

BUY**TP: Rs 3,178 | ▲ 24%****HDFC AMC**

| Diversified Financials

| 15 January 2026

Continued steady performance

- **HDFC AMC reported operating performance above expectations with core earnings revenue growth of 15% YoY (up 5% QoQ)**
- **QAAUM grew 18% YoY, equity AUM was up 18% YoY and debt AUM rose 17% YoY**
- **We maintain BUY on HDFCAMC with TP of Rs 3,178 (earlier Rs 3,518), implying 35x Dec'27E EPS. HDFC AMC remains among our top picks**

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Operating performance above expectations: HDFC AMC reported healthy core earnings revenue growth of 15% YoY (up 5% QoQ), above our estimate (up 1%), with revenue yield at 46bps, despite the softening of equity markets. Equity share improved marginally to 66.9% from 66.1% in Q2FY26 (on closing QAAUM basis). Equity market share improved to 13% from 12.9% in Q2FY26, owing to better fund performance in 1Y and 3Y buckets.

Healthy PAT growth: The company reported PAT growth of 20% YoY (7% QoQ) aided by 15% YoY core revenue growth. Othe income rose significantly (up 71% YoY, 66% QoQ), driven by mark to market gains. Core PBT recorded a healthy growth of 14% YoY in Q3FY26. Equity yields came off slightly at 56-57bps vs. 58bps in Q2FY25. However, equity market share improved to 13% vs 12.9% in Q2FY26 vs 12.8% in Q3FY25. This is primarily on account of continued broad-based improvement in fund performance. Going forward, HDFCAMC intends to maintain operating margins in the range of 33–36 bps, while remaining mindful of industry challenges and focusing on cost rationalisation and operating leverage.

QAAUM: HDFCAMC's QAAUM grew 18% YoY and 5% QoQ to Rs 9,249bn. Equity AUM was up 18% YoY (6% QoQ) and debt AUM rose 17% YoY (up 0.3% QoQ). Overall market share continued to be stable at 11.4% Q3FY26. Its market share in equity, debt and liquid segments was 13%, 12.9%, 11.2% in Q3FY26 vs 12.9%, 13.2% and 11.4% in Q2FY26. Management expressed confidence in sustained industry growth over the medium to long term, supported by continued strength in SIP inflows and rising investor participation.

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 19-20% over FY26–28E. We maintain BUY with TP of Rs 3,178 (Rs 3,518 earlier), valuing the stock at 35x Dec'27E EPS. HDFCAMC is one of our top picks.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	HDFCAMC IN/Rs 2,554
Market cap	US\$ 12.1bn
Free float	37%
3M ADV	US\$ 20.8mn
52wk high/low	Rs 2,967/Rs 1,782
Promoter/FPI/DII	63%/8%/18%

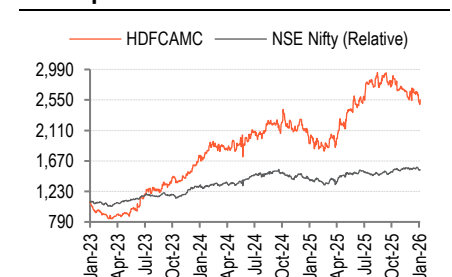
Source: NSE | Price as of 14 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Core PBT (Rs mn)	27,239	32,660	38,647
Core PBT (YoY)	43.7	19.9	18.3
Adj. net profit (Rs mn)	24,602	29,559	34,321
EPS (Rs)	115.2	69.0	80.1
Consensus EPS (Rs)	115.2	69.0	80.1
MCap/AAAUM (%)	16.0	13.0	10.8
ROAAAUM (bps)	35.9	35.2	33.9
ROE (%)	32.4	34.7	37.0
P/E (x)	22.2	37.0	31.9

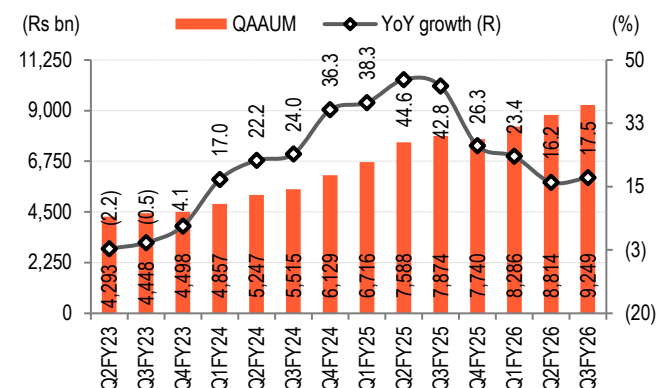
Source: Company, Bloomberg, BOBCAPS Research

Stock performance

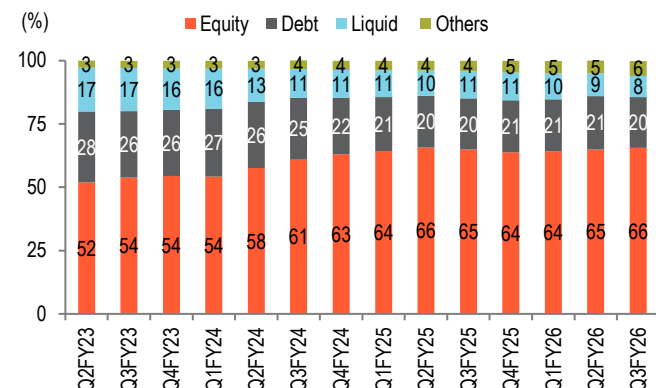


Source: NSE

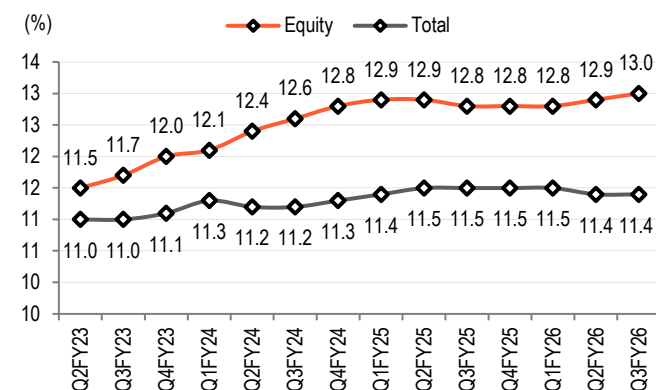


Fig 1 – QAAUM grew by 17.5% in Q3FY26

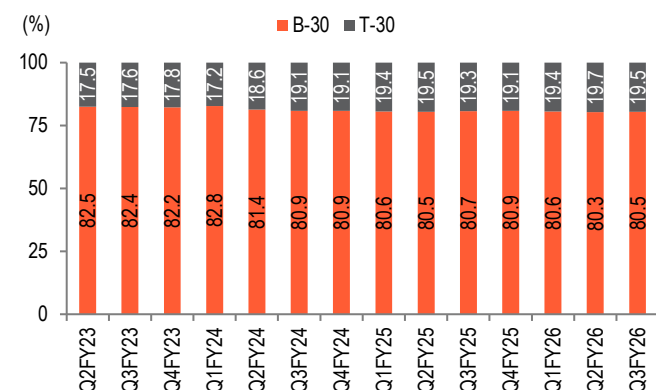
Source: Company, BOBCAPS Research

Fig 2 – Equity mix remained stable over the past quarters

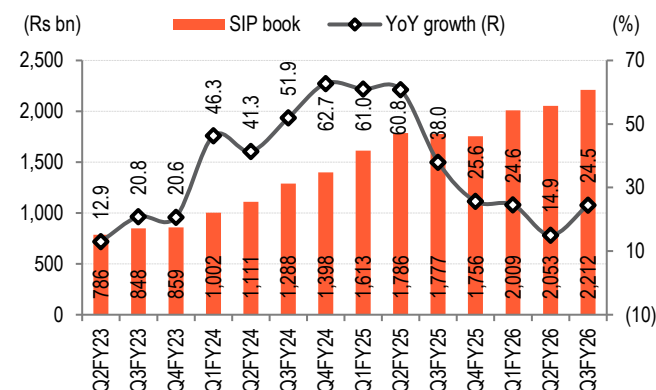
Source: Company, BOBCAPS Research

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

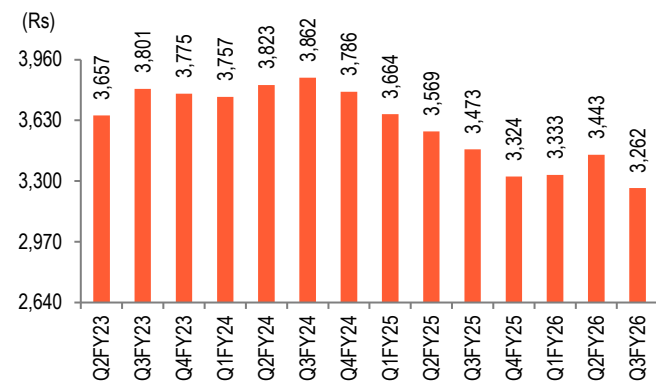
Source: Company, BOBCAPS Research

Fig 4 – B-30 mix stood at 19.5%

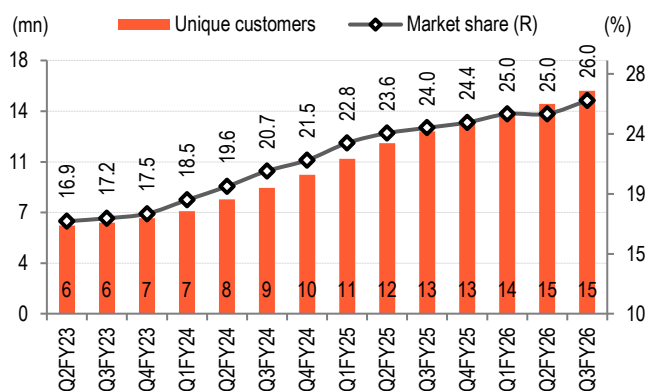
Source: Company, BOBCAPS Research

Fig 5 – SIP book stood at Rs 2,212 bn with monthly flows reaching Rs 47.3 bn

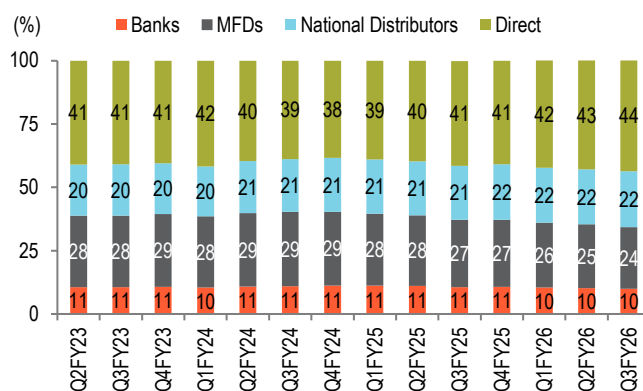
Source: Company, BOBCAPS Research

Fig 6 – Trend in average ticket size

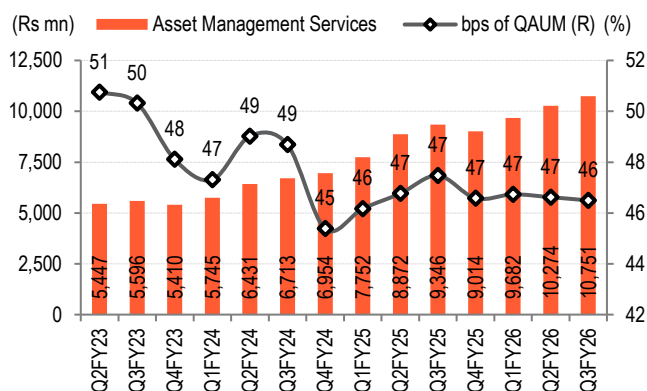
Source: Company, BOBCAPS Research

Fig 7 – Unique investors' market share continues to improve


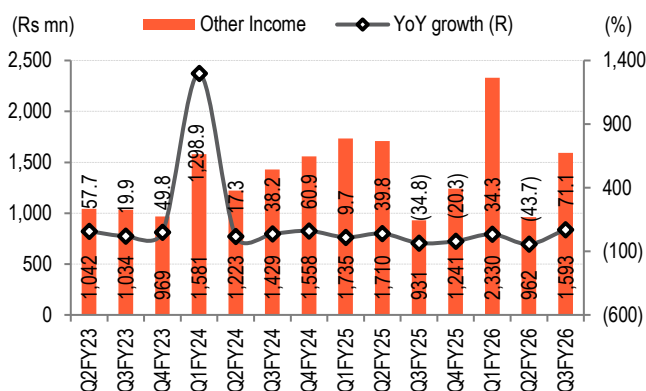
Source: Company, BOBCAPS Research

Fig 8 – Direct channel mix stands at 44% of the total AUM


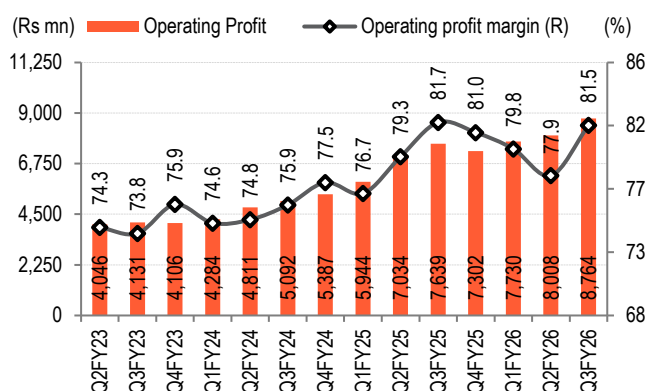
Source: Company, BOBCAPS Research

Fig 9 – Asset Management services revenue came in at Rs 10,751 mn; YoY growth of 15%


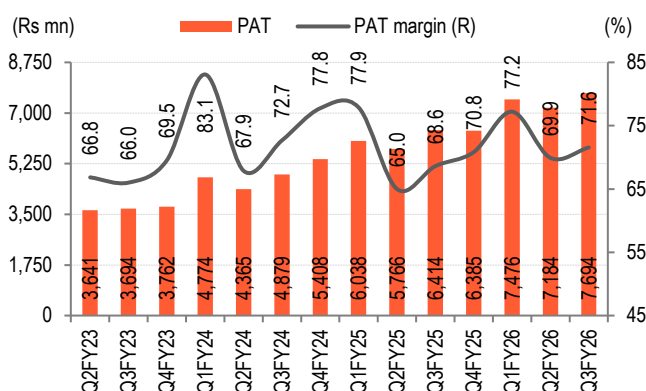
Source: Company, BOBCAPS Research

Fig 10 – Other Income grew 71% YoY, driven by mark to market gains


Source: Company, BOBCAPS Research

Fig 11 – Operating profit margin increased on QoQ basis due to lower expenses in Q3FY26


Source: Company, BOBCAPS Research

Fig 12 – PAT grew 20% to stand at Rs 7,694 mn


Source: Company, BOBCAPS Research

Fig 13 – Quarterly result snapshot

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Total Revenue					
Asset Management Services	10,751	9,346	15.0	10,274	4.6
Other Income	1,593	931	71.1	962	65.6
Total Income	12,344	10,277	20.1	11,236	9.9
QAAUM	92,48,536	78,74,336	17.5	88,14,000	4.9
Yields as % of QAAUM (bps)	46.5	47.5	(1bps)	46.6	(0bps)
Yields as % of QAAUM (bps) (total revenue)	53.4	52.2	1bps	51.0	2bps
Expenses					
Fees and Commission Expenses	21	11	89.1	19	10.6
Employee Benefits Expenses	1,236	953	29.7	1,238	(0.2)
Other Expenses	730	743	(1.8)	1,009	(27.7)
Total Operating Expenses	1,987	1,708	16.4	2,266	(12.3)
Fees and Commission Expenses as % of QAAUM (bps)	0.1	0.1	0bps	0.1	0bps
Employee Benefits Expenses as % of QAAUM (bps)	5.3	4.8	1bps	5.6	(0bps)
Other Expenses as % of QAAUM (bps)	3.2	3.8	(1bps)	4.6	(1bps)
Total Operating Expenses as % of QAAUM (bps)	8.6	8.7	(0bps)	10.3	(2bps)
EBITDA	8,764	7,639	14.7	8,008	9.4
EBITDA Margin (%)	81.5	81.7	(21bps)	77.9	358bps
Depreciation, Amortisation and Impairment	184	149	23.6	178	3.3
Finance Costs	34	22	50.7	32	5.3
Impairment on Financial Instruments	-	-	-	-	-
Profit Before Tax	10,139	8,399	20.7	8,760	15.8
Tax Expense					
Current Tax	2,232	1,841		1,490	
Deferred Tax	214	144		85	
Total Tax Expense	2,445	1,985	23.2	1,575	55.2
Tax Rate (%)	24.1	23.6		18.0	
Profit After Tax	7,694	6,414	20.0	7,184	7.1
As % of QAAUM (bps)	33.3	32.6	1bps	32.6	1bps
Core PAT	6,485	5,703	13.7	6,395	1.4

Source: Company, BOBCAPS Research

Fig 14 – Quarterly result snapshot

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
QAAUM					
Market Share (%)	11.4	11.5	(10bps)	11.4	-
Equity	56,61,000	47,82,000	18.4	53,43,000	6.0
Debt	18,63,000	15,88,000	17.3	18,57,000	0.3
Liquid	7,71,000	8,43,000	(8.5)	7,82,000	(1.4)
ETF	3,13,000	1,53,000	104.6	2,30,000	36.1
Others	6,40,536	5,08,336	26.0	6,02,000	6.4
Total	92,48,536	78,74,336	17.5	88,14,000	4.9
QAAUM Mix (%)					
Equity	65.5	64.9	60bps	64.9	60bps
Debt	20.1	20.2	(10bps)	21.1	(100bps)
Liquid	8.3	10.7	(240bps)	8.9	(60bps)
Others	6.0	4.2	180bps	5.2	80bps
Total	100	100		100	

Source: Company, BOBCAPS Research

Fig 15 – Quarterly result snapshot

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Number of live individual accounts (Rs mn)	28	22	25.0	26	6.2
Individual MAAUM (Rs bn)	6,445	5,599	15.1	6,200	4.0
Unique Investors (mn)	15	13	22.2	15	6.2
Systematic Transactions (Rs bn)	47	38	23.8	45	4.9
SIP AUM (Rs bn)	2,212	1,777	24.5	2,053	7.7
B-30 share in AUM (%)	19.5	19.3	20bps	19.7	(20bps)
Geographical Spread (%)					
T-30	80.5	80.7	(20bps)	80.3	20bps
B-30	19.5	19.3	20bps	19.7	(20bps)

Source: Company, BOBCAPS Research

Key takeaways

Financial performance

- Asset Management services revenue grew 15%, reaching Rs 10,751 mn, while other income grew by 71.1% to Rs 1,593 mn.
- Operating profit margin stood at 81.5% in Q3FY26 vs 77.9% in Q2FY26, primarily driven by decrease in other expenses that degrew by 27.7% QoQ.
- Systematic transactions remained robust, with monthly flows in Q3FY26 reaching Rs 47.3 bn across 14.5 mn transactions.
- Management highlighted that while maintaining margins continues to be important, the primary focus stays on growing absolute profits in a sustainable manner.
- ESOP costs for the full year will amount to Rs 680 mn, of which Rs 470 mn pertains to 9MFY26.

Product Mix

- Yields for the quarter stood at: Equity: 56-57 bps, Debt: 27-28 bps, Liquid: 12-13 bps. Blended yields stood at 45 bps and for 9MFY26, at 46 bps.
- Actively managed equity-oriented AUM on a closing basis increased to Rs 5.8 trn, representing 13% market share. Debt and liquid fund market share on a closing basis stood at 12.9% and 11.7%, respectively.

Distribution Channel

- Significant growth has been observed in fintech as a distribution channel, which registered around 25mn SIPs over 9MFY26.
- Share of SIP flows through HDFC Bank is significantly higher than the company's overall book share with the bank, leading to an increasing AUM market share going forward.

SEBI Consultation paper impact

- Management highlighted that the impact on the industry due to change in regulations is significant. The additional 5 bps TER previously allowed in lieu of exit

loads has been removed under the new regulations. Since 2012, exit loads were credited to fund's books, but this benefit will now be withdrawn. For active equity-oriented mutual funds with AUM of approximately Rs44 trn, a 5bps reduction translates to about Rs. 22 bn. In comparison, the industry's total operating profit in FY25 was around Rs. 160 bn, making the impact on industry's profitability evident.

- Instead of including all statutory levies within the total expense ratio, the new framework separates the base TER from statutory levies, representing a change in accounting.
- The third change involves decrease of brokerage limits on transactions. Brokerage paid in the cash market has been reduced to 6 bps, down from the previous cap of 12bps. However, this 6 bps now excludes levies, making the comparable figure to the earlier 12 bps effectively 8.5 bps.
- Management noted some positives, including that many smaller schemes are likely to see an improved TER, while larger schemes may achieve higher alpha due to the reduction in TER.

PMS and Alternatives

- PMS AUM stood at Rs. 58 bn, of which Rs. 50 bn was in non-discretionary PMS, with the remaining attributable to discretionary PMS.
- On the alternatives front, the company completed the first close of structural credit fund raising commitments of Rs 13 bn from institutions, family offices and ultra HNI investors. Over 70% of these commitments came from investors contributing Rs 250 mn or more.
- IFC has entered into an agreement to invest into the company's structured credit fund-I and will contribute up to Rs 2,200 mn to the fund.

Others

- Growth in passive funds has been driven largely by institutional mandates, including pension, provident funds, and insurance companies investing in the funds, along with strong traction seen in gold and silver ETFs.
- The company continues to invest in technology and digital platforms. Management highlighted that dividend payouts over the past two years have been close to the full post-tax cash profits. Additionally, the company has deployed capital to seed its alternatives business.
- The company has a highly experienced investment team with a strong track record, where even the least experienced fund manager or heads of equities on the equity side have around 20-21 years of experience.

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 18-20% over FY26–28E. We maintain BUY with TP of Rs 3,178 (Rs 3,518 earlier), valuing the stock at 35x Dec'27E EPS. HDFCAMC is one of our top picks.

We have revised our target multiple to 35x from the earlier ascribed multiple of 42x. This revision reflects, the recent industry near to medium term headwinds including removal of additional TER (5bps) on exit loads, change in the definition of TER and rationalisation of brokerage limits, all which are likely to impact the industry and thereon the company. These challenges are showing up in the monthly industry numbers as well. Further, these TER changes suggests that the companies may pass on most of the impact coupled with ongoing renegotiations with distributors. Hence, until greater clarity emerges, there would be medium term overhang. Additionally, Nifty 50 index returns for Oct'25, Nov'25, and Dec'25 was moderate and stood at 4.5% MoM, 1.9% MoM and -0.3% MoM respectively which would weigh on the industry inflows. In Dec'25, the industry witnessed net outflows to the tune of Rs 665.9bn with equity inflows declining by 6% MoM which has been in a declining trend in the past four months (except in Oct'25). With respect to the peer valuations, ICICI Pru AMC is trading at 34.7x its FY27E EPS (censuses estimates). Further, with listing of other large players in the offing, we believe, the scarcity premium is likely to moderate over time. With respect to the company, on the growth front, in terms of AUM growth, the forecast did not change materially for FY26-FY27, which is in the range of 19-20%. Further, with respect to the revenue yields we are expecting to some decline (~ 2-3bps) in the overall yields driven by lower equity yields. Consequently, the PAT would get impacted, thereby justifying the lower valuation multiple. Additionally, the company also faced headwinds in recent months in terms of stock price movements. terms of stock price movements.

Fig 16 – Revised estimates

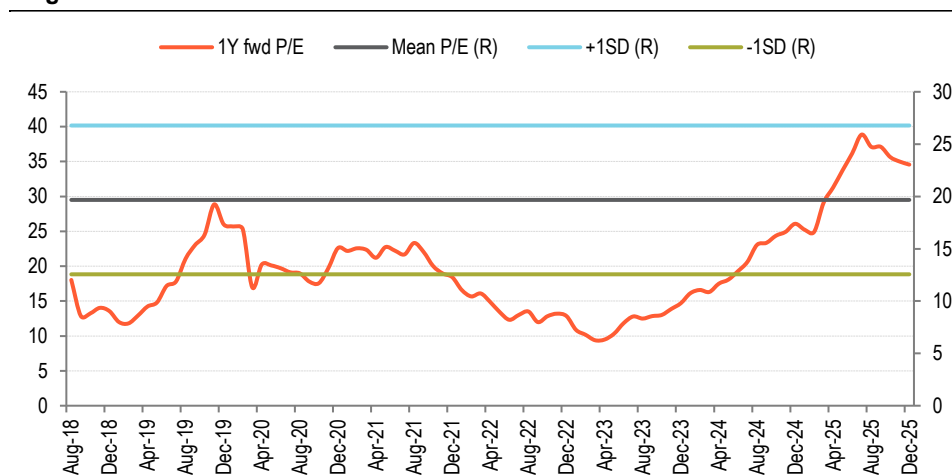
(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Total revenue	48,213	55,577	46,913	53,733	2.8	3.4
PAT	29,559	34,321	28,816	33,216	2.6	3.3

Source: BOBCAPS Research

Fig 17 – Actual vs Estimates

(Rs mn)	Q3FY26A	Q3FY26E	Variance (%)
QAAUM (Rs bn)	9,249	9,249	-
Revenue from operations	10,751	10,641	1.0
Operating Profit	8,764	8,344	5.0
PAT	7,694	7,114	8.2

Source: Company, BOBCAPS Research

Fig 18 – 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	41,618	48,646	57,133
YoY (%)	19.3	35.4	19.0	16.9	17.4
Operating expenses	6,270	7,066	8,258	9,281	10,536
Core operating profits	19,574	27,919	33,359	39,365	46,597
Core operating profits growth (%)	21.0	42.6	19.5	18.0	18.4
Depreciation and Interest	614	680	700	718	758
Core PBT	18,960	27,239	32,660	38,647	45,839
Core PBT growth (%)	22.0	43.7	19.9	18.3	18.6
Other income	5,790	5,617	6,595	6,931	7,829
PBT	24,750	32,856	39,255	45,578	53,668
PBT growth (%)	32.4	32.7	19.5	16.1	17.7
Tax	5,323	8,254	9,696	11,258	13,256
Tax rate (%)	21.5	25.1	24.7	24.7	24.7
Reported PAT	19,427	24,602	29,559	34,321	40,412

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity capital	1,067	1,069	2,138	2,138	2,138
Reserves & surplus	69,683	80,231	86,734	94,284	1,03,175
Net worth	70,750	81,300	88,872	96,422	1,05,313
Borrowings	-	-	-	-	-
Other liab. & provisions	4,788	6,207	6,397	6,630	6,934
Total liab. & equities	75,539	87,507	95,269	1,03,053	1,12,247
Cash & bank balance	71,961	82,966	91,006	98,828	1,07,928
Other assets	3,578	4,540	4,263	4,225	4,319
Total assets	75,539	87,507	95,269	1,03,053	1,12,247

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS	91.0	115.2	69.0	80.1	94.4
Dividend per share	70.0	90.0	53.8	62.5	73.6
Book value per share	331.4	189.8	207.5	225.1	245.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
P/E	28.1	22.2	37.0	31.9	27.1
P/BV	7.7	13.5	12.3	11.3	10.4
Dividend yield (%)	2.7	3.5	2.1	2.4	2.9

DuPont Analysis

Y/E 31 Mar (bps of AAAUM)	FY24A	FY25A	FY26E	FY27E	FY28E
Operating income	49.3	51.1	49.5	48.1	47.2
Operating expenses	12.0	10.3	9.8	9.2	8.7
EBITDA	37.3	40.8	39.7	38.9	38.5
Depreciation and Others	1.2	1.0	0.8	0.7	0.6
Core PBT	36.2	39.8	38.9	38.2	37.9
Other income	11.0	8.2	7.8	6.8	6.5
PBT	47.2	48.0	46.7	45.0	44.4
Tax	10.2	12.1	11.5	11.1	11.0
ROAAAUM	37.1	35.9	35.2	33.9	33.4

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Investment mgmt. fees	19.3	35.4	19.0	16.9	17.4
Core operating profit	21.0	42.6	19.5	18.0	18.4
EPS	36.4	26.5	(40.1)	16.1	17.7
Profitability & Return ratios (%)					
Operating income to Total inc.	81.7	86.2	86.3	87.5	87.9
Cost to Core income ratio	24.3	20.2	19.8	19.1	18.4
EBITDA margin	75.7	79.8	80.2	80.9	81.6
Core PBT margin	73.4	77.9	78.5	79.4	80.2
PBT margin (on total inc.)	78.2	80.9	81.4	82.0	82.6
ROE	29.5	32.4	34.7	37.0	40.1
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	8,403	10,121	12,100
YoY Growth (%)	23.8	30.6	22.7	20.4	19.6
% of AAAUM					
Equity	65	67	68	69	70
Debt	22	21	20	19	18
Liquid	9	8	7	7	6
Others	4	5	5	5	5

Source: Company, BOBCAPS Research

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Disclaimer

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SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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

BUY – Expected return >+15%

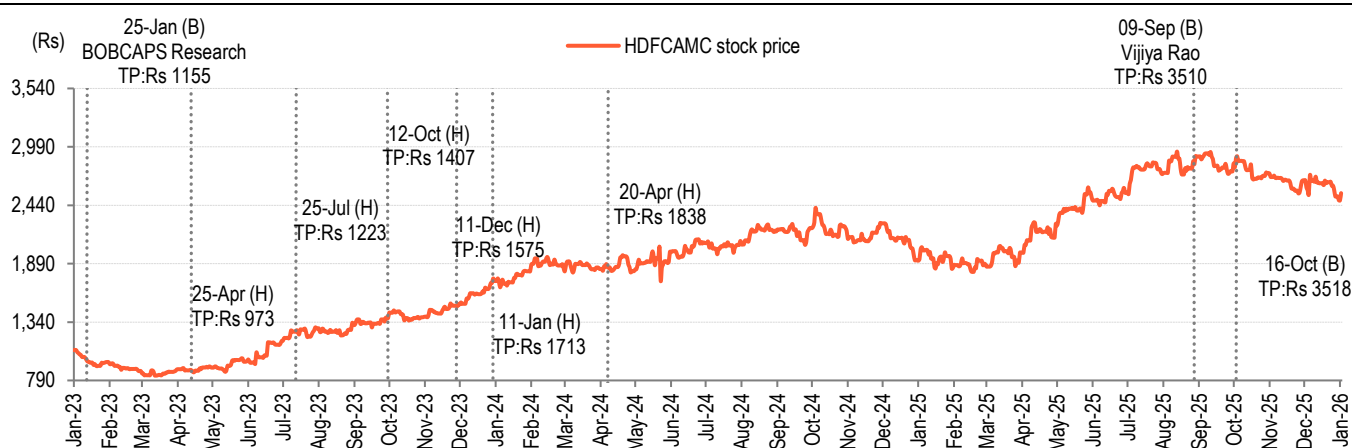
HOLD – Expected return from -6% to +15%

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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