

HDFC Asset Management | ADD

Good things come with a price tag, upgrade to ADD



HDFC AMC reported strong results – PAT of INR 7.2bn was 11% ahead of JMFe, -4% QoQ, +24.5% YoY. Operating PBT was in line at INR 7.8bn, with higher revenues (+1% JMFe) compensated by higher expenses on ESOPs and NFOs. The company relooked at its on-book tax liabilities, resulting in an effective tax rate of 18% for a quarter, resulting in PAT beat. With sustained strength in yields and strong industry inflows at INR 400bn+ for three straight months, we revise our revenues estimates upwards. Despite higher costs, we raise our EPS by 4%/6%/8% over FY26/FY27/FY28e. We value the company at 38x FY27e EPS of INR 164 to get a revised target price of INR 6,200 (up from INR 5,650). We upgrade to ADD in our new rating system, from HOLD earlier.

- **Growth in AUM came with inflows, as markets declined:** IN 2Q, broader markets fell 3.8%, however, HDFC AMC's schemes outperformed with an MTM of -1.4% (for top 80% AUM). The 1.6% growth in equity AUM came with strong inflows, which included INR 24bn raised in the Innovation Fund NFO. Meanwhile, equity QAAUM grew 8% QoQ (15% YoY) as the closing AUM as of Jun'25 was 6% above the QAAUM for the quarter. While debt and "Other" schemes grew at similar levels of 8% QoQ, liquid funds AUM was flattish on a QoQ basis, hence, supporting revenue yields.
- **Revenue yields hold up at 0.47% as share of equity QAAUM improves sequentially:** After rationalising its distribution payouts, the company has reported flattish yields of 0.47% for the last 3 quarters. In this quarter, yields were supported by NFO (New Fund Offer) inflows in equity and improving share of higher yielding AUM, as all the AUM buckets, except liquid funds, grew 8% on a quarterly average basis.
- **Higher expenses led by ESOP costs, NFO and the accrual of business expansion:** Employee expenses grew (13% QoQ, 29% YoY) with a non-cash expense of INR 211mn on account of ESOPs (Employee Stock Option Plan) and RSUs (Restricted Stock Units) while business development and other expenses grew with the NFO. The company has added capacity in terms of employees, especially in building the Alternatives business, and offices, which further put pressure on the costs. After a reset in FY26e, the company expects growth in expenses to be limited to 12-15% on a YoY basis, in the near term. With a 1% beat in core revenues, operating PBT was in line with JMFe at INR 7.8bn. A relook in on-book tax liabilities resulted in an effective tax rate of 18%, leading to an 11% beat on PAT.
- **Valuations and view – good things come with a price tag, upgrade to ADD:** With strong performance (-1.4% for equity AUM vs -3.8% for the wider market) and its distribution and brand strength, HDFC AMC continues to scale its AUM despite rationalising commissions. We raise our EPS by 4%/6%/8% over FY26/FY27/FY28e. However, valuations of 36x FY27e EPS capture most of the positives. We value the company at 38x FY27e EPS of INR 164 to get a revised target price of INR 6,200 (up from INR 5,650). We upgrade to ADD in our new rating system, from HOLD earlier.

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Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	HOLD
Current Price Target (12M)	6,200
Upside/(Downside)	10.8%
Previous Price Target	5,650
Change	9.7%

Key Data – HDFCAMC IN

Current Market Price	INR5,764
Market cap (bn)	INR1,233.5/US\$14.0
Free Float	45%
Shares in issue (mn)	110.0
Diluted share (mn)	110.0
3-mon avg daily val (mn)	INR2,477.0/US\$28.1
52-week range	5,928/3,525
Sensex/Nifty	82,6050/25,324
INR/US\$	88.1

Price Performance

%	1M	6M	12M
Absolute	0.3	39.5	26.5
Relative*	0.1	30.1	24.8

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25E	FY26E	FY27E	FY28E
Mutual Fund AUM (cls basis, INR bn)	6,073	7,545	9,138	10,885	12,994
YoY growth (%)	39%	24%	21%	19%	19%
% of equity MF AUM (closing basis)	64%	65%	67%	69%	71%
Operating Revenues (INR mn)	25,844	34,980	41,236	49,287	58,858
Total operating expenses (INR mn)	6,842	7,718	8,940	10,120	11,428
PAT (INR mn)	19,459	24,611	30,156	34,950	41,404
YoY growth (%)	37%	26%	23%	16%	18%
PAT / Avg. MF AUM (RoAUM) (%)	0.36%	0.33%	0.36%	0.35%	0.35%
RoE (%)	29.5%	32.4%	35.1%	36.5%	38.7%
EPS (INR)	91.2	115.1	141.0	163.5	193.7
P/E (x)	60.4	47.9	39.1	33.7	28.5

Source: Company data, JM Financial. Note: Valuations as of 15/Oct/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key concall takeaways:**■ Revenue yields:**

Broadly similar to 1QFY26

- Equity 58bps (same as 1Q)
- Debt 27-28bps (1bp down from 1Q)
- Liquid 12-13bps (same as 1Q)
- Blended yields maintained at 47bps of QAAUM.

■ Expenses growth ahead of expectations:

- ESOP expenses of INR 211mn in the quarter – first highlighted in 4QFY25 concall, expect INR 420mn in 2H, INR 670mn in FY26, INR 630mn in FY27 and INR 330mn in FY28;
- 2 NFOs during the quarter, leading to higher business development;
- Other expenses also increased with the addition of headcount and 50 new offices opened over the last year;
- Expecting 12-15% growth in expenses in a sustained basis.

■ Growth of direct share of AUM by 70bps QoQ to 43.0%

- Led by fintech space, alongside growth in direct website sales;
- With a lower TER (Total Expense Ratio) on direct plans, there is a natural accretion in direct share.

■ Alternatives Space

- Have a team of 6 Investment Professionals each on VC/PE and Private Credit side;
- The company is raising a Credit Fund in FY26, after a VC/PE fund raised in FY25;
- It has approvals in place for an SIF, watching the space closely – evaluating options and looking at suitable products;
- Remains a focused area.

Key Quarterly trends

Exhibit 1. HDFC AMC: Key quarterly highlights

P&L (INR mn)	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	2Q26 JMFe	A/E
Revenue from operations	8,872	9,678	10,260	6.0%	15.6%	10,102	1.6%
Employee benefits expense	957	1,089	1,235	13.3%	29.0%	1,239	-0.4%
Depreciation & Amortisation	137	172	178	3.1%	29.7%	172	3.1%
Business Development and Others	898	882	1,051	19.1%	17.1%	900	16.8%
Total expenses	1,991	2,144	2,463	14.9%	23.7%	2,312	6.6%
Operating PBT	6,881	7,534	7,797	3.5%	13.3%	7,790	0.1%
Other income	1,706	2,327	959	-58.8%	-43.8%	830	15.5%
PBT	8,587	9,861	8,756	-11.2%	2.0%	8,620	1.6%
PAT	5,769	7,479	7,181	-4.0%	24.5%	6,465	11.1%
Total comprehensive income	5,771	7,435	7,184	-3.4%	24.5%	6,465	11.1%
Qtrly Avg AAUM (INR bn)	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)		
Equity	4,861	5,199	5,593	7.6%	15.1%		
Debt	1,044	1,159	1,249	7.8%	19.7%		
Liquid	1,180	1,306	1,303	-0.2%	10.4%		
Other	503	621	669	7.6%	32.9%		
Overall	7,588	8,286	8,814	6.4%	16.2%		
Dupont analysis	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)		
Revenue / QAAUM (%)	0.47%	0.467%	0.466%	0.00%	0.00%		
Employee exp / QAAUM(%)	0.05%	0.05%	0.06%	0.00%	0.01%		
Business Development and Other opex / QAAUM(%)	0.05%	0.05%	0.06%	0.00%	0.00%		
Total cost / QAAUM (%)	0.10%	0.10%	0.11%	0.01%	0.01%		
Operating PBT / QAAUM(%)	0.36%	0.36%	0.35%	-0.01%	-0.01%		
Other income / QAAUM (%)	0.09%	0.11%	0.04%	-0.07%	-0.05%		
PBT / QAAUM (%)	0.45%	0.48%	0.40%	-0.08%	-0.06%		
PAT / QAAUM(%)	0.30%	0.36%	0.33%	-0.04%	0.02%		

Source: Company, JM Financial

Exhibit 2. HDFC AMC: Change in estimates - JMFe

Change in est. (INR mn)	FY26E, Old	FY26E, New	Change	YoY	FY27E, Old	FY27E, New	Change	YoY	FY28E, Old	FY28E, New	Change	YoY
Revenue	46,781	47,851	2.3%	17.9%	53,084	56,107	5.7%	17.3%	61,107	65,907	7.9%	17.5%
Operating PBT	31,421	32,297	2.8%	18.5%	36,384	39,166	7.6%	21.3%	43,228	47,431	9.7%	21.1%
PAT	28,907	30,156	4.3%	22.5%	32,836	34,950	6.4%	15.9%	38,210	41,404	8.4%	18.5%
EPS (INR)	135.2	141.0	4.3%	22.5%	153.6	163.5	6.4%	15.9%	178.7	193.7	8.4%	18.5%
BV (INR)	421.0	422.8	0.4%	11.1%	467.1	471.8	1.0%	11.6%	520.7	529.9	1.8%	12.3%

Source: Company, JM Financial

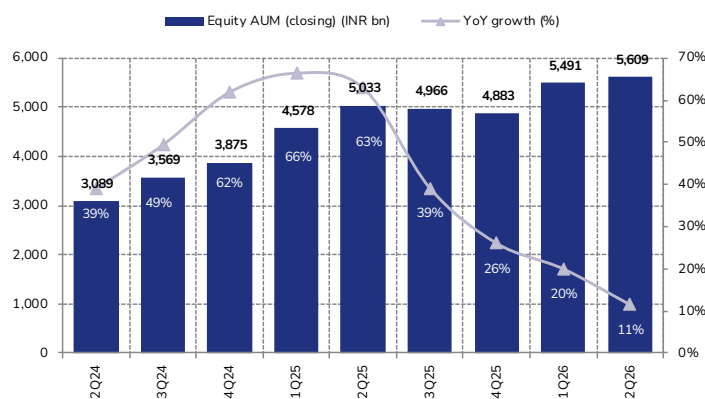
We value HDFC AMC on a two-stage Gordon growth model. Our assumptions are as follows:

Exhibit 3. HDFC AMC: Valuation summary

Initial no of years	20
Growth rate for the first 10 years (%)	14%
Payout ratio for the first 10 years (%)	75%
Perpetual growth rate (%)	7%
Perpetual payout ratio (%)	90%
K1	16.9
K2	21.0
FY27E EPS (INR)	163.5
Target multiple on FY27E EPS	38x
Fair value (rounded off)	6,200
Target price	6,200

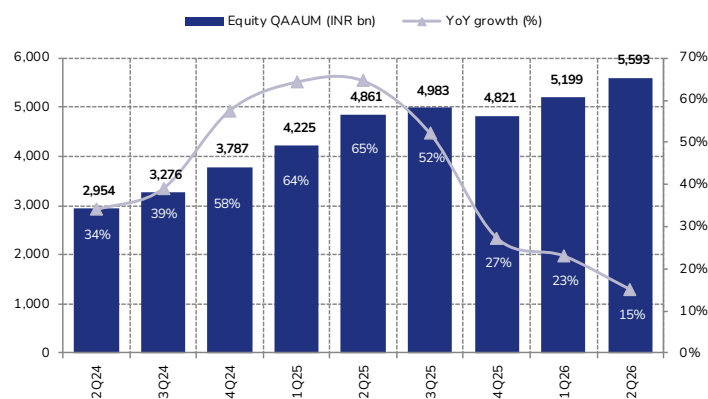
Source: Company, JM Financial

Exhibit 4. HDFC AMC: Equity AUM growth has come off in 2Q26



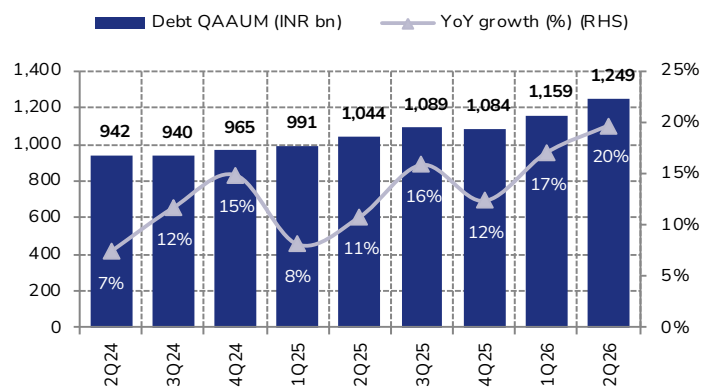
Source: Company, JM Financial

Exhibit 5. HDFC AMC: QAAUM fell in 2Q26



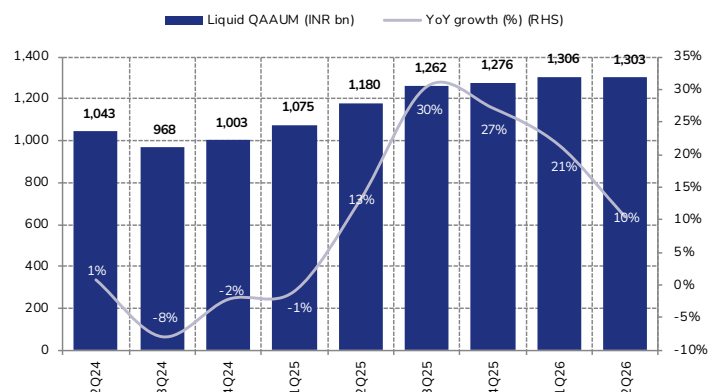
Source: Company, JM Financial

Exhibit 6. HDFC AMC: Debt QAAUM trend and growth (%)



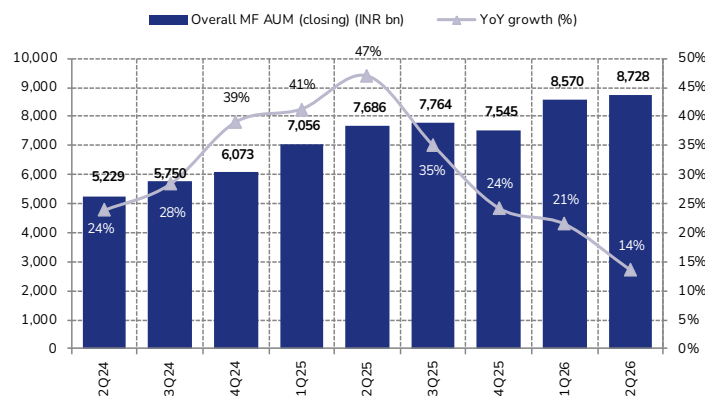
Source: Company, JM Financial

Exhibit 7. HDFC AMC: Liquid QAAUM trend and growth (%)



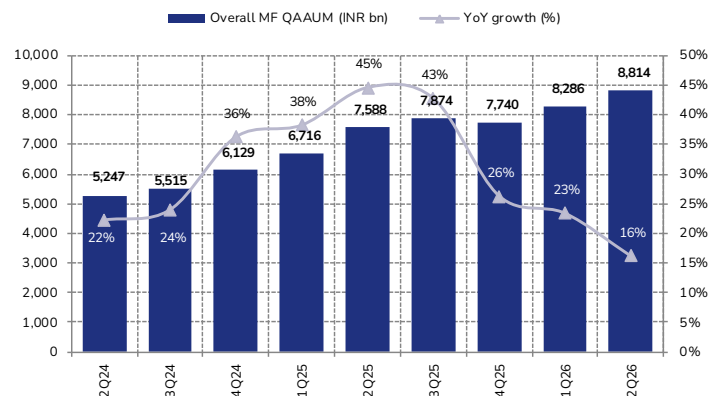
Source: Company, JM Financial

Exhibit 8. HDFC AMC: Overall MF AUM trend and growth (%)

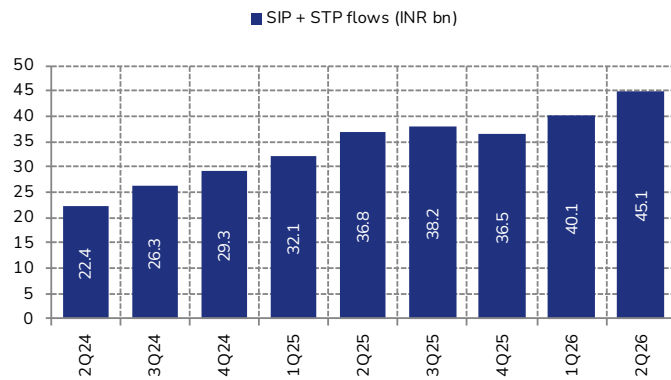


Source: Company, JM Financial

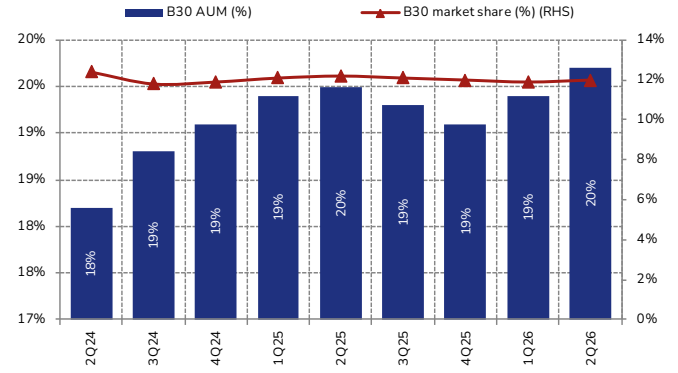
Exhibit 9. HDFC AMC: Overall MF QAAUM trend and growth (%)



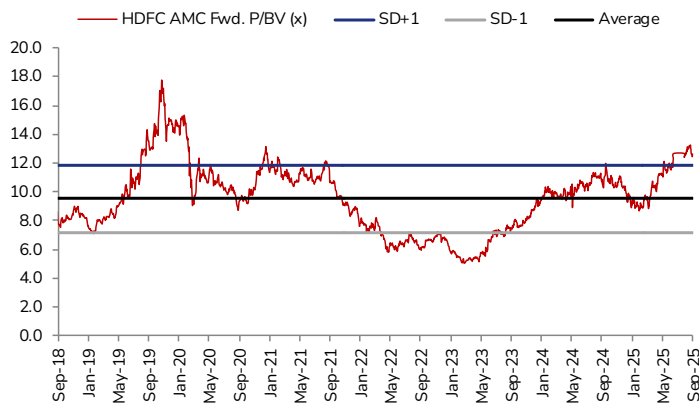
Source: Company, JM Financial

Exhibit 10. HDFC AMC: Systematic flows have grown

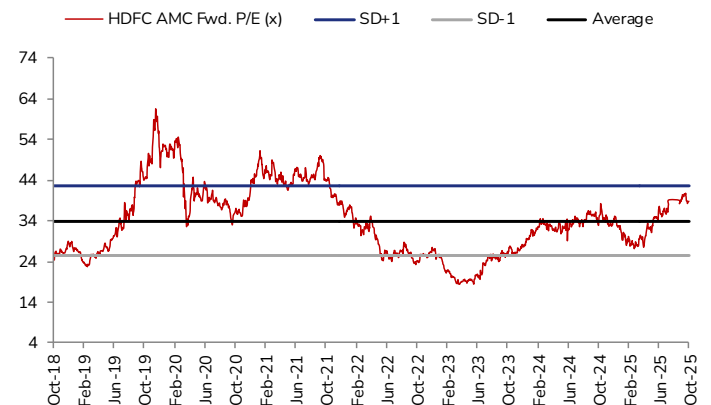
Source: Company, JM Financial

Exhibit 11. HDFC AMC: B30 share hovers around 20%

Source: Company, JM Financial

Exhibit 12. Stock is trading 1SD above its historical mean P/B multiple

Source: JM Financial, Bloomberg

Exhibit 13. Stock is trading above its historical P/E multiple

Source: JM Financial, Bloomberg

Financial Tables

Income Statement (INR mn)					
	FY24A	FY25A	FY26E	FY27E	FY28E
MF Fees	25,806	34,819	40,987	48,913	58,299
PMS Fees	38	161	249	343	560
Investment Management fees	25,844	34,980	41,236	49,287	58,858
Total Other income	5,781	5,602	6,615	6,821	7,049
Total Revenue	31,624	40,583	47,851	56,107	65,907
Employee costs	3,535	3,883	4,620	5,332	6,131
Admin & Other expenses	2,257	2,639	2,921	3,271	3,664
Mktg & publicity expenses	528	612	698	782	860
Total Operating Expenses	6,320	7,134	8,239	9,384	10,655
Depreciation/Diminution in LT	523	584	701	736	773
Total Expenditure	6,842	7,718	8,940	10,120	11,428
PBT	24,782	32,864	38,911	45,987	54,480
Tax	(5,323)	(8,254)	(8,755)	(11,037)	(13,075)
Reported Profit (PAT)	19,459	24,611	30,156	34,950	41,404
Dividend	14,944	19,241	21,109	24,465	28,983
Retained earnings	4,515	5,369	9,047	10,485	12,421

Source: Company, JM Financial

Key Ratios					
As a % of Avg AUM	FY24A	FY25A	FY26E	FY27E	FY28E
Core Revenues / Avg. AUM	0.48%	0.47%	0.49%	0.49%	0.49%
Other Revenues / Avg. AUM	0.11%	0.07%	0.08%	0.07%	0.06%
Total Revenues / Avg. AUM	0.58%	0.54%	0.57%	0.56%	0.55%
Employee cost / Avg. AUM	0.07%	0.05%	0.06%	0.05%	0.05%
Brokerage / Avg. AUM	0.00%	0.00%	0.00%	0.00%	0.00%
Operating cost / Avg. AUM	0.13%	0.10%	0.11%	0.10%	0.10%
PBT / Avg. AUM	0.46%	0.44%	0.47%	0.46%	0.46%
PAT / Avg. AUM	0.36%	0.33%	0.36%	0.35%	0.35%
As a % of Balance sheet					
Core Revenues / Avg. Assets	37.2%	43.8%	45.6%	48.7%	51.6%
Other Revenues / Avg. Assets	8.3%	7.0%	7.3%	6.7%	6.3%
Total Revenues / Avg. Assets	45.6%	50.8%	52.9%	55.4%	57.3%
Employee cost / Avg. Assets	5.1%	4.9%	5.1%	5.3%	5.4%
Brokerage / Avg. Assets	0.1%	0.2%	0.2%	0.2%	0.2%
Operating cost / Avg. Assets	9.9%	9.7%	9.9%	10.0%	10.0%
PBT / Avg. Assets	35.7%	41.1%	43.0%	45.4%	47.8%
RoA (%)	28.0%	30.8%	33.4%	34.5%	36.3%
Avg Assets/Equity (x)	1.05	1.05	1.05	1.06	1.07
RoE (%)	29.5%	32.4%	35.1%	36.5%	38.7%

Source: Company, JM Financial

Balance Sheet (INR mn)					
	FY24A	FY25A	FY26E	FY27E	FY28E
Share capital	1,067	1,069	1,069	1,069	1,069
Reserves & Surplus	69,723	80,272	89,319	99,804	112,226
Net worth	70,791	81,341	90,388	100,873	113,295
Secured Loans	-	-	-	-	-
Current Liabilities	3,465	3,880	4,734	5,964	7,396
Provisions	164	207	248	298	357
Total Liabilities	74,420	85,428	95,370	107,135	121,048
Net Fixed Assets	1,363	1,814	2,177	2,394	2,634
Non-Current investments	71,900	82,889	91,260	101,282	113,174
Total Non-current assets	72,478	83,032	91,682	101,835	113,874
Total Current investments	-	-	-	-	-
Total Current Assets	1,942	2,396	3,688	5,301	7,174
Total Assets	74,420	85,428	95,370	107,135	121,048

Source: Company, JM Financial

Growth ratios (YoY %)					
	FY24A	FY25A	FY26E	FY27E	FY28E
Inv mgmt fees	19.4%	34.9%	17.7%	19.3%	19.2%
PMS fees + Other income	80.8%	-0.9%	19.1%	4.8%	5.8%
Revenue	27.4%	28.3%	17.9%	17.3%	17.5%
Employee cost	13.0%	9.8%	19.0%	15.4%	15.0%
Admin & other exp	15.2%	16.9%	10.7%	12.0%	10.0%
Marketing & publicity exp	5.5%	15.9%	14.0%	12.0%	10.0%
Total operating exp	13.1%	12.9%	15.5%	13.9%	13.5%
PBT	32.5%	32.6%	18.4%	18.2%	18.5%
Tax	19.2%	55.1%	6.1%	26.1%	18.5%
PAT	36.7%	26.5%	22.5%	15.9%	18.5%
Total Assets	15.6%	14.8%	11.6%	12.3%	13.0%
Equity AUM	62%	26%	27%	23%	23%
Debt AUM	7%	13%	12%	7%	10%
Liquid AUM	4%	17%	5%	6%	6%
Other AUM	47%	50%	29%	25%	22%
Total AUM	39%	24%	21%	19%	19%

Source: Company, JM Financial

Mutual Fund AUM (INR bn)					
Closing AUM	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	3,875	4,883	6,129	7,538	9,243
Debt	947	1,071	1,199	1,283	1,405
Liquid	861	1,004	1,054	1,120	1,190
Others	391	586	757	945	1,156
Total AUM	6,073	7,545	9,138	10,885	12,994

Source: Company, JM Financial

Valuation					
	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in issue (mn)	213.5	213.8	213.8	213.8	213.8
EPS (INR)	91.2	115.1	141.0	163.5	193.7
EPS (YoY) (%)	37%	26%	23%	16%	18%
PER (x)	61.0	48.3	39.4	34.0	28.7
BV (INR)	331.6	380.5	422.8	471.8	529.9
BV (YoY)	15.9%	14.7%	11.1%	11.6%	12.3%
P/BV (x)	16.8	14.6	13.2	11.8	10.5
DPS (INR)	70.0	90.0	98.7	114.4	135.6
Div. yield (%)	1.6%	2.0%	1.8%	2.1%	2.4%

Source: Company, JM Financial

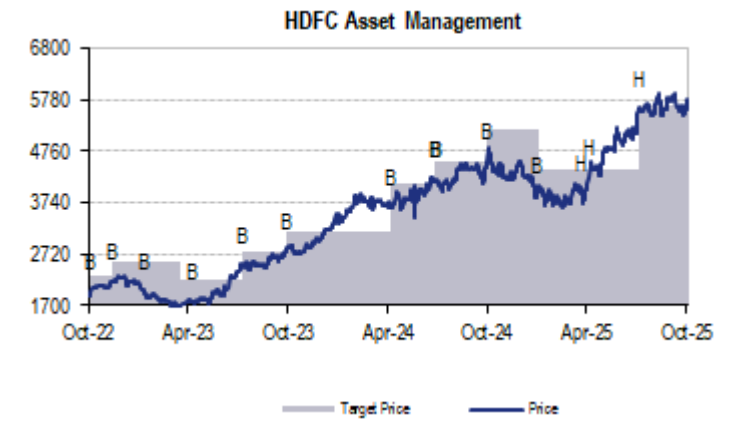
Mutual Fund AUM Mix (%)					
Based on Closing AUM	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	64%	65%	67%	69%	71%
Debt	16%	14%	13%	12%	11%
Liquid	14%	13%	12%	10%	9%
Others	6%	8%	8%	9%	9%
Total AUM	100%	100%	100%	100%	100%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
18-Jul-21	Buy	3,175	
25-Oct-21	Buy	3,475	9.4
15-Dec-21	Buy	3,475	0.0
24-Jan-22	Buy	2,880	-17.1
22-Jul-22	Buy	2,275	-21.0
19-Oct-22	Buy	2,300	1.1
29-Nov-22	Buy	2,550	10.9
24-Jan-23	Buy	2,550	0.0
29-Mar-23	Buy	2,200	-13.7
25-Apr-23	Buy	2,200	0.0
24-Jul-23	Buy	2,760	25.5
12-Oct-23	Buy	3,150	14.1
22-Apr-24	Buy	4,100	30.2
9-Jul-24	Buy	4,555	11.1
15-Jul-24	Buy	4,555	0.0
15-Oct-24	Buy	5,200	14.2
14-Jan-25	Buy	4,400	-15.4
4-Apr-25	Hold	4,400	0.0
20-Apr-25	Hold	4,400	0.0
18-Jul-25	Hold	5,650	28.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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