

India

Overweight (no change)

Financial Services - AMCs

Risk is a part of the business

- The slowdown in net inflow & sluggish capital market performance in the MF industry are priced in, and we see a higher upside compared to the downside.
- Players with a strong track record in scheme performance & distribution network to continue gaining market share, notwithstanding the sluggishness.
- Post correction, we retain ADD rating on NAM AMC (TP of Rs780) and ABSL AMC (TP of Rs800) but upgrade HDFC AMC's rating to ADD (TP of Rs 4,600).

MF investments are subject to market risks – so scan AMCs carefully

The mandatory risk disclosure for investments in mutual funds has played its part in slashing stock returns of asset management companies or AMCs in recent months. The market fall is led by higher losses in small-cap and mid-cap indices. Historically, AMC stocks have largely moved in a +-5% range as compared to the NSE small-cap index's fall and largely up to a +-12% range as compared to the NSE mid-cap index and the broader NSE 500 index (Fig. 1). The decline since Dec 2024 has seen a diverse trend among AMCs, with HDFC AMC relatively holding up (-12% return since 16 Dec 2024) and Nippon Life India AMC (NAM AMC) showing a sharper fall (-29% since 16 Dec 2024). This diverse movement is largely attributable to the higher contribution of small-cap and mid-cap schemes at ~17% of the total AUM for NAM AMC & ~14% of the total AUM for HDFC AMC.

Attractive valuations as most stocks trade close to -1 SD levels

Consequently, one-year forward P/E ratios have sharply declined close to the -1 standard deviation (SD) levels for all four listed AMCs (since their listing). These levels were previously topped between end-2022 and Jun 2023 (Figs. 3-6). Hence, we find the risk-reward ratio attractive for AMCs, notwithstanding any further fall in broader indices. Any further correction in the indices may lead to stock valuations falling below -1 SD levels; however, we see a higher upside than downside from current levels.

Test of time, performance to play a key role

We expect mutual funds or MFs' equity scheme inflow to remain volatile in the near term; however, we see this as an opportunity for players with a strong vintage and high performance to outshine other newer players. For instance, ~50% of the schemes outperformed their benchmarks when it came to three-year returns in small-cap, mid-cap and large-cap schemes for an average of the last six months. The same is ~45% for large & mid-cap schemes. Among listed AMCs, we observed that HDFC AMC and NAM AMC consistently have been among the top five performers in large-cap and mid-cap schemes when it came to three-year returns, over the last one year. HDFC AMC was among the top performers in flexi-cap schemes while NAM AMC was among the top performers in small-cap schemes. We also observed that Aditya Birla Sun Life AMC or ABSL AMC has been gradually improving its performance in the case of near-term returns of its various schemes.

Outlook and valuation

We revise downwards our AUM estimates by ~5-8% for FY26-27F and PAT estimates by ~3-9% for the same period to incorporate the recent capital market volatility weighing down on inflow and other income in FY25F, thus starting FY26F on a lower base. The market has remained sceptical about sustainability of the inflow into AMCs; however, we believe that rising disposable income will largely channelize into a stable inflow in the medium term. We believe the correction in NAM AMC (~29%) from its peak in Dec 2024 has overplayed and reiterate ADD rating on it with a revised target price of Rs780 (Rs900 earlier), valuing it at 27x FY26F EPS, led by performance-led market share gains. We upgrade HDFC AMC to ADD (from HOLD) with a revised TP of Rs4,600 (Rs4,200 earlier), valuing it at 32x FY26F EPS, as we believe it will be one of the key beneficiaries of the volatility. We also like ABSL AMC and maintain ADD rating on it with a revised target price of Rs800 (Rs850 earlier), valuing it at 22x FY26F EPS for its turnaround story. We have an ADD rating on UTI AMC with a revised target price of Rs1,250 (Rs1,350 earlier) valuing it at 16x FY26F EPS, led by a potential takeover.

Research Analyst(s)

Meghna LUTHRA

T (91) 22 4161 1553

E meghna.luthra@incredresearch.com

Rishabh JOGANI

T (91) 22 4161 1569

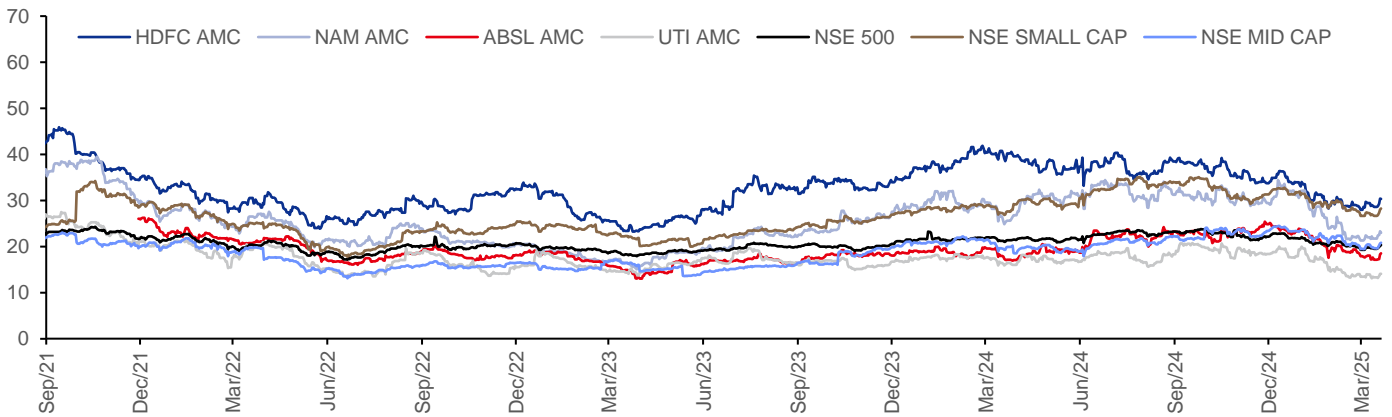
E rishabh.jogani@incredresearch.com

Figure 1: Recent AMC stock price revision has sharp outliers when compared historically

Absolute returns	HDFC AMC	NAM AMC	ABSL AMC	UTI AMC	NSE 500	NSE SMALL-CAP	NSE MID-CAP
Nov 2019-Mar 2020	-46%	-44%	NA	NA	-34%	-41%	-34%
Jan 2022-Jun 2022	-28%	-27%	-29%	-43%	-18%	-32%	-21%
Dec 2023-Mar 2024	12%	-3%	-4%	-5%	3%	-2%	2%
Dec 2024-Mar 2025	-12%	-29%	-23%	-27%	-10%	-19%	-14%

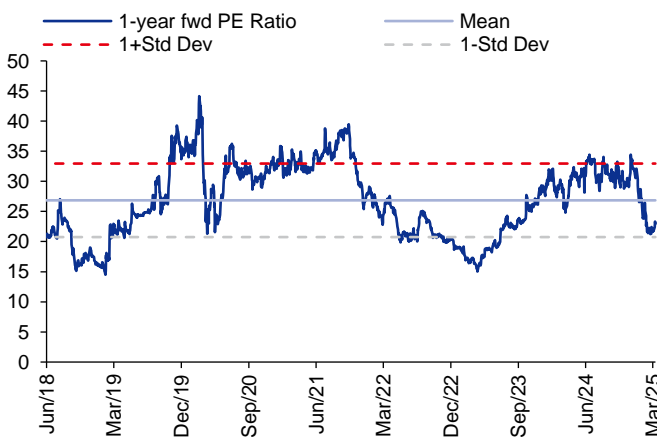
NOTE: CURRENT MONTH'S DATA IS TILL 20 MAR 2025
 SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 2: One-year forward P/E ratios



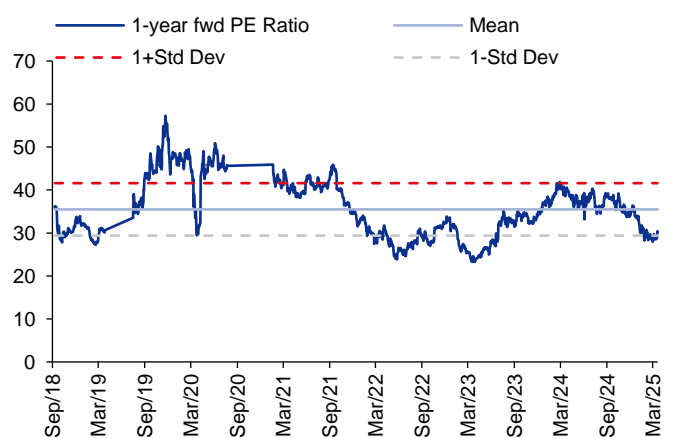
NOTE: CURRENT MONTH'S DATA IS TILL 20 MAR 2025
 SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 3: Nippon Life India AMC's performance



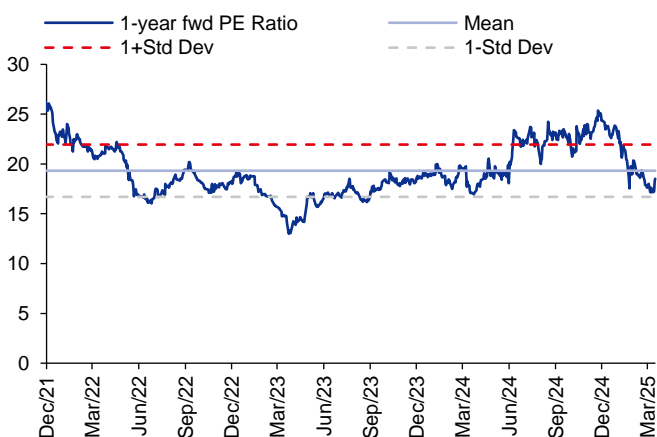
NOTE: CURRENT MONTH'S DATA IS TILL 20 MAR 2025
 SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 4: HDFC AMC's performance



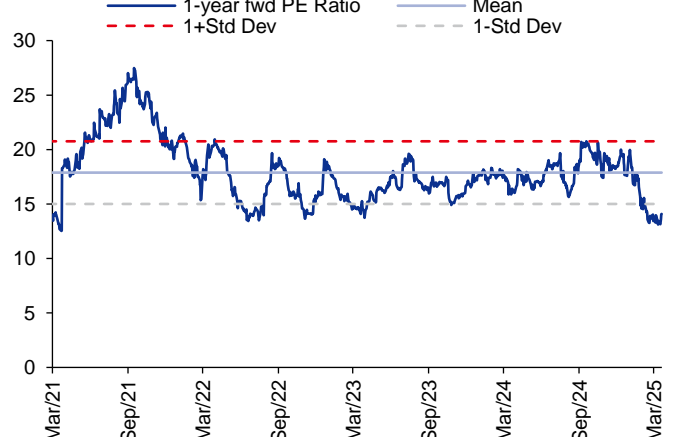
NOTE: CURRENT MONTH'S DATA IS TILL 20 MAR 2025
 SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 5: Aditya Birla Sun Life AMC's performance



NOTE: CURRENT MONTH'S DATA IS TILL 20 MAR 2025
 SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 6: UTI AMC's performance



NOTE: CURRENT MONTH'S DATA IS TILL 20 MAR 2025
 SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 7: NAM AMC: Our revised earnings estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	23,781	22,626	-4.9%	33,032	30,300	-8.3%	41,253	40,002	-3.0%
PAT	14,551	13,159	-9.6%	20,018	18,310	-8.5%	24,800	24,036	-3.1%
EPS (Rs)	23.1	20.9	-9.6%	31.8	29.1	-8.5%	39.4	38.2	-3.1%
Dividend payout (%)	95	95	0.0%	95	95	0.0%	95	95	0.0%
QAAUM (Rs tr)	6.3	5.6	-10.0%	8.3	7.7	-7.0%	10.5	10.1	-3.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: HDFC AMC: Our revised earnings estimates

Y/e Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	Variance	Earlier	Revised	Variance	Earlier	Revised	Variance
Revenue from operations	41,535	40,360	-2.8%	52,788	50,226	-4.9%	62,356	60,931	-2.3%
PAT	26,018	24,383	-6.3%	33,506	30,875	-7.9%	39,331	37,378	-5.0%
EPS (Rs)	122.0	114	-6.4%	157.2	145	-8.0%	184.5	175	-5.1%
Dividend payout (%)	80	80	0.0%	80	80	0.0%	80	80	0.0%
QAAUM (Rs tr)	8.4	7.8	-7.7%	10.3	9.8	-5.4%	12.3	12.0	-2.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: ABSL AMC: Our revised earnings estimates

Y/e Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	19,148.7	19,055.3	-0.5%	22,898.0	22,115.3	-3.4%	27,267.5	26,278.2	-3.6%
PAT	9,256.3	9,106.2	-1.6%	11,220.4	10,646.4	-5.1%	13,397.9	12,727.2	-5.0%
EPS (Rs)	32.1	31.5	-1.6%	38.9	36.9	-5.1%	46.4	44.1	-5.0%
Dividend payout (%)	55.0	55.0	0.0%	60.0	60.0	0.0%	60.0	60.0	0.0%
QAAUM (Rs tr)	4.2	3.9	-6.2%	5.0	4.7	-4.6%	5.9	5.7	-4.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: UTI AMC: Our revised earnings estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	19,774	19,032	-3.8%	24,847	23,168	-6.8%	30,169	28,130	-6.8%
PAT	8,431	8,089	-4.1%	10,808	10,032	-7.2%	13,524	12,565	-7.1%
EPS (Rs)	66.4	63.7	-4.1%	85.1	79.0	-7.2%	107	99.0	-7.1%
Dividend payout (%)	50.0	50.0	0.0%	50.0	50.0	0.0%	50	50.0	0.0%
QAAUM (Rs tr)	3.6	3.4	-6.8%	4.3	4.0	-6.8%	5	4.8	-6.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

InCred Research Services Private Limited

Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework**Stock Ratings**

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.

Sector Ratings

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.