		ESOS 2020 – Grant Date		
	Series1	Series2	22 Feb 2021	24 Jan 2022	21 Jul 2022
Outstanding at the beginning of the year*	2,05,648	Nil	10,65,000	1,82,000	Nil
Granted during the year*	Nil	Nil	Nil	Nil	50,000
Exercised during the year*	1,46,164	Nil	Nil	Nil	Nil
Forfeited during the year*	Nil	Nil	Nil	Nil	Nil
Outstanding at the end of the year*	59,484	Nil	10,65,000	1,82,000	50,000
Exercisable at the end of the year*	59,484	Nil	7,09,998	60,667	Nil
For options outstanding at the end of the year:					
Exercise price per option (Rs)	669.13	-	2,934.25	2,369.40	1,921.70
Weighted average remaining contractual life (no. of years)	0.33	-	4.9	5.82	6.31

Source: Company, BOBCAPS Research | *Since all the options were granted at the same exercise price per option under the respective Series/Grant, the weighted average exercise price per option for all these groups under the respective Series/Grant is the same | ESOS stands for Employees Stock Option Schemes

Other highlights

- abrdn Investment Management (abrdn), one of the promoters holding 10.21% in HDFC AMC, plans to sell its entire stake and has received SEBI approval.
- The company has not undertaken any retrenchment of employees during the year.
- In FY23, two ESG and CSR Committee meetings were held on 21 Jul 2022 and 15 Feb 2023.

Digital drive

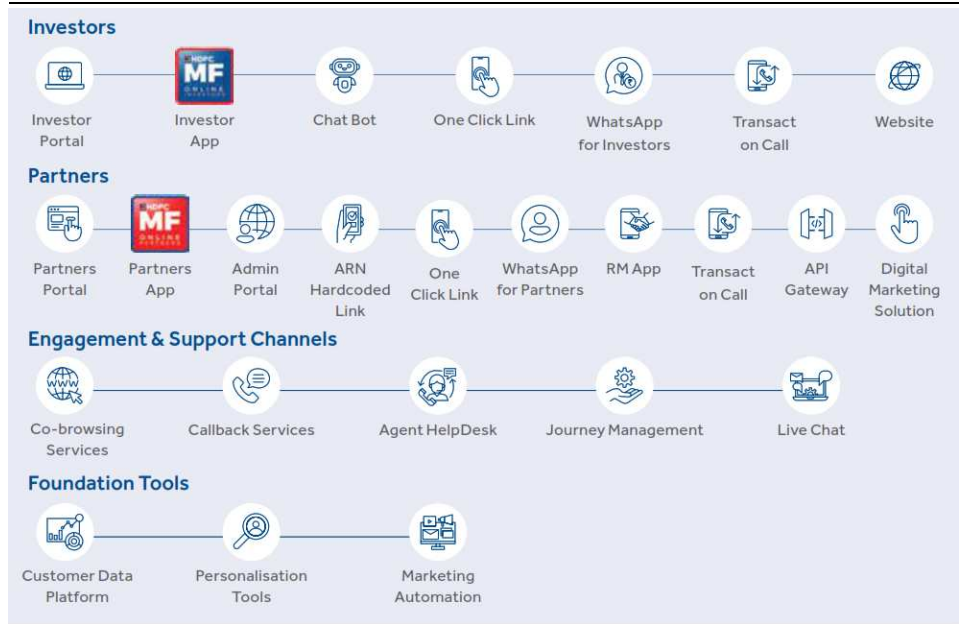
- HDFC AMC reported that 81% of total investor transactions were electronic as at end-FY23 as compared to 76% in FY22 and 69% in FY20. The company’s digital transactions have logged a 28% CAGR since FY17.
- The HDFCMF ConneKt app has been made available to MFD aspirants, with a fully featured National Institute of Securities Markets (NISM) training module. A new investor app was also launched during the year.
- The company started WhatsApp notifications for digital transactions by investors. It also launched a variety of experience enhancing services such as eKYC, biometrics and multiple payment gateways to simplify the onboarding process.

Fig 14 – Reduction in complaints

Year	Complaints as a % of transactions
FY18	0.014
FY19	0.012
FY20	0.009
FY21	0.006
FY22	0.006
FY23	0.003

Source: Company, BOBCAPS Research

Fig 15 – Digital initiatives



Source: Company, BOBCAPS Research

Management outlook

- **Robust industry growth with ample room to expand:** India's MF industry AUM has grown six-fold in each of the last two decades. The AUM-to-GDP ratio stands at 16% against the world average of 80%, which is a five-fold improvement over the last two decades.
- **Expanding the product suite:** HDFC AMC has expanded its product portfolio in line with achieving the goal of being a comprehensive one-stop shop for all investment needs. The company launched a Category II AIF fund of funds (HDFC AMC Select AIF FOF) with commitments of Rs 4bn during FY23. Its business cycle NFOs were well received, with over 100,000 investor subscriptions including 30,000 first-time investors.
- **Strengthening the distribution network:** The company remains focused on strengthening phygital delivery channels. Its ConneKt app equips partners with their own digital office, including a website, digital marketing capabilities to reach out across channels and robust reporting backed. Management remains positive on the HDFC-HDFC Bank merger and will continue to target higher wallet share from the bank distribution channel.

Industry highlights

- India's MF industry AAAUM grew 10% YoY to Rs 40tn in FY23 from Rs 36.5tn in FY22.
- The industry saw net inflows of Rs 1.8tn in equity-oriented funds for the year, of which Rs 0.18tn flowed into equity-oriented index funds. Debt funds including debt-oriented index funds recorded outflows of Rs 0.8tn, liquid funds saw outflows of Rs 0.5tn and others (including arbitrage funds, ETFs and FoF) garnered net inflows of Rs 0.27tn.

Regulatory headwinds

SEBI, in its May'23 consultation paper, mooted an all-inclusive TER with new AUM-based slabs to make mutual funds more transparent. In our report of 22 May, [Proposed TER overhaul implies steep profit hit for AMCs](#), we estimated that if all expenses were included in TER, then the negative impact on fees could range from 13-34bps for listed players. Even if 60% of expenses were passed along to distributors, our analysis showed that listed players with a large equity AUM corpus could still see a sharp drop-off in expected FY25 net profit in the range of 6-15%, with HDFC AMC bearing the brunt.

That said, players can cushion the impact if they are able to pass along the entire burden to distributors. We believe that given its size and branding, HDFC AMC should be able to comfortably transfer the burden. In 2019, when the TER was last revised by the regulator, the overall hit on equity AUM stood at ~25bps, of which the company only took a 2-3bps hit and the rest was passed on to distributors.

Corporate governance

Fig 16 – Attendance at board meetings held during FY23 and last AGM

Director	Number of Board meetings		Attendance at the 23rd AGM
	Held during tenure	Attended	
Mr. Deepak Parekh	5	5	YES
Mr. Keki Mistry	5	4	YES
Ms. Renu Sud Kamad	5	5	YES
Mr. Rushad Abadan	5	3	NO
Mr. Dhruv Kaji	5	5	YES
Mr. Jairaj Purandare	5	5	YES
Mr. Sanjay Bhandarkar	5	5	YES
Mr. Parag Shah	5	5	YES
Mr. Shashi Kant Sharma	0	-	NO
Ms. Roshni Nadar Malhotra	5	3	NO
Mr. Navneet Munot	5	5	YES

Source: Company, BOBCAPS Research | Note: Mr. Shashi Kant Sharma ceased to be Independent Director of the company w.e.f. 11 Apr 2022.

Fig 17 – Directors' remuneration in FY23

Director (Rs mn)	Salary [^]	Perquisites	Sitting fees	*Commission	Total
Mr. Deepak Parekh	-	-	1.8	2.5	4.3
Mr. Keki Mistry	-	-	1.2	2.5	3.7
Ms. Renu Sud Kamad	-	-	1.3	2.5	3.8
Mr. Rushad Abadan	-	-	-	-	-
Mr. Dhruv Kaji	-	-	1.9	2.5	4.4
Mr. Jairaj Purandare	-	-	1.9	2.5	4.4
Mr. Sanjay Bhandarkar	-	-	2.0	2.5	4.5
Mr. Parag Shah	-	-	1.1	2.5	3.6
Mr. Shashi Kant Sharma	-	-	-	-	-
Ms. Roshni Nadar Malhotra	-	-	0.4	2.5	2.9
Mr. Navneet Munot #	44.5	0.4	-	33.3	78.1

Source: Company, BOBCAPS Research | Note: (1): Mr. Shashi Kant Sharma ceased to be Independent Director of the company w.e.f. 11 Apr 2022. *The Commission for the financial year ended 31 Mar 2023 will be paid to Non-Executive and Independent Directors, subject to deduction of tax, after adoption of financial statements at the ensuing AGM. ^ Salary includes contribution to Provident Fund made by the company. #Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall basis at the end of each year and accordingly, have not been considered in the above information.

Fig 18 – Remuneration to key managerial personnel (KMP)

(Rs mn)	FY22	FY23
Short-term employee benefits#	116.3	116.1
Post-employment benefits	2.6	2.6
Other long-term benefits	0.7	0.7
Share based payment	467.4	230.4
Other Benefits	0.3	0.5
Directors Sitting Fees	14.3	11.6
Commission to Non-executive Directors*	18.0	20.0
Total Remuneration	619.6	381.9

Source: Company, BOBCAPS Research | #During FY20-21, an amount of Rs 124.6mn was paid to the incoming Managing Director as one-time payment and the same is being amortised as per the terms of the contract. Out of the same, Rs 41.5mn (Previous Year: Rs 5mn) forms part of Short-term employee benefits above and the balance unamortised amount of Rs 78.1mn (Previous Year: Rs 119.6mn) as at March 31, 2022 is booked as prepaid under Other Non-Financial Assets. *Commission is approved by the Board of Directors within the limit as approved by the shareholders of the company and will be paid post adoption of annual accounts by the shareholders.

Fig 19 – Transactions with related parties

Particulars (Rs mn)	Holding Company		Subsidiary Company		Fellow Subsidiaries		Investors with a significant influence		Other related parties	
	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22
Expense										
Lease Rent	119.8	119.8	-	-	-	-	-	-	-	-
Bank Charges	-	-	-	-	-	-	-	-	0.1	0.1
Fees and Commission	-	-	-	-	-	-	-	-	0.5	0.5
Technology Support Cost	19.0	21.2	-	-	-	-	-	-	-	-
Administration & Other Expenses	62.8	19.8	-	-	-	0.4	-	-	-	-
Insurance Premium	-	-	-	-	32.9	27.4	-	-	-	-
Custodian Charges	-	-	-	-	-	-	-	-	0.3	0.9
Other Transactions										
Equity Dividend	4,711.6	3,814.1	-	-	-	-	1,452.3	1,537.8	-	-
Investments made	-	-	30.0	-	-	-	-	-	-	-
Contribution towards Gratuity Fund	-	-	-	-	-	-	-	-	33.7	48.8
Assets										
Bank Balances	-	-	-	-	-	-	-	-	37.6	78.2
Account Receivable	-	-	13.5	-	27.1	26.1	8.4	-	-	-
Prepaid Commission	-	-	-	-	-	-	-	-	12.6	-
Prepaid Insurance Premium	-	-	-	-	0.3	0.6	-	-	-	-
Investment in subsidiary	-	-	30.0	-	-	-	-	-	-	-
Liabilities										
Account Payable	66.0	9.3	-	-	-	0.3	-	-	3.1	1.0

Source: Company, BOBCAPS Research | Note: (i) During the FY 2019-20, HDFC AMC has entered into an agreement with holding company for using the trademark of holding company wherein no monetary consideration is required to be paid as part of mutual consideration. The said agreement does not envisage a specific sum of monies to be paid as fees at present, which is consistent with the practice followed for the previous 20 years, based on the reciprocity of benefits to both parties to the transaction (ii) The company provides the necessary operating and secretarial services, etc. to HDFC Trustee Company Limited to meet the operating and compliance requirements of the company in line with SEBI (Mutual Funds) Regulations, 1996. The company does not charge any amount in line with practice followed by the mutual fund industry.

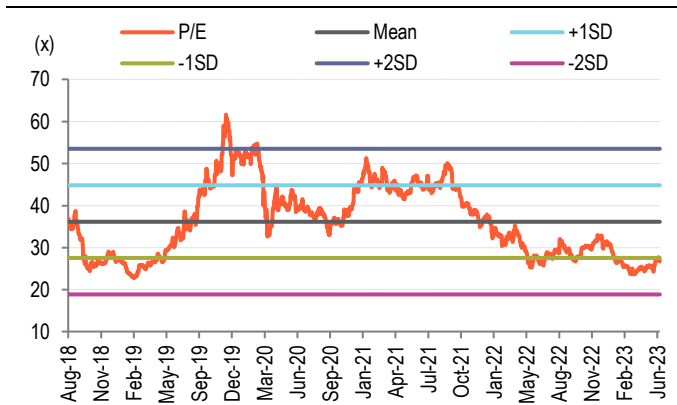
Valuation methodology

HDFC AMC is one of the biggest fund houses in India and enjoys considerable moats in the form of brand strength, pedigree and a large AUM base. While the company has ceded ~250bps of market share – the highest in the listed space – to competitors over FY20-FY23, it has retained its #3 MAAUM rank on a YoY basis in FY23 with ~11% share and also its third rank in equity MAAUM with 12.2% share (vs. 11.4% in FY22).

Management has reiterated its focus on recouping lost market share through new scheme launches. However, we expect any return to past peaks of ~14% last seen in FY20 to be a long slog amid sustained competitive headwinds. Regulatory hurdles in the form of recent TER proposals also represent a major headwind to profitability. We pencil in an 8% AUM CAGR for the company over FY23-FY25 to Rs 5.3tn and a similar 8% net profit CAGR to Rs 16.6bn.

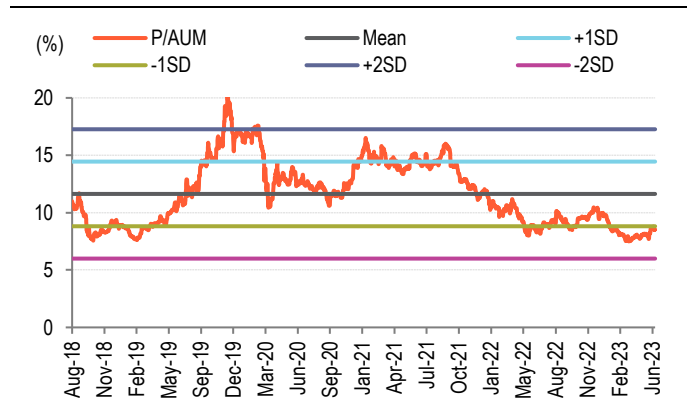
The stock is currently trading at 25x FY25E EPS, a 30% discount to the long-term mean, and we value it at a similar multiple to bake in the negatives. We reiterate HOLD with an unchanged TP of Rs 1,946 as we monitor the company’s ability to regain market share even as we remain positive on its brand equity, large AUM corpus and robust scheme performance. Key stock triggers would be AUM growth, improved profitability and the ability to cope with regulatory headwinds.

Fig 20 – 1Y fwd P/E band



Source: BOBCAPS Research

Fig 21 – 1Y fwd P/AUM band



Source: BOBCAPS Research

Key risks

Upside risks

- **Increase in market share:** HDFC AMC has witnessed the highest market share loss (~250bps) in MAAUM among listed players over FY20-FY23. If the company can meaningfully recoup these losses, the stock could see a rerating.
- **Unexpected increase in net profit:** We forecast an 8% CAGR in net profit over FY23-FY25. Unexpected outperformance due to above-estimated AUM growth coupled with lower expenses could come as a positive surprise.

Downside risks

- **Decline in AUM growth due to increased competition:** HDFC AMC has witnessed intense competitive pressure that has eroded market share over the past five years. Higher competition coupled with new entrants could dampen AUM growth and hurt revenue, taking growth below our estimates.
- **Prolonged weakness in equity markets:** Equity assets constitute a significant portion of the company's AUM. Thus, a decline in Indian equity markets would cause AUM to decline directly as the value of the underlying securities fall, and indirectly as securities investments become less attractive for investors, resulting in net outflows or redemptions. Any decrease in AUM will impact fees and hence net profit.
- **Regulatory risks:** AMCs are regulated by SEBI and could be adversely impacted in case of unfavourable policy changes.
 - In the event the regulator mandates a further decline in TER, yields could reduce further.
 - SEBI in Apr'22 had barred fund houses from floating new schemes till the industry complied with its direction to discontinue mutual fund investments by distributors and brokers from their pool accounts.
- **Covid-like disruptions:** While Covid-related lockdowns are unlikely to be unduly harsh in future, we believe that any such lockdowns/disruptions due to any pandemic/virus mutations would be a risk to retail customer acquisition and could also result in higher redemptions.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Aditya Birla Sun Life AMC	ABSLAMC IN	1.3	372	375	HOLD
HDFC AMC	HDFCAMC IN	5.0	1,934	1,946	HOLD
Nippon Life India AMC	NAM IN	1.9	244	305	BUY
UTI AMC	UTIAM IN	1.1	690	800	BUY

Source: BOBCAPS Research, NSE | Price as of 14 Jun 2023

Annexure A

Product strategy

- **Equities:** Investments in equities are driven by fundamental research with a medium to long-term view. The research is predominantly bottom-up focused with emphasis on key drivers and calibrating risks considering both qualitative and quantitative factors. The company has an investment team of 28 people.
- **Debt:** Debt (fixed income) securities are guided by the strategy of safety, liquidity and returns (SLR), generally prioritised in that order. Given the limited liquidity of fixed income markets in India, especially in difficult times, the company focusses on liquidity, especially in open-ended schemes. The schemes invest in debt securities including government securities, non-convertible debentures, corporate bonds, asset-backed securities, and money market instruments, among others.

Scheme launches

Fig 22 – FY23 NFO launches

Particulars	
HDFC Business Cycle Fund	HDFC S&P BSE 500 ETF
HDFC MNC Fund	HDFC Silver ETF
HDFC NIFTY 100 ETF	HDFC Silver ETF Fund of Fund
HDFC NIFTY Next 50 ETF	HDFC Long Duration Debt Fund
HDFC NIFTY50 Value 20 ETF	HDFC NIFTY G-Sec Dec 2026 Index Fund
HDFC NIFTY100 Quality 30 ETF	HDFC NIFTY G-Sec Jul 2031 Index Fund
HDFC NIFTY Growth Sectors 15 ETF	HDFC NIFTY G-Sec Jun 2027 Index Fund
HDFC Nifty100 Low Volatility 30 ETF	HDFC NIFTY G-Sec Sep 2032 Index Fund
HDFC NIFTY200 Momentum 30 ETF	HDFC NIFTY G-Sec Apr 2029 Index Fund
HDFC NIFTY IT ETF	HDFC NIFTY G-Sec Jun 2036 Index Fund
HDFC NIFTY Private Bank ETF	HDFC NIFTY SDL Plus G-Sec Jun 2027 40:60 Index Fund
HDFC NIFTY Midcap 150 ETF	HDFC NIFTY SDL Oct 2026 Index Fund
HDFC NIFTY Smallcap 250 ETF	

Source: Company, BOBCAPS Research

AUM split

Fig 23 – AUM by geography

Particulars	(%)
Top 5 Cities	66
Next 10 Cities	14
Next 20 Cities	7
Next 75 Cities	10
Others	3

Source: Company, BOBCAPS Research

Glossary

Glossary			
AUM	Assets Under Management	MF	Mutual Fund
AAAUM	Average Annual Assets Under Management	NFO	New Fund Offer
AIF	Alternate Investment Fund	PMS	Portfolio Management Services
B30	Beyond the Top 30 cities	QAAUM	Quarterly Average Assets Under Management
eKYC	Electronic Know Your Customer	SIP	Systematic Investment Plan
ETF	Exchange Traded Funds	T30	Top 30 cities
MAAUM	Monthly Average Assets Under Management	TER	Total Expense Ratio
MFD	Mutual Fund Distributor		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Investment mgmt. fees	18,525	21,154	21,668	23,166	25,310
YoY (%)	(7.5)	14.2	2.4	6.9	9.3
Operating expenses	3,884	5,154	5,489	5,849	6,314
Core operating profits	14,641	15,999	16,179	17,317	18,996
Core operating profits growth (%)	(6.9)	9.3	1.1	7.0	9.7
Depreciation and Interest	644	625	630	648	703
Core PBT	13,997	15,375	15,549	16,669	18,294
Core PBT growth (%)	(7.5)	9.8	1.1	7.2	9.7
Other income	3,492	3,178	3,158	3,445	3,851
PBT	17,490	18,553	18,706	20,114	22,145
PBT growth (%)	5.8	6.1	0.8	7.5	10.1
Tax	4,232	4,622	4,467	5,029	5,536
Tax rate (%)	24.2	24.9	23.9	25.0	25.0
Reported PAT	13,258	13,931	14,239	15,086	16,608

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Equity capital	1,065	1,066	1,067	1,067	1,067
Reserves & surplus	46,697	54,234	60,017	64,543	69,525
Net worth	47,762	55,300	61,084	65,610	70,592
Borrowings	0	0	0	0	0
Other liab. & provisions	3,185	3,503	4,281	4,240	4,404
Total liab. & equities	50,947	58,804	65,365	69,850	74,996
Cash & bank balance	47,556	55,783	60,832	64,438	70,141
Fixed & Other assets	3,078	2,714	4,229	5,412	4,855
Total assets	50,947	58,804	65,365	69,850	74,996

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23A	FY24E	FY25E
EPS	62.2	65.3	66.7	70.7	77.8
Dividend per share	34.0	42.0	48.0	49.5	54.5
Book value per share	223.9	259.2	286.3	307.5	330.8

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23A	FY24E	FY25E
P/E	31.1	29.6	29.0	27.4	24.8
P/BV	8.6	7.5	6.8	6.3	5.8
Dividend yield (%)	1.8	2.2	2.5	2.6	2.8

DuPont Analysis

Y/E 31 Mar (bps of AAAUM)	FY21A	FY22A	FY23A	FY24E	FY25E
Operating income	44.6	49.0	48.2	48.7	48.1
Operating expenses	9.3	11.9	12.2	12.3	12.0
EBITDA	43.6	44.4	43.0	43.6	43.4
Depreciation and Others	1.5	1.4	1.4	1.4	1.3
Core PBT	33.7	35.6	34.6	35.0	34.8
Other income	8.4	7.4	7.0	7.2	7.3
PBT	42.1	42.9	41.6	42.3	42.1
Tax	10.2	10.7	9.9	10.6	10.5
ROAAAUM	31.9	32.2	31.7	31.7	31.6

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23A	FY24E	FY25E
YoY growth (%)					
Investment mgmt. fees	(7.5)	14.2	2.4	6.9	9.3
Core operating profit	(6.9)	9.3	1.1	7.0	9.7
EPS	4.9	5.1	2.2	5.9	10.1
Profitability & Return ratios (%)					
Operating income to Total inc.	84.1	86.9	87.3	87.1	86.8
Cost to Core income ratio	21.0	24.4	25.3	25.2	24.9
EBITDA margin	82.4	78.8	77.9	78.0	78.3
Core PBT margin	63.6	63.2	62.6	62.6	62.7
PBT margin (on total inc.)	79.4	76.2	75.3	75.6	75.9
ROE	30.1	27.0	24.5	23.8	24.4
Dividend payout ratio	54.7	64.3	71.9	70.0	70.0

Annual Average AUM

Y/E 31 Mar	FY21A	FY22A	FY23A	FY24E	FY25E
AAAUM (Rs bn)	4,156	4,321	4,498	4,760	5,260
YoY Growth (%)	12.4	4.0	4.1	5.8	10.5
% of AAAUM					
Equity	40	46	52	56	57
Debt	38	33	26	21	20
Liquid	19	16	16	16	15
Others	3	5	6	7	7

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

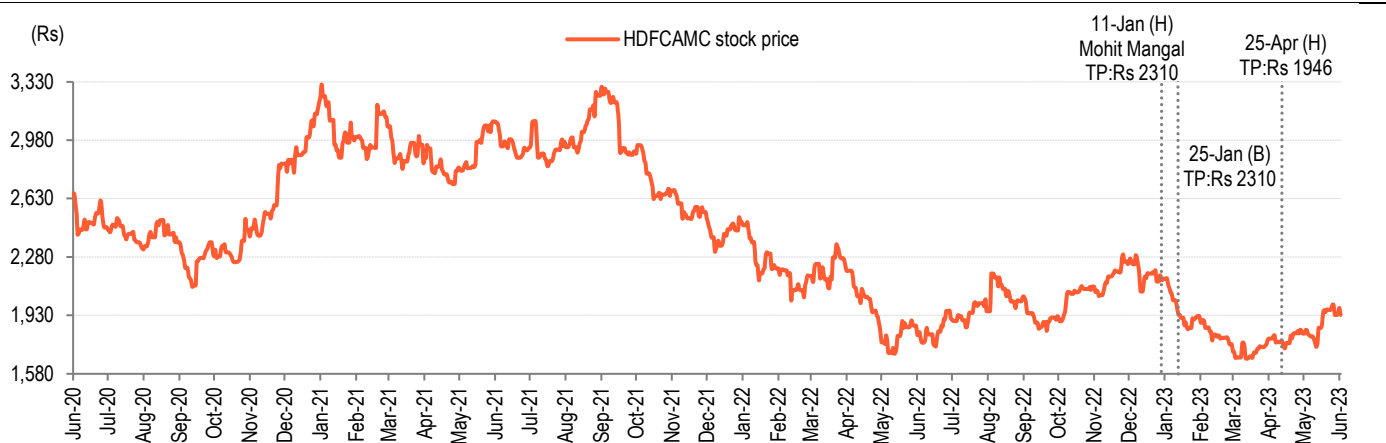
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): HDFC AMC (HDFCAMC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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