BUY HDFC AMC

Steady performance with broadly stable market share

CMP (Rs): 2,729 | TP (Rs): 3,200

HDFCAMC's 1QFY27 performance was sturdy, with MF QAAUM at Rs9.35trn increasing ~1% qoq and market share largely stable at 11.2%. Yields witnessed a slight uptick to 47.2bps on sequential basis, driving up revenue to ~Rs11bn (+4.6% qoq), above our estimate of Rs10.6bn. EBITDA margin at 77.3% dipped by 250bps sequentially, owing to higher employee costs and other expenses. PAT at Rs8.37bn grew 34% sequentially, driven by strong other income and came in higher than our estimate of Rs7.6bn. The regulatory impact on account of changes in the TER regulation was minimal, given the restructuring of commissions and cost discipline. To bake in the 1Q developments, we tweak our estimates (Exhibit 2) – this results in a ~1% increase in revenue; we marginally cut our EBITDA margin estimates by ~40bps leading to a ~1-2% increase in PAT over FY27-29E. We maintain BUY on the stock and Jun-27E TP of Rs3,200, implying FY28E PER of 37x.

Largely stable quarter; 'other income' lifts PAT

MF QAAUM at Rs9.35trn increased ~1% qoq, while revenue yields increased to 47.2bps resulting in a ~5% qoq increase in revenue to Rs11bn as against our estimate of Rs10.6bn. The uptick in yields was driven by the shift from TER to BER plus statutory levies and accounting changes. Employee costs increased 14% qoq, given the higher ESOP expenses during the quarter and annual hikes. Other expenses rose 31% sequentially, on higher CSR expenses in the quarter. EBITDA margin at 77.3% dipped by 250bps sequentially, leading to largely flat EBITDA on sequential basis. Other income at Rs2.6bn saw material qoq growth, driven by MTM gains. This, coupled with lower tax rate, resulted in PAT at Rs8.37bn (+34% qoq), higher than our estimate of Rs7.6bn.

Strong growth opportunities drive continued investments in the business

SIP contributions appear to have become a regular practice for investors, transforming India from a nation of savers to one of investors. With strong growth opportunity in the asset management industry being led by under-penetration, increasing financialization, and enhanced awareness, the management plans to invest for the future while providing a bouquet of products for each class of investors. HDFCAMC targets launching some funds in the Alternates segment, while the Board has approved the launch of a Long-Short SIF fund. The company plans to invest in new platforms and teams, along with hiring across international business, PMS, AIF, institutional sales, digital, AI, and marketing.

We maintain BUY and Jun-27E TP of Rs3,200

To reflect the 1Q developments, we tweak our estimates; this results in ~1% increase in revenue. We cut EBITDA margin by ~40bps over FY27-29E, resulting in a ~1-2% increase in PAT over the same period. Given its strong brand equity, distribution, and fund performance, HDFCAMC is well-positioned to drive profitable AUM growth. We maintain BUY on the stock and Jun-27E TP of Rs3,200, implying 37x FY28E PER.

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	17.3

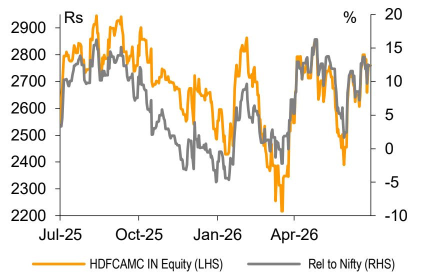
Stock Data	**HDFCAMC IN**
52-week High (Rs)	2,967
52-week Low (Rs)	2,206
Shares outstanding (mn)	428.7
Market-cap (Rs bn)	1,170
Market-cap (USD mn)	12,153
Net-debt, FY27E (Rs mn)	(104,235.5)
ADTV-3M (mn shares)	1.2
ADTV-3M (Rs mn)	2,839.5
ADTV-3M (USD mn)	29.5
Free float (%)	24.8
Nifty-50	24,078.5
INR/USD	96.3

Shareholding, Jun-26	
Promoters (%)	52.3
FPIs/MFs (%)	24.1/14.8

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	4.1	2.5	3.3
Rel. to Nifty	3.1	3.1	8.1

1-Year share price trend (Rs)



HDFC AMC: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	34,984	41,222	47,413	53,871	60,661
EBITDA	27,919	32,953	37,966	43,362	49,051
Adj. PAT	24,602	28,581	32,844	37,102	43,102
Adj. EPS (Rs)	57.4	66.5	76.4	86.3	100.3
Core PAT	20,396	24,728	27,896	31,685	36,922
EBITDA margin (%)	79.8	79.9	80.1	80.5	80.9
EBITDA growth (%)	42.6	18.0	15.2	14.2	13.1
Adj. EPS growth (%)	26.3	15.9	14.9	13.0	16.2
RoE (%)	32.4	32.9	33.8	34.5	36.1
P/E (x)	47.4	40.9	35.6	31.5	27.1
EV/EBITDA (x)	38.8	32.6	28.0	24.3	21.2
P/B (x)	14.4	12.7	11.5	10.4	9.3
FCFF yield (%)	1.9	2.4	2.5	2.9	3.5

Source: Company, Emkay Research

Avinash Singh
avinash.singh@emkayglobal.com
+91-22-66121327

Mahek Shah
mahek.shah@emkayglobal.com
+91-22-66121218

Exhibit 1: HDFCAMC – 1QFY27 financial results summary

(Rs mn)	1QFY27	1QFY26	yoy (%)	1QFY27E	Var (%)	4QFY26	qoq (%)
Revenue from Operations	10,997	9,682	13.6	10,618	3.6	10,515	4.6
Other Income	2,628	2,330	12.8	2,000	NM	116	2,175.7
Total revenue	**13,626**	**12,012**	**13.4**	**12,618**	**8.0**	**10,631**	**28.2**
Employee Benefits Expense	1,436	1,092	31.5	1,335	7.6	1,254	14.5
Depreciation and Amortization Expense	205	173	18.8	200	2.8	194	5.7
Fee & Commission expense	30	16	94.8	23	29.3	27	14.0
Other Expenses	1,027	844	21.7	860	19.3	783	31.2
EBITDA	8,504	7,730	10.0	8,400	1.2	8,452	0.6
EBITDA Margin (%)	77.3%	79.8%	-2.51	79.1%	-1.8	80.4%	-3.0
Total expense	**2,698**	**2,124**	**27.0**	**2,418**	**11.6**	**2,258**	**19.5**
PBT	10,927	9,888	10.5	10,200	7.1	8,373	30.5
PAT	**8,371**	**7,476**	**12.0**	**7,591**	**10.3**	**6,227**	**34.4**
Tax Rate (%)	23%	24%		26%		26%	
Core PAT	**6,358**	**5,714**	**11.3**	**6,103**	**4.2**	**6,141**	**3.5**
AUM (Rs bn)	**9,351**	**8,286**	**12.9**	**9,351**	**0.0%**	**9,275**	**0.8**
Revenue Yield (bps)	47.2	46.9	0.3	45.5	4%	46.0	1.2
Opex	12	10	1.3	11	11%	10	1.8
Operating profit	35	36	-1.0	35	1%	35	-0.1
PAT	36	36	-0.3	32	10%	27	9.0

Source: Company, Emkay Research

Exhibit 2: Changes in estimates

(Rs mn)	FY27E			FY28E			FY29E		
	Old	Revised	Change	Old	Revised	Change	Old	Revised	Change
Oper Revenue	46,905	47,413	1%	53,378	53,871	1%	60,286	60,661	1%
EBITDA	37,726	37,966	1%	43,157	43,362	0%	48,982	49,051	0%
EBITDA Margin	80.4%	80.1%	-0.4 ppt	80.9%	80.5%	-0.4 ppt	81.3%	80.9%	-0.4 ppt
PAT	32,344	32,844	2%	36,719	37,102	1%	42,774	43,102	1%
ROE	33.4%	33.8%	0.4 ppt	34.3%	34.5%	0.2 ppt	35.9%	36.1%	0.1 ppt

Source: Company, Emkay Research

Exhibit 3: DCF-based valuation for HDFC AMC

Cost of Equity	12.0%
Terminal Growth	5.0%
Sum of Discounted Cashflows (Rs mn)	705,642
Terminal Value (Rs mn)	620,141
Fair Value (Rs mn)	1,325,783
Number of Shares (mn)	428.26
Mar-27E Fair Value (Rs)	3,096
Jun-27E Target Price (Rs)	3200

Source: Company, Emkay Research

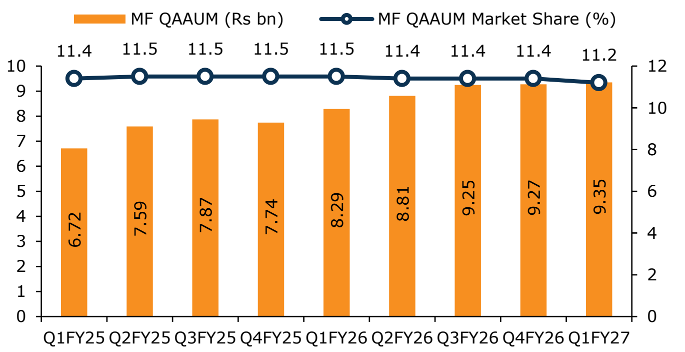
Exhibit 4: Implied valuation multiples for HDFC AMC

Valuation at Target Price	**Rs3,200**
FY28E PER	37.0
FY28E PBV	12.2
FY28E P/AAUM	11%
Valuation at Current Price	Rs2,729
FY28E PER	31.6
FY28E PBV	10.4
FY28E P/AAUM	10%

Source: Company, Emkay Research

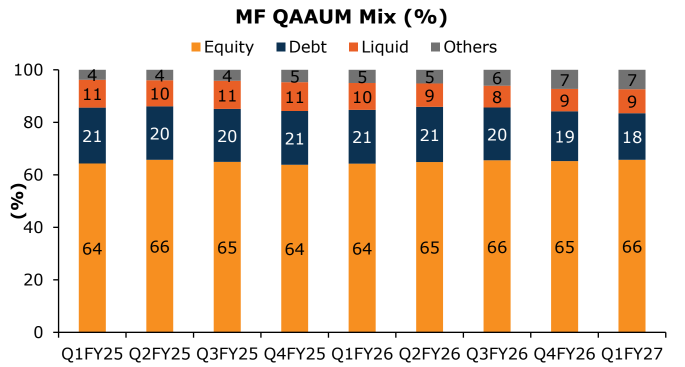
Story in charts

Exhibit 5: HDFCAMC has broadly maintained QAAUM market share



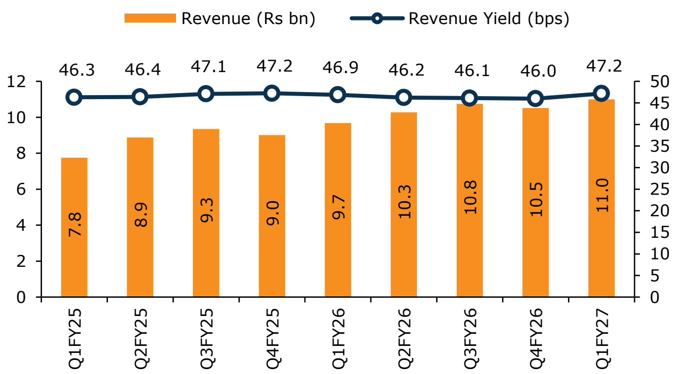
Source: Company, Emkay Research

Exhibit 6: Equity mix has seen a marginal increase to ~66% in 1QFY27



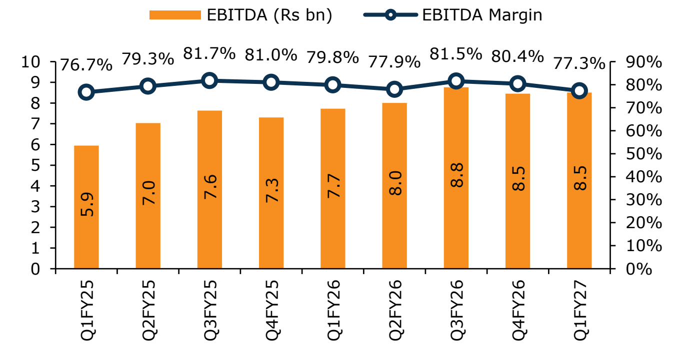
Source: Company, Emkay Research

Exhibit 7: Revenue yield increased in 1QFY27, owing to accounting changes and shift from TER to BER



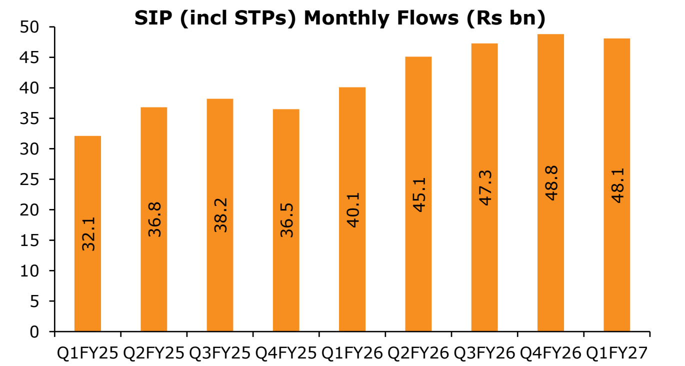
Source: Company, Emkay Research

Exhibit 8: EBITDA margin contracted to 77.3% in 1QFY27



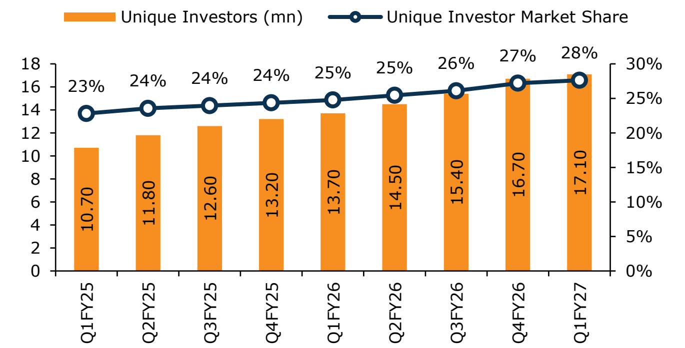
Source: Company, Emkay Research

Exhibit 9: SIP monthly flows have been largely steady



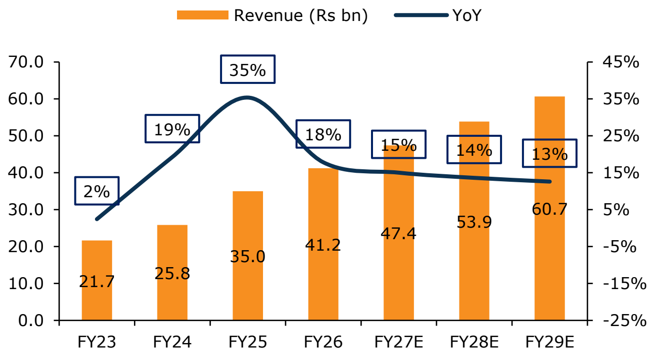
Source: Company, Emkay Research

Exhibit 10: HDFCAMC's unique investor market share has increased qoq



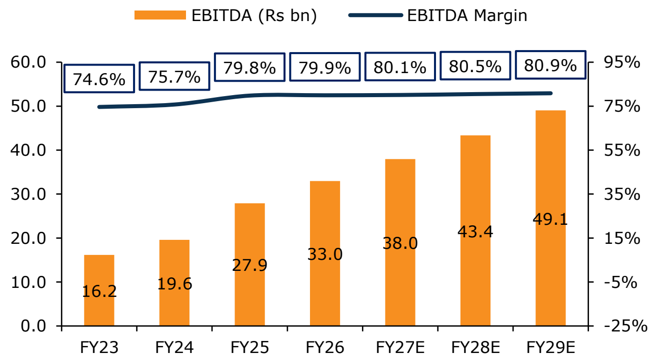
Source: Company, Emkay Research

Exhibit 11: We expect HDFCAMC's revenue to grow ~15% in FY27E



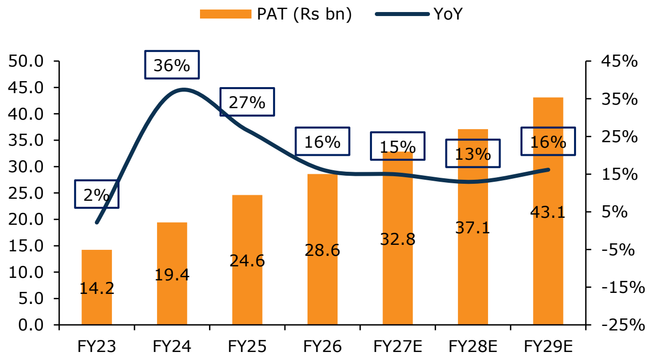
Source: Company, Emkay Research

Exhibit 12: We expect EBITDA margin to expand to 81% by FY29E



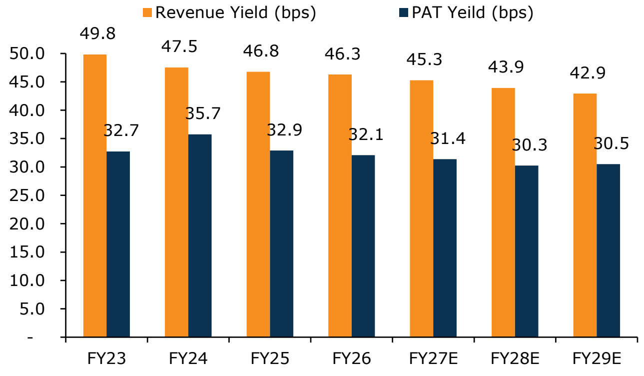
Source: Company, Emkay Research

Exhibit 13: We expect PAT CAGR of ~15% over FY26-29E



Source: Company, Emkay Research

Exhibit 14: Revenue yield is likely to gradually decline



Source: Company, Emkay Research

Exhibit 15: HDFCAMC – Financial Summary

Income Statement (Y/E Mar, Rs mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue from operations	34,984	41,222	47,413	53,871	60,661
Other income	5,617	5,000	6,557	7,222	8,005
Total Revenue	**40,601**	**46,222**	**53,969**	**61,094**	**68,666**
Employee expenses	3,894	4,821	5,680	6,340	7,016
Depreciation & amortization	585	729	849	953	1,062
Other expenses	3,132	3,365	3,635	4,013	4,414
Total Operating Expenses	7,066	8,268	9,447	10,509	11,610
EBITDA	27,919	32,953	37,966	43,362	49,051
Total Opex	**7,745**	**9,131**	**10,449**	**11,624**	**12,840**
PBT	**32,856**	**37,092**	**43,520**	**49,469**	**55,826**
Tax expense	8,254	8,511	10,676	12,367	12,724
PAT	**24,602**	**28,581**	**32,844**	**37,102**	**43,102**
PAT (Adj.)	**24,602**	**28,581**	**32,844**	**37,102**	**43,102**
Core PAT	**20,396**	**24,728**	**27,896**	**31,685**	**36,922**
Balance Sheet (Rs mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Share Capital	1,069	2,142	2,142	2,142	2,142
Reserves & Surplus	80,231	90,145	99,867	110,694	124,115
Shareholders' equity	**81,300**	**92,287**	**102,009**	**112,836**	**126,257**
Payables	401	474	649	886	997
Other liabilities	5,806	7,153	7,752	8,538	9,271
Cash & bank balances	418	547	1,347	1,007	1,415
Investments	82,548	93,620	102,889	114,850	128,628
Receivables	1,455	1,586	1,824	2,066	2,327
Fixed assets	1,923	2,666	2,668	2,484	2,196
Other assets	1,163	1,495	1,683	1,852	1,958
Total Assets	**87,507**	**99,914**	**110,410**	**122,259**	**136,525**
Assets Under Management (Rs bn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
AAAUM	**7,480**	**8,906**	**10,468**	**12,261**	**14,128**
Equity	4,838	5,786	6,904	8,145	9,476
Debt	1,539	1,795	1,956	2,235	2,446
Liquid	789	798	827	872	932
Other	313	527	781	1,009	1,273
DuPont analysis (bps of AAUM)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue from operations	46.8	46.3	45.3	43.9	42.9
Total Revenue	**54.3**	**51.9**	**51.6**	**49.8**	**48.6**
Employee expenses	5.2	5.4	5.4	5.2	5.0
Total Opex	**10.4**	**10.3**	**10.0**	**9.5**	**9.1**
PAT (adj)	**32.9**	**32.1**	**31.4**	**30.3**	**30.5**
Key ratios (%)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Total revenue/AAUM (bps)	54	52	52	50	49
Cost-to-income ratio	20.2	20.1	19.9	19.5	19.1
Tax rate	25.1	22.9	24.5	25.0	22.8
Adj PAT/AAUM (bps)	33	32	31	30	31
ROE (adj)	32.4	32.9	33.8	34.5	36.1
Per-share data (Rs)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
EPS	115.16	66.77	76.69	86.63	100.64
EPS (adj)	57.58	66.77	76.69	86.63	100.64
BVPS	190.1	215.5	238.2	263.5	294.8
DPS	45.0	54.0	61.4	69.3	80.5

Source: Company, Emkay Research

HDFC AMC: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**34,984**	**41,222**	**47,413**	**53,871**	**60,661**
Revenue growth (%)	35.4	17.8	15.0	13.6	12.6
EBITDA	**27,919**	**32,953**	**37,966**	**43,362**	**49,051**
EBITDA growth (%)	42.6	18.0	15.2	14.2	13.1
Depreciation & Amortization	585	729	849	953	1,062
EBIT	**27,333**	**32,224**	**37,117**	**42,409**	**47,990**
EBIT growth (%)	43.5	17.9	15.2	14.3	13.2
Other operating income	-	-	-	-	-
Other income	5,617	5,000	6,557	7,222	8,005
Financial expense	94	133	153	162	168
PBT	**32,856**	**37,092**	**43,520**	**49,469**	**55,826**
Extraordinary items	0	0	0	0	0
Taxes	8,254	8,511	10,676	12,367	12,724
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**24,602**	**28,581**	**32,844**	**37,102**	**43,102**
PAT growth (%)	26.6	16.2	14.9	13.0	16.2
Adjusted PAT	**24,602**	**28,581**	**32,844**	**37,102**	**43,102**
Diluted EPS (Rs)	**57.4**	**66.5**	**76.4**	**86.3**	**100.3**
Diluted EPS growth (%)	26.3	15.9	14.9	13.0	16.2
DPS (Rs)	**44.9**	**53.8**	**61.1**	**69.1**	**80.2**
Dividend payout (%)	**78.0**	**80.6**	**79.7**	**79.7**	**79.7**
EBITDA margin (%)	79.8	79.9	80.1	80.5	80.9
EBIT margin (%)	78.1	78.2	78.3	78.7	79.1
Effective tax rate (%)	25.1	22.9	24.5	25.0	22.8
NOPLAT (pre-IndAS)	**20,467**	**24,830**	**28,012**	**31,807**	**37,052**
Shares outstanding (mn)	429	430	430	430	430

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	1,069	2,142	2,142	2,142	2,142
Reserves & Surplus	80,231	90,145	99,867	110,694	124,115
Net worth	**81,300**	**92,287**	**102,009**	**112,836**	**126,257**
Minority interests	-	-	-	-	-
Non-current liab. & prov.	2,108	2,556	2,669	2,844	2,927
Total debt	**0**	**0**	**0**	**0**	**0**
Total liabilities & equity	**83,408**	**94,843**	**104,678**	**115,681**	**129,183**
Net tangible fixed assets	488	521	550	510	460
Net intangible assets	96	57	78	92	101
Net ROU assets	1,338	2,088	2,039	1,882	1,636
Capital WIP	4	17	17	17	17
Goodwill	60	60	60	60	60
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	**82,966**	**94,167**	**104,236**	**115,857**	**130,044**
Current assets (ex-cash)	2,554	3,004	3,429	3,841	4,208
Current Liab. & Prov.	4,099	5,072	5,732	6,579	7,342
NWC (ex-cash)	**(1,545)**	**(2,068)**	**(2,303)**	**(2,738)**	**(3,135)**
Total assets	**83,408**	**94,842**	**104,678**	**115,681**	**129,183**
Net debt	(82,966)	(94,167)	(104,236)	(115,857)	(130,044)
Capital employed	83,408	94,843	104,678	115,681	129,183
Invested capital	**(900)**	**(1,430)**	**(1,614)**	**(2,075)**	**(2,514)**
BVPS (Rs)	189.6	214.7	237.4	262.5	293.8
Net Debt/Equity (x)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Net Debt/EBITDA (x)	(3.0)	(2.9)	(2.7)	(2.7)	(2.7)
Interest coverage (x)	350.2	279.5	284.8	306.6	332.4
RoCE (%)	**43.3**	**42.9**	**45.0**	**46.2**	**46.8**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	32,856	37,092	43,520	49,469	55,826
Others (non-cash items)	(5,291)	(4,256)	(6,557)	(7,222)	(8,005)
Taxes paid	(7,174)	(8,511)	(10,676)	(12,367)	(12,724)
Change in NWC	908	971	348	611	479
Operating cash flow	**20,748**	**26,158**	**27,637**	**31,605**	**36,806**
Capital expenditure	(447)	(223)	(851)	(770)	(773)
Acquisition of business	-	-	-	-	-
Interest & dividend income	219	425	6,557	7,222	8,005
Investing cash flow	**(5,981)**	**(6,431)**	**(3,585)**	**(5,526)**	**(6,566)**
Equity raised/(repaid)	693	975	0	0	0
Debt raised/(repaid)	-	-	-	-	-
Payment of lease liabilities	(399)	(440)	0	0	0
Interest paid	(94)	(133)	(153)	(162)	(168)
Dividend paid (incl tax)	(14,951)	(19,252)	(23,122)	(26,275)	(29,682)
Others	-	-	-	-	-
Financing cash flow	**(14,751)**	**(18,850)**	**(23,275)**	**(26,437)**	**(29,850)**
Net chg in Cash	17	876	778	(358)	390
OCF	20,748	26,158	27,637	31,605	36,806
Adj. OCF (w/o NWC chg.)	19,840	25,187	27,289	30,995	36,327
FCFF	20,301	25,935	26,787	30,836	36,033
FCFE	20,426	26,227	33,190	37,896	43,869
OCF/EBITDA (%)	74.3	79.4	72.8	72.9	75.0
FCFE/PAT (%)	83.0	91.8	101.1	102.1	101.8
FCFF/NOPLAT (%)	**99.2**	**104.4**	**95.6**	**96.9**	**97.2**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	47.4	40.9	35.6	31.5	27.1
EV/CE(x)	13.3	11.6	10.4	9.3	8.2
P/B (x)	14.4	12.7	11.5	10.4	9.3
EV/Sales (x)	31.0	26.1	22.5	19.5	17.1
EV/EBITDA (x)	38.8	32.6	28.0	24.3	21.2
EV/EBIT(x)	39.6	33.3	28.7	24.8	21.6
EV/IC (x)	(1,203.1)	(751.1)	(659.7)	(507.3)	(413.2)
FCFF yield (%)	1.9	2.4	2.5	2.9	3.5
FCFE yield (%)	1.7	2.2	2.8	3.2	3.7
Dividend yield (%)	1.6	2.0	2.2	2.5	2.9
DuPont-RoE split					
Net profit margin (%)	70.3	69.3	69.3	68.9	71.1
Total asset turnover (x)	0.5	0.5	0.5	0.5	0.5
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**32.4**	**32.9**	**33.8**	**34.5**	**36.1**
DuPont-RoIC					
NOPLAT margin (%)	58.5	60.2	59.1	59.0	61.1
IC turnover (x)	(33.4)	(35.4)	(31.2)	(29.2)	(26.4)
Operating metrics					
Core NWC days	(16.1)	(18.3)	(17.7)	(18.5)	(18.9)
Total NWC days	**(16.1)**	**(18.3)**	**(17.7)**	**(18.5)**	**(18.9)**
Fixed asset turnover	-	-	-	-	-
Opex-to-revenue (%)	20.2	20.1	19.9	19.5	19.1

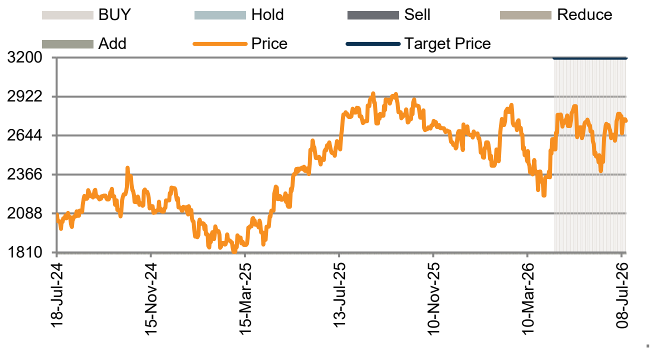
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
09-Jul-26	2,737	3,200	Buy	Avinash Singh
17-Apr-26	2,792	3,200	Buy	Avinash Singh
13-Apr-26	2,546	3,200	Buy	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

Emkay Global Financial Services Ltd.
CIN - L67120MH1995PLC084899
7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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Seshadri Kumar Sen

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