

HDFC AMC Q4FY21

Financial Results & Highlights

Brief Company Introduction

HDFC Asset Management Company Limited (HDFC AMC) is Investment Manager to HDFC Mutual Fund, the largest mutual fund in the country. HDFC AMC has a diversified asset class mix across Equity and Fixed Income/Others. It also has a countrywide network of branches along with a diversified distribution network comprising Banks, Independent Financial Advisors and National Distributors.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	546	450	21.33%	595	-8.24%	2202	2143	2.75%
PBT	423	330	28%	483	-12.42%	1749	1653	5.81%
PAT	316	250	26%	369	-14.36%	1326	1262	5.07%

Detailed Results

- Revenues for the quarter were up 21% YoY. The same for FY21 were up only 2.75% YoY.
- PBT in Q4 is up 28% YoY and PAT is up 26% YoY. PBT & PAT for FY21 are at 5.8% YoY and 5% YoY respectively.
- QAAUM for the company was at Rs 4156 billion which was up 12% YoY. Closing AUM was up 24% YoY at Rs 3955 Cr. Market share in both was at 12.9%.
- The breakup of closing AUM for HDFC by segment is as follows:
 - Equity: 43% vs industry average of 41.4%
 - Debt: 38.5% vs industry average of 33.7%
 - Liquid: 16.1% vs industry average of 13%
 - Others: 2.3% vs industry average of 12%
- Market share in Actively Managed Equity Oriented AUM for HDFC is 13.3%. Actively managed QAAUM saw a rise of 6% YoY while Closing AUM saw a rise of 38% YoY.
- Market share in Debt QAAUM was at 14.4% and QAAUM & Closing AUM have risen 39% and 46% YoY respectively.
- Market share in liquid funds was at 16.7% by QAAUM which was down 14% YoY. Closing AUM for liquid funds was down 26% YoY.
- The number of individual accounts fell 5% YoY while individual MAAUM grew 22% YoY.

9. The company also maintained a long tenure SIP book with 84% of order book having flows over 5 years and 73% having flows over 10 years.
10. The distribution of total AUM across different channels saw the following changes:
 1. Direct: 46.5% vs 47.8% a year ago
 2. HDFC Bank: 5.6% vs 5.6% a year ago
 3. Banks: 10% vs 10.7% a year ago
 4. MFDs: 25.9% vs 23.4% a year ago
 5. National Distributors: 17.6% vs 18.1% a year ago.
11. The company also maintained its position as 2nd biggest player in B30 markets with an 11.7% market share. The company has a total of 227 branches with 147 in B30 cities and 65,000+ empanelled distribution partners. The company now has customers in 97% of pin codes in India
12. The company has seen 82% of transactions in FY21 by electronic means as compared to 69% in FY20.
13. Operating margin has come down to 36 bps of AUM in FY21 vs 41 bps in FY20.
14. The company announced a final dividend of Rs 34 per share for FY21.

Investor Conference Call Highlights

1. The MF industry saw equity-oriented net outflows of INR 84 billion in Q4. It also saw debt-oriented net outflows of INR 410 billion in Q4. Liquid funds witnessed outflows of INR 422 billion in the same period.
2. Individual folios for the industry continue to rise and is now at INR 97.3 million.
3. Equity AUM accounts for 66% of the total B-30 AUM.
4. HDFC AMC added 6 new branches and 60 new employees in FY21.
5. HDFC AMC continues to enjoy the highest market share in individual AUM which is 13.7%.
6. The new CEO & MD, Mr. Navneet Munot, joined the company on 16th Feb 2021.
7. The management sees many avenues for grasping opportunity and market share like in thematic and sector funds, international funds, etc.
8. The company has lined up a set of NFOs in different segments which the management feel should help in recovering the lost market share in the equity segment.
9. The management has identified providing superior service and experience, and market capture in B-30 cities as key priorities for HDFC AMC.
10. The management has admitted that margins will indeed go down as passive funds & fixed income gain prominence but the overall opportunity for the industry lies in the massive under-penetration and scope for market expansion for the MF industry.
11. The management reinforced that digital processes have become indispensable due to the transformation of the economy due to COVID-19 and HDFC AMC is no exception to it.
12. The company is the market leader in the index funds space with around 30% market share.
13. It has also filed for an NFO for the NIFTY NEXT 50 fund along with a few others indices.

14. Almost 1/3rd of new investors added in FY21 were through fintech platforms like Paytm, Zerodha, or Groww. These platforms are also responsible for 29% of all industry SIPs and have a majority of the young population as their users.
15. The company made a gain of Rs 85 Cr from the sale of the Essel stock at hand and this has been reflected under other income.
16. The management has stated that the yield has gone down as more inflows have come in fixed income while equity has seen outflows thus moving to a lower margin product mix. But still, the company has a higher margin product mix with a higher ratio of equity than other industry players.
17. The company's main focus in the passive space is to expand and consolidate its hold in the index funds space and to establish a brand in this segment similar to the one that it has done in the active equity space.
18. The management has stated that it will be looking for both performance-oriented growth where it delivers superior performance and distribution-led growth where it offers tailor-made products like children benefit fund or retirement fund.
19. The 2 portfolio managers added last year are now managing 15% of active AUM.
20. The costs for FY21 were down 8% YoY but these are expected to rise as normal business activity patterns resume after the pandemic.
21. The management admits that the performance in the past few years has not been as good as expected but it has stated that investment strategies that have worked in the past may not work in the present and thus it is looking to expand and diversify its style and strategies as much as possible.
22. The management also states that in 2017 and 2018, the majority of growth in the market was led by NIFTY50 and its top 5 stocks. Now that broad-based growth is going on, there will be a better opportunity for alpha generation.
23. The management states that it does see some opportunities in the non-MF side of AMC business like PMS and alternative investments, the near-term focus shall remain on the traditional MF business.

Analyst's View

HDFC AMC is the leading mutual fund house in India. It is the market leader in actively managed equity funds space and a trusted mutual fund provider for individual investors which is evident in its high individual account numbers and AUM. The company had a good quarter due to healthy inflows on the fixed income side and the resumption of inflows into equity from March. The new CEO has highlighted that customer-centricity shall remain the prime focus going forward. The company is also looking to grasp the opportunity in the passive space by establishing its brand in the index funds space where it enjoys a market-leading 30% share. The management has admitted that returns in the past few years have been less than desirable for the equity segment but the added diversity in style and strategy from the new portfolio managers and the broad-based market rise of recent times should see alpha generation rising. It remains to be seen how the economic situation will unravel during and after the 2nd wave of COVID-19 and how it will continue to affect the investment sentiments in India. However, given the company's strong past track record and its leadership position in the industry, the medium and long-term outlook for HDFC AMC remains intact.



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