

India

ADD (no change)

Consensus ratings*: Buy 21 Hold 5 Sell 1

Current price:	Rs4,218
Target price: ▲	Rs4,900
Previous target:	Rs4,600
Up/downside:	16.2%
InCred Research / Consensus:	9.0%

Reuters:	
Bloomberg:	HDFCAMC IN
Market cap:	US\$10,563m Rs901,779m
Average daily turnover:	US\$21.6m Rs1841.7m
Current shares o/s:	213.2m
Free float:	47.5%

*Source: Bloomberg

Key changes in this note

- The decline in QAAUM is on account of volatile markets, but largely stable yields and treasury gains aided PAT.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.2	4.6	11.8
Relative (%)	7.9	1.0	4.0

Major shareholders	% held
HDFC	52.5
SBI MF	2.8
UTI Pension	2.1

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HDFC AMC

Strong performance amid volatile markets

- HDFC AMC posted in-line 4QFY25 PAT at Rs6.4bn, flat qoq despite a dip in QAAUM, aided by stable revenue yield, treasury gains and flat opex.
- QAAUM declined by ~2% qoq as equity QAAUM fell by ~4% qoq due to volatile capital markets. SIP inflow declined by ~4.5% qoq, largely led by STPs.
- We appreciate the strong performance amid volatile markets and expect the same to aid in market share gains. Retain ADD rating with a new Rs4,900 TP.

Sequentially stable PAT led by flat margin, treasury gains

HDFC AMC posted in-line 4QFY25 PAT at Rs6.4bn, flat qoq, with stable revenue and operating yields. Revenue yield was ~46bp, stable qoq despite the sequential decline in QAAUM (down ~2% qoq). Other income was up by ~33% qoq aided by treasury gains, which were offset by mark-to-market or MTM losses on account of mandated investments in own funds. The operating margin was stable, led by largely stable other expenses. The company has proposed a new ESOP scheme 2025 which, if approved, will lead to the vesting being spread 10% in the first year, followed by 20% in the next year, and 30% and 40% in the following years. We expect revenue yield to witness pressure from telescopic pricing, although we expect market share gains to partially offset the same.

QAAUM declines by ~2% qoq due to volatile equity markets

QAAUM grew by ~26% yoy and declined by ~2% qoq to Rs7.7tr on account of volatile capital markets which dented equity AUM. Equity AUM declined by ~4% qoq to constitute ~59.5% of the assets under management or AUM, weighed down by capital market volatility. Systematic investment plan or SIP inflow declined by ~4.5% qoq, largely on account of outflow from systematic transfer plans (STPs). Debt funds remained largely flat qoq, constituting ~20.5% of AUM. A similar trend was seen in liquid funds, up by ~1% qoq, constituting ~11% of AUM. There is one new product (on the private credit side) in the pipeline. HDFC AMC has been able to maintain a stable share qoq despite volatile market movement. We expect HDFC AMC to continue gaining market share led by its wide distribution network and strong scheme-level performance.

Outlook and valuation

We appreciate the strong scheme-wise performance of the company which, in turn, places it in an advantageous position amid heightened market volatility. Historically, we have witnessed higher market share movement towards better performing schemes during market volatility. Thus, we anticipate near-term and medium-term market gains on account of its strong distribution network and consistently strong performance. We retain our ADD rating on HDFC AMC with a higher target price of Rs4,900 (Rs4,600 earlier) or ~28x FY27F EPS, largely due to consistently strong performance. Downside risks: Lower growth & industry-related risks.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	31,624	40,583	50,452	61,290	73,817
Operating Revenue (Rsm)	31,624	40,583	50,452	61,290	73,817
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	19,459	24,611	31,043	37,441	44,713
Core EPS (Rs)	91.27	115.43	145.60	175.62	209.72
Core EPS Growth	37%	26%	26%	21%	19%
FD Core P/E (x)	46.21	36.54	28.97	24.02	20.11
DPS (Rs)	70.00	90.00	116.00	140.00	167.00
Dividend Yield	1.66%	2.13%	2.75%	3.32%	3.96%
BVPS (Rs)	332.0	381.5	410.9	446.2	488.6
P/BV (x)	12.70	11.06	10.27	9.45	8.63
ROE	29.5%	32.4%	36.7%	41.0%	44.9%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	QoQ (%)
Revenue from operations	5,745	6,431	6,713	6,954	7,752	8,872	9,344	9,012	29.6%	-3.5%
Total revenue (Rs m)	7,326	7,652	8,138	8,509	9,483	10,578	10,271	10,250	20.5%	-0.2%
Total expenditure	1,612	1,761	1,751	1,718	1,959	1,991	1,872	1,897	10.4%	1.3%
Cost-to-income (%)	22.0%	23.0%	21.5%	20.2%	20.7%	18.8%	18.2%	18.5%		
Profit before tax	5,714	5,891	6,386	6,791	7,525	8,587	8,400	8,353	23.0%	-0.5%
Tax	939	1,516	1,489	1,380	1,485	2,818	1,985	1,966	42.5%	-0.9%
Tax rate (%)	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%		
Profit after tax	4,775	4,376	4,897	5,411	6,040	5,769	6,415	6,387	18.0%	-0.4%
QAAUM (Rs tr)	4.86	5.25	5.52	6.13	6.72	7.59	7.87	7.74	26.3%	-1.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

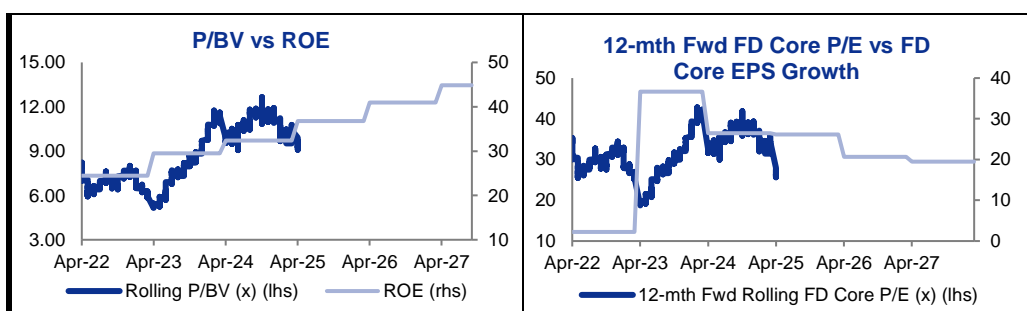
Y/E Mar (Rs m)	FY26F			FY27F			FY28F		
	Earlier	Revised	Variance	Earlier	Revised	Variance	Earlier	Revised	Variance
Revenue from operations	50,226	50,452	0.5%	60,931	61,290	0.6%	-	73,817	-
PAT	30,875	31,043	0.5%	37,378	37,441	0.2%	-	44,713	-
EPS (Rs)	145	145	0.1%	175	175	-0.3%	-	209	-
Dividend payout (%)	80	80	0.0%	80	80	0.0%	-	80	-
QAAUM (Rs tr)	9.8	9.7	-0.5%	12.0	12.0	-0.4%	-	14.8	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QFY25 earnings call highlights ►

- Yields on the outstanding book were stable qoq, with equity fund yield at 58 bp, debt funds at 28bp and liquid funds at 12bp.
- The operating yield was flat qoq at 37bp.
- The new ESOP scheme is seeking approval for the issue of 2.5m shares, which is lower than the last ESOP scheme's 3.2m shares.
- From the previous scheme, 2.3m shares were granted and 8,70,000 shares stand cancelled.
- The skin-in-the game participation in the alternate investment fund or AIF side is ~10%.
- The company has a product (on the private credit side) in the pipeline - HDFC Credit Opportunities Fund.
- Management indicated that the company would have ~10% participation in the new fund on account of skin-in-the game considerations.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income					
Total Non-Interest Income	31,624	40,583	50,452	61,290	73,817
Operating Revenue	31,624	40,583	50,452	61,290	73,817
Total Non-Interest Expenses	(6,842)	(7,718)	(9,607)	(12,025)	(14,984)
Pre-provision Operating Profit	24,782	32,864	40,846	49,265	58,833
Total Provision Charges					
Operating Profit After Provisions	24,782	32,864	40,846	49,265	58,833
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	24,782	32,864	40,846	49,265	58,833
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	24,782	32,864	40,846	49,265	58,833
Exceptional Items					
Pre-tax Profit	24,782	32,864	40,846	49,265	58,833
Taxation	(5,323)	(8,254)	(9,803)	(11,824)	(14,120)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	19,459	24,611	31,043	37,441	44,713
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	19,459	24,611	31,043	37,441	44,713
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	0.1%	0.1%	0.2%	0.6%	1.4%
Avg Liquid Assets/Avg IEAs					
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans					
Provision Charge/Avg Assets					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans					
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets					
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets					
Intangible Assets					
Other Non-Interest Earning Assets	2,102	2,607	2,549	2,494	2,442
Total Non-Interest Earning Assets	3,466	4,421	4,272	4,131	3,997
Cash And Marketable Securities	112	128	312	791	2,260
Long-term Investments	71,900	82,889	89,934	98,028	106,851
Total Assets	75,478	87,437	94,518	102,950	113,108
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	4,785	6,195	6,916	7,815	8,936
Total Liabilities	4,785	6,195	6,916	7,815	8,936
Shareholders Equity	70,791	81,341	87,603	95,135	104,172
Minority Interests					
Total Equity	70,791	81,341	87,603	95,135	104,172

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth					
Operating Profit Growth	32.5%	32.6%	24.3%	20.6%	19.4%
Pretax Profit Growth	32%	33%	24%	21%	19%
Net Interest To Total Income					
Cost Of Funds					
Return On Interest Earning Assets					
Net Interest Spread					
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit					
Interest Return On Average Assets					
Effective Tax Rate	21.5%	25.1%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio					
Return On Average Assets	27.64%	30.21%	34.12%	37.92%	41.39%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.