

CMP: ₹2400

Target ₹ 3000 (25%)

Target Period: 12 months

BUY

October 16, 2026

Core franchise steady, focus on opex to support earnings...

About the stock: HDFC AMC is among the largest and profitable mutual funds with closing AUM of ₹9.6 lakh crore+ as on Q2FY27. Higher presence in equity-oriented schemes and stable yields enable it to maintain market share.

- Strong distribution network with 280 branches and over 1,13,000 empanelled distribution partners

Q2FY27 performance: HDFC AMC reported healthy performance, with QAAUM growing 10% YoY (4% QoQ) to ₹9.69 lakh crore, with overall market share at 11.1%. Actively managed equity-oriented QAAUM grew 14% YoY (67.1% of QAAUM compared to 57.5% for the industry). Revenue from operations grew 14% YoY (6% QoQ) to ₹1,169 crore, while operating profit increased 16% YoY (10% QoQ) to ₹907 crore, with operating margin at 36 bps of AUM. PAT stood at ₹750 crore, up 4% YoY (-11% QoQ); adjusted for tax provision reversal PAT grew ~12% YoY.

Investment Rationale:

- Retail franchise remains resilient amid competitive intensity:** QAAUM market share moderated marginally to ~11.1% (~12.3% ex-ETF) in Q2FY27, while actively managed equity market share remained healthy at ~12.7%. Retail traction remains encouraging, with SIP-only market share improving despite volatility, while moderation in systematic flows was largely attributable to lower STPs. Individual accounts grew 24% YoY, while unique investor penetration stood at ~28%, reflecting continued expansion in customer reach. Higher equity mix at ~67% versus ~58% for the industry remains supportive of yields. Further, expansion across SIFs, alternatives and international offerings should enable HDFC AMC to address a wider set of customers and provide incremental avenues for AUM growth.
- Margin resilience sustained; cost discipline provides flexibility:** Despite challenges on AUM growth and regulatory changes effective April 2026, operating margin remained healthy at ~36 bps and overall equity yield at ~58 bps, aided by favourable mix and continued cost discipline. Due to commencement of the EPFO fixed-income mandate, PMS AUM increased meaningfully to ~₹6.87 lakh crore, which should marginally aid topline and strengthen institutional capabilities. Continued investment across people, technology and newer businesses, alongside cost control, should support earnings as the franchise scales.

Rating and Target Price

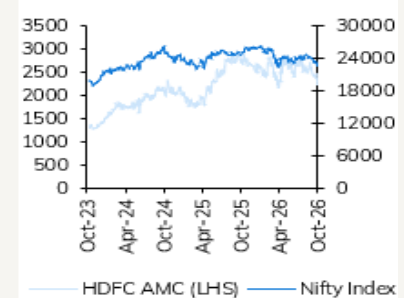
- Growth in the core equity franchise remained healthy, broadly tracking industry growth, while favorable equity mix and operating efficiencies supported yields and margin expansion. Continued focus on distribution coupled with scale-up of alternatives and new product offerings should support AUM growth and earnings trajectory. Expect steady growth of 13-~15% CAGR in earnings over FY26-28E. We maintain BUY rating on the stock, valuing it at ~34x FY28E EPS with target price of ₹3,000.

**Particulars**

Particulars	Amount
Market Capitalisation	₹ 1,03,304 crore
Closing AUM	₹ 9,21,000 crore
Net worth	₹ 8617 crore
52-week H/L	2948 / 2206
Face Value	₹ 5

Shareholding pattern

	Dec 25	Mar 26	Jun 26	Sept 26
Promoter	52.4	52.4	52.3	52.3
FII	23.9	24.5	24.1	24.1
DII	14.9	14.4	14.8	14.6
Others	8.7	8.7	8.8	9.1

Price Chart**Key risks**

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

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Key Financial Summary

₹ crore	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenue from operation (₹ crore)	3498	4119	23.9%	4885	5596	16.6%
PBT (₹ crore)	3286	3710	25.6%	4417	5063	16.8%
Net Profit (₹ crore)	2461	2859	26.2%	3313	3798	15.2%
EPS (₹)	57.6	66.8		77.4	88.7	
P/E (x)	41.7	35.9		31.0	27.1	
AUM /share (₹)	17645	19717		23534	27642	
P/AUM (%)	13.6	12.2		10.2	8.7	
DPS (₹)	45.0	54.0		62.6	71.7	
RoE (%)	30.3	31.0		33.6	35.9	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Industry data

- Industry QAAUM stood at ₹87.2 lakh crore for Q2FY27, up 13% YoY, with equity-oriented AUM at ₹50.2 lakh crore (+15% YoY), constituting ~58% of total AUM.
- Equity-oriented net inflows stood at ~₹1.16 lakh crore vs ~₹1.49 lakh crore in Q2FY26 and ~₹1.27 lakh crore in Q1FY27. Debt funds saw net outflows of ~₹60,700 crore, while liquid funds and the others bucket added ~₹45,700 crore and ~₹42,700 crore, respectively.
- SIP contributions reached ₹32,500 crore in Sep'26 vs ₹29,400 crore in Sep'25 (+11% YoY) and ₹31,800 crore in Jun'26, while contributing SIP accounts crossed 10 crore.
- Industry folios increased to 28.62 crore from 25.19 crore YoY, while unique investors increased to 6.33 crore from 5.70 crore.

HDFC AMC – AUM growth remains healthy

- QAAUM stood at ₹9.69 lakh crore (+10% YoY; +4% QoQ), with market share at 11.1% (12.3% ex-ETF). Actively managed equity QAAUM grew 14% YoY (+6% QoQ) to ₹6.09 lakh crore, with market share at 12.7%.
- Equity-oriented QAAUM stood at ₹6.51 lakh crore, with equity mix at 67.1% vs industry's 57.5%. Debt QAAUM stood at ₹1.62 lakh crore (-13% YoY; -2% QoQ) with 13.0% share, while liquid QAAUM grew 10% YoY to ₹86,000 crore with 9.9% share.
- Unique investors increased to 1.77 crore, representing 28% industry penetration, while live individual accounts increased 24% YoY to 3.22 crore.
- Closing AUM stood at ₹9.21 lakh crore (+6% YoY; -1% QoQ), while actively managed equity closing AUM stood at ₹5.88 lakh crore (+9% YoY; -1% QoQ), with market share at 12.7%.
- Systematic transactions (SIP+STP) stood at ~₹4,800 crore in Q2FY27 (+6% YoY) across ~1.9 crore transactions. Management attributed the moderation to lower STPs amid market volatility, while SIP-only market share improved.
- Market share moderated in certain hybrid categories, including Multi-Asset, Aggressive Hybrid and Equity Savings; management has strengthened investment management and sales focus in these categories.

Margins

- Active equity yield stood at 61 bps, overall equity at 58 bps, debt at ~28-29 bps and liquid at 13 bps. The marginal sequential improvement was largely driven by asset mix. Management highlighted that three schemes have AUM of >₹1 lakh crore each, wherein the slab-based TER structure results in lower yields as scheme AUM scales.
- Revenue from operations grew 14% YoY to ₹1,169 crore; operating profit rose 16% YoY to ₹907 crore with operating margin at 36 bps. PBT grew 12% YoY to ₹978 crore, while PAT stood at ₹750 crore; YoY comparison was impacted by a ₹46.8 crore tax provision reversal in Q2FY26.
- Total expenses stood at ₹262 crore (+6% YoY; -3% QoQ), with employee cost at ₹141 crore (+14% YoY). ESOP charge stood at ₹18.6 crore vs ₹22.7 crore in Q1FY27, with FY27 charge expected at ~₹79-80 crore. Management reiterated cost discipline while continuing investments across people, technology and new businesses.

Others

- AIF commitments stood at ~₹4,000 crore, with the alternatives platform expanding through Select Opportunities Fund (Category-II) and Emerging Opportunities Fund (Category-III). Existing Category-II FoF is almost fully committed across 13 GPs, while the private credit fund is nearing final close.

- PMS/SMA/advisory closing AUM stood at ~₹6.87 lakh crore, aided by the EPFO fixed-income mandate going live during Q2FY27. AIF fees are ~80-90 bps depending on the product, while discretionary PMS economics are broadly comparable to equity mutual funds; government mandates such as EPFO/SPFO carry lower pricing.
- Management expects a couple of SIF launches over the next two quarters after building the required systems/processes and hiring two senior investment professionals.
- Management indicated that scale is not constraining investment flexibility in mid/small-cap funds; the mid-cap fund has AUM of >₹1 lakh crore, while the small-cap fund at ~₹40,000 crore remains ~0.5% of the underlying small-cap universe, broadly similar to 2019.
- Passive platform has ~50 products across index funds, ETFs and other strategies, while the international platform has six inbound funds and two recently launched outbound feeder funds.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY26	QoQ (%)	Comments
Revenue from operation	1,170.2	1,027.4	13.9	1,099.7	6.4	Revenue growth remained steady supported by growth in equity AUM
Revenue/AAUM	0.48%	0.47%	2 bps	0.47%	1 bps	Revenue yields remained stable
Other Income	71.3	96.2	-25.9	262.8	-72.9	Decline in markets led to MTM losses
Net Total Income	1,241.5	1,123.6	10.5	1,362.6	-8.9	
Staff cost	141.7	123.8	14.5	143.6	-1.3	Employee cost includes ₹18.6 crore
Other Operating Expenses	102.4	106.0	-3.4	109.4	-6.5	
Total Expenses	264.8	247.6	6.9	273.5	-3.2	
PBT	976.7	876.0	11.5	1,089.0	-10.3	
Tax	227.9	157.5	44.7	251.9	-9.5	
PAT	748.7	718.4	4.2	837.1	-10.6	Adjusting for tax in Q2FY26, growth is 12%
Total AUM	9,21,000	8,72,800	5.5	9,31,900	-1.2	Overall market share declined by 20 bps QoQ to 11.1%

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	4,885	5,596
Growth (%)	35.4%	17.7%	18.6%	14.6%
Other Income	560	499	593	679
Total Revenue	4,058	4,617	5,478	6,275
Growth (%)	28.3%	13.8%	18.6%	14.5%
Employee Benefit Expenses	388	481	581	678
Other Expenses (incl fees)	316	340	389	437
Total operating Expenses	704	821	970	1,115
EBITDA	2,794	3,297	3,915	4,481
Growth (%)	42.4%	18.0%	18.7%	14.5%
Depreciation & Amortization Expense	58	73	78	83
Interest expense	9	13	13	13
Profit Before Tax	3,286	3,710	4,417	5,063
Taxes	825	851	1,104	1,266
Profit After Tax	2,461	2,859	3,313	3,798
EPS (₹)	57.6	66.8	77.4	88.7

Source: Company, ICICI Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No of Equity shares (crore)	42.8	42.8	42.8	42.8
EPS	57.6	66.8	77.4	88.7
DPS	45.0	54.0	62.6	71.7
BVPS	190.1	215.6	230.4	247.4
P/E	41.7	35.9	31.0	27.1
P/BV	12.6	11.1	10.4	9.7
Growth Ratios (%)				
AUM	25.1	12.8	19.3	24.0
Revenue from operations	35.4	17.7	18.6	14.6
EBITDA	42.4	18.0	18.7	14.5
PAT	26.5	16.2	15.9	14.6
Operating Ratios (%)				
EBITDA margin	79.9	80.1	80.1	80.1
PAT margin	60.6	61.9	60.5	60.5
Rev/AUM	0.46	0.49	0.48	0.47
EBITDA/AUM	0.37	0.38	0.38	0.35
PAT/AUM	0.32	0.33	0.32	0.30
Return Ratios (%)				
RoNW	30.3%	31.0%	33.6%	35.9%

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet (₹ crore)

(₹ crore)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Share capital	107	214	214	214
Reserves and surplus	8,023	9,015	9,649	10,377
Total Shareholders' funds	8,130	9,229	9,864	10,591
Total financial Liabilities	285	377	418	464
Total Non-Financial Liabilities	335	386	424	467
Total	8,751	9,991	10,706	11,522
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	10,124	10,997
Long term loans and advances	28	0	0	0
Other non-financial assets	49	52	58	65
Total Current Assets and Others	220	304	230	145
Total Assets	8,751	9,991	10,706	11,522

Source: Company, ICICI Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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