

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.



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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 – HDFCAMC 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

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

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

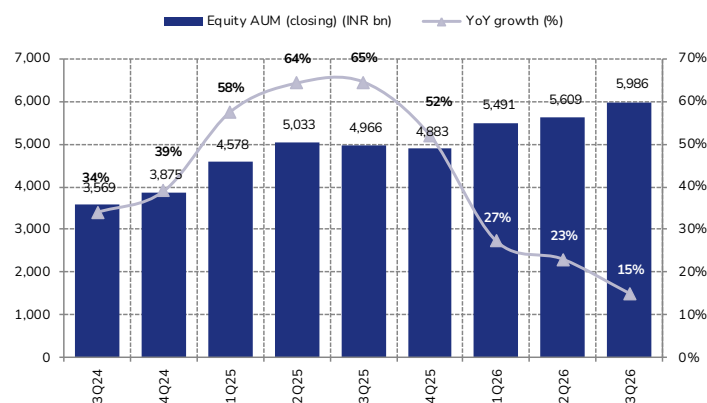
P&L (INR mn)	3Q25	2Q26	3Q26	QoQ (%)	YoY (%)	3Q26 JMFe	A/E
Revenue from operations	9,344	10,260	10,743	4.7%	15.0%	10,620	1.2%
Employee benefits expense	949	1,235	1,233	-0.1%	29.9%	1,321	-6.7%
Depreciation & Amortisation	149	178	184	3.3%	23.6%	178	3.1%
Business Development and Others	774	1,051	770	-26.8%	-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

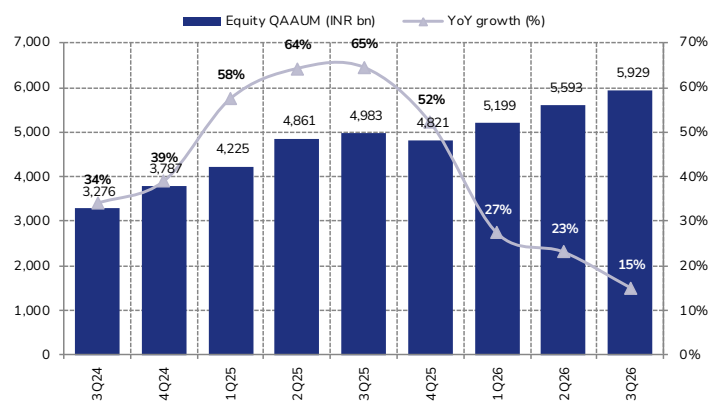
Exhibit 2. HDFC AMC: Change in estimates – yield reduces with FY27E and FY28E

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%

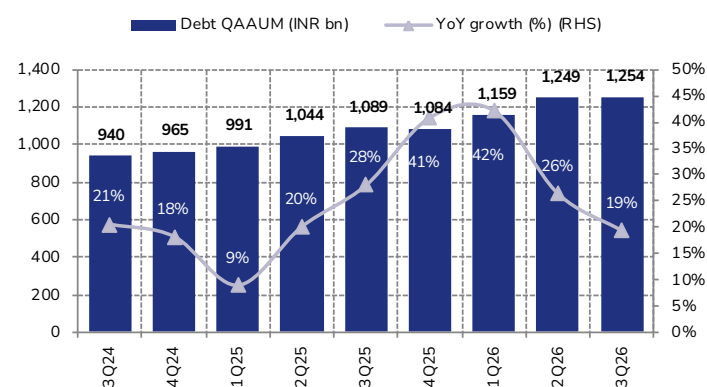
Source: Company, JM Financial

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

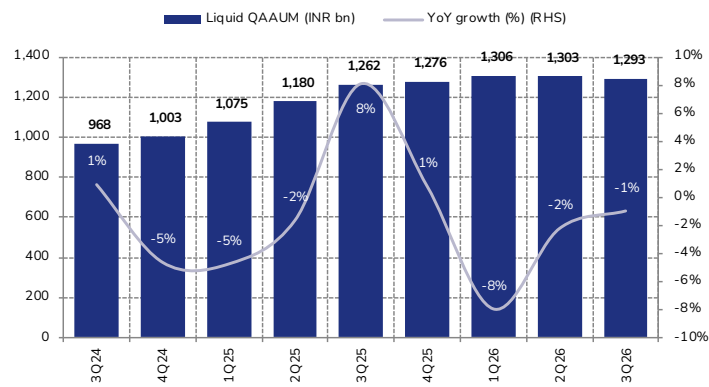
Source: Company, JM Financial

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

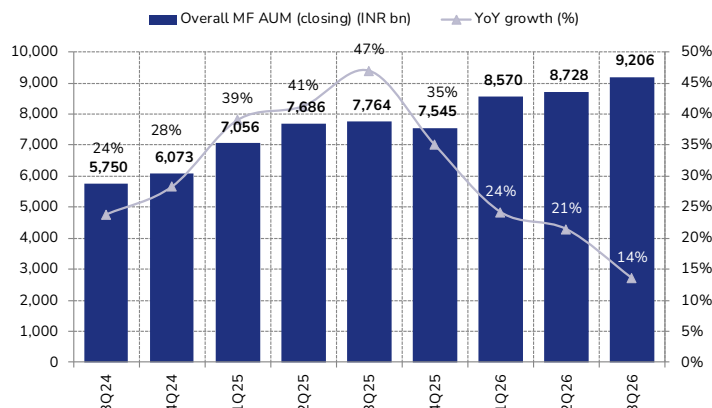
Source: Company, JM Financial

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

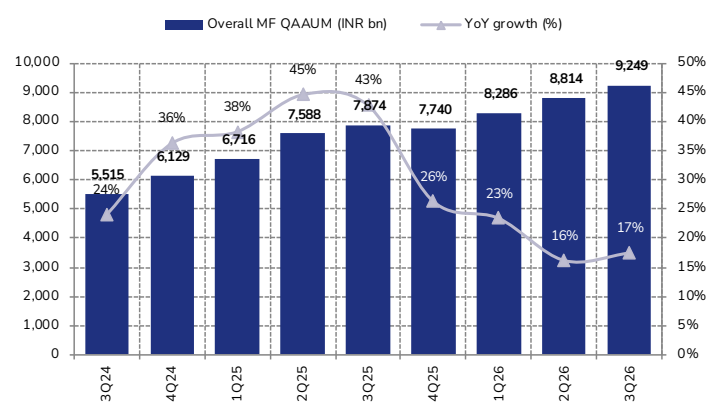
Source: Company, JM Financial

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

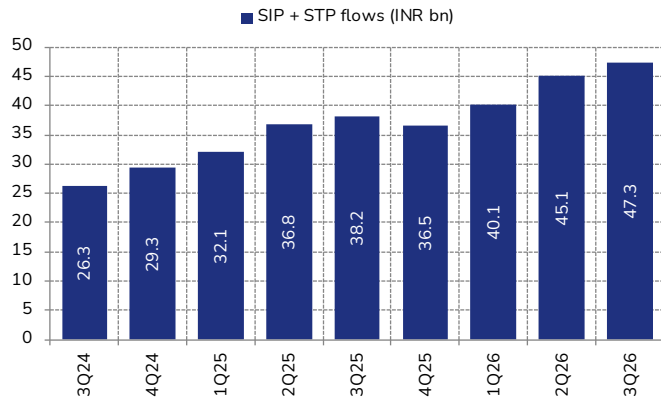
Source: Company, JM Financial

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

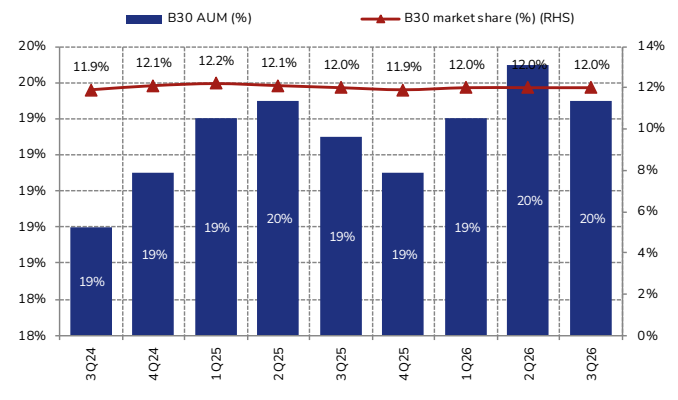
Source: Company, JM Financial

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

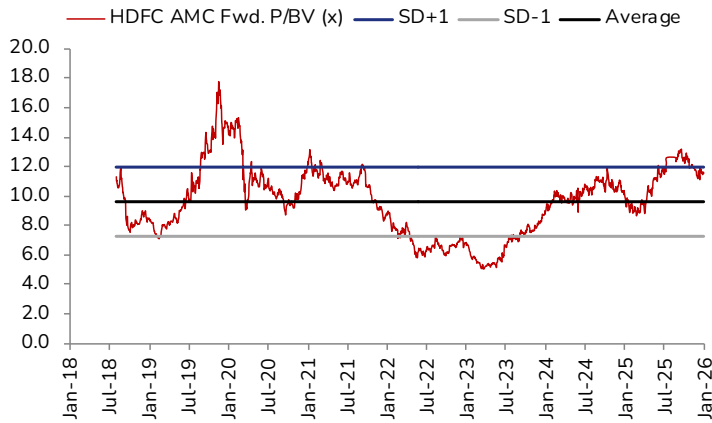
Source: Company, JM Financial

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

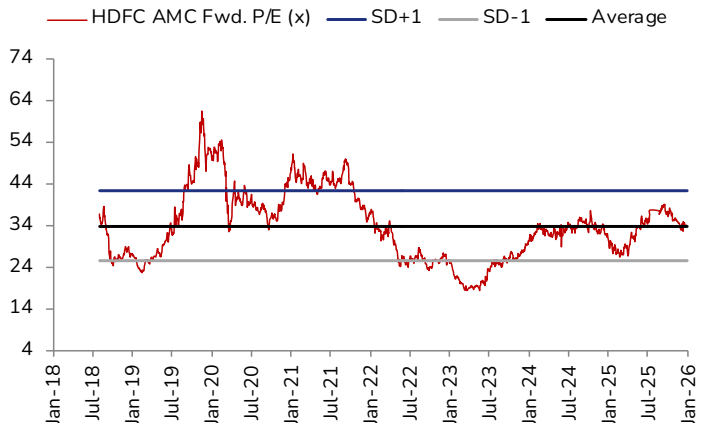
Source: Company, JM Financial

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

Source: Company, JM Financial

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

Source: JM Financial, Bloomberg

Exhibit 12. 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	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 Assets	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

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

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

Source: Company, JM Financial

Mutual Fund AUM Mix (%)					
Based on Closing AUM	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	64%	65%	66%	68%	69%
Debt	16%	14%	13%	12%	10%
Liquid	14%	13%	12%	10%	9%
Others	6%	8%	9%	11%	12%
Total AUM	100%	100%	100%	100%	100%

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

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

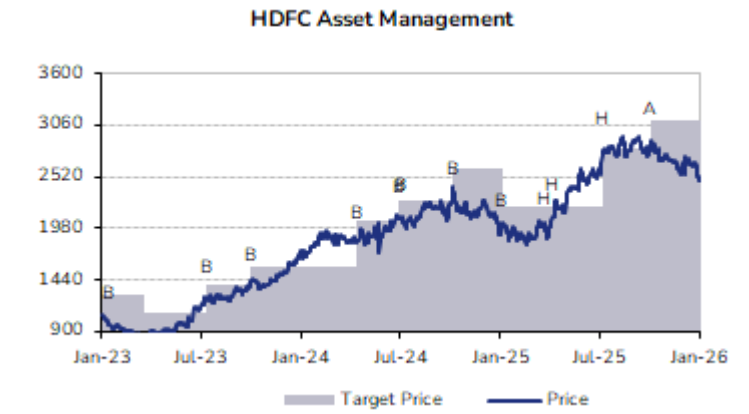
Valuation					
	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in issue (mn)	427.0	427.6	427.6	427.6	427.6
EPS (INR)	45.6	57.6	70.2	79.8	93.7
EPS (YoY)(%)	37%	26%	22%	14%	18%
PER (x)	56.0	44.4	36.4	32.0	27.2
BV (INR)	165.8	190.2	211.3	235.2	263.3
BV (YoY)	15.9%	14.7%	11.1%	11.3%	12.0%
P/BV (x)	15.4	13.4	12.1	10.9	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

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
25-Oct-21	Buy	1,738	
15-Dec-21	Buy	1,738	0.0
24-Jan-22	Buy	1,440	-17.1
22-Jul-22	Buy	1,138	-21.0
19-Oct-22	Buy	1,150	1.1
29-Nov-22	Buy	1,275	10.9
24-Jan-23	Buy	1,275	0.0
29-Mar-23	Buy	1,100	-13.7
25-Apr-23	Buy	1,100	0.0
24-Jul-23	Buy	1,380	25.5
12-Oct-23	Buy	1,575	14.1
22-Apr-24	Buy	2,050	30.2
9-Jul-24	Buy	2,278	11.1
15-Jul-24	Buy	2,278	0.0
15-Oct-24	Buy	2,600	14.2
14-Jan-25	Buy	2,200	-15.4
4-Apr-25	Hold	2,200	0.0
20-Apr-25	Hold	2,200	0.0
18-Jul-25	Hold	2,825	28.4
16-Oct-25	Add	3,100	9.7

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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