

18-July-2018

HDFC Asset Management Company



Issue Details

Recommendation	Subscribe
Issue Open	July 25, 2018 - July 27, 2018
Issue Type	Book Built Issue IPO
Issue Size	Rs 2788Cr – Rs 2800Cr
No. of shares	OFS of 2.5 crore shares
Face Value	Rs 5 per Equity Share
Issue Price	Rs 1095-Rs 1100 per Equity Share
Market Lot	13 Shares.
Listing At	NSE/ BSE

Timelines of HDFC AMC Limited IPO:

Bid/Offer Opens On	25 July, 18
Bid/Offer Closes On	27 July, 18
Finalization of Basis of Allotment	On or about August 1, 2018
Initiation of refunds	On or about August 2, 2018
Credit of Shares to demat accounts	On or about August 3, 2018
Commencement of trading on the Stock Exchanges	On or about August 6, 2018

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Company Profile

HDFC Asset Management Company (HDFC AMC), a joint venture between HDFC Ltd. and Standard Life Investment (SLI), was incorporated on December 10, 1999.

HDFC AMC is the largest Asset Management Company in India in terms of equity-oriented Asset under Management (“AUM”) since the last quarter of Fiscal 2011 and has consistently been among the top 2 Asset Management Companies in India in terms of total average AUM since the month of August 2008, according to CRISIL. It’s AUM has grown at a compounded annual growth rate (“CAGR”) of 25.5% between March 31, 2013 and March 31, 2018.

The firm manages equity, fixed income, balanced, and real estate portfolios. It also manages hedge funds for its clients. The firm invests in public equity and fixed income markets. It employs fundamental analysis to make its investments. As of March 31, 2018, they offered 133 schemes that were classified into 27 equity-oriented schemes, 98 debt schemes (including 72 fixed maturity plans (“FMPs”)) 3 liquid schemes, and 5 other schemes (including exchange-traded schemes and funds of fund schemes). It has a total number of Live Accounts of 8.10 million as of March 31, 2018. The company offers their products and services through their online portal, HDFC MF Online and mobile applications, both of which have become increasingly relevant to their business in recent years.

Equity Shareholding of the AMC

HDFC Ltd: 57.36%

Standard life investments limited:38.24%

Other shareholders: 4.40%

Initial public offering of up to 2.5 crore Equity Shares 0.85 crore Equity Shares by HDFC and up to 1.6 crore Equity Shares by Standard Life Investments.

Objects of the Issue

Enhance Company’s Visibility and brand image.

Listing of company and provide a public market for shares.

Sell some Shares of existing promoters

Business Overview

The debt portfolio allocation is initially driven by their focus on safety, liquidity and returns, and then fine-tuned to suit the respective investment objectives of the scheme. 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, according to CRISIL. HDFC AMC has received several awards for their operations, such as the Equity Fund House of the year award for 2017 at the Outlook Money Awards in 2018.

As far as equity oriented scheme is concerned, according to CRISIL, as of March 31, 2018,

- The HDFC Equity Fund was the largest scheme in the Multi cap-oriented equity category;
- The HDFC Midcap Opportunities Fund was the largest scheme in the Mid-cap category;
- The HDFC Prudence Fund was the largest scheme in the Dynamic Asset Allocation or Balanced Advantage category; and
- The HDFC Tax Saver was amongst the top three largest funds in the equity-linked savings scheme in terms of QAAUM.

Overall, the consistent market leadership, trusted brand and strong parentage, strong and consistent performance due to comprehensive investment philosophy, multi-channel distribution network, investment in digital platforms to effectively leverage growing digital space, focus on individual customers and customer centric approach together with sound and experienced management gives HDFC AMC a strong competitive advantage.

Financials

Particulars	31.03.2018	31.03.2017	31.03.2016	31.03.2015
Share Capital	105.28	25.16	25.16	25.24
Reserves	2,054.69	1,397.77	1,126.06	1,094.65
Net Worth	2,159.97	1,422.94	1,151.22	1,119.89
Revenue from Operations	1,759.75	1,480.03	1,442.54	1,022.43
Revenue Growth (%)	-	2.60%	41.09%	-
Profit Before Tax	1,062.52	799.80	708.25	622.59
Profit after Tax	721.62	550.25	477.88	415.50
PAT as % to revenue	41.01%	37.18%	33.13%	40.64%
EPS (Rs.)	35.02	27.33	23.64	20.58
RoNW (%)	33.41%	38.67%	41.51%	37.10%
Net Asset Value (Rs.)	102.58	70.68	57.19	55.46
Interim Dividend (%)	320%	920%	800%	650%

Peer Comparison

Name of the company	Stand/Cons	F.V	EPS	NAV	P/E	BPS	RONW
HDFC Asset Management Co Ltd	Standalone	5	35.02	102.58	31.41	104.81	33.41%
Reliance nippon life asset management Ltd	Consolidated	10	8.74	37.37	26.01	38.30	22.82%

Recommendation

HDFC Asset Management Company Limited is valued at 10.4 times Price to book value on a Pre dilution basis. HDFC Asset Management Company Limited has higher profit margins as compared to other competitors, as well as HDFC asset management company is the 2nd largest asset management company in terms of assets under management (AUM) as per Crisil. While HDFC Asset management company limited is also backed by a strong parentage i.e. HDFC Group which is an added advantage of the company. Also due to efficient management of the company it increases the chances of a company to grow at a faster pace. At the upper subscription price HDFC Asset Management Company is at a P/E of 31.41 which is slightly higher than its competitor, but meanwhile HDFC asset management company limited is also a bigger company in terms of AUM than its competitor, also HDFC Asset management company limited has better return ratios than its competitors. So we recommend to **Subscribe** the HDFC Asset management company limited IPO at its price band of 1095-1100, for a lot size of 13 shares.

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