

Estimate change 

TP change 

Rating change 

Bloomberg	HDFCAMC IN
Equity Shares (m)	214
M.Cap.(INRb)/(USDb)	826.2 / 9.5
52-Week Range (INR)	4864 / 3255
1, 6, 12 Rel. Per (%)	-8/-2/6
12M Avg Val (INR M)	2077

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
AAUM	7,607	8,851	10,306
MF Yield (bps)	46.7	45.7	44.7
Rev from Ops	35.6	40.5	46.2
Core PAT	20.8	24.5	28.1
PAT	25.0	29.8	33.9
PAT (bps as AAUM)	33	34	33
Core EPS	97	115	132
EPS	117	139	159
EPS Grw. (%)	29	19	14
BVPS	361	396	435
RoE (%)	34	37	38
Div. Payout (%)	75	75	75

Valuations

Mcap/AUM (%)	10.8	9.3	8.0
P/E (x)	33.0	27.7	24.4
P/BV (x)	10.7	9.8	8.9
Div. Yield (%)	2.3	2.7	3.1

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	52.5	52.5	52.6
DII	16.9	17.7	20.7
FII	21.6	20.6	16.1
Others	9.0	9.2	10.7

FII Includes depository receipts

CMP: INR3,865

TP: INR5,200 (+35%)

BUY

Improvement in yield, cost control boost margins

- 3QFY25 operating revenue grew 39% YoY/5% QoQ to INR9.3b (in line with est.). The sequential growth was driven by AUM growth and a 0.7bp QoQ improvement in yield to 47.5bp (1.1bp YoY decline). For 9MFY25, operating revenue grew 37% YoY to INR26b.
- Total opex grew 7% YoY to INR1.7b (10% lower than est.), driven by 6% YoY growth in employee costs (2% lower than est.) and 8% YoY growth in other expenses (19% lower than est.).
- Better-than-expected operational efficiency resulted in 49% YoY growth in EBIDTA to INR7.6b (6% beat). EBIDTA margin came in at 81.7% vs. 79.3% in 2QFY25 and 76.2% in 3QFY24.
- Operational efficiency resulted in 31% YoY/11% QoQ growth in PAT to INR6.4b (6% beat). For 9MFY25, PAT grew 30% YoY to INR18.2b.
- The management guides to improve its market share and become the leader in the existing product offerings rather than focusing on bringing more new products to the bouquet. Additionally, expenses are expected to grow in the range of 12-15% YoY.
- We have largely kept our estimates unchanged. We maintain our BUY rating on the stock with a TP of INR5,200 (premised on 42x Sep'26E Core EPS).

AUM growth remains stable; market share improves slightly

- QAAUM grew 43% YoY to INR7.9t, driven by 58%/42%/16%/31%/36%/71% YoY growth in equity/hybrid/debt/liquid/ETFs/index funds.
- Closing AUM for 3QFY25 was at INR7.8t, up 35% YoY, and the company's market share improved to 11.6% (11.3% in 3QFY24). Excl. ETFs, HDFC AMC's AUM market share improved to 12.9% from 12.7% in 3QFY24.
- Actively managed equity/debt/ liquid AUM market share stood at 12.7%/13.2%/14.2% at the end of 3QFY25.
- SIP AUM at the end of 3QFY25 was flat QoQ/up 38% YoY at INR1.8t, backed by growth in the number of transactions to 11m.
- Unique investors for HDFC AMC at 3QFY25 end were 11.6m (vs. 8.7m at 3QFY24 end), reflecting 24% penetration in the mutual fund industry.

Operational efficiency leads to profitability improvement

- Employee costs grew 6% YoY to INR953m (in line with est.), while other expenses grew 8% YoY to 743m (19% lower than est.). This resulted in opex/AUM at 8.7bp vs. 11.6bp in 3QFY24.
- Weak market trends resulted in a 46% sequential decline in other income to INR931b (-35% YoY). However, this was 9% higher than our expectations.

Key takeaways from the management commentary

- HDFC AMC has recently issued the largest thematic fund on an industry level (the manufacturing fund), for which it raised ~INR90b and received ~NR20b after the NFO issued. In terms of NFOs, it currently has the best-in-class product bouquet consisting of both active and passive funds.

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

- Regarding SIP and investor account growth ahead, the management is optimistic as it still believes that India is highly underpenetrated and there are numerous growth opportunities.
- New Asset Class regulations: The company is waiting for the final set of regulations to be issued and is positive on the same. This will open up a new avenue with higher levels of flexibility and a higher risk-reward profile for a set of investors who are looking for the same.

Valuation and view

- The increasing share of equity in the overall AUM, driven by an anticipated higher CAGR of 30% in equity AUM vs. overall AUM CAGR of 24%, will help to mitigate the potential decline in yields. We expect scale benefits from new businesses (Alternates & Passives) to translate into higher profitability.
- We have largely kept our estimates unchanged. We maintain our BUY rating on the stock with a TP of INR5,200 (premised on 42x Sep'26E Core EPS).

Quarterly Performance

(INR m)

Y/E March	FY24				FY25				FY25E	3QFY25E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE					
Revenue from Operations	5,745	6,431	6,713	6,954	7,752	8,872	9,346	9,618	35,589	9,113	2.6	39.2	5.3
Change YoY (%)	10.1	18.1	20.0	28.6	34.9	38.0	39.2	38.3	37.7	35.7			
Fees & Commission	9.9	3.8	4.5	6.6	9.0	9.0	11.0	11.0	40	9.0	22.2	144.4	22.2
Employee Expenses	838	929	903	864	1,011	959	953	988	3,912	973.8	-2.1	5.6	-0.6
Other expenses	612	675	691	691	788	869	743	844	3,245	912.8	-18.6	7.5	-14.5
Total Operating Expenses	1,460	1,608	1,599	1,562	1,809	1,838	1,708	1,843	7,197	1,896	-10	6.8	-7.1
Change YoY (%)	10.6	14.7	9.2	19.8	23.9	14.3	6.8	18.0	15.5	18.5	-63.4		
EBIDTA	4,285	4,822	5,114	5,393	5,944	7,034	7,639	7,775	28,391	7,217	5.8	49.4	8.6
EBIDTA Margin (%)	74.6	75.0	76.2	77.5	76.7	79.3	81.7	80.8	79.8	79.2	253bps	555bps	244bps
Other Income	1,580	1,221	1,424	1,555	1,735	1,710	931	1,179	5,555	855	8.9	-34.6	-45.6
Depreciation	129	130	131	133	133	137	149	132	551	139	6.8	13.9	8.4
Finance Cost	23	23	22	23	23	23	22	23	92	23	-1.8	3.2	-1.8
PBT	5,713	5,891	6,386	6,791	7,523	8,584	8,399	8,798	33,303	7,910	6.2	31.5	-2.2
Tax Provisions	939	1,516	1,489	1,380	1,485	2,818	1,985	2,038	8,326	1,843	7.7	33.3	-29.6
Net Profit	4,775	4,376	4,897	5,411	6,038	5,766	6,414	6,760	24,977	6,067	5.7	31.0	11.2
Change YoY (%)	52.0	20.2	32.6	43.8	26.4	31.8	31.0	24.9	28.4	23.9			
Core PAT	3,454	3,468	3,805	4,172	4,645	4,618	5,703	5,854	20,811	5,411	5.4		
Change YoY (%)	13.3	20.8	29.8	38.1	34.5	33.1	49.9	40.3	39.5	42.2			

Key Operating Parameters (%)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Revenue / AUM (bps)	47.3	49.0	48.6	45.4	46.2	46.8	47.5
Opex / AUM (bps)	12.0	12.3	11.6	10.2	10.8	9.7	8.7
PAT / AUM (bps)	39.3	33.4	35.4	35.3	36.0	30.4	32.6
Cost to Operating Income Ratio	25.4	25.0	23.8	22.5	23.3	20.7	18.3
EBITDA Margin	74.6	75.0	76.2	77.5	76.7	79.3	81.7
Tax Rate	16.4	25.7	23.3	20.3	19.7	32.8	23.6
PAT Margin	83.1	68.0	72.9	77.8	77.9	65.0	68.6
Core PAT Margin	60.1	53.9	56.7	60.0	59.9	52.0	61.0



Key takeaways from the management commentary

Business

- The quarterly average AUM for HDFC AMC stood at INR7.9t, up 43% YoY with equity share increasing to 65% vs. industry levels at 57%. The market share has improved to 11.5% vs. 11.2% in Dec'23.
- The sharp rise of 43% YoY in QAUM was on account of MTM and led to gains in operating margins.
- In GIFT CITY, three funds have gone live and two more are in the pipeline.
- Regarding the Hybrid and Balanced Advantage Fund segment, HDFC AMC is a pioneer in those segments with no product gaps.
- Regarding AUM mix (%): Equity/Debt/Liquid/Others as of Dec'24 stood at 64.9%/20.2%/10.7%/4.2%.
- Continues to be the 2nd largest player in the B-30 market. It added 25 new offices on 2nd Jan'25.
- Currently serves across ~99% of pin codes in India with 280 offices (of which ~50 were added in last 12 months), of which 196 are in the B-30 locations.
- The company has 1,614 employees and has empaneled 95k+ distribution partners.
- The number of live individual accounts grew 49% YoY to 22.04m and the unique investors grew 45% YoY to 12.6m
- Of the total transactions, digital transactions account for ~95% vs. 69% in FY20.
- The company has recently issued the largest thematic fund on an industry level i.e. the Manufacturing fund, for which it raised ~INR90b and received ~NR20b after the NFO issued.
- In terms of NFOs, it currently has the best-in-class product bouquet consisting of both active and passive funds.
- The commission rationalization was done last in Aug'24. The company has done no such rationalizations since then.
- Regarding product offerings, the management guides to improve its market share and become the leader in the current product offerings rather than focusing on bringing more new products to the bouquet.
- HDFC AMC aims to have its presence in all the segments that are allowed by SEBI and also to service all types of categories from institutional to individual.
- Regarding SIP and investor account growth ahead, the management is optimistic as it still believes that India is highly underpenetrated and there are numerous growth opportunities.

Yields

- Yields: Equity/Debt/Liquid stood at 58bp/28bp/12-13bp.

Financials

- ESOP costs stood at INR51m in 3QFY25 (vs. INR130m in 3QFY24) and INR172m in 9MFY25 (vs. INR371m in 9MFY24).
- Other expenses declined 15% QoQ to INR743m on account of lower CSR expenses and no NFOs in Dec'24.
- The management expects expenses to grow in the range of 12-15% YoY.

- Other income mainly constitutes income earned from investments. It declined 35% YoY and 46% QoQ on account of MTM loss.
- Management guides for the tax rate to remain at 25% under normal circumstances.

Regulations

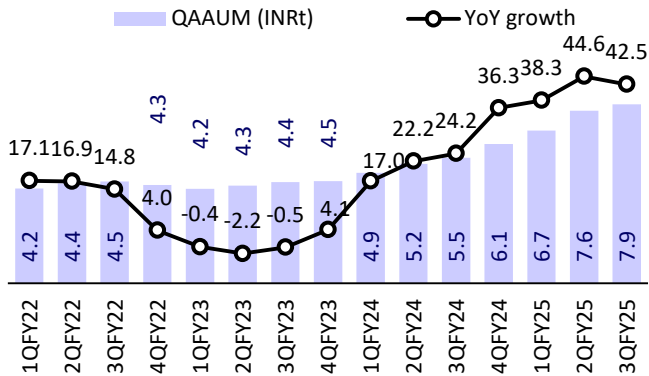
- New Asset Class regulations: The company is waiting for the final set of regulations and is positive on the same. This will open up a new avenue with higher levels of flexibility and a higher risk-reward profile for a set of investors who are looking for the same.
- Regarding brokerage on the NFO regulations, HDFC AMC has been better placed as it already pays lower commissions.

Exhibit 1: Revised estimates

Y/E Mar	New Est.			Old Est.			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
AAUM	7,607	8,851	10,306	7,573	8,814	10,265	0%	0%	0%
MF Yield (bps)	46.7	45.7	44.7	46.2	45.2	44.2	5bps	5bps	5bps
Rev from Ops	35.6	40.5	46.2	35.1	39.9	45.5	2%	2%	2%
Core PAT	20.8	24.5	28.1	20.2	23.8	27.3	3%	3%	3%
PAT	25.0	29.8	33.9	24.3	29.0	33.0	3%	3%	3%
PAT (bps as AAUM)	33	34	33	32	33	32	7bps	7bps	7bps
Core EPS	97	115	132	95	111	128	3%	3%	3%
EPS	117	139	159	114	136	155	2.6%	2.5%	2.5%
EPS Grw. (%)	29	19	14	25	19	14			
BVPS	361	396	435	360	394	433	0%	0%	1%
RoE (%)	34	37	38	33	36	37	8bps	8bps	8bps
Div. Payout (%)	75	75	75	75	75	75			

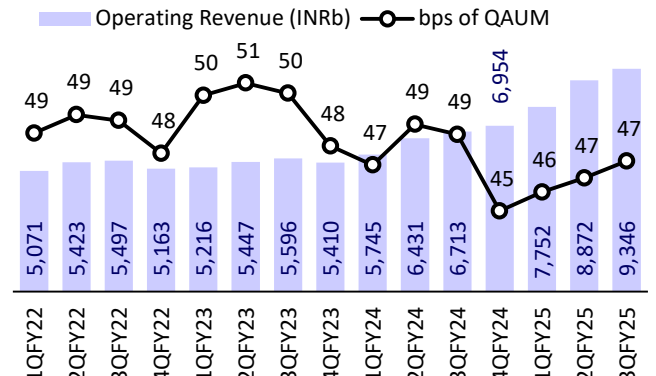
Key exhibits

Exhibit 1: AUM has grown consistently



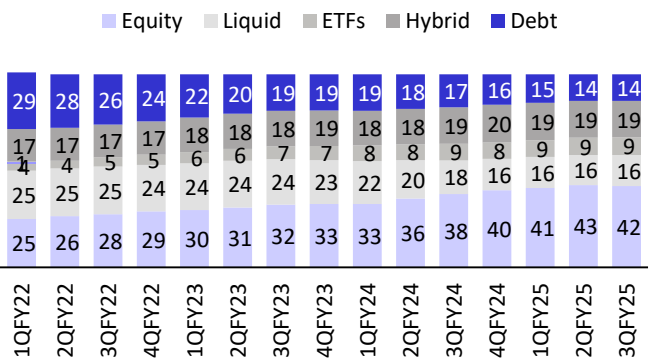
Source: MOFSL, Company

Exhibit 2: Yield improvement drives revenue growth



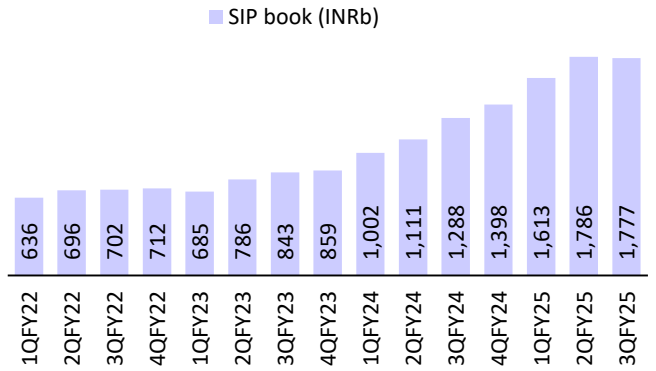
Source: MOFSL, Company

Exhibit 3: Equity contribution rising in AUM mix (%)



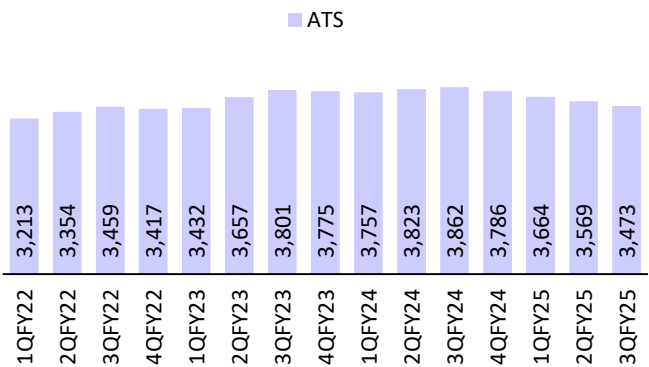
Source: MOFSL, Company

Exhibit 4: SIP momentum remains strong



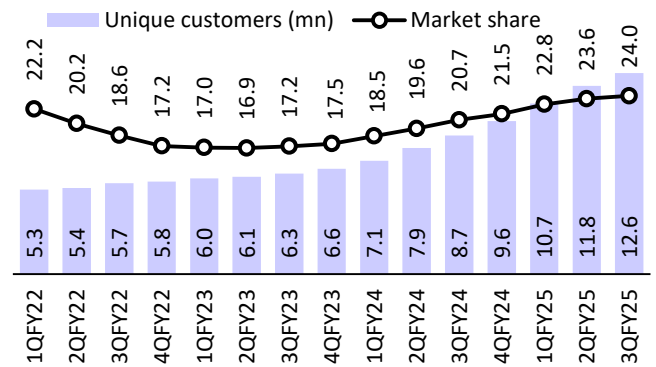
Source: MOFSL, Company

Exhibit 5: Average ticket size on a declining trend



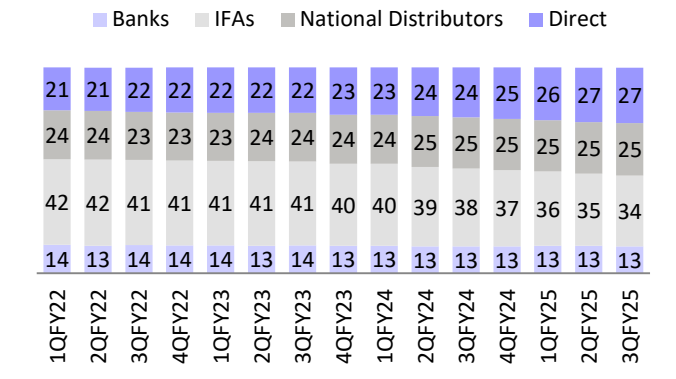
Source: MOFSL, Company

Exhibit 6: Unique customers market share rising



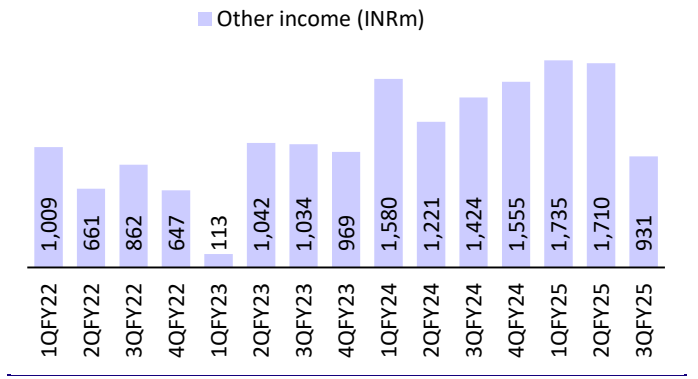
Source: MOFSL, Company

Exhibit 7: Diverse distribution mix (%)



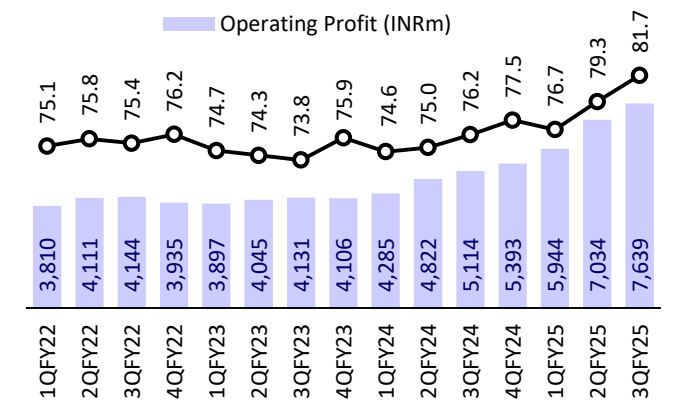
Source: MOFSL, Company

Exhibit 8: Other income declines sequentially



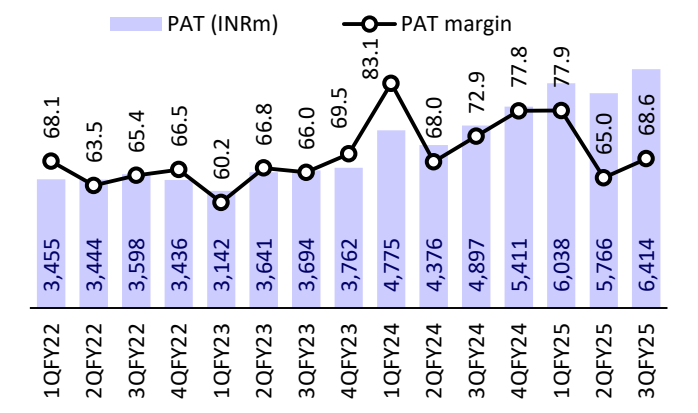
Source: MOFSL, Company

Exhibit 9: Operating profit trends



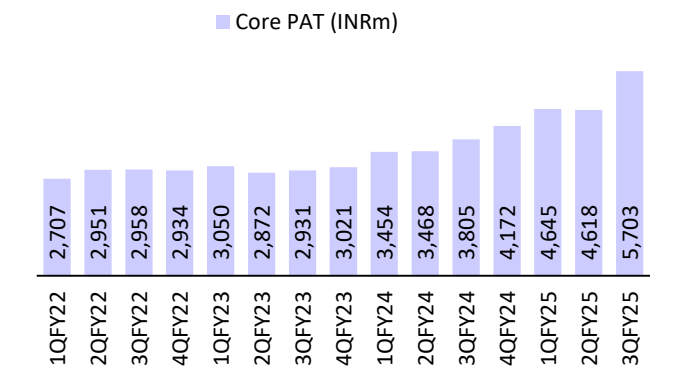
Source: MOFSL, Company

Exhibit 10: PAT trends



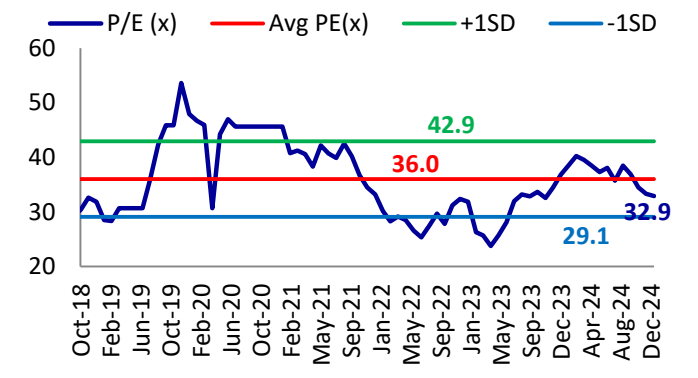
Source: MOFSL, Company

Exhibit 11: Core PAT Trends



Source: MOFSL, Company

Exhibit 12: 1-yr 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	35,589	40,526	46,155
Change (%)	4.6	-7.5	14.2	2.4	19.3	37.7	13.9	13.9
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	28,391	32,529	37,260
Change (%)	26.2	-6.9	9.3	1.1	21.0	45.0	14.6	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	27,749	31,852	36,549
Change (%)	26.8	-7.5	9.8	1.1	21.9	46.4	14.8	14.7
Other Income	1,402	3,492	3,178	3,158	5,790	5,555	6,805	7,443
PBT	16,531	17,490	18,553	18,706	24,750	33,303	38,657	43,992
Change (%)	20.2	5.8	6.1	0.8	32.3	34.6	16.1	13.8
Tax	3,906	4,232	4,622	4,467	5,323	8,326	8,891	10,118
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	24,977	29,766	33,874
Change (%)	35.7	5.0	5.1	2.2	36.4	28.6	19.2	13.8
Core PAT	11,554	10,610	11,545	11,836	14,882	20,811	24,526	28,143
Change (%)	43.1	-8.2	8.8	2.5	25.7	39.8	17.8	14.7
Dividend	7,183	7,241	8,954	10,244	14,944	18,733	22,325	25,405

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	75,927	83,369	91,837
Net Worth	40,293	47,762	55,301	61,084	70,750	76,994	84,436	92,904
Borrowings	0	0	0	0	0	0	0	0
Other Liabilities	2,793	3,185	3,503	4,281	4,788	3,934	4,170	4,424
Total Liabilities	43,086	50,947	58,804	65,365	75,539	80,928	88,606	97,329
Cash and Investments	39,716	47,556	55,783	60,832	71,961	76,773	84,066	92,369
Change (%)	33.9	19.7	17.3	9.1	18.3	6.7	9.5	9.9
Loans	217	0	0	0	0	0	0	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	2,528	2,813	3,134
Total Assets	43,086	50,947	58,804	65,365	75,539	80,928	88,606	97,329

E: MOSL Estimates

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
AAAUM (INR B)	3,729	3,842	4,337	4,348	5,440	7,607	8,851	10,306
Change (%)	15.5	3.0	12.9	0.2	25.1	39.8	16.4	16.4
Equity (Including Hybrid)	44.6	39.1	44.0	49.8	54.1	60.8	61.7	62.5
Debt	23.6	27.4	26.9	20.0	17.3	13.9	13.4	12.9
Liquid	30.0	30.6	24.7	23.7	18.8	16.3	15.7	15.1
Others	1.7	2.9	4.5	6.5	9.8	8.9	9.2	9.5

E: MOSL 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	24,020	30,102	34,201
PBT	16,531	17,490	18,553	18,706	24,750	33,303	38,657	43,992
Depreciation and amortization	504	554	539	533	523	551	585	619
Tax Paid	-3,906	-4,232	-4,622	-4,467	-5,323	-8,326	-8,891	-10,118
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	-153	-25	-41
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	-18,802	-22,395	-25,476
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	-18,733	-22,325	-25,405
Others	4,144	1,452	2,562	1,788	5,183	0	0	0
Change of cash	-49	-248	57	-39	360	-187	293	303
Cash start	320	271	23	81	40	400	213	506
Cash end	271	23	81	40	400	213	506	808
FCFF	12,220	13,328	14,065	13,485	20,988	23,369	29,417	33,482

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Margins Analysis (%)								
Operating income to total income	93.5	84.1	86.9	87.3	81.7	86.5	85.6	86.1
Cost to Core Income Ratio	21.5	21.0	24.4	25.3	24.3	20.2	19.7	19.3
EBITDA Margins	78.5	79.0	75.6	74.7	75.7	79.8	80.3	80.7
Core PBT Margins	75.5	75.6	72.7	71.8	73.4	78.0	78.6	79.2
PBT Margins (On total income)	77.1	79.4	76.2	75.4	78.2	80.9	81.7	82.1
Profitability Ratios (%)								
RoE	35.6	30.1	27.0	24.5	29.5	33.8	36.9	38.2
Dividend Payout Ratio	47.2	54.6	64.3	71.9	76.9	75.0	75.0	75.0

Valuations	2020	2021	2022	2023	2024	2025E	2026E	2027E
BVPS (INR)	189	224	259	286	331	361	396	435
Change (%)	31.2	18.5	15.8	10.5	15.8	8.8	9.7	10.0
Price-BV (x)	20.5	17.3	14.9	13.5	11.7	10.7	9.8	8.9
EPS (INR)	59.1	62.1	65.3	66.7	91.0	117.0	139.4	158.7
Change (%)	35.7	5.0	5.1	2.2	36.4	28.6	19.2	13.8
Price-Earnings (x)	65.4	62.2	59.2	57.9	42.5	33.0	27.7	24.4
Core EPS (INR)	54.1	49.7	54.1	55.4	69.7	97.5	114.9	131.8
Change (%)	43.1	-8.2	8.8	2.5	25.7	39.8	17.8	14.7
Core Price-Earnings (x)	71.4	77.8	71.5	69.7	55.4	39.6	33.6	29.3
DPS (INR)	28.0	34.0	42.0	48.0	70.0	87.8	104.6	119.0
Dividend Yield (%)	0.7	0.9	1.1	1.2	1.8	2.3	2.7	3.1

E: MOSL Estimates

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