



HDFC Asset Management Company

About the company

HDFC Asset Management Company Ltd. (HDFC AMC) is incorporated in 1999 and headquartered in Mumbai. It is well-known fund house engaged in providing savings and investment products. It's a joint venture between Housing Development Finance Corporation Limited (HDFC) and Standard Life Investments Limited (SLI). SLI is part of Standard Life Aberdeen plc. one of the world's largest investment company. According to CRISIL, as of December 31, 2017, HDFC AMC has been the most profitable AMC of the country in terms of net profits since Fiscal 2013 with a total AUM (Assets Under Management) of Rs 2,932.54 billion. Its profits have grown every year since 2002. HDFC AMC offers a wide range of savings and investment products across asset classes. As of December 31, 2017, it offered 127 schemes categorized into- 28 equity-oriented schemes, 91 debt schemes, 3 liquid schemes, 5 other schemes (including exchange-traded schemes and funds of fund schemes). The company also provides portfolio management and segregated account services to HNIs, family offices, trusts, domestic corporates and provident funds etc. As of December 31, 2017, it managed a total AUM of Rs 75.78 billion as part of its portfolio management and segregated account services' business.

Issue Details

| | |
|--------------------|--------------------------------------|
| Issue Opens | 25 July 18 |
| Issue Closes | 27 July 18 |
| Issue Size (Rs Cr) | Rs 2,787cr – Rs 2,800 cr |
| Face Value(Rs) | 5 |
| Minimum Lot size | 13 shares and in multiple thereafter |
| Price Band(Rs) | 1095-1100 |
| Listing | NSE,BSE |

Investment Rationale

HDFC AMC has been reporting the best profitability numbers in the industry owing to operating efficiency. For FY18, HDFC AMC has reported PAT/AAUM of 0.26%, whereas other top 5 players had reported the same in the range of 0.21-0.14%.

Financial Highlights

| Particulars(Rs Cr) | FY14 | FY15 | FY16 | FY17 | FY18 |
|--------------------|------|------|------|------|------|
| Net Sales | 859 | 1022 | 1443 | 1480 | 1760 |
| Net Profit | 358 | 415 | 478 | 550 | 722 |
| EBITDA (%) | 57 | 58 | 46 | 48 | 55 |
| EPS(Rs) | 17 | 20 | 23 | 26 | 34 |
| PE | 65 | 56 | 49 | 42 | 32 |
| P/BV(%) | 43 | 53 | 54 | 67 | 102 |
| ROE(%) | 45 | 41 | 42 | 43 | 40 |



Peers Comparison

| Particulars(Rs Crores) | HDFC AMC | Reliance Nippon AMC | ICICI Pru AMC | Aditya Birla Sunlife AMC |
|------------------------|----------|---------------------|---------------|--------------------------|
| Revenue | 1876 | 1746 | 1897 | 1261 |
| PAT | 722 | 505 | 626 | 322 |
| Revenue as % AAUM | 0.67 | 0.74 | 0.67 | 0.55 |
| PAT as % AAUM | 0.26 | 0.21 | 0.22 | 0.14 |
| Expenses as % of AAUM | 0.29 | 0.44 | 0.33 | 0.34 |

Risks and concerns

- There adverse market conditions could affect the AUM and the total business in many ways. If the investment products under-perform their AUM could decline and adversely affect their revenue, reputation and brand.
- Failure to continue with their existing distribution relationship or to secure new distribution relationship may have a material adverse effect on their financial condition and result of operation.
- Their historical growth rates may not be indicative of their future growth and if they do not manage their growth effectively, their financial performance could be adversely affected.

Valuation

HDFC AMC stands to gain from operating leverage. At a P/E of 32x on the basis of FY18EPS. We believe that strong growth perspective in the upcoming period will drive future growth which is likely to be higher than its peer. Investors can subscribe the issue with short term as well as long term view.

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