

Ajmera x-change  
The Growth Catalyst



Mobile Application

#Letsgetgoing



Ajmera House, Pathakwadi,  
L.T. Marg,  
Mumbai - 400002. INDIA

Tel: +91 22 4062 8853

Email: [broking@ajmera.co.in](mailto:broking@ajmera.co.in)

Website: [www.ajmerax-change.co.in](http://www.ajmerax-change.co.in)

**ISO 9001:2015 Certified**

EQUITY, DERIVATIVES, CURRENCY, COMMODITY, DEPOSITORY, MUTUAL FUNDS, INSURANCE\* & NBFC\*

## IPO Report-HDFC AMC Ltd

25<sup>th</sup> July, 2018

Issue Period	25 July 2018 - 27 July, 2018
Security Type	Equity
Issue Size - No. of Shares	2,54,57,555
Price Band	1095-1100
Face Value	05
Market Lot	13
Minimum Bid Quantity (Retail)	13
Maximum Bid Quantity (Retail)	181
Book Running Lead Managers	Kotak Mahindra Capital Company Limited Axis Capital Limited J.P. Morgan India Private Limited Morgan Stanley India Company IIFL Holdings Limited
Registrar	Karvy Computershare Pvt. Ltd.
Listing At	BSE & NSE
Main Board	SME
	<input checked="" type="checkbox"/>
RECOMMENDATION	<b>SUBSCRIBE for Listing gains</b>



Incorporated in 1999, HDFC Asset Management Company Limited (HDFC AMC) is well-known fund house engaged in providing savings and investment products based in Mumbai. It is a joint venture between Housing Development Finance Corporation Limited (HDFC) and Standard Life Investments Limited (SLI). It has been the largest AMC in equity-oriented AUM since the last quarter of Fiscal 2011 and has consistently been among the top two asset management companies in India in terms of total average AUM since the month of August 2008

## PRODUCTS

**Children's Gift Fund**

**Fund of Fund Schemes**

**Debt/ Income Fund**

**Fixed Maturity Plan**

**Equity / Growth Fund**

**Liquid Funds**

**Exchange Traded Funds**

**Quarterly Interval Fund**

## COMPANY'S PROMOTERS

HDFC Ltd and Standard Life Ltd are the Company's Major Promoter



**Mr Deepak Parekh ( Non Executive Director and Chairman)** He is the non-executive director and chairman of the company. He is an associate of the institution of Chartered Accountant (England and Wales). He is on board of several leading companies across diverse sectors.



**Mr. Milind Barne (Managing Director).** He has been appointed as the Managing Director of the Company for a period of three years with effect from November 1, 2017 till October 31, 2020, pursuant to a board resolution dated October 13, 2017, a shareholders' resolution dated October 14, 2017 and an agreement dated October 23, 2017 between the Company and Milind Barve.

The promoter's currently holds 18,05,47,445 equity shares which is 85% of the total share capital post Issue.

## ISSUE STRUCTURE

**Offer for Sale of 2,54,57,555 Equity Shares Worth 2800 Crs**

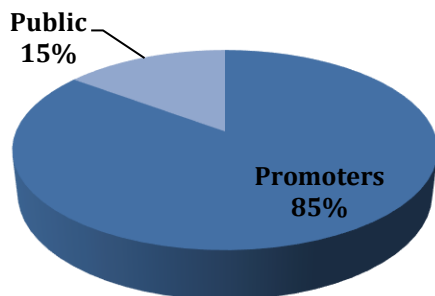
QIB: 50% of the issue

NIB: 15% of the issue

Retail: 35% of the issue

## POST ISSUE SHAREHOLDING PATTERN

### Post Issue Share Holding Pattern



## OBJECTS OF THE ISSUE

Particulars	Amount
To achieve listing gains To enhance the visibility and the brand image to the company	
<b>Total</b>	

## KEY RATIOS

Particulars	For the year/period ended		
	March2016	March2017	March2018
Debt-Equity Ratio(x)	0.00	0.00	0.00
Current Ratio(x)	1.75	1.31	1.50
Price/Earnings Ratio(x)*	49.00	42.00	32.00
RoCE (%) (Return on Capital Employed)	61.56	61.76	59.28
EPS (Earnings Per Share)	21.70	24.99	31.01
Book Value Per Share	57.19	70.68	102.58

\*Upper Price Band

## VALUATION

HDFC Asset Management company is one of the largest AMC's in India with a total AUM of 3050 bn as on March 31, 2018 and has been the most profitable AMC in India. HDFC AMC is the pedigree stock from the house of HDFC. **On the upper price band of Rs. 1100 HDFC AMC is available at a P/E ratio of 32.00x of its FY18 earnings. Considering the huge potential in the MF industry, strong return ratios and strong brand equity.** Hence assign a **SUBSCRIBE for Listing gains** rating to the issue.

## OUTLOOK

We recommend a **SUBSCRIBE for listing gains/ Portfolio stock can HOLD for long term** rating to the issue. Richly valued but has a stable view for long term considering the growth in the Mutual fund Industry

## STRONG GROWTH FORESEEN IN HOUSEHOLD FINANCIAL SAVINGS

India has historically been and is expected to remain a savings economy. The gross domestic savings rate (as a percentage of GDP) is higher than those of major economies such as the US, the UK, France, Japan and Germany. The past two years have seen a quantum spurt in investments into capital markets, with the household allocation to shares and debentures increasing from 2% in Fiscal 2015 to 10% in Fiscal 2017 as well as a sharp increase in the mutual fund assets under management (“AUM”). In Fiscal 2018, it is expected that CPI inflation would further fall to average 4%. Over the long term, too, the RBI is committed to keep inflation low and range-bound. Lower inflation gives an impetus to overall savings, as people can save more which may lead to financial savings to increase with the government’s strong stance against black money and diminishing attractiveness of real estate and gold, along with improvement in financial education among households and measures taken towards financial inclusion.

## STRONG INVESTMENT PERFORMANCE SUPPORTED BY COMPREHENSIVE INVESTMENT PHILOSOPHY AND RISK MANAGEMENT

### **Equity-oriented schemes:**

HDFC group has been consistent as one of India’s leading asset management companies driven by comprehensive investment philosophy and investment performance. The investment philosophy for Equity-oriented investments is based on the belief that over time stock prices reflect their intrinsic values. The focus of research effort is on understanding the businesses, the key drivers and understanding the risks. The firm believes that long-term focus with an understanding of short-term factors, investment discipline, risk management and a team of talented individuals are key to a successful active fund management.

### **Debt schemes:**

The investment philosophy for fixed income investments is based on the objective of delivering optimal risk adjusted returns across its schemes, with a focus on safety, liquidity and returns. The fixed income schemes invest in securities including corporate bonds, municipal bonds, mortgage-backed securities, asset-backed securities, real estate investment trusts, infrastructure investment trusts and money market instruments. The asset allocation for debt investments depends upon the outlook, spreads and yields for the relevant securities.

Scheme Categories	AUM (In Billions)	No Of Schemes
Equity Oriented	729.74	10
Hybrid Schemes	732.07	6
Debt Schemes	1242.26	13
Solution Oriented	29.16	4
Other Schemes	13.42	7
Close Ended Funds	264.29	83
<b>Total</b>	<b>3010.94</b>	<b>123</b>

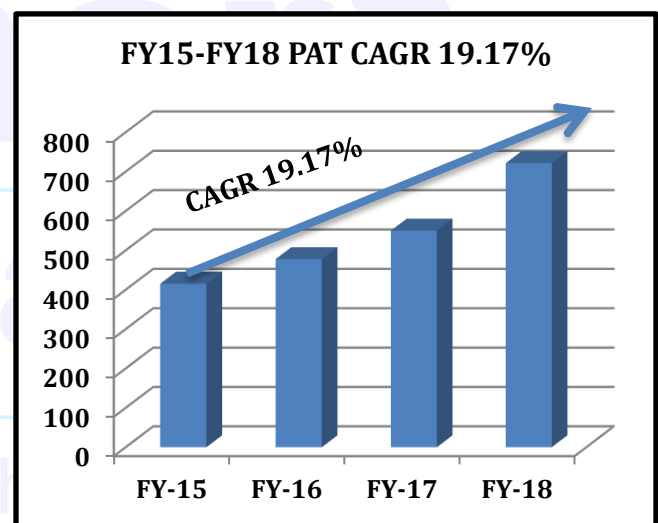
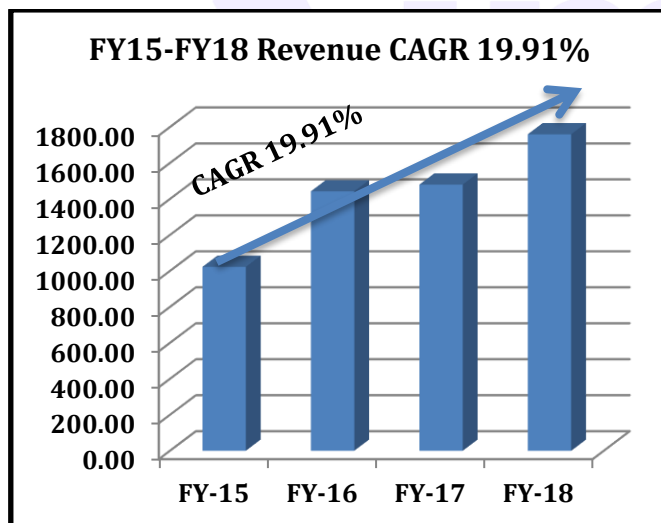
## CONSISTENT MARKET LEADERSHIP POSITION IN THE INDIAN MUTUAL FUND INDUSTRY

**HDFC AMC has been a leading Mutual Fund industry since the time of its inception.** The company has the highest AUM since 2008. In order to provide tailored solutions for the clients and customers, the company has streamline divisions in the organization to meet the customer requirement. The company also has past track record of successful completed projects in the domestic region and has a tie up with various companies for the various power and infra consultancy project. The company has under taken various construction projects of Indian Railways and roadways. Majority of the products company manufacture is supplied to the Asia Pacific region and African region to cater the customers in the industry.

## CONSISTENT DISTRIBUTION CHANNEL AND STRONG PARENTAGE OF THE COMPANY

As of 2018 HDFC AMC has its presence and have served customers in more than 200 cites in India. The has empaneled more than 65000 distribution channels including Banks, distributors and IFA's. The company has a distribution team of 633 people and a customer services team of 319 people. Since the company has strong brand name where the customer trust as seen by the consistent leadership position in Indian mutual fund industry. **The company benefits from the strong brand-name as it gives a unique advantage of being a trusted provider of financial services.**

### FY15-FY18 Revenue and PAT CAGR



### STRENGTHS

- **Consistent market leadership position in the Indian mutual fund industry.**
- **Trusted brand and strong parentage.**
- Consistent profitable growth.
- Experienced and stable management and investment team.

### RISKS & CONCERNS

- **Decrease in AUM and investment management and advisory fee**
- **Increase in the fixed deposit rates may adversely affect the business**
- Impact of changes to the regulations on the Total Expenses Ratio ("TER") for Schemes, could adversely impact company's revenues

## INDUSTRY OUTLOOK

A pick-up in economic growth, growing investor base, higher disposable income and investable surplus, increasing financial savings and government schemes focusing on increasing awareness, ease of investing, digitalization, and perception of mutual funds as long-term wealth creators, and increasing geographical penetration will be key facilitators of growth. The mutual fund industry's revenue is expected to grow at a CAGR of 25% to around ₹184 billion by Fiscal 2019. Commensurately, net profit is expected to grow to around ₹45 billion at a CAGR of 24.3% by Fiscal 2019. While the revenue growth will be driven by the growth in AUM, growing allocation to equity oriented funds, which generally charge higher investment management fees (on actively managed equity funds) than other categories, will be a major contributor. In addition, revenue from other streams, including portfolio management services ("PMS"), alternative investment funds ("AIFs") and offshore advisory services, are also expected to grow at a healthy pace. AUM growth in the PMS and AIF verticals would be driven by the HNIs segment, given the growing appetite and preference for such high-ticket investments. Overall, the industry's profitability is expected to remain stable in the near term, supported by robust growth in AUM. Primarily owing to higher competition and tighter regulations. Rising competition will also drive increased spending by AMCs on marketing related activities. However, these would be offset by an improvement in employee efficiency.

## COMPARISON WITH LISTED INDUSTRY PEERS

Name of the Company	Face Value	EPS	PE	AUM	NAV	RONW
HDFC Asset Management Company Ltd	5.00	31.01	32.00	3050.00	102.58	40.28
Reliance Nippon Asset Management Ltd	10.00	8.74	26.01	2449.00	37.37	22.82

## SUMMARY STATEMENT OF ASSETS AND LIABILITIES

Y/E (₹ Crore)	FY-2015	FY-2016	FY-2017	FY-2018
<b>Share Capital</b>	<b>25.24</b>	<b>25.16</b>	<b>25.16</b>	<b>105.27</b>
Reserves & Surplus	1094.64	1126.05	1397.77	2054.69
<b>Net Worth</b>	<b>1119.88</b>	<b>1151.21</b>	<b>1422.93</b>	<b>2159.96</b>
Non-Current Liabilities	15.00	15.00	0.80	0.77
Current Liabilities	176.86	256.49	175.84	209.87
<b>Total Liabilities</b>	<b>1311.74</b>	<b>1422.70</b>	<b>1599.57</b>	<b>2370.60</b>
<b>Non-Current Asset</b>				
deferred Tax (Assets)	13.28	13.89	9.35	9.73
Long Term loans & Advances	175.19	97.38	69.01	61.67
Other Non-current Assets	195.57	202.39	192.11	678.29
Current Assets	925.13	1108.35	1327.55	1618.88
Cash & Cash Equivalent	2.56	0.98	1.27	2.06
<b>Total Assets</b>	<b>1311.74</b>	<b>1422.70</b>	<b>1599.57</b>	<b>2370.60</b>

## SUMMARY STATEMENT OF PROFIT AND LOSS

Y/E (₹ Crore)	FY-15	FY-16	FY-17	FY-18
<b>Net Sales</b>	<b>1022.43</b>	<b>1442.54</b>	<b>1480.00</b>	<b>1759.75</b>
<i>Growth (%)</i>		<i>41%</i>	<i>3%</i>	<i>19%</i>
Employee Expenses	127.50	143.19	157.55	174.94
Other Expense	304.03	631.84	618.59	618.34
<b>Total Expenses</b>	<b>431.53</b>	<b>775.03</b>	<b>776.14</b>	<b>793.28</b>
<b>EBITDA</b>	<b>590.90</b>	<b>667.51</b>	<b>703.86</b>	<b>966.47</b>
<i>Growth (%)</i>		<i>13%</i>	<i>5%</i>	<i>37%</i>
<b>EBITDA Margin (%)</b>	<i>58%</i>	<i>46%</i>	<i>48%</i>	<i>55%</i>
Depreciation	10.13	11.06	11.95	11.44
Other Income	41.83	51.79	107.87	107.49
<b>PBT</b>	<b>622.60</b>	<b>708.24</b>	<b>799.78</b>	<b>1062.52</b>
Tax Expense	207.09	230.37	249.55	340.89
<b>PAT</b>	<b>415.51</b>	<b>477.87</b>	<b>550.23</b>	<b>721.63</b>
<i>Growth (%)</i>		<i>15%</i>	<i>15%</i>	<i>31%</i>

## STATEMENT OF CASH FLOWS

Particulars (₹ Crore)	FY-2015	FY-2016	FY-2017	FY-2018
Net Cash from Operating Activities	94.82	742.02	454.85	620.14
Net Cash Used in Investing Activities	103.55	-297.06	-176.03	-634.76
Net Cash Used in Financing Activities	-196.86	-446.59	-278.52	15.41

The Growth Catalyst



**HAPPY INVESTING!!**

## **The TEAM**

**Dhruv Ajmera**  
( MSC, E&I )

**Amit Tibrewala**  
( MBA Finance)  
NISM Series XV-  
Research Analyst

**Kailas Shinare**  
(CA)

**Vinod Parmar**  
(CS,LLB)

**Punit Joshi**  
(BSc) AMFI IRDA

**Kavita Tripathi**  
(MBA Finance)

**Tel No: +91 22 40628901**

**Email Id: [research@ajmera.co.in](mailto:research@ajmera.co.in)**

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