

BSE SENSEX 77,289 S&P CNX 23,487

CMP: INR4,071 TP: INR4,800 (+18%)

Buy



Stock Info

Bloomberg	HDFCAMC IN
Equity Shares (m)	214
M.Cap.(INRb)/(USD\$b)	870.4 / 10.2
52-Week Range (INR)	4864 / 3416
1, 6, 12 Rel. Per (%)	4/0/2
12M Avg Val (INR M)	2068
Free float (%)	47.5

Financials Snapshot (INR b)

Y/E March	2025E	2026E	2027E
AAUM	7,534	8,493	9,883
MF Yield (bps)	46.7	45.7	44.7
Rev from Ops	35.3	38.9	44.3
Core PAT	20.6	23.3	26.7
PAT	24.4	27.9	31.7
PAT (bps as AAUM)	32	33	32
Core EPS	96	109	125
EPS	115	131	149
EPS Gr. (%)	26	14	14
BVPS	360	393	430
RoE (%)	33	35	36
Div. Payout (%)	75	75	75

Valuations

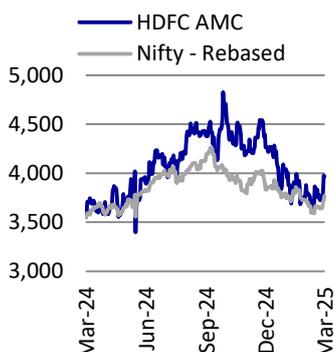
Mcap/AUM (%)	11.5	10.2	8.8
P/E (x)	35.5	31.1	27.3
P/BV (x)	11.3	10.3	9.5
Div. Yield (%)	2.1	2.4	2.7

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	52.5	52.5	52.6
DII	17.0	16.9	19.5
FII	21.3	21.6	18.0
Others	9.2	9.0	10.0

FII includes depository receipts

Stock Performance (one-year)



Well poised to sustain outperformance

Robust equity flows despite subdued markets; SIPs continue to scale up

- HDFC AMC is India's third-largest mutual fund house with QAAUM of INR7.9t. It holds an overall market share of 11.5% and a 12.8% share in actively managed equity QAAUM, underpinned by strong brand reputation, consistent fund performance, and an extensive distribution network.
- HDFC AMC operates on a cost-efficient model, driving industry-leading profitability with a PAT-to-AAAUM ratio of 33bp. This lean cost structure supports strong cash generation, enabling a stable RoE of over 30%, significantly outperforming many financial sector peers.
- The company has witnessed robust retail participation, with SIP AUM growing 38% YoY to INR1.8t as of Dec'24, representing 37% of actively managed equity AUM. Furthermore, HDFC AMC commands a 24% share of unique mutual fund investors, reinforcing its leadership in retail investor penetration.
- The company maintains a favorable product mix, with the high-margin equity segment constituting 64.9% of QAAUM as of Dec'24, well above the industry average of 57%. This skew toward equity investments supports superior yield generation and profitability. Notably, its actively managed equity QAAUM expanded by 51% YoY in 3QFY25, reflecting strong investor confidence.
- HDFC AMC's total AUM accounts for ~27% of HDFC Bank's total mutual fund AUM, compared to ICICI Prudential MF's 60% share of ICICI Bank's AUM and SBI MF's 98% share of SBI Bank's AUM. This indicates significant untapped potential for deeper penetration through HDFC Bank's branch network.
- Looking ahead, we project equity AUM growth of 55%/12%/18% in FY25/FY26/FY27. FY26 is anticipated to start on a weaker note in terms of AUM growth. Despite adjustments in commission structures, we factor in a 1bp decline in overall yields for FY26 and FY27. Consequently, we estimate an earnings CAGR of 14% over FY25-27. We maintain our BUY rating on HDFC AMC, with a one-year TP of INR4,800, based on 32x FY27E EPS.

Industry continues to be on a strong footing

- At the industry level (MAUM basis), the share of equity AUM in total AUM rose to 55% as of Dec'24 from 29% in Mar'15, leading to higher yields and profitability. There is a declining trend in the share of debt AUM, from 44% in Mar'15 to 15% in Dec'24, while the share of passives surged to 18% in Dec'24 from 4% in Mar'15, showing growth in demand for ETFs and index funds.
- The industry spends 2bp of AUM on investor awareness campaigns, like 'Mutual Fund Sahi Hai'. These investments of ~INR13-14b have further deepened the penetration in the MF industry. A recent regulatory initiative—lowering the SIP ticket size to INR250 per month—will further encourage wider participation in the market.
- SIP has maintained its momentum despite weak market sentiment, with INR260b of inflows in Feb'25 vs. INR264b in Jan'25, reflecting resilient retail participation and a shift toward long-term investing.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Fact set and S&P Capital.

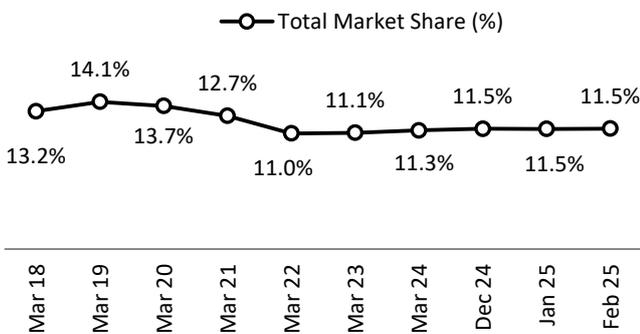
- The share of Direct AUM in Equity AUM rose to 29% in Dec'24 from 21% in Dec'20, as tech players such as discount brokers, standalone MF platforms and AMC websites have made MIF investments seamless and efficient.
- Expansion beyond the top 30 cities (19% of overall AUM as on Dec'24) remains a focus, as AMCs leverage digital platforms and expand physical distribution to tap into underserved markets.

HDFC AMC benefits from strong and stable fund performance

- Over the years, HDFC AMC has implemented a multi-pronged strategy to enhance its market share and fund performance.
- The market share of HDFC AMC in the total equity/passives improved to 12.9%/2.1% in Dec'24 from 9.4%/0.6% in Dec'19, owing to the following measures: 1) product diversification by launching new exchange-traded funds (ETFs), index funds, and thematic funds to cater to a broader investor base; 2) strengthened its distribution network by deepening partnerships with banks, financial advisors, and digital platforms; 3) invested in digital transformation, enhancing customer experience and operational efficiency through online platforms.
- The firm also recorded a 13.2% market share as of Dec'24 in individual monthly average AUM, reinforcing its appeal among retail investors.
- Weak fund performance in FY20-21 with few schemes appearing in the top quartile on the one-to-three year return basis during the period led to loss of equity market share to ~11.5% (Dec'21). However, with a consistent increase in the number of schemes appearing in top quartile, its equity market share rose to ~12.9% (MAUM basis in Feb'25).

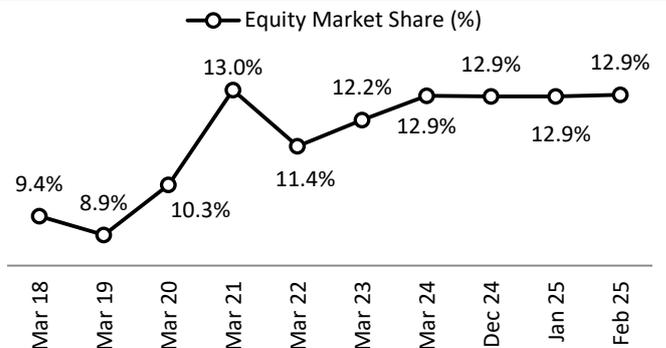
HDFC AMC witnessed strong growth in SIP flows of INR38.2b in Dec'24 and SIP AUM stood at INR1.8t.

Exhibit 1: Trend in total market share - MAUM (%)



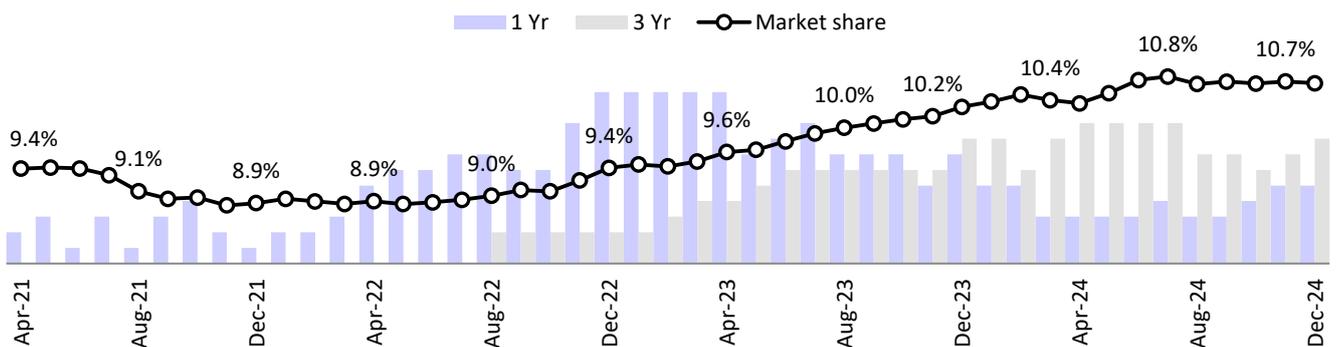
Source: MOFSL, Company

Exhibit 2: Trend in equity market share - MAUM (%)



Source: MOFSL, Company

Exhibit 3: Trend in market share movement of Equities (excl. hybrid) over the years

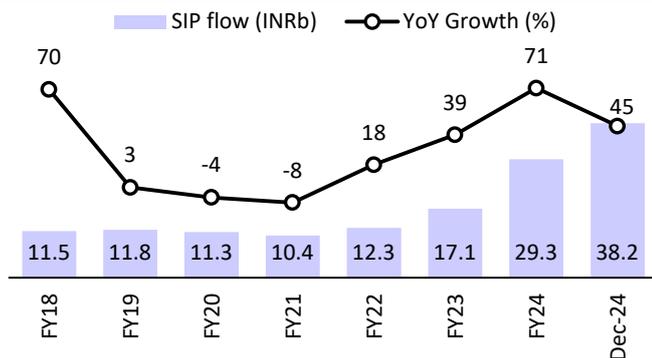


Source: MOFSL, Company

Strong focus on SIPs leading to resilient equity AUM and flows

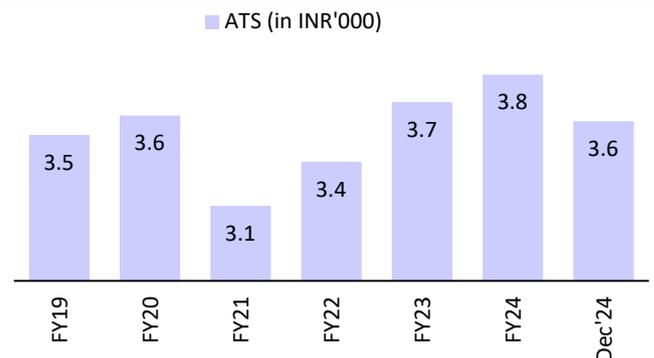
- HDFC AMC has witnessed strong growth in SIP flows, with systematic transactions (including SWP) contributing INR38.2b in Dec'24, up significantly from INR11.3b in Mar'20. Its SIP market share stood at 13% as of 3QFY25 and SIP AUM clocked a 35% CAGR (over 3QFY21-3QFY25) to INR1.8t, reflecting an increase in the adoption of SIPs among retail investors.
- The company focuses on growing its SIP book through 1) delivering strong fund performance, 2) offering a wide and innovative product basket, 3) strengthening distribution network, and 4) expanding physical and digital reach.
- At the industry level, despite weak market sentiment, the SIP momentum remained intact, with INR260b of inflows in Feb'25 vs. INR264b in Jan'25 reflecting strong retail participation and long-term investment trends.
- HDFC AMC expects SIP growth to remain strong going ahead, driven by 1) campaigns such as #ZindagiKeLiyeSIP and 2) focus on increasing the SIP book with HDFC Bank (only a fraction of 100m bank customers are likely to have subscribed to SIPs). Continued investments in tech and fortifying relationships with tech distributors will support this growth.

Exhibit 4: HDFC AMC SIP flows scaling up (INR b)



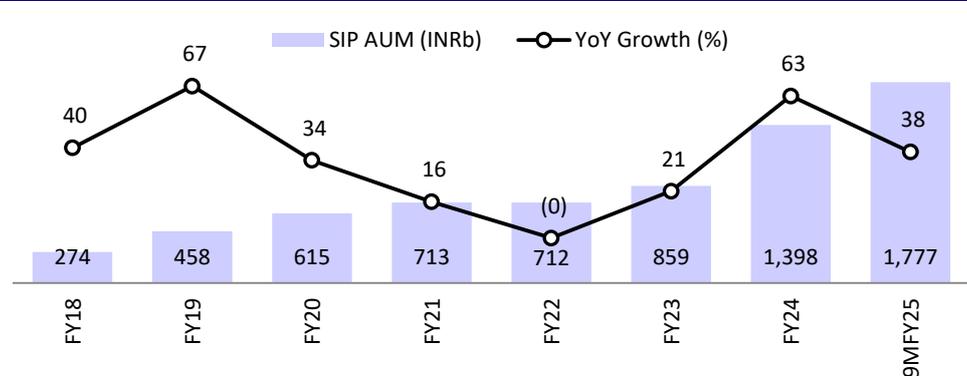
Source: MOFSL, Company

Exhibit 5: Trend in average ticket size of SIPs for HDFC AMC



Source: MOFSL, Company

Exhibit 6: Trend in SIP AUM (INR b)



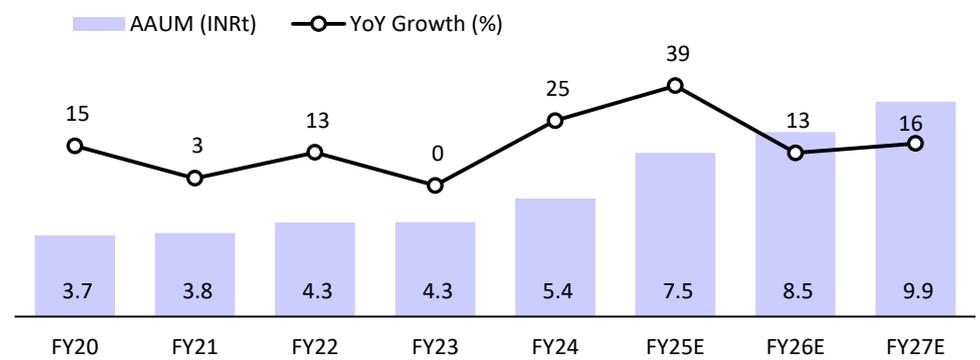
Source: MOFSL, Company

Share of Equity AUM stood at 65% significantly higher than the industry average of 57%.

Share of equity AUM in QAAUM improves

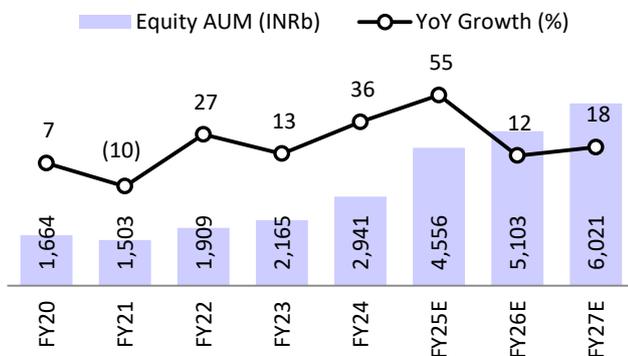
- HDFC AMC's equity-oriented QAAUM continues to be a key growth driver, comprising 64.9% of its QAAUM, significantly higher than the industry average of 57% as of Dec'24, supported by strong SIP flows, expanding distribution network with over 95k partners, and increased penetration in smaller cities (B-30 locations).
- The company is among the largest actively managed equity-oriented mutual fund managers with QAAUM of INR4.8t and market share of 12.8% in 3QFY25.
- Management remains optimistic about sustaining and expanding its equity AUM share, leading to higher yields and profitability. While market volatility could impact short-term flows, HDFC AMC believes the structural shift toward long-term equity investing will continue to drive growth.

Exhibit 7: Trend in AAUM (INR t)



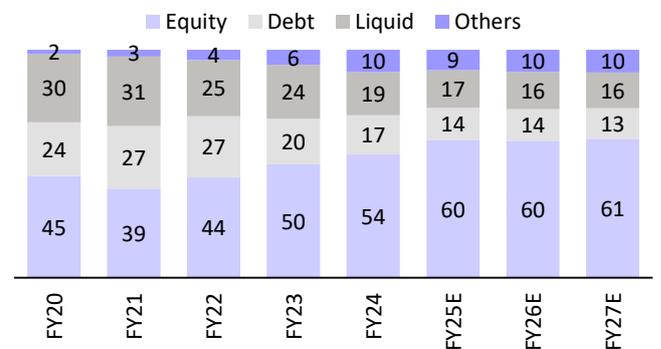
Source: MOFSL, Company

Exhibit 8: Trend in equity AUM (INR b)



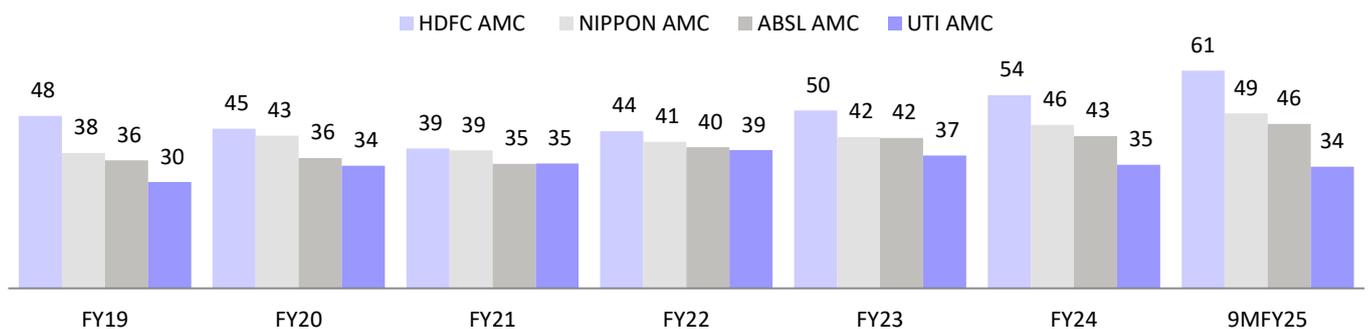
Source: MOFSL, Company

Exhibit 9: Share of equity in total AUM rises



Source: MOFSL, Company

Exhibit 10: Share of equity AUM in total AUM for key players (%)



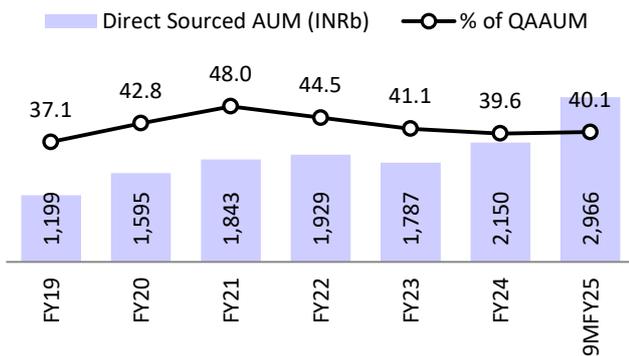
Source: MOFSL, Company

Share of direct channel in total AUM and equity AUM has been increasing, driven by growing investments through fintech platforms and direct online channels.

Share of directly sourced equity AUM on the rise

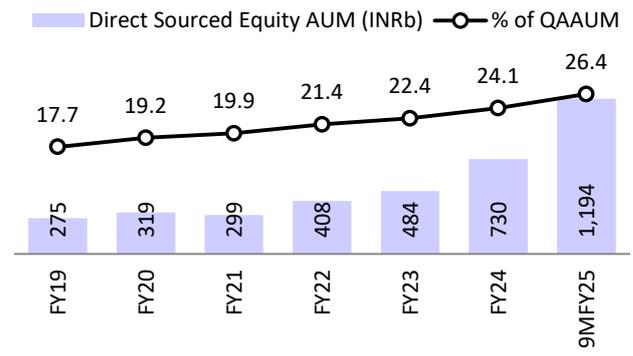
- HDFC AMC had directly sourced 41.4% of its total AUM and 27% of its equity AUM as of Dec'24 (up from 38.8%/24.3% in Dec'23). This growth has been primarily driven by increasing investments through fintech platforms and direct online channels. Additionally, rising awareness about low-cost investing and a greater adoption of digital transactions have contributed to this trend.
- While the direct segment continues to expand, HDFC AMC maintains a strong presence across all distribution channels, ensuring balanced growth across direct and intermediary-driven investments.

Exhibit 11: The share of direct channel in total AUM rose



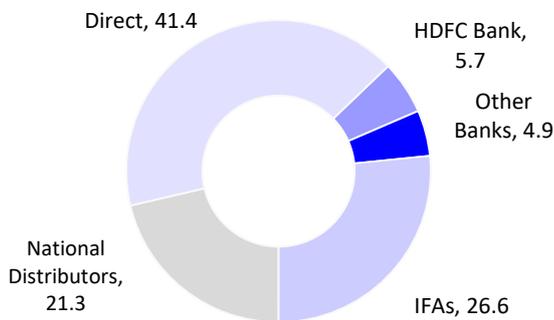
Source: MOFSL, Company

Exhibit 12: Equity AUM direct sourcing increased to 26.4%



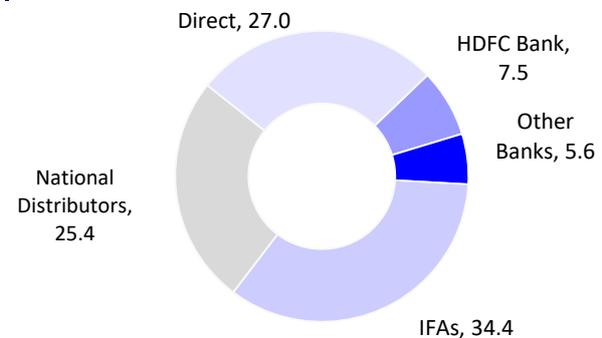
Source: MOFSL, Company

Exhibit 13: Sourcing breakup of total AAUM (%) in 3QFY25



Source: MOFSL, Company

Exhibit 14: Sourcing breakup of equity AAUM (%) in 3QFY25

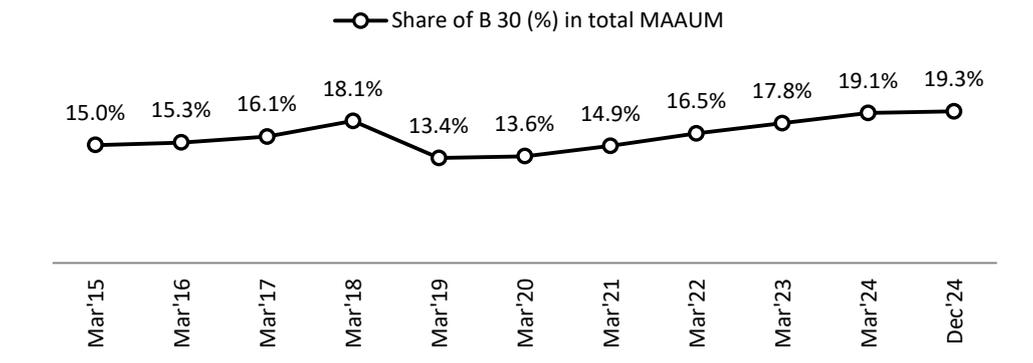


Source: MOFSL, Company

Strong distribution augurs well for incremental AUM in B30 cities

- HDFC AMC's strong distribution network continues to drive incremental AUM growth in B30 cities, reinforcing its market leadership. The company has expanded its presence by opening 25 new offices in Jan'25, primarily in B30 locations, bringing the total to 280 offices.
- This expansion has strengthened its reach among retail investors, leading to a 12% market share in B30 AUM as of Dec'24. The increasing contribution from B30 cities is significant, as these markets offer higher growth potential, better investor stickiness, and long-term SIP participation.
- HDFC AMC focuses on leveraging its strong distributor relationships, digital penetration, and investor education initiatives to further accelerate AUM growth in these regions.

Exhibit 15: Share of B30 has been picking up

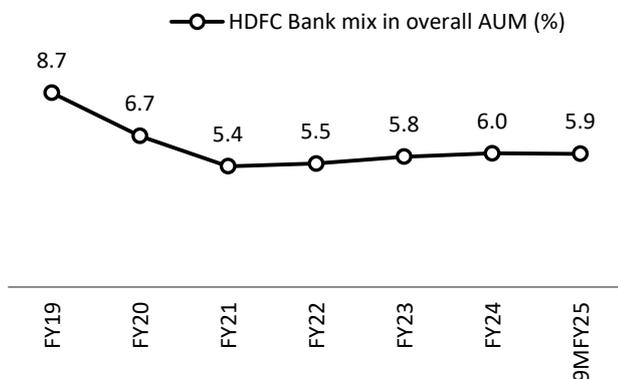


Source: MOFSL, Company

Bancassurance partnership with HDFC Bank an added advantage

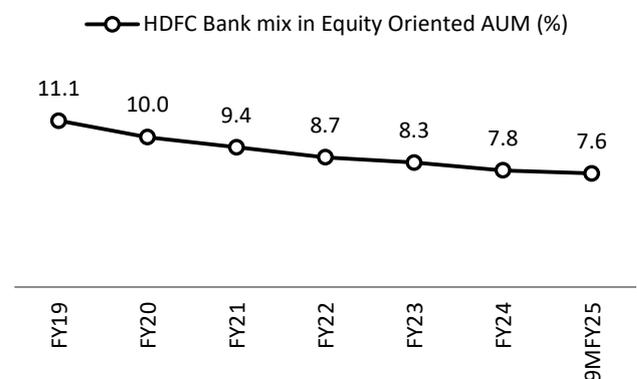
- HDFC AMC's bancassurance partnership with HDFC Bank has been a key growth driver, offering a significant distribution advantage.
- With HDFC Bank's extensive customer base of over 100m clients and a vast branch network, the AMC benefits from strong cross-selling opportunities and deeper market penetration, particularly in underpenetrated segments like B30 cities.
- The collaboration has further strengthened SIP inflows and mutual fund adoption, with HDFC Bank playing a crucial role in expanding retail participation.
- HDFC AMC's AUM constituted ~27% of HDFC Bank's total assets, underscoring a substantial opportunity for deeper market penetration. This indicates significant untapped potential for expanding mutual fund investments and strengthening the bank's role in driving further retail participation in asset management.
- Management remains optimistic about further leveraging this partnership to enhance investor reach, drive incremental AUM growth, and strengthen its leadership in equity-oriented funds.
- Additionally, synergies extend beyond domestic distribution, supporting alternative investment and offshore fund offerings through the bank's ecosystem.

Exhibit 16: Share of HDFC Bank in total AUM (%)



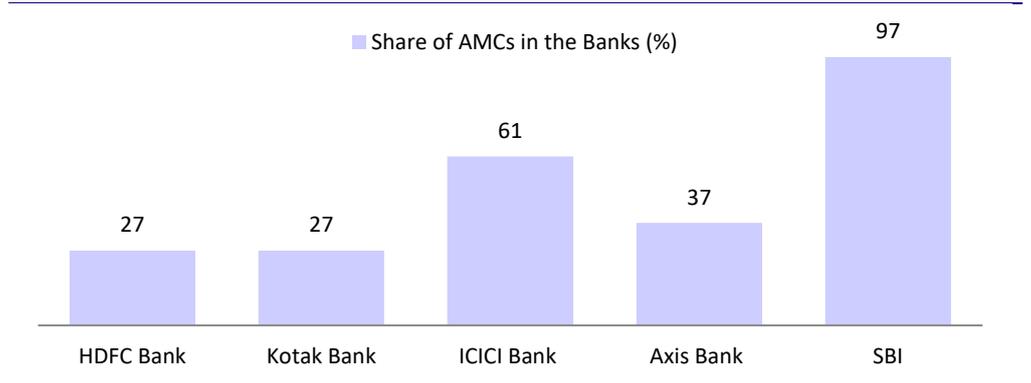
Source: MOFSL, Company

Exhibit 17: Share of HDFC Bank in equity AUM (%)



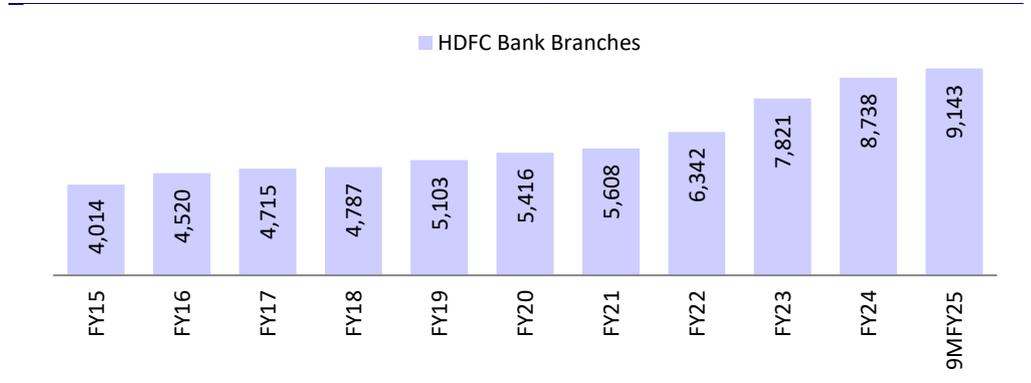
Source: MOFSL, Company

Exhibit 18: Share of HDFC AMC is among the lowest, leading to substantial opportunity for deeper market penetration



Source: MOFSL, Company

Exhibit 19: HDFC Bank branch expansions leading to better reach for HDFC AMC



Source: MOFSL, Company

Alternatives and offshore are next focus areas

- HDFC AMC has been steadily expanding its presence in the alternative investment space, focusing on offerings beyond traditional mutual funds. The company has launched and scaled up its operations in GIFT City, where three of its funds are now live, with AUM exceeding USD150m. This marks a key step in strengthening its global investment footprint and catering to offshore investors.
- Looking ahead, HDFC AMC plans to introduce more products in the alternative investment segment, leveraging its strong brand, investment expertise, and distribution network.
- Management has indicated that it is actively working on launching new offerings in the GIFT City subsidiary and exploring opportunities in alternative assets to diversify revenue streams. The company focuses on expanding its product suite in this space while ensuring that the offerings align with investor demand and long-term growth trends.

Altering commissions on back-book to cushion the yield decline

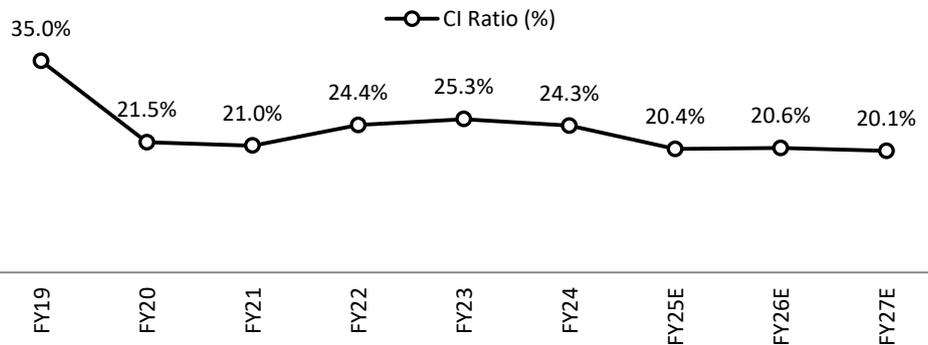
- The regulator had modified the TER methodology and the AUM slabs, effective Apr'19. Since then HDFC AMC's equity AUM has almost tripled to INR4.8t from INR1.6t. During this period, the weighted average TER for HDFC AMC has eroded by 18-19bp owing to the telescopic pricing structure.

- To cushion the impact from hereon, HDFC AMC rationalized the commissions to a small extent. Also, the adjustment was done for AUM garnered from Apr'19 only.
- The changes were implemented from Aug'24 and hence the full benefits of the changes will accrue from FY26 onward. With the telescopic structure and our expectations of stable growth in AUM, the yields will continue to decline. However, the changes in commissions will reduce the intensity of the yield decline.

Cost efficiency leading to strong profitability

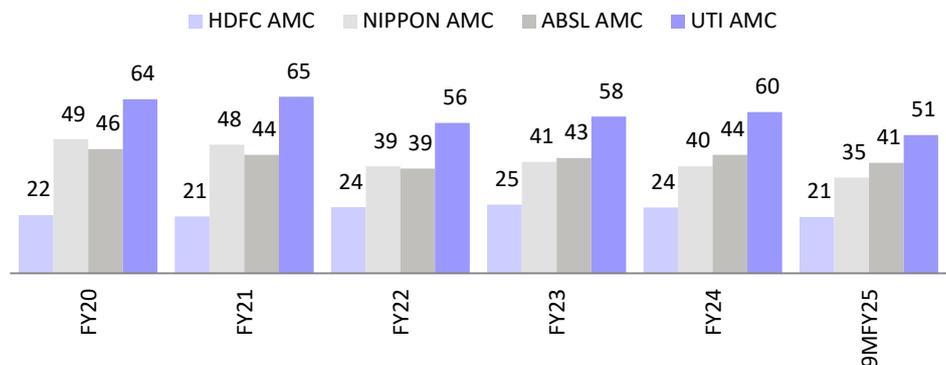
- HDFC AMC has consistently demonstrated strong cost efficiency compared to its peers, maintaining one of the highest operating margins in the industry.
- In 3QFY25, its operating profit margin stood at 37bp of AUM, reflecting efficient cost management and a favorable revenue mix.
- The company's disciplined approach to expenses, coupled with its higher share of equity AUM at 65%, allows it to generate better profitability without significantly increasing costs.
- Additionally, employee costs and other expenses have been well-managed, growing at a controlled pace of 12-15% annually. Management focuses on sustaining cost efficiency while investing in distribution expansion, technology, and investor outreach programs to drive future growth.

Exhibit 20: Trend in cost-to-income ratio (%)



Source: MOFSL, Company

Exhibit 21: HDFC AMC remains most cost efficient among key players



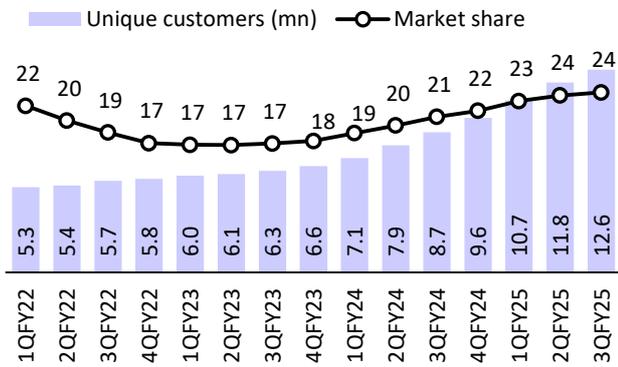
Source: MOFSL, Company

Valuation and view

- HDFC AMC remains a strong player in the mutual fund industry, backed by robust financial performance, steady AUM growth, and a strong retail presence. While short-term market fluctuations pose challenges, the company's long-term fundamentals remain solid. With an improved market position, a well-diversified product portfolio, and digital expansion efforts, HDFC AMC is well-positioned to sustain growth and deliver value to its stakeholders.
- For FY25/FY26/FY27, we expect equity AUM growth of 55%/12%/18%. FY26 is anticipated to start on a weaker note in terms of AUM growth. In spite of the adjustment in commissions, we bake in a 1bp fall in the overall yield in FY26/27. Accordingly, we estimate an earnings CAGR of 14% for FY25-27. We maintain our BUY rating on the stock with a one-year TP of INR4,800 at 32x FY27E EPS.

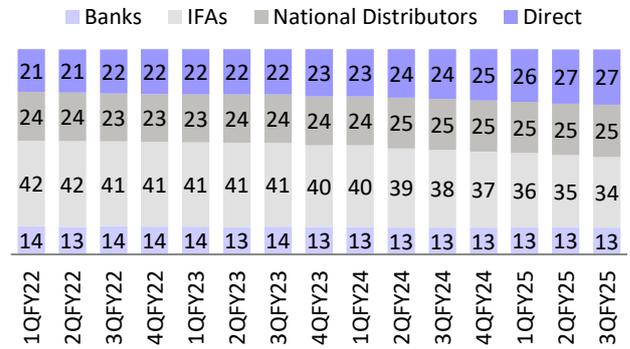
Story in charts

Exhibit 22: Unique customers market share rising



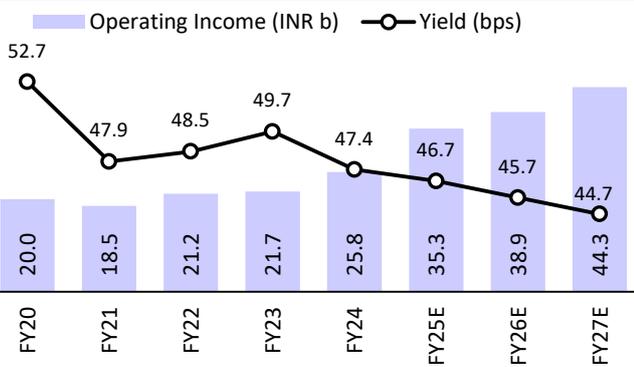
Source: MOFSL, Company

Exhibit 23: Diverse distribution mix (%)



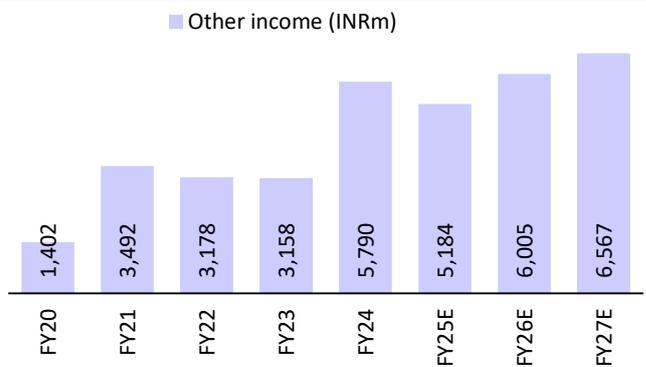
Source: MOFSL, Company

Exhibit 24: Yields are expected to decline 1bp each in FY26/27



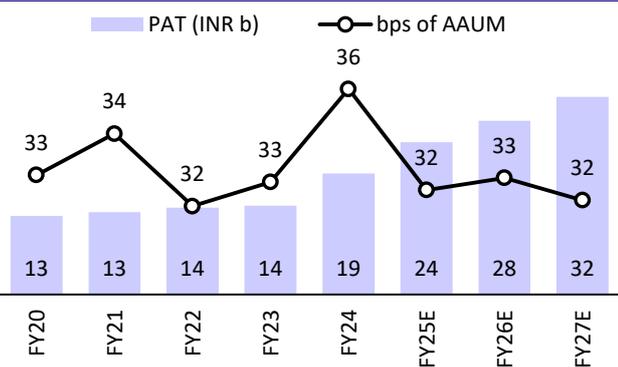
Source: MOFSL, Company

Exhibit 25: Trend in other income in INRm



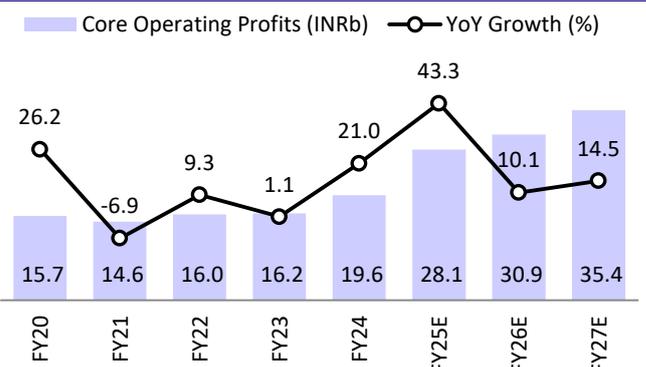
Source: MOFSL, Company

Exhibit 26: Trend in consolidated PAT in INRm



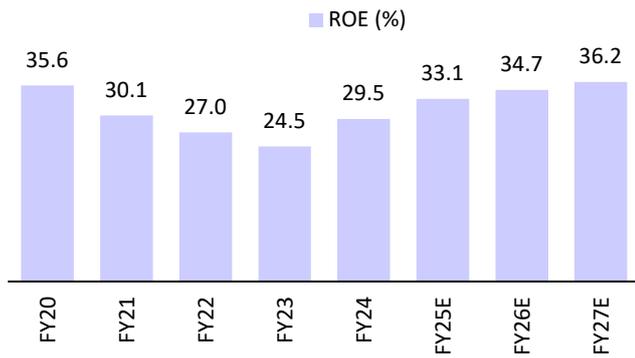
Source: MOFSL, Company

Exhibit 27: Trend in Core Operating Profits in INRm



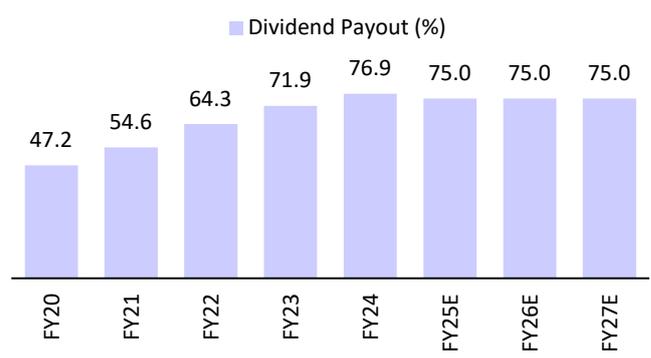
Source: MOFSL, Company

Exhibit 28: Asset-light business model driving high ROE (%)



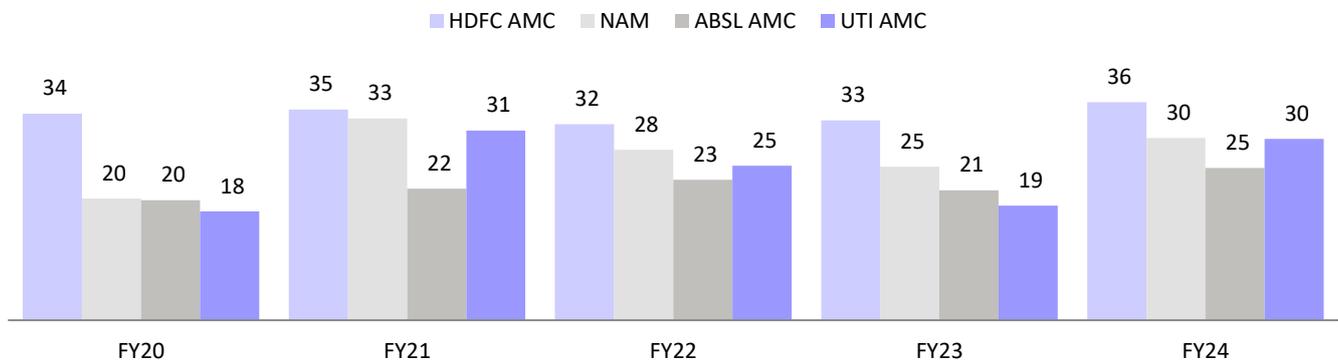
Source: MOFSL, Company

Exhibit 29: Healthy dividend payout ratio (%)



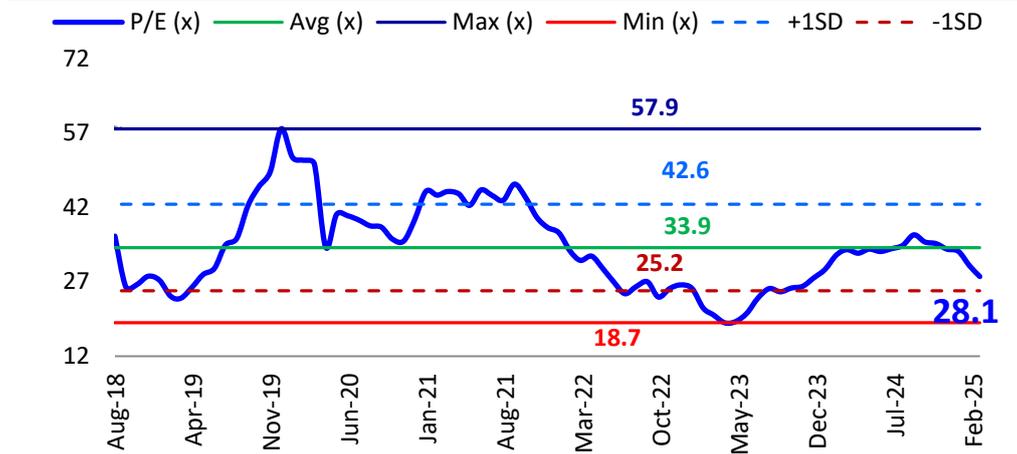
Source: MOFSL, Company

Exhibit 30: HDFC AMC is the most profitable AMC amongst the peers (PAT in bp as % of QAAUM)



Source: MOFSL, Company

Exhibit 31: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement								INR m
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Investment management fees	20,033	18,525	21,154	21,668	25,844	35,252	38,888	44,264
Change (%)	4.6	-7.5	14.2	2.4	19.3	36.4	10.3	13.8
Operating Expenses	4,310	3,884	5,154	5,489	6,270	7,197	7,997	8,895
Core Operating Profits	15,722	14,641	15,999	16,179	19,574	28,055	30,891	35,370
Change (%)	26.2	-6.9	9.3	1.1	21.0	43.3	10.1	14.5
Dep/Interest/Provisions	594	644	625	630	614	643	677	711
Core PBT	15,129	13,997	15,375	15,549	18,960	27,412	30,214	34,659
Change (%)	26.8	-7.5	9.8	1.1	21.9	44.6	10.2	14.7
Other Income	1,402	3,492	3,178	3,158	5,790	5,184	6,005	6,567
PBT	16,531	17,490	18,553	18,706	24,750	32,596	36,219	41,226
Change (%)	20.2	5.8	6.1	0.8	32.3	31.7	11.1	13.8
Tax	3,906	4,232	4,622	4,467	5,323	8,149	8,330	9,482
Tax Rate (%)	23.6	24.2	24.9	23.9	21.5	25.0	23.0	23.0
PAT	12,624	13,258	13,931	14,239	19,427	24,447	27,888	31,744
Change (%)	35.7	5.0	5.1	2.2	36.4	25.8	14.1	13.8
Core PAT	11,554	10,610	11,545	11,836	14,882	20,559	23,265	26,687
Change (%)	43.1	-8.2	8.8	2.5	25.7	38.1	13.2	14.7
Dividend	7,183	7,241	8,954	10,244	14,944	18,335	20,916	23,808

Balance Sheet								INR m
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Equity Share Capital	1,064	1,065	1,066	1,067	1,067	1,067	1,067	1,067
Reserves & Surplus	39,229	46,697	54,235	60,017	69,683	75,794	82,767	90,703
Net Worth	40,293	47,762	55,301	61,084	70,750	76,862	83,834	91,770
Borrowings	0	0	0	0	0	0	0	0
Other Liabilities	2,793	3,185	3,503	4,281	4,788	3,929	4,145	4,396
Total Liabilities	43,086	50,947	58,804	65,365	75,539	80,790	87,979	96,166
Cash and Investments	39,716	47,556	55,783	60,832	71,961	76,649	83,507	91,284
Change (%)	33.9	19.7	17.3	9.1	18.3	6.5	8.9	9.3
Loans	217	0						
Net Fixed Assets	1,567	1,532	1,351	1,505	1,526	1,626	1,726	1,826
Current Assets	1,586	1,859	1,670	3,029	2,052	2,515	2,746	3,056
Total Assets	43,086	50,947	58,804	65,365	75,539	80,790	87,979	96,166

E: MOFSL Estimates

Financials and valuations

Cash Flow Statement

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Cashflow from operations	13,908	13,813	14,416	14,189	21,521	23,499	28,258	32,078
PBT	16,531	17,490	18,553	18,706	24,750	32,596	36,219	41,226
Depreciation and amortization	504	554	539	533	523	551	585	619
Tax Paid	-3,906	-4,232	-4,622	-4,467	-5,323	-8,149	-8,330	-9,482
Deferred tax	-28	321	432	254	148	-1,156	0	0
Interest, dividend income (post-tax)	-915	-243	-234	-220	0	-268	-295	-322
Interest expense (post-tax)	69	68	65	74	71	69	70	70
Working capital	1,655	-145	-317	-692	1,351	-144	9	-34
Cash from investments	-10,849	-8,204	-7,901	-5,699	-11,329	-5,406	-7,414	-8,423
Capex	-1,688	-485	-350	-704	-532	-651	-685	-719
Interest, dividend income (post-tax)	915	243	234	220	0	268	295	322
Others	-10,076	-7,962	-7,786	-5,215	-10,797	-5,023	-7,024	-8,025
Cash from financing	-3,107	-5,856	-6,457	-8,529	-9,832	-18,404	-20,987	-23,879
Equity	0	0	0	1	0	0	0	0
Debt	0	0	0	0	0	0	0	0
Interest costs	-69	-68	-65	-74	-71	-69	-70	-70
Dividends Paid	-7,183	-7,241	-8,954	-10,244	-14,944	-18,335	-20,916	-23,808
Others	4,144	1,452	2,562	1,788	5,183	0	0	0
Change of cash	-49	-248	57	-39	360	-311	-143	-223
Cash start	320	271	23	81	40	400	89	-54
Cash end	271	23	81	40	400	89	-54	-277
FCFF	12,220	13,328	14,065	13,485	20,988	22,848	27,573	31,359

Valuations	2020	2021	2022	2023	2024	2025E	2026E	2027E
BVPS (INR)	189	224	259	286	331	360	393	430
Change (%)	31.2	18.5	15.8	10.5	15.8	8.6	9.1	9.5
Price-BV (x)	21.5	18.2	15.7	14.2	12.3	11.3	10.3	9.5
EPS (INR)	59.1	62.1	65.3	66.7	91.0	114.5	130.6	148.7
Change (%)	35.7	5.0	5.1	2.2	36.4	25.8	14.1	13.8
Price-Earnings (x)	68.7	65.4	62.3	60.9	44.7	35.5	31.1	27.3
Core EPS (INR)	54.1	49.7	54.1	55.4	69.7	96.3	109.0	125.0
Change (%)	43.1	-8.2	8.8	2.5	25.7	38.1	13.2	14.7
Core Price-Earnings (x)	75.1	81.8	75.2	73.3	58.3	42.2	37.3	32.5
DPS (INR)	28.0	34.0	42.0	48.0	70.0	85.9	98.0	111.5
Dividend Yield (%)	0.7	0.8	1.0	1.2	1.7	2.1	2.4	2.7

E: MOFSL Estimates

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