

India

Overweight (no change)

Financial Services - AMCs

Inflow inching up; SIPs touch a new high

- Mutual funds' AUM in Jun 2025 improved by ~4% mom to Rs75tr amid strong mark-to-market (MTM) gains and steadily improving inflow.
- The net inflow into equity schemes was dominated by flexi-cap, large-cap, mid-cap and small-cap schemes, while arbitrage funds dominated hybrid inflow.
- We expect the inflow to improve further in the near term as more banks pass on the policy rate cut, and capital markets become more attractive.

Sentiment turning favourable post rate cut

Equity & hybrid schemes gained momentum, with each accounting for over Rs230bn of the net inflow in Jun 2025. The sentiment is turning favourable amid relatively less volatility post policy rate cut. The same is echoed in strong systematic investment plan or SIP inflow, which touched a new high of Rs273bn amid rising registrations.

Equity and hybrid schemes witness inflows steadily moving up

As per the data released by AMFI (Association of Mutual Funds of India), the overall average assets under management or AUM of mutual funds in Jun 2025 increased by ~4% mom to Rs75tr led by healthy inflow and strong capital market returns. Consequently, equity AUM rose by ~4% mom. Net inflow into equity funds improved to Rs236bn, up ~24% mom, hybrid funds sustained their previous month's momentum and saw ~12% mom uptick by registering Rs232bn in net inflow, while debt funds witnessed a net outflow of Rs17bn. With a 50bp policy rate cut, we expect inflows to get a boost as fixed and savings deposit rates will continue to move downwards, making bank-led savings unattractive vs. strong capital market returns.

Flexi-cap schemes gain steam while thematic/sectoral lose shine

The gross inflow into equity schemes continued to remain under the Rs600bn-mark for the fifth consecutive month – these levels were last seen before May 2024. Redemptions cooled by ~11% mom, pushing the net equity fund inflow up by ~24% mom. There was a broad-based improvement in net inflow, barring thematic/sectoral funds and multi-cap funds. Net inflow into large-cap, small-cap and mid-cap funds witnessed an improvement, up by ~36%, ~25% and ~34%, respectively. Thematic/sectoral funds saw a decline in net inflow, down by ~77% mom (accounting for only ~2% of the net equity inflow vs. ~20% in Feb 2025) due to continued profit-booking. Thematic/sectoral funds saw two new fund offers or NFOs and garnered only ~Rs7bn vs. two NFOs mopping up ~Rs18bn in May 2025. Large-cap, mid-cap, large & mid-cap, and small-cap schemes accounted for ~55% of the net equity fund inflow, up ~3pp mom, while the contribution of flexi-cap schemes moved up to ~24%, from ~20% mom.

SIP inflow remains high; strong ~5% mom growth in AUM

The inflow touched a new high of Rs273bn in Jun 2025, up by ~28% yoy and ~2% mom. New SIPs registered were the highest in the last eight months at 6.2m, while accounts discontinued inched up to 4.8m vs 4.3m in the previous month. As a large portion of SIPs is equity-linked, SIP AUM moved up by ~5% mom to Rs15.3tr.

Outlook and valuation

We expect the inflow momentum to pick up pace in the near term and sustain the healthy level in the medium term led by higher participation from the retail segment, higher understanding of market volatility and rising investment discipline, along with incrementally higher inflow from B-30 cities. We remain optimistic over the mid- to long-term horizon amid improving geographic penetration as well as the rising popularity of mutual fund schemes, mainly among the young and mid-income investors. We maintain our ADD rating on all listed AMC players and retain NAM India as our top pick in the AMC space for its consistent performance-led market share gains. We like HDFC AMC for market share gains and ABSL AMC for its turnaround story. The undercurrent of likely acquisition of UTI AMC makes its stock attractive.

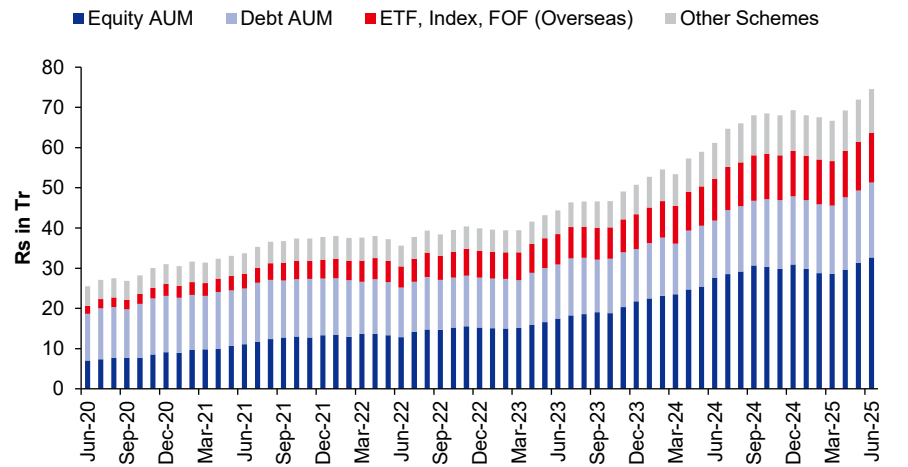
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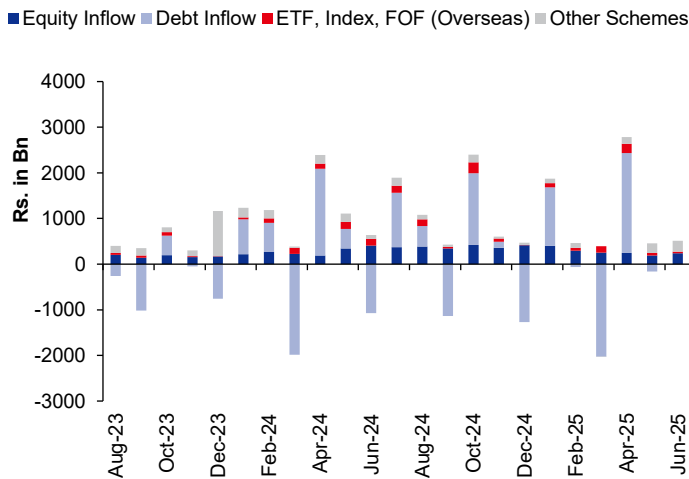
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Figure 1: MTM gains and improving inflow lift overall AUM



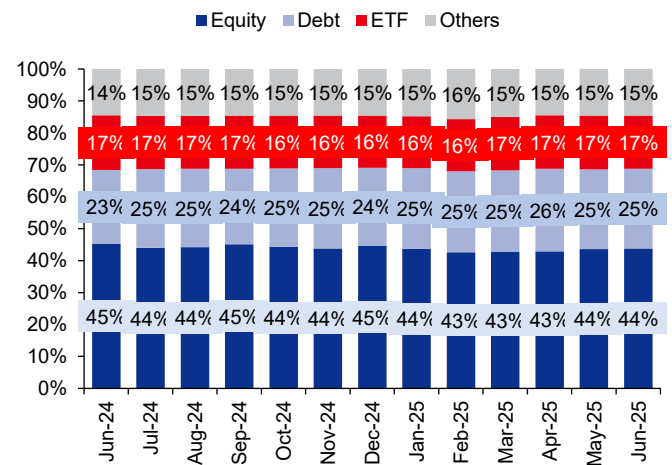
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Equity fund inflow inches up while debt fund inflow remains low



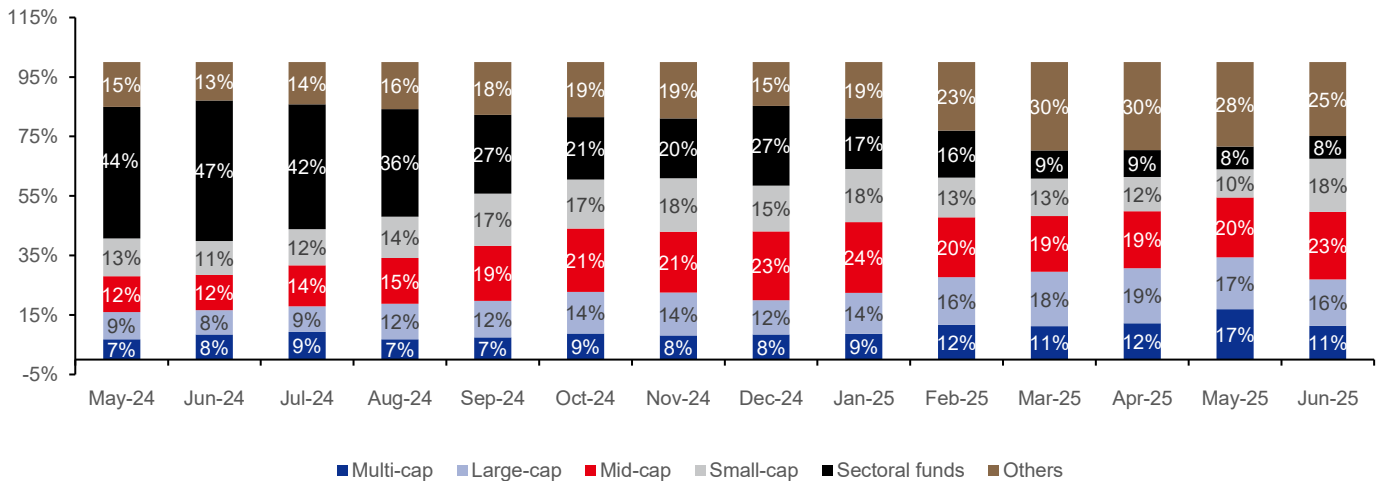
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Equity fund AUM stable in the average AUM mix



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Net inflow shows a broad-based rise led by flexi-cap funds while thematic/sectoral funds witness a slowdown



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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.