

DALALBYTES RESEARCH

HDFC Asset Management Company

The Industry's Profit Machine, With Its Best Channel Still Untapped

India's most profitable AMC since FY13, 80%+ margins,
zero debt, and the HDFC Bank channel at 28%

NSE: HDFCAMC · BSE: 541729

October 6, 2026

Reference: Rs 2,351, NSE close of October 6, 2026.

Founding story, business, flywheel, financials, competition,
management, valuation vs peers, risks, and FY2029 scenarios.

01 BLUNT VERDICT FIRST

80 / 100 : Positive

HDFC AMC is the highest-quality franchise in Indian asset management: the country's most profitable AMC every year since FY13, top-two by AUM since 2008, and the operator of the industry's best economics, 80-83% operating margins, ~19% cost-to-income against peers at 25-54%, ~33% ROE, zero debt, and a ~Rs 9,400 crore investment book that throws off most of earnings as dividends (81% payout in FY26). Q1 FY27 showed the machine still humming: Rs 9.35 lakh crore of quarterly average AUM (+13% YoY, 11.2% industry share), the most equity-skewed book among the giants (66:34 vs 57:43 for the industry), Rs 4,810 crore a month of systematic flows (+20% YoY), and a revenue yield that actually rose to 47.2 bps even as SEBI's new 2026 TER framework took effect.

The stock is 21% below its 52-week high and down 17% over the past year, which is why this is an 80 rather than a lower number: at Rs 2,351, ~34x trailing earnings, HDFC AMC trades at a clear discount to its bank-sponsored peers (Nippon India ~44-45x, ICICI Prudential ~46x) while owning the superior P&L. The open question is growth, not quality. The passive book is tiny (~Rs 43,000 crore, ~4.6% of QAAUM, against passives at ~one-third of industry share), SEBI's TER cuts are structural rather than one-off, and the captive HDFC Bank channel is strangely under-penetrated at ~28% of the bank's own MF distribution (vs 98% for SBI within SBI). That last fact is both the risk and the multi-year kicker: the best channel is still mostly untapped. An 80/100 Positive says the quality compounds and the channel gets penetrated.

Rs 2,351

Reference price
NSE close, Oct 6 2026

**Rs
1,00,875
cr**

Market cap

**Rs 4,122
cr**

FY26 revenue
(+17.8% YoY)

**Rs 2,858
cr**

FY26 PAT
(+16.2% YoY)

Rs 1,850

FY2029 bear

Rs 3,050

FY2029 base

Rs 4,400

FY2029 bull

34.3x

TTM P/E
discount to peers

02 SNAPSHOT: WHAT HDFC AMC IS

Item	Detail
Founded	Dec 10, 1999, as HDFC Ltd-Standard Life Investments JV
Listed	NSE/BSE, Aug 6 2018; IPO Rs 1,100; 83.06x subscribed; listed +65%; India's 2nd AMC listing
Business	Investment manager to HDFC Mutual Fund; PMS, AIF, offshore via HDFC International
Scale	QAAUM Rs 9.35 lakh cr (Q1 FY27, +13% YoY); 11.2% industry share; 3rd largest AMC
Equity engine	Equity QAAUM Rs 5.74 lakh cr (+16% YoY); 12.8% of actively managed equity; 66:34 mix
SIP machine	Rs 4,810 cr/month (+20% YoY); Rs 2.33 lakh cr SIP book; 17.1 mn unique investors
Economics	Operating margin 82%; cost-to-income ~19%; ROE ~33%; 81% dividend payout
Ownership	HDFC Bank, 52.34% (Jun 2026); zero pledged; abrdn fully exited Jun 2023

03 FOUNDING STORY: THE JV THAT BECAME A BANK'S AMC

Incorporated December 10, 1999, as a joint venture between Housing Development Finance Corporation (HDFC Ltd) and Standard Life Investments of the UK. Growth was organic plus two acquired mutual fund businesses, Zurich India MF and Morgan Stanley's Indian MF business (2013). By the IPO it was already the most profitable AMC in India by net profit every year since FY13 and among the top two by average AUM since August 2008, with AUM compounding ~34% from FY01 to Rs 2.92 lakh crore at March 31, 2018.

At the 2018 IPO the market paid 32x earnings and 7.8% of AUM, a premium to Reliance Nippon's 26x and 5.6%: the quality franchise was priced from day one, and it has spent eight years earning that premium.

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The July 2018 IPO (Rs 1,095-1,100 band, pure offer-for-sale of Rs 2,800 crore) was subscribed 83.06x and listed August 6, 2018 at +65%, India's second AMC listing. Two ownership events followed. Standard Life Aberdeen (abrdn) sold 5.58% in August 2022 (~Rs 2,300 crore), then its entire remaining 10.2% in June 2023 for Rs 4,079 crore to domestic institutions; the stock jumped 11.3% on the exit, the overhang removed. In July 2023, HDFC Ltd merged into HDFC Bank, making India's largest private bank the promoter at ~52.6% (52.34% in June 2026, zero pledged). The franchise moved from a foreign JV to a domestic bank-owned house without losing a step.

04 THE BUSINESS: ACTIVE EQUITY FIRST, EVERYTHING ELSE SECOND

Mutual funds (Q1 FY27): Rs 9.35 lakh cr QAAUM. Equity-oriented QAAUM Rs 5.74 lakh cr (+16% YoY, 12.8% of actively managed equity), the profit engine of the company. The equity:non-equity mix is 66:34 against 57:43 for the industry, the most equity-skewed book among the large AMCs, and equity is where the yield lives. Debt QAAUM Rs 1.66 lakh cr, liquid Rs 85,100 cr. The suite runs 104 schemes (55 active, 49 passive); flagships include HDFC Flexi Cap (among India's largest active equity funds), HDFC Mid-Cap (crossed Rs 1 lakh cr AUM in 2026, 17.13% CAGR since inception vs 15.04% benchmark), HDFC Small Cap, and HDFC Top 100.

Managed accounts and alternatives. PMS AUM Rs 12,200 cr; AIF commitments Rs 2,600 cr (Q1 FY27); a structured-credit fund first close of ~Rs 1,300 cr anchored by IFC. The company has applied to SEBI for a Specialized Investment Fund (SIF) license. Offshore runs through HDFC International (IFSC) Ltd; offshore AUM is not disclosed.

The passive gap. The ETF/index book is roughly Rs 43,000 cr (~4.6% of QAAUM, derived), leaving HDFC AMC under-indexed to passives even as they claim ~one-third of industry share and keep rising. This is the visible hole in the franchise: the industry's fastest-growing shelf contributes almost nothing today.

05 DISTRIBUTION: THE BANK CHANNEL WITH HEADROOM

~280 branches and 1,10,000+ empanelled distribution partners, with B-30 (beyond top-30 cities) share around 20%. The central strategic fact: HDFC Bank branches are the captive channel, but penetration is shallow. Within HDFC Bank's own mutual fund distribution, HDFC AMC's share is only ~28%, against SBI MF's 98% within SBI, ICICI Prudential MF's 69% within ICICI Bank, and Axis MF's 35% within Axis Bank (MOFSL). Management says it is deepening the bank relationship while investing across MFDs, fintechs, and "phygital" channels.

The SIP engine is the moat's outer wall. Systematic transactions (SIP+STP) ran Rs 4,810 cr a month in the June 2026 quarter, up ~20% YoY; the SIP asset base is Rs 2.33 lakh cr (~15.8% SIP market share, ~26% share of unique MF investors, MOFSL). The customer base: 31.1 million live accounts, 17.1 million unique investors (PAN-based) vs 13.7 million a year ago, ~28% of the industry's 61.9 million. Flow share continues to outpace book share; management attributes Q1 FY27's 20 bps sequential share softness to mark-to-market, not outflows.

06 THE FLYWHEEL: PERFORMANCE BEGETS FLOWS BEGETS SCALE

The Munot-era flywheel is performance-led. Since February 2021, QAAUM went from ~Rs 4.2 lakh crore (FY21) to Rs 9.35 lakh crore (Q1 FY27); revenue from operations from Rs 1,853 cr to Rs 4,122 cr; PAT from Rs 1,340 cr to Rs 2,858 cr. Fund performance quartile rankings improved materially: >69% of AUM in the top two quartiles on a 1-year basis and >70% on 3 years (MOFSL), with 13 funds carrying 15+ year track

records. The Mid-Cap fund crossing Rs 1 lakh cr is the flagship proof point.

The flywheel and its brake

At 66:34, every rupee of equity AUM earns roughly 4x the yield of a rupee of ETF AUM, so performance-led equity flows compound revenue faster than headline AUM. The brake: the passive shelf is thin, so the industry's fastest-growing segment (~one-third share and rising) contributes almost nothing to the flywheel. If the SIF license and the passive build land, the flywheel gets a second engine; if not, the equity concentration is the whole story.

07 FINANCIALS: THE ARC OF A PROFIT MACHINE

Year	Revenue (cr)	YoY	Op. margin	PAT (cr)	EPS (Rs)	ROE
FY22	2,115	~14%	-	1,393	~32.6	~25%
FY23	2,167	2.4%	78%	1,424	33.35	23.3%
FY24	2,584	19.3%	80%	1,944	45.50	27.5%
FY25	3,498	35.4%	83%	2,460	57.53	30.4%
FY26	4,122	17.8%	82%	2,858	66.71	~33%
Q1 FY27	1,100	14%	~77%	837	19.53	-

PAT margin on total income. EPS and DPS restated for the 1:1 bonus (ex-date Nov 26, 2025); pre-bonus figures were exactly double. Consolidated, source: screener.in; FY21-24 cross-checked with ICICI Direct. DPS raised every year: Rs 21, 24, 35, 45, 54 (adjusted).

The arc: 5-year revenue CAGR ~18%, PAT CAGR ~19.7%, operating margins in the high 70s to low 80s every year, ROE rising from ~25% to ~33%. TTM (screener): revenue Rs 4,254 cr, PAT Rs 2,948 cr, EPS Rs 68.81. The FY26 Rs 54 dividend is up ~20% on the bonus-adjusted basis vs FY25's Rs 45; comparisons of post-bonus Rs 54 to pre-bonus Rs 90 that framed it as a cut are wrong. Q1 FY27: revenue Rs 1,100 cr (+14%), operating profit ~Rs 850 cr (~77% margin), PAT Rs 837 cr (+12%). Q2 FY27 results are due October 15, 2026 (board meet, not yet announced at report time).

08 UNIT ECONOMICS: THE YIELD QUESTION

	FY24	FY25	FY26	Q1 FY27
Revenue yield (bps)	-	45-46	45-46	47.2
PAT / avg AUM (bps)	-	-	~33	~34
Cost-to-income	-	-	~19%	~19%
Op. margin	80%	83%	82%	~77%
Equity:non-equity mix	-	-	66:34	66:34

Revenue is AUM times yield, and HDFC AMC earns the industry's best version of it. Revenue yield (annualized revenue from operations / QAAUM) printed 47.2 bps in Q1 FY27, up ~1.8 bps QoQ on the rising equity mix (ICICI Direct); PAT-to-average-AUM runs ~33-34 bps (MOFSL). The cost structure is the structural edge: cost-to-income ~19% vs peers at 25-54% (MOFSL), the reason operating margins sit at 80%+ while the next-best listed AMC manages 66%.

SEBI MF Regulations 2026

Effective April 1, 2026, and milder than the October 2025 consultation feared: statutory levies excluded from the base expense ratio, cash-market brokerage cap cut 12 to 6 bps (not 2), derivatives 5 to 2 bps, the 5 bps exit-load allowance scrapped, TER slab cuts smaller than proposed. Jefferies estimates the net impact at 3-5 bps of equity AUM shared across the ecosystem (vs 8-10% FY27 PBT hit under the harsher proposal). Management's playbook: lower distributor commissions, drive efficiencies, hold margins, noting the 2019 TER cut was eventually passed through. Q1 FY27 is the first evidence: yield rose QoQ to 47.2 bps "amid changes in TER regulations" (ICICI Direct).

The honest read: SEBI has cut TER repeatedly (2019, 2026), and each round forces commission renegotiation and mix management. The offset is the equity mix (66:34, the industry's most equity-skewed large book) and the 19% cost-to-income: when everyone bleeds yield together, the lowest-cost operator bleeds least.

09 BALANCE SHEET, CASH FLOW, CAPITAL ALLOCATION

Fortress balance sheet

Zero debt. March 31, 2026: total assets Rs 9,991 cr; investments ~Rs 9,400 cr (largely its own mutual fund schemes); total equity ~Rs 9,229 cr; cash surplus Rs 8,051 cr at June 30, 2026. An asset manager needs almost no capital to grow.

Free cash flow (screener): Rs 1,135 cr (FY23), Rs 1,596 cr (FY24), Rs 2,030 cr (FY25), Rs 2,506 cr (FY26); CFO-to-operating-profit 81-88%. Capital allocation is simple: no debt, no acquisitions of scale, negligible

capex, and 64% to 81% of PAT paid as dividends (payout rising every year FY22-FY26). The surplus compounds in the investment book. The investment book's MTM gains are the main source of PAT volatility (Rs 263 cr of other income in Q1 FY27 alone; ~35% QoQ PAT jumps on MTM, ICICI Direct), so headline PAT overstates the stability of the cash flow; the fee-based FCF is the cleaner line. Minor ESOP dilution drifts the promoter holding down slowly (52.55% to 52.34%, Sep 2023-Jun 2026).

10 COMPETITION: BANK GIANTS ABOVE, FINTECH AT THE PASSIVE END

Industry AAUM ~Rs 83 lakh cr (mid-2026); monthly industry SIP flows hit a record Rs 32,297 cr in August 2026 (AMFI). The top of the table is bank-owned: SBI (~Rs 12.84 lakh cr), ICICI Pru (~Rs 11.79 lakh cr), HDFC AMC (~Rs 9.35-9.58 lakh cr, 11.2-11.5% share). Then Nippon India (~Rs 7.51 lakh cr), Kotak (~Rs 5.97 lakh cr), UTI (~Rs 3.52 lakh cr), ABSL (~Rs 3.50 lakh cr+), Axis (~Rs 3.27 lakh cr). Listed peers: NAM-INDIA (~44-45x P/E), ICICIAMC (~46x), ABSLAMC (~28-30x), UTIAMC (~23-25x).

Three forces matter. First, the bank-owned rivals' captive depth: SBI's 98% and ICICI's 69% in-bank shares vs HDFC's 28% is the gap that is also the opportunity. Second, SEBI's TER regime is a slow guillotine on industry yields; everyone bleeds together, but the 19% cost-to-income decides who bleeds least. Third, passives (~one-third of industry share and rising) plus Zerodha Fund House and Groww MF at the near-zero-cost end press exactly the shelf where HDFC AMC is thinnest. Counterweight: the actively managed equity franchise (12.8% share, Rs 5.74 lakh cr) is the industry's profit engine, and HDFC AMC owns the biggest slice of it among the top three.

11 STRENGTHS

- **The most profitable AMC in India every year since FY13;** top-two by AUM since 2008: durability proven over cycles.
- **The industry's best cost structure:** ~19% cost-to-income (peers 25-54%), 80-83% operating margins, ~33-34 bps PAT/AUM, ~33% ROE.
- **The most equity-skewed book among the giants** (66:34 vs 57:43 industry): yield where it counts, and the yield printed up (47.2 bps) through the 2026 TER reset.
- **Performance revival under Munot:** >69% of AUM in top-two quartiles (1-yr), >70% (3-yr); 13 funds with 15+ year track records; Mid-Cap crossed Rs 1 lakh cr.
- **The SIP machine:** Rs 4,810 cr/month (+20% YoY), Rs 2.33 lakh cr book, 17.1 mn unique investors; sticky flows cushion drawdowns.
- **The bank channel with headroom:** ~28% in-bank share vs 98%/69% for SBI/ICICI pairs is a multi-year penetration runway.
- **Fortress and returns:** zero debt, ~Rs 9,400 cr investments, ~Rs 8,051 cr surplus, 81% payout, DPS raised every year, ~2.3% yield.

12 WEAKNESSES AND RISKS

- **Market-beta leverage:** revenue is a fixed take on AUM; a 20% equity drawdown mechanically cuts revenue ~13% (66% equity mix) with limited cost offsets. The 1-year stock return of -17% is this beta.
- **TER compression is structural, not one-off:** SEBI cut in 2019 and again in 2026; each round forces commission renegotiation. Jefferies' 3-5 bps equity-AUM impact is manageable but real.
- **Passive gap:** ~Rs 43,000 cr (~4.6% of QAAUM) in ETF/index vs passives at ~one-third of industry share; the fastest-growing shelf contributes almost nothing.
- **Fintech at the low-cost end:** Zerodha and Groww compete on near-zero-cost passive/direct products; direct-plan share of industry equity AUM keeps rising (29% in Dec 2024, MOFSL).
- **Key-person risk:** the performance revival and bank-channel deepening are closely associated with Navneet Munot (CEO since Feb 2021).
- **Promoter overhang:** HDFC Bank holds 52.34%; no sale signal exists, but any future sell-down would weigh, as the abrdn exit showed in reverse.
- **Bank-channel conflict:** HDFC Bank distributes third-party products too; the 28% in-bank share must be earned against competitors' payouts.
- **SIF execution:** the applied-for Specialized Investment Fund category is unproven; PMS/AIF scale (Rs 12,200 cr + Rs 2,600 cr commitments) is still small.
- **Valuation:** 34x TTM sits above historical mean multiples (JM Financial flagged 1 SD above mean P/B in Oct 2025); the price still assumes the equity engine keeps compounding.

13 MANAGEMENT AND GOVERNANCE

Navneet Munot, MD and CEO since February 2021: CA and CFA, ~30 years in the industry, previously Executive Director and CIO at SBI Funds Management (AUM compounded ~27% during his tenure), with earlier stints at Morgan Stanley Investment Management and Birla Sun Life. Elected Chairman of AMFI in 2022; chairs SEBI's ESG advisory committee; sits on the board of HDFC International (IFSC) Ltd. The verified record since 2021: QAAUM ~Rs 4.2 lakh cr to Rs 9.35 lakh cr, revenue Rs 1,853 cr to Rs 4,122 cr, PAT Rs 1,340 cr to Rs 2,858 cr, systematic monthly flows roughly tripled, quartile rankings materially improved, cost leadership maintained. Key-person risk is real and acknowledged.

Milind Barve, MD and CEO from 2000 to 2021, built the company from scratch into India's most profitable AMC and retired cleanly. Governance: HDFC Bank promoter at 52.34% (June 2026), zero pledged shares; FII 24.10%, DII 14.76%, public 8.79%. Big-4-audited (B S R and Co. LLP, unmodified opinion FY26); high disclosure cadence (quarterly presentations, transcripts, calls). No related-party red flags or SEBI action found.

14 VALUATION VS PEERS

At Rs 2,351 (Oct 6, 2026): TTM P/E 34.3x (EPS Rs 68.81), price/AUM ~10.8% (vs 7.8% at the 2018 IPO), P/B ~10.9x, dividend yield ~2.3% (FY26 DPS Rs 54). The stock is ~21% below its 52-week high (Rs 2,967.25) and ~7% above its low.

Company	P/E (TTM)	Price/AUM	FY26 rev growth	Op. margin
HDFC AMC	34.3x	~10.8%	+17.8%	82%
NAM India	~44-45x	~8.6-8.9%	+21.4%	66.2%
ICICI Pru (ICICIAMC)	~46x	-	-	-
ABSL AMC	~28-30x	-	-	-
UTI AMC	~23-25x	~2.8%	-	-

HDFC AMC trades at a clear discount to its bank-sponsored peers (Nippon ~44-45x, ICICI Pru ~46x) while owning the superior P&L (82% vs 66% margins), consistent with slower share gains but better economics; it trades at a premium to UTI/ABSL, consistent with its #3 scale and equity skew. Street: MOFSL Buy Rs 3,200 (44x FY28E core EPS); ICICI Direct Buy Rs 3,200 (36x FY28E EPS); Elara Buy Rs 3,100 (upgraded); JM Financial Add Rs 3,100 (post-bonus); Kotak Buy Rs 2,800 (sector initiation); InCred Hold Rs 2,600 ("valuation stretched"); Morgan Stanley Equal Weight (Jul 2025, called 35x FY27E "expensive").

15 FY2029 SCENARIOS (INR)

Built off FY26 revenue Rs 4,122 cr, PAT Rs 2,858 cr, EPS Rs 66.71, ~428 million shares (post-bonus); assumptions explicit.

	Bear: Rs 1,850	Base: Rs 3,050	Bull: Rs 4,400
Revenue CAGR FY26-29	9%	14%	20%
FY29 revenue	Rs 5,339 cr	Rs 6,107 cr	Rs 7,123 cr
Op. margin	~74%	~80%	~82%
PAT / EPS	~Rs 2,950 cr / Rs 68.9	~Rs 3,860 cr / Rs 90.2	~Rs 4,750 cr / Rs 111.0
Exit P/E	27x	34x	40x

Bear: equity drawdown plus SIP slowdown; TER pressure with limited pass-through; bank-channel penetration stalls; growth de-rating to 27x. **Base:** mid-teens AUM compounding on the equity engine and

gradual bank-channel deepening; operating leverage holds margins near 80% against the yield drift; multiple holds at ~34x. **Bull:** equity supercycle plus bank-channel penetration toward 40% and a working passive/SIF second engine; 20% compounding at 82% margins; growth premium at 40x. The base case implies the market paying ~34x FY29 earnings for a 14% compounder with a 2%+ dividend yield and the industry's best margins: fair for the quality franchise, with the street's Rs 3,100-3,200 targets (FY28 horizon, MOFSL/ICICI Direct/Elara) sitting just above base on a nearer horizon.

16 WHY IT MATTERS

HDFC AMC is the purest quality compounder in Indian asset management: the most profitable AMC since FY13, the best cost structure in the industry, the most equity-skewed book among the giants, zero debt, ~Rs 9,400 cr of investments, and a dividend that has risen every year. The Munot era proved the franchise could be rebuilt on performance after the Barve era proved it could be built from scratch. The next three years test two things: whether the equity engine keeps compounding through the TER reset, and whether the HDFC Bank channel, still at ~28%, finally gets penetrated. At 80/100 Positive, the verdict is: the industry's profit machine, trading 21% below its high at a discount to lesser peers, with its best channel still untapped.

17 SOURCES

Company filings and investor materials (NSE/BSE archives): Q1 FY27 press release and presentation (July 15, 2026); FY26 board filing (April 16, 2026). screener.in consolidated financials, shareholding (June 2026), dividends and bonus (October 6, 2026). ICICI Direct (Jul 16, 2026; May 2026; Q1 FY25 note); MOFSL (Sep 9, 2026; Jan 2026); Elara Capital (post-Q3 FY26); JM Financial (Oct 16, 2025); Kotak Institutional Equities (Sep 30, 2026); InCred Equities (Jan 2026); Morgan Stanley (Jul 2025). Jefferies on SEBI MF Regulations 2026 (~Dec 2025). The Hindu BusinessLine (Q1 FY27 results; Aug 2018 listing). IPO notes (indianotes, Nirmal Bang); ipowatch.in; cafemutual.com. abrdn exit: Outlook Business; Hindu BusinessLine; Morningstar UK (Jun 2023). AMFI via sahi.com (Aug 2026); mfnewsdaily.in (Oct 2026); univest.in peer table (Sep 17, 2026). Munot profile: files.hdfcfund.com; livemint (Oct 2025). 5paisa, tickertape, equitymaster, stocktwits (price data, Oct 6, 2026); trendlyne (dividends, corporate actions).