

CMP: ₹ 5590 Target: ₹ 6500 (16%) Target Period: 12 months

BUY

July 21, 2025

Undeterred flows, market recovery spur AUM growth

About the stock: HDFC AMC is among the largest and profitable mutual funds with closing AUM of ₹8.5 lakh crore+ as on Q1FY26. Higher presence in equity-oriented schemes & controlled expenses enable it to earn industry leading margins.

- Market share as on Q1FY26 was at 11.5%
- Strong distribution network with 280 branches and over 99,000 empanelled distribution partners

Q1FY26 performance: HDFC AMC reported healthy set of Q1 result on the back of improved capital market conditions. Market share and yields across asset classes was broadly maintained. Average AUM grew 23% YoY, 7.1% QoQ to ₹ 8.3 tn with market share of 11.5%. Revenue grew 25% YoY, 7.4% QoQ with yield as % of AUM at 46.7 bps vs 46.6 bps in Q4. EBITDA was up 30% YoY, 5.9% QoQ while PAT grew 24% YoY, 17.1% QoQ to ₹ 748 cr boosted by other income. MTM gains on both equity and debt investment book supported other income. PAT as % of AUM was recorded at industry leading level of 36 bps, improving 3 bps QoQ.

Investment Rationale

- **AUM growth strong considering market volatility:** In line with industry, HDFC AMC witnessed strong average AUM growth of 7.1% QoQ to ₹ 8.3 tn in Q1FY26 and 13.6% QoQ to ₹ 8.6 tn on closing basis. Flows to MF industry have been resilient considering market volatility. Q4FY25 witnessed minor AUM dip while there was a sharp bounce-back in AUM growth during Q1FY26. SIP run-rate for industry has surpassed monthly run-rate of ₹ 27,000 cr with number of contributing SIPs increasing from 6.7 cr in Jun 2024 to 8.1 cr in Mar 2025 and 8.6 cr in Jun 2025. HDFC AMC with its multi-channel distribution network, long-term performance track record and strong brand parentage is benefitting from this structural trend.
- **Market share and flows run-rate firm for HDFC AMC:** Despite its size and intensifying competition, HDFC AMC has been maintaining its total AUM market share at ~11.5% and ex-ETF share at ~12.8%. Management suggested net flow market share is higher than the book market share. Similarly, SIP AUM market share stands at 13%+ wherein the industry is witnessing consistent traction. SIP AUM as a % of total AUM for HDFC AMC stands at 23%+ vs ~20% for the industry. The count of unique investors in MF industry was ~5.5 cr of which HDFC AMC comprises 25% which is an improvement from 22% in FY24.

Rating and Target Price

- HDFC AMC is relatively a stable play on structural MF growth story with superior operational strength. Multi-channel distribution, long-term performance track record, healthy SIP book and strong parentage makes HDFC AMC better positioned to sail through across market cycles. Considering Q1 earnings, overall market stability and flows resilience, we upgrade earnings and multiple for HDFC AMC, valuing the stock at 40x FY27E EPS with target price of ₹6500 and BUY rating on the stock.



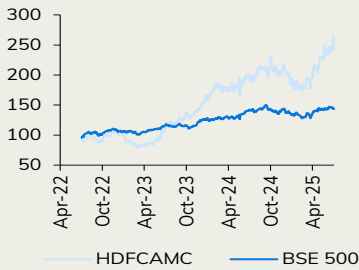
Particulars

Particulars	Amount
Market Capitalisation	₹ 1,19,575 cr
Closing AUM	₹ 8,57,000 cr
Net worth	₹ 8,134 cr
52 week H/L	5626/3563
Face value	₹ 5

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	52.5	52.5	52.5	52.5	52.4
FII	20.6	21.6	21.3	20.5	22.0
DII	17.7	16.9	17.0	18.0	16.7
Public	9.2	9.0	9.2	9.0	8.9

Price Chart (Indexed to 100)



Key risks

- (i) Heightened volatility in equities
- (ii) Intensifying competition across existing and new entrants.

Research Analyst

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Key Financial Summary

₹ crore	FY22	FY23	FY24	FY25	3 year CAGR	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenue from operation (₹ crore)	2115	2167	2584	3498	18.3%	4223	4851	17.8%
PBT (₹ crore)	1917	1871	2478	3286	19.7%	3976	4575	18.0%
Net Profit (₹ crore)	1455	1424	1946	2461	19.1%	2982	3432	18.1%
EPS (₹)	63.9	66.8	91.1	115.3		139.7	160.7	
P/E (x)	87.5	83.6	61.3	48.5		40.0	34.8	
AUM /share (₹)	18686	20502	28335	35343		42666	49066	
P/AUM (%)	29.9	27.3	19.7	15.8		13.1	11.4	
RoE (%)	26.3	23.3	27.5	30.3		33.9	36.0	

Concall highlights and outlook

Strong AUM growth witnessed in Q1 backed by resilient flows

- Closing Aum for HDFC AMC crossed ₹8.5 tn (up 21% YoY, 13.6% QoQ) with overall market share maintained at 11.5%. Excluding ETF market share stood at 12.8%. Healthy market share maintained across channels, and continued to gain share in lumpsum as well as in SIPs.
- Quarterly average AUM mix remains tilted towards better yielding equity-oriented assets at 64.2% for HDFC AMC vs 56.2% for industry.
- AUM under SIPs crossed ₹2 tn during the quarter. Managed strong position among individual investors with market share being maintained at 13.1%. At industry level, SIP contribution accounts increased to 8.6 crores (up by ~28% YoY), further contribution amount touched new peak of ₹27,269 crores (up by ~28% YoY). Broader trend remained intact with positive response from investors and overall systemic investing.
- Besides, debt fund is gaining good traction on back of improved liquidity in system. Company relaunched campaign to promote debt funds.

Yields and margins maintained

- Revenue yields maintained with equity book yielding 58-59bps, debt book: 27bps-28 bps and liquid book: 12bps-13bps. Overall blended yield at ~47 bps in line with past couple of quarters. EBITDA margin strong at ~80%.
- Scheme of ESOPs is expected to incur non-cash charges of ₹56 cr, ₹63 cr, ₹51 cr, ₹32 cr and ₹6 cr in FY26, FY27, FY28, FY29 and FY30 respectively. Over last 5 years, company recognised an overall expenditure of ₹180 cr as ESOP resulted expenses in its P&L.
- Other expense increased from ₹ 73 cr to ₹ 84 cr QoQ mainly owing to timing of CSR expenditure actually made.

Others

- Secured necessary approvals from SEBI for Specialised investment fund (SIF). With large and diversified investment base and wide distribution network, company aims to enable quick and efficient market reach for its thoughtful set of offerings.
- On alternate side, raised ₹1,200 cr through venture capital private equity fund of funds. Further increase in AUM was also led by inflows under non-discretionary portfolio management services account.

Exhibit 1: Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Revenue from operation	968.2	775.2	24.9	901.4	7.4	AUM growth strong backed by resilient flows, positive MF experience and market recovery Broadly, HDFC AMC has been able to maintain yields.
Revenue/AAUM	0.47%	0.00%	47 bps	0.47%	0 bps	
Other Income	233.0	173.1	34.6	124.1	87.7	Other income improved in Q1FY26 owing to gains on its investment book.
Net Total Income	1,201.2	948.3	26.7	1,025.5	17.1	
Staff cost	109.2	100.8	8.4	96.9	12.7	
Other Operating Expenses	85.9	79.5	8.1	74.2	15.7	Expenses well contained
Total Expenses	215.5	195.9	10.0	190.4	13.2	
PBT	985.7	752.5	31.0	835.1	18.0	Healthy growth in revenue coupled with control on opex aiding PBT growth
Tax Outgo	238.1	148.5	60.4	196.6	21.1	
PAT	747.6	604.0	23.8	638.5	17.1	Steady PAT growth as expected.
Total AUM	8,57,000	7,05,600	21.5	7,54,500	13.6	

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(₹ crore)	FY24	FY25	FY26E	FY27E
Revenue from Operations	2,584	3,498	4,223	4,851
Growth (%)	19.3%	35.4%	20.7%	14.9%
Other Income	578	560	654	746
Total Revenue	3,162	4,058	4,877	5,597
Growth (%)	27.4%	28.3%	20.2%	14.8%
Employee Benefit Expenses	353	388	459	516
Other Expenses (incl fees)	269	316	371	431
Total operating Expenses	623	704	830	946
EBITDA	1,961	2,794	3,393	3,904
Growth (%)	21.2%	42.4%	21.4%	15.1%
Depreciation & Amortization Expense	52	58	62	66
Interest expense	9	9	9	9
Profit Before Tax	2,478	3,286	3,976	4,575
Taxes	532	825	994	1,144
Profit After Tax	1,946	2,461	2,982	3,432
EPS (₹)	91.1	115.3	139.7	160.7

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(₹ crore)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Share capital	107	107	107	107
Reserves and surplus	6968	8023	8676	9428
Total Shareholders funds	7075	8130	8783	9534
Total financial Liabilities	246	285	311	345
Total Non Financial Liabilities	233	335	362	398
Total	7554	8751	9456	10278
Applications of Funds				
Property, plant and equipment	138	183	197	213
Goodwill	6	6	6	6
Intangible assets	9	10	9	8
Intangible asset under development	1	0	0	0
Investments	7156	8255	8911	9700
Long term loans and advances	21	28	28	28
Other non financial assets	46	49	55	62
Total Current Assets and Others	178	220	250	261
Total Assets	7554	8751	9456	10278

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

	FY24	FY25	FY26E	FY27E
Valuation				
No of Equity shares (crore)	21.3	21.3	21.3	21.3
EPS	91.1	115.3	139.7	160.7
DPS	70.0	90.0	109.1	125.5
BVPS	331.4	380.8	411.4	446.6
P/E	61.3	48.5	40.0	34.8
P/BV	16.9	14.7	13.6	12.5
Growth Ratios (%)				
AUM	38.5	25.1	20.7	15.0
Revenue from operations	19.3	35.4	20.7	14.9
EBITDA	21.2	42.4	21.4	15.1
PAT	36.7	26.5	21.2	15.1
Operating Ratios (%)				
EBITDA margin	75.9	79.9	80.3	80.5
PAT margin	61.5	60.6	61.1	61.3
Rev/AUM	0.43	0.46	0.46	0.46
EBITDA/AUM	0.32	0.37	0.37	0.37
PAT/AUM	0.32	0.32	0.33	0.33
Return Ratios (%)				
RoNW	27.5%	30.3%	33.9%	36.0%
RoCE	25.8%	28.1%	31.5%	33.4%

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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