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16 July 2026

RESEARCH

BOB ECONOMICS RESEARCH | TRADE Q1FY27

Trade deficit widens in Q1 due to higher prices

HDFC AMC | TARGET: Rs 3,200 | +17% | BUY

Steady quarter, margins moderate on cost ramp-up

SUMMARY

INDIA ECONOMICS: TRADE Q1FY27

India's trade deficit widened to US$ 30.4bn in Jun'26 as imports increased. Export growth maintained momentum as well. In Q1 FY27, while merchandise exports performed well, imports also accelerated, reflecting higher commodity prices, especially oil prices. Export growth in Q1 has been broad-based with engineering, gems and jewellery and electronic exports continuing to outperform. On imports side, traction is also seen in non-oil-non-gold imports, such as electronics, machinery, fertilizers and pulses.

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HDFC AMC

- HDFC AMC reported steady operating performance, while margins declined due to higher employee costs and other expenses
- QAAUM grew 12.9% YoY and 0.8% QoQ to Rs 9,351 bn. Equity AUM was up 15.7% YoY (1.5% QoQ), debt AUM declined 2.6% YoY (-5.7% QoQ)
- We maintain BUY on HDFCAMC with TP of Rs 3,200 (earlier Rs 3,175), implying 36x Jun'28E EPS. HDFC AMC remains to be our top picks

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TRADE Q1FY27

14 July 2026

Trade deficit widens in Q1 due to higher prices

Aditi Gupta
Economist

India's trade deficit widened to US$ 30.4bn in Jun'26 as imports increased. Export growth maintained momentum as well. In Q1 FY27, while merchandise exports performed well, imports also accelerated, reflecting higher commodity prices, especially oil prices. Export growth in Q1 has been broad-based with engineering, gems and jewellery and electronic exports continuing to outperform. On imports side, traction is also seen in non-oil-non-gold imports, such as electronics, machinery, fertilizers and pulses.

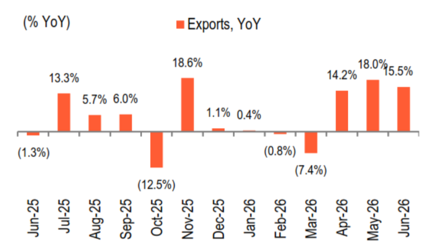
Going ahead, with continued uncertainty on the global front, the CAD will remain under pressure. However, due to the recent measures by the RBI and government, the impact on the BoP position would not be significant. Overall, we estimate CAD at 1.8-2% of GDP in FY27. We remain watchful of the evolving war situation in the Middle East.

India's trade in Jun'26

India's exports rose by 15.5% in Jun'26, compared with a decline of 1.3% in the same period last year. While impressive, this was marginally lower than a growth of 18% noted in May'26. Within exports, oil exports decelerated to 9.2% in Jun'26 after increasing by 55.1% in May'26. On the other hand, support was provided by non-oil exports which increased by 16.5% in Jun'26, following an 11.9% rise noted in May'26. On the imports side, there was a sharp acceleration in overall imports. In fact, growth in imports accelerated to a 42-month high of 31% in Jun'26, after increasing by 20.6% in May'26. While both oil and gold imports moderated sequentially reflecting a correction in global prices, non-oil-non-gold imports increased at a much faster pace of 28.9% in Jun'26 (46-month high), compared with 8.6% in May'26.

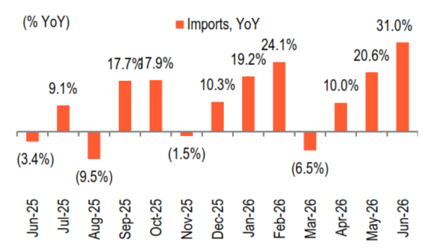
India's merchandise trade deficit expanded to a 5-month high of US$ 30.4bn in Jun'26, compared with US$ 28.2bn in May'26, as imports rose at a much faster pace than exports.

Figure 1: Exports growth maintained momentum



Source: CEIC, Bank of Baroda Research

Figure 2: Import growth surges in Jun'26



Source: CEIC, Bank of Baroda Research

BUY
TP: Rs 3,200 | ⮝ 17%

HDFC AMC | AMC | 16 July 2026

Steady quarter, margins moderate on cost ramp-up

- **HDFC AMC reported steady operating performance, while margins declined due to higher employee costs and other expenses**
- **QAAUM grew 12.9% YoY and 0.8% QoQ to Rs 9,351 bn. Equity AUM was up 15.7% YoY (1.5% QoQ), debt AUM declined 2.6% YoY (-5.7% QoQ)**
- **We maintain BUY on HDFCAMC with TP of Rs 3,200 (earlier Rs 3,175), implying 36x Jun'28E EPS. HDFC AMC remains to be our top picks**

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Steady operating performance: HDFC AMC reported core earnings revenue growth of 13.6% YoY (4.6% QoQ). EBITDA came in at Rs 8,504 mn with a 10% YoY/0.6% QoQ growth while margins stood at 77.3% against 79.8% in Q1FY26. This was primarily led by increased growth in employee benefit expenses (31.5% YoY due to increased year end increments given to employees and ESOP cost) and other expenses (21.7% YoY mainly because of higher CSR and technology expenses). The company's PAT grew by 12% YoY (34.4% QoQ) owing to MTM gains in other income.

Marginal uptick in yields: Overall revenue yields stood at 47bps vs 45bps in Q4FY26. Equity yields came in at 58bps while active equity yields stood at 61 bps. Debt and liquid yields came in at 28 bps and 13 bps respectively. The management highlighted uptick in yields is partly due to higher equity share in product mix and the accounting change from TER to BER regulations which got effective in April 26.

QAAUM crosses Rs 9,351 bn: HDFCAMC's QAAUM grew 12.9% YoY and 0.8% QoQ to Rs 9,351 bn, continuing to maintain its position as 3rd largest AMC. Equity AUM was up 15.7% YoY (1.5% QoQ), with its market share stable at 13%, primarily due to continued broad-based improvement in fund performance. Debt AUM declined by 2.6% YoY (-5.7% QoQ) due to redemptions by investors on account of increased volatility in rupee, interest rates, crude prices. However, overall market share continued to be stable at 11% in Q1FY27. With respect to TER, management plans to offset the impact on the P/L by commissions rationalisation and prudent cost management. Management expressed confidence in sustained industry growth over the medium to long term, supported by continued strength in SIP inflows and rising investor participation.

Maintain BUY: HDFC AMC remains well positioned to deliver steady growth, supported by its strong franchise, high equity mix, and superior profitability, which together justify its premium valuation. We expect PAT to grow at 15.6% CAGR over FY27–29E. We maintain BUY with TP of Rs 3,200 (Rs 3,175 earlier), valuing the stock at 36x its Jun'28E EPS. HDFCAMC remains to be our top picks.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HDFCAMC IN/Rs 2,729
Market cap	US$ 12.3bn
Free float	37%
3M ADV	US$ 27.7mn
52wk high/low	Rs 2,967/Rs 2,206
Promoter/FPI/DII	63%/8%/18%

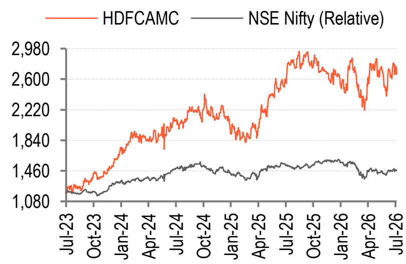
Source: NSE | Price as of 15 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Core PBT (Rs mn)	32,091	35,893	41,726
Core PBT (YoY)	17.8	11.8	16.3
Adj. net profit (Rs mn)	28,581	32,023	37,199
EPS (Rs)	66.8	74.3	87.5
Consensus EPS (Rs)	66.8	76.3	88.4
MCap/AAAUM (%)	14.5	12.7	11.0
ROAAAUM (bps)	35.4	34.9	34.9
ROE (%)	32.9	33.6	36.5
P/E (x)	40.9	36.7	31.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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