

## Issue Details

Op. Date	25 <sup>th</sup> July – 2018
Closing Date	27th July – 2018
Issue Price	Rs.1,095 – Rs.1,100
FV	Rs. 5 per eq. share
Listing at	NSE & BSE
BRLMs	Kotak Mahindra Capital Co., Axis Capital, DSP Merrill Lynch, Citigroup, CLSA, HDFC Bank, ICICI Securities, IIFL, JM Financials, JP Morgan, Morgan Stanley and Nomura

## Minimum Retail Application

## Details at cut of price

Number of Shares	13 shares
Issue Size (Rs. in Crs)	2,800
Discount to Retails	NIL

## Shareholding Pattern

## Pre offer

## Post Offer

Promoter	94.95%	82.94%
others	5%	17.06%

## Objective of the Issue

To carry out the sale of Equity Shares offered for sale by the Selling Shareholders & Enhance the company's visibility and brand image

## Issue Size

## Allocations

## Eq. Share

QIB	50%	1,10,88,776
HNI	15%	33,26,634
RIL	35%	77,62,145

## Valuations Band

## Lower

## Higher Band

MCAP	23,212 Crs	23,318 Crs
EPS	34	34
BV	102	102
P/BV	10.74	10.78
p/e	32.21	32.35

Research Analyst

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## HDFC AMC Ltd. - Subscribe

## Company Background

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 is 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 FY 13 with a total AUM (Assets under Management) of Rs. 2,932 bn. Its profits have grown every year since FY02. 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 bn as part of its portfolio management and segregated account services' business.

## Investment Rationale

- Consistent market leadership position in the Indian mutual fund industry
- Trusted brand and strong parentage
- Strong investment performance supported by comprehensive investment philosophy and risk management.

## Outlook &amp; Valuation

The company posted Good Revenue growth. It posted growth of 19% CAGR in the last 5 years posted profitability growth of 19% CAGR in the last 5 years. The Company posted good profits in the last years and it earned profitability margins of over 41% in FY2018. Considering the higher concentration of equity assets in the AUM, most profitable AMC and the brand name associated, we feel that the higher valuation demanded by HDFCAMC of 32X PE seems to be justified. Thus, we assign a SUBSCRIBE rating for the issue.

Particulars	FY14	FY15	FY16	FY17	FY18
Total Income	859	1022	1443	1480	1760
EBITDA	486	591	667	704	966
PAT	358	415	478	550	721
EPS	16.9	19.6	22.5	26.0	34.0
EBITDA M	56.6%	57.8%	46.3%	47.6%	54.9%
PAT M	41.7%	40.6%	33.1%	37.2%	41%

HDFC AMC has a total AUM of ₹2,919.85 billion as of March 31, 2018 and their AUM has grown at a CAGR of 33.9% since FY01.

As of March 31, 2018, their market share of total AUM was 13.7%

The AMC benefits from the brand reputation of their promoters, HDFC and SLI.

The company also believes that they have strong brand recall among Indian customers, which they attribute, in part, to the strength of their brand and strong parentage.

Equity-oriented schemes constituted 51.3% of their total AUM as of March 31, 2018.

The company is medium to long-term investors in equity and their investments are driven by fundamental research with a medium to long-term view.

## Investment Rationale

### 1. Consistent market leadership position in the Indian mutual fund industry

HDFC AMC has been a leader in the Indian mutual fund industry as demonstrated by our leading position across key industry metrics. HDFC has been the most profitable asset management company in India in terms of net profits since FY13, according to CRISIL. The company has a total AUM of ₹2,919.85 billion as of March 31, 2018. Their AUM has grown at a CAGR of 33.9% since FY01. They have been the largest asset management company in India in terms of equity-oriented AUM since the last quarter of FY11 and have consistently been among the top two asset management companies in India in terms of total average AUM since the month of August 2008, according to CRISIL. Their proportion of equity-oriented AUM to total AUM was at 51.3%, which was higher than the industry average of 43.2%, as of March 31, 2018, according to CRISIL. As of March 31, 2018, their market share of total AUM was 13.7% and of actively managed equity-oriented AUM (which excludes index linked and arbitrage schemes) was 16.8% among all asset management companies in India, as of March 31, 2018, according to CRISIL

### 2. Trusted brand and strong parentage

HDFC is one of a strong brand that the customers trust, as evident by their consistent leadership position in the Indian mutual fund industry. The company also believes that they have strong brand recall among Indian customers, which they attribute, in part, to the strength of their brand and strong parentage. The AMC benefits from the brand reputation of their promoters, HDFC and SLI. The HDFC group has a strong presence across financial products and services, especially in the retail sector. The company believes that they benefit from HDFC's brand name as it gives them a unique advantage of being a trusted provider of financial services, and SLI provides them access to international best practices, for operations and risk management.

### 3. Strong investment performance supported by comprehensive Investment philosophy and risk management

HDFC's consistent position as one of India's leading asset management companies is driven by their comprehensive investment philosophy and investment performance. Equity-oriented schemes constituted 51.3% of their total AUM as of March 31, 2018. Their investment philosophy for equity-oriented investments is based on the belief that over time stock prices reflect their intrinsic values. The company is medium to long-term investors in equity and their investments are driven by fundamental research with a medium to long-term view. The research effort focuses on the assessment of medium to long-term fundamentals.

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