

HDFC Asset Management | ADD

Robust all-round performance

HDFC AMC reported strong results – PAT of INR 7.7bn was 4% ahead of JMFe, +7% QoQ, +20% YoY. This was led by a 1% beat on core revenue, as (calculated) yield compression (on a blended basis) was limited to 0.1bp. Expenses moderated by 11% QoQ, also higher than JMFe, on elevated CSR and marketing spends in 2Q. Operating PBT of INR 8.5bn (+3% JMFe) was supported by strong other income. The company is trying to maintain its margins in the face of the new SEBI regulations; however, we anticipate only a gradual pass-through of the 2-4% estimated impact. We cut industry inflows for FY27E and slightly cut yields in response to the SEBI guidelines. As a result, we raise FY26E EPS by 1%, and cut FY27/FY28E EPS by 1%/3%, implying 16% EPS CAGR over FY26-FY28E. We maintain ADD with an unchanged target price of INR 2,900 (at 31x FY28e EPS of INR 94).

- Steady AUM growth of 5%/6% in total/equity AUM, with flat yields:** Broader markets returned 4.9% during the quarter, following a 3.8% fall in Nifty500 over 2Q. Industry inflows were also range-bound after a strong recovery in 2Q. HDFC AMC launched one new fund in the quarter, the HDFC BSE India Sector Leaders Index Fund. Even as other schemes saw strong QAAUM growth, (calculated) yields dropped just 0.1bp QoQ. As a result, core revenue grew 5% sequentially to INR 10.6bn. Other income was strong with market appreciation – 10% ahead of JMFe at INR 1.6bn. In the concall, management mentioned that the yield on equity schemes (including passives) fell 1bp QoQ and blended yields also edged down by 1bp. We expect to see this fall play out in the next 2-3 quarters, with the impact of TER relook also coming in from 1st Apr'26.
- Industry inflows remain range-bound at under INR 400bn:** After a strong 2Q, industry equity (+hybrid-arbitrage) inflows have remained range-bound at under INR 400bn in 3Q even as SIP inflows have picked up to over INR 310bn. We had expected inflows to fall in FY26E and improve to FY25 levels by FY27E. However, given the slow pickup post 2Q, we cut our industry inflow estimates for FY27E. This weak outlook alongside some impact of the TER relook has prompted EPS cuts of 1%/3% over FY27/FY28E.
- Expenses moderation higher than expected, ESOP guidance maintained:** Management had called out higher CSR (Corporate Social Responsibility) and marketing expenses for the quarter in 2Q. On that base, total expenses fell 11% QoQ, more than what we had estimated. The company maintained its guidance of INR 680mn of ESOP expenses for FY26E, FY27E and FY28E. Of this INR 470mn has been booked, including INR 210mn in 3Q. Management guided for a similar ESOP expense of INR 210mn in 4Q. The company maintained ESOP expense guidance of INR 630mn for FY27E and INR 330mn for FY28E, as highlighted in 2QFY26.
- Valuations and view – stock price has reacted to the weakening sentiments, maintain ADD:** HDFC AMC stock has been range-bound since the SEBI draft regulations in late October, supported by equity markets remaining sideways and inflows failing to really pick up. Despite this, the AMC has reported strong profit growth. We believe in the strength of the franchise and the business model to maintain its profitability over FY27-FY28E. We expect the company to deliver a strong 16% earnings CAGR over FY26-FY28E on the base of a strong 22% PAT growth in FY26E. We maintain ADD with an unchanged target price of INR 2,900, valuing the AMC at 31x FY28e EPS of INR 94.



Financial Summary

| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
|-------------------------------------|--------|--------|--------|--------|--------|
| Mutual Fund AUM (cls basis, INR bn) | 6,073 | 7,545 | 9,352 | 11,114 | 13,179 |
| YoY growth (%) | 39% | 24% | 24% | 19% | 19% |
| % of equity MF AUM (closing basis) | 64% | 65% | 66% | 68% | 69% |
| Operating Revenues (INR mn) | 25,844 | 34,980 | 41,682 | 48,250 | 56,414 |
| Total operating expenses (INR mn) | 6,842 | 7,718 | 9,122 | 10,085 | 11,043 |
| PAT (INR mn) | 19,459 | 24,611 | 30,019 | 34,116 | 40,087 |
| YoY growth (%) | 37% | 26% | 22% | 14% | 18% |
| PAT / Avg. MF AUM (RoAUM) (%) | 0.36% | 0.33% | 0.36% | 0.33% | 0.33% |
| RoE (%) | 29.5% | 32.4% | 35.0% | 36.0% | 37.6% |
| EPS (INR) | 45.6 | 57.6 | 70.2 | 79.8 | 93.7 |
| P/E (x) | 120.9 | 95.7 | 78.5 | 69.1 | 58.8 |

Source: Company data, JM Financial. Note: Valuations as of 14/Jan/2026

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Recommendation and Price Target

| | |
|----------------------------|-------|
| Current Reco. | ADD |
| Previous Reco. | ADD |
| Current Price Target (12M) | 2,900 |
| Upside/(Downside) | 13.5% |
| Previous Price Target | 2,900 |
| Change | 0% |

Key Data – HDFC AMC IN

| | |
|--------------------------|---------------------|
| Current Market Price | INR2,554 |
| Market cap (bn) | INR1,093.9/US\$12.1 |
| Free Float | 46% |
| Shares in issue (mn) | 110.0 |
| Diluted share (mn) | 110.0 |
| 3-mon avg daily val (mn) | INR2,563.8/US\$28.4 |
| 52-week range | 2,967/1,763 |
| Sensex/Nifty | 83,383/25,666 |
| INR/US\$ | 90.3 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|------|------|
| Absolute | -4.5 | 0.3 | 32.2 |
| Relative* | -2.4 | -1.0 | 21.3 |

* To the BSE Sensex

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:

- Equity 56-57bps (down 1bp QoQ)
- Debt 27-28bps (same as 2Q)
- Liquid 12-13bps (same as 2Q)
- Blended yields dropped 1bp to 45bps of QAAUM

■ Fall in expenses more than estimated:

- **ESOP expenses** - The company maintained its guidance of INR 680mn of ESOP expenses for FY26E, FY27E and FY28E
 - Of this INR 470mn has been booked, including INR 210mn in 3Q
 - Management guided for a similar ESOP expense of INR 210mn in 4Q
 - The company maintained ESOP expense guidance of INR 630mn for FY27E and INR 330mn for FY28E; as highlighted in 2QFY26
- Management had called out higher CSR (Corporate Social Responsibility) and marketing expenses for the quarter in 2Q
 - On that base, total expenses fell 11% QoQ; this decrease was more than what we had estimated

■ SEBI relook of the expenses ratio structure

- The new expense ratio norms will benefit smaller schemes, largely offsetting the 5bps reduction in exit load – some schemes are also likely to benefit and see TER rise
- Larger schemes will see a reduction in TER with the new norms – the AMC will try to minimise the impact on its profitability, like it had done in the prior round in FY19
 - The TER cut in this round is lower than that in FY19
 - The new norms to be applicable from 1st Apr'26

■ Alternatives space

- The company fully raised commitments of INR13bn in its Credit Fund, with IFC as an anchor investor
- It is working on a second Private Equity fund and a Venture Capital fund

Key Quarterly trends

Exhibit 1. HDFC AMC: Key quarterly highlights

| P&L (INR mn) | 3Q25 | 2Q26 | 3Q26 | QoQ (%) | YoY (%) | 3Q26 JMFe | A/E |
|--|---------------|---------------|---------------|---------------|----------------|--------------|--------------|
| Revenue from operations | 9,344 | 10,260 | 10,743 | 4.7% | 15.0% | 10,620 | 1.2% |
| Employee benefits expense | 949 | 1,235 | 1,233 | -0.1% | 29.9% | 1,321 | -6.7% |
| Depreciation & Amortisation | 149 | 178 | 184 | 3.3% | 23.6% | 178 | 3.1% |
| Business Development and Others | 774 | 1,051 | 770 | -26.8% | -0.5% | 841 | -8.5% |
| Total expenses | 1,872 | 2,463 | 2,186 | -11.2% | 16.8% | 2,340 | -6.6% |
| Operating PBT | 7,472 | 7,797 | 8,556 | 9.7% | 14.5% | 8,279 | 3.3% |
| Other income | 927 | 959 | 1,590 | 65.8% | 71.4% | 1,440 | 10.4% |
| PBT | 8,400 | 8,756 | 10,146 | 15.9% | 20.8% | 9,719 | 4.4% |
| PAT | 6,415 | 7,181 | 7,701 | 7.2% | 20.1% | 7,387 | 4.3% |
| Total comprehensive income | 6,417 | 7,184 | 7,697 | 7.1% | 19.9% | 7,387 | 4.2% |
| Qtrly Avg AAUM (INR bn) | 3Q25 | 2Q26 | 3Q26 | QoQ (%) | YoY (%) | | |
| Equity | 4,983 | 5,593 | 5,929 | 6.0% | 19.0% | | |
| Debt | 1,089 | 1,249 | 1,254 | 0.3% | 15.1% | | |
| Liquid | 1,262 | 1,303 | 1,293 | -0.8% | 2.4% | | |
| Other | 540 | 669 | 774 | 15.7% | 43.2% | | |
| Overall | 7,874 | 8,814 | 9,249 | 4.9% | 17.5% | | |
| Dupont analysis | 3Q25 | 2Q26 | 3Q26 | QoQ (%) | YoY (%) | | |
| Revenue / QAAUM (%) | 0.475% | 0.466% | 0.465% | -0.001% | -0.010% | | |
| Employee exp / QAAUM(%) | 0.048% | 0.056% | 0.053% | -0.003% | 0.005% | | |
| Business Development and Other opex / QAAUM(%) | 0.047% | 0.056% | 0.041% | -0.015% | -0.006% | | |
| Total cost / QAAUM (%) | 0.095% | 0.112% | 0.095% | -0.017% | -0.001% | | |
| Operating PBT / QAAUM(%) | 0.380% | 0.354% | 0.370% | 0.016% | -0.010% | | |
| Other income / QAAUM (%) | 0.047% | 0.044% | 0.069% | 0.025% | 0.022% | | |
| PBT / QAAUM (%) | 0.427% | 0.397% | 0.439% | 0.041% | 0.012% | | |
| PAT / QAAUM(%) | 0.326% | 0.326% | 0.333% | 0.007% | 0.007% | | |

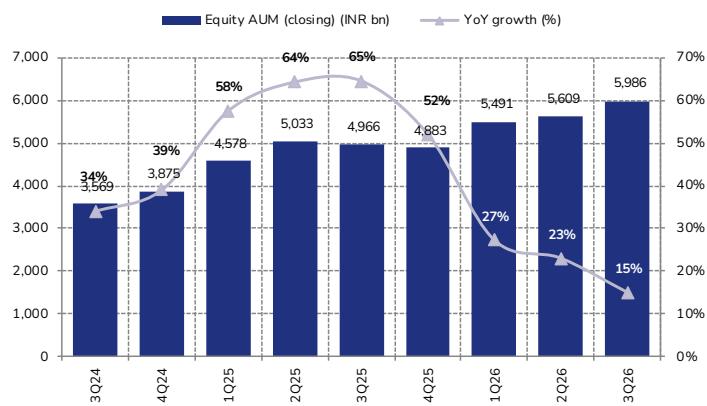
Source: Company, JM Financial

Exhibit 2. HDFC AMC: Change in estimates – yield reduces with FY27E and FY28E

| Change in est. (INR mn) | FY26E, Old | FY26E, New | Change | YoY | FY27E, Old | FY27E, New | Change | YoY | FY28E, Old | FY28E, New | Change | YoY |
|-------------------------|------------|------------|--------|-------|------------|------------|--------|-------|------------|------------|--------|-------|
| Revenue | 47,662 | 47,855 | 0.4% | 17.9% | 55,729 | 54,974 | -1.4% | 14.9% | 66,074 | 63,789 | -3.1% | 16.0% |
| Operating PBT | 32,187 | 32,560 | 1.2% | 19.4% | 38,736 | 38,166 | -1.5% | 17.2% | 46,997 | 45,371 | -4.1% | 18.9% |
| PAT | 29,729 | 30,019 | 1.0% | 22.0% | 34,623 | 34,116 | -1.5% | 13.6% | 41,487 | 40,087 | -3.0% | 17.5% |
| EPS (INR) | 69.5 | 70.2 | 1.0% | 22.0% | 81.0 | 79.8 | -1.5% | 13.6% | 97.0 | 93.7 | -3.0% | 17.5% |
| BV (INR) | 211.0 | 211.3 | 0.1% | 11.1% | 235.0 | 235.2 | 0.1% | 11.3% | 264.0 | 263.3 | -0.6% | 12.0% |

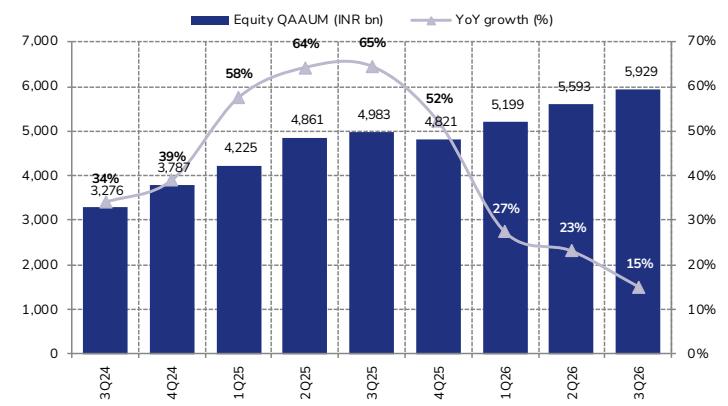
Source: Company, JM Financial

Exhibit 3. HDFC AMC: Equity AUM growth has come off in 3QFY26



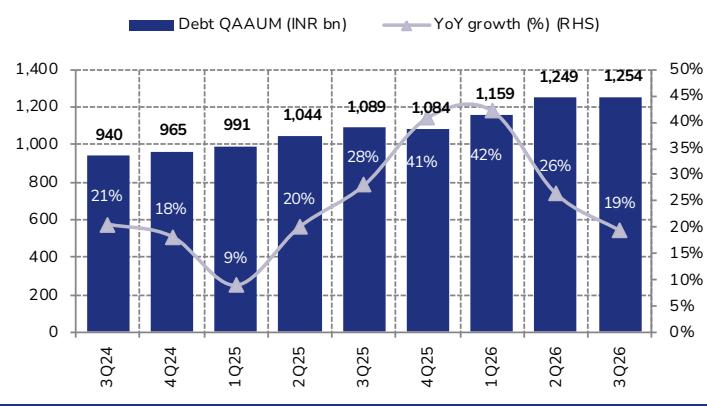
Source: Company, JM Financial

Exhibit 4. HDFC AMC: QAAUM increases by 15% in 3QFY26



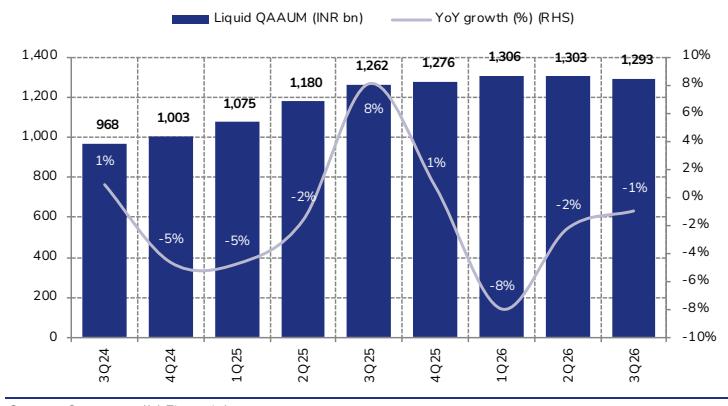
Source: Company, JM Financial

Exhibit 5. HDFC AMC: Debt QAAUM trend and growth (%)



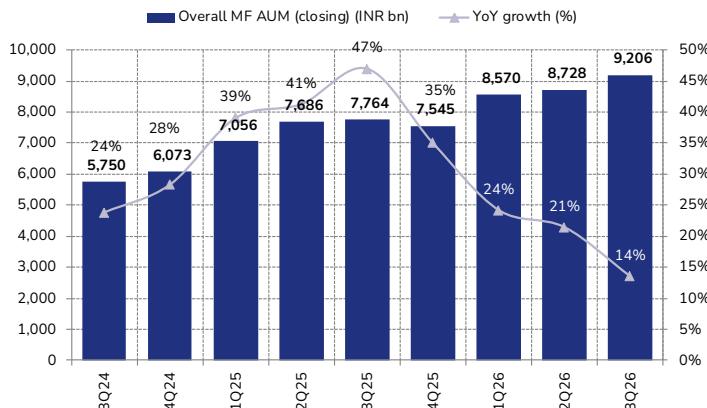
Source: Company, JM Financial

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



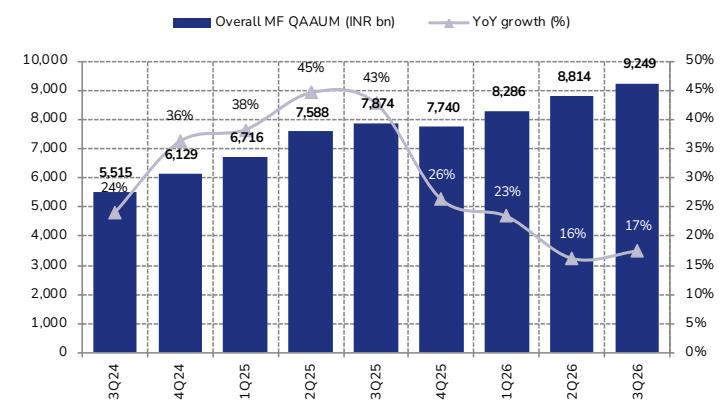
Source: Company, JM Financial

Exhibit 7. HDFC AMC: Overall MF AUM trend and growth (%)



Source: Company, JM Financial

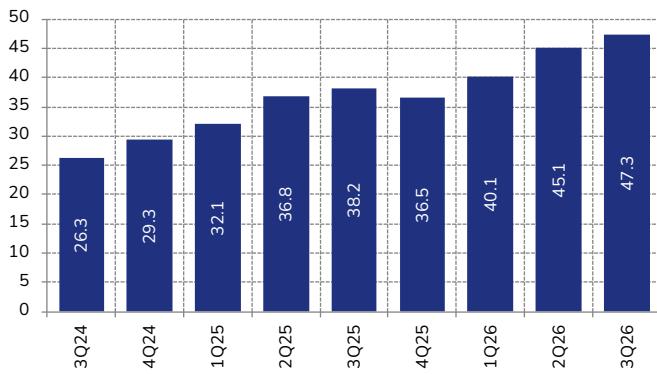
Exhibit 8. HDFC AMC: Overall MF QAAUM trend and growth (%)



Source: Company, JM Financial

Exhibit 9. HDFC AMC: Systematic flows have grown in 3QFY26

■ SIP + STP flows (INR bn)

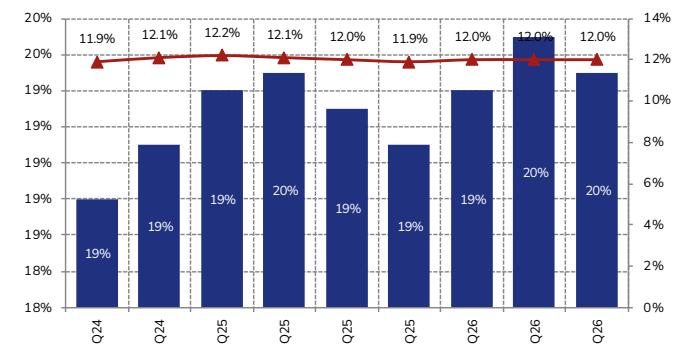


Source: Company, JM Financial

Exhibit 10. HDFC AMC: B30 share hovers around 20%

■ B30 AUM (%)

■ B30 market share (%) (RHS)



Source: Company, JM Financial

Exhibit 11. Stock is trading 1SD above its historical mean P/B multiple

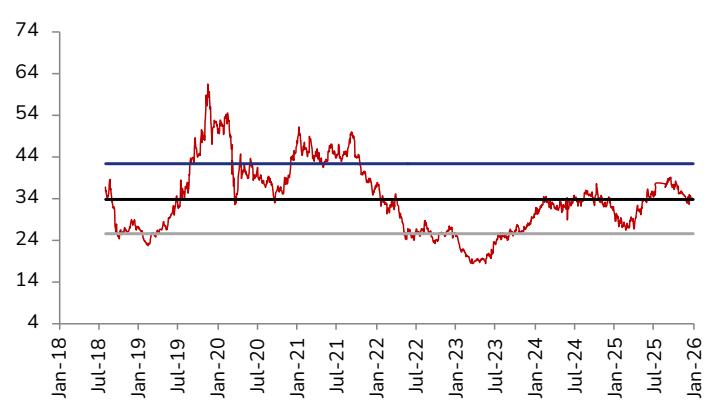
■ HDFC AMC Fwd. P/BV (x) ■ SD+1 ■ SD-1 ■ Average



Source: JM Financial, Bloomberg

Exhibit 12. Stock is trading above its historical P/E multiple

■ HDFC AMC Fwd. P/E (x) ■ SD+1 ■ SD-1 ■ Average



Source: JM Financial, Bloomberg

Financial Tables

| Income Statement (INR mn) | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| | FY24A | FY25A | FY26E | FY27E | FY28E |
| MF Fees | 25,806 | 34,819 | 41,433 | 47,877 | 55,855 |
| PMS Fees | 38 | 161 | 249 | 373 | 560 |
| Investment Management fees | 25,844 | 34,980 | 41,682 | 48,250 | 56,414 |
| Total Other income | 5,781 | 5,602 | 6,174 | 6,723 | 7,374 |
| Total Revenue | 31,624 | 40,583 | 47,855 | 54,974 | 63,789 |
| Employee costs | 3,535 | 3,883 | 4,815 | 5,261 | 5,656 |
| Admin & Other expenses | 2,257 | 2,639 | 2,903 | 3,252 | 3,642 |
| Mktg & publicity expenses | 528 | 612 | 673 | 754 | 830 |
| Total Operating Expenses | 6,320 | 7,134 | 8,392 | 9,267 | 10,127 |
| Depreciation/Diminution in LT | 523 | 584 | 730 | 818 | 916 |
| Total Expenditure | 6,842 | 7,718 | 9,122 | 10,085 | 11,043 |
| PBT | 24,782 | 32,864 | 38,734 | 44,889 | 52,745 |
| Tax | (5,323) | (8,254) | (8,715) | (10,773) | (12,659) |
| Reported Profit (PAT) | 19,459 | 24,611 | 30,019 | 34,116 | 40,087 |
| Dividend | 14,944 | 19,241 | 21,013 | 23,881 | 28,061 |
| Retained earnings | 4,515 | 5,369 | 9,006 | 10,235 | 12,026 |

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% | 0.47% | 0.46% |
| Other Revenues / Avg. AUM | 0.11% | 0.07% | 0.07% | 0.07% | 0.06% |
| Total Revenues / Avg. AUM | 0.58% | 0.54% | 0.57% | 0.54% | 0.53% |
| 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% | 0.09% |
| PBT / Avg. AUM | 0.46% | 0.44% | 0.46% | 0.44% | 0.43% |
| PAT / Avg. AUM | 0.36% | 0.33% | 0.36% | 0.33% | 0.33% |
| As a % of Balance sheet | | | | | |
| Core Revenues / Avg. Assets | 37.2% | 43.8% | 46.1% | 47.7% | 49.7% |
| Other Revenues / Avg. Assets | 8.3% | 7.0% | 6.8% | 6.7% | 6.5% |
| Total Revenues / Avg. Assets | 45.6% | 50.8% | 53.0% | 54.4% | 56.2% |
| Employee cost / Avg. Assets | 5.1% | 4.9% | 5.3% | 5.2% | 5.0% |
| Brokerage / Avg. Assets | 0.1% | 0.2% | 0.2% | 0.2% | 0.2% |
| Operating cost / Avg. Assets | 9.9% | 9.7% | 10.1% | 10.0% | 9.7% |
| PBT / Avg. Assets | 35.7% | 41.1% | 42.9% | 44.4% | 46.4% |
| RoA (%) | 28.0% | 30.8% | 33.2% | 33.7% | 35.3% |
| Avg Assets/Equity (x) | 1.05 | 1.05 | 1.05 | 1.06 | 1.07 |
| RoE (%) | 29.5% | 32.4% | 35.0% | 35.7% | 37.6% |

Source: Company, JM Financial

| Balance Sheet (INR mn) | | | | | |
|---------------------------------|---------------|---------------|---------------|----------------|----------------|
| | FY24A | FY25A | FY26E | FY27E | FY28E |
| Share capital | 1,067 | 1,069 | 2,138 | 2,138 | 2,138 |
| Reserves & Surplus | 69,723 | 80,272 | 88,209 | 98,522 | 110,548 |
| Net worth | 70,791 | 81,341 | 90,347 | 100,660 | 112,686 |
| 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 | 95,329 | 106,922 | 120,439 |
| 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 | 3,646 | 5,088 | 6,565 |
| Total Assets | 74,420 | 85,428 | 95,329 | 106,922 | 120,439 |

Source: Company, JM Financial

| Growth ratios (YoY %) | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| | FY24A | FY25A | FY26E | FY27E | FY28E |
| Inv mgmt fees | 19.4% | 34.9% | 19.0% | 15.6% | 16.7% |
| PMS fees + Other income | 80.8% | -0.9% | 11.4% | 10.5% | 11.8% |
| Revenue | 27.4% | 28.3% | 17.9% | 14.9% | 16.0% |
| Employee cost | 13.0% | 9.8% | 24.0% | 9.3% | 7.5% |
| Admin & other exp | 15.2% | 16.9% | 10.0% | 12.0% | 12.0% |
| Marketing & publicity exp | 5.5% | 15.9% | 10.0% | 12.0% | 10.0% |
| Total operating exp | 13.1% | 12.9% | 17.6% | 10.4% | 9.3% |
| PBT | 32.5% | 32.6% | 17.9% | 15.9% | 17.5% |
| Tax | 19.2% | 55.1% | 5.6% | 23.6% | 17.5% |
| PAT | 36.7% | 26.5% | 22.0% | 13.6% | 17.5% |
| Total Assets | 15.6% | 14.8% | 11.6% | 12.1% | 12.7% |
| Equity AUM | 62% | 26% | 27% | 21% | 20% |
| Debt AUM | 7% | 13% | 12% | 7% | 8% |
| Liquid AUM | 4% | 17% | 7% | 6% | 6% |
| Other AUM | 47% | 50% | 48% | 36% | 31% |
| Total AUM | 39% | 24% | 24% | 19% | 19% |

Source: Company, JM Financial

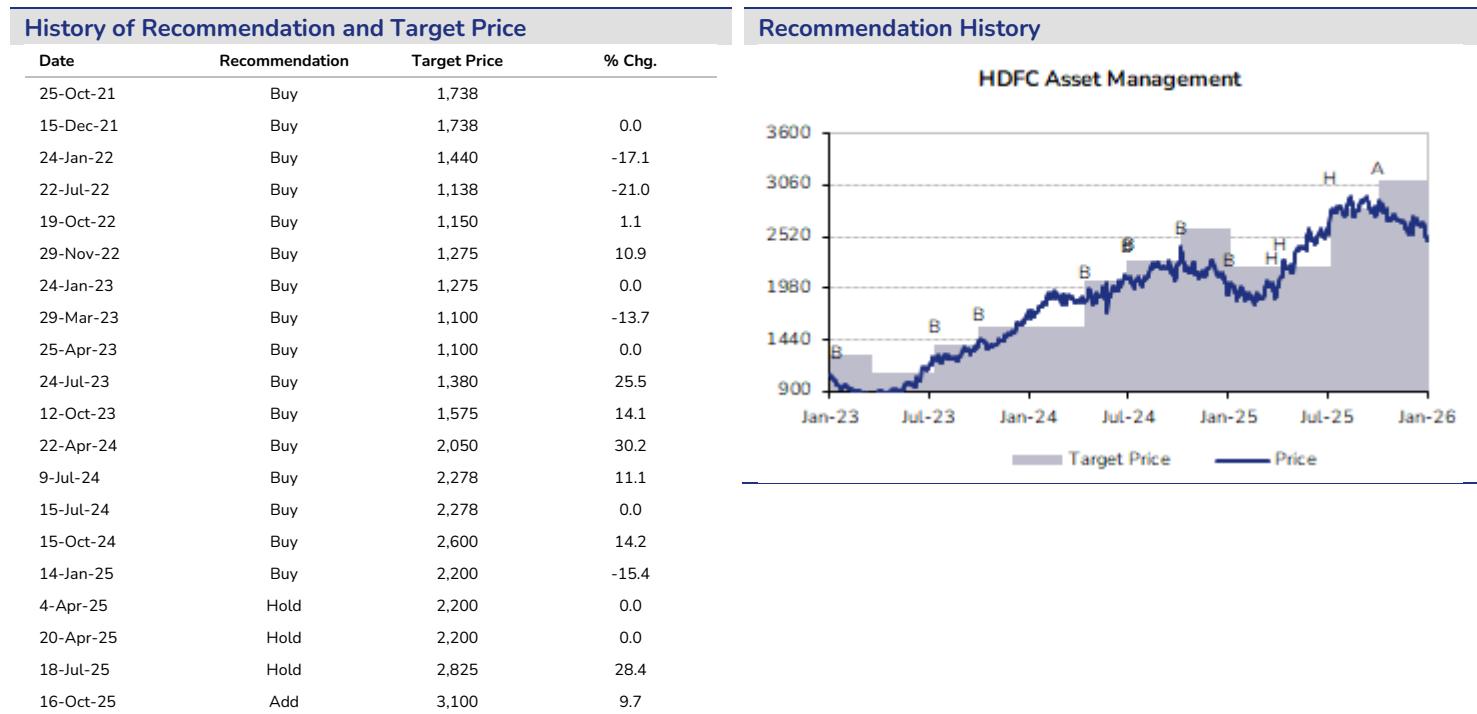
| Valuation | | | | | |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| | FY24A | FY25A | FY26E | FY27E | FY28E |
| Shares in issue (mn) | 427.0 | 427.6 | 427.6 | 427.6 | 427.6 |
| EPS (INR) | 45.6 | 57.6 | 70.2 | 79.8 | 93.7 |
| EPS (YoY)(%) | 37% | 26% | 22% | 14% | 18% |
| PER (x) | 56.0 | 44.4 | 36.4 | 32.0 | 27.2 |
| BV (INR) | 165.8 | 190.2 | 211.3 | 235.2 | 263.3 |
| BV (YoY) | 15.9% | 14.7% | 11.1% | 11.3% | 12.0% |
| P/BV (x) | 15.4 | 13.4 | 12.1 | 10.9 | 9.7 |
| DPS (INR) | 35.0 | 45.0 | 49.1 | 55.8 | 65.6 |
| Div. yield (%) | 1.4% | 1.8% | 1.9% | 2.2% | 2.6% |

Source: Company, JM Financial

Source: Company, JM Financial

Mutual Fund AUM (INR bn)

| Closing AUM | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------|--------------|--------------|--------------|---------------|---------------|
| Equity | 3,875 | 4,883 | 6,205 | 7,508 | 9,042 |
| Debt | 947 | 1,071 | 1,199 | 1,283 | 1,380 |
| Liquid | 861 | 1,004 | 1,077 | 1,144 | 1,215 |
| Others | 391 | 586 | 870 | 1,180 | 1,542 |
| Total AUM | 6,073 | 7,545 | 9,352 | 11,114 | 13,179 |



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 >= 15% over the next twelve months. |
| ADD | Expected return >= 5% and < 15% over the next twelve months. |
| REDUCE | Expected return >= -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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