

HDFC Asset Management | BUY

Strong, in-line results, led by AUM growth

HDFC AMC reported a strong quarter, in-line with expectations, as QAAUM grew to INR 6,716 bn, +9.6% QoQ/+38.3% YoY, on the back of MTM gains and sustained market share in net flows. Core revenues were reported at INR 7.75bn, +11.5% QoQ/ +34.9% YoY, on the back of blended yields of 46bps, up 1bp QoQ/down 1bp YoY – 1bp below JMFe. The YoY decline was on account of telescopic TERs (Total Expense Ratios) as equity QAAUM grew 64.3%, balanced by higher AUM mix in favour of equity – up 10ppts YoY to 62.9%. The QoQ improvement was led by one-off lower yields in the previous quarter. Expenses trajectory was elevated – with total expenses at INR 1.96bn – up 14.0% QoQ/20.5% YoY, and 3% above JMFe. This was led by higher employee expenses – INR 1.0bn - +16.6% QoQ/+20.3% YoY. Beat on PAT was led by higher Other Income of INR 1.73bn, and an effective tax of 19.7% on PBT. In our recent [note](#), we had highlighted that HDFC AMC has been able to gain market share in SIP flows, its larger schemes have beaten their benchmarks over 3-year and 5-year buckets and PAT yields remain the best in sector. The benefits of the 64.3% YoY growth in equity book would accrue going forward as well, even though yields look lower. Meanwhile, we expect quarterly expenses to remain range-bound at 1Q levels. The stock has rallied on the back of gains in market share and AUM growth. We maintain BUY with a unchanged target price of INR 4,555, valuing the company at 37x FY26e PAT of INR 26.2bn.

- **Strong QAAUM growth led by market share gains and MTM:** HDFC AMC continued to gain market share in overall and equity AUM to 11.4%/13.1%. Continued strong share in SIP inflows, at 15.1% of industry inflows, and traction in HDFC Manufacturing Fund NFO (INR 95bn) led to this market share gain. While QAAUM grew to INR 6,716 bn, +9.6% QoQ/+38.3% YoY, equity QAAUM grew 11.6% QoQ/64.3% YoY to INR 4,225bn, now representing 62.9% of its AUM, hence, supporting yields despite telescopic pricing.
- **QoQ improvement in yields on the back of one-off lower yields in 4Q24:** Core revenues were reported at INR 7.75bn, +11.5% QoQ/ +34.9% YoY, on the back of blended yields of 46bps, up 1bp QoQ/down 1bp YoY – 1bp below JMFe. The QoQ improvement was led by one-off lower yields in the previous quarter. The company mentioned that it faced a 0.5bp impact on yields on account of the HDFC Manufacturing Fund NFO, which generated INR 95bn in inflows, above the company's estimates. The YoY decline was on account of telescopic TERs as equity QAAUM grew 64.3%, balanced by higher AUM mix in favour of equity – up 10ppts YoY to 62.9%.
- **PAT beat led by higher Other Income:** Expenses trajectory was elevated in 1Q – with total expenses at INR 1.96bn, up 14.0% QoQ/20.5% YoY - 3% above JMFe. This was led by higher employee expenses – INR 1.0bn - +16.6% QoQ/+20.3% YoY. This was due to expenses on NFO and business development. Beat on PAT was led by higher Other Income of INR 1.73bn, and a lower effective tax of 19.7% on PBT. The lower tax was on account of on-book holdings moving to Long Term Capital Gains (LTCG) bucket. PAT yields came in at 36bps of QAAUM.
- **Valuation and View:** The stock has rallied on the back of gains in market share and AUM. At CMP, the company trades at rich valuations of 38.7/34.2x FY25e/FY26e EPS of INR 108.4/122.8. We maintain BUY with an unchanged Target Price of INR 4,555, valuing the company at 37x FY26e PAT of INR 26.2bn.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	4,555
Upside/(Downside)	8.6%
Previous Price Target	4,555
Change	0.0%

Key Data – HDFCAMC IN

Current Market Price	INR4,196
Market cap (bn)	INR896.3/US\$10.7
Free Float	40%
Shares in issue (mn)	213.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR1,996.4/US\$23.9
52-week range	4,296/2,355
Sensex/Nifty	80,665/24,587
INR/US\$	83.6

Price Performance

%	1M	6M	12M
Absolute	4.5	19.8	76.3
Relative*	-0.2	8.6	44.4

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Mutual Fund AUM (closing basis, INR bn)	4,076	4,367	6,073	7,340	8,366
YoY growth (%)	3%	7%	39%	21%	14%
% of equity MF AUM (closing basis)	51%	55%	64%	69%	72%
Operating Revenues (INR mn)	21,154	21,668	25,844	32,946	38,219
Total operating expenses (INR mn)	5,779	6,120	6,884	7,529	8,255
PAT (INR mn)	13,931	14,239	19,427	23,132	26,205
YoY growth (%)	5%	2%	36%	19%	13%
PAT / Avg. MF AUM (RoAUM) (%)	0.35%	0.34%	0.37%	0.34%	0.33%
RoE (%)	27.0%	24.5%	29.5%	31.2%	32.1%
EPS (INR)	65.3	66.7	91.0	108.4	122.8
P/E (x)	63.7	62.3	45.7	38.7	34.2

Source: Company data, JM Financial. Note: Valuations as of 15/Jul/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key Quarterly trends

Exhibit 1. HDFC AMC: Key quarterly highlights

P&L (INR mn)	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)
Revenue from operations	5,745	6,954	7,752	11.5%	34.9%
Employee benefits expense	838	864	1,008	16.6%	20.3%
Depreciation & Amortisation	129	133	133	-0.5%	2.7%
Business Development and Others	645	721	818	13.5%	26.8%
Total expenses	1,612	1,718	1,959	14.0%	21.5%
Operating PBT	4,133	5,236	5,794	10.6%	40.2%
Other income	1,580	1,555	1,731	11.3%	9.5%
PBT	5,714	6,791	7,525	10.8%	31.7%
PAT	4,775	5,411	6,040	11.6%	26.5%
Total comprehensive income	4,751	5,416	6,006	10.9%	26.4%

Qtrly Avg AAUM (INR bn)

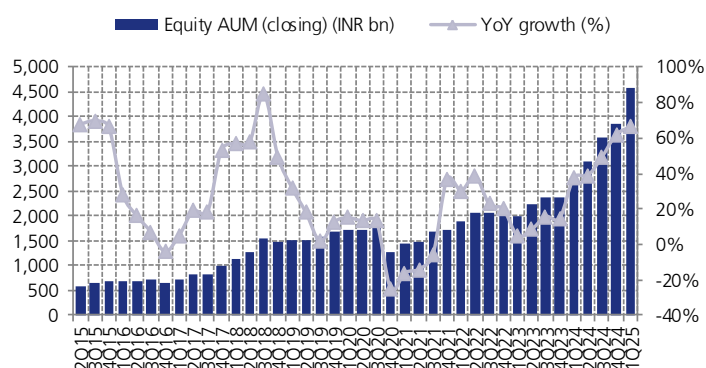
	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)
Equity	2,572	3,787	4,225	11.6%	64.3%
Debt	916	965	991	2.7%	8.1%
Liquid	1,086	1,003	1,075	7.2%	-1.0%
Other	283	374	425	13.6%	49.9%
Overall	4,857	6,129	6,716	9.6%	38.3%

Dupont analysis

Revenue / QAAUM (%)	0.47%	0.45%	0.46%	0.01%	-0.01%
Employee exp / QAAUM(%)	0.07%	0.06%	0.06%	0.00%	-0.01%
Business Development and Other opex / QAAUM(%)	0.06%	0.06%	0.06%	0.00%	-0.01%
Total cost / QAAUM (%)	0.13%	0.11%	0.12%	0.00%	-0.02%
Operating PBT / QAAUM(%)	0.34%	0.34%	0.35%	0.00%	0.00%
Other income / QAAUM (%)	0.13%	0.10%	0.10%	0.00%	-0.03%
PBT / QAAUM (%)	0.47%	0.44%	0.45%	0.00%	-0.02%
PAT / QAAUM(%)	0.39%	0.35%	0.36%	0.01%	-0.03%

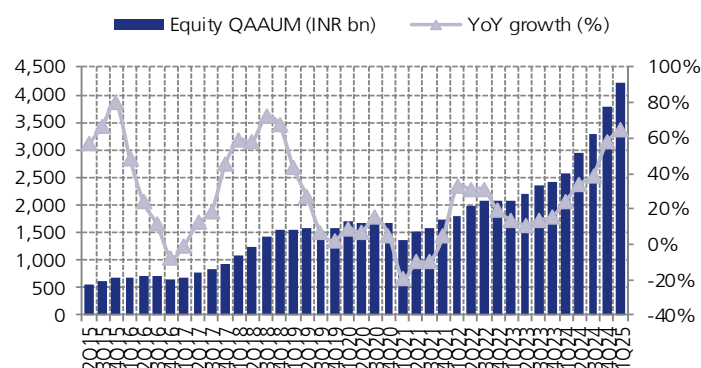
Source: Company, JM Financial

Exhibit 2. HDFC AMC: Equity AUM has risen sharply in FY24



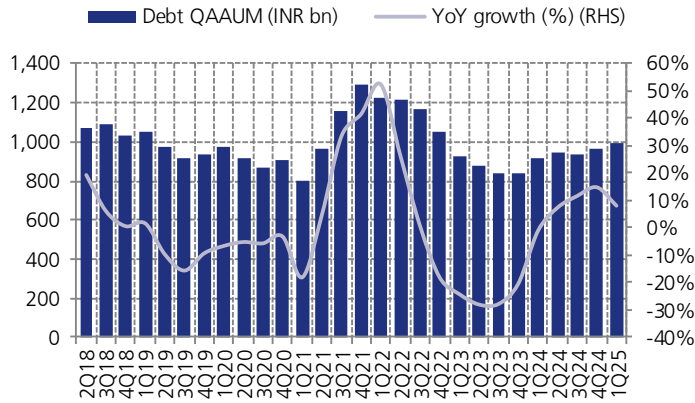
Source: Company, JM Financial

Exhibit 3. HDFC AMC: QAAUM gains speeded up in 2HFY24



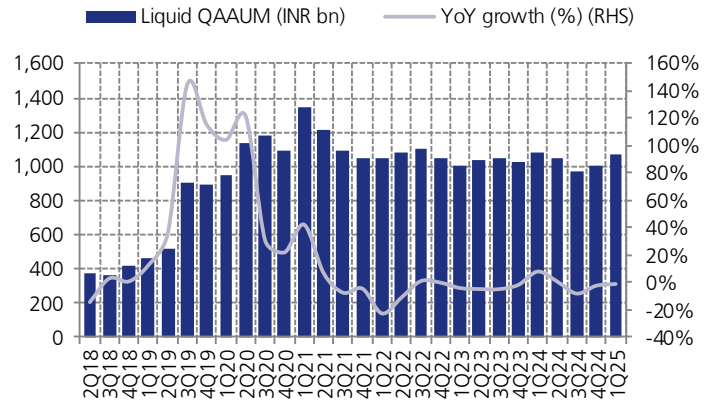
Source: Company, JM Financial

Exhibit 4. HDFC AMC: Debt QAAum trend and growth (%)



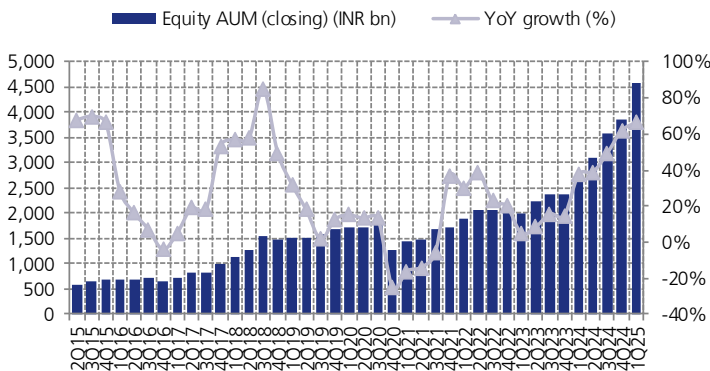
Source: Company, JM Financial

Exhibit 5. HDFC AMC: Liquid QAAum trend and growth (%)



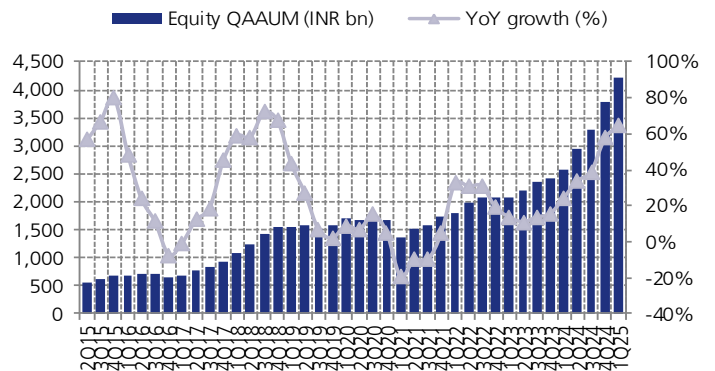
Source: Company, JM Financial

Exhibit 6. HDFC AMC: Overall MF AUM trend and growth (%)



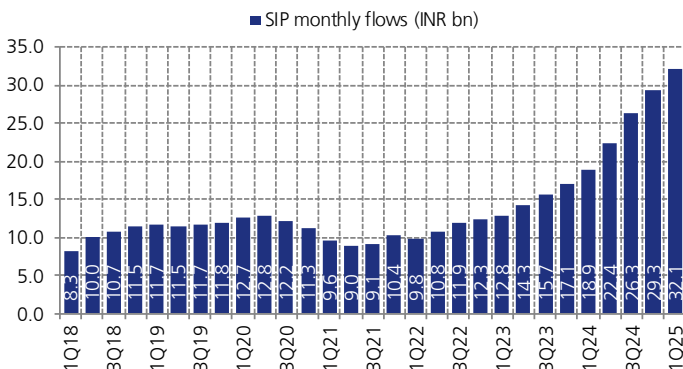
Source: Company, JM Financial

Exhibit 7. HDFC AMC: Overall MF QAAum trend and growth (%)



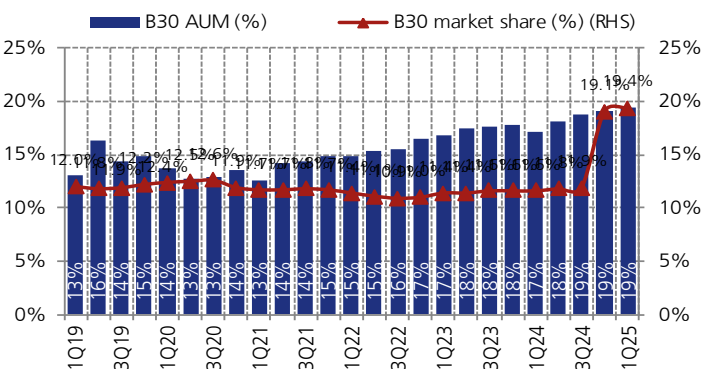
Source: Company, JM Financial

Exhibit 8. HDFC AMC: SIP flows have grown strongly since FY22



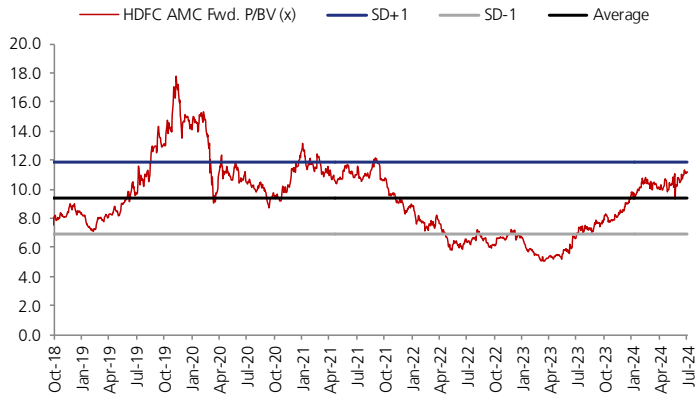
Source: Company, JM Financial

Exhibit 9. HDFC AMC: B30 share in AUM has grown steadily



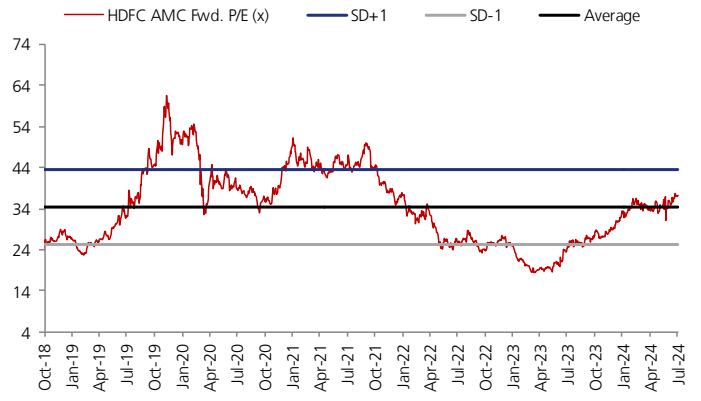
Source: Company, JM Financial

Exhibit 10. Stock has re-rated in the recent past



Source: JM Financial, Bloomberg

Exhibit 11. Despite run-up, forward P/E is just above historical mean



Source: JM Financial, Bloomberg

Financial Tables

Income Statement (INR mn)					
	FY22	FY23	FY24	FY25E	FY26E
MF Fees	21,032	21,608	25,824	32,920	38,188
PMS Fees	121	60	20	26	32
Investment Management fees	21,154	21,668	25,844	32,946	38,219
Total Other income	3,178	3,158	5,790	5,020	4,516
Total Revenue	24,332	24,826	31,634	37,966	42,735
Employee costs	3,122	3,127	3,541	3,895	4,284
Admin & Other expenses	1,634	1,959	2,259	2,457	2,703
Mktg & publicity expenses	484	501	561	628	691
Total Operating Expenses	5,241	5,586	6,360	6,980	7,678
Depreciation/Diminution in LT invstmt	539	533	523	549	577
Total Expenditure	5,779	6,120	6,884	7,529	8,255
PBT	18,553	18,706	24,750	30,437	34,480
Tax	(4,622)	(4,467)	(5,323)	(7,305)	(8,275)
Reported Profit (PAT)	13,931	14,239	19,427	23,132	26,205
Dividend	8,959	10,244	14,944	16,192	18,344
Retained earnings	4,973	3,995	4,483	6,940	7,862

Source: Company, JM Financial

Key Ratios					
As a % of Avg AUM	FY22	FY23	FY24	FY25E	FY26E
Core Revenues / Avg. AUM	0.53%	0.51%	0.50%	0.49%	0.49%
Other Revenues / Avg. AUM	0.08%	0.07%	0.11%	0.07%	0.06%
Total Revenues / Avg. AUM	0.61%	0.59%	0.61%	0.57%	0.54%
Employee cost / Avg. AUM	0.08%	0.07%	0.07%	0.06%	0.05%
Brokerage / Avg. AUM	0.01%	0.00%	0.00%	0.00%	0.00%
Operating cost / Avg. AUM	0.14%	0.14%	0.13%	0.11%	0.11%
PBT / Avg. AUM	0.46%	0.44%	0.47%	0.45%	0.44%
PAT / Avg. AUM	0.35%	0.34%	0.37%	0.34%	0.33%
As a % of Balance sheet assets					
Core Revenues / Avg. Assets	38.9%	35.4%	37.3%	42.1%	44.2%
Other Revenues / Avg. Assets	5.8%	5.2%	8.3%	6.4%	5.2%
Total Revenues / Avg. Assets	44.8%	40.6%	45.6%	48.5%	49.5%
Employee cost / Avg. Assets	5.7%	5.1%	5.1%	5.0%	5.0%
Brokerage / Avg. Assets	0.4%	0.2%	0.2%	0.2%	0.2%
Operating cost / Avg. Assets	10.6%	10.0%	9.9%	9.6%	9.6%
PBT / Avg. Assets	34.1%	30.6%	35.7%	38.9%	39.9%
RoA (%)	25.6%	23.3%	28.0%	29.6%	30.3%
Avg Assets/Equity (x)	1.05	1.05	1.05	1.05	1.06
RoE (%)	27.0%	24.5%	29.5%	31.2%	32.1%

Source: Company, JM Financial

Balance Sheet (INR mn)					
	FY22	FY23	FY24	FY25E	FY26E
Share capital	1,066	1,067	1,067	1,067	1,067
Reserves & Surplus	54,234	60,017	69,683	76,622	84,484
Net worth	55,300	61,084	70,750	77,690	85,551
Secured Loans	-	-	-	-	-
Current Liabilities	2,632	3,148	3,469	4,162	4,995
Provisions	118	126	164	181	199
Total Liabilities	58,050	64,358	74,383	82,033	90,745
Net Fixed Assets	1,222	1,376	1,386	1,524	1,676
Non-Current investments	55,702	60,792	66,124	71,968	79,064
Total Non-current assets	56,557	61,622	66,715	72,658	79,864
Total Current investments	-	-	-	-	-
Total Current Assets	1,494	2,736	2,232	9,375	10,880
Total Assets	58,050	64,358	74,383	82,033	90,745

Source: Company, JM Financial

Growth ratios (YoY %)					
	FY22	FY23	FY24	FY25E	FY26E
Inv mgmt fees	14.3%	2.7%	19.5%	27.5%	16.0%
PMS fees + Other income	-8.9%	-2.5%	80.6%	-13.2%	-9.9%
Revenue	10.5%	2.0%	27.4%	20.0%	12.6%
Employee cost	37.7%	0.2%	13.2%	10.0%	10.0%
Admin & other exp	12.0%	19.9%	15.3%	8.8%	10.0%
Marketing & publicity exp	96.0%	3.4%	12.0%	12.0%	10.0%
Total operating exp	31.9%	6.6%	13.9%	9.7%	10.0%
PBT	6.1%	0.8%	32.3%	23.0%	13.3%
Tax	9.2%	-3.3%	19.2%	37.2%	13.3%
PAT	5.1%	2.2%	36.4%	19.1%	13.3%
Total Assets	14.7%	10.9%	15.6%	10.3%	10.6%
Equity AUM	20%	15%	62%	30%	19%
Debt AUM	-19%	-11%	7%	2%	1%
Liquid AUM	-8%	-2%	4%	3%	2%
Other AUM	96%	68%	47%	16%	8%
Total AUM	3%	7%	39%	21%	14%

Source: Company, JM Financial

Mutual Fund AUM (INR bn)					
Closing AUM	FY22	FY23	FY24	FY25E	FY26E
Equity	2,085	2,393	3,875	5,042	5,999
Debt	984	881	947	962	975
Liquid	848	827	861	883	904
Others	158	266	391	453	488
Total AUM	4,076	4,367	6,073	7,340	8,366

Source: Company, JM Financial

Valuation					
	FY22	FY23	FY24E	FY25E	FY26E
Shares in issue (mn)	213.3	213.4	213.5	213.5	213.5
EPS (INR)	65.3	66.7	91.0	108.4	122.8
EPS (YoY)(%)	5%	2%	36%	19%	13%
PER (x)	64.1	62.8	46.0	38.6	34.1
BV (INR)	259.3	286.2	331.4	363.9	400.7
BV (YoY)	15.6%	10.4%	15.8%	9.8%	10.1%
P/BV (x)	16.1	14.6	12.6	11.5	10.4
DPS (INR)	42.0	48.0	70.0	75.8	85.9
Div. yield (%)	1.0%	1.1%	1.7%	1.8%	2.1%

Source: Company, JM Financial

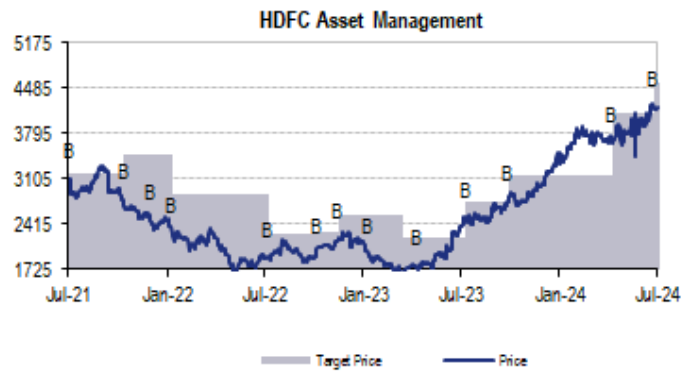
Mutual Fund AUM Mix (%)					
Based on Closing AUM	FY22	FY23	FY24E	FY25E	FY26E
Equity	51%	55%	64%	69%	72%
Debt	24%	20%	16%	13%	12%
Liquid	21%	19%	14%	12%	11%
Others	4%	6%	6%	6%	6%
Total AUM	100%	100%	100%	100%	100%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
10-May-20	Sell	1,980	
23-Jul-20	Sell	1,980	0.0
30-Sep-20	Buy	2,565	29.5
22-Oct-20	Buy	2,565	0.0
20-Jan-21	Buy	3,235	26.1
28-Apr-21	Buy	3,175	-1.9
18-Jul-21	Buy	3,175	0.0
25-Oct-21	Buy	3,475	9.4
15-Dec-21	Buy	3,475	0.0
24-Jan-22	Buy	2,880	-17.1
22-Jul-22	Buy	2,275	-21.0
19-Oct-22	Buy	2,300	1.1
29-Nov-22	Buy	2,550	10.9
24-Jan-23	Buy	2,550	0.0
29-Mar-23	Buy	2,200	-13.7
25-Apr-23	Buy	2,200	0.0
24-Jul-23	Buy	2,760	25.5
12-Oct-23	Buy	3,150	14.1
22-Apr-24	Buy	4,100	30.2
9-Jul-24	Buy	4,555	11.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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