



“HDFC Asset Management Company Limited  
Q2 FY’26 Earnings Conference Call”

**October 15, 2025**



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CHIEF EXECUTIVE OFFICER**  
**MR. NAOZAD SIRWALLA – CHIEF FINANCIAL  
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OFFICER**



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**Moderator:** Ladies and Gentlemen, Good Day, and Welcome to the Q2 FY26 Earnings Conference Call of HDFC Asset Management Company Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

From the Management Team, we have with us Mr. Navneet Munot, Mr. Naozad Sirwalla, and Mr. Simal Kanuga.

I now hand this call over to Mr. Simal Kanuga, who will give us a brief, following which we will proceed with the Q&A session. Thank you. And over to you, Simal.

**Simal Kanuga:** Thank you very much. Good evening, everyone, and thank you very much for joining us today. We trust you have an opportunity to review our presentation.

We will start with industry. NIFTY50 declined by 2.9% in July, 1.4% in August, and was up by 0.8% in September. Industry witnessed net new flows of Rs.593 billion, Rs.458 billion and Rs.439 billion respectively in equity-oriented funds. The net new flows for the quarter adds up to Rs.1,490 billion as against Rs.911 billion in the previous quarter when NIFTY50 delivered 8.5% positive returns.

Over the last 12 months ending September 2025, equity-oriented funds have recorded net inflows of Rs.5.1 trillion. NIFTY50 has delivered negative returns in the last one year. The SIP contribution continues to grow, reaching Rs.294 billion for the month of September 2025.

What is particularly noteworthy is the net addition of 6 million contributing SIP accounts in the quarter. In our view, this reflects the growing maturity and long-term orientation of Indian investors.

On the fixed income side, Debt mutual funds experienced some moderation, with quarterly inflows easing to Rs.148 billion, down from Rs.1,339 billion in quarter-ended June 2025. Liquid funds in particular witnessed outflows of Rs.219 billion as compared to net inflows of Rs.609 billion seen in the previous quarter.

There is indeed a noticeable increase in demand for gold and silver ETFs recently, with inflows amounting to Rs.208 billion in this quarter. This surge in investor interest has been reflected in AUM growth for our gold and silver ETFs as well. Our gold ETF AUM has increased significantly from Rs.102 billion to Rs.141 billion, while the silver ETF AUM has more than doubled from Rs.9 billion to Rs.24 billion in this quarter. During the quarter, equity-oriented NFOs collected Rs.141 billion.

Now, we move to “Us.” We closed the quarter with AUM of Rs.8.7 trillion, reflecting a market share of 11.5% and 12.8% on ex-ETF basis. Actively managed equity-oriented AUM on closing basis inched up to Rs.5.4 trillion, a market share of 12.9%.

Within fixed income, debt and liquid fund market share stood at 13.3% and 11.8%, respectively. Total AUM has crossed Rs.9 trillion mark since then.

The asset mix furthered towards equity, with equity proportion rising to 64.9% on QAAUM basis.

Systematic transactions activity remained robust, with monthly flows in September 2025 reaching Rs.45.1 billion across over 13 million transactions. Corresponding number for systematic flows in September 2024 was Rs.36.8 billion.

We maintained our position as the preferred choice amongst individual investors, with market share of 13.1%.

During the quarter, we launched two NFOs – “HDFC Innovation Fund” which collected Rs.24 billion and “HDFC Diversified Equity All Cap Active FoF” which collected Rs.11 billion.

Move to “Financials” now: Revenue from operations came in at Rs.10,260 million, a growth of 16% YOY. The reduction in other incomes was mainly on account of adverse mark-to-market changes. Total expenses were Rs.2,464 million and this includes non-cash charge towards ESOPs and PSUs adding up to Rs.211 million. Operating profit grew by 13% YOY to Rs.7,796 million, i.e., 35 basis points of AUM. Profit after tax is now at Rs.7,179 million.

We would like to highlight that the company has reassessed its income tax provision and reversed income tax provision for earlier periods amounting to Rs.468 million resulting in a lower tax rate for the current quarter. PAT without this particular reversal would have been Rs.6,711 million.

Lastly, the Board of Directors earlier today approved a 1:1 bonus share issue. This is of course subject to shareholders’ approval. Thank you very much for patient hearing.

Navneet, Naozad and I are here to take questions. Neerav, if you can just start lining up questions please.

**Moderator:**

We will now begin with the question-and-answer session. The first question is from Sucrit Patil from Eyesight Fintrade. Please go ahead.

**Sucrit Patil:**

Yes. Good evening to the HDFC team. I have a question for Mr. Navneet. I just want to understand a forward-looking question. As the industry is changing, how do you plan to stay ahead of the game -- will it be through new products or any tech upgrades or deeper client engagement? What is the long-term vision for where the company is going to be heading? Thank you.



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**Navneet Munot:** Thank you. So, over the last 25 years, we have built a significant franchise. You mentioned about the product. I think we have an absolutely best-in-class product bouquet. We have a very long-term performance track record, funds going back 5, 10, 15, 20, 25, 30 years of track record. We have presence across 280 branches, physical offices, and as well as absolutely best-in-class digital assets. We have partnerships with hundreds of thousands of distributors, banks, national distributors, MFDs, and of course, our presence on fintech and serving direct customers. We have like 14 million customers that we have been serving. We see tremendous potential for growth in our industry. I think with all of this, what we have put in place over the next several years, along with the pedigree of the HDFC brand, we see tremendous growth. We continue to invest in everything that I have mentioned so far, having the best people across our investment, risk, product, and all other functions, continue to expand our presence. Over the last two years, we have opened 50 new offices, a large number of them are in what we call in our industry B30 towns, in the smaller towns where penetration is still low and given our pedigree, brand, and everything else, we see a lot of potential to grow there. We continue to invest in our digital assets, in our technology to create the best possible experience for our investors and distribution partners. And we see a lot of growth apart from the mutual funds where we have been one of the dominant players. We have been investing to grow in the alternative space, in the PMS space, and of course, offering all of this to global institutions who would like to invest in India.

**Sucrit Patil:** Great, thank you. So, just to close on that, just to make all this happen, I just want to understand what are the top two or three things which you are focusing right now, which is already in motion?

**Navneet Munot:** I think I answered what are the things that we have been doing, but maybe another way to put it is, it may sound very audacious, but we have put a mission for ourselves that is to be the wealth creator for every Indian. We serve 14 million investors, but we think we have a long way to go, if we have an audacious mission like that. And our vision may sound even more audacious, which is to be the most

respected asset manager in the world. And for that, I think our entire team would not leave any stone unturned to ensure that we create value for each and every stakeholder, be it our people, be it our shareholders, be it our clients, be it our distribution partners, be all our vendors, ecosystem partners, and society at large. So, maybe some of the things are getting covered in the presentation and the other things that we put it on our website, but I think we get governed and get inspired by our mission and vision every day.

**Sucrit Patil:** Okay, great. Thank you very much for the guidance and I wish you the best of luck for the next Q3.

**Navneet Munot:** Thank you so much.

**Moderator:** Thank you very much. Next question is from Lalit Deo from Equirus Securities. Please go ahead.

**Lalit Deo:** Hi, sir. Good evening. Congratulations on the great set of numbers. So, just one, the first data keeping questions. So, like this quarter, we are seeing that yields have remained stable. So, could you just give us the segment-wise yields? Second, we saw an increase in the other expenses materially during the quarter. So, what would be the reasons for the same? And just last, I will ask the third question later please.

**Naozad Sirwalla:** Hi. So, the equity yield for the quarter was around 58 basis points. The debt yields were around 27-28 basis points. And liquid again has been stable at around 12-13 basis points. So, that is the one for the quarter. On the expenses, so actually the other expenses have increased from Rs.87 crores to about Rs.101 crores on a year-on-year basis, right? And that's an increase of about Rs.14 crores. Our revenue from operations during this period has increased by Rs.139 crores to Rs.1,026 crores. So, this increase in other expenses is mainly on account of business promotion and CSR expense. Actually, CSR, which is a materially spend, contributes largely to this. Navneet, do you want to add on expenses?



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**Navneet Munot:** So, over the last three years, our business has grown significantly across every dimension. You have been seeing the numbers. Our AUM has expanded from Rs.4.2 trillion to Rs.8.7 trillion, almost doubled. And the number of investors has also more than doubled from 6 million to 14.5 million. Our team has grown, you have seen in the presentation, from 1,233 people to 1,700 plus now. And we have reinforced our culture of ownership through ESOP and PSU grants in 2023 and then 2025. We have talked about it earlier. We have expanded our reach significantly. I mentioned earlier that we have added 50 new offices across the country. We have deepened our presence. We have also made significant strides in digital and technology, which enhances the investor experience, partner experience. We have automated a lot of our internal processes, trying to build a more and more data-driven organization. And during this period, we have launched a large number of new products across both active as well as passive categories, diversified our business footprint by setting up our alternative platform, expanded international business with the establishment of the subsidiary in the GIFT City. All of this growth, and all of this investment in the future, the cost has remained well under control. I mean, just 11 basis points of AUM probably makes us one of the most efficient asset managers in the world as far as costs are concerned. And I would also like to request that look at absolute numbers. Our spend for the quarter-ended, September '22 was Rs.156 crores and this quarter it is Rs.246 crores. So, 90 crores extra when AUM has doubled and number of customers have increased 2.4x. I mean the numbers that I gave you earlier. So, seeing in that context, I think we have been running an extremely tight ship. We have been very frugal. We have been very constrained in our spending, at the same time continue to invest in the future. I mean, we have a very optimistic view about the growth trajectory of this industry in India, the potential that we have. And so continue to invest, at the same time, remain extremely cost-conscious.

**Lalit Deo:** Yes. So, actually the question I would ask you from a sequential point of view because there seems to be some increase in that cost line item like on a sequential basis. But yes, right.

- Naozad Sirwalla:** That is again about Rs.16-17 crores. Largely due to business promotion & CSR.
- Lalit Deo:** Right, sir. Just lastly, on the distribution side, so we are seeing some strong growth from this direct channel's point of view. So, just wanted to understand whether this would be mostly attributable to the fintech channel only. So, is it more like the whole of this growth is funneled through the fintech channel or is it also due to the fact that we have been adding a lot of employees on the sales side, so will that also form a portion of this mix?
- Navneet Munot:** So, direct includes three things. One is most of the fintechs who bring clients in the direct plan. Number two is the direct clients who may come to our portal or through the app or visit through the branches. And third could be RIA, Registered Investment Advisor, who charge fee from the client while put money in the direct plan. So, it is a combination of all three. Over the last couple of years, we have seen significant growth in the fintech as a distribution channel. They have emerged as a vital channel for the mutual fund industry. And they have played a significant role in expanding the reach and accessibility for investors. If you look at the last six months or so, in the current financial year, they have registered 15 million SIPs. So, they have become quite big and have built a strong presence among the investors of all cohorts. We have a very strong presence on leading fintech platforms. So, we have notable share both in the new flows as well as SIP registrations. I would add on direct, you need to keep this in mind that it is natural for the share of direct plan to rise gradually over time. Also, because of the lower total expense ratio of direct plans compared to the regular plan. So, there is a difference between the TER of regular and direct. So, to that extent, it will keep inching up every quarter.
- Lalit Deo:** Right, sir. Yes, thank you.
- Navneet Munot:** Thank you.
- Moderator:** Next question is from the line of Harsh Modi from JP Morgan. Please go ahead.



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**Harsh Modi:** Thanks for this. The question is more regarding the market share over next let us say 12 to 18 months. Fantastic traction over the last three years, as you said, across assets, across customers. How does that extend, let us say over 12 to 18 months purely on market share? If you could break it up between equity and the fixed income and liquid portfolio, that would be great? Thank you.

**Navneet Munot:** Sure. So, the way we monitor at our end is we look at market share across asset classes, we look at market share across our distribution channels, market share across products, market share across geographies, and we try our best to optimize or maximize our market share across all of this. Fixed income, which is relatively more institutional, we enjoy best relationship with most of the institutions, family offices, corporates, treasuries, etc., And over a period of time, the idea is that how do we promote fixed income among the individual investors also. Retail participation is less, but we see a lot of opportunities, particularly through hybrid funds, asset allocation products, etc. On the equity side, overall, I mean, we have the full product bouquet, performance track record. You can see, I mean, we have been doing very well and, of course, have a long-term track record and continue to work hard on all channels and across all geographies to get best possible share. Does that answer your question?

**Moderator:** Harsh, can I request you to unmute your line, please? Due to no response, we move on to our next participant. Next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

**Prayesh Jain:** Yes. Hi. Just on this expense front again, this increase in business promotion sequentially is mainly led by the new scheme launches. And so whether that is a sustainable increase and the CSR obviously is generally is lumpy in nature. So, could you highlight as to what is a sustainable kind of a mix of these one-time bumps, what could be the sustainable run rate on the OPEX front?

**Naozad Sirwalla:** So, I would request you to look at OPEX on an overall annual basis and broadly we have been discussing this on past calls as well, that between 12% and 15% is

what we should expect OPEX to grow. In this quarter, there was also CSR expense, which is mandatory and there were some NFOs, new business promotion, which we spent on. So, on an annual basis, if you look on a sustainable basis, 12% to 15% of OPEX is something which we would look at from a growth point of view.

**Navneet Munot:** It has come down from 14 basis points to 11 basis points and that 11 basis points includes the ESOP cost additional. If you adjust for that now that it would be 10 basis points.

**Prayesh Jain:** Yes, it is phenomenal. But we always want more, right?

**Navneet Munot:** More growth?

**Priyesh Jain:** Both.

**Navneet Munot:** That is what we have been delivering for decades. Thank you.

**Priyesh Jain:** The other question was on the alternate side of the business. Could you apply this about what is the kind of AUMs we built across alternate channels and what has the kind of growth we have seen there and what are the plans going ahead?

**Navneet Munot:** Sure. So, our alternatives platform has been building traction and continues to grow. We have strengthened our investment capabilities in this space, including bringing on board a dedicated team to drive upcoming AIF initiatives and deepen our expertise. We have onboarded a couple of more people on the investment side, on risk side, product side. Last year, we closed our first category II AIF, Fund of Funds of around Rs.1,200 crores and are now in the market with our performing credit fund, which has seen a promising start to fundraising. We are in the final stage of discussions with a large global investor for participation. Meanwhile, in our PMS business, we are steadily expanding on the strong foundation we have built, looking at both discretionary as well as non-discretionary offerings. We have strengthened our team again by hiring Ashish, a highly experienced professional who has worked with reputed sell-side firms and more recently with a top-tier

AMC. On the international side, you asked, so under our GIFT City platform, at present, we have five active funds, one of which we launched during the last quarter. These are the feeder funds into our mutual funds. Additionally, work is underway for the launch of inbound funds as well as for outbound strategies. In our partnership with UBS Asset Management, both the mandates, India small and mid-cap, and India all-cap strategies, where we act as investment advisor, it has gone live a few months back. There is continued distribution and institutional coverage and engagement for both the strategies across geographies. So, we remain committed to seizing any opportunities to drive growth and strengthen our competitive edge.

**Prayesh Jain:**

So, just on this, extending this point, in our five years down the road, do you think that the alternates can be like a 10%-15% contribution to the overall revenues for HDFC AMC?

**Navneet Munot:**

I would not give that forward-looking statement. All I can say is that we are putting a very solid foundation and whatever it takes, the best-in-class investment capability, best-in-class risk management capability, product capability, we are putting. And we have the distribution might, which you all are aware of. We enjoy a great brand, HDFC, where comfort of both individual investors, which include HNIs, ultra-HNIs, family offices, etc., and on the other side, institutions, both domestic and global, have deep comfort with. So, we remain quite optimistic in terms of our journey on the alternatives. The other thing we believe that being part of the HDFC group, we have tremendous responsibility on our shoulders to ensure that the whole alternative industry in India, the whole ecosystem develops well, and our team members also spend a lot of time engaging with various stakeholders to ensure that over the next several years, as alternative industry grows, we play a leadership role, the way we have done on the mutual fund industry side and we are reaping the benefit today, the way industry has grown, we remain very optimistic on the alternative side as well.

**Prayesh Jain:** And this last bit, when we talk about cost also, there will be some burn right now going into alternates business. And is there a way to quantify it, where you can highlight that, okay, so far, the alternate business is running at an annualized cost of X rupees so that will help us understand the profitability of the core business as well?

**Navneet Munot:** So, you are calling it burn, I'm calling it probably one of the best investments we are making in future.

**Prayesh Jain:** Absolutely. All right, sir. Thank you so much.

**Navneet Munot:** Thank you.

**Moderator:** Thank you very much. Next question is from the line of Madhukar Ladha from Nuvama Wealth. Please go ahead.

**Madhukar Ladha:** Hi, sir. Thank you for taking my question. See, one on net inflow market share. Reverse calculations suggest that you continue to do sort of quite well over there. Maybe, but if you could add some color, what is driving that and some trends on that, that would be helpful? Second, see, the admin and other OPEX has gone up. Can you sort of quantify any one-time expense over here? And when you give a guidance of about 12% to sort of 14%, 15% increase year-over-year, that would also include any NFO-related expenses, etc., So, the right way to look at it would be last year's number plus 12% to 14% whatever that number comes and that would include everything or will there be some sort of one-time NFO or any other related expenses? Some clarity on that, that would be helpful? Thanks.

**Navneet Munot:** I mean, we have continuously been invested on many things that I mentioned before. We had two NFOs and both were like quite successful. One Fund of Funds and one was the HDFC Innovation Fund. Probably, it was the largest NFO of the quarter and the Diversified Equity All Cap FOF, which has also kind of got good response from our investors and distributors. Those were the NFOs during the quarter where some bit of spending would have gone. Otherwise, as Naozad

mentioned earlier, it is on account of higher CSR expenses, some bit of other business promotion and the general business-related expenses. Your first question was on the net inflow market share. We do not share that. There is so much information already available.

**Madhukar Ladha:** Yes, I know, but from a trend –

**Navneet Munot:** I mentioned that I think the engagement with distributors have been great. We keep trying to maximize our share with each and every one of them and work at like every asset class, every product, every geography, every channel partner, and of course, on the direct side. So, continue to kind of work on maximizing our share.

**Madhukar Ladha:** And a lot of the market in general is positively surprised with the strength of the SIP numbers despite now one-year returns not being that attractive. And normally, what I have heard from a lot of companies and also distributors is when one-year sort of returns are not that good, that is when SIP numbers can get weak. I wanted to get your comments on this and as analysts, what should we look at and what is driving this trend?

**Navneet Munot:** Yes. So, if you look at the SIP book today at over Rs.290 billion, it was Rs.40 billion in 2017 or so and over a period of time, it has steadily been increasing. And I mentioned this before that there are many factors at play. First and foremost is the long-term track record. Now, investors can go back and see last 20, 25 years, I mean, some of the HDFC funds have a track record of 30-years and can go back and see across cycles how funds have delivered. Second is the transparency. I think over the years, thanks to the efforts made by regulator as well as the industry at large. All of us have worked very hard to build more transparency, more trust in the product. Third, I would say technology has played a big role. We have doubled our unique investors in the last two, two and a half years that would not have been possible but for the technology. And fourth, last but not the least is I think the effort that all of us are putting on investor education, the efforts made by AMFI collectively, collaboratively that we do as an industry. And each one of us within

the industry, the efforts we have been making to reach out to a larger number of investors, conveying the message of long-term investing, power of compounding, do not get swayed by the volatility, invest for the long term, invest for your goals, so on and so forth, the importance of asset allocation. And the steady increase we are seeing in SIPs reflect the growing maturity and the long-term orientation of investors that Simal also talked about earlier. So, on that part, I am very optimistic that over a period of time, there is potential for it to increase. There will be some cyclicalities, we have seen that before, and maybe month-to-month or quarter-to-quarter, some bit of volatility in flows, but the heartening feature of flows is increasing amount coming through the monthly SIP. Number of accounts also you should notice, they have also been growing quarter-after-quarter.

**Madhukar Ladha:** Understood. Thank you and all the best.

**Naozad Sirwalla:** Thank you.

**Moderator:** Next question is from the line of Mohit Mangal from Centrum Broking. Please go ahead.

**Mohit Mangal:** Thanks for the opportunity. My first question is towards the B30. So, last month, SEBI reintroduced new incentives of B30. So, how do you see this and maybe if you can quantify this any sizable impact on our top line because of that going forward?

**Navneet Munot:** Yes, so I mean, we are yet to get the final guidelines on that in what manner and what shape it will be implemented. We heartily welcome SEBI's guidance on that to increase both number of women investors as well as new investors from B30 towns. In fact, over the last couple of years, we have seen greater traction in inflows, particularly in the form of SIPs coming in from B30 towns. We remain fully prepared, both in terms of our physical presence there, and being part of HDFC group our brand and the overall ability to make the most of it as and when the opportunity arises to do something more with our distribution partners.



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- Mohit Mangal:** Understood. So, it is not still in practice, you mean?
- Navneet Munot:** Not yet.
- Mohit Mangal:** Okay. My second question is towards the investment books. So, I was looking at your previous release and your investment book actually declined in September '25 as compared to March. So, what could be the reason for that?
- Naozad Sirwalla:** We paid the dividend out in June.
- Mohit Mangal:** Okay, understood. Our last question is about the NFOs. So, you said we launched on two NFOs, basically. What is the pipeline, because we do have a comprehensive product bouquet, but do we have any pipeline for the future?
- Navneet Munot:** So, the current product lineup is more or less complete given the SEBI classification and within that the products that are allowed. While I have said before also that our portfolio is largely complete, but opportunities continue to emerge. Whenever we see the right fit for the customer, such as the recently launched Innovation Fund, where we saw very good interest and got 24 billion in the NFO. It was the largest equity-oriented NFO in the quarter. And we also launched the Fund of Funds, which was HDFC diversified equity all-cap active FoF that raised 11 billion. On the passive side, we have launched a lot of products, but will be on the lookout if there is any more opportunity on that. I would mention that, I mean, many of our existing funds have plenty of room to grow. So, our focus is on strengthening their position and scale. And I will give you one example. If you look at our Value Fund, that is an AUM of around Rs.7,000 crores. It is not yet in the top five of its category even though it has a very strong long-term track record. So, there is significant potential to move it into a leadership position. But at the same time, our teams are scanning the market for new opportunities. And I have always mentioned that at our end, new product offer is always guided by what our investment team believes in, rather than what is selling in the market and what is sold as Fad. We actually look at what is the best fit for the investor and the belief and conviction and capability of the Investment team on the other side.



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**Mohit Mangal:** Right. And my last question is that, I mean, we always maintain that HDFC bank's flow market share is higher than the book market share. So, that even continued this quarter as well, right?

**Navneet Munot:** So, first, just to clarify, the pie chart that you see represents how our AUM is distributed across all channels, that includes direct, MFD, ND, banks. It does not indicate market share in any channel. So, possible for one channel to grow at a faster pace than another, while our overall market share across both remains unchanged. The HDFC group continues to play an important role in our growth and we have a healthy flow share from them, and they are a force to reckon with in distribution. They remain a key partner for us and we see a lot of opportunities to further deepen and expand this relationship. Our major focus with the bank has been on the penetration of SIPs among their clients and it is yielding encouraging results. Market share in the new SIP is higher than our book share substantially. So, yes, there is strong intent to build tighter alignment and have greater collaboration across various touch points between HDFC bank and us.

**Mohit Mangal:** Understood. Thanks and wish you all the best.

**Navneet Munot:** Thank you.

**Moderator:** Thank you. Next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

**Dipanjan Ghosh:** Hi, good evening, sir. Just one or two questions from my side. First, if you look at across channels, obviously your market share has been holding up well on the active equity side across most of the channels, but if you were to kind of look at, let us say the past 12 months or 18 months, has the trajectory of improvement or shift in your market share across all the channels been similar or do you feel there are one or two channels where you can probably kind of scale up a bit more, and if so, what would be the strategy around it? The second question is more on the cost side of things. I just wanted to again get some color on in terms of currently building capabilities on the alternate side or even on your investment management

team on the mutual fund business, or expanding your sales capabilities, how should one think of, incremental employee additions over the next, let us say two, three years

**Navneet Munot:** So, incremental employee addition has been, we mentioned about the people that we have hired on the alternative side on international side in our digital and tech capabilities and of course a larger number would be in sales and client service apart from investments. On the expense side, I mentioned so all of these investments whether in increase in people, whether in the increase in number of offices, whether in building more capability on the alternative PMS, AIF side, I mean we have got six investment professionals on the VC/PE side and six on the credit side. We have built capabilities across the board and all of this is already part of the cost structure that you are seeing. And I mentioned earlier that ESOP is, I mean, we remain fully committed to retaining the best talent and you have seen recently the new ESOP and PSU initiatives in addition to several ESOP programs we have implemented in the past, and that cost is also part of the overall cost that you are seeing.

**Simal Kanuga:** A large amount of heavy lifting has already been done in terms of investment side of things.

**Navneet Munot:** On the channel share, so yes, we have healthy across the board, whether it is MFDs, whether it is, NDs, whether it is banks, which includes HDFC Bank and direct and fintech. Of course, some of the banks which either have a close architecture or a guided architecture, our market share would not be higher relative to their own AMCs, but otherwise, yes, we enjoy healthy share across all channels, but of course, aspiration is always to get more.

**Dipanjan Ghosh:** Got it. Thank you, everyone and all the best.

**Navneet Munot:** Thank you.

**Moderator:** Next question is from Abhijit Sakare from Kotak Securities. Please go ahead.

**Abhijit Sakare:** Yes, hi, good evening, everyone. I have a question on the yields. So, if I go back to your comments from the last couple of quarters, it looks like the equity yields have kind of stayed at those levels around 58. But if I look at the equity AUM growth, right, for example, let us say from March till now, it is like almost 15%-odd. So, I am just trying to understand between let us say, commission cuts implemented last year versus the telescopic repricing, I mean, how do we understand this movement over the last six odd months?

**Navneet Munot:** So, that rationalization has clearly helped us in reducing the impact of telescoping pricing, but margin compression from telescopic pricing is inevitable and remains an industry reality. So, we recognize that TER will structurally trend lower over time and we factor that into our pricing decisions on the new flows. I must mention this, Abhijit, the one metric that I keep a particularly close eye on is our operating margin. We have typically operated in the 33, 35 business points range, and the objective is to stay within that corridor, though that is not always straightforward. You have seen a significant increase in the equity AUM due to MTM as well as flows. So, what happens is that asset mix improves with higher equity AUM. So, then there is an impact on the equity margin, but the asset mix improves and we are able to rationalize on the cost side - cost as a basis point of AUM. So, the operating margin we have been able to maintain in that range. Also, I should mention I do not view margin in isolation. It is simply an outcome. The real focus is on expanding absolute profitability. And I assume you would agree that, that is where our real focus has to be.

**Abhijit Sakare:** Got it, sir. Sir, sorry, one clarification. Would it be fair to say that the entire commission cuts was fully absorbed by the March quarter or some of it has flowed through in the first half this year as well?

**Simal Kanuga:** No, it will be there every quarter, right, Abhijit, in sense we cut it in August last year, right? So, that basically the numbers were rationalized last year. So, numbers from there on have been re-based. See, what you have seen is, I think, Navneet touched upon, right, between March and now when you are talking about increase

in equity AUM, but the asset mix also has got tilted in favor of equity further out from 63%-odd to 64%-odd. So, that has kind of kept the revenue margins at that 58 kind of a number.

**Abhijit Sakare:** Okay. I will revisit this later. And just one smaller, number question. So, this employees cost of about Rs.124-odd crores, fair to assume that this is more or less like the base for the rest of the year or for the quarter?

**Naozad Sirwalla:** So, Abhijit, we had disclosed in the previous quarter. Since we did the issuance of ESOPs in the June quarter, there is a particular amount of black scholes amortization that will happen, right, in the books. And we had given out those numbers in our previous call, which should be in addition to the normal employee cost. This is a one-time non-cash amortization of black scholes cost. If you want I can just give you the broad number again. The non-cash expense on account of ESOPs only I am talking. For the second half of this year would be around Rs.42 crores, for FY27 we think it is about Rs.67 crores, for FY28 Rs.53-odd crores, then it tails off, FY29 about Rs.33 crores and it tails off after that. These are again broad numbers, a lot of things go into this, but this is a broad amortization, non-cash expense on account of stock options.

**Abhijit Sakare:** Got it. Thanks for that. That is from my side. Thank you so much.

**Navneet Munot:** Thank you.

**Moderator:** Next question is from the line of Ranvir Singh from Yashwi Securities. Please go ahead.

**Ranvir Singh:** Hello, sir. So, I just wanted to understand, does the yield of the AMC differ if someone subscribes for a direct plan versus a regular plan?

**Navneet Munot:** The management fee remains the same.

- Ranvir Singh:** Okay, sir. So, my next question is like, say for example, a hybrid fund which has like 60% in equity and 40% in debt, so to think of the yield, would this be the right approach that we think 60% of 58 bps and 40% of 28 bps would be the blended yield for that product?
- Simal Kanuga:** So, anything above 65%, so equity-oriented hybrid funds, the fee structure is aligned with that of equity schemes. So, when you look at equity oriented hybrid will be at 58 basis points.
- Navneet Munot:** That is minimum 65% equity.
- Ranvir Singh:** Okay, sir. And sir, this is the last question. So, the non-cash expense, ESOP, you said, is Rs.42 crores for this year. So, how much of it has already come to a PL account?
- Naozad Sirwalla:** I am talking for the second half.
- Ranvir Singh:** Oh, for the second half. Okay, sir. Okay, thank you. Happy Diwali.
- Navneet Munot:** Happy Diwali.
- Moderator:** Next question is from the line of Vinod Rajamani from Nirmal Bang. Please go ahead.
- Vinod Rajamani:** Thank you for the opportunity. Most of my questions have been answered, but I just wanted to know what is the philosophy around the new SIF plans which many AMCs are planning to launch? I mean, what kind of timeline do we have in case we are also planning to go down that path and what kind of yields could that benefit for us?
- Navneet Munot:** So, we already have approvals in place for launch of SIF. We want to be full service providers across categories, say active, passive, alternatives, and even the newer categories as they emerge. We are watching this space closely and we will decide on how we want to progress on this front. Team here is evaluating all possible



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options and products that can be well suited for our client segment. So, you will hear more from us on this front going forward.

**Vinod Rajamani:** Okay. Yes. Thank you

**Moderator:** Thank you. As there are no further questions, I will now hand the conference over to Mr. Navneet Munot for closing comments.

**Navneet Munot:** Thank you. So, in summary, while equity markets softened in Q2 FY26, the mutual fund industry continued to demonstrate resilience supported by record SIP flows and steady equity fund inflows. I salute the resilience and maturity of Indian investors, supported by distribution and advisory partners. HDFC AMC's AUM stood at Rs.8.7 trillion with a steady market share. We remain the most preferred choice among individual investors with a market share of 13.1%. Our investor base reached 14.5 million unique investors that represents a healthy 25% penetration. That is on the mutual fund side. And we have been progressing very well on our initiatives in PMS, in alternatives and international business. We are Wishing you and your loved ones a very Happy Diwali and a Prosperous New Year ahead. Thank you for your time today.

**Moderator:** Thank you very much. On behalf of HDFC Asset Management Company Limited that concludes this conference. Thank you for joining us and you may now disconnect the lines.