

Industry
Bloomberg
BSE CODE

Financial
HDFCAMC IN
541729

RATING	HOLD
CMP	2502
Price Target	2697
Potential Upside	8%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	3844/1964
Mkt Capital (Rs Cr)	53,105
Free float (%)	13%
Avg. Vol 1M (,000)	599
No. of Shares (Cr)	21
Promoters Pledged %	

Fig in Rs Cr

FINANCIAL	FY19	FY20	FY21E
NII	1915	2003	1928
PPP	1206	1572	1546
PAT	1193	1522	1495
NIM %	930	1263	1317
EPS (Rs)	44	59	62
EPS gr. (%)	30%	36%	4%
ROE (%)	30%	31%	26%
ROA (%)	39%	38%	29%
BV	144	189	239
P/B (X)	10.6	13.8	10.5
P/E (x)	35.1	44.2	40.4

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Revenue Growth Remained tapered, Other Income drove the profitability

1QFY21 Result update

- HDFCAMC reported QAAUM degrowth of -2%/-4% YoY/QoQ with market share of 14.5% as at 1QFY21 backed by fall in equity AUM due to falling markets i.e. MTM impact and macro-economic conditions. Equity Oriented assets represented 37% of the total QAAUM in 1QFY21.
- Revenue degrew by 18%/14% YoY/QoQ mainly on the account Low AUM growth, fall in equity oriented assets. PMS AUM grew by 11% QoQ in 1QFY21.
- Other income reported robust growth of 65% YoY to Rs 80 Cr as against -ve Rs 27 Cr in 4QFY20 the reason being better income from debt mutual funds investment.
- PAT reported growth of 4%/21% YoY/QoQ driven by high other income and better expenses control. Total expense degrew by 13%/9% YoY/QoQ mainly coming from degrowth in other expenses QoQ.

AAUM reported degrowth both YoY/QoQ

QAAUM degrew by 2%/4% YoY/QoQ mainly due to fall in equity oriented assets as well as Debt AUM due to macroeconomic conditions and outflow in the same category . QAAUM in actively managed equity oriented funds i.e. equity oriented QAAUM degrew by 17% QoQ. Equity AUM composition to the total AUM declined to 37% in 1QFY21 as against 43% last quarter(QAAUM basis). This fall had impact on the revenue of the company as it being the high margin segment but management is optimistic of the recovery in equity AUM going ahead. On the credit risk funds the company saw redemption in this category in 1st week of May 2020 but now gradually the redemptions have slowed down to Rs 120-150 Cr a months. The company is focusing on AAA rated funds to be there more as increased to 35% as against 25% earlier. As per the management after the recent event in Mutual Fund industry the debt investors are more or less moving to liquid and overnight funds.

Robust other income driving the Profitability

PAT reported growth of 4%/21% YoY/QoQ driven by high other income and better expenses control .Total expense degrew by 13%/9% YoY/QoQ mainly coming from degrowth in other expenses QoQ. On the expenses front the company is looking to save Rs 35-40 Cr in FY21. Other income has been high at Rs 80 Cr as against loss of Rs 27 Cr last quarter on the account of three reasons: One is increase surplus income last year, another is large investment to debt mutual funds and low bond yields and increase in collateral value of Essel group NCDs. All these three together have been reason for other income to be high in 1QFY21.

View and Valuation

HDFCAMC reported AAUM degrowth for the first time in the history of the company both YoY as well as QoQ. Unique investors count did not increase and SIP book declined .Equity AUM decline is an area of concern in the near term as it being the high margin business for the company which may impact the revenue going ahead. Management is optimistic of Equity AUM recovery along with recovery in the markets however OPEX control will help in the PAT growth going ahead. the company expects to save Rs 35-40 Cr on the expenses line in FY21. In the near term on the account of macroeconomic factors as well as pressure on margins there may be impact on revenue but on the account of better OPEX control as well as investment income (other income) we maintain our rating to HOLD and value the stock at 44x FY21 EPS at target price of Rs 2697.

Key Risks to our rating and target

- AAUM growth trend
- Macroeconomic conditions may have an impact on the company.
- Equity flows.

1QFY21 Results

PAT Above estimates

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	504	498	525	476	411	-18.4%	-13.6%	1,915	2,003	4.6%
Other Income	48	51	67	(27)	80	NA	NA	182	140	-22.8%
Empl. Cost	57	58	57	43	53	-7.2%	21.9%	206	215	4.1%
Other Exp.	42	41	48	46	60	41.5%	29.4%	223	195	-12.3%
EBITDA	396	391	414	372	316	-20.0%	-14.9%	1,206	1,572	30.4%
EBITDA Mar.	78%	79%	79%	78%	77%	-2.0%	-1.5%	1	1	24.6%
Depreciation	12	12	13	13	14	15.6%	2.5%	13	50	292.2%
EBIT	384	379	402	358	303	-21.1%	-15.5%	1,193	1,522	27.6%
Interest	2	2	2	2	2	NA	-0.5%	-	9	NA
PBT	430	428	467	330	380	-11.5%	15.4%	1,375	1,653	20.3%
Excep. Item	-	-	-	-	-	-	-	-	-	-
Tax	138	59	113	80	78	-43.5%	-2.2%	444	391	-12.0%
PAT	289	368	354	250	302	4.8%	21.0%	930	1,263	35.7%
PAT Margin	57%	74%	67%	52%	73%	28.4%	40.0%	49%	63%	29.8%

Concall Highlights

- Mutual Fund industry QAAUM declined by 4% YoY to Rs 24.6 trn in 1QFY21 as a result of fall in equity AUM of around 13% YoY in 1QFY21.
- HDFCAMC's revenue has declined by 18% YoY in 1QFY21 on the account of fall in product mix i.e. decline in equity AUM as it being the high margin business for the company. 5-7 bps yields in debt category has declined in 1QFY21 as movement towards low margins products (being safe) has been high in debt category but that does not impact company much as most of the revenue is impacted by equity AUM.
- Other income has been high at Rs 80 Cr as against loss of Rs 27 Cr last quarter on the account of three reasons: One is increase surplus income last year, another is large investment to debt mutual funds and low bond yields and increase in collateral value of Essel group NCDs. All these three together have been reason for other income to be high in 1QFY21.
- On the expenses front the company is looking to save Rs 35-40 Cr in FY21.
- SIP counts for HDFCAMC declined to 79 Mn in 1QFY21 as against 86 Mn last quarter. Fall in SIP book is an industry specific event as most of the cancellation seen in the industry itself recently.
- Actively managed equity AUM declined by 21% YoY and company lost market share to 14.3% from 16% last year mostly attributable to fall in equity markets this year.
- The company is having 3 new fund managers on board to deal with the performance issues of the funds. The company may be looking at thematic funds to be there in the future.
- The physical transactions have declined to 9% in 1QFY21 as against 31% in FY20, the reason being lockdown and will normalize once the situation recovers.
- The company does not see any decline in unique investor's market share going ahead.
- The investment book currently stands at Rs 4221 Cr, Rs 350 Cr added in 1QFY21. A large chunk i.e. around 71% of the book is invested into debt and liquid mutual funds the return on them in last one year has been 6-6.5%.
- On the credit risk funds the company saw redemption in this category in 1st week of May 2020 but now gradually the redemptions have slowed down to Rs 120-150 Cr a months. The company is focusing on AAA rated funds to be there more as increased to 35% as against 25% earlier.
- The company is repositioning its Multi Asset Fund going ahead.

Exhibit: MF QAAUM Growth

MF QAAUM growth remained low in 1QFY21 fall came from Equity and DebtAUM.

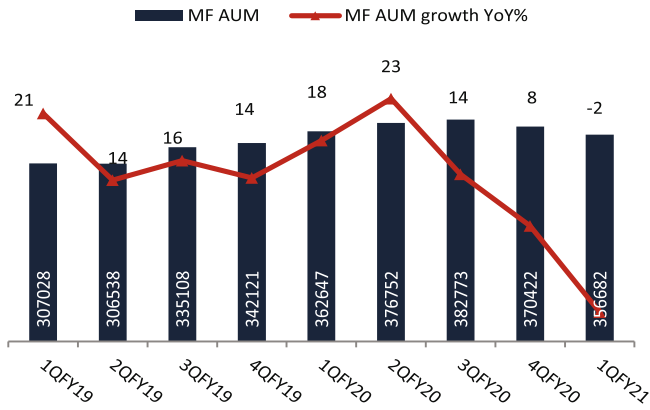


Exhibit: MF AUM Breakup

Liquid funds grew well

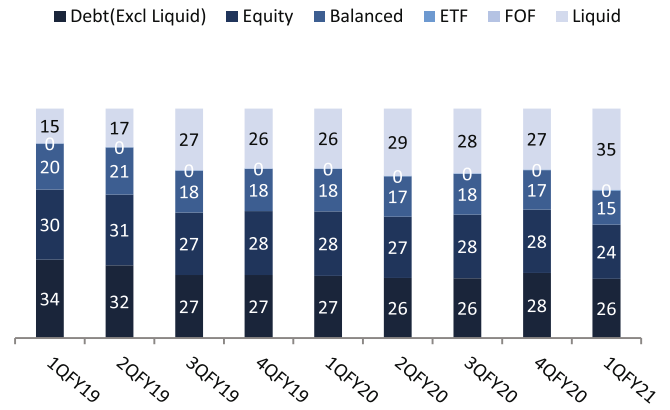


Exhibit: Distri.Channel mix (Total AUM)

Direct channel(Total AUM basis) has increased in the channel mix.

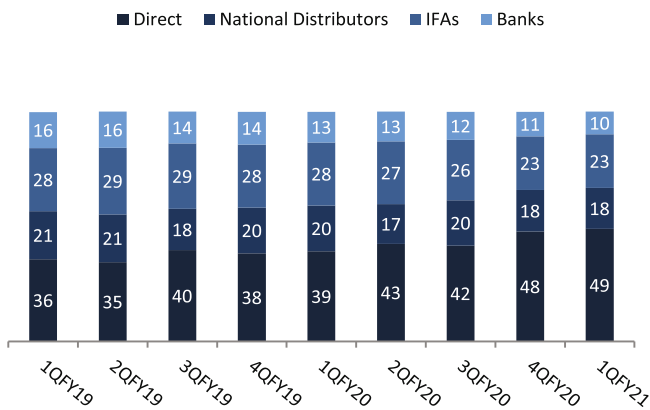


Exhibit: Distri.Channel mix (Equity AUM)

Composition of IFAs in channel mix increased QoQ

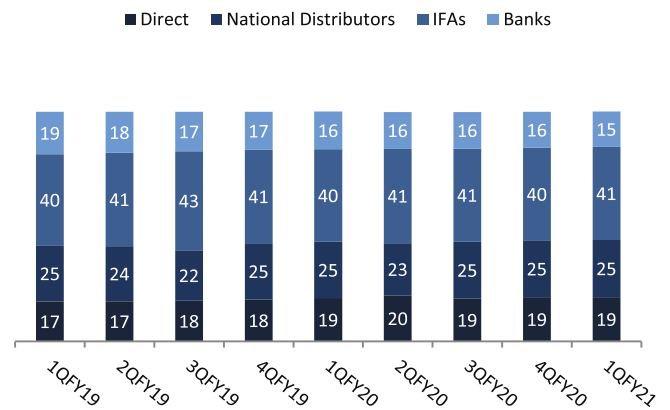


Exhibit: SIP Book Growth

SIP book decline in 1QFY21 but expected to recover.

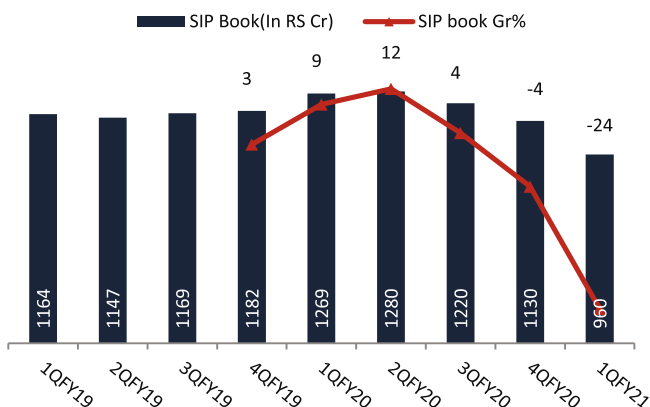


Exhibit: Mgmt Fee as% AUM

Fall in Equity oriented assets contributing to this decline

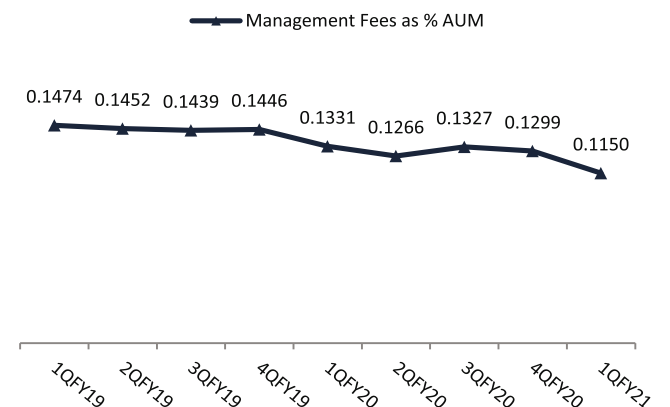


Exhibit: Revenue Growth

Revenue decline due to fall in equity AUM

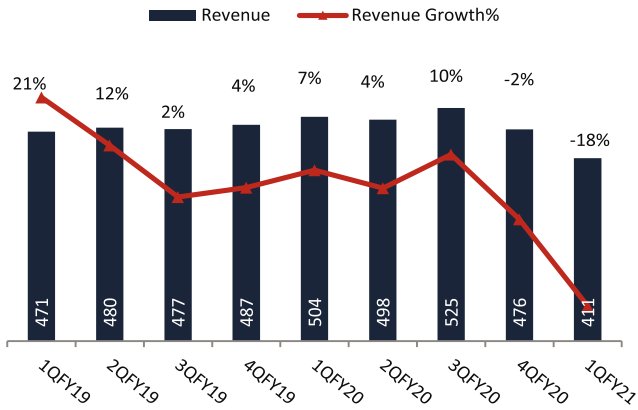


Exhibit: PAT Growth

PAT grew YoY/QoQ due to driven by other income

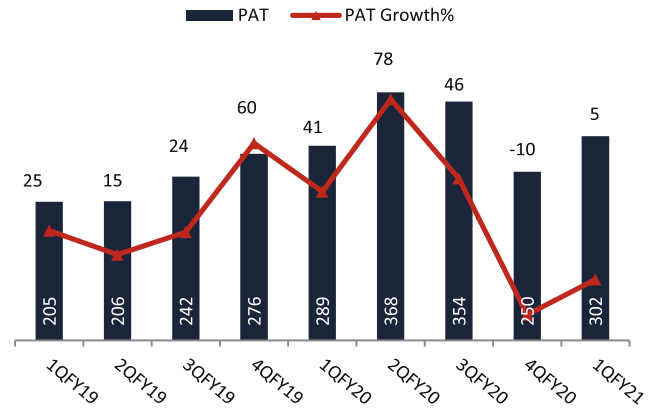


Exhibit: Margin Performance

Margins Profile

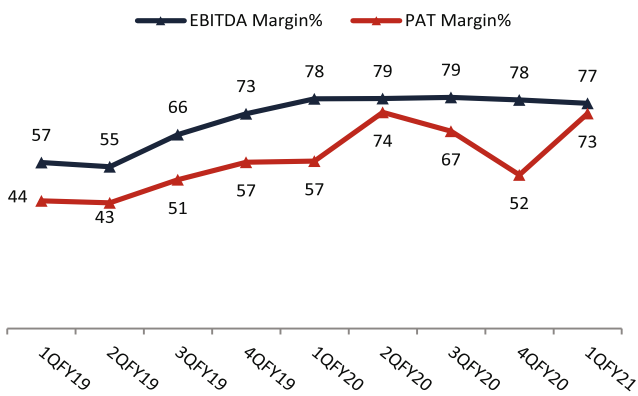
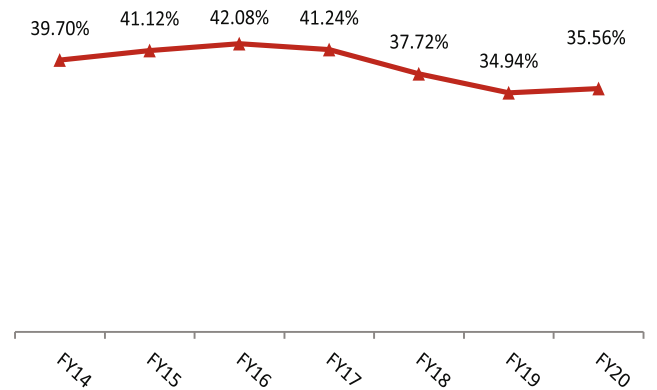


Exhibit: Return Ratios

ROE improved in FY20



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	25	25	25	25	105	106	106	106
Reserves	876	1095	1126	1492	2149	2964	3923	4976
Networth	901	1120	1151	1517	2254	3071	4029	5083
Debt	0	0	0	0	0	0	0	0
Other Non Cur Liab	15	15	15	13	40	40	54	54
Total Capital Employed	916	1135	1166	1530	2294	3111	4084	5137
Net Fixed Assets (incl CWIP)	28	34	32	28	37	43	161	164
Non Cur Investments	130	162	160	0	0	0	0	0
Other Non Financial Asst	0	0	0	188	218	48	27	32
Non Curr Assets	291	384	303	251	287	126	242	258
Inventory	-	-	-	-	-	-	-	-
Debtors	15	17	39	92	103	103	65	98
Cash & Bank	1	3	1	1	2	32	27	33
Other Financial Assets	101	171	82	11	22	28	30	37
Curr Assets	830	928	1119	1443	2185	3098	4066	5081
Creditors	148	95	172	96	112	47	47	48
Provisions	15	15	15	1	1	1	7	7
Other Financial Liab	57	82	85	68	67	66	178	154
Curr Liabilities	205	177	256	164	178	113	225	202
Net Curr Assets	625	751	863	1279	2007	2985	3841	4879
Total Assets	1121	1312	1423	1694	2472	3224	4309	5339

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	859	1,022	1,443	1,480	1,757	1,915	2,003	1,928
Change (%)	0%	19%	41%	3%	19%	9%	5%	-4%
EBITDA	486	591	668	704	955	1,206	1,572	1,546
Change (%)	0%	22%	13%	5%	36%	26%	30%	-2%
Margin (%)	57%	58%	46%	48%	54%	63%	78%	80%
Depr & Amor.	8	10	11	12	9	13	50	51
EBIT	478	581	656	692	945	1,193	1,522	1,495
Int. & other fin. Cost	-	-	-	-	-	-	9	9
Other Income	45	42	52	108	113	182	140	249
EBT	522	623	708	800	1,058	1,375	1,653	1,735
Exp Item	-	-	-	-	-	-	-	-
Tax	165	207	230	250	347	444	391	418
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	358	416	478	550	711	930	1,263	1,317
Adjusted PAT	358	416	478	550	711	930	1263	1317
Change (%)	-	16%	15%	15%	29%	31%	36%	4%
Margin(%)	42%	41%	33%	37%	40%	49%	63%	68%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Valuation Ratios								
DPS	-	-	-	-	19	24	28	12
BV	357	444	457	565	107	144	189	239
P/E	-	-	-	-	-	35	44	40
Price / Book Value	-	-	-	-	-	11	14	10
EV/EBITDA	-	-	-	-	-	27	35	34
FCF per Share	209.3	94.6	741.9	454.7	618.1	894.1	1,285	1,300
Operating Ratios%								
Rev/AAUM	-	-	-	0.61	0.62	0.58	0.52	0.49
EBITDA /AAUM	-	-	-	0.29	0.34	0.36	0.41	0.39
PAT/AAUM	-	-	-	0.23	0.25	0.28	0.33	0.33
Return Ratios								
ROE	40%	41%	42%	41%	38%	35%	36%	29%
ROCE	53%	52%	57%	46%	42%	39%	38%	29%
Balance Sheet Ratios								
Asset Turnover	30.7	30.2	44.7	52.5	47.6	44.7	12	12
Debtor Days	6.6	5.9	9.8	21.0	18.8	15.8	15	15
Payable Days	62.8	33.9	43.5	23.7	23.2	9.0	9	9

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	522	623	708	800	1,058	1,375	1,653	1,735
(inc)/Dec in Working Capital	(115)	(293)	306	4	(9)	69	94	(77)
Non Cash Op Exp	8	10	11	12	9	13	50	51
Int Paid (+)	-	-	-	-	-	-	9	9
Tax Paid	(167)	(212)	(235)	(258)	(337)	(450)	(405)	(418)
others	(39)	(33)	(48)	(103)	(103)	(113)	(117)	-
CF from Op. Activities	209	95	742	455	618	894	1,285	1,300
(inc)/Dec in FA & CWIP	(17)	(16)	(9)	(14)	(17)	(18)	(30)	(54)
Free Cashflow	192	79	733	441	601	877	1,255	1,246
(Pur)/Sale of Inv	(40)	108	(301)	(173)	(615)	(803)	(947)	(967)
others	7	11	13	10	(1)	44	49	(9)
CF from Inv. Activities	(51)	104	(297)	(176)	(633)	(777)	(928)	(1,030)
inc/(dec) in NW	(11)	-	(204)	0	423	189	16	0
inc/(dec) in Debt	-	-	-	-	-	-	-	-
Int. Paid	-	-	-	-	-	-	-	-
Div Paid (inc tax)	-	-	-	-	-	-	-	-
Tax paid	(21)	(33)	(41)	(47)	(69)	(52)	(52)	-
Div Paid (inc tax)	(126)	(164)	(201)	(232)	(337)	(255)	(255)	(263)
CF from Fin. Activities	(159)	(197)	(447)	(279)	15	(119)	(332)	(263)
Inc(Dec) in Cash	0	2	(2)	0	1	(1)	26	6
Add: Opening Balance	1	1	2	1	1	2	1	27
Closing Balance	1	2	1	1	2	1	27	33

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