BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 7,035 | ⮝ 22%

HDFC AMC | Diversified Financials | 16 October 2025

Steady revenue growth

- **HDFC AMC reported 16% revenue growth despite softening of equity markets, supported by strong industry SIP flows and equity inflows**
- **Operating expenses increased by 23%, driven by higher CSR spend, increased business promotion and expenses related to NFO launches**
- **We maintain BUY on HDFCAMC with TP 7,035 (earlier 7,020), implying 42x Sep'27E EPS. HDFC AMC remains one of our top picks**

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Stable operating performance: HDFC AMC reported healthy core earnings revenue growth of 16% YoY (was up 25% YoY in Q1FY26), despite the softening of equity markets, coupled with strong industry SIP flows and steady equity inflows.

Healthy PAT growth: The company reported PAT growth of 25% YoY (down 4% QoQ), aided by 16% YoY core revenue growth. Other income growth declined by 44% YoY, owing to adverse mark-to-market changes. Core PBT grew strong by 13% YoY in Q2FY26. Operating expenses increased 23% YoY (16% QoQ) on account of higher CSR expenses, business promotion expenses and costs associated with NFO launches. Management guided for 12-14% increase in the operating expenses in FY26, which includes NFO expenses as well. Yields remained stable YoY. The company guided for non-cash charges of Rs 420 mn for H2FY26, Rs 670 mn, Rs 530 mn for FY27 and FY28 respectively.

QAAUM: HDFCAMC's QAAUM grew 16% YoY and 6% QoQ to Rs 8,814bn. Equity AUM was up 14% YoY (8% QoQ) and debt AUM rose 20% YoY (up 9% QoQ). Overall market share stood at 11.4% in Q2FY26 vs 11.5% in Q1FY26 vs 11.5% in Q2FY25. Its market share in equity, debt and liquid segments was at 12.9%, 13.2% and 11.4% vs 12.8%, 13.1%, 12.3% respectively in Q1FY26.

Yield and margins: Core revenue yields were stable at 47bps YoY. The segment-wise yields were equity, debt and liquid stood at 58bps, 27-28bps and 12-13bps respectively. Management acknowledged that margin compression from telescopic pricing is an industry-wide phenomenon and TER would eventually trend lower. The company was able to mitigate compression in margins through rationalisation of commissions.

Maintain BUY: HDFC AMC remains well positioned to deliver steady growth, supported by its strong franchise, high equity mix, and superior profitability, which together justify its premium valuation. We expect PAT to grow by 15–17% over FY26–28E. We maintain BUY with TP of Rs 7,035 (Rs 7,020 earlier), valuing the stock at 42x Sep'27E EPS. HDFCAMC is one of our top picks.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HDFCAMC IN/Rs 5,764
Market cap	US$ 14.0bn
Free float	37%
3M ADV	US$ 27.9mn
52wk high/low	Rs 5,928/Rs 3,563
Promoter/FPI/DII	63%/8%/18%

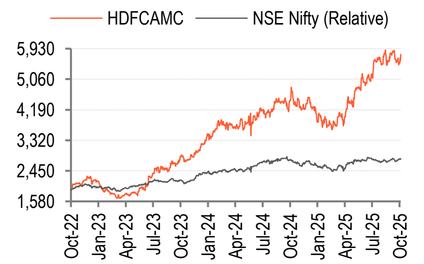
Source: NSE | Price as of 15 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Core PBT (Rs mn)	27,239	32,012	37,559
Core PBT (YoY)	43.7	17.5	17.3
Adj. net profit (Rs mn)	24,602	28,816	33,216
EPS (Rs)	115.2	134.9	155.5
Consensus EPS (Rs)	115.2	134.9	155.5
MCap/AAAUM (%)	18.0	14.9	12.6
ROAAAUM (bps)	35.9	34.7	33.9
ROE (%)	32.4	34.1	36.4
P/E (x)	50.1	42.7	37.1

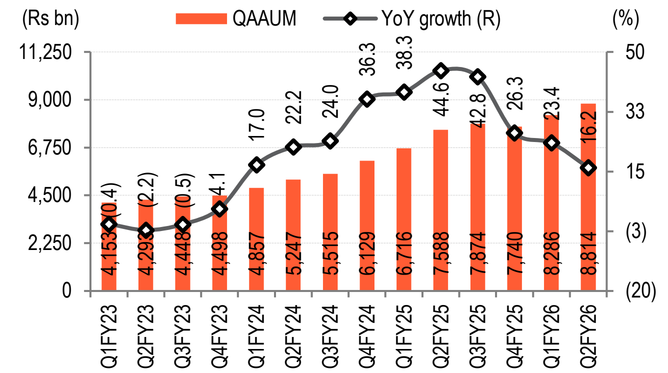
Source: Company, Bloomberg, BOBCAPS Research

Stock performance



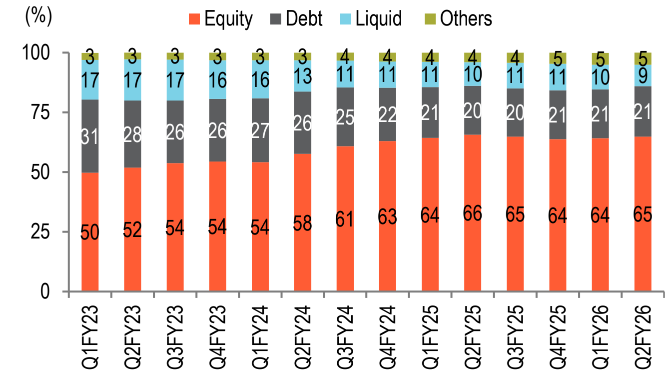
Source: NSE

Fig 1 – QAAUM grew by 16.2% in Q2FY26



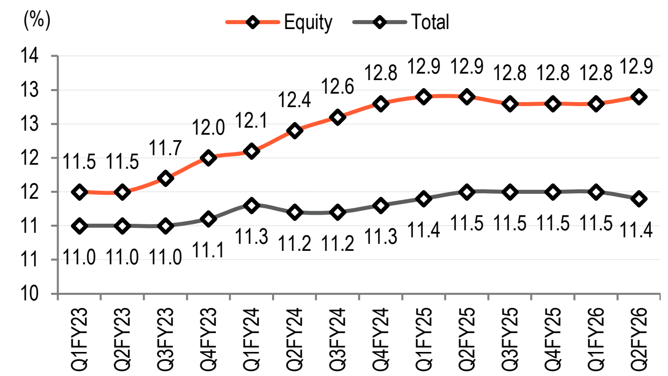
Source: Company, BOBCAPS Research

Fig 2 – Equity mix remained stable over the past quarters



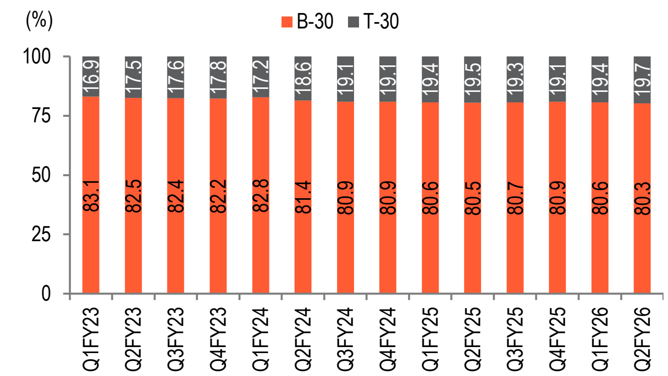
Source: Company, BOBCAPS Research

Fig 3 – Market share continued to improve owing to improving fund performance



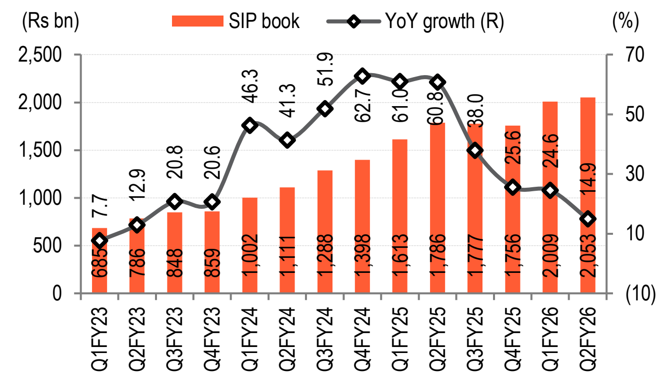
Source: Company, BOBCAPS Research

Fig 4 – B-30 continues to grow and now contributes 19.7% in Q2FY26



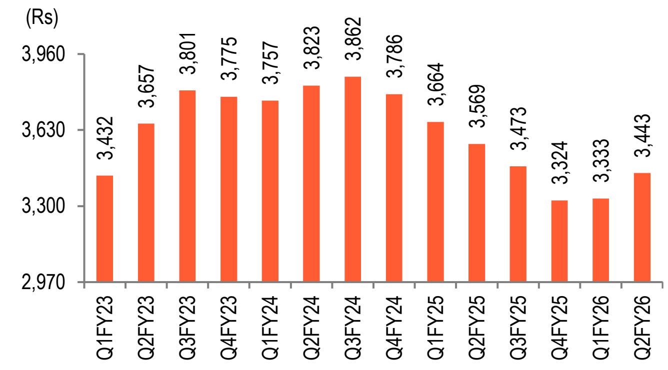
Source: Company, BOBCAPS Research

Fig 5 – SIP book stood at Rs 2,053 bn



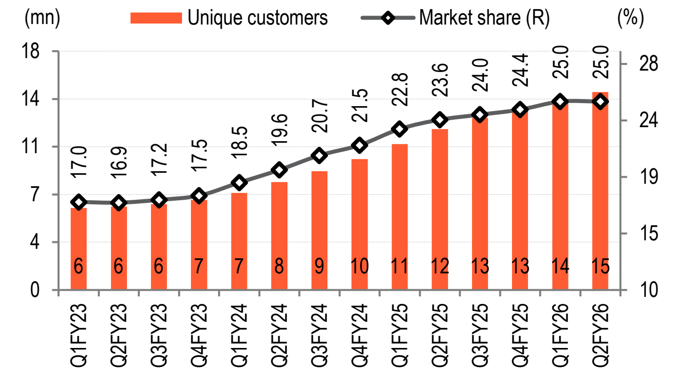
Source: Company, BOBCAPS Research

Fig 6 – Trend in average ticket size



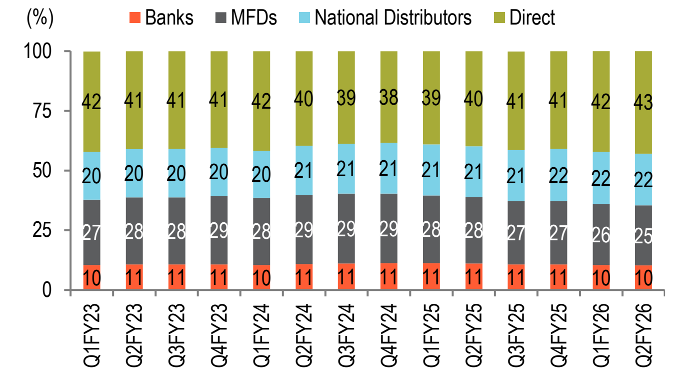
Source: Company, BOBCAPS Research

Fig 7 – Unique investors' market share continues to improve



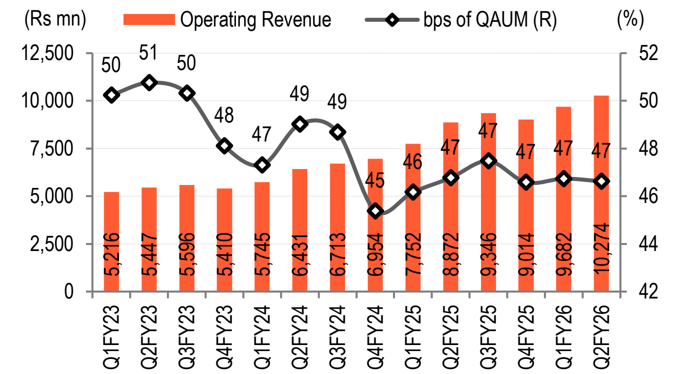
Source: Company, BOBCAPS Research

Fig 8 – Direct channel stand at 43%



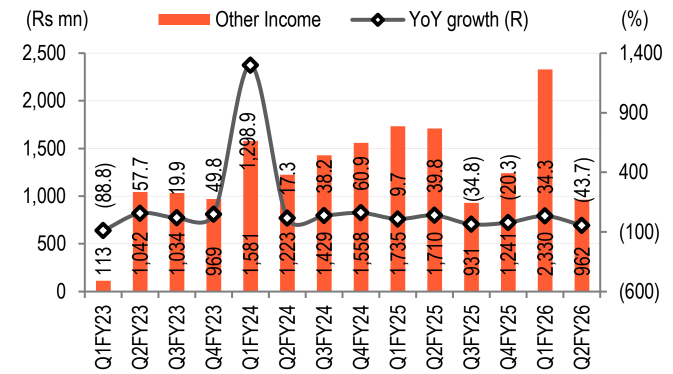
Source: Company, BOBCAPS Research

Fig 9 – Operating revenue came in at Rs 10,274 mn



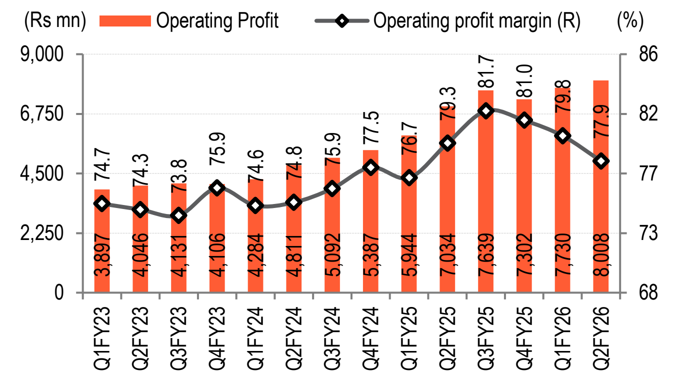
Source: Company, BOBCAPS Research

Fig 10 – Other Income declines because of adverse MTM changes



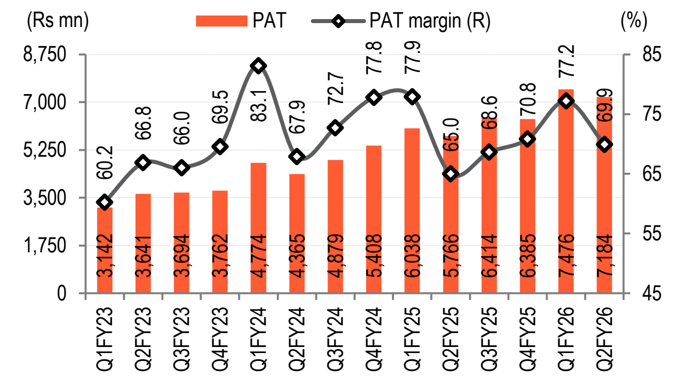
Source: Company, BOBCAPS Research

Fig 11 – Operating profit came in at Rs. 8,008 mn



Source: Company, BOBCAPS Research

Fig 12 – PAT grew 24.6% to stand at Rs 7,184 mn



Source: Company, BOBCAPS Research

Fig 13 – Quarterly result snapshot

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Revenue from Operations					
Asset Management Services	10,274	8,872	15.8	9,682	6.1
Other Income	962	1,710	(43.7)	2,330	(58.7)
Total Income	**11,236**	**10,582**	**6.2**	**12,012**	**(6.5)**
QAAUM	88,14,000	75,87,980	16.2	82,86,000	6.4
Yields as % of QAAUM (bps)	46.6	46.8	(0bps)	46.7	(0bps)
Yields as % of QAAUM (bps) (total revenue)	51.0	55.8	(5bps)	58.0	(7bps)
Expenses					
Fees and Commission Expenses	19	9	108.9	16	21.3
Employee Benefits Expenses	1,238	959	29.1	1,092	13.4
Other Expenses	1,009	869	16.1	844	19.6
Total Operating Expenses	**2,266**	**1,838**	**23.3**	**1,951**	**16.1**
Fees and Commission Expenses as % of QAAUM (bps)	0.1	0.0	0bps	0.1	0bps
Employee Benefits Expenses as % of QAAUM (bps)	5.6	5.1	1bps	5.3	0bps
Other Expenses as % of QAAUM (bps)	4.6	4.6	(0bps)	4.1	1bps
Total Operating Expenses as % of QAAUM (bps)	10.3	9.7	1bps	9.4	1bps
EBITDA	**8,008**	**7,034**	**13.8**	**7,730**	**3.6**
EBITDA Margin (%)	77.9	79.3	(135)	79.8	(190)
Depreciation, Amortisation and Impairment	178	137	29.6	173	3.1
Finance Costs	32	23	40.5	31	3.9
Impairment on Financial Instruments	-	-		-	
Profit Before Tax	**8,760**	**8,584**	**2.0**	**9,857**	**(11.1)**
Tax Expense					
Current Tax	1,490	1,869		2,215	
Deferred Tax	85	950		166	
Total Tax Expense	**1,575**	**2,818**	**(44.1)**	**2,381**	**(33.8)**
Tax Rate (%)	18.0	32.8		24.2	
Profit After Tax	**7,184**	**5,766**	**24.6**	**7,476**	**(3.9)**
As % of QAAUM (bps)	32.6	30.4	2bps	36.1	(3bps)
Core PAT	**6,395**	**4,618**	**38.5**	**5,708**	**12.0**

Source: Company, BOBCAPS Research

Fig 14 – Quarterly result snapshot

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
QAAUM					
Market Share (%)	11.4	11.5	(10)	11.5	(10)
Equity	53,43,000	46,76,000	14.3	49,63,000	7.7
Debt	18,57,000	15,49,000	19.9	17,02,000	9.1
Liquid	7,82,000	7,54,000	3.7	8,48,000	(7.8)
ETF	2,30,000	1,36,980	67.9	2,01,000	14.4
Others	6,02,000	4,72,000	27.5	5,72,000	5.2
Total	**88,14,000**	**75,87,980**	**16.2**	**82,86,000**	**6.4**
QAAUM Mix (%)					
Equity	64.9	65.7	(80bps)	64.2	70bps
Debt	21.1	20.4	70bps	20.5	60bps
Liquid	8.9	9.9	(100bps)	10.2	(130bps)
Others	5.2	4.0	120bps	5.0	20bps
Total	**100**	**100**		**100**	

Source: Company, BOBCAPS Research

Fig 15 – Quarterly result snapshot

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Number of live individual accounts (Rs mn)	26	21	25.7	24	7.0
Individual MAAUM (Rs bn)	6,200	5,554	11.6	5,955	4.1
Unique Investors (mn)	15	12	22.9	14	5.8
Systematic Transactions (Rs bn)	45	37	22.6	40	12.5
SIP AUM (Rs bn)	2,053	1,786	14.9	2,009	2.2
B-30 share in AUM (%)	19.7	19.5	20bps	19.4	30bps
Geographical Spread (%)					
T-30	80.3	80.5	(20bps)	80.6	(30bps)
B-30	19.7	19.5	20bps	19.4	30bps

Source: Company, BOBCAPS Research

Key takeaways

Financial performance

- Operating revenue grew by 15.8%, reaching Rs 10,274 mn, while other income declined by 43.7% to Rs 962 mn, primarily due to adverse mark-to-market (MTM) changes.
- Other expenses increased by 16.1%, primarily driven by spends in CSR activities and business promotion efforts.
- Management reaffirmed its guidance for the operating expense growth of 12-15% on an annual basis.
- Over the past few years, the company's operating profit/ QAAUM has consistently ranged between 33 -35 bps and is expected to remain within this range.
- The company reassessed its income tax provisions and reversed earlier period provisions amounting to Rs 468 mn, resulting in a lower tax rate for the quarter.
- Employee costs will include expenses related to ESOP issuance amounting to Rs 420 mn in Q2FY26, approximately Rs 670 mn in FY27, and around Rs 530 mn in FY28.
- Systematic transactions remained robust, with monthly flows in September 2025 reaching Rs 45.1 bn across 13mn+ transactions.
- Management has highlighted increased traction in inflows over the past few years, particularly from SIPs originating in B30 towns.

Product Mix

- Yields for the Q2FY26 stand at: Equity: 58 bps, Debt: 27-28, Liquid: 12-13 bps.
- Actively managed equity-oriented AUM on a closing basis increased to Rs 5.4 trn, representing a market share of 12.9%. Debt and liquid fund market share on closing basis stood at 13.3% and 11.8%, respectively.
- Hybrid funds with at least 65% equity allocation are expected to yield approximately 58 bps.

Distribution channel

- Direct includes three components: Fintechs that bring clients into direct plans, individual clients who invest through the companys' portal, app, or branches, and Registered Investment Advisors (RIAs) who charge a fee while investing client funds in direct plans.
- Significant growth has been observed in fintech as a distribution channel, which registered approximately 15mn SIPs over the past 6 months.

Alternatives

- On the alternatives front, the platform continues to gain traction and expand, supported by enhanced investment capabilities through a dedicated team focused on upcoming Alternative Investment Fund (AIF) initiatives and additional hires on the investment side.

Others

- During the quarter, HDFC AMC launched two new funds: the HDFC Innovation Fund, which raised Rs 24 bn, and the HDFC Diversified Equity All Cap Active Fund of Schemes, which raised Rs 11bn.
- The partnership with UBS Asset Management, where the company acts as investment advisor for the India small and mid-cap and India all-cap strategies, went live a few months ago.
- The company has obtained necessary approvals for the launch of the Strategic Investment Fund (SIF); however, management is carefully reviewing the timeline for its rollout.
- Management fees for both the regular plan and direct plan remain the same.
- The Board of Directors has approved a 1:1 bonus share issue, subject to shareholder approval.

Valuation Methodology

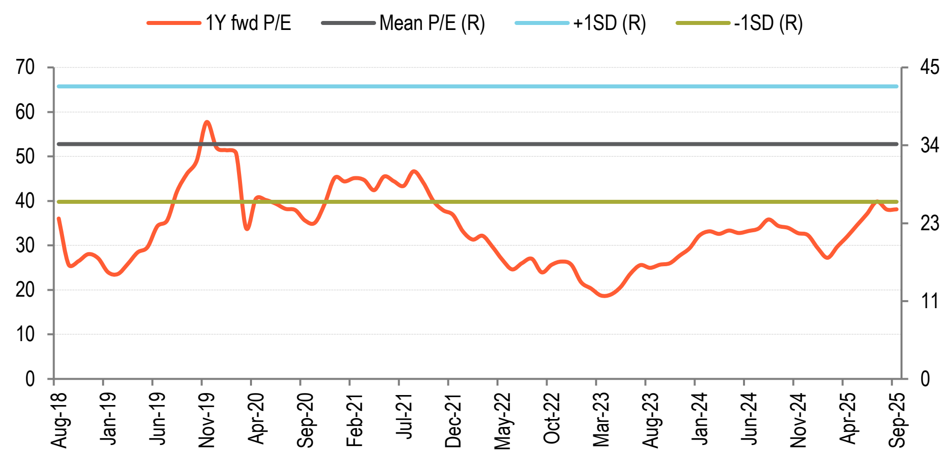
HDFC AMC remains well positioned to deliver steady growth, supported by its strong franchise, high equity mix, and superior profitability, which together justify its premium valuation. We expect PAT to grow by 16–17% over FY26–28E. We maintain BUY with TP of Rs 7,035 (Rs 7,020 earlier), valuing the stock at 42x Sep'27E EPS. HDFCAMC is one of our top picks.

Fig 16 – Actual vs Estimates

(Rs mn)	Q2FY26A	Q2FY26E	Variance (%)
QAAUM (Rs bn)	8,814	8,726	1.0
Operating revenue	10,274	10,118	1.5
Operating Profit	8,008	8,009	(0.0)
PAT	7,184	6,573	9.3

Source: Company, BOBCAPS Research

Fig 17 – P/E chart



Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- Equity market correction
- Shifts in regulatory landscape
- Intensifying industry competition

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Investment mgmt. fees	**25,844**	**34,984**	**40,657**	**47,180**	**54,478**
YoY (%)	19.3	35.4	16.2	16.0	15.5
Operating expenses	6,270	7,066	7,946	8,909	9,929
Core operating profits	19,574	27,919	32,711	38,271	44,549
Core operating profits growth (%)	21.0	42.6	17.2	17.0	16.4
Depreciation and Interest	614	680	698	713	748
Core PBT	18,960	27,239	32,012	37,559	43,801
Core PBT growth (%)	22.0	43.7	17.5	17.3	16.6
Other income	5,790	5,617	6,256	6,553	7,129
PBT	24,750	32,856	38,268	44,111	50,930
PBT growth (%)	32.4	32.7	16.5	15.3	15.5
Tax	5,323	8,254	9,452	10,896	12,580
Tax rate (%)	21.5	25.1	24.7	24.7	24.7
Reported PAT	**19,427**	**24,602**	**28,816**	**33,216**	**38,350**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity capital	1,067	1,069	1,069	1,069	1,069
Reserves & surplus	69,683	80,231	86,570	93,878	1,02,315
Net worth	70,750	81,300	87,639	94,947	1,03,384
Borrowings	0	0	0	0	0
Other liab. & provisions	4,788	6,207	6,357	6,572	6,835
Total liab. & equities	**75,539**	**87,507**	**93,996**	**1,01,519**	**1,10,219**
Cash & bank balance	71,961	82,966	89,772	97,384	1,06,064
Other assets	3,578	4,540	4,224	4,134	4,154
Total assets	**75,539**	**87,507**	**93,996**	**1,01,518**	**1,10,218**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS	91.0	115.2	134.9	155.5	179.5
Dividend per share	70.0	90.0	105.2	121.3	140.0
Book value per share	331.4	380.6	410.2	444.4	483.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
P/E	63.3	50.1	42.7	37.1	32.1
P/BV	17.4	15.1	14.1	13.0	11.9
Dividend yield (%)	1.2	1.6	1.8	2.1	2.4

DuPont Analysis

Y/E 31 Mar (bps of AAAUM)	FY24A	FY25A	FY26E	FY27E	FY28E
Operating income	49.3	51.1	49.0	48.1	47.3
Operating expenses	12.0	10.3	9.6	9.1	8.6
EBITDA	37.3	40.8	39.4	39.0	38.7
Depreciation and Others	1.2	1.0	0.8	0.7	0.6
Core PBT	36.2	39.8	38.6	38.3	38.0
Other income	11.0	8.2	7.5	6.7	6.2
PBT	47.2	48.0	46.1	45.0	44.2
Tax	10.2	12.1	11.4	11.1	10.9
ROAAAUM	37.1	35.9	34.7	33.9	33.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Investment mgmt. fees	19.3	35.4	16.2	16.0	15.5
Core operating profit	21.0	42.6	17.2	17.0	16.4
EPS	36.4	26.5	17.1	15.3	15.5
Profitability & Return ratios (%)					
Operating inome to Total inc.	81.7	86.2	86.7	87.8	88.4
Cost to Core income ratio	24.3	20.2	19.5	18.9	18.2
EBITDA margin	75.7	79.8	80.5	81.1	81.8
Core PBT margin	73.4	77.9	78.7	79.6	80.4
PBT margin (on total inc.)	78.2	80.9	81.6	82.1	82.7
ROE	29.5	32.4	34.1	36.4	38.7
Dividend payout ratio	76.9	78.2	78.0	78.0	78.0

Annual Average AUM

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
AAAUM (Rs bn)	5,241	6,847	8,300	9,802	11,516
YoY Growth (%)	23.8	30.6	21.2	18.1	17.5
% of AAAUM					
Equity	65	67	68	68	69
Debt	22	21	20	20	19
Liquid	9	8	7	7	6
Others	4	5	5	5	6

Source: Company, BOBCAPS Research

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

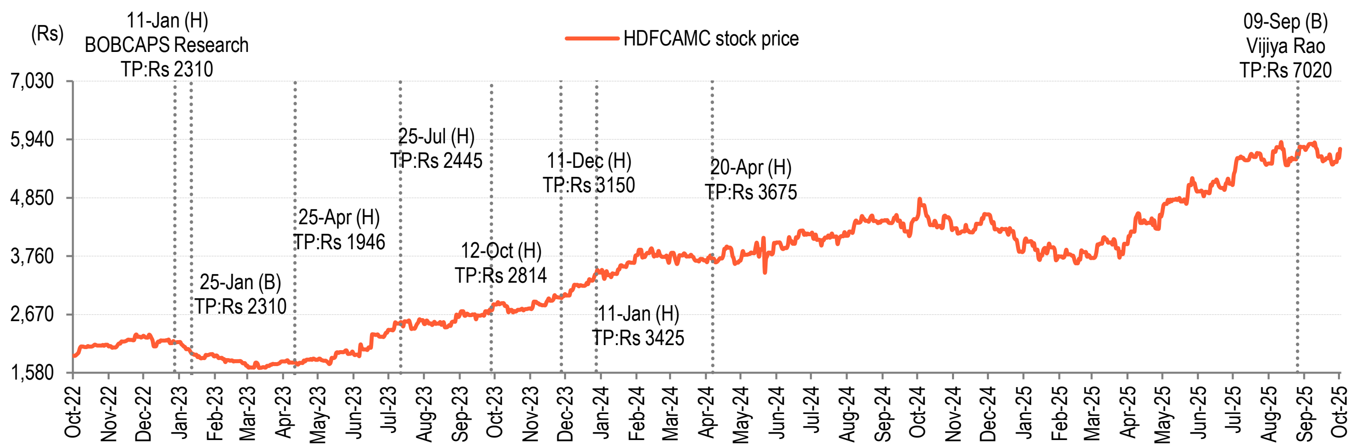
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): HDFC AMC (HDFCAMC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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