

India

Overweight (no change)**Highlighted Companies****HDFC AMC****HOLD, TP Rs5600, Rs5653 close**

Maintaining high yields and market share gains are key positives. However, the recent run-up in the share price makes the risk-reward ratio unfavourable.

Nippon Life India Asset Management**ADD, TP Rs920, Rs807 close**

Consistent market share gains, driven by the strong performance of its schemes with largely stable yields, leave more room to rerate.

Aditya Birla Sunlife AMC**ADD, TP Rs1000, Rs848 close**

The turnaround story playing out, with early signs of slowing market share loss cropping up.

Summary Valuation Metrics

P/E (x)	Mar26-F	Mar27-F	Mar28-F
HDFC AMC	36.9	30.6	24.6
Nippon Life India Asset Management			
Aditya Birla Sunlife AMC	21.6	18.4	15.2
P/BV (x)	Mar26-F	Mar27-F	Mar28-F
HDFC AMC	17.6	15.9	14.2
Nippon Life India Asset Management			
Aditya Birla Sunlife AMC	5.9	5.3	4.7
Dividend Yield	Mar26-F	Mar27-F	Mar28-F
HDFC AMC	2.2%	2.6%	3.2%
Nippon Life India Asset Management			
Aditya Birla Sunlife AMC	2.9%	3.4%	4.1%

Financial Services - AMCs

Equity fund investors turn cautious

- Mutual funds' AUM in Aug 2025 was a tad lower (-0.4%) mom at Rs76tr amid softness in equity fund inflow, rise in festive spending & high liquid fund outflow.
- Equity schemes saw higher interest in large-cap, mid-cap, and flexi-cap schemes, while other schemes moved at a relatively slower pace.
- 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.

Muted market gains and festive spending moderate fund inflow

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 Aug 2025 were a tad lower (-0.4%) at Rs76tr as softer capital market returns, a shift toward gold ETFs, and elevated festive spending weighed on the inflow. Equity schemes witnessed a net inflow of Rs334bn, aided by rising interest in large-cap, mid-cap and flexi-cap schemes. Gold ETFs saw a net inflow of Rs22bn, up 74% mom. Debt funds saw a strong net outflow of Rs80bn, with high outflow from liquid funds at Rs133bn. Gross systematic investment plan or SIP inflow also declined by -1% mom to Rs283bn. With the policy rate cut flowing through, we expect mutual fund inflow to continue to remain high as fixed and savings deposit rates become unattractive.

Conservative large-cap, mid-cap & flexi-cap funds see strong inflow

The gross inflow declined to Rs610bn, down 19% mom, yet the secondhighest since Feb 2025. Redemptions declined by ~15% mom, pushing the net equity fund inflow down by ~22% mom. Investors turned a little cautious and directed higher inflow into large-cap, mid-cap and flexi-cap schemes which witnessed a rise of ~33%, ~3% and 0.3% mom, respectively. Net ELSS inflow, although with a relatively smaller contribution, turned net positive after four months. After a bumper inflow in Jul 2025, thematic/sectoral funds saw a decline in their net inflow to Rs39bn vs. Rs94bn mom (accounting for ~12% of net equity inflow vs. ~222% in Jul 2025). Thematic/sectoral funds saw two new fund offers or NFOs which garnered ~Rs14bn. Large-cap, mid-cap, large & mid-cap, and small-cap schemes accounted for ~49% of the net equity fund inflow, up ~5pp mom, while the contribution of flexi-cap schemes increased to ~23%, from ~18% mom.

Slowdown in gross SIP inflow is transitory

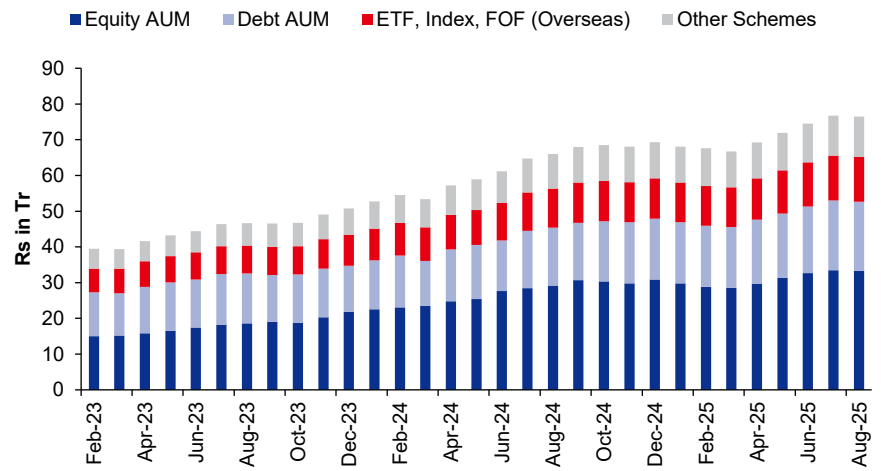
Gross SIP inflow also declined to Rs283bn in Aug 2025, down by ~1% mom and up by ~20% yoy. The number of contributing SIP accounts were 90m, down 1% mom. SIP assets under management or AUM were flat mom at Rs15.2tr. We believe this slowdown is transitory and will turn around once the geopolitical stress and market volatility eases.

Outlook and valuation

We believe any softness in select AMC stocks on account of market volatility will give a good opportunity to add. 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. Our top pick remains NAM India (TP Rs920) for its consistent performance-led market share gains. We appreciate the yield protection by HDFC AMC (HOLD, TP Rs5,600), although the run-up in the stock price makes the risk-reward ratio unfavourable. We maintain ADD rating on ABSL AMC (TP Rs1,000) for the slowdown in market share loss and its turnaround story. The undercurrent of likely acquisition of UTI AMC (ADD, TP Rs1,600) makes the stock attractive.

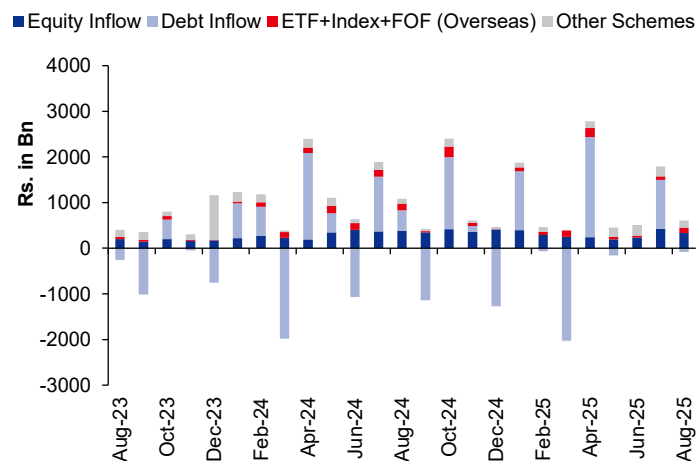
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Figure 1: Equity, debt & ETF AUM dips; other schemes gain but the overall AUM declines



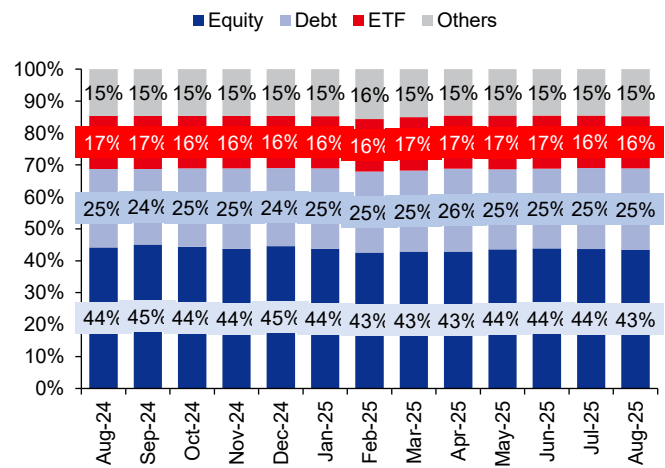
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: ETF & index fund inflow rises, underscoring the strong interest in passive funds



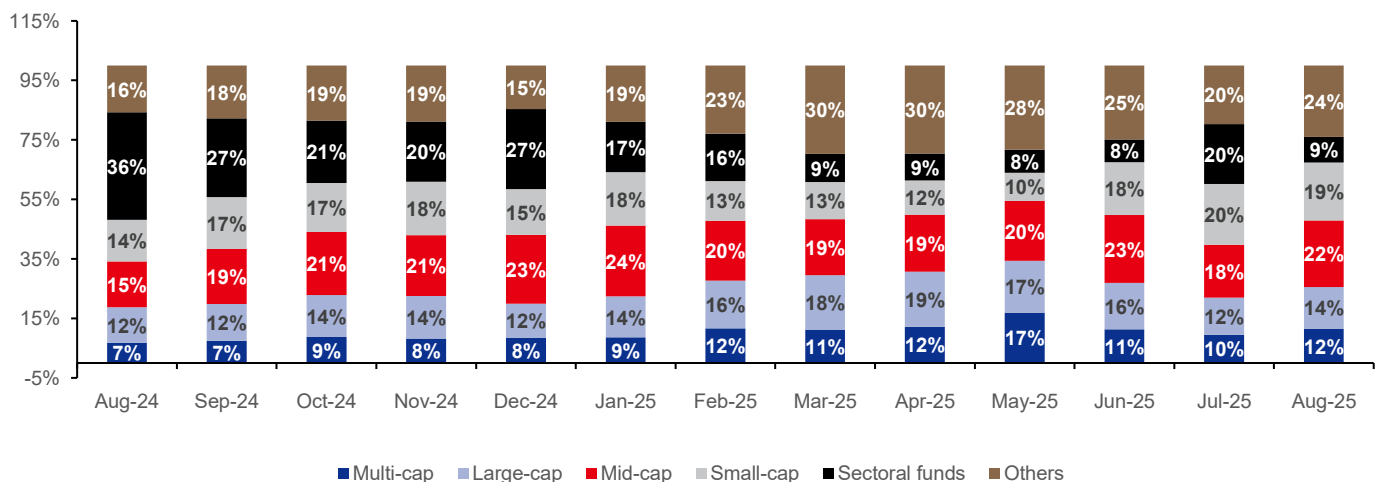
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Steady asset class mix



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Investor interest shifts from thematic/sectoral schemes to flexi-cap, mid-cap and large-cap funds, while the others remain stable



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.