

11 April 2024

India | Equity Research | Sector Update

Asset Management Companies

About Invesco India's deal; the large have largely remained large in Indian AMCs

Hinduja Group-owned IndusInd International Holdings' foray in Indian asset management space ([link](#)) via the acquisition of Invesco Asset Management India marks yet another deal in the Indian asset management space and yet another exit of a foreign player. At an industry level, large players have maintained their share (near 70% of AUM) while consolidation has mostly happened for medium-small players. This is despite the TER structure benefitting smaller-sized players. We highlight the list of transaction details in the AMC space, foreign exits and details of Invesco India AMC in this report. Based on upper band of reported INR 25bn valuation of Invesco India ([link](#)), the valuation would be 3.3% of current AUM and ~56x of FY23 PAT. Comparatively, HDFC AMC, Nippon Life, UTI and Aditya Birla are trading at 56x, 48x, 26x and 24x of FY23 PAT, respectively.

Top 18% AMCs (8 players) enjoy more than 70% of AUM market share; large players have maintained share

Over the years, there has been rapid growth in the AUM of mutual fund industry from 30 AMCs with AUM of INR 2.6trn in FY06 to 45 players with AUM of INR 54.1trn as of FY24. We classify AMC space into three categories based on AUM market share- (1) AMC having more than 5% market share (large AMCs), (2) AMC having 1% to 5% market share (medium AMCs) and (3) AMCs having less than 1% market share (small AMCs). We find that over the past 18-20 years,

- AUM market share of large AMCs have increased from 67% in Apr'06 to 72% in YTD24. Despite a number of players having seen an increase over the years, large AMCs (top 8 players) continue to gain market share at the expense of mid-sized AMCs.
- Share of mid-AMCs decreased from 32% in FY06 to 25% in YTD24.
- Number of small-sized AMCs increased from 7 players in FY06 to 22 players in FY24 but market share remained broadly flattish at 1-3%.
- Understandably, large players enjoy dominant share not only of industry AUM, but also of revenue, margins and profits (refer Exhibits 10-13).

Industry evolution has had its fair share of M&A

We provide details of M&A activities materialised in India over the last 10-15 years. Even before that, during CY04-CY10, many foreign players exited the Indian Mutual fund industry (refer Exhibit 14). Broadly, average transaction value as a % of AUM has been ~5% with the range dependant on AUM mix and customer profile.

In CY12, Nippon Life Insurance bought 26% stake in Reliance Capital AMC, for roughly INR 14.5bn, valuing the fund house at 6.8% of its AUM. Fidelity MF exited India by selling its AMC business to L&T MF in CY12 for a consideration of INR 5.5bn, valuing at 6.3% of its AUM. In CY13, SBI AMC purchased Daiwa AMC at a valuation of 0.5% of its AUM, as Daiwa AMC's AUM was mostly debt-oriented. Similar, transaction took place in CY15 wherein DHFL Pramerica Asset Managers bought Deutsche Bank AMC at a valuation of INR 3.5-4.0bn, at ~1.7% of its AUM, as equity AUM mix was mere 3%.

Ansuman Deb

 ansuman.deb@icicisecurities.com
 +91 22 6807 7312

Shubham Prajapati

shubham.prajapati@icicisecurities.com

Sanil Desai

sanil.desai@icicisecurities.com

Invesco India sale to IndusInd

IndusInd International Holdings Limited (IIHL), a Mauritius-based investment holding company with several investments in banking and financial assets, and Invesco India have entered into a definitive agreement to form a joint venture; IIHL will acquire 60% stake in Invesco India. As per media reports, IIHL has valued Invesco India at INR 25bn, at 3.3% of its AUM and Invesco has also given an option to sell the remaining 40% stake over the next three years to IIHL (lock-in period of 18 months) ([Link](#)).

Based on upper band of INR 25bn valuation of Invesco India ([link](#)), the valuation would be 3.3% of current AUM and ~56x of FY23 PAT. Comparatively, HDFC AMC, Nippon Life, UTI and Aditya Birla are trading at 56x, 48x, 26x and 24x of FY23 PAT, respectively.

Invesco India entered India's MF industry in CY12 by buying 49% stake in Religare AMC for INR 4.6bn. Four years later, in CY16, it purchased the balance 51% stake in the fund house. At present, it is the fifth largest foreign player and 17th domestic asset manager in India. It serves individual investors, corporates and institutions through mutual funds and sub-advised portfolios.

Invesco has grown its AUM over the past 5 years, at a CAGR of ~26%, by gaining market share from 1.0% in FY19 to 1.4% in Feb'24. Share of equity AUM in the mix has increased from 38% in FY19 to more than 70% as on Feb'24. This is well reflected in its equity market share doubling from 0.9% in FY19 to 1.8% in Feb'24. In FY23, Invesco India made a profit of INR 0.5bn on total income of INR 2bn.

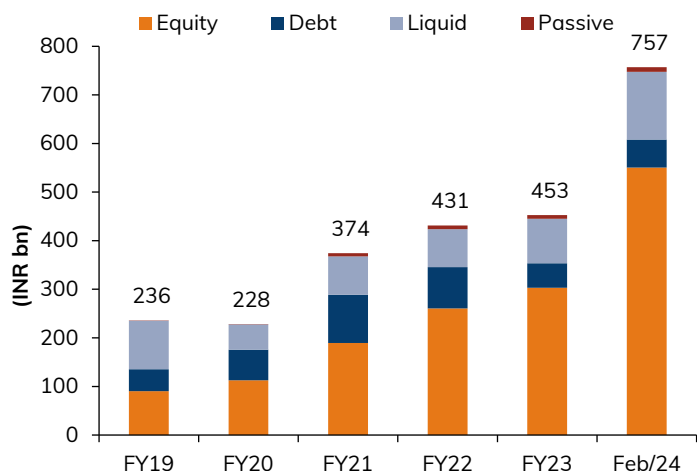
Exhibit 1: Snapshot of Invesco India's profit & loss statement

INR mn	FY19	FY20	FY21	FY22	FY23
AUM	235,820	228,281	374,442	431,381	452,726
Revenue yield (bps)	58	64	40	44	42
Equity mix (%)	38%	49%	51%	60%	67%
Income from operations	1,361	1,450	1,508	1,884	1,907
Other income	74	72	22	58	95
Total Income	1,435	1,522	1,529	1,942	2,003
Employee benefit expenses	675	748	768	907	927
Other expenses	1,219	741	523	537	600
Total Operating expense	1,894	1,489	1,291	1,444	1,527
EBIDTA (ex-other income)	(533)	(39)	217	440	380
EBIDTA margin	-39%	-3%	14%	23%	20%
Finance and other costs	0	26	0	1	0
Depreciation expenses	42	43	39	30	17
PBT	(501)	(35)	200	466	459
Less: Exceptional Item	(17)	412*	20*	-	11
Taxes	-	-	-	-	-
PAT	(484)	(447)	180	466	448

Source: I-Sec research, Company data, * Provision for diminution in the value of investment (DHFL)

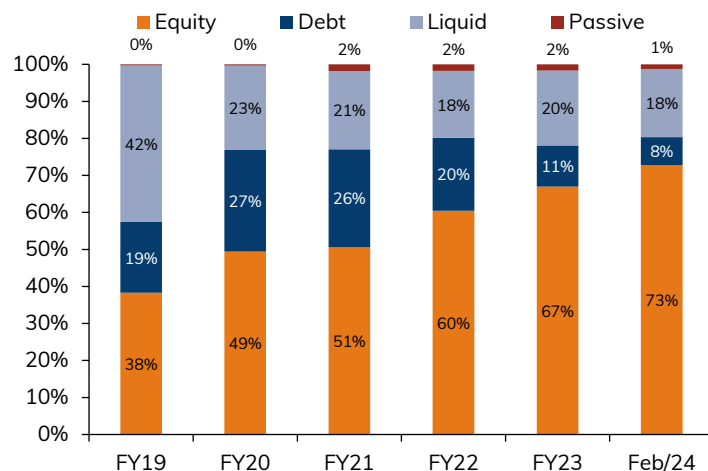
Invesco India's AUM has grown at ~26% CAGR over the past 5 years, with share of equity mix increasing in the AUM

Exhibit 2: Invesco India's AUM over the years



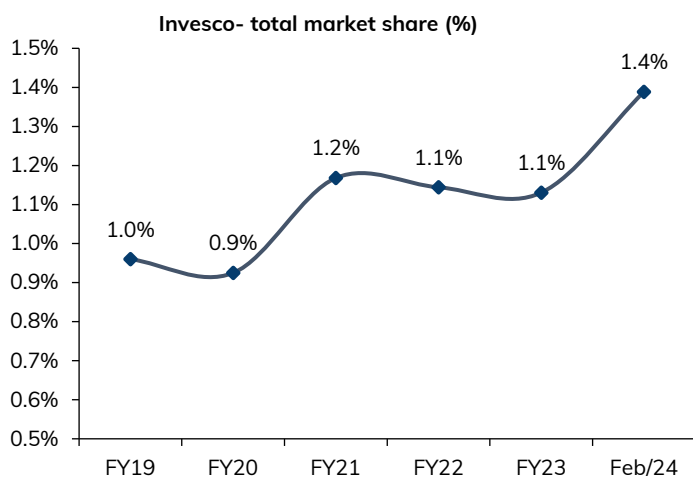
Source: I-Sec research, AMFI

Exhibit 3: Equity mix dominates asset mix



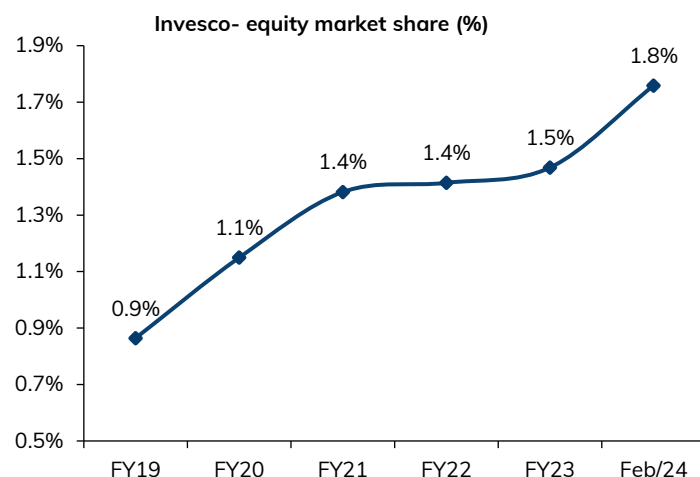
Source: I-Sec research, AMFI

Exhibit 4: Market share has increased



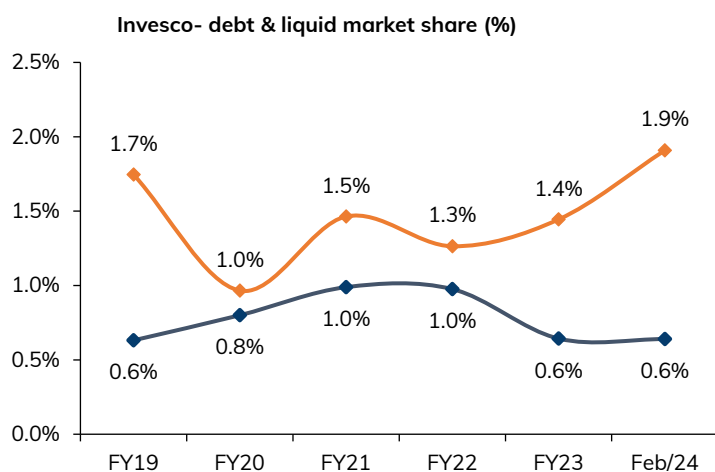
Source: I-Sec research, Company data

Exhibit 5: Equity market share has doubled in past 5 years



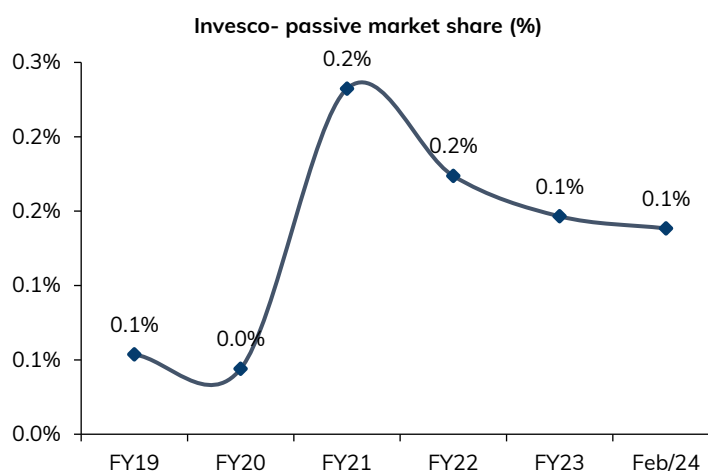
Source: I-Sec research, Company data

Exhibit 6: Debt and liquid market share

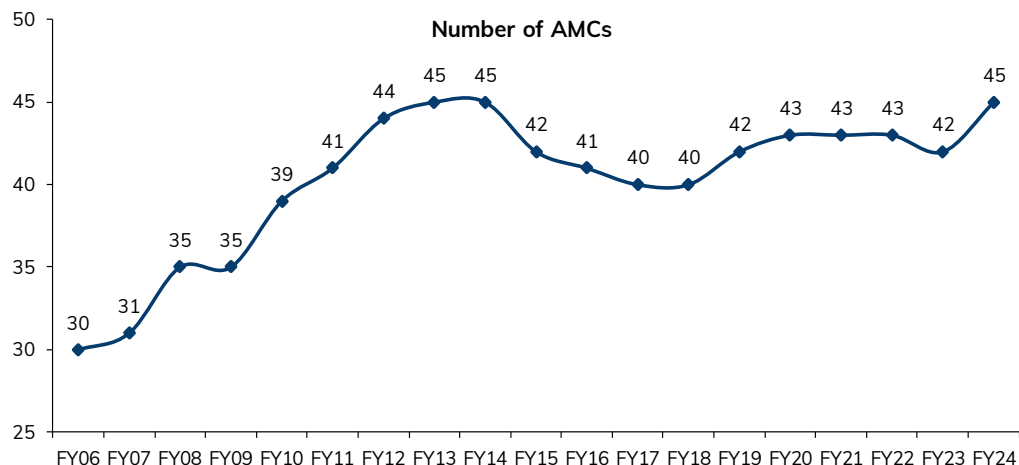


Source: I-Sec research, AMFI

Exhibit 7: Passive market share



Source: I-Sec research, AMFI

Exhibit 8: Trend of number of AMCs in India

Source: I-Sec research, AMFI

Exhibit 9: AUM mix among large, mid and small AMCs

	Apr-06		Apr-10		Apr-15		Apr-20		Apr-23		Feb-24	
	No. of AMCs	% of total industry AUM	No. of AMCs	% of total industry AUM	No. of AMCs	% of total industry AUM	No. of AMCs	% of total industry AUM	No. of AMCs	% of total industry AUM	No. of AMCs	% of total industry AUM
Large AMCs > 5% share	8	67%	8	72%	7	68%	8	75%	8	74%	8	72%
Medium AMCs 1% to 5% share	15	32%	13	25%	18	30%	12	22%	14	24%	15	25%
Small AMCs < 1% share	7	1%	18	3%	17	2%	23	3%	20	2%	22	2%
Total AMCs	30		39		42		43		42		45	

Source: I-Sec research, AMFI

Exhibit 10: Revenue, PBT and PBT margins of large, mid and small AMCs

INR bn	FY17			FY18			FY19			FY20			FY21			FY22		
	Revenue	Net PBT	PBT margin (%)	Revenue	Net PBT	PBT margin (%)	Revenue	Net PBT	PBT margin (%)	Revenue	Net PBT	PBT margin (%)	Revenue	Net PBT	PBT margin (%)	Revenue	Net PBT	PBT margin (%)
Large AMCs	76	33	43.4%	100	44	43.6%	108	53	49.5%	98	60	61.9%	103	73	71.0%	123	86	70.1%
Medium AMCs	27	8	31.5%	35	13	37.0%	35	13	36.6%	29	11	38.2%	29	12	42.9%	35	18	50.2%
Small AMCs	11	2	15.0%	17	3	17.6%	16	3	20.6%	14	1	6.6%	17	6	33.0%	20	6	30.3%
Total	114	43	37.8%	152	60	39.2%	159	69	43.8%	141	72	51.4%	148	91	61.2%	177	109	61.8%

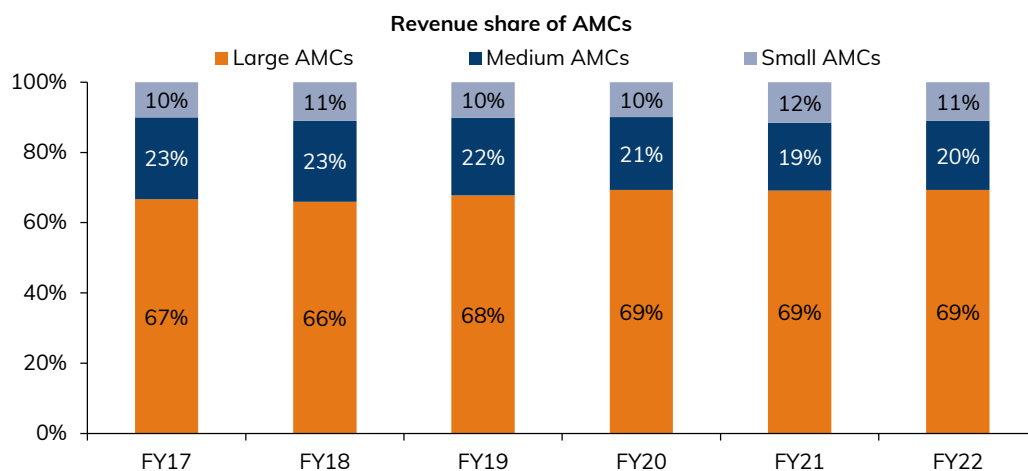
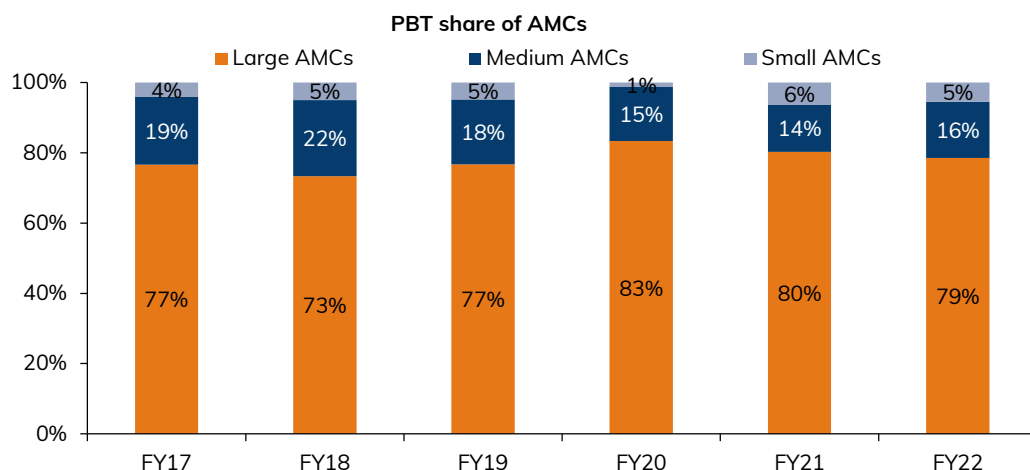
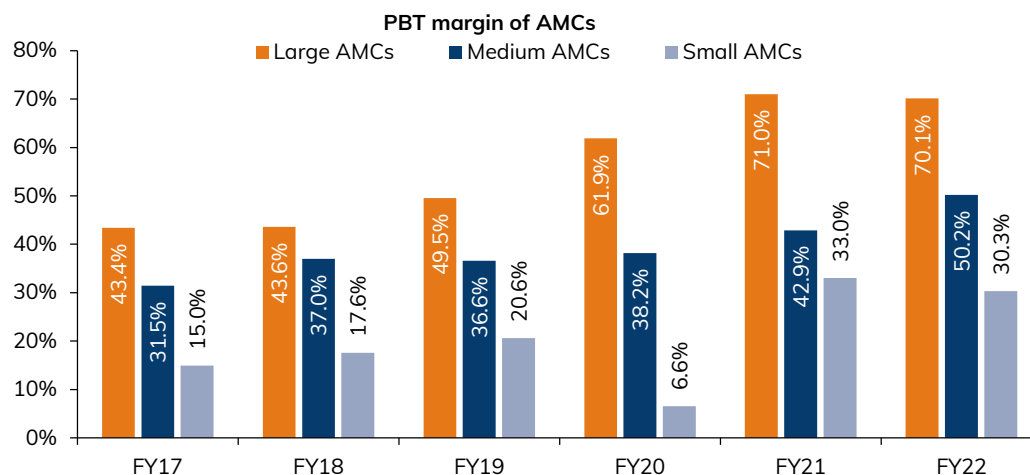
Source: I-Sec research, SEBI's consultation paper on TER dated 18th May, 2023 ([Link](#))**Exhibit 11: Large AMCs continue to dominate in revenue share...**Source: I-Sec research, SEBI's consultation paper on TER dated 18th May, 2023 ([Link](#))

Exhibit 12: ...similarly, PBT share is also dominated by large AMCsSource: I-Sec research, SEBI's consultation paper on TER dated 18th May, 2023 ([Link](#))**Exhibit 13: PBT margins have improved for all AMCs over the years**Source: I-Sec research, SEBI's consultation paper on TER dated 18th May, 2023 ([Link](#))**Exhibit 14: Prominent foreign mutual fund exits**

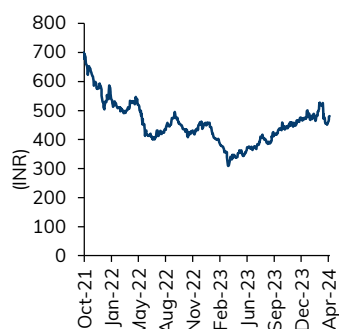
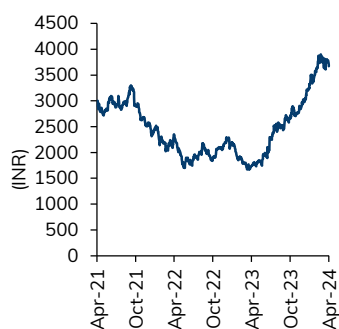
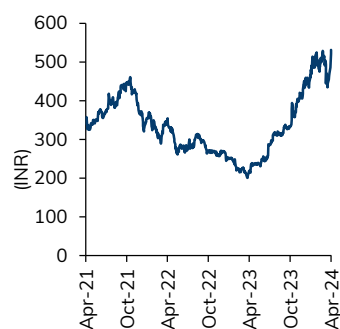
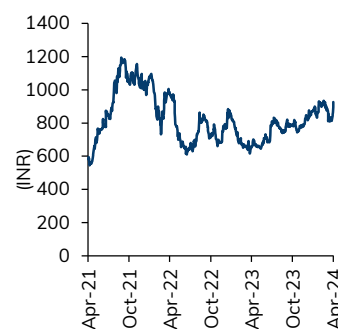
Asset management companies	year exited	Buyer
TD Waterhouse (UK)	2004	Tata Mutual fund
Alliance Capital (USA)	2004	Birla SunLife
Standard Chartered (UK)	2008	IDFC Mutual Fund
ABN AMRD (Netherlands)	2008	Fortis
Merrill Lynch (US)	2008	BlackRock
Lotus Mutual fund	2008	Religare
DBS (Singapore)	2009	L&T
Aegon (Netherlands)	2011	Religare

Source: I-Sec research, various news articles

Exhibit 15: Deals/transaction details of asset management industry

AMC/ firms exited/stake sold	Buyer	Deal Value (INR mn)	Deal year	PAT (INR mn)	AUM share of industry on year of exit	AUM as on deal date (INR mn)	Equity mix	Value % of AUM	Stake sold
UTI AMC	T Rowe Price	6,500	2010			780,000	38%	3.2%	26%
Religare	Invesco	4,600	2012	3		142,020	5%	6.6%	49%
Fidelity MF	L&T MF	5,500	2012	-208	1.31%	86,881	75%	6.3%	100%
Reliance MF	Nippon India AMC	14,500	2012			823,050	35%	6.8%	26%
Daiwa AMC	SBI AMC	13	2013	-27	0.03%	2,661	0%	0.5%	100%
ING Investment MF	ABSL AMC	undisclosed	2014	-117	0.06%	5,638			100%
PineBridge MF	Kotak Mahindra AMC	undisclosed	2014	-58	0.07%	6,488			100%
Morgan Stanley MF	HDFC AMC	undisclosed	2014	-89	0.28%	25,721			100%
Goldman Sachs AMC	Nippon India AMC	2,430	2015	-171	0.68%	71,320	63%	3.4%	100%
Deutsche Bank AMC	DHFL Pramerica Asset Managers	4,000	2015	152	1.89%	224,270	3%	1.8%	100%
JP Morgan AMC	Edelweiss AMC		2016	-66	0.47%	64,145			
LIC MF	Nomura	3,080	2016			324,150	4%	2.7%	35%
IDFC MF (Natixis)	IDFC	2,442	2017			579,980		1.7%	25%
IDBI MF	LIC Mutual fund	undisclosed	2022	649		36,500			100%
IDFC MF	Bandhan financial holdings	45,000	2022	1,430		1,218,131	25%	3.7%	100%
L&T MF	HSBC Asset management	34,840	2022	1,620		772,930	60%	4.5%	100%
Principal MF	Sundaram MF	3,385	2023	528		74,470	90%	4.5%	100%
SBI CAP Ventures of SBI Capital	SBI Bank	7,080	2023	891		325,000		2.2%	100%
Invesco Asset Management India	IndusInd International Holdings	15,000	2024	448	1.39%	757,134	70%	3.3%	60%

Source: I-Sec research, ABSLAMC DRHP, Note- mentioned above deal values are taken from various news articles available as on date.

Price charts
Aditya Birla Sun Life AMC

HDFC Asset Management Company

Nippon Life India Asset Management

UTI Asset Management Company


Source: Bloomberg

"In case of industry/sector reports or a report containing multiple stocks, the rating/recommendation for a particular stock may be based on the last released stock specific report for that company."

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Ansuman Deb, MBA, BE; Shubham Prajapati, CA; Sanil Desai, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock broking and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is SEBI registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
