

India

HOLD (no change)

Consensus ratings*: Buy 18 Hold 9 Sell 1

Current price: Rs5,764
 Target price: ▲ Rs5,800
 Previous target: Rs5,600
 Up/downside: 0.6%
 InCred Research / Consensus: -1.2%

Reuters:
 Bloomberg: HDFCAMC IN
 Market cap: US\$14,006m
 Rs1,233,518m
 Average daily turnover: US\$28.1m
 Rs2475.6m
 Current shares o/s: 213.2m
 Free float: 47.5%

*Source: Bloomberg

Key changes in this note

- We trim AUM growth in FY27F-28F and cut MTM gains.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.3	9.1	26.5
Relative (%)	0.1	9.1	24.8

Major shareholders	% held
HDFC	52.5
SBI MF	2.8
UTI Pension	2.1

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HDFC AMC

Steady yields; softer MTM gains

- HDFC AMC's 2QFY26 PAT (+25% yoy/-4% qoq) was weighed down by lower treasury gains, higher CSR & NFO-related opex offset by one-off tax reversal.
- Revenue yields commendably stable at 46bp despite a 6% qoq rise in QAAUM due to rationalization in distribution payout and favourable AUM mix.
- We appreciate the consistent market share gains and stable yields, although we feel the valuation is stretched. Retain HOLD with a higher TP of Rs5,800.

Cushioned PAT; one-time tax reversal offsets MTM dip/higher costs

HDFC AMC reported 2QFY26 PAT of Rs7.2bn, up 25% yoy and down 4% qoq, largely in line with estimates, despite a higher-than-expected drop in other income and a rise in expenses, as the company benefitted from a one-off income-tax reversal. The reassessment of income-tax provision resulted in a reversal of Rs 468m, leading to a lower tax rate for the quarter at ~18% vs. the run-rate of ~24%. Excluding this, PAT would have been lower by 7% at Rs6.7bn.

Healthy AUM growth with strong SIP/STP inflows

QAAUM grew by 16% yoy and 6% qoq to Rs8.8tr driven by strong inflows, as the mark-to-market (MTM) gains were subdued. The overall market share was lower by ~10bp qoq at 11.5% due to heavy outflows from liquid schemes. Equity QAAUM grew by 14% yoy and 8% qoq, while the market share expanded sequentially by ~10bp to 12.9%. Systematic investment plan (SIP) and systematic transfer plan (STP) inflow increased by 13% qoq to Rs45bn and SIP AUM rose by 2% qoq to Rs2tr. Debt funds grew by 20% yoy and 9% qoq, constituting ~21.1% of assets under management (AUM).

Resolute topline; opex inches up though remains range-bound

Revenue yield was commendably flat qoq at 46bp, despite the healthy rise in AUM, largely on account of continued benefit from the cut in distribution payout and a favourable AUM mix towards the high-yielding equity segment. Other opex was up by 20% qoq and 16% yoy due to higher business promotion and CSR expenses. The company launched two NFOs - HDFC Innovation Fund which collected Rs24bn, and HDFC Diversified Equity which collected Rs11bn, pushed up other opex.

Outlook and valuation

HDFC AMC continues to maintain consistent leadership in equity and equity-oriented schemes. It is noteworthy that the AMC continued to minimize the impact of telescopic pricing, despite the rise in AUM, through a favourable mix and selective rationalization of distribution payout. We remain positive on inflows and market share gains; however, we believe that its valuation is stretched, and maintain HOLD rating on the stock with a higher target price of Rs5,800 (Rs5,600 earlier), valuing it at 37x FY27F EPS. Downside/upside risks: Slower inflows and vice-versa.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	31,624	40,583	47,307	54,341	65,533
Operating Revenue (Rsm)	31,624	40,583	47,307	54,341	65,533
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	19,459	24,611	29,976	33,757	41,239
Core EPS (Rs)	91.27	115.43	140.60	158.33	193.43
Core EPS Growth	37%	26%	22%	13%	22%
FD Core P/E (x)	63.15	49.93	41.00	36.40	29.80
DPS (Rs)	70.00	90.00	112.00	130.00	162.00
Dividend Yield	1.21%	1.56%	1.94%	2.26%	2.81%
BVPS (Rs)	332.0	381.5	319.2	344.2	372.8
P/BV (x)	17.36	15.11	18.06	16.75	15.46
ROE	29.5%	32.4%	40.1%	47.7%	54.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY26 earnings-call highlights ➤

- The rise in costs was driven largely by increased business promotion expenses tied to new fund offer (NFO) launches, CSR spending, and amortization of ESOP costs.
- The company announced a 1:1 bonus share issue for its existing shareholders.
- 50 new offices were opened during the quarter, many in B-30 towns, to boost visibility and distribution reach.
- Management emphasizes its role as a “wealth creator” for investors and continues to invest in the broader ecosystem.
- Segment yields for the quarter were:
 - Equity: ~58bp
 - Debt: ~27-28bp
 - Liquid: ~12-13bp
- ESOP expenses guidance:
 - 2HFY26F: Rs420m
 - FY27F: Rs670m
 - FY28F: Rs530m
 - FY29F: Rs330m
- Opex growth guidance is in the range of 12-15% yoy.
- The company is witnessing strong traction in its alternative funds business and is actively expanding its team to capitalize on the opportunity.

Figure 1: Quarterly results summary (Rs m)

Y/E Mar (Rs m)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Revenue from operations	8,872	9,344	9,012	9,678	10,260	15.6%	6.0%
Total revenue (Rs m)	10,578	10,271	10,250	12,004	11,219	6.1%	-6.5%
Total expenditure	1,991	1,872	1,897	2,144	2,463	23.7%	14.9%
Cost-to-income (%)	18.8%	18.2%	18.5%	17.9%	22.0%		
Profit before tax	8,587	8,400	8,353	9,861	8,756	2.0%	-11.2%
Tax	2,818	1,985	1,966	2,381	1,575	-44.1%	-33.8%
Tax rate (%)	32.8%	23.6%	23.5%	24.1%	18.0%		
Profit after tax	5,769	6,415	6,387	7,479	7,181	24.5%	-4.0%

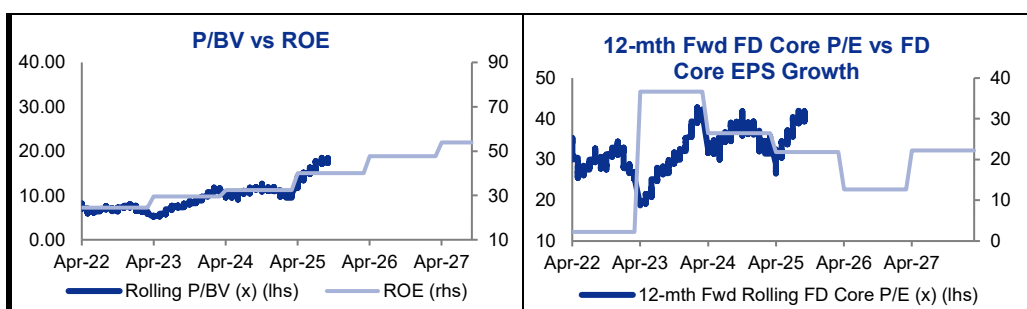
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Earnings revision summary

Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	Variance	Earlier	Revised	Variance	Earlier	Revised	Variance
Revenue from operations	41,866	41,462	-1.0%	50,500	48,796	-3.4%	62,914	59,848	-4.9%
PAT	32,123	29,976	-6.7%	39,183	33,757	-13.8%	48,847	41,239	-15.6%
EPS (Rs)	150	140	-6.7%	183	158	-13.8%	229	193	-15.6%
Dividend payout (%)	80%	80%	0.0%	80%	80%	0.0%	80%	80%	0.0%
QAAUM (Rs tr)	10	10	0.8%	12	12	-3.2%	15	15	-4.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
Total Non-Interest Income	31,624	40,583	47,307	54,341	65,533
Operating Revenue	31,624	40,583	47,307	54,341	65,533
Total Non-Interest Expenses	(6,842)	(7,718)	(8,781)	(10,136)	(11,438)
Pre-provision Operating Profit	24,782	32,864	38,526	44,205	54,095
Total Provision Charges					
Operating Profit After Provisions	24,782	32,864	38,526	44,205	54,095
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	24,782	32,864	38,526	44,205	54,095
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	24,782	32,864	38,526	44,205	54,095
Exceptional Items					
Pre-tax Profit	24,782	32,864	38,526	44,205	54,095
Taxation	(5,323)	(8,254)	(8,550)	(10,448)	(12,856)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	19,459	24,611	29,976	33,757	41,239
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	19,459	24,611	29,976	33,757	41,239
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	0.1%	0.1%	0.2%	0.2%	0.1%
Avg Liquid Assets/Avg IEAs					
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans					
Provision Charge/Avg Assets					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans					
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets					
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets					
Intangible Assets					
Other Non-Interest Earning Assets	2,102	2,607	2,973	3,033	3,096
Total Non-Interest Earning Assets	3,466	4,421	5,362	5,936	6,624
Cash And Marketable Securities	112	128	143	155	168
Long-term Investments	71,900	82,889	84,175	101,013	127,191
Total Assets	75,478	87,437	89,680	107,104	133,983
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	4,785	6,195	21,711	33,821	54,599
Total Liabilities	4,785	6,195	21,711	33,821	54,599
Shareholders Equity	70,791	81,341	68,061	73,376	79,477
Minority Interests					
Total Equity	70,791	81,341	68,061	73,376	79,477

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	32.5%	32.6%	17.2%	14.7%	22.4%
Pretax Profit Growth	32%	33%	17%	15%	22%
Net Interest To Total Income					
Cost Of Funds					
Return On Interest Earning Assets					
Net Interest Spread					
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit					
Interest Return On Average Assets					
Effective Tax Rate	21.5%	25.1%	22.2%	23.6%	23.8%
Net Dividend Payout Ratio					
Return On Average Assets	27.64%	30.21%	33.85%	34.31%	34.21%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.