

India

**Overweight** (no change)

# Financial Services - AMCs

## Better inflow despite choppy markets

- MFs' AUM grew at a slow pace of ~0.7% mom due to sluggish market movement in Oct 2024, even as net inflow touched a lifetime high of Rs2.4tr.
- Equity fund inflow regained momentum led by strong inflow into existing large-cap, mid-cap & flexi-cap schemes with slower inflow to sectoral/thematic funds.
- ABSL AMC (ADD, TP Rs1,000) is our high-conviction idea due to its turnaround story, followed by NAM (ADD, TP Rs900) due to consistent market share gains.

### Strong inflow lifts AUM higher despite a damp market performance

As per the data released by AMFI (Association of Mutual Funds of India), the overall AUM touched yet another all-time high of Rs68.5tr on the back of the net inflow touching a new high of Rs2.4tr in Oct 2024, as the capital market movement remained volatile. Equity funds witnessed a net inflow of Rs419bn, up 22% mom, while the volatile debt fund segment saw a net inflow of Rs1.6tr. We expect the near-term volatility to continue, but we remain optimistic over the medium- to long-term horizon.

### Unperturbed by market volatility, large & mid-caps look lucrative

The revival in net equity fund inflow is largely attributable to the broad-based improvement in net inflow notwithstanding the volatile market performance in Oct 2024. This depicts higher investment discipline and the unwavering outlook of investors in mutual funds which led to a sharp rise in net inflow to large-cap, mid-cap, flexi-cap and hybrid funds partially offset by the softness in net inflow in sectoral/thematic funds. Nifty and Sensex ended ~6% lower in Oct 2024.

### Sectoral/thematic funds remain key drivers, albeit on a softer note

Flows into large-cap schemes grew by ~95% mom, large & mid-cap schemes grew by ~35% mom, mid-cap schemes grew by ~50% mom and small-cap schemes grew by ~23% mom. These schemes contributed to ~40% of the inflow from ~34% last month. Net inflow into sectoral/thematic schemes declined by ~7% mom to Rs122.8bn (~29.3% of equity funds' net inflow) on the back of lower mobilization from new funds. New fund offers or NFOs in sectoral funds stood at Rs35.2bn (down ~55.2% mom).

### Steadfast financial discipline; SIP inflow moves higher to Rs253bn

The systematic investment plan or SIP inflow remained strong and touched a new monthly high of Rs253bn in Oct 2024, up ~49.6% yoy and ~3.3% mom, indicating strong inflow from the retail segment despite volatile equity markets. The SIP AUM declined by ~3.7% mom to Rs13.3tr. Net inflow into exchange traded funds (ETFs), index funds & fund of funds (overseas) witnessed a strong comeback at Rs234bn (up ~7.2x mom), after some redemption pressure in Sep 2024.

### Outlook & valuation

We appreciate the overall healthy scheme-wise delivery by industry which, in turn, resulted in a surge in equity funds' AUM. Healthy market movement and healthy equity fund inflow are aiding the yield movement, and we expect the overall yield to remain healthy in the medium term. ABSL AMC is our top pick in the sector with a target price of Rs1,000 or ~22.6x FY26F EPS amid the asset management company's ability to improve its revenue yield via superior equity fund inflow aided by scheme-level outperformance translating to improving its market share. We also like NAM India (ADD, TP of Rs900) for its consistent performance-led market share gains. The undercurrent of likely acquisition of UTI AMC (ADD, TP of Rs1,450) makes it attractive. We have a HOLD rating on HDFC AMC with a target price of Rs4,250 due to the unfavourable risk-reward ratio.

#### Research Analyst(s)

**Jignesh SHIAL**

T (91) 22 4161 1547

E jignesh.shial@incredresearch.com

**Meghna LUTHRA**

T (91) 22 4161 1500

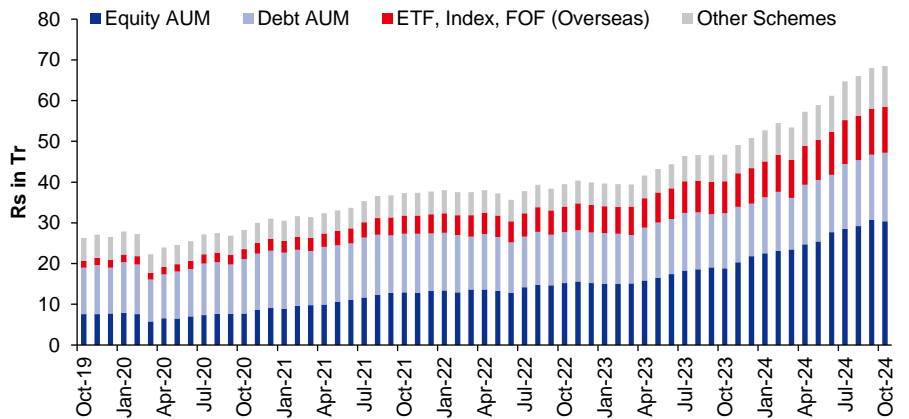
E meghna.luthra@incredresearch.com

**Rishabh JOGANI**

T (91) 22 4161 1569

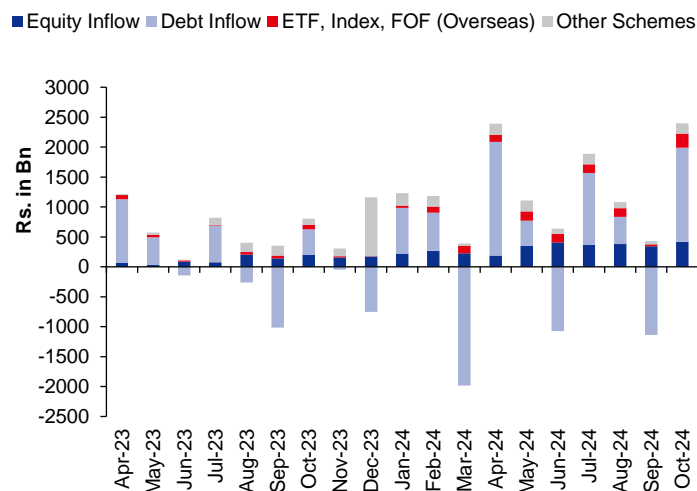
E rishabh.jogani@incredresearch.com

Figure 1: Overall AUM remains at an all-time high



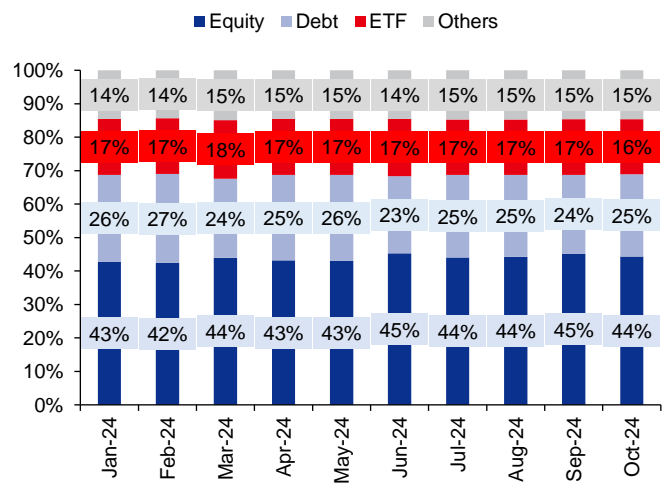
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volatile debt fund inflow turns positive



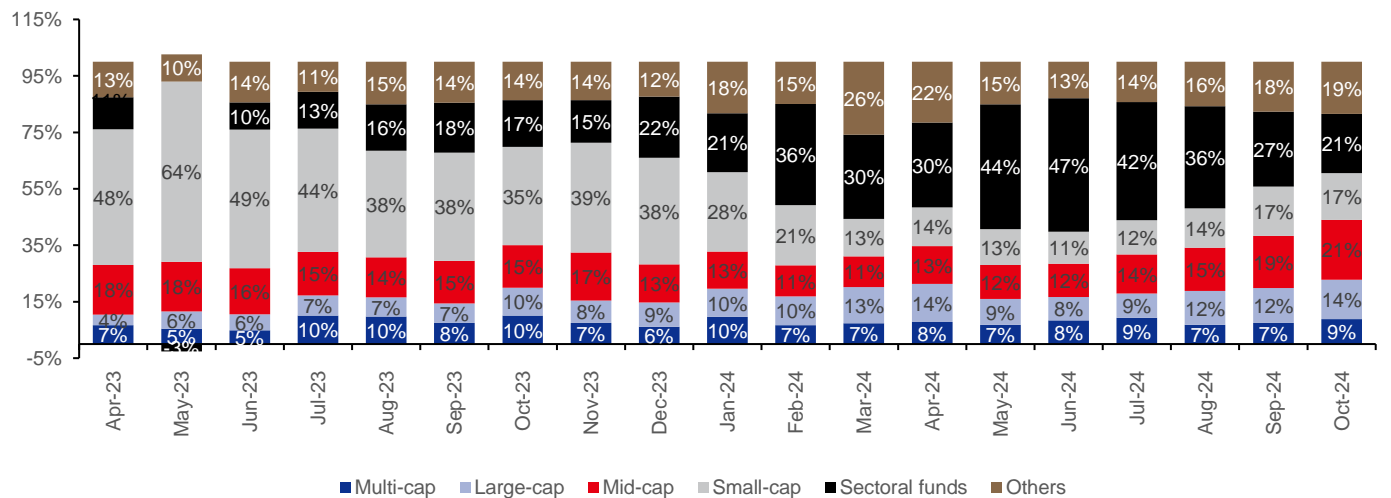
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: The share of equity funds dips as debt funds witness inflow



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Sectoral funds' share in folios dips as NFOs witness moderation



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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