

CMP: ₹ 5800

Target: ₹ 6800 (17%)

Target Period: 12 months

BUY

October 16, 2025

## Sustaining market share; esp. on equity and SIP front

**About the stock:** HDFC AMC is among the largest and profitable mutual funds with closing AUM of ₹8.7 lakh crore+ as on Q2FY26. Higher presence in equity-oriented schemes & controlled expenses enable it to earn industry leading margins.

- Market share as on Q2FY26 was at 11.5%
- Strong distribution network with 280 branches and over 1,03,000 empanelled distribution partners

**Q2FY26 performance:** HDFC AMC continues to report healthy set of result as expected. Market share and revenue yields across asset classes were broadly maintained esp. w.r.t. equity-oriented schemes. Closing AUM grew 2% QoQ to ₹ 8.8 tn with market share of 11.5%. High yielding equity mix maintained at healthy proportion of 66% vs industry average of 58%. EBITDA margin remains healthy though it declined 190 bps QoQ to 77.9% owing to sharper increase in staff and other expense. PAT as % of AUM was recorded at industry leading level of ~33 bps. Besides, company has announced bonus issue in ratio of 1:1.

### Investment Rationale

- Market share broadly maintained esp. on equity book:** HDFC AMC is broadly maintaining its market share despite its large base and intensifying competition which is commendable. Ex-ETFs, closing AUM market share maintained at 12.8%. Here, it was noteworthy that market share of actively managed equity AUM improved ~10 bps QoQ to 12.9%. Debt AUM market share was maintained at 13.3% while liquid AUM market share declined ~80 bps QoQ to 11.8%. Overall, market share in higher yielding asset class remains firm. Equity book yields ~58 bps, debt: 27-28 bps, liquid: 12-13 bps. Besides, SIP AUM market share increased 11 bps QoQ to ~13.2% while management suggests flows continue to remain healthy. The count of unique investors in MF industry was ~5.7 cr of which HDFC AMC comprises 25.4% in Q2FY26 which is a QoQ improvement from 24.8%. Similarly, over a period, it has increased from 22% in FY24.
- Strong profitability matrix:** Q2 witnessed ~190 bps dip in EBITDA margin to 77.9%, mainly owing to staff expense and other expense related to CSR, NFOs and business promotion related expense. Employee expense increased 13.4% QoQ, 29.4% YoY to ₹ 124 cr which included ESOP related expense. Despite the increase, it is noteworthy that HDFC AMC remains the most efficient player with opex of ~10 bps as % of AUM. Further, as company gains scale, EBITDA margin shall be recouped at ~80% level.

### 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 resilient flows esp. on SIP side and relative better MF experience vs other capital market plays, we maintain BUY rating on HDFC AMC, valuing the stock at 42x FY27E EPS with target price of ₹6800.

### 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  | 4894  | 18.3%                  |
| PBT (₹ crore)                    | 1917  | 1871  | 2478  | 3286  | 19.7%       | 3911  | 4576  | 18.0%                  |
| Net Profit (₹ crore)             | 1455  | 1424  | 1946  | 2461  | 19.1%       | 2934  | 3432  | 18.1%                  |
| EPS (₹)                          | 63.9  | 66.8  | 91.1  | 115.3 |             | 137.4 | 160.8 |                        |
| P/E (x)                          | 90.8  | 86.8  | 63.6  | 50.3  |             | 42.2  | 36.1  |                        |
| AUM /share (₹)                   | 18686 | 20502 | 28335 | 35343 |             | 42666 | 49492 |                        |
| P/AUM (%)                        | 31.0  | 28.3  | 20.5  | 16.4  |             | 13.6  | 11.7  |                        |
| RoE (%)                          | 26.3  | 23.3  | 27.5  | 30.3  |             | 33.4  | 36.0  |                        |

Source: Company, ICICI Direct Research



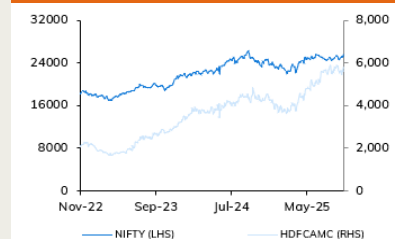
#### Particulars

| Particulars           | Amount        |
|-----------------------|---------------|
| Market Capitalisation | ₹ 1,24,122 cr |
| Closing AUM           | ₹ 8,72,800 cr |
| Net worth             | ₹ 7,741 cr    |
| 52 week H/L           | 5934 / 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



#### Key risks

- Heightened volatility in equities
- Intensifying competition across existing and new entrants.

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## Concall highlights and outlook

### Industry data

- Industry witnessed net new flows of ₹ 1,49,000 cr in Q2FY26 vs ₹ 91,100 cr in Q1FY26 in equity-oriented funds. Over past 12 months ending sept 2025, equity-oriented funds have recorded net inflows of ₹ 5.1 lakh crore.
- SIP contribution continues to scale new highs, reaching monthly run-rate of ₹ 29,400 cr with net addition of 6 mn contributing SIP accounts in the quarter.
- On fixed income side, debt mutual funds experienced moderation in quarterly flows while liquid funds witnessed outflows. Noteworthy has been the demand for Gold and Silver ETFs.

### HDFC AUM growth remained steady in Q2 backed by stable flows

- Closing AUM stood at ₹8.7 tn (up 16% YoY, 6% QoQ) reflecting market share of 11.5% and 12.8% on ex-ETF basis. Further equity proportion increased to 66.1% on closing AUM basis wherein it has 12.9% market share.
- Systematic transactions activity remained strong with monthly inflows in sept 2025 at ₹ 4510 cr, representing ~15.3% of industry SIP run-rate of ₹ 29,400 cr. Market share in SIP flows much higher than its book share.
- Demand for gold and silver ETF surged sharply. Gold ETF AUM grew from ₹10,200 cr to ₹14,100 cr QoQ while silver ETF AUM more than doubled from ₹900 cr to ₹2,400 cr.

### Yields and margins maintained

- Overall blended revenue yield has stabilised at ~47 bps in line with past couple of quarters. Equity yield for the quarter came at 58 bps, debt yields were at 27 -28 bps and liquid fund yield being stable at 12 -13 bps. The commission rationalisation carried out in FY25 has helped reduced the impact of telescopic pricing on yields.
- Other expense increased 16.1% YoY, 19.6% QoQ to ₹101 cr, mainly owing to CSR, NFOs and business promotion related expense. During the quarter, 2 NFOs were launched including HDFC innovation fund and HDFC Diversified Equity All Cap Active FOF. On annual basis, management suggests opex to broadly increase 12-15% range.
- Scheme of ESOPs is expected to incur non-cash charges of ₹42 cr, ₹67 cr, ₹53 cr and ₹33 cr in H2FY26, FY27, FY28 and FY29 respectively.

### Others

- Other income declined QoQ on account of adverse MTM charges on investment book. June quarter had a high base when equity markets fared well.
- Tax rate was lower at 18% as company has reassessed its income tax provision and reversed the same to the extent of ₹ 46.8 cr.
- Over the last 2 years, the company has opened 50 new offices. Majority being opening in B-30 cities wherein there is significant long term growth opportunity.
- Approvals in place for launch of SIF. Looking to be full-service providers across categories while it is evaluating possible options and products best suited for clients.

**Exhibit 1: Variance Analysis**

|                          | Q2FY26  | Q2FY25  | YoY (%) | Q1FY26  | QoQ (%) | Comments  |
|--------------------------|---------|---------|---------|---------|---------|---|
| Revenue from operation   | 1,027.4 | 887.2   | 15.8    | 968.2   | 6.1     | Steady AUM growth backed by resilient flows supports revenue growth                     |
| Revenue/AAUM             | 0.47%   | 0.47%   | 0 bps   | 0.47%   | 0 bps   | Revenue yields are being maintained.  |
| Other Income             | 96.2    | 170.6   | -43.6   | 233.0   | -58.7   | Other income declined owing to adverse MTM charges on its investment book.              |
| Net Total Income         | 1,123.6 | 1,057.8 | 6.2     | 1,201.2 | -6.5    |   |
| Staff cost               | 123.8   | 95.7    | 29.4    | 109.2   | 13.4    |   |
| Other Operating Expenses | 102.9   | 87.4    | 17.7    | 86.4    | 19.1    | CSR and business promotion related expense on higher side.                              |
| Total Expenses           | 247.6   | 199.1   | 24.3    | 215.5   | 14.9    |   |
| PBT                      | 876.0   | 858.7   | 2.0     | 985.7   | -11.1   | PBT growth mediocre mainly owing to lower other income.                                 |
| Tax Outgo                | 157.5   | 281.8   | -44.1   | 238.1   | -33.8   | Tax rate was lower at 18% as company reversed tax provision to the extent of ₹ 46.8 cr. |
| PAT                      | 718.4   | 576.9   | 24.5    | 747.6   | -3.9    |   |
| Total AUM                | 872,800 | 768,600 | 13.6    | 857,000 | 1.8     | Market share broadly maintained.  |

## Financial Summary

### Exhibit 2: Profit and loss statement

₹ crore

| (₹ crore)                           | FY24  | FY25  | FY26E | FY27E |
|-------------------------------------|-------|-------|-------|-------|
| Revenue from Operations             | 2,584 | 3,498 | 4,223 | 4,894 |
| Growth (%)                          | 19.3% | 35.4% | 20.7% | 15.9% |
| Other Income                        | 578   | 560   | 637   | 746   |
| Total Revenue                       | 3,162 | 4,058 | 4,860 | 5,639 |
| Growth (%)                          | 27.4% | 28.3% | 19.8% | 16.0% |
| Employee Benefit Expenses           | 353   | 388   | 483   | 537   |
| Other Expenses (incl fees)          | 269   | 316   | 386   | 442   |
| Total operating Expenses            | 623   | 704   | 869   | 979   |
| EBITDA                              | 1,961 | 2,794 | 3,354 | 3,914 |
| Growth (%)                          | 21.2% | 42.4% | 20.0% | 16.7% |
| Depreciation & Amortization Expense | 52    | 58    | 70    | 75    |
| Interest expense                    | 9     | 9     | 9     | 9     |
| Profit Before Tax                   | 2,478 | 3,286 | 3,911 | 4,576 |
| Taxes                               | 532   | 825   | 978   | 1,144 |
| Profit After Tax                    | 1,946 | 2,461 | 2,934 | 3,432 |
| EPS (₹)                             | 91.1  | 115.3 | 137.4 | 160.8 |

Source: Company, ICICI Direct Research

### Exhibit 3: Key ratios

|                             | FY24  | FY25  | FY26E | FY27E |
|-----------------------------|-------|-------|-------|-------|
| <b>Valuation</b>            |       |       |       |       |
| No of Equity shares (crore) | 21.3  | 21.3  | 21.3  | 21.3  |
| EPS                         | 91.1  | 115.3 | 137.4 | 160.8 |
| DPS                         | 70.0  | 90.0  | 107.3 | 125.6 |
| BVPS                        | 331.4 | 380.8 | 410.9 | 446.1 |
| P/E                         | 63.6  | 50.3  | 42.2  | 36.1  |
| P/BV                        | 17.5  | 15.2  | 14.1  | 13.0  |
| <b>Growth Ratios (%)</b>    |       |       |       |       |
| AUM                         | 38.5  | 25.1  | 20.7  | 16.0  |
| Revenue from operations     | 19.3  | 35.4  | 20.7  | 15.9  |
| ECITDA                      | 21.2  | 42.4  | 20.0  | 16.7  |
| PAT                         | 36.7  | 26.5  | 19.2  | 17.0  |
| <b>Operating Ratios (%)</b> |       |       |       |       |
| ECITDA margin               | 75.9  | 79.9  | 79.4  | 80.0  |
| PAT margin                  | 61.5  | 60.6  | 60.4  | 60.9  |
| Rev/AUM                     | 0.43  | 0.46  | 0.46  | 0.46  |
| ECITDA/AUM                  | 0.32  | 0.37  | 0.37  | 0.37  |
| PAT/AUM                     | 0.32  | 0.32  | 0.32  | 0.32  |
| <b>Return Ratios (%)</b>    |       |       |       |       |
| RoNW                        | 27.5% | 30.3% | 33.4% | 36.0% |
| RoCE                        | 25.8% | 28.1% | 31.1% | 33.4% |

Source: Company, ICICI Direct Research

### Exhibit 4: Balance sheet

₹ crore

| (₹ crore)                          | FY24 | FY25 | FY26E | FY27E |
|------------------------------------|------|------|-------|-------|
| <b>Sources of Funds</b>            |      |      |       |       |
| Share capital                      | 107  | 107  | 107   | 107   |
| Reserves and surplus               | 6968 | 8023 | 8666  | 9417  |
| Total Shareholders funds           | 7075 | 8130 | 8772  | 9524  |
| Total financial Liabilities        | 246  | 285  | 311   | 345   |
| Total Non Financial Liabilities    | 233  | 335  | 362   | 398   |
| Total                              | 7554 | 8751 | 9446  | 10268 |
| <b>Applications of Funds</b>       |      |      |       |       |
| 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 | 8900  | 9690  |
| 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 | 9446  | 10268 |

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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