

## Steady performance; market share to be watched...

**About the stock:** HDFC AMC is among the largest and profitable mutual funds with an AUM of ~₹ 4.4 lakh crore as on September 2021.

- Market share as on Q2FY22 was at 11.9%
- Strong distribution network with 227 branches and over 70,000 empanelled distribution partners

**Q2FY22 Results:** HDFC AMC reported a mixed quarter.

- AUM up 23% YoY, 4.1% QoQ to ₹ 4.35 lakh crore, equity AUM up 7.7% QoQ
- Revenue from operations up 6.9% QoQ to ₹ 542 crore; yields up 2 bps QoQ
- PAT remained flat QoQ (1.9% YoY) to ₹ 344 crore, primarily led by lower other income at ₹ 66 crore

**What should investors do?** HDFC AMC's share price has grown over 70% since its listing in August 2018.

- We maintain HOLD rating on the stock

**Target Price and Valuation:** Given concerns on declining market share, we value HDFC AMC at ~38.6x FY23 EPS and revise our target price from ₹ 3150 to ₹ 3000

### Key triggers for future price performance:

- Strong brand franchise, distribution strength and operational capabilities
- Continued decline in market share is a concern; new product launches to aid AUM growth
- Competitive pressure & passive products to limit yield expansion
- Premium valuations to continue amid AUM growth & superior operational efficiency

**Alternate Stock Idea:** Apart from HDFC AMC, in our coverage we like MCX.

- MCX is a leader in commodity derivative exchanges in India with over 96% market share in commodities future space as on FY21
- BUY with target price of ₹ 2000



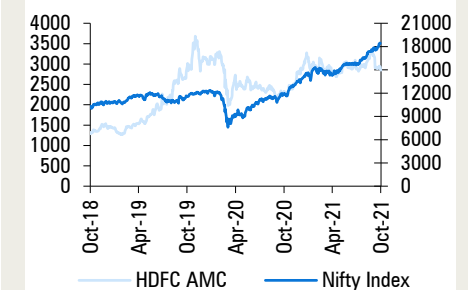
### Particulars

	Amount
Market Capitalisation	₹ 59004 crore
AUM (Q2FY22)	₹ 435700 crore
Networth (Q2FY22)	₹ 4789 crore
52 week H/L	3363/2226
Face Value	₹ 5

### Shareholding pattern

in %	Jun-20	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	74.0	73.9	73.9	73.9	68.9
DII	3.2	5.6	6.0	6.6	9.0
FII	10.7	9.1	9.4	9.1	7.6
Others	12.2	11.3	10.8	10.4	14.6

### Price Chart



### Recent Event & key risk

- AUM saw healthy sequential growth of 4.1% QoQ at ₹ 4.35 lakh crore
- Key Risk:** i) Continued fall in market share, ii) increasing competitive pressure

### Research Analyst

Kajal Gandhi  
kajal.gandhi@icicisecurities.com

Vishal Namolia  
vishal.namolia@icicisecurities.com

Sameer.Sawant  
sameer.sawant@icicisecurities.com

### Key Financial Summary

₹ crore	FY18	FY19	FY20	FY21	3 year CAGR (FY18-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenue from operation (₹ crore)	1757	1915	2003	1853	2%	2233	2602	19%
PBT (₹ crore)	1058	1375	1653	1749	18%	1915	2224	13%
Net Profit (₹ crore)	711	931	1262	1326	23%	1427	1657	12%
EPS (₹)	34.5	43.9	59.2	62.2		67.0	77.8	
P/E (x)	89.5	70.4	52.1	49.6		41.3	35.6	
AUM /share (₹)	14232	15754	14976	18548		22302	25496	
P/AUM (%)	21.7	19.6	20.6	16.7		12.4	10.9	
RoE (%)	32.9	30.3	31.3	27.8		26.3	26.8	

Source: Company, ICICI Direct Research

## Key takeaways of recent quarter & conference call highlights

### Q2FY22 Results: Modest overall performance

- AUM growth of 23% YoY, 4.1% QoQ, led by 7.7% QoQ uptick in equity AUM
- Contribution of equity AUM up from 43% to 45% QoQ
- HDFC AMC SIP flows witnessed an increase from ₹ 980 crore in Q1FY22 to ₹ 1080 crore in Q2FY22
- Launched banking sector fund & international fund in Q2FY22. Total amount raised via International NFO was ₹ 1100 crore AUM. Further, HDFC AMC has filed nine ETFs
- Total income from operations increased 6.9% QoQ to ₹ 542 crore, led by increase in equity oriented AUM. This has led to 2 bps QoQ increase in revenue to closing AUM at 50 bps
- Continued focus on technology, travel expenses as normalisation is achieved could mean increase in operational cost ahead
- Launch of new schemes and focus on digitisation is seen enabling gaining of market share
- HDFC AMC to continue to focus on active fund management and focus on adding value for investors
- Other income was lower YoY as Q2FY21 had mark to market gains of ₹ 56 crores in Essel NCD
- Market share loss is faster for H1FY22 while industry flows have turned positive. Impact of lower market share is due to lower share of gross inflows, which is generally attributed to two reasons 1) large part of inflows is through NFOs (net new flows were ₹ 68497 crores of which ₹ 42591 crore came through NFOs), 2) international funds as lot of domestic players are now focusing on investing in international markets

## Peer comparison

Exhibit 1: ICICI Direct coverage universe (AMC)

Sector / Company	CMP			M Cap (₹ bn)	EPS (₹)			P/E (x)			P/ABV (x)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
HDFC AMC (HDFAMC)	2,768	3,000	Hold	618	62.2	67.0	77.8	44.5	41.3	35.6	12.3	10.9	9.6	27.8	26.3	26.8
Nippon AMC (RELNIP)	450	480	Buy	279	11.1	11.2	12.7	40.6	40.2	35.4	8.9	8.4	7.9	18.7	15.9	15.3
Computer Age Management S	3,099	3,500	Buy	151	42.1	54.4	62.1	10.7	8.3	7.2	4.3	3.7	3.2	39.8	44.6	44.2

Source: Company, ICICI Direct Research

We remain positive on the strong brand franchise and efficient operational strength but have near term concerns over losing market share. Therefore, we maintain our HOLD rating on the stock with a revised target price of ₹ 3000/share.

**Exhibit 2: Variance Analysis**

	Q2FY22	Q2FY22E	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Revenue from operation	542.3	517.6	456.3	18.9	507.1	7.0	
Revenue/AUM	0.50%	0.46%	0.51%	2 bps	0.48%	- 3 bps	Higher equity mix has led to QoQ improvement in yields
Other Income	66.1	45.0	113.7	-41.9	100.9	-34.5	Base effect of MTM gains on NCD led to decline
Net Total Income	608.4	562.6	570.0	6.7	608.0	0.1	
Staff cost	79.8	89.7	53.5	49.4	83.5	-4.3	Increased cost due to Esops, additional business development expense
Other Operating Expenses	67.2	59.5	53.6	25.5	58.4	15.0	
Total Expense	147.0	149.2	107.0	37.4	141.9	3.6	
PBT	461.4	413.4	463.0	-0.3	466.1	-1.0	
Tax Outgo	117.0	103.3	124.9	-6.3	120.7	-3.0	
PAT	344.4	310.0	338.1	1.9	345.5	-0.3	Decline in other income kept PAT muted
Total AUM	4,35,700	4,50,081	3,54,400	22.9	4,18,700	4.1	Driven by equity AUM growth of 7.7% QoQ

Source: Company, ICICI Direct Research

**Exhibit 3: Change in estimates**

(₹ Crore)	FY22E			FY23E		
	Old	New	% Change	Old	New	% Change
Revenue from Operation	2,176	2,233	2.6	2,492.4	2,602	4.4
PBT	1,847.2	1,915.1	3.7	2,108.4	2,224.0	5.5
Revenue/AUM	0.46	0.46	0 bps	0.47	0.47	0 bps
PAT	1,376.2	1,426.8	3.7	1,570.7	1,656.9	5.5
EPS(₹)	64.6	67.0	3.7	73.7	77.8	5.5

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 4: Profit & Loss Statement

(₹ crores)	FY19	FY20	FY21	FY22E	FY23E
Revenue from Operations	1,915.2	2,003.3	1,852.5	2,232.6	2,602.0
Growth (%)	9.0%	4.6%	-7.5%	20.5%	16.5%
Other Income	181.6	139.9	349.2	260.6	234.6
Total Revenue	2,096.8	2,143.1	2,201.7	2,493.2	2,836.6
Employee Benefit Expenses	206.3	214.7	226.8	326.0	339.1
Depreciation & Amortization Expense	12.9	50.4	55.4	55.4	55.4
Other Expenses (incl fees)	503.0	225.1	170.6	196.6	218.1
Total Expenses	722.1	490.2	452.8	578.1	612.6
Profit Before Tax	1,374.7	1,652.9	1,749.0	1,915.1	2,224.0
Taxes	444.1	390.6	423.2	488.4	567.1
Profit After Tax	930.6	1,262.3	1,325.8	1,426.8	1,656.9
EPS (₹)	43.9	59.2	62.2	67.0	77.8

Source: Company, ICICI Direct Research

### Exhibit 5: Balance Sheet

(₹ crores)	FY19	FY20	FY21	FY22E	FY23E
<b>Sources of Funds</b>					
Share capital	106.3	106.4	106.5	106.5	106.5
Reserves and surplus	2964.4	3922.9	4669.7	5316.8	6068.3
Total Shareholders funds	3070.7	4029.3	4776.2	5423.3	6174.8
<b>Total Non-Current Liabilities</b>					
	4.6	3.9	4.3	4.8	5.3
<b>Total Current Liabilities</b>					
	148.4	275.4	314.2	345.6	380.2
<b>Total</b>	<b>3223.8</b>	<b>4308.6</b>	<b>5094.7</b>	<b>5773.7</b>	<b>6560.2</b>
<b>Applications of Funds</b>					
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	5281.2	5894.2
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	286.1	443.5
<b>Total Assets</b>	<b>3223.8</b>	<b>4308.6</b>	<b>5094.7</b>	<b>5773.7</b>	<b>6560.2</b>

Source: Company, ICICI Direct Research

### Exhibit 6: Key Ratios

	FY19	FY20	FY21	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	62.2	67.0	77.8
DPS	24.0	28.0	34.0	36.6	42.5
BVPS	144.8	189.1	224.2	254.5	289.8
P/E	63.1	46.7	44.5	41.3	35.6
P/BV	19.1	14.6	12.3	10.9	9.6
<b>Operating Ratios (%)</b>					
Rev/AUM	0.56	0.61	0.46	0.46	0.47
EBITDA/AUM	0.35	0.48	0.36	0.35	0.37
PAT/AUM	0.27	0.39	0.33	0.29	0.30
<b>Return Ratios (%)</b>					
RoNW	30.3%	31.3%	27.8%	26.3%	26.8%
ROCE	28.9%	29.3%	26.0%	24.7%	25.3%

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com**

## ANALYST CERTIFICATION

I/We, Kajal Gandhi, CA, Vishal Narnolia, MBA and Sameer Sawant, MBA Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.