

# India financials

EQUITY: FINANCIALS

## MF flows June-20: Heading towards outflows?

### Quick Note

Net equity flows were negligible in Jun-20 (INR130mn) and have been moderating since Apr-20, led by both higher redemptions (strong run-up in markets) and moderation in flows. Weak flows were driven by lower gross inflows of INR148bn (vs a INR200bn run-rate over the past 12 months) and by higher redemptions at INR148bn vs INR90bn over the past two months (compared to INR135bn monthly run-rate over the past 12 months). SIP flows have dropped by 8% now to INR79.3bn compared to a Mar-20 peak of INR86.4bn. SIP flows were largely negated by lump-sum outflows of INR79bn. SIP account additions have dropped, but net account additions continue to be positive (~0.18mn average additions per month in April/May compared to ~0.4mn per month in FY20). Debt flows are finally coming back after two years of persistent outflows and were strong at INR400bn, while liquid outflows (seasonal) were also lower at INR385bn, given lower advance tax but should normalize as the economy opens up. MF AUM drags have reduced with sharp run-up in equity market (equity AUMs only down 5% y-y) and Debt+liquid AUMs bottoming out aiding overall AUM growth of 5% y-y, while pressure on equity flows and moderating SIP book remains a key monitorable.

#### Equity flows falter to a 4-year low

- **Jun-20 equity flows were at a 4-year low** of INR130mn, led by redemptions normalizing, as markets have bounced back and moderating SIP flows.
- **Gross inflows impacted while redemption normalization leads to negligible flows:** We have been highlighting the **drop in equity gross inflows** starting April (down 30% vs the FY20 average monthly run-rate), gross inflows remained weak in June as well at INR148bn. While lower redemptions in April and May supported net equity flows (INR58bn on an average), redemptions are now normalizing (INR148bn in June-20), leading to INR130mn of net inflows only.
- **SIP flows** came in at INR79.3bn, which is 8% below the Mar-20 peak. SIP flows is showing some signs of stress and continued moderation in SIP flows will be negative for AMCs. That said, our analysis of monthly SIP additions and discontinuances suggests that SIP discontinuances haven't spiked while new SIP registrations have declined, indicating lockdown related impact. New Additions as a percentage of opening number of accounts has dropped to 2.5% (monthly) compared to a ~3.5% run-rate in FY20. New discontinuances remain low at ~1.9-2.0% of opening SIPs, which is similar to the FY20 monthly run-rate. Thus, average net additions have been 0.18mn accounts in April and May on average, compared to 0.4mn accounts monthly in FY20, we think lower additions will be due to the impact of lockdowns, higher risk aversion and lower visibility on income levels.
- **Weak lump-sum flows:** SIP flows of INR79bn imply a lump-sum outflow of INR79bn which is significantly high compared to the past trend (INR16bn outflow monthly run-rate in FY20) largely due to a sharp run-up in markets.
- **Net flows into balanced funds** have remained persistently weak since September-18– outflow of INR26bn in June, while arbitrage flows have been normalizing (INR35bn net inflow in June) following a large outflow in March of INR340bn.

#### Debt/ Liquid – some normalization and lower tax drags

- **Debt flows finally normalizing:** Debt flows have been impacted by a considerable amount of bad news-flow over the past 1-2 years, including with the IL&FS crisis and a few bond defaults impacting NAVs, Yes Bank's AT- bond haircut and now a few schemes wound down by Franklin Templeton. This has led to no growth in AUMs over a two-year period now (flat% since Aug-18). That said, there are some early signs of normalisation with net flows strong at INR400bn which is also evidenced from a sharp compression in corporate bond spreads. **Credit risk funds** saw further outflows of

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INR15bn, credit risk fund AUMs now form 2% of Non-Equity AUMs.

- **Liquid outflows** were also lower at INR385bn due to lower drags of advance tax given a disrupted quarter (COVID impact). That said, we think as economy opens up, the seasonality should normalize going forward.

**Market share trends**

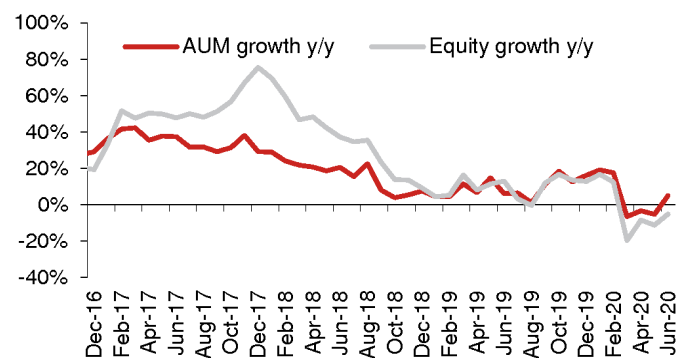
- Market share trends were steady for **Nippon Life AMC** in the debt segment, while it lost back ~20bp market share in liquid after some improvement in April and debt segment market share has stabilized at a lower level. **Equity market share** for NAM is down to 6.9% (20bp decline in May) compared to a 130bp market share loss for the Top 5 AMCs. **The top 5 AMCs** have lost considerable market share in the past 12 months – down 420bp, with all AMCs (ex SBI MF) losing 60-170bp market share owing to underperformance.
- Market share trends were weak for **HDFCAMC**, which lost 50bp in the Equity segment and 80bp in the Debt segment in May, while it continued to perform strongly in the Liquid segment (+30bp market share in May following +500bp market share gain in April).
- **SBI MF** has gained significant market share across Debt and Liquid – 40-50bp improvement m-m.

**Fig. 1: MF Flows Jun-20: Negligible equity flows as redemptions normalize in addition to continued weakness in gross inflows**

INRbn	Aug-18	Sep-18	Dec-18	Mar-19	Apr-19	May-19	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	Jun-20	Trailing 12m	Since Aug 18
<b>Total AUM - industry</b>	25,204	22,044	22,859	23,797	24,788	25,936	24,250	24,508	26,541	22,262	23,935	24,548	25,488	1,238	284
y/y growth	22.4%	8.0%	7.5%	11.4%	6.6%	14.8%	6.1%	11.2%	16.1%	-6.4%	-3.4%	-5.4%	5.1%		
<b>Total Equity AUM</b>	10,467	9,793	10,235	10,727	10,602	10,879	10,862	10,958	11,538	8,611	9,697	9,656	10,297	(566)	(171)
y/y growth	35.5%	23.3%	9.1%	16.4%	8.0%	11.4%	13.0%	11.9%	12.7%	-19.7%	-8.5%	-11.2%	-5.2%		
<b>Equity mix</b>	41.5%	44.4%	44.8%	45.1%	42.8%	41.9%	44.8%	44.7%	43.5%	38.7%	40.5%	39.3%	40.4%		
Gross inflow - Total equities	355	318	247	344	277	327	296	289	326	439	281	289	251	4,188	7,077
Redemptions - Total equities	269	199	202	298	245	258	208	197	281	666	165	142	242	3,342	5,493
<b>Net inflow - Total equities</b>	86	120	45	46	32	69	89	92	45	(227)	116	147	9	846	1,584
<b>Net inflow - Pure equities</b>	84	112	66	118	37	45	71	63	51	128	63	53	0	848	1,632
Net inflow - SIP	77	77	80	81	82	82	81	83	85	86	84	81	79	1,081	1,881
Net inflow - lumpsum	7	34	(14)	37	(46)	(37)	(10)	(20)	(34)	42	(20)	(29)	(79)	(233)	(249)
Net inflow - Balanced	26	7	0	(32)	(20)	(21)	(14)	(18)	(12)	(18)	(13)	(14)	(26)	(167)	(219)
Return led AUM change - Total Equities	285	(794)	105	662	(158)	208	(105)	436	50	(2,423)	970	(187)	631		
Implied return % - monthly	2.8%	-7.6%	1.0%	6.6%	-1.5%	2.0%	-1.0%	4.2%	0.4%	-21.5%	11.3%	-1.9%	6.5%		
<b>Gross flow (INRbn)</b>	Aug-18	Sep-18	Dec-18	Mar-19	Apr-19	May-19	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	Jun-20	Trailing 12m	Since Aug 18
Debt	475	301	377	644	557	416	297	368	485	439	614	506	790	6,555	10,610
Liquid	18,911	16,272	19,586	19,915	17,870	22,065	18,001	16,135	10,523	12,103	7,267	7,803	8,480	1,60,891	3,59,355
<b>Redemptions (INRbn)</b>															
Debt	543	636	411	505	505	487	435	504	446	1,280	979	474	389	6,820	11,661
Liquid	17,200	18,382	21,075	20,429	16,907	21,317	19,604	17,622	11,353	13,211	6,564	7,293	8,865	1,61,850	3,58,749
<b>Net flow (INRbn)</b>															
Debt	(68)	(335)	(34)	139	52	(72)	(137)	(136)	39	(841)	(365)	32	401	(265)	(1,051)
Liquid	1,711	(2,111)	(1,489)	(513)	963	748	(1,603)	(1,486)	(830)	(1,108)	702	510	(385)	(959)	606
<b>AUM (INRbn)</b>															
Debt	7,688	7,337	7,027	7,297	7,326	7,372	7,232	7,336	7,850	7,361	7,028	7,170	7,673	441	(15)
Liquid	6,043	3,948	4,462	4,362	5,482	6,251	4,673	4,663	5,292	4,719	5,445	5,981	5,618	945	(425)

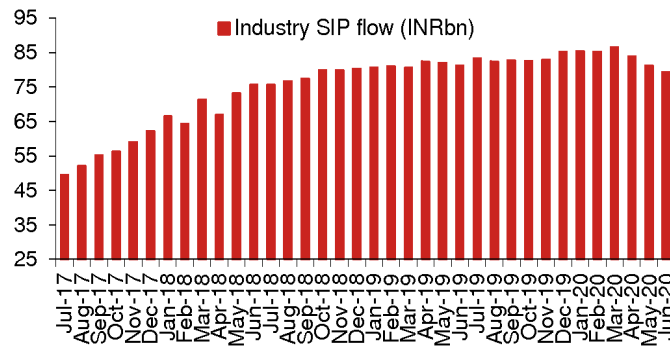
Source: AMFI, Nomura research

**Fig. 2: AUM growth improves with sharp run up in equity markets in addition to strong flows in debt and liquid**



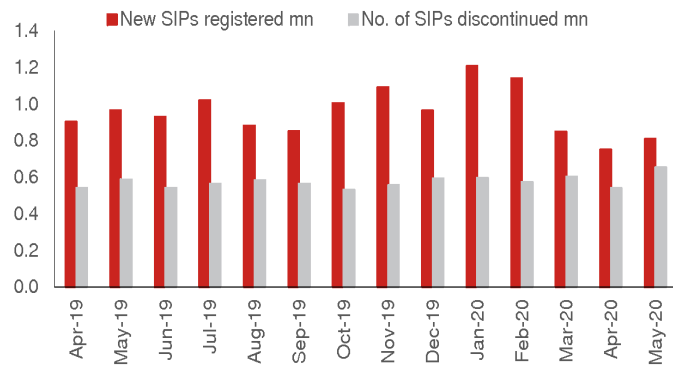
Source: AMFI, Nomura research

**Fig. 3: SIP flows moderate further to INR79.3bn (8% lower than Mar-20 peak)**



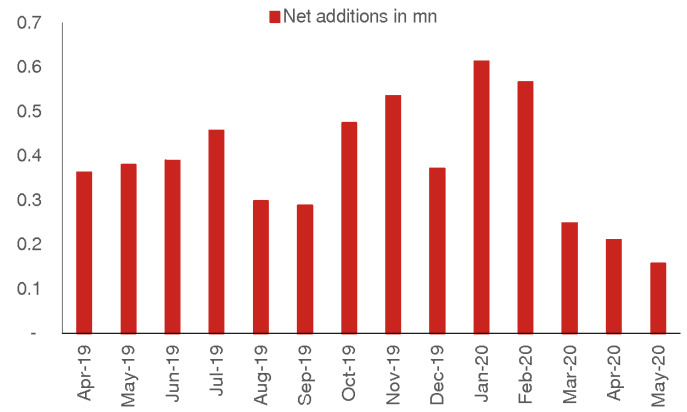
Source: AMFI, Nomura research

**Fig. 4: Lower SIP flows due to lower new SIP registrations (likely due to lock-down) rather than higher closures**



Source: AMFI, Nomura research

**Fig. 5: Net SIP account additions moderates further**



Source: AMFI, Nomura Research

**Fig. 6: Market share trends**

Product market share	Mar-18	Jun-18	Aug-18	Sep-18	Dec-18	Mar-19	May-19	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	Trailing 12m	Since Aug-18
<b>Total Equity</b>															
HDFC AMC	16.1%	15.9%	15.7%	15.7%	15.3%	15.7%	15.5%	15.9%	15.6%	15.4%	14.3%	14.4%	13.9%	-1.7%	-1.8%
ICICI Pru	14.9%	14.2%	14.4%	14.6%	14.4%	14.4%	14.1%	14.2%	14.2%	13.8%	13.3%	13.7%	13.5%	-0.6%	-0.9%
Nippon	9.1%	9.2%	9.1%	9.2%	9.1%	8.9%	8.6%	8.6%	8.1%	8.0%	7.3%	7.1%	6.9%	-1.7%	-2.2%
SBI	7.9%	8.4%	8.5%	8.6%	8.7%	8.9%	8.8%	9.0%	9.3%	9.3%	9.6%	10.0%	9.8%	0.9%	1.3%
Aditya Birla	9.1%	9.2%	9.1%	9.0%	8.7%	8.8%	8.5%	8.5%	8.3%	8.1%	7.6%	7.6%	7.4%	-1.1%	-1.7%
<b>Top - 5</b>	<b>57.1%</b>	<b>56.9%</b>	<b>56.7%</b>	<b>57.1%</b>	<b>56.2%</b>	<b>56.8%</b>	<b>55.6%</b>	<b>56.1%</b>	<b>55.5%</b>	<b>54.5%</b>	<b>52.1%</b>	<b>52.7%</b>	<b>51.4%</b>	<b>-4.2%</b>	<b>-5.3%</b>
<b>Debt</b>															
HDFC AMC	13.0%	13.1%	12.5%	12.6%	13.1%	13.5%	13.1%	13.4%	13.4%	13.0%	13.2%	13.2%	12.4%	-0.7%	0.0%
ICICI Pru	13.2%	13.1%	12.7%	12.7%	13.0%	13.0%	13.6%	13.9%	14.3%	15.1%	15.3%	15.5%	15.3%	1.7%	2.6%
Nippon	12.2%	12.3%	12.3%	12.3%	11.5%	10.4%	9.2%	8.8%	7.7%	7.2%	7.0%	7.1%	7.1%	-2.1%	-5.2%
SBI	8.1%	8.0%	8.1%	8.1%	8.7%	9.6%	10.0%	10.3%	10.9%	11.6%	12.6%	13.2%	13.6%	3.7%	5.6%
Aditya Birla	13.5%	12.9%	13.0%	12.9%	12.9%	12.5%	12.4%	12.5%	12.4%	12.5%	12.1%	11.9%	11.5%	-0.9%	-1.5%
<b>Top - 5</b>	<b>60.0%</b>	<b>59.3%</b>	<b>58.6%</b>	<b>58.6%</b>	<b>59.2%</b>	<b>59.0%</b>	<b>58.3%</b>	<b>58.9%</b>	<b>58.7%</b>	<b>59.4%</b>	<b>60.2%</b>	<b>61.0%</b>	<b>60.0%</b>	<b>1.7%</b>	<b>1.5%</b>
<b>Liquid</b>															
HDFC AMC	12.0%	11.3%	9.5%	10.7%	19.0%	18.4%	16.5%	18.8%	20.9%	18.0%	17.4%	22.5%	22.8%	6.3%	13.2%
ICICI Pru	14.5%	12.8%	11.5%	11.7%	14.0%	14.8%	13.3%	14.2%	14.8%	13.6%	11.5%	12.9%	12.7%	-0.6%	1.3%
Nippon	12.3%	9.8%	9.0%	9.5%	8.4%	8.6%	5.3%	5.5%	5.0%	5.9%	5.6%	6.2%	6.0%	0.7%	-3.0%
SBI	10.8%	10.7%	10.6%	11.4%	11.9%	13.3%	11.2%	11.9%	11.9%	13.2%	14.1%	14.4%	14.9%	3.7%	4.3%
Aditya Birla	14.1%	13.9%	12.7%	12.8%	12.9%	14.3%	12.4%	12.8%	12.7%	10.5%	10.5%	10.2%	10.0%	-2.3%	-2.7%
<b>Top - 5</b>	<b>63.7%</b>	<b>58.6%</b>	<b>53.3%</b>	<b>56.1%</b>	<b>66.2%</b>	<b>69.4%</b>	<b>58.6%</b>	<b>63.2%</b>	<b>65.2%</b>	<b>61.3%</b>	<b>59.1%</b>	<b>66.2%</b>	<b>66.4%</b>	<b>7.8%</b>	<b>13.1%</b>

Source: AMFI, Nomura research

Fig. 7: MF funding: Differentiation continues with wholesale NBFCs/ HFCs (ex top 2) seeing sharper run-down in MF funding

NCD+CPs (INRbn)	FY15	FY16	FY17	FY18	Aug-18	Sep-18	Dec-18	Mar-19	May-19	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	Flow from			% of Aug18 outstanding
																Mar18 - Aug18	Aug18 - Dec18	Aug18 - May20	
<b>NBFCs</b>	<b>382</b>	<b>414</b>	<b>715</b>	<b>936</b>	<b>1,141</b>	<b>1,079</b>	<b>1,025</b>	<b>832</b>	<b>891</b>	<b>832</b>	<b>754</b>	<b>678</b>	<b>570</b>	<b>551</b>	<b>579</b>	<b>205</b>	<b>-116</b>	<b>-561</b>	<b>-49.2%</b>
Retail asset financ	145	180	325	455	539	511	611	481	502	500	471	374	287	282	325	84	72	-214	-39.7%
Wholesale NBFCs	237	234	389	481	602	568	414	351	388	332	283	305	283	269	255	121	-188	-347	-57.7%
<b>HFCs</b>	<b>446</b>	<b>572</b>	<b>1,132</b>	<b>1,428</b>	<b>1,753</b>	<b>1,595</b>	<b>1,143</b>	<b>1,054</b>	<b>1,033</b>	<b>983</b>	<b>1,046</b>	<b>959</b>	<b>868</b>	<b>837</b>	<b>855</b>	<b>325</b>	<b>-610</b>	<b>-898</b>	<b>-51.2%</b>
Top-2 HFCs	279	334	689	804	947	914	706	698	768	765	890	884	812	783	802	143	-241	-145	-15.3%
Other HFCs	167	238	443	624	806	681	437	355	265	218	155	75	57	53	53	182	-369	-753	-93.4%
<b>NCDs</b>																			
<b>NBFCs</b>	<b>179</b>	<b>224</b>	<b>395</b>	<b>529</b>	<b>476</b>	<b>498</b>	<b>525</b>	<b>497</b>	<b>478</b>	<b>458</b>	<b>464</b>	<b>420</b>	<b>423</b>	<b>403</b>	<b>392</b>	<b>-53</b>	<b>50</b>	<b>-84</b>	<b>-17.7%</b>
Retail asset financ	106	132	245	332	293	295	326	306	303	295	293	266	257	249	244	-39	33	-49	-16.8%
Wholesale NBFCs	73	92	150	197	183	203	199	191	175	164	171	154	166	155	148	-14	17	-35	-19.0%
<b>HFCs</b>	<b>247</b>	<b>344</b>	<b>728</b>	<b>878</b>	<b>762</b>	<b>705</b>	<b>668</b>	<b>630</b>	<b>679</b>	<b>602</b>	<b>691</b>	<b>723</b>	<b>687</b>	<b>640</b>	<b>645</b>	<b>-116</b>	<b>-94</b>	<b>-117</b>	<b>-15.4%</b>
Top-2 HFCs	147	211	472	560	458	424	431	431	506	491	593	672	641	597	604	-102	-26	146	32.0%
Other HFCs	100	132	256	318	304	281	237	199	173	111	98	50	46	42	40	-14	-68	-264	-86.7%
<b>CPs</b>																			
<b>NBFCs</b>	<b>203</b>	<b>190</b>	<b>320</b>	<b>407</b>	<b>665</b>	<b>581</b>	<b>499</b>	<b>335</b>	<b>413</b>	<b>374</b>	<b>290</b>	<b>258</b>	<b>147</b>	<b>148</b>	<b>188</b>	<b>258</b>	<b>-165</b>	<b>-477</b>	<b>-71.8%</b>
Retail asset financ	39	48	80	123	246	215	285	175	200	206	178	107	30	33	81	123	39	-165	-67.0%
Wholesale NBFCs	164	142	239	284	419	366	214	160	213	168	112	151	117	115	107	135	-205	-313	-74.6%
<b>HFCs</b>	<b>199</b>	<b>229</b>	<b>404</b>	<b>550</b>	<b>991</b>	<b>890</b>	<b>475</b>	<b>424</b>	<b>354</b>	<b>381</b>	<b>354</b>	<b>236</b>	<b>181</b>	<b>197</b>	<b>210</b>	<b>441</b>	<b>-516</b>	<b>-781</b>	<b>-78.8%</b>
Top-2 HFCs	132	123	217	244	489	490	274	267	262	274	297	212	171	186	198	245	-215	-292	-59.6%
Other HFCs	67	106	187	306	502	400	200	157	92	108	57	24	11	11	13	196	-301	-489	-97.5%

Source: AMFI, Nomura research

Fig. 8: MF Non-equity AUM has declined since Aug-18 to Jun-20; MF funding to NBFC/HFC has contracted +INR2tn since Aug-18

INRbn	Mar-15	Mar-18	Aug-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	INCREMENTAL		
													Mar-15 to Aug-18	Mar-18 to Aug18	Aug-18 to May-20
<b>Non Equity AUM</b>	<b>5,844</b>	<b>11,986</b>	<b>13,443</b>	<b>12,167</b>	<b>12,284</b>	<b>12,156</b>	<b>12,567</b>	<b>12,732</b>	<b>12,921</b>	<b>11,423</b>	<b>11,735</b>	<b>13,082</b>	<b>7,600</b>	<b>1,458</b>	<b>-361</b>
G-Sec and T-Bills	961	957	1,228	952	949	614	1,296	1,509	2,112	1,437	1,531	2,473	268	271	1,245
<b>CPs</b>	<b>1,134</b>	<b>3,062</b>	<b>4,910</b>	<b>4,167</b>	<b>3,832</b>	<b>3,514</b>	<b>3,688</b>	<b>3,423</b>	<b>3,062</b>	<b>2,244</b>	<b>2,819</b>	<b>2,982</b>	<b>3,776</b>	<b>1,848</b>	<b>-1,928</b>
CPs of NBFCs/HFCs	738	1,743	2,646	2,398	1,785	1,706	1,730	1,470	1,141	696	747	814	1,907	903	-1,832
CPs of corporates	395	1,319	2,264	1,770	2,047	1,808	1,959	1,954	1,921	1,547	2,073	2,168	1,869	945	-96
<b>NCDs</b>	<b>1,849</b>	<b>6,006</b>	<b>5,770</b>	<b>5,568</b>	<b>5,589</b>	<b>5,618</b>	<b>5,444</b>	<b>5,709</b>	<b>5,775</b>	<b>5,744</b>	<b>5,406</b>	<b>5,577</b>	<b>3,920</b>	<b>-237</b>	<b>-193</b>
NCD of NBFCs/HFCs	910	2,966	2,764	2,699	2,641	2,751	2,617	2,848	2,856	2,872	2,745	2,837	1,854	-202	73
NCDs of corporates	939	3,040	3,005	2,869	2,947	2,867	2,827	2,861	2,918	2,872	2,661	2,739	2,066	-35	-266
<b>NCD/CPs of NBFC/HFCs</b>	<b>1,648</b>	<b>4,709</b>	<b>5,410</b>	<b>5,097</b>	<b>4,426</b>	<b>4,457</b>	<b>4,347</b>	<b>4,318</b>	<b>3,997</b>	<b>3,568</b>	<b>3,492</b>	<b>3,651</b>	<b>3,762</b>	<b>701</b>	<b>-1,759</b>
<b>NCD/CPs of NBFCs/HFCs ex PFC/REC</b>	<b>1,421</b>	<b>3,946</b>	<b>4,686</b>	<b>4,335</b>	<b>3,711</b>	<b>3,611</b>	<b>3,477</b>	<b>3,494</b>	<b>3,119</b>	<b>2,678</b>	<b>2,551</b>	<b>2,617</b>	<b>3,265</b>	<b>739</b>	<b>-2,069</b>
<b>NCD/CPs of Corporates</b>	<b>1,335</b>	<b>4,360</b>	<b>5,270</b>	<b>4,639</b>	<b>4,994</b>	<b>4,675</b>	<b>4,785</b>	<b>4,814</b>	<b>4,839</b>	<b>4,420</b>	<b>4,734</b>	<b>4,908</b>	<b>3,935</b>	<b>910</b>	<b>-362</b>
<b>CDs</b>	<b>1,480</b>	<b>1,471</b>	<b>1,187</b>	<b>1,095</b>	<b>1,358</b>	<b>1,950</b>	<b>1,706</b>	<b>1,636</b>	<b>1,457</b>	<b>1,286</b>	<b>1,172</b>	<b>1,023</b>	<b>-292</b>	<b>-284</b>	<b>-164</b>
<b>Others</b>	<b>421</b>	<b>489</b>	<b>348</b>	<b>384</b>	<b>557</b>	<b>460</b>	<b>433</b>	<b>455</b>	<b>515</b>	<b>713</b>	<b>807</b>	<b>1,027</b>	<b>-72</b>	<b>-140</b>	<b>679</b>

Source: AMFI, Nomura research

# Appendix A-1

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