CMP: ₹ 2600 | Target: ₹ 3100 (19%) | Target Period: 12 months | BUY

July 16, 2026

# Steady Q1, resilient yields to aid valuation…

**About the stock:** HDFC AMC is among the largest and profitable mutual funds with closing AUM of ₹9.3 lakh crore+ as on Q1FY27. Higher presence in equity-oriented schemes and stable yields enable it to maintain market share.

- Market share as on Q1FY27 was at 11.2%
- Strong distribution network with 280 branches and over 1,10,000 empanelled distribution partners

**Q1FY27 performance:** HDFC AMC reported steady set of Q1FY27 results. Quarterly average AUM (QAAUM) grew ~13% YoY to ₹9.35 lakh crore, while market share witnessed decline of 20 bps QoQ at ~11.2%. Sequentially, revenue yield was up ~1.8 bp at 47.2 bps, amid changes in TER regulations, led by increase in equity AUM mix. Revenue grew 13% YoY to ₹1,099 crore. EBITDA margin was broadly stable. PAT reported at ₹838 crore, up 12% YoY and ~35% QoQ mainly owing to higher other income related to its investment book as equity markets gained in Q1.

## Investment Rationale

- Market share resilient, retail flows the standout story: Overall QAAUM market share eased slightly to ~11.2% (~12.4% ex-ETF) in Q1FY27 as the base grows larger and competition from newer players intensifies, though the actively managed equity franchise — the core profit driver — held its ground at ~12.8% YoY (the sequential 20 bps softness was pure mark-to-market, not an outflow-driven slippage, per management). Flow share continues to outpace book share, and systematic transactions (SIP+STP) grew a healthy ~20% YoY to ~₹4,810 crore in Jun'26 — evidence that investor stickiness through this volatile stretch (currency/rate/crude swings) has held up well. On fixed income, debt AUM share slipped as institutional money moved out on rate volatility, but liquid funds gained share.
- Margin durability intact despite regulatory reset: The TER-BER accounting shift, the removal of the 5bps exit load charge, and tighter brokerage limits son cash transactions all kicked in from April 1, 2026. One quarter in, operating margin has held firm at ~35 bps of AUM and equity yield inched up to ~58 bps (from ~56 bps), which management attributes to product mix rather than a structural repricing. Management reiterated that commission optimisation and cost discipline can offset regulatory drag, while rising equity mix (~66% of QAAUM vs ~57% industry) shall be supportive of yields and margins.

## Rating and Target Price

- Focus on market share and maintain profitability remains the core strategy. Operational efficiency continues to remain strength which is expected to aid earnings trajectory. Multi-channel distribution along with focus on institutional partners, stable SIP book and strong parentage is to aid performance. Expect steady growth of 13-14% CAGR in earnings over FY26-28E. Thus, we maintain BUY rating on the stock, valuing it at 36x FY28E EPS with target price of ₹3100.

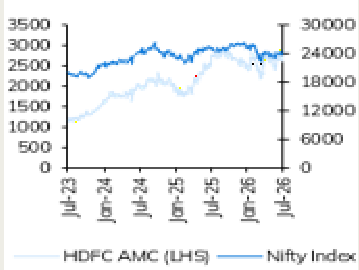
## Particulars

| Particulars | Amount |
|---|---|
| Market Capitalisation | ₹ 1,11,431 cr |
| Closing AUM | ₹ 9,35,100 cr |
| Net worth (Q1FY27) | ₹ 7,800 cr |
| 52 week H/L | 2967 / 2206 |
| Face value | ₹ 5 |

## Shareholding pattern

| | Sep-25 | Dec-25 | Mar-26 | Jun-26 |
|---|---|---|---|---|
| Promoters | 52.42 | 52.38 | 52.37 | 52.34 |
| FII | 24.69 | 23.99 | 24.45 | 24.1 |
| DII | 14.13 | 14.9 | 14.42 | 14.76 |
| Public | 8.74 | 8.73 | 8.75 | 8.80 |

## Price Chart




## Key risks

(i) Heightened volatility in equities

(ii) Intensifying competition across existing and new entrants

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Result Update

ICICI Securities – Retail Equity Research

## Key Financial Summary

| ₹ crore | FY23 | FY24 | FY25 | FY26 | 3 year CAGR (FY23-26) | FY27E | FY28E | 2 year CAGR (FY26-28E) |
|---|---|---|---|---|---|---|---|---|
| Revenue from operation (₹ crore) | 2167 | 2584 | 3498 | 4119 | 23.9% | 4700 | 5402 | 14.5% |
| PBT (₹ crore) | 1871 | 2478 | 3286 | 3710 | 25.6% | 4258 | 4911 | 15.1% |
| Net Profit (₹ crore) | 1424 | 1946 | 2461 | 2859 | 26.2% | 3193 | 3684 | 13.5% |
| EPS (₹) | 33.4 | 45.6 | 57.6 | 66.8 | | 74.6 | 86.1 | |
| P/E (x) | 77.8 | 57.0 | 45.2 | 38.9 | | 34.9 | 30.2 | |
| AUM /share (₹) | 10251 | 14168 | 17645 | 19717 | | 23534 | 27642 | |
| P/AUM (%) | 25.4 | 18.4 | 14.7 | 13.2 | | 11.0 | 9.4 | |
| DPS (₹) | 48.0 | 70.0 | 45.0 | 54.0 | | 60.3 | 69.6 | |
| RoE (%) | 23.3 | 27.5 | 30.3 | 31.0 | | 32.5 | 34.9 | |

Source: Company, ICICI Direct Research

## Concall highlights and outlook

### Industry Data

- Industry QAAUM stood at ₹83.1 lakh crore for Q1FY27 (Jun'26), up ~15% YoY, with equity-oriented AUM crossing ₹47 lakh crore (+16% YoY) despite external headwinds through the year.
- Equity-oriented net inflows came in strong at ~₹1.27 lakh crore vs ~₹0.91 lakh crore in Q1FY26 (+40% YoY). Liquid funds added ~₹98,000 crore while debt funds saw outflows of ~₹76,000 crore; the others bucket (ETFs/arbitrage/FoFs) added ~₹56,000 crore.
- SIP contributions hit ₹31,900 crore in Jun'26 vs ₹27,300 crore in Jun'25 (+17% YoY), aided by fintechs contributing ~75%+ of new industry SIP registrations. Folio count rose to 27.9 crore from 24.1 crore YoY.
- ~66 lakh new investors added over the trailing 12 months, taking the total investor base to 6.19 crore (up from 5.53 crore a year ago).

### HDFC AMC – AUM growth remains resilient

- QAAUM at ₹9.35 lakh crore (+13% YoY), market share at 11.2% (12.4% ex-ETF). Actively managed equity QAAUM grew 16% YoY to ₹5.74 lakh crore, with equity mix at ~65.7% vs industry's ~56.6%.
- Debt QAAUM at ₹1.66 lakh crore (12.9% share); liquid QAAUM at ~₹85,000 crore (10.7% share, share gained here even as debt share was ceded, largely institutional-led outflows amid rate/currency/crude volatility).
- Unique investor additions of ~4.6 lakh vs industry's ~5.3 lakh, taking base to 1.71 crore (28% industry penetration, up from 25%). Systematic transactions (SIP+STP) at ~₹4,800 crore (+20% YoY).
- Closing AUM at ₹9.32 lakh crore, actively managed equity AUM at ₹5.93 lakh crore, with equity market share steady YoY at ~12.8% (a sequential dip attributed to MTM, not flows).
- Revenue from operations grew 14% YoY to ~₹1,100 crore; operating profit rose +10% YoY with operating margin at 35 bps; PAT grew 12% YoY to ~₹840 crore.

### Yields and margins maintained

- Equity yield rose to 58 bps (from ~56 bps last quarter), debt at 28 bps, liquid steady at 13 bps. Management attributed the move largely to the TER-to-BER accounting transition and cautioned against reading too much into one quarter's movement, reiterating margins have been maintained via commission optimisation and cost discipline.
- Employee costs rose 31% YoY to ~₹143 crore due to non-cash charge (ESOPs) worth ~₹22.7 crore, year-end increments & actuarial revaluation.

### Others

- Total alternatives AUM scaled to ₹14,800 crore (vs ~6,000 crore in Q1FY26); closed a private credit fund and secured approval for a second PE/VC fund, with a marquee global investor proposing a $50 million seed commitment.
- Board approved its first AIF offering (HDFC AIF Equity Select Top 100 Long Short Fund), to be launched shortly.

- Bank distribution share moderated to 14.7% (from 16% YoY) as fintech-led SIP growth continues to shift channel mix.

**Regulatory development**

- TER-to-BER migration, removal of the 5 bps additional TER (in lieu of exit load), and brokerage-limit rationalisation on cash market transactions took effect from 1st April; impact offset through commission-structure optimisation and cost management, with management reiterating margins have held up.

Exhibit 1: Variance Analysis

| | Q1FY27 | Q1FY26 | YoY (%) | Q4FY26 | QoQ (%) | Comments |
|---|---|---|---|---|---|---|
| Revenue from operation | 1,098.5 | 968.2 | 13.5 | 1,051.5 | 4.5 | Revenue growth remained steady supported by growth in equity AUM |
| Revenue/AAUM | 0.47% | 0.47% | 0 bps | 0.45% | 2 bps | Revenue yields remained stable |
| Other Income | 262.6 | 233.0 | 12.7 | 11.6 | 2,173.2 | Reversal in markets led to MTM gains |
| Net Total Income | 1,361.1 | 1,201.2 | 13.3 | 1,063.1 | 28.0 | |
| Staff cost | 143.1 | 109.2 | 31.0 | 125.4 | 14.1 | Higher opex amid ESOP and CSR expense |
| Other Operating Expenses | 107.3 | 89.0 | 20.6 | 84.6 | 26.8 | |
| Total Expenses | 270.8 | 215.5 | 25.7 | 229.5 | 18.0 | |
| PBT | 1,090.3 | 985.7 | 10.6 | 833.6 | 30.8 | |
| Tax | 251.9 | 238.1 | 5.8 | 210.9 | 19.4 | |
| PAT | 838.4 | 747.6 | 12.1 | 622.7 | 34.6 | Core income and lower tax offset increase in opex |
| Total AUM | 9,35,100 | 8,57,000 | 9.1 | 8,44,000 | 10.8 | Overall market share declined by 20 bps QoQ |

Source: Company, ICICI Direct Research

## Financial Summary

**Exhibit 2: Profit and loss statement** ₹ crore

| (₹ crore) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Revenue from Operations | 3,498 | 4,119 | 4,700 | 5,402 |
| Growth (%) | 35.4% | 17.7% | 14.1% | 14.9% |
| Other Income | 560 | 499 | 593 | 679 |
| Total Revenue | 4,058 | 4,617 | 5,293 | 6,081 |
| Growth (%) | 28.3% | 13.8% | 14.6% | 14.9% |
| | | | | |
| Employee Benefit Expenses | 388 | 481 | 556 | 636 |
| Other Expenses (incl fees) | 316 | 340 | 389 | 437 |
| Total operating Expenses | 704 | 821 | 945 | 1,073 |
| EBITDA | 2,794 | 3,297 | 3,756 | 4,329 |
| Growth (%) | 42.4% | 18.0% | 13.9% | 15.3% |
| | | | | |
| Depreciation & Amortization Expense | 58 | 73 | 78 | 83 |
| Interest expense | 9 | 13 | 13 | 13 |
| Profit Before Tax | 3,286 | 3,710 | 4,258 | 4,911 |
| Taxes | 825 | 851 | 1,064 | 1,228 |
| Profit After Tax | 2,461 | 2,859 | 3,193 | 3,684 |
| EPS (₹) | 57.6 | 66.8 | 74.6 | 86.1 |

Source: Company, ICICI Direct Research

**Exhibit 3: Key ratios**

| | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **Valuation** | | | | |
| No of Equity shares (crore) | 42.8 | 42.8 | 42.8 | 42.8 |
| EPS | 57.6 | 66.8 | 74.6 | 86.1 |
| DPS | 45.0 | 54.0 | 60.3 | 69.6 |
| BVPS | 190.1 | 215.6 | 229.9 | 246.4 |
| P/E | 45.2 | 38.9 | 34.9 | 30.2 |
| P/BV | 13.7 | 12.1 | 11.3 | 10.6 |
| **Growth Ratios (%)** | | | | |
| AUM | 25.1 | 12.8 | 19.3 | 17.5 |
| Revenue from operations | 35.4 | 17.7 | 14.1 | 14.9 |
| EBITDA | 42.4 | 18.0 | 13.9 | 15.3 |
| PAT | 26.5 | 16.2 | 11.7 | 15.4 |
| **Operating Ratios (%)** | | | | |
| EBITDA margin | 79.9 | 80.1 | 79.9 | 80.1 |
| PAT margin | 60.6 | 61.9 | 60.3 | 60.6 |
| Rev/AUM | 0.46 | 0.48 | 0.46 | 0.45 |
| EBITDA/AUM | 0.37 | 0.38 | 0.37 | 0.36 |
| PAT/AUM | 0.32 | 0.33 | 0.31 | 0.31 |
| **Return Ratios (%)** | | | | |
| RoNW | 30.3% | 31.0% | 32.5% | 34.9% |

Source: Company, ICICI Direct Research

**Exhibit 4: Balance sheet** ₹ crore

| (₹ crore) | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Sources of Funds | | | | |
| Share capital | 107 | 214 | 214 | 214 |
| Reserves and surplus | 8,023 | 9,015 | 9,626 | 10,332 |
| Total Shareholders funds | 8,130 | 9,229 | 9,841 | 10,546 |
| Total financial Liabilities | 285 | 377 | 418 | 464 |
| Total Non Financial Liabilities | 335 | 386 | 424 | 467 |
| **Total** | **8,751** | **9,991** | **10,683** | **11,478** |
| | | | | |
| Applications of Funds | | | | |
| Property, plant and equipment | 183 | 261 | 282 | 304 |
| Goodwill | 6 | 6 | 6 | 6 |
| Intangible assets | 10 | 6 | 5 | 4 |
| Intangible asset under development | 0 | 2 | 2 | 2 |
| Investments | 8,255 | 9,362 | 10,096 | 10,944 |
| Long term loans and advances | 28 | | - | - |
| Other non financial assets | 49 | 52 | 58 | 65 |
| Total Current Assets and Others | 220 | 304 | 235 | 154 |
| **Total Assets** | **8,751** | **9,991** | **10,683** | **11,478** |

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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