

CMP: ₹ 2600

Target: ₹ 3200 (23%)

Target Period: 12 months

BUY

January 16, 2026

Dominant equity mix, Superior profitability matrix ...

About the stock: HDFC AMC is among the largest and profitable mutual funds with closing AUM of ₹9.25 lakh crore+ as on Q3FY26. Higher presence in equity-oriented schemes & controlled expenses enable it to earn industry leading margins.

- Market share as on Q3FY26 was at 11.5%
- Strong distribution network with 280 branches and over 1,06,000 empanelled distribution partners

Q3FY26 performance: HDFC AMC continued to deliver a healthy set of results in Q3FY26, aided by industry tailwind, steady market share and a favourable asset mix. Quarterly average AUM grew 5% QoQ to ₹9.25 trillion, with market share broadly stable at 11.4%. The high-yielding equity-oriented mix remained strong at ~65% of QAAUM versus the industry average of ~56%. Revenue rose 5% QoQ to ₹1074 crore, supported by AUM growth while operating profit increased 10% QoQ on the back of lower other expenses. PAT grew 7% QoQ to ₹770 crore, aided by operating leverage and improved profitability.

Investment Rationale

- AUM market share maintained with equity book gaining traction:** HDFC AMC is broadly maintaining its market share at ~11.5% (Ex-ETFs at 12.8%) despite its large base and intensifying competition. Within the AUM mix, Q3 witnessed actively managed equity-oriented AUM market share improve ~10 bps QoQ, ~30 bps YoY to 13% in Q3FY26. On the other hand, debt AUM market share declined from 13.3% to 12.9% QoQ while liquid AUM market share declined from 11.8% to 11.7%. Increasing traction in high yielding equity book is noteworthy that shall support overall yields and margin. Further, its SIP AUM market share stands healthy at 13.3%, which has been steadily improving. The count of unique investors in MF industry was ~5.9 cr of which HDFC AMC comprises 26.1% in Q2FY26 which is a QoQ improvement from 25.4% and has been steadily increasing from 22% in FY24.
- Industry leading profitability matrix:** EBITDA margin was strong at 82% in Q3, improving from 77.9% in Q2 wherein other expense was impacted by CSR, NFOs and business promotion related expense. For Q3, other expense was flat YoY and declined 12.5% QoQ. Employee expense was flat QoQ, up 30.3% YoY to ₹ 124 cr which included ESOP related expense. Overall, profit as % of AUM stood at industry leading level of ~33 bps which the company has been broadly maintaining.

Rating and Target Price

- HDFC AMC is relatively a stable play on structural MF growth story with its multi-channel distribution, long-term performance track record, healthy SIP book and strong parentage. Considering recent Sebi circular related to TER, we have slightly lowered FY27E profitability. Management suggests it shall try to optimise and maintain profitability, taking instance of sharper TER change in 2019. We introduce FY28E and maintain BUY rating on the stock, valuing it at 36x FY28E EPS with target price of ₹3200.

Key Financial Summary

₹ crore	FY23	FY24	FY25	3 year CAGR	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenue from operation (₹ crore)	2167	2584	3498	18.3%	4130	4720	5537	16.5%
PBT (₹ crore)	1871	2478	3286	19.7%	3860	4350	5086	15.7%
Net Profit (₹ crore)	1424	1946	2461	19.1%	2980	3263	3815	15.7%
EPS (₹)	33.4	45.6	57.6		69.6	76.2	89.0	
P/E (x)	78.5	57.6	45.6		37.7	34.5	29.5	
AUM /share (₹)	10251	14168	17645		21493	24932	28921	
P/AUM (%)	25.6	18.5	14.9		12.2	10.5	9.1	
RoE (%)	22.9	27.1	29.9		33.5	34.0	36.5	



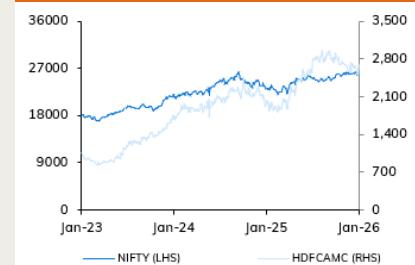
Particulars

Particulars	Amount
Market Capitalisation	₹ 1,11,360 cr
Closing AUM	₹ 9,20,600 cr
Net worth	₹ 8,574 cr
52 week H/L	2967 / 1763
Face value	₹ 5

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Nov-25
Promoters	52.5	52.4	52.4	52.4
FII	20.5	22.0	24.7	24.5
DII	18.0	16.7	14.1	14.4
Public	9.0	8.9	8.7	8.7

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 AUM stood at ₹80.2 tn as of Dec'25, with equity and equity-oriented funds witnessing healthy net inflows of ₹1.19 tn in Q3FY26.
- SIP momentum remained strong with monthly SIP inflows scaling a record ~₹310 bn in Dec'25. SIP asset base increased to ~16.6 tn (~20% of industry AUM).
- Gold & Silver ETFs witness strong momentum with net inflows of ~₹327 bn in Q3FY26, taking the category's share to 18% of industry ETF AUM.

HDFC AUM growth remained steady backed by stable flows

- QAAUM crossed ₹9 tn (up by 17% YoY and 5% QoQ), while equity-oriented AUM exceeded ₹6 tn, taking equity mix to ~65.5% of overall AUM.
- Systematic transactions (SIP & STP) remained robust at ~₹47.3 bn in Dec'25 (up 24% YoY). SIP market share continues to remain higher than overall AUM share.
- The company added 2.8 mn new investors YoY, taking total unique investors to 15.4 mn, translating into strong 26% of industry count of 59 mn.

Yields and margins maintained

- Overall blended revenue yield remained stable at ~45 bps. Equity yield for the quarter came at 56-57 bps, debt yields were at 27 -28 bps and liquid fund yield being stable at 12 -13 bps.
- Despite telescopic pricing pressure, management reiterated its ability to maintain operating margins within the 33-36 bps range, supported by disciplined cost control and operating leverage.
- Operating margins improved QoQ to ~36bps aided by lower CSR and marketing spends during the quarter.
- ESOP-related charge expected at ~₹68 crore for FY26, cumulative charge for 9MFY26 stood at ₹47 crore.

Others

- Completed first closure of structured credit AIF at ~₹1,290 crore, with IFC as anchor investor.
- Management indicated ongoing work on second PE/VC fund of funds while continuing to scale PMS, AIF and GIFT City platforms in a calibrated manner.

Regulatory developments

- Removal of additional 5 bps TER linked to exit loads to have a material industry-wide impact, particularly for larger schemes. However, it is likely to benefit smaller schemes, partly offsetting the impact.
- Brokerage cap rationalisation is expected to be manageable.
- Management remains confident of optimising financial impact, citing precedent from successful mitigation during 2019 TER changes.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue from operation	1,075.1	934.4	15.1	1,027.4	4.6	Revenue growth remained healthy with steady AUM growth supported by resilient flows.
Revenue/AAUM	0.46%	0.47%	-1 bps	0.47%	0 bps	Revenue yields remain stable.
Other Income	159.3	92.7	71.8	96.2	65.6	Other income remains volatile as per accounting gains/losses on investment book
Net Total Income	1,234.4	1,027.1	20.2	1,123.6	9.9	
Staff cost	123.6	94.9	30.3	123.8	-0.2	
Other Operating Expenses	75.1	75.1	-0.1	85.8	-12.5	Expenses contained in Q3 while Q2 had impact of higher CSR & marketing expense.
Total Expenses	220.5	187.2	17.8	247.6	-11.0	
PBT	1,013.9	840.0	20.7	876.0	15.8	
Tax	244.5	198.5	23.2	157.5	55.2	
PAT	769.4	641.5	19.9	718.4	7.1	Industry leading PAT as a % of AUM at ~33 bps.
Total AUM	9,20,600	7,76,400	18.6	8,72,800	5.5	Overall market share broadly maintained with equity book gaining traction.

Financial Summary

Exhibit 2: Profit and loss statement

(₹ crore)	FY25	FY26E	FY27E	FY28E
Revenue from Operations	3,498	4,130	4,720	5,537
Growth (%)	35.4%	18.1%	14.3%	17.3%
Other Income	560	635	648	693
Total Revenue	4,058	4,765	5,367	6,230
Growth (%)	28.3%	17.4%	12.6%	16.1%
Employee Benefit Expenses	388	483	547	621
Other Expenses (incl fees)	316	342	385	433
Total operating Expenses	704	825	932	1,054
EBITDA	2,794	3,306	3,788	4,483
Growth (%)	42.4%	18.3%	14.6%	18.4%
Depreciation & Amortization Expense	58	71	76	81
Interest expense	9	9	9	9
Profit Before Tax	3,286	3,860	4,350	5,086
Taxes	825	880	1,088	1,272
Profit After Tax	2,461	2,980	3,263	3,815
EPS (₹)	57.6	69.6	76.2	89.0

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

	FY25	FY26E	FY27E	FY28E
Valuation				
No of Equity shares (crore)	42.8	42.8	42.8	42.8
EPS	57.6	69.6	76.2	89.0
DPS	45.0	54.3	59.5	69.5
BVPS	192.6	207.5	224.2	243.7
P/E	45.2	37.4	34.1	29.2
P/BV	13.5	12.5	11.6	10.7
Growth Ratios (%)				
AUM	25.1	22.0	16.0	16.0
Revenue from operations	35.4	18.1	14.3	17.3
EBITDA	42.4	18.3	14.6	18.4
PAT	26.5	21.1	9.5	16.9
Operating Ratios (%)				
EBITDA margin	79.9	80.0	80.3	81.0
PAT margin	60.6	62.5	60.8	61.2
Rev/AUM	0.46	0.45	0.44	0.44
EBITDA/AUM	0.37	0.36	0.35	0.36
PAT/AUM	0.32	0.32	0.30	0.31
Return Ratios (%)				
RoNW	29.9%	33.5%	34.0%	36.5%
RoCE	27.8%	31.2%	31.5%	33.9%

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

(₹ crore)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Share capital	214	214	214	214
Reserves and surplus	8,023	8,676	9,390	10,226
Total Shareholders funds	8,237	8,890	9,604	10,440
Total financial Liabilities	285	311	345	383
Total Non Financial Liabilities	335	362	398	438
Total	8,858	9,563	10,348	11,261
Applications of Funds				
Property, plant and equipment	183	197	213	230
Goodwill	6	6	6	6
Intangible assets	10	9	8	7
Intangible asset under development	0	0	0	0
Investments	8,255	8,910	9,661	10,538
Long term loans and advances	28	28	28	28
Other non financial assets	49	55	62	69
Total Current Assets and Others	327	357	370	383
Total Assets	8,858	9,563	10,348	11,261

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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