

**RESEARCH**
**[SECTOR REPORT] DIVERSIFIED FINANCIALS**

Mutual fund industry – Onward and upward

**SUMMARY**
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- India's MF AUM on course for 11% CAGR over FY22-FY27E to ~Rs 64tn as financial savings, product literacy and digitisation rise
- Rising share of individuals vs. institutions, buoyed by SIPs, thus deepening the market for equity funds (48% of AUM vs. 30% in FY12)
- We initiate coverage on AMCs with a positive stance; UTI AMC (TP Rs 983) and Nippon AMC (TP Rs 347) are our top picks with BUY rating

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**Daily macro indicators**

Indicator	09-Jan	10-Jan	Chg (%)
US 10Y yield (%)	3.53	3.62	9bps
India 10Y yield (%)	7.34	7.31	(3bps)
USD/INR	82.36	81.79	0.7
Brent Crude (US\$/bbl)	79.7	80.1	0.6
Dow	33,518	33,704	0.6
Hang Seng	21,388	21,331	(0.3)
Sensex	60,747	60,115	(1.0)
India FII (US\$ mn)	06-Jan	09-Jan	Chg (\$ mn)
FII-D	(15.8)	61.2	77.0
FII-E	(323.8)	7.0	330.8

Source: Bank of Baroda Economics Research

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11 January 2023

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**MF AUM to reach ~Rs 64tn by FY27E:** After a robust 18% CAGR in QAAUM over FY15-FY22 to Rs 38tn, we expect the Indian mutual fund (MF) industry to end-FY27 at ~Rs 64tn, logging an 11% CAGR over FY22-FY27. Higher financial savings, broader regional penetration, ease of investing online, and rising awareness of mutual funds represent key growth catalysts.

**Market concentrated among top 10 AMCs:** The top 10 fund houses commanded 81.4% QAAUM market share in FY22, up from 79.5% in FY17. SBI AMC leads in the fast-growing equity and ETF categories, while IPRU AMC has the largest debt AUM.

**Equity funds gaining traction...:** The rapid growth in mutual funds has been headlined by a steady rise in equity QAAUM – from 30% of the total in FY12 to 46% in FY22 and further to 48% in H1FY23. Barring FY21, net equity flows have remained positive since FY15, hitting a peak of Rs 2.7tn in FY22. Systematic investment plans (SIP) have played an instrumental role in bolstering growth.

**...backed by a rising share of individuals:** The share of individual (retail + HNI) investors in MF industry MAAUM has swelled from 46% in FY17 to 55% in FY22 and 57% in H1FY23. Whereas institutional AUM logged an 11% CAGR over the past five years, individual investors grew at a brisk 20% led by equity funds and HNI demand.

**Smaller markets outpacing larger cities:** The industry is focused on penetrating smaller towns and cities, also called B30 (Beyond the Top 30 or T30) regions. T30 MAAUM logged a 15% CAGR over FY19-FY22 to Rs 31.5tn, constituting 83% of the total vs. 85% in FY19. The loss of share was because B30 markets grew at a faster 18% CAGR over the period.

**UTI AMC, Nippon AMC top picks:** We prefer UTI AMC (seasoned player, differentiated non-MF business: BUY, TP Rs 983) and Nippon AMC (competitive advantage in ETFs, stable market share: BUY, TP Rs 347). We also initiate coverage on the remaining two listed players, HDFC AMC (TP Rs 2,310) and ABSL AMC (TP Rs 488), with HOLD.

### Recommendation snapshot

Ticker	Price	Target	Rating
ABSLAMC IN	458	488	HOLD
HDFCAMC IN	2,143	2,310	HOLD
NAM IN	251	347	BUY
UTIAM IN	819	983	BUY

Price &amp; Target in Rupees | Price as of 11 Jan 2023



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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**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

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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