

### Q3FY25: Strong set of numbers

HDFC AMC had a strong quarter with PAT of Rs6.4bn (10% ahead of our estimate) with QAAUM of Rs7.9tn at end-Q3FY25. Actively managed equity segment grew 51% yoy to Rs4.8tn. The overall market share increased by 30bps yoy to 11.5% and actively managed equity QAAUM grew 20bps yoy to 12.8%. Yield stood at 47bps at the end of both, Q3FY25 and 9MFY25. Distribution trends remained broadly stable, although the direct channel is growing stronger. We roll over valuation to FY27 with a revised target price (TP) of Rs4,990 (vs Rs4,545 earlier), valuing the company at an unchanged multiple of 36x. We upgrade HDFC AMC to BUY with a potential upside of 29% based on: (i) strong numbers and (ii) 14% price decline over the last three months.

**Robust quarter:** HDFC AMC's QAAUM grew 43% yoy to Rs7.9tn (in line with estimate) at end-Q3FY25 with the actively managed equity segment growing at an even higher rate of 51% yoy. SIP AUM grew 38% yoy to Rs1.8tn, constituting 37% of the actively managed equity AUM. Revenue/Core operating profit at Rs10.3bn/Rs7.6bn increased 26%/50% yoy. PAT grew 31% yoy and 11% qoq to Rs6.4bn (10% ahead of our estimate). Due to reduced other income and Q2 being a one-time event, taxes were lower sequentially at 23.6%. Core PAT grew 51% yoy to Rs5.7bn. Live accounts totalled 22.1mn as of Dec'24 and unique customers stood at 12.6mn with a higher market share (24% vs. 21% in Dec'23). We increase our QAAUM forecast by 5% over FY25-FY27. We have also increased our PAT estimates by 4-5% and core PAT by 7-10%.

**Distribution trends stable; Direct channel gains traction:** Direct channels contributed 41% to AUM in Q3FY25 (+260bps yoy), offset by 270bps yoy decline in MFDs to 26.6%. HDFC Bank, however, brought in only 5.7% (down 30bps yoy) of the business. The Equity business saw MFDs contributing the highest at 34.4% followed by Direct at 27.0% (+270bps yoy) and National Distributors at 25.4%.

**Yields stable:** The blended yield remained stable at 47bps for Q3FY25, aided by higher growth in equity AUM. PAT yield stood at 33bps for Q3, sequentially higher owing to a lower tax rate. In Q3FY25, the yield on equity AUM stood at 58bps whereas it was at 28bps for Debt and 12-13bps for Liquid. We continue to build a declining yield trend for the forecasted period owing to the telescopic pricing.

**Equity market share improves:** HDFC AMC's market share in QAAUM increased 30bps yoy to 11.5% and actively managed equity QAAUM grew 20bps yoy to 12.8%. Equity constituted 65% of QAAUM at end-Q3FY25 vs. 61% in Q3FY24. Debt QAAUM grew 17% yoy to Rs1.6tn, with a stable market share of 13.2%. Liquid QAAUM grew 35% yoy to Rs843bn with a market share of 12.9%.

**Upgrade to BUY:** We expect 15% net profit CAGR over FY24-FY27, driven by 21% CAGR in MF QAAUM. Q3FY25 remained a strong quarter despite market volatility. We roll over valuation to FY27, valuing the company at an unchanged target multiple of 36x (5% premium to long-term mean) to arrive at a TP of Rs4,990 (vs Rs4,545 earlier). Upgrade to BUY. **Key risks:** slowdown in AUM growth, equity net outflows, scheme under-performance and regulatory intervention in TER.

### Financial and valuation summary

YE Mar (Rs mn)	3QFY25A	3QFY24A	YoY (%)	2QFY24A	QoQ (%)	FY25E	FY26E	FY27E
Revenue from operations	9,346	6,713	39.2	8,872	5.3	35,323	39,405	44,277
Total Expenses	1,879	1,773	5.9	1,998	-6.0	7,888	9,306	10,514
Core Operating Profits	7,639	5,092	50.0	7,034	8.6	27,435	30,098	33,764
Other Income	931	1,429	-34.8	1,710	-45.6	5,155	5,364	5,896
PBT	8,399	6,368	31.9	8,584	-2.2	32,590	35,463	39,660
Total Tax Expense	1,985	1,489	33.3	2,818	-29.6	8,473	8,866	9,915
Profit After Tax	6,414	4,879	31.4	5,766	11.2	24,116	26,597	29,745
Core PAT	5,703	3,785	50.7	4,618	23.5	20,302	22,574	25,323
P/E						34.4	31.2	27.9
P/B						10.6	9.8	9.0
ROE (%)						32.4	32.7	33.7

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

### Result Update

India I AMC

14 January, 2025

### BUY

Price: Rs3,864

Target Price: Rs4,990

Forecast return: 29%

Institutional Research

### Market Data

Bloomberg:	HDFCAMC IN
52 week H/L:	4,864/3,255
Market cap:	Rs826bn
Shares Outstanding:	213.6mn
Free float:	43.2%
Avg. daily vol. 3mth:	4,87,129

Source: Bloomberg

### Changes in the report

Rating:	REDUCE to BUY
Target price:	Rs4,545 to Rs4,990
	FY25E: Rs107.8 to Rs112.4
EPS:	FY26E: Rs119.2 to Rs124.0
	FY27E: Rs133.3 to Rs138.7

Source: Centrum Broking

### Shareholding pattern

	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	52.5	52.5	52.5	52.6
FII	21.3	21.6	20.6	20.0
DII	17.0	16.9	17.7	18.4
Public/other	9.2	9.0	9.2	9.0

Source: BSE

### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY25	Actual Q3FY25	Variance (%)
AUM (Rs bn)	7,892	7,874	-0.2
Revenue	9,075	9,346	3.0
PBT	7,774	8,399	8.0
PAT	5,830	6,414	10.0



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## Thesis Snapshot

### Estimate revision

YE Mar (Rs mn)	FY26E New	FY26E Old	% chg	FY27E New	FY27E Old	% chg
AUM (Rs bn)	9,419	8,947	5.3	10,836	10,289	5.3
Total income	44,769	42,481	4.5	50,173	47,936	4.7
Total operating expenses	8,542	8,355	2.2	9,625	9,408	2.3
Profit after tax	26,597	25,481	4.4	29,745	28,480	4.4
Core PAT	22,574	21,099	7.0	25,323	23,706	6.8

Source: Centrum Broking

### Company versus NIFTY 50

	1m	6m	1 year
HDFCAMC IN	(14.8)	(7.3)	11.9
NIFTY 50	(6.4)	(5.7)	4.9

Source: Bloomberg, NSE

### Key assumptions

YE Mar	FY25E	FY26E	FY27E
QAAUM	33%	15%	15%
Equity	45%	18%	17%
Debt	12%	10%	10%
Liquid	8%	2%	5%
Others	40%	22%	20%

Source: Centrum Broking

### Valuation

HDFC AMC had a strong Q3FY25 despite the markets being volatile. The company has been among the top 3 MF players and has been increasing its market share. The equity AUM has been growing stronger, with yields being broadly stable. We roll over valuation to FY27E EPS, valuing the company at an unchanged target multiple of 36x (5% premium to long-term mean) to arrive at a TP of Rs4,990 (vs Rs4,545 earlier).

#### P/E mean and standard deviation



Source: Bloomberg, Centrum Broking

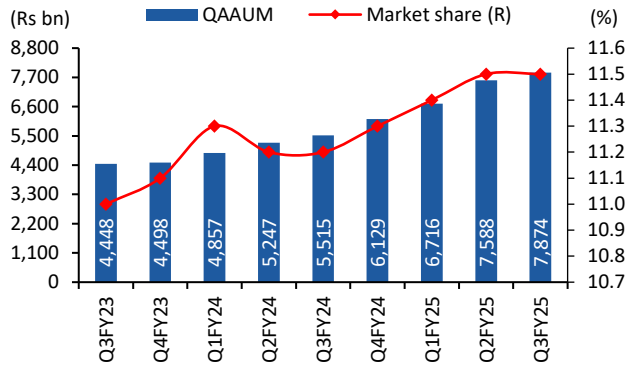
### Peer comparison

Comparison	Rating	QAAUM – FY24 (Rs bn)	PAT– FY24 (Rs mn)	CMP (Rs)	Target Price (Rs)	Upside (%)	P/E		Implied P/E	
							FY26E	FY27E	FY26E	FY27E
HDFC AMC	BUY	6,129	19,427	3,864	4,990	29.2%	31.2	27.9	40.2	36.0
ABSL AMC	REDUCE	3,317	7,804	738	750	1.6%	21.7	19.7	22.1	20.0
Nippon AMC	BUY	4,313	11,063	638	850	33.2%	26.5	23.3	35.2	31.1
UTI AMC	REDUCE	2,909	8,020	1,186	1,190	0.4%	18.7	17.3	18.7	17.4

Source: Company, Centrum Broking

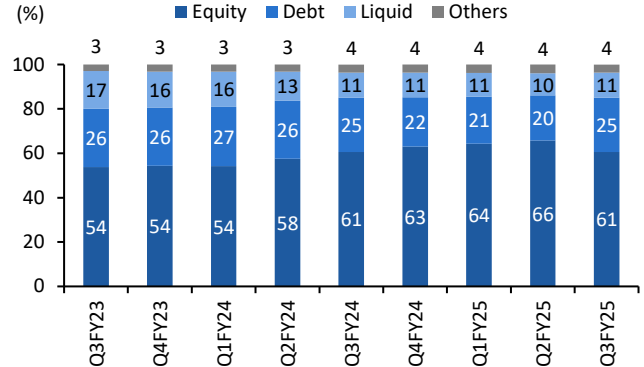
## Key charts

**Exhibit 1: QAAUM grew 43% yoy at end Q3FY25**



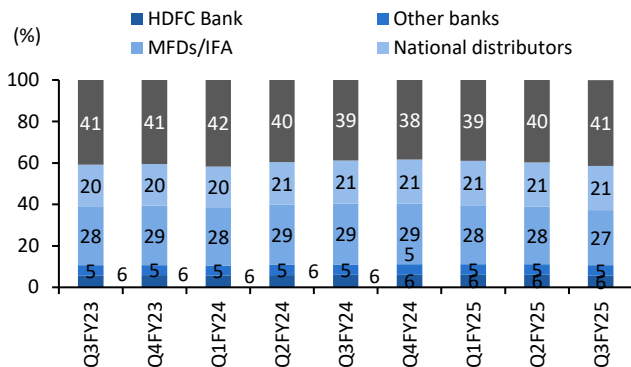
Source: Company Data, Centrum Broking

**Exhibit 2: Equity QAAUM within mix remains above 60%**



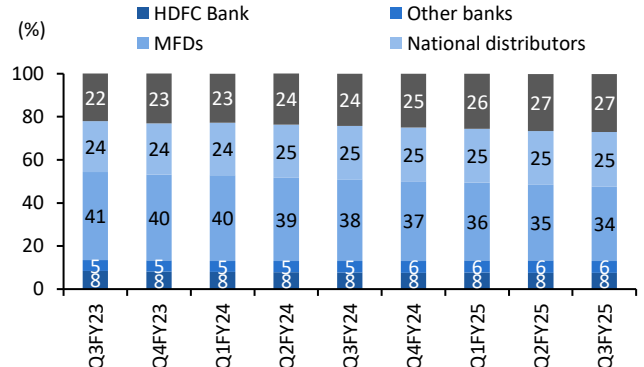
Source: Company Data, Centrum Broking

**Exhibit 3: Distribution network remained stable on overall AUM**



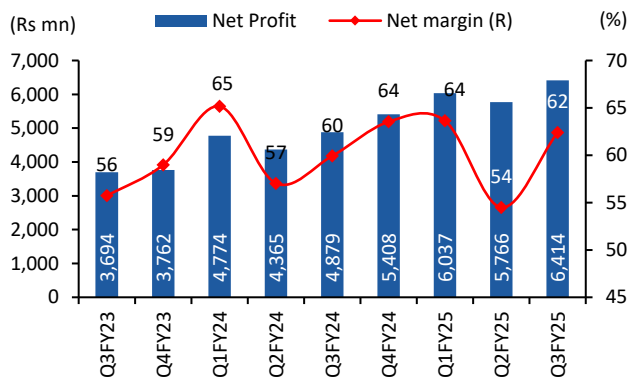
Source: Company Data, Centrum Broking

**Exhibit 4: Direct share within equity AUM increased to 27%**



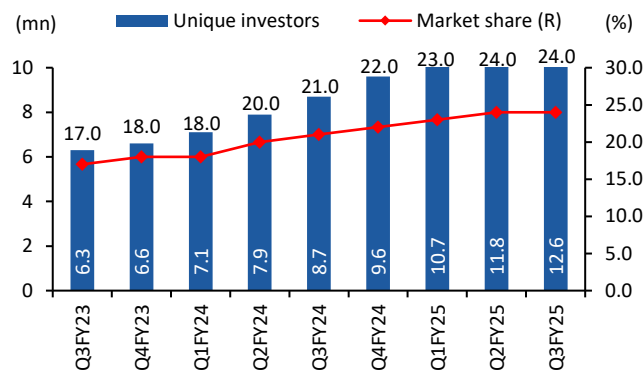
Source: Company Data, Centrum Broking

**Exhibit 5: Net profit grew 31% yoy**



Source: Company Data, Centrum Broking

**Exhibit 6: Unique investors grew on consistent basis**



Source: Company Data, Centrum Broking

## Key financials

### Exhibit 7: Key financials

	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
<b>Revenue from Operations</b>								
Asset Management Services	9,346	6,713	39.2	8,872	5.3	25,971	18,889	37.5
Other Income	931	1,429	-34.8	1,710	-45.6	4,375	4,232	3.4
<b>Total Income</b>	<b>10,277</b>	<b>8,142</b>	<b>26.2</b>	<b>10,582</b>	<b>-2.9</b>	<b>30,346</b>	<b>23,121</b>	<b>31.2</b>
<b>Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fees and Commission Expenses	11	5	144.4	9	22.2	29	18	59.3
Employee Benefits Expenses	953	906	5.3	959	-0.6	2,924	2,674	9.4
Other Expenses	743	711	4.5	869	-14.5	2,401	2,010	19.4
<b>Total Operating Expenses</b>	<b>1,708</b>	<b>1,621</b>	<b>5.3</b>	<b>1,838</b>	<b>-7.1</b>	<b>5,354</b>	<b>4,702</b>	<b>13.9</b>
<b>EBITDA</b>	<b>8,570</b>	<b>6,521</b>	<b>31.4</b>	<b>8,744</b>	<b>-2.0</b>	<b>24,992</b>	<b>18,419</b>	<b>35.7</b>
Depreciation, Amortisation and Impairment	149	131	13.8	137	8.4	419	390	7.5
Finance Costs	22	22	3.2	23	-1.8	68	68	0.4
<b>Core operating profit</b>	<b>7,639</b>	<b>5,092</b>	<b>50.0</b>	<b>7,034</b>	<b>8.6</b>	<b>20,617</b>	<b>14,187</b>	<b>45.3</b>
<b>Profit Before Tax</b>	<b>8,399</b>	<b>6,368</b>	<b>31.9</b>	<b>8,584</b>	<b>-2.2</b>	<b>24,505</b>	<b>17,962</b>	<b>36.4</b>
Current Tax	1,841	1,373	34.1	1,869	-1.5	5,358	3,949	35.7
Deferred Tax Charge/(Credit)	144	116	24.2	950	-84.8	930	-6	NA
<b>Profit After Tax</b>	<b>6,414</b>	<b>4,879</b>	<b>31.4</b>	<b>5,766</b>	<b>11.2</b>	<b>18,217</b>	<b>14,019</b>	<b>30.0</b>
<b>Core PAT</b>	<b>5,703</b>	<b>3,785</b>	<b>50.7</b>	<b>4,618</b>	<b>23.5</b>	<b>14,966</b>	<b>10,695</b>	<b>39.9</b>
<b>AUM (Rs bn)</b>	<b>Q3FY25</b>	<b>Q3FY24</b>	<b>YoY (%)</b>	<b>Q2FY25</b>	<b>QoQ (%)</b>	<b>9MFY25</b>	<b>9MFY24</b>	<b>YoY (%)</b>
<b>QAAUM</b>	7,874	5,515	42.8	7,588	3.8	7,874	5,515	42.8
Actively Managed Equity-oriented QAAUM	4,782	3,166	51.0	4,676	2.3	4,782	3,166	51.0
Debt - QAAUM	1,588	1,353	17.4	1,549	2.5	1,588	1,353	17.4
Liquid - QAAUM	843	625	34.9	754	11.8	843	625	34.9
<b>Market share (%)</b>								
QAAUM	11.5	11.2	30 bps	11.5	0 bps	11.5	11.2	30 bps
Actively managed equity-oriented - QAAUM	12.8	12.6	20 bps	12.9	(10 bps)	12.8	12.6	20 bps
Debt – QAAUM	13.2	13.2	0 bps	13.5	(30 bps)	13.2	13.2	0 bps
Liquid - QAAUM	12.9	11.5	140 bps	12.1	80 bps	12.9	11.5	140 bps
<b>Others</b>	<b>Q3FY25</b>	<b>Q3FY24</b>	<b>YoY (%)</b>	<b>Q2FY25</b>	<b>QoQ (%)</b>	<b>9MFY25</b>	<b>9MFY24</b>	<b>YoY (%)</b>
Number of Live Individual Accounts (mn)	22	15	49.4	21	6.8	22	15	49.4
Individual MAAUM (Rs bn)	5,599	4,070	37.6	5,554	0.8	5,599	4,070	37.6
Unique Investors (mn)	13	9	44.8	12	6.8	13	9	44.8
Systematic Transactions (Rs bn)	38	26	45.2	37	3.8	38	26	45.2
SIP AUM (Rs bn)	1,777	1,288	38.0	1,786	-0.5	1,777	1,288	38.0
B-30 share in AUM (%)	19.3	18.8	50 bps	19.5	(20 bps)	19.3	18.8	50 bps
	<b>Q3FY25</b>	<b>Q3FY24</b>	<b>YoY</b>	<b>Q2FY25</b>	<b>QoQ</b>	<b>9MFY25</b>	<b>9MFY24</b>	<b>YoY</b>
Net margin (%)	62.4	59.9	248 bps	54.5	792 bps	60.0	60.6	(60 bps)
Revenue yield (bps)	47	49	(1 bps)	47	1 bps	47	48	(2 bps)

Source: Company Data, Centrum Broking

## Concall Highlights

### Industry highlights

- Industry QAAUM grew 39% yoy to Rs68.6tn at end-Q3FY25. QAAUM for equity-oriented funds stood at Rs39.1tn, registering a growth of 51% yoy. QAAUM for debt and liquid funds at end Q3FY25 was at Rs12.1tn and Rs6.5tn, respectively.
- Net flows into equity-oriented MFs totalled Rs1.6tn while flows into debt funds stood at Rs218bn; liquid funds clocked Rs210bn and ETF/other flows stood at Rs196bn at end-Q3FY25. Industry SIPs reached Rs265bn in Dec'24 compared to Rs176bn in Dec'23.
- SIP AUM at end-Q3FY25 stood at Rs13.6tn compared to Rs10tn in Q3FY24.

### Business highlights

- HDFC AMC's revenue from asset management operations grew by 39% yoy to Rs 9.3bn. Owing to MTM losses following soft equity markets, other income was at Rs931mn compared to Rs1.4bn in Q3FY24.
- Employee expenses grew 5% yoy to Rs953mn. At end-9MFY25, employee expenses grew 9% yoy to Rs2.9bn. Other expenses rose 5% yoy and declined 15% qoq in Q3FY25 to Rs743mn. The company believes that overall employee costs as well as other expenses should grow ~12% to 15%.
- PAT grew 31% yoy to Rs6.4bn in Q3FY25 on a revenue of Rs10.3bn (+26% yoy).
- As of Dec'24, 70.2% of the company's total MAAUM was contributed by individual investors compared to 61.4% for the industry.
- Live accounts totalled 22.1mn as on Dec'24. Unique customers stood at 12.6mn with a market share of 24%.

### Yields

- In Q3FY25, equity yield was 58bps, debt yield was 28bps and liquid yield was 12-13bps.
- The marginal increase in yields in Q3 was on account of: (i) full effect of distribution commission rationalisation effective 1st August and (ii) Direct plan change that happens because of the rationalization of commission, which tends to get affected with a lag. The direct plan TERs went up in mid-Sept'24 and then again in mid-Oct'24.

### Distribution

- The share of direct channel in equity oriented AUM has increased to 27% at end Q3FY25 from 24.3% at end Q3FY24. This is due to increasing number of investors choosing to invest directly with the company or through RIAs and fintechs.
- The company has over 95,000 distribution partners (MFDs, National Distributors and Banks) serviced through a total of 280 offices, of which 196 are in B-30 locations. This includes 25 new offices inaugurated on 2nd January 2025. The contribution of B-30 locations to total monthly average AUM for Dec'24 was 19.3%.
- The company strengthened its position as the second largest player in B-30 markets with a 12% market share in terms of monthly average AUM for Dec'24.

### Others

- The company now has three funds which are live in the GIFT city, with AUM exceeding USD150mn and it is looking to add two more products in this quarter.
- The company is awaiting final guidelines on the new asset class.

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Investment management fees	21,608	25,806	35,276	39,351	44,216
PMS and Advisory Fees	60	38	46	53	61
Revenue from operations	21,668	25,844	35,323	39,405	44,277
Total Expenses	6,126	6,884	7,888	9,306	10,514
Core Operating Profits	15,542	18,960	27,435	30,098	33,764
Other Income	3,158	5,790	5,155	5,364	5,896
PBT	18,700	24,750	32,590	35,463	39,660
Tax	4,467	5,323	8,473	8,866	9,915
Tax Rate (%)	23.9	21.5	26.0	25.0	25.0
PAT	14,233	19,427	24,116	26,597	29,745
Core PAT	11,830	14,882	20,302	22,574	25,323
Proposed Dividend	10,235	14,944	16,881	19,948	22,309

Profitability Ratios					
YE Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue yield (bps)	49	49	49	45	44
PAT yield (bps)	32	37	34	30	29
Core PAT yield (bps)	27	28	28	26	25
ROAA	22.9	27.6	30.5	30.9	31.7
ROAE	24.5	29.5	32.4	32.7	33.7
Core ROAE	20.3	22.6	27.3	27.8	28.7
ROAAUM	0.32	0.37	0.34	0.30	0.29
Dividend Payout ratio	71.9	77.0	70.0	75.0	75.0

DuPont (% avg AUM)					
YE Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Investment management fees	0.49	0.49	0.49	0.45	0.44
PMS and Advisory Fees	0.00	0.00	0.00	0.00	0.00
Revenue from operations	0.49	0.49	0.49	0.45	0.44
Total Expenses	0.14	0.13	0.11	0.11	0.10
Core Operating Profits	0.35	0.36	0.38	0.34	0.33
Other Income	0.07	0.11	0.07	0.06	0.06
PBT	0.42	0.47	0.46	0.40	0.39
Tax	0.10	0.10	0.12	0.10	0.10
PAT	0.32	0.37	0.34	0.30	0.29

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity Share Capital	1,067	1,067	1,067	1,067	1,067
Reserves & Surplus	60,011	69,683	76,921	83,570	91,006
Net Worth	61,078	70,750	77,988	84,637	92,074
Liabilities	4,283	4,788	4,482	5,082	6,107
Total Liabilities & Equity	65,361	75,539	82,470	89,719	98,181
Cash and Bank balance	70	400	648	1,306	1,161
Investments	60,762	71,560	78,378	84,775	93,190
Other Assets	4,530	3,578	3,444	3,639	3,830
Total Assets	65,361	75,539	82,470	89,719	98,181

AUM data					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
QAAUM (Rs bn)	4,498	6,129	8,164	9,419	10,836
Equity	51.5	59.6	64.8	66.3	67.4
Debt	26.2	22.3	18.8	17.9	17.1
Liquid	16.2	11.0	8.9	7.9	7.2
Others	6.0	7.1	7.5	7.9	8.3

Growth ratios (%)					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
QAAUM	4.1	36.3	33.2	15.4	15.0
Revenue from operations	2.4	19.3	36.7	11.6	12.4
PBT	0.8	32.4	31.7	8.8	11.8
Core PAT	2.5	25.8	36.4	11.2	12.2
PAT	2.2	36.5	24.1	10.3	11.8
EPS	2.2	36.2	23.7	10.3	11.8

Per share data (Rs)					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
EPS	66.7	90.9	112.4	124.0	138.7
BVPS	286.4	331.0	363.6	394.6	429.2
DPS	48.0	70.0	79.0	93.4	104.4

Valuations					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
P/E	-	-	34.4	31.2	27.9
P/B	-	-	10.6	9.8	9.0
Dividend yield	-	-	2.0	2.4	2.7

Source: Company, Centrum Broking

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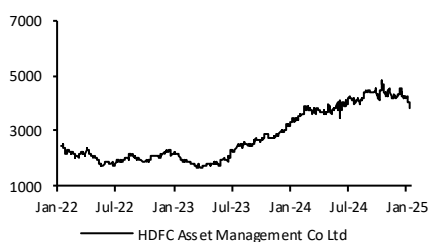
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#### HDFC Asset Management Company Ltd



Source: Bloomberg



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