

RESEARCH
DIVERSIFIED FINANCIALS

Equity funds see sustained momentum in November

Daily macro indicators

Indicator	7-Dec	8-Dec	Chg (%)
US 10Y yield (%)	4.15	4.23	8bps
India 10Y yield (%)	7.24	7.27	3bps
USD/INR	83.36	83.39	0.0
Brent Crude (US\$/bbl)	74.1	75.8	2.4
Dow	36,117	36,248	0.4
Hang Seng	16,346	16,334	(0.1)
Sensex	69,522	69,826	0.4
India FII (US\$ mn)	6-Dec	7-Dec	Chg (\$ mn)
FII-D	(143.4)	122.6	265.9
FII-E	24.0	(54.4)	(78.5)

Source: Bank of Baroda Economics Research

SUMMARY
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- MAAUM of MF industry grew to Rs 49tn at end-November from Rs 39tn in Mar'23, closing in on Rs 50tn mark
- Equity intake remains robust with Rs 1.8tn of net flows over Apr-Nov'23, forming 55% of total AUM
- We raise target prices across our coverage on valuation rollover to Mar'26; Nippon AMC (TP Rs 513 vs. Rs 444 earlier) remains our top pick

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11 December 2023

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Closing in on the Rs 50tn mark: MAAUM of the MF industry climbed to Rs 49tn at the end of November from Rs 39tn at end-March, with equity MAAUM forming 55% of MF assets from 51% in March. Equity SIP AUM grew to Rs 9.3tn at the end of November, forming 35% of equity assets. Notably, the number of outstanding SIP accounts has more than doubled from 31.2mn at the end of FY20 to 74.4mn. Debt funds remained subdued owing to uncertainty surrounding interest rates, the revision of tax laws in Mar'23 that stripped them of long-term capital gain benefits, and robust equity markets.

Equity continues to lead flows: Despite a 3% MoM drop in net equity flows in November due to the festive holidays, the Apr-Nov'23 period saw a substantial intake of Rs 1.8tn. The equity segment saw six fund launches in the month of November which garnered Rs 19bn. Net flows for the sector increased sharply to Rs 3.1tn over Apr-Nov'23 from Rs 762bn in FY23 and Rs 2.5tn in FY22.

Nippon AMC remains our top pick...: Nippon AMC has been regaining market share in equity AUM, from 6.3% at the end of FY22 to 6.7% at end-H1FY24. Over the last two quarters, the company has been able to draw stronger flows, notably in equity. We model for a robust AUM CAGR of 20% and net profit CAGR of 18% over FY23-FY26, having introduced our FY26 forecasts in this report. On rolling valuations over to Mar'26E and valuing the company at an unchanged 27x EPS – in line with the long-term mean – our TP increases to Rs 513 (vs. Rs 444). We maintain BUY for 18% upside.

...with limited upside on the other three: Upon bringing out FY26 forecasts and rolling valuations forward to Mar'26E, we have new target prices across our coverage – at Rs 3,150 for HDFC AMC (vs. Rs 2,814), Rs 920 for UTI AMC (vs. Rs 835) and Rs 497 for ABSL AMC (vs. Rs 440). Our ratings for all three stocks remain at HOLD given limited upside potential.

Key risks: Risks to our estimates include heightened competition, weakness in equity markets and adverse regulatory changes.

Recommendation snapshot

Ticker	Price	Target	Rating
ABSLAMC IN	460	497	HOLD
HDFCAMC IN	2,987	3,150	HOLD
NAM IN	434	513	BUY
UTIAM IN	830	920	HOLD

Price & Target in Rupees | Price as of 8 Dec 2023



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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

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