SAMRIDDHI INTELLIGENCE REPORT

Asset Management Industry

November 2025

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Contents

Introduction

India's Asset Management Landscape

India's asset management industry is an increasingly important part of the country's financial system. It encompasses a variety of vehicles such as mutual funds, portfolio management services (PMS), alternative investment funds (AIFs), insurance and pension funds, and other managed capital which pool savings from investors and deploy them into financial assets. Over the past decade, this industry has grown significantly, driven by rising financialization of households, regulatory strengthening, and technological innovation.

Definition and Components of AUM (Assets Under Management)

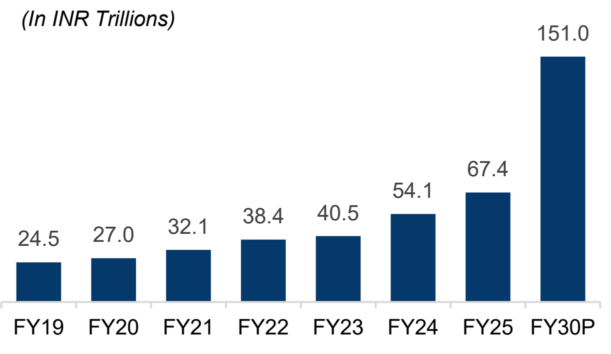
AUM (Assets Under Management): Total market value of assets that financial institutions manage on behalf of investors.

Components of AUM

- Mutual Funds - diversified retail and institutional schemes.
- Portfolio Management Services (PMS) - tailored portfolios for HNIs.
- Alternate Investment Funds (AIFs) - private equity, venture capital, hedge-style and alternative strategies.
- Insurance and Pension Funds - long-term retirement and protection-linked asset pools.
- Corporate, Sovereign, and Family Office Portfolios - institutional treasuries and large private capital allocations.

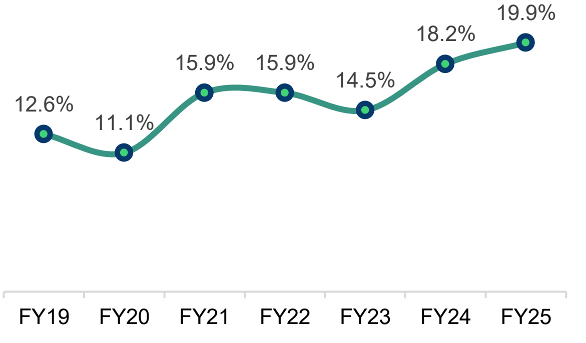
AUM Calculation - Calculated using current Net Asset Value (NAV): AUM = Total Outstanding Units × Current NAV per Unit (across all schemes); fluctuates based on market performance, fresh inflows (lumpsum and SIPs), and redemptions.

Exhibit 1: India Mutual Fund Quarterly Average AUM



Source: CRISIL Intelligence

Exhibit 2: India's Mutual Fund AUM to GDP Ratio



Source: CRISIL Intelligence

Importance of AUM as a Financial and Economic Indicator

Wealth Mobilization Indicator: AUM is a proxy for how much household and institutional savings are being funneled into professionally managed funds. High AUM implies that more of India's savings are being organized and invested productively.

Capital Formation: Managed assets (through mutual funds, AIFs, etc.) support capital formation by allocating funds into equity, debt, and other productive assets contributing to economic growth.

Market Confidence & Scale: A large or growing AUM provides fund managers economies of scale and signals investor trust. It can also influence how regulators view the systemic importance of the asset management industry.

Regulatory Oversight Tool: Regulators (like SEBI in India) use AUM to monitor concentration risks, gauge the health of the fund management industry, and set policy (e.g., expense ratio caps, investor protection norms).

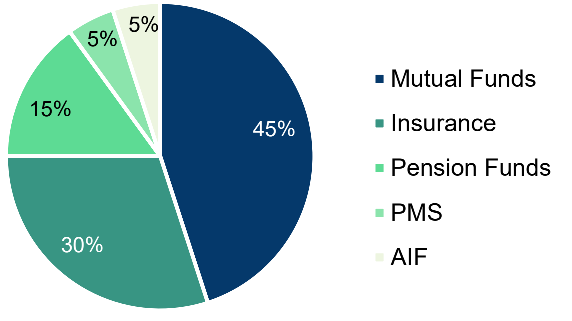
Industry Benchmark: AUM is a key metric to assess the size, growth, and competitiveness of asset managers (AMCs), PMS firms, and other players.

Structure and Segmentation of India's AUM Market

Segmentation by Institution Type

- **Mutual Funds** Pooled investment vehicles regulated by SEBI that collect money from retail and institutional investors
- **Portfolio Management Services (PMS)** Customized investment portfolios for HNIs (minimum ₹50 lakhs investment)
- **Alternative Investment Funds (AIFs)** Privately pooled funds for sophisticated investors
- **Insurance & Pension Funds** Long-term institutional pools (LIC, pension funds, NPS)

Exhibit 3: AUM% breakup for Institutions



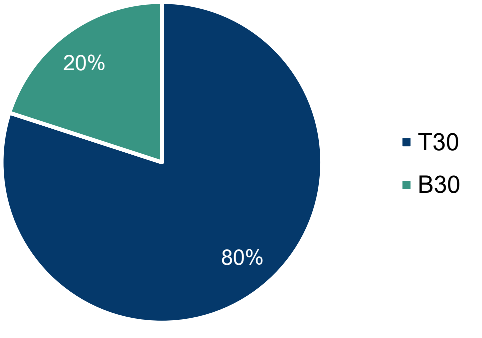
Source: AMFI/Motilal Oswal

Segmentation by Geography

- **T30 (Top 30 Cities)**: ~ 82% of total AUM Includes metros and large financial centres such as Mumbai, Delhi, Bengaluru, Chennai, Hyderabad, Pune

- **B30 (Beyond Top 30 Cities)**: ~ 18% of total AUM Supported by SEBI and AMFI initiatives to deepen penetration in Tier 2 & 3 markets.

Exhibit 4: AUM% breakup for T30 & B30

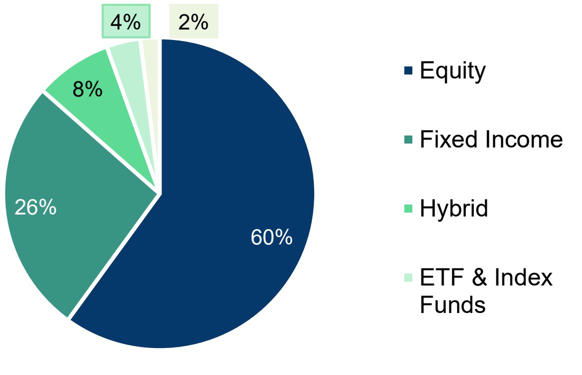


Source: AMFI

Segmentation by Asset Class

- **Equity**: Stocks, equity mutual funds, equity PMS, growth-focused investments
- **Fixed Income / Debt** Bonds, G-Secs, corporate debt, debt mutual funds, fixed deposits alternatives
- **Hybrid** Balanced funds, aggressive hybrid, conservative hybrid, multi-asset funds
- **ETFs and Index Funds** Passive funds tracking indices (Nifty, Sensex)
- **Alternatives, Real Estate & Infrastructure Assets** Private equity, venture capital, REITs, InvITs, hedge funds, commodities, structured products

Exhibit 5: AUM% breakup for Asset Classes

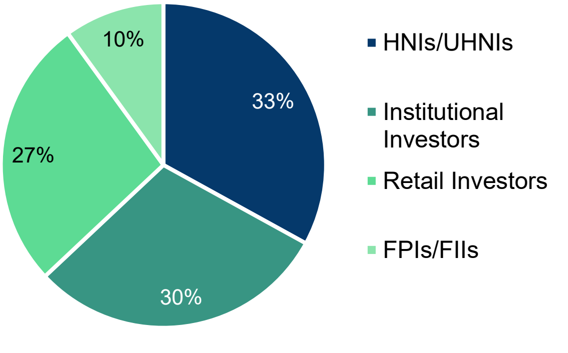


Source: AMFI

Segmentation by Investor Type

- **Retail Investors** Individual investors with investable surplus typically under ₹25 lakhs - Salaried employees
- **HNIs** Investable assets ₹25 lakhs - ₹5 crores
  Ultra-HNIs: Investable assets ₹5 crores+ Business owners, CXOs, professionals
- **Institutional Investors** Banks, insurance companies
- **Foreign Portfolio Investors (FPIs)**Foreign institutional investors, sovereign wealth funds, pension funds, hedge funds

Exhibit 6: AUM% breakup for Investor Category



Source: AMFI/Anand Rathi/Edelweiss

Evolution of the AUM Industry in India

Historical Background - From UTI to Liberalization

UTI was established in 1964 by an Act of Parliament as India's first mutual fund, initiated by the Reserve Bank of India. For more than two decades, it enjoyed a monopoly in the Indian mutual fund industry, operating without competition or regulatory oversight from SEBI. During this period, UTI focused on mobilizing savings from retail investors and channeling them into capital markets. The monopoly phase came to an end in 1987, when public sector banks and financial institutions were permitted to set up their own mutual funds. Later, economic liberalization in 1991 opened the door for private sector and foreign mutual funds to enter the Indian market.

Regulatory Reforms and Institutionalization (1990s–2000s)

The regulatory framework required all mutual funds to be constituted as trusts, creating a clear separation between sponsors, trustees, and asset management companies. With the liberalization policies of the early 1990s, the industry opened up to private sector players, bringing an end to the earlier public-sector dominance. To strengthen investor protection, SEBI introduced standardized offer documents and Key Information Memorandums (KIMs), ensuring investors received transparent and consistent scheme information. Additionally, SEBI implemented a risk management framework that required asset management companies to establish internal systems for risk assessment and continuous monitoring.

Rise of Retail Participation and Financialization of Savings

Rising awareness and the convenience of digital investment platforms are driving stronger individual participation in capital markets. India's economic growth is raising per capita income and disposable savings, which supports increasing investments into mutual funds and other structured financial assets. At the same time, improving financial literacy is pushing more households toward professionally managed products like mutual funds. SEBI's regulatory framework further strengthens trust by promoting transparency and investor protection. Moreover, household inflows into financial assets have shown very strong growth in recent years, according to RBI-linked data, underlining a robust trend toward financial asset accumulation.

Technological Advancements and Distribution Innovation

Digital platforms allow investors to access information and make real-time decisions, enhancing transparency and market responsiveness. Technology is acting as a positive disruptive force, driving significant growth in the mutual fund industry. By equipping investors with the knowledge and skills needed to navigate this tech-driven landscape, the industry can build a more informed and confident investor base and unlock its full potential.

Milestones and Inflection Points in India's AUM Journey

1993 liberalization opened the mutual fund industry to private and foreign players, reshaping the competitive landscape. The abolition of entry loads in 2009 made investing more transparent and cost-effective, encouraging greater retail participation. The introduction of direct plans in 2013 provided informed investors with lower-cost options, while the 2017 scheme categorization simplified the product landscape and reduced investor confusion.

Comparison with Global AUM Evolution

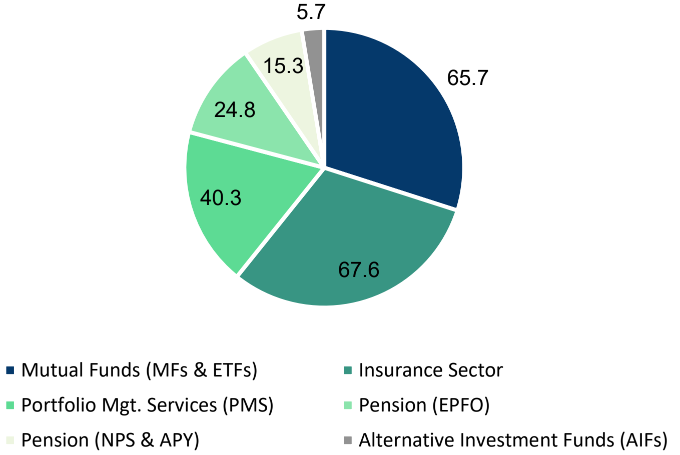
Developed markets show far deeper mutual fund penetration, with several major economies reporting AUM-to-GDP levels well above 50%, compared to India's ~18–20% range in FY 24–25 (AMFI / CRISIL). Household participation is also higher abroad, supported by long-standing investment habits and broad financial literacy. Globally, AUM exceeded $120 trillion in 2024 (BCG), while India's mutual fund industry remains a relatively small but fast-growing share of global managed assets.

Market Size and Growth Trajectory

The Indian asset management industry has grown rapidly over the past decade, supported by rising financial awareness, expanding retail participation, and strong economic fundamentals. As of FY2025, total assets under management (AUM) are estimated at ₹229.3 crore, reflecting the deepening of India's formal savings and investment landscape. Key segments such as mutual funds, insurance, pension schemes (including EPFO and NPS/APY), portfolio management services (PMS), and alternative investment funds (AIFs) collectively drive household, institutional, and high-net-worth wealth creation. The industry's expanding scale and product mix underscore a maturing and diversified financial ecosystem that serves a wide range of investors.

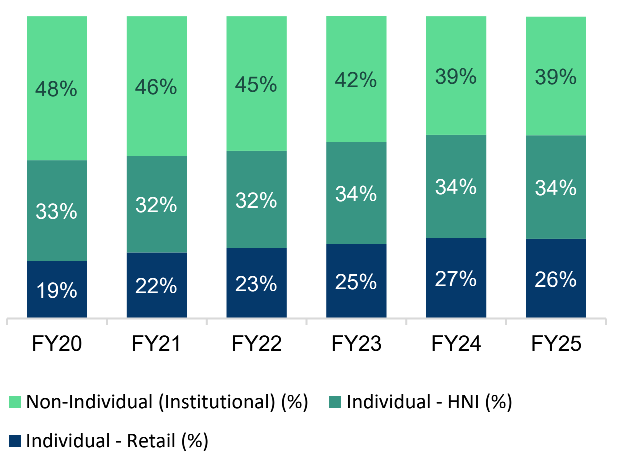
Traditionally, the majority of the industry's assets were controlled by institutional investors, primarily comprising corporates. However, there has been a notable shift in recent years, with the share of institutional investors declining from 47.6% in March 2020 to approximately 39.3% in March 2025. Individual investors (retail and HNI investors) accounted for 60.7% of total mutual fund industry AUM as on March 31, 2025. Although mutual fund AUM as a percentage of GDP has grown from 12.6% in fiscal 2019 to 19.9% in fiscal 2025, penetration levels remain well below those in other developed and fast-growing peers. With increasing financial inclusion and digital adoption, the retail share is expected to expand further in the coming years.

Exhibit 7: Composition of India's Total Asset Management Industry by AUM (₹ Lakh Crore, FY2025)



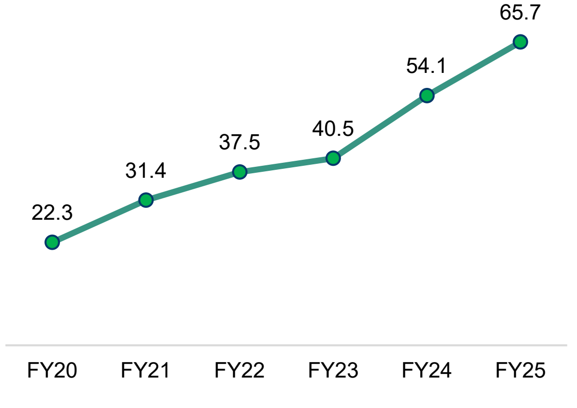
Source: AMFI, IRDAI, SEBI, EPFO, PFRDA, SEBI

Exhibit 8: Share of Mutual Fund's AUM by investor classification (FY2020–FY2025)



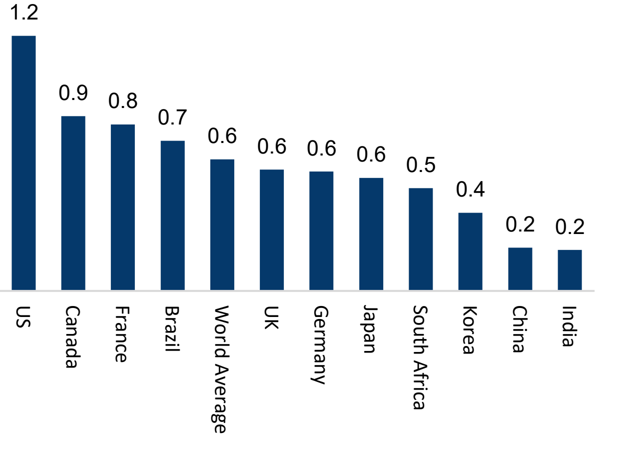
Source: AMFI, CRISIL Intelligence

Exhibit 9: Growth of Indian Mutual Fund Industry AUM (₹ Lakh Crore, CAGR 28% from FY2019-2025)



Source: Bajajfinserv

Exhibit 10: AUM-to-GDP Ratio Comparison Across Major Global Economies (FY2025)



Source: IMF, IIFA, RBI, AMFI, CRISIL Intelligence

Key Drivers of AUM Expansion

The mutual fund industry's expansion in FY25 was underpinned by robust equity performance, sustained retail inflows, and widening investor participation across geographies.

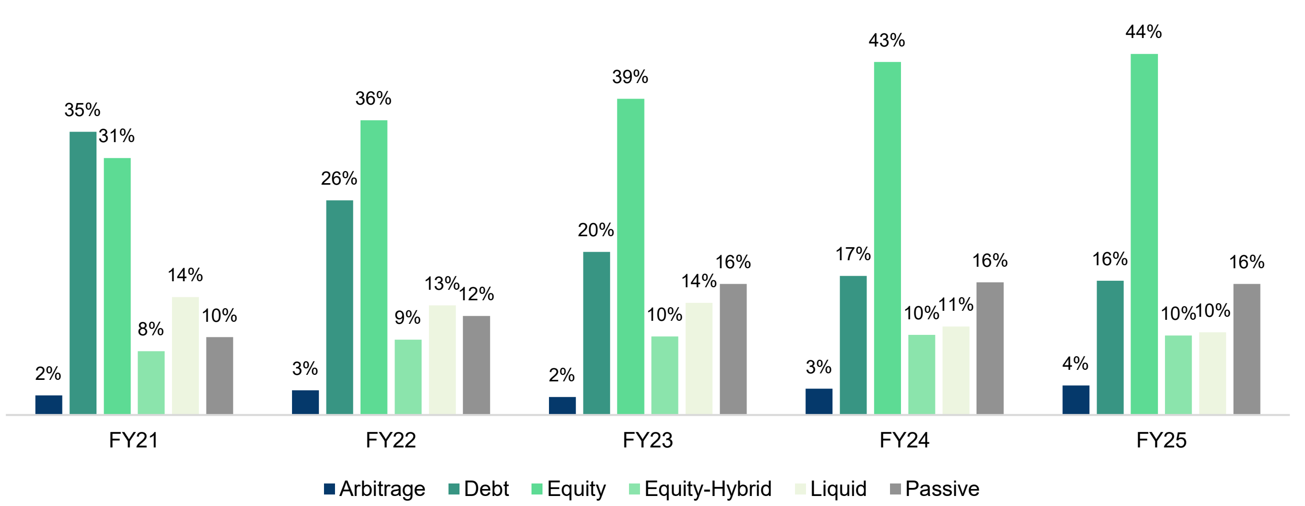
- The sharpest contributor to AUM expansion in FY 2025 is market-led price appreciation, accounting for a significant majority of equity AUM growth, even during months of limited net inflows.
- Robust net inflows from retail and HNI investors have continued, supported by sustained SIP contributions (monthly SIP flows remained above ₹20,000 crore).
- Positive equity and debt market performance, aided by favorable interest rate movements such as repo rate cuts, has supported both mark-to-market gains and increased net investments.
- Penetration into 'B30'cities (beyond the top 30 urban geographies) and increasing financial literacy and investor awareness initiatives have driven retail investor growth, resulting in a record number of folios.
- Strong economic fundamentals and a growing pool of individual investors are fostering a long-term, stable investor base.

Emerging Trends in AUM Composition and Product Mix

India's asset management landscape is undergoing structural change moving beyond traditional equity and debt schemes toward a more diversified, digitally driven, and investor-centric product mix.

- Product composition is becoming more diversified: While equity-oriented schemes remain the largest segment, hybrid schemes (multi-asset and balanced funds), debt funds, and especially passive funds such as ETFs, are gaining greater traction. Passive funds are expanding rapidly due to low costs and ease of access.
- Alternative assets, mainly AIFs (especially Category III), are witnessing heightened demand from wealthy and institutional investors seeking portfolio efficiencies and preferential access to IPOs through anchor/ QIB status.
- PMS product innovation is increasing, with managers adopting multi-asset, thematic, or tactical strategies to navigate market volatility and differentiate offerings.
- The overall market is seeing a proliferation of new funds (NFO activity), particularly in flexi-cap, thematic, and small-cap categories, as investors chase alpha and diversification.
- Digital adoption for onboarding, portfolio monitoring, and education is broadening market reach and reducing entry barriers, especially for retail investors.
- These drivers and trends collectively point to a more robust, diversified, and investor-focused asset management industry landscape for India in 2025.

Exhibit 11: Rising Share of Equity and Passive Funds Highlights a Structural Shift in Investor Preferences and Portfolio Mix (FY21–FY25)



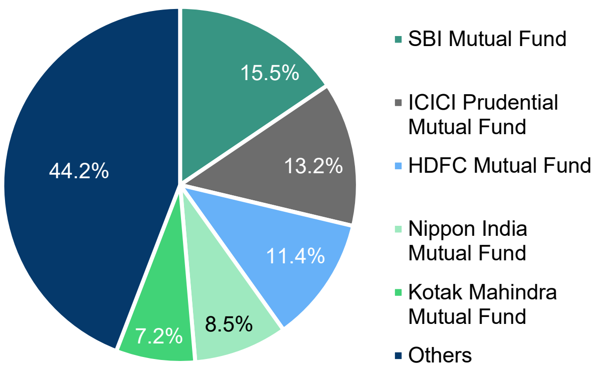
Source: AMFI, Crisil Intelligence

Competitive Landscape and Business Models

Market Share of Major AMCs and Institutional Players

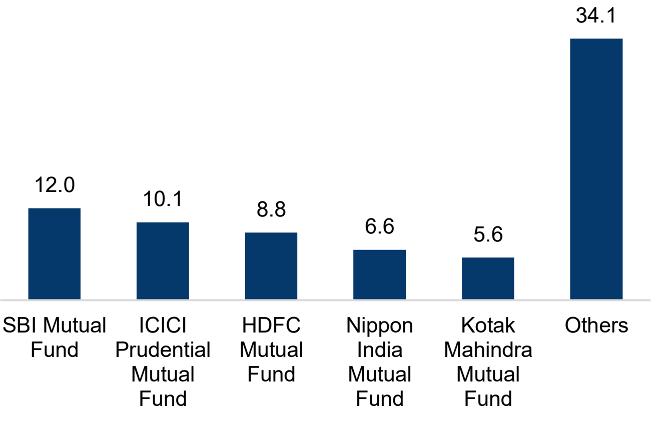
India's mutual fund industry has grown into one of the world's fastest-expanding markets, with total Assets Under Management (AUM) of ₹77.78 lakh crore as of 30 September 2025. The market remains relatively concentrated: a handful of top fund houses (such as SBI, ICICI Prudential, and HDFC) together manage a very large share of industry AUM.

Exhibit 12: Market Share in AMC Industry



Source: AMFI

Exhibit 13: Top AMC AUM Size (In INR Lakh Cr)



Source: AMFI

Profile and Strategy of Top Fund Houses

Major Indian AMCs differ significantly in ownership, investment philosophy, and operating strategy. Public-sector players like SBI Mutual Fund prioritize retail inclusion through banking reach, while private institutions such as HDFC and ICICI Prudential emphasize performance consistency and diversification. Foreign-sponsored firms like Nippon India leverage global expertise, and mid-sized players such as Kotak focus on digital expansion and sustainable themes. These strategic distinctions shape competition and market positioning across the industry.

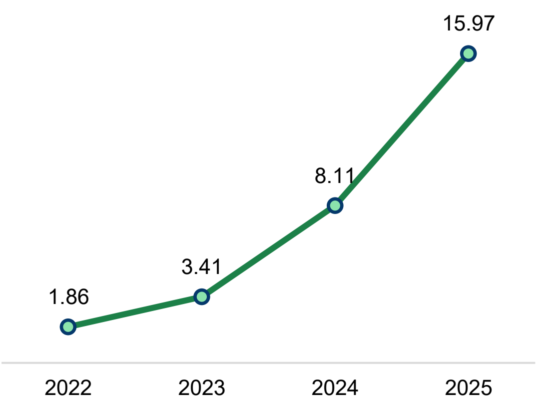
Strategic positioning of top AMC's

AMC	AUM (INR Cr)	Strategic Positioning
SBI Mutual Fund	11,99,532.9	Market leader leveraging SBI's nationwide branch network and brand trust to deepen retail penetration; expanding passive and ETF offerings for diversified growth.
ICICI Prudential Mutual Fund	10,14,758.1	Balanced, innovation-driven fund house combining active and passive strategies with strong institutional capability; diversifying into ETFs and alternative mandates.
HDFC Asset Management Company	8,81,428.8	Conservative, process-oriented AMC emphasizing long-term performance and risk control, leveraging brand strength and broad distributor relationships.
Nippon India Mutual Fund	6,56,518.6	Globally backed AMC emphasizing disciplined asset allocation and innovation; strong presence in retail equity and expanding digital reach

Entry of Fintech-Backed and Boutique AMCs

The Indian mutual fund landscape has expanded with the entry of fintech-backed AMCs such as Groww, Zerodha, and Navi, which are reshaping access and cost structures through fully digital distribution and direct plans. Their simplified onboarding, zero-commission products, and data-driven user interfaces have accelerated retail participation, especially among first-time investors from Tier II and Tier III cities. In parallel, boutique AMCs like White Oak Capital and Parag Parikh focus on high-conviction, research-driven portfolios and differentiated investment philosophies. Together, these entrants have enhanced market depth, transparency, and competitiveness, driving a shift from distributor-led sales to digital-first investing models. **Fintech AMC'S grew by 71.2% CAGR over the past4 years**

Exhibit 14: Growth in Fintech AMC's AUM (In 000' Cr)



Source: AMFI

Consolidation, Mergers, and Acquisitions in the AMC Industry

The Indian AMC industry is undergoing steady consolidation as players seek scale, cost efficiency, and regulatory alignment. Larger fund houses are acquiring mid-sized or foreign-owned entities to expand distribution and product range, while private equity interest has increased in high-growth AMCs. The trend reflects rising concentration, with the top ten fund houses managing over 80% of total AUM.

Recent M&A in AMC Industry

Year	Acquirer	Target	Deal Value
2025	ICICI Prudential AMC	Integration of ICICI Venture's PE & RE fund business	Internal consolidation
2025	WestBridge Capital	Edelweiss Asset Management Company	₹450 crore for 15 % stake
2023	Bandhan Financial Holdings (with GIC & ChrysCapital)	IDFC Asset Management Company	4,500 crore
2022	HSBC Asset Management (India)	L&T Mutual Fund	₹3,200 crore
2021	White Oak Capital Management	YES AMC (renamed White Oak Capital AMC)	Undisclosed

Source: AMFI, The Economic Times, Business Standard, Reuters, Mint, Moneycontrol

Competitive Differentiation: Product, Distribution, and Brand

Competition among AMCs increasingly centers on product breadth, distribution capability, and brand trust rather than purely on returns. Leading fund houses have diversified into ETFs, target-maturity, ESG, and thematic funds, aligning their offerings with changing investor preferences and regulatory emphasis on transparency. The rapid transition toward digital and direct channels, supported by fintech partnerships and SEBI's cost rationalization measures, has enabled wider retail participation and improved scalability.

Brand perception and governance standards continue to play a decisive role in investor confidence. SBI MF leverages its public-sector credibility and retail dominance, HDFC AMC emphasizes long-term performance and conservative fund management, while ICICI Prudential AMC stands out for product innovation and hybrid allocation strategies. In a maturing market, sustained leadership will depend on how effectively AMCs integrate technology with investor engagement, deliver consistent alpha, and maintain cost competitiveness.

Regulatory and Policy Framework

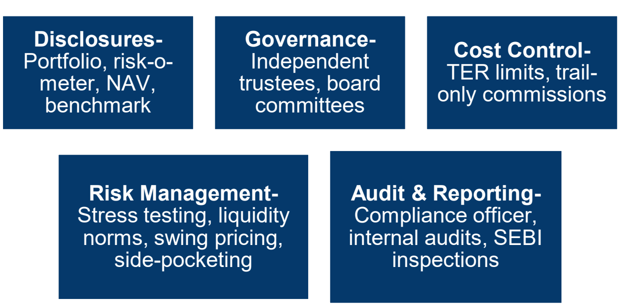
Role of Regulatory Bodies

SEBI	AMFI	RBI
The Securities and Exchange Board of India regulates mutual funds and PMS on product design, disclosures, pricing governance and risk management through the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 framed under the Securities and Exchange Board of India Act, 1992.	The Association of Mutual Funds in India is a non-profit industry associations of all registered Asset Management Companies in India registered under Section 8 of the Companies Act, 2013. AMFI functions as self-regulatory industry body focused on ethical standards, distributor conduct, training and investor awareness.	The Reserve Bank of India oversees bank sponsored mutual funds and bank-linked mutual fund activities to maintain systematic stability and ensure alignment with prudential norms and banking regulations. Its focus is on monitoring treasury, liquidity exposure and maintaining systemic stability.

Mutual Fund and PMS Regulations - Key Provisions

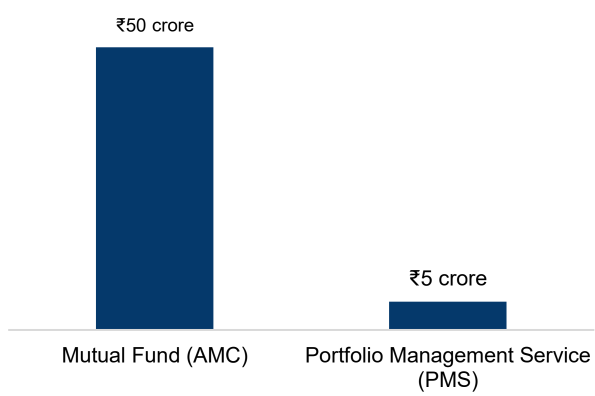
SEBI oversees the structure, governance and disclosure framework for mutual funds to ensure transparency and investor protection. Every mutual fund follows a three-tier structure of sponsor, trustees and asset management company (AMC), separating ownership, oversight and operations. Sponsors establish the fund, trustees safeguard investor interests, and the AMC manages investments under regulatory supervision. Each AMC must maintain a minimum net worth of ₹50 crore to ensure financial and operational soundness. Mutual fund schemes must provide standardised disclosures such as monthly portfolio statements, risk-o-meter classifications and benchmark-linked performance reports. Securities are valued on a mark-to-market basis for fair NAV computation. To keep investor costs low, SEBI enforces a slab-based cap on the total expense ratio (TER) and mandates a trail-only commission model to curb mis-selling. Mechanisms like swing pricing and side-pocketing in debt schemes protect continuing investors during credit or liquidity stress. SEBI's framework also mandates scheme classification, exposure limits and uniform valuation standards across fund houses to ensure consistency and fairness. Independent directors and trustees certify compliance through periodic audits and oversight committees. Stress testing, liquidity monitoring and early-warning systems help mitigate credit and redemption risks, reinforcing investor confidence and systemic stability.

Exhibit 15: Compliance Ecosystem of Mutual Fund



Source: SEBI (Mutal Funds) Regulations, 1996

Exhibit 16: Minimum Net-worth Thresholds



Source: SEBI (Portfolio Managers) Regulations, 2020

Portfolio Management Services (PMS), regulated under SEBI's PMS Regulations, 2020, cater to high-net-worth investors through customised portfolios. The minimum investment per client is ₹50 lakh, and providers must maintain a minimum net worth of ₹5 crore. Client funds are kept segregated from the provider's assets, and periodic reporting on portfolio performance and risk metrics is compulsory. Suitability assessments, compliance audits and conduct codes ensure ethical operations and investor alignment.

Regulatory and Policy Framework

Taxation and Policy Incentives

Investment Type	Holding Period	Tax Treatment
Equity mutual funds	< 12 months	STCG – 20 % (post July 2024); earlier 15 %
	≥ 12 months	LTCG – 12.5 % > ₹1.25 lakh (earlier ₹1 lakh)
Debt mutual funds	Any	Gains taxed at slab rate; no indexation after Mar 2023
PMS (equity)	< 12 months	STCG 20 %
	≥ 12 months	LTCG 12.5 % > ₹1.25 lakh; treated like direct equity
Dividends (MF & PMS)	Any	Taxed at slab rate; TDS if > ₹5,000 (MF)
ELSS / Tax-saving MF	3 years lock-in	Deduction u/s 80C up to ₹1.5 lakh

ESG(Environmental, Social, Governance) and Disclosure Norms

From 1 October 2024, ESG-labelled schemes must keep at least 65.0% of AUM in companies with BRSR-Core disclosures that are independently assured, and at least 80.0% of each scheme's assets must align with its stated ESG strategy, whether Exclusion, Integration, Best-in-Class, or Impact. This framework tightens label use, curbs greenwashing, and ensures investments flow toward verifiable sustainability leaders.

Additionally, SEBI now requires all Equity Schemes to disclose the Information Ratio (risk-adjusted return) in factsheets from 2025, standardising comparison of fund-manager skill across periods. Mutual Fund Units were also explicitly brought under Insider Trading Regulations in October 2024, closing conduct gaps within AMCs and aligning employee trading norms with those governing listed securities.

Compliance, Risk Management and Investor Protection Standards

SEBI mandates robust governance frameworks for AMCs, including independent trustees and board members, designated compliance officers, periodic internal and statutory audits, and scheme-level disclosures such as portfolio holdings, risk-o-meter ratings and valuation methodology per common norms. Investor-protection mechanisms now in force include swing pricing, which adjusts the NAV so that entering and exiting investors bear liquidity costs, and side-pocketing, which permits segregation of downgraded or defaulted debt exposures to protect continuing unitholders during stress. Conflict-mitigation remains central: a trail-only commission model (no upfront fees), caps on total expense ratios, mandatory stewardship and voting disclosures, and the inclusion of mutual fund units under insider-trading regulations collectively reduce mis-selling and strengthen accountability.

Future Regulatory Reforms and Implications

The Securities and Exchange Board of India (SEBI) has prohibited mutual funds from participating in pre-IPO placements, allowing investment only as anchors or in public issues to prevent retail schemes from holding illiquid, unlisted securities. The maximum exit-load cap has been reduced from 5% to 3%, making redemptions more flexible and lowering investor costs. At the same time, enhanced disclosure norms such as mandatory publication of the Information Ratio for equity funds that improve risk-adjusted performance transparency. These measures collectively create a more investor-friendly environment: investors gain from lower costs and clearer disclosures, AMCs face stricter compliance and reduced fee buffers, and distributors must shift towards advisory-led growth. Together, these reforms reinforce trust, inclusion and governance in India's expanding asset-management industry.

Distribution Channels

Traditional Distribution: Banks, Brokers and IFAs

For decades, India's mutual fund industry has relied on a vast network of banks, brokers, and independent financial advisors (IFAs) to reach retail investors. These intermediaries built investor trust, simplified paperwork, and brought mutual funds into mainstream household savings. Major banks like SBI, HDFC Bank, and ICICI Bank continue to dominate through extensive branch networks and large retail AUM, while over 1.78 lakh AMFI-registered distributors, including 30,000 new entrants in FY 2025, expand access across urban and semi-urban markets. IFAs and Mutual Fund Distributors (MFDs) remain central to this ecosystem, educating investors, hand-holding first-timers, and driving participation beyond metro cities.

Direct and Digital Distribution Channels

Since SEBI's introduction of Direct Plans (2013) and the rapid growth of fintech platforms, India's mutual fund distribution landscape has undergone a structural shift. Direct plans allow investors, especially institutions and informed individuals to invest without intermediaries, reducing costs and enhancing transparency. By FY25, direct-plan assets accounted for 48% of total AUM, up from negligible levels a decade earlier, driven largely by corporates, HNIs, and digitally savvy investors seeking efficiency and control. Parallelly, fintech platforms like Groww, Zerodha, Paytm Money, Kuvera, and ET Money have democratized access through paperless onboarding, e-KYC, UPI payments, and low-ticket SIPs. These platforms attract younger investors (< 35 years), offering convenience, portfolio tracking, and even algorithm-based robo-advice. By FY23, over 60% of mutual fund transactions by volume occurred digitally, underscoring the sector's transformation. Traditional intermediaries like banks, brokers, and IFAs are adapting by launching tech-integrated advisory models and using platforms such as BSE StAR MF and MF Utilities for execution. Together, direct and digital channels have made investing simpler, cheaper, and more transparent, expanding participation beyond metros into Tier-2 and Tier-3 cities.

Exhibit 17: AUM proportion by channel type (Sept 2025)

Metric	Traditional Distribution Channel	Direct Channel
Share in overall MF industry	52%	48%
Share in Equity-oriented Funds	70%	30%
Share in Debt Funds	32%	68%
Share in Liquid/Money Market Funds	17%	83%

Source: AMFI Annual Report FY 2025

Exhibit 18: Distribution Margin: Investor Trade-off (FY25)

Traditional Distribution Channel	Direct Channel
Annual Margin: Investor pays 0.5% to 1.5% of AUM as commission	Annual Margin: Investor pays 0% commission, leading to a lower TER
Industry Payout: Drove a massive ₹21,000 crore commission pool in FY25	Benefit: Savings in commission margin remain invested
Long-Term Impact: 1% TER difference reduces the final corpus by 25%+ over 30 years	Long-Term Impact: 25%+ higher compounded returns due to lower TER

Source: AMFI Annual Report FY 2025

Retail Deepening and Hybrid Access Models

Retail participation has become the backbone of mutual fund growth, led by Systematic Investment Plans (SIPs) and the rise of hybrid "phygital" advisory models. In FY25, SIP inflows surged 45% YoY to ₹2.9 lakh crore, with monthly contributions averaging ₹24,000 crore and 8.1 crore active SIP accounts, reflecting widespread adoption across income levels. SIPs, small, recurring investments that help investors average market volatility, while Systematic Transfer Plans (STPs) enable staggered deployment of lump sums to manage timing risk. At the same time, digital onboarding, e-KYC, and e-mandates have made account creation and SIP registration near-instant, expanding inclusion in smaller towns. Advisors and distributors now blend human guidance with digital execution, offering clients app-based convenience and personalized service. This hybrid distribution approach improves scalability for intermediaries and trust for investors. Together, SIPs, digital access, and hybrid advisory have turned mutual funds into a mainstream savings tool, ensuring steady, long-term retail flows that enhance market stability.

Investor Behavior & Evolving Investment Culture

Over the last half-decade India's retail mutual-fund investor base has expanded rapidly and become structurally different from previous cycles. The Systematic Investment Plan (SIP) has been the dominant retail vehicle, with SIP contributions and number of contributing accounts rising sharply through FY24–FY25, AMFI reports show SIP yearly contributions rising from ~₹1.99 lakh crore (FY24) to ~₹2.89 lakh crore and contributing SIP accounts rising to 8.11 crore by March 2025. This growth is concentrated in younger cohorts and digitally-onboarded investors.

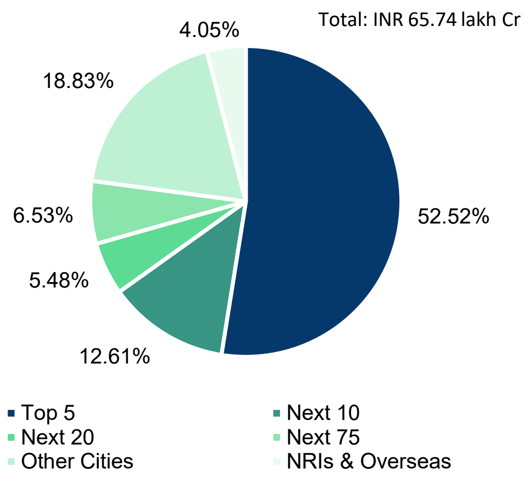
SIP and Lumpsum Investment Trends

Systematic Investment Plans (SIPs) continue to dominate retail mutual fund inflows in India, underscoring a strong preference for disciplined, recurring savings. The number of contributing SIP accounts reached 8.11 crore as of March 2025, while monthly SIP inflows grew 34.5 percent year-on-year to ₹25,926 crore. May 2025 marked a record ₹26,688 crore, and by June 2025 SIP investments surged further to ₹27,269 crore, with 8.64 crore active accounts. This sustained growth pushed mutual-fund AUM to ₹65.7 lakh crore, reflecting investors' long-term saving mindset, even as lumpsum investments showed relative caution amid market volatility.

Investor Profile by Age, Gender, and Geography

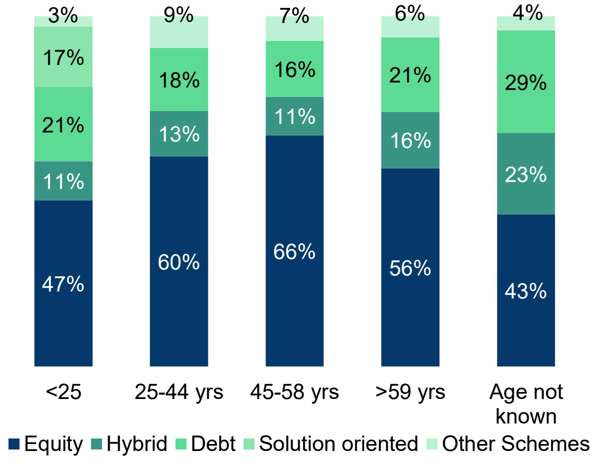
Data from industry trackers and journalistic analyses show a younger, more urban investor base: recent market analyses indicate nearly half of mutual-fund investors sampled were aged 18-30 in 2024-25, reflecting the rise of first-time investors during/after COVID. Female participation is rising too, women now account for roughly 1 in 4 mutual-fund investors by unique investor count and an even higher share by AUM in many segments, indicating larger ticket sizes on average for women investors. Geographically, metro and Tier-1 metros still contribute outsized AUM, but growth in SIP folios and inflows from Tier-2/3 is accelerating.

Exhibit 19: City-wise AUM split as of March 2025



Source: AMFI, Crisil Intelligence

Exhibit 20: Age-wise net flows for investment products in fiscal 2025



Source: AMFI, Crisil Intelligence

Behavioural Insights - Risk Appetite, Return Expectations, and Churn

Behavioural patterns from reference reports point to: (a) performance-chasing (short-horizon flows toward top-ranked funds), (b) overconfidence among self-directed investors facilitated by easy trading apps, and (c) low tolerance for drawdowns that drives churn during corrections. The NBER research papers shows platform ranking displays amplify performance-chasing and encourage manager risk-taking; similar attention-driven trading dynamics have been observed globally (Robinhood studies etc.) and are visible in Indian platform flows. These behavioural drivers increase fund flows volatility and shorten investor holding periods on average relative to traditional advised channels.

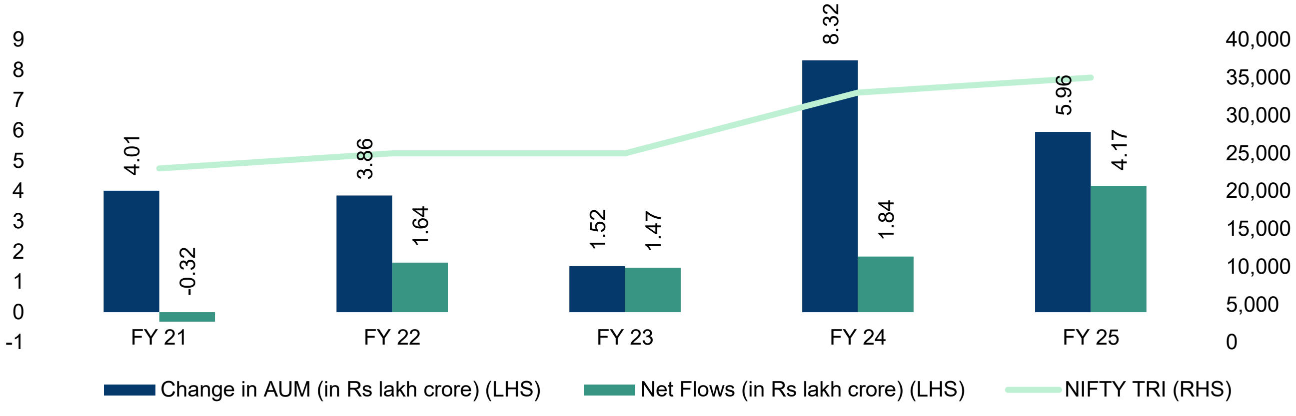
Impact of Financial Literacy and Awareness Programs

Financial literacy campaigns (regulatory and industry) have had measurable but partial effects: they increase product uptake and correct certain misconceptions (e.g., short-term market timing) but do not fully offset attention-driven behavior on platforms. Evidence from small-sample surveys in South Asia and program evaluations suggests awareness raises the probability of SIP adoption, but durable behaviour change (reduced churn, disciplined rebalancing) requires repeated nudges- digital reminders, goal-based UIs, and default-opt-in features that convert literacy into action. The reports and recent academic pieces show awareness correlates with SIP adoption but is not a silver bullet for return-maximizing Behavior.

Post-COVID Shifts in Retail Participation

COVID-19 and subsequent market rallies catalysed new retail entry: lockdowns + stimulus + digital onboarding made it easier for salaried millennials and gig-economy workers to start SIPs. The FY21–FY25 period shows unusually large equity inflows and record SIP net inflows (AMFI: record equity inflows in FY25), implying a structural expansion of the retail investor base and a larger contribution of domestic retail flows to market liquidity. However, the post-COVID cohort is heterogenous, some are long-horizon SIP savers, others are short-term, performance-seeking platform users.

Exhibit 21: All-time high inflows drove equity assets to new heights



Source: AMFI, Crisil Intelligence

Regional Patterns in Investor Behavior

Regional AMFI and media reporting show differential AUM growth: large metros and high-income states (e.g., Gujarat, Maharashtra, Karnataka) showed large absolute AUM gains, while penetration growth rates are higher in certain Tier-2 states as distribution and digital payments deepen. The regional pattern suggests AMCs should customize product messaging (goal-based SIPs in emerging regions; wealth-management narratives in metros) and distribution economics (agent vs. digital-first) accordingly.

Implication Summary – Investor Behavior

Aspect	Key Takeaway
SIP Trend	SIPs dominate retail flows; long-term habit forming.
Investor Profile	Younger, digital, rising women participation.
Behavior	High performance-chasing; low holding discipline.
Financial Literacy	Awareness up but behaviour change limited.
Regional Shift	Tier-2/3 cities driving next growth wave.

Technology, Innovation, & Digital Transformation

Role of Technology in Fund Management and Distribution

Technology now anchors mutual fund operations from digital onboarding and payments to data-driven portfolio construction. FinTech platforms have broadened access and reduced friction, boosting SIP adoption and embedded finance participation. However, centralized ranking and "top fund" displays can intensify short-term performance-chasing. NBER studies show such platform design directly influences investor flows and fund manager risk-taking.

90% of retail investors now onboard digitally

NBER finds top-ranked funds attract **3×** higher inflows post-ranking display

AI, Data Analytics, and Predictive Modelling in Asset Allocation

AI adoption in asset management projected to reach **USD 80 bn** global cost savings by 2030

Asset managers are actively deploying AI/ML for alpha generation, risk forecasting, and automation. McKinsey and PwC note that AI can significantly cut costs and enhance portfolio decisions through "PM copilots," predictive liquidity models, and automated research. However, they caution on governance, data quality, and herding risks when similar models dominate. AI delivers the most value in structured, repeatable tasks like rebalancing and trade execution.

Blockchain, Tokenization, and Smart Contract Use Cases

WEF (2025): Tokenized markets could unlock **USD 16 trillion** in assets globally by 2030.

Tokenization enables fractional ownership of illiquid assets like real estate or private equity and allows 24/7 settlement through smart contracts. In India, adoption remains limited to pilots under SEBI/RBI oversight, while global trials show faster settlement and new product structures. However, scaling still depends on resolving custody, compliance, and operational risks.

API Ecosystems and Integration with Fintech Platforms

APIs now streamline KYC, payments, and holdings aggregation, cutting onboarding time and enabling fund access via wallets and neo-banks. They expand distribution and allow bundled advisory solutions but increase third-party risk, demanding strict SLAs and governance. Industry examples show such partnerships boost flows when incentives are well aligned.

AMFI (2025): API-linked platforms now contribute **35%** of B30 inflows vs 18% five years ago.

Digital Trust, Cybersecurity, and Operational Efficiency

With growing use of AI and cloud APIs, digital trust has become a key differentiator. Cybersecurity, model governance, and transparent audit trails are essential for scaling automated and tokenized products. McKinsey stresses that AI's productivity gains depend on strong governance, continuous testing, and explainable models.

McKinsey (2025): **70%** of asset managers cite "trust and explainability" as top barriers to AI deployment.

Innovation is no longer optional - it's the new infrastructure of trust, scale, and smarter investing.

Challenges and Risks in India's AUM Ecosystem

1. Market Volatility & Liquidity Risk

The Indian AUM industry is highly sensitive to market fluctuations. Retail investors are often the first to redeem investments during market dips, leading to liquidity pressure for AMCs, especially in open-ended mutual funds. This disrupts compounding and long-term SIP discipline. During sudden volatility, AMCs may be forced to liquidate assets at unattractive prices, impacting NAV and fund performance. Debt funds face additional liquidity stress when exposed to private credit, real estate, or illiquid securities such as REITs or infrastructure debt funds. Credit rating downgrades, especially in stressed sectors, can increase redemption pressure and further reduce liquidity.

2. Fee Compression and Profitability Pressure

A major challenge for AMCs today is declining profitability due to regulatory caps on Total Expense Ratio (TER) imposed by SEBI. Increasing investor preference for low-cost passive schemes like ETFs and index funds has further reduced margins. To remain competitive and maintain investor trust, AMCs must invest heavily in technology, digital infrastructure, risk management systems, cybersecurity, and distribution channels, especially to reach Tier 2 and Tier 3 cities. While expanding into these regions increases investor reach, it also raises operational and compliance costs. The rising dominance of direct plans, fintech platforms also affects traditional AMC revenue structures.

3. Regulatory and Operational Risks

With SEBI continuously updating norms related to cybersecurity, KYC compliance, ESG reporting, disclosure standards, anti-money laundering (AML), and investor suitability assessment. While these regulations aim to protect investors, they place a heavy compliance burden on AMCs. Lack of clarity or frequent amendments may delay implementation and create ambiguity in fund structuring or reporting. The shift towards digital operations such as online KYC, e-mandate setup, and automated transaction processing has reduced human errors but increased exposure to cyber threats and data breaches. Compliance staff, cybersecurity systems, and regulatory audits have become major cost centers for AMCs.

4. Investor Misperceptions and Short-Termism

Only around 27% of Indian adults meet basic financial literacy standards, compared to the global average of above 40%. Behavioral biases such as herd mentality, FOMO, loss aversion, and speculative tendencies drive irrational decisions especially during volatile periods. Retail investors often withdraw during downturns, disrupting compounding and negatively affecting AUM stability. There is also a strong cultural preference for physical assets such as gold, real estate, and fixed deposits, which reduces participation in risk-based investment products. Inadequate understanding of risk-return trade-offs, taxation benefits, and diversification principles prevents long-term wealth creation.

5. Need for Product Diversification

Investor preferences are evolving beyond traditional mutual funds. Rising wealth levels and financial sophistication have led to growing demand for AIFs, PMS, private credit, and thematic investment products. The AIF industry alone has grown sharply—from ₹6.41 trillion in 2021 to nearly ₹15 trillion in 2025—indicating increased interest in alternative asset classes. Digital wealth-tech platforms and robo-advisors are also making diversified strategies more accessible. As a result, AMCs must innovate and expand their product offerings to retain investors and sustain long-term AUM growth. Those unable to offer differentiated solutions risk losing higher-value clients to new-age wealth platforms and alternative funds.

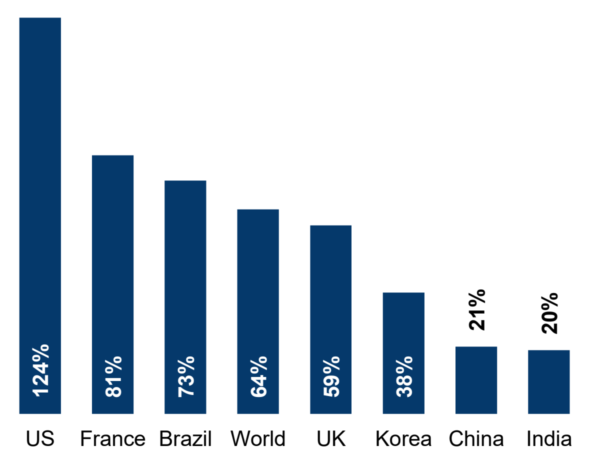
6. Global Shocks and Currency Risk Exposure

India's capital markets are heavily influenced by foreign portfolio investors (FPIs), making AUM flows sensitive to global economic shifts. Geopolitical tensions, global interest rate hikes, inflation spikes, or recession fears often trigger large-scale FPI withdrawals weakening domestic market sentiment. For instance, between January and September 2025, FPIs withdrew ₹1.54 lakh crore from Indian equities, affecting market performance despite positive domestic flows. Currency depreciation also makes Indian assets less attractive to foreign investors and increases inflation through costlier imports. In such scenarios, RBI often raises interest rates to stabilize the rupee, but higher rates increase the cost of capital and may discourage equity investments.

Global Benchmarking and Comparative Insights

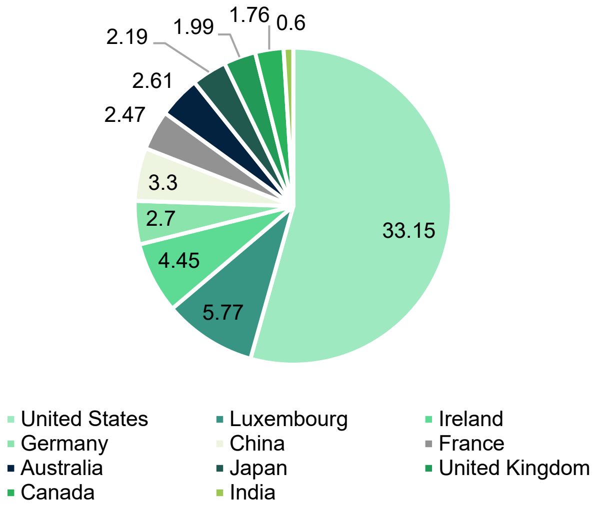
India's Mutual fund industry reached $900 billion in AUM, which is six times increase since 2015, signalling strong domestic growth and establishing a strong presence in the global asset management market. As of 2025, the global asset management industry reached a record $128 trillion up by 12% in 2024, wherein 70% of this growth came from market performance rather than new inflows. As shown in the graph, this value accounts for 64% of the World's GDP. The United States (US) is strong leader with $63.28 trillion in AUM. Followed by Europe at $35.38 trillion in 2024 with the UK, France and Germany dominating in the region. Singapore, has ventured itself as a regional hub with $4.5 trillion in South Asia. India's trajectory, highlights the nascent stage as compared to mature markets in scale, institutional & retail investor involvement.

Exhibit 22: AUM as Percentage of GDP across Nations



Source: Canara Robeco DRHP (Apr 25,2025)

Exhibit 23: Share of Worldwide MF AUM (%)

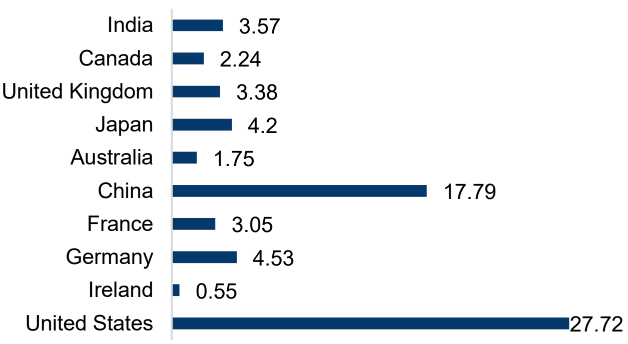


Source: EFAMA – "Worldwide Regulated Open-End Fund Assets and Flows" (Q4-2023)

The United States alone accounts for 33.15% of global MF AUM by far the dominant market worldwide. Interestingly, Luxembourg (5.77%) and Ireland (4.45%), despite being much smaller economies, hold substantial shares due to their roles as global fund domiciliation hubs, attracting international capital. Developed markets such as China (3.3%), Germany (2.7%), Australia (2.61%), France (2.47%), Japan (2.19%), and the UK (1.99%) display moderate levels of AUM, reflecting mature financial systems with strong institutional participation. The most striking observation is India's modest share of only 0.6%, despite being among the world's largest economies highlighting that the mutual fund industry remains nascent but poised for growth, driven by rising financial inclusion and increasing retail participation.

Mutual Funds Assets Under Management to GDP measured at Purchasing Power Parity ratio helps assess how deep and financialized a country's investment market is relative to its purchasing-power economic size. The United States stands far ahead, reflecting a highly developed and mature investment ecosystem, while China shows meaningful progress and most developed economies display moderate levels of financial depth. In contrast, India and other emerging markets remain at low ratios, indicating early-stage industry development with significant growth potential.

Exhibit 24: AUM as Percentage of GDP measured at PPP (%)



Source: World Bank / IMF / World meters country GDP tables

Future Outlook

The India asset management market stands at USD 2.20 trillion in 2025 and is projected to reach USD 4.52 trillion by 2030, reflecting a robust **15.47% CAGR**. This presentation explores the market's segmentation, key drivers, competitive dynamics, and transformative trends reshaping India's wealth-management landscape.

The India asset management market is segmented by asset class (equity, fixed income, alternatives, other), firm type (banks, broker-dealers, wealth advisors), advisory mode (human, robo), client type (retail, institutional), and management source (onshore, offshore). The market benefits from systematic investment plans, pension reforms, digital distribution, and regulatory clarity from SEBI and the International Financial Services Centres Authority (IFSCA). Fee compression and rising household financial assets continue to reshape competitive dynamics.

Market Drivers: Fueling Expansion

Retail SIP Boom & Digital On-boarding

Monthly SIP contributions reached INR 26,459 crore by December 2024, providing predictable cash flows. Smartphone penetration and Aadhaar-based e-KYC have shrunk account-opening time from weeks to minutes, enabling first-time buyers across tier-2 and tier-3 cities. Projections suggest INR 40,000 crore in monthly inflows within two years, anchored by rising disposable income and simplified personal-income tax regimes.

Surge in Alternatives (AIF & PMS)

Total AIF commitments have grown significantly, driven by Category II private equity and private credit strategies offering stronger risk-adjusted returns. Category III funds demonstrate superior capital churn, while Category I infrastructure vehicles align with national capex priorities. Regulatory sandboxes in GIFT City lower setup frictions, positioning alternatives for deeper market penetration.

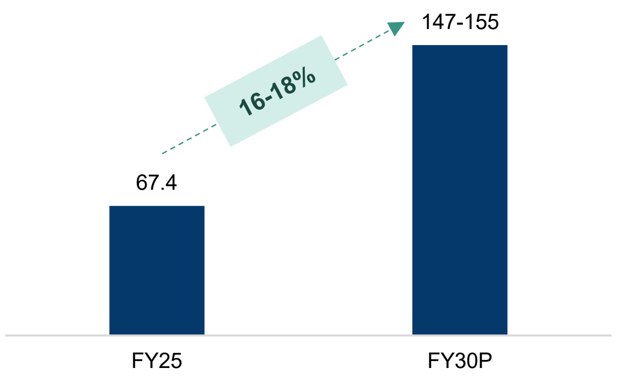
Pension Reforms Driving NPS Inflows

NPS assets reached INR 14.43 lakh crore in 2025 after the Budget raised employer contribution caps to 14% of salary. The new NPS Vatsalya scheme widens coverage to minors, embedding retirement investing early. Flexible equity caps have demonstrated significant one-year returns, validating a market-linked pension model.

GIFT City Cross-Border Fund Passporting

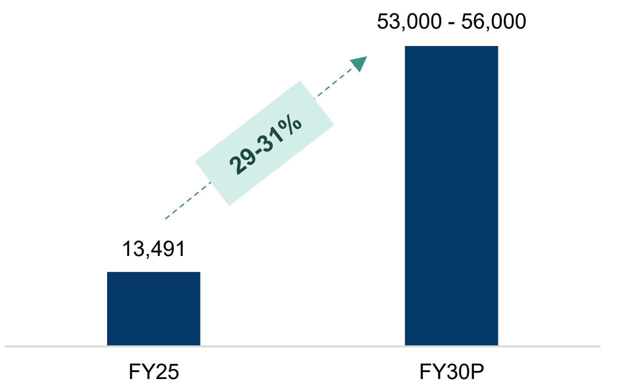
IFSCA achieved a significant milestone in AIF approvals, substantially increasing aggregate commitments while reducing minimum corpus thresholds. Outbound allocations have grown as wealthy Indians diversify overseas within tax-neutral wrappers, with bilateral fund passporting negotiations promising wider market access.

Exhibit 25: Indian Mutual Fund Quarterly Average AUM (INR Tn)



Source: AMFI, CRISIL Intelligence

Exhibit 26: Indian Alternative Investment Fund Industry AUM (INR Bn)



Source: SEBI, Crisil Intelligence

Strategic Roadmap for Sustainable Growth

Expanding Retail Access in Tier-2 and Tier-3 Cities

Tier-2 and tier-3 Indian cities are becoming a major growth frontier for mutual funds. Rising affluence (rapidly growing HNWI/UHNWI populations), strong digital penetration and changing investor preferences mean distribution strategies that combine tech-driven channels, local advisory networks and tailored products can unlock significant incremental AUM. Firms that invest in localized distribution, investor education and analytics-driven customer journeys will capture disproportionate share of the next wave of retail flows.

Category	Total Count	% of Population
Stock Market Users	110 Mn	7.86%
Mutual Fund Investors	53 Mn	3.79%

Category	Total Count	% of Population
Number of HNI's	0.85 Mn	0.06%
Number of UHNI's	13.6 thousands	0.001%

Despite India's vast population, participation in formal financial markets remains relatively limited. Out of over 1.4 billion citizens, only around 110 million (7.86%) actively engage in the stock market, and an even smaller 53 million unique investors (3.79%) invest in mutual funds.
This indicates that while awareness of market investing is growing, it is still concentrated primarily in urban centers, leaving significant untapped potential across tier-2 and tier-3 cities.

India currently has about 0.85 million High Net Worth Individuals (HNIs) and ~13,600 Ultra High Net Worth Individuals (UHNIs). Together, they form just 0.061% of the total population using the stock market. Despite their small numbers, these segments hold substantial influence over financial market flows and product innovation.

Enhancing Global Competitiveness of Indian AMCs

The Securities and Exchange Board of India (SEBI) has proposed significant changes to Regulation 24, aiming to attract foreign capital by granting asset management companies (AMCs) greater operational freedom. The reforms focus on allowing AMCs to provide broader services without needing separate licenses, paving the way for expanded global investment engagement.

Key Regulatory Changes

- AMCs will no longer need separate PMS license when servicing non-broad-based vehicles
- AMCs can now manage/advice offshore pooled funds (family offices, offshore funds) under defined governance safeguards
- Segregation of staff managing mutual funds v/s pooled vehicles; standardized fee structures to avoid conflicts of interest
- Allows Indian AMCs to operate more like global asset managers and capture institutional and overseas mandates

Strategic Implications for AMCs

- **Access to Overseas Capital:** With fewer regulatory barriers, AMCs can tap offshore institutional funds and family offices
- **Product & Service Augmentation:** Ability to offer advisory/PMS style services to high end non-retail clients allows diversification of business model
- **Global Benchmarking:** Aligns Indian AMCs with global peers in terms of service offerings, improving competitiveness
- **Scale & Margin Potential:** Institutional/offshore mandates often involve larger ticket sizes and may provide higher margins than mass retail business
- **Brand & Footprint Growth:** Indian AMCs can strengthen their global brand, enter offshore domiciles/funds and become credible global players

Glossary

AUM (Assets Under Management) – Total market value of assets managed by an investment firm for clients.

AAUM (Average Assets Under Management) – The average of daily AUM values over a period (month/quarter).

Net Inflows/Outflows – Net amount of money entering or exiting investment schemes.

Expense Ratio / TER (Total Expense Ratio) – Percentage fee charged by a fund to manage and operate investments.

NAV (Net Asset Value) – Per-unit value of a mutual fund, calculated as (Assets – Liabilities) ÷ Units.

SIP (Systematic Investment Plan) – An investment method where fixed amounts are invested regularly in mutual funds.

PMS (Portfolio Management Services) – Customized investment management for high-net-worth investors.

AIF (Alternative Investment Fund) – Privately pooled funds investing in private equity, hedge funds, real estate, etc.

ETF (Exchange Traded Fund) – Index-tracking fund traded on stock exchanges like equities.

Index Fund – Passive mutual fund that replicates a market index like Nifty 50.

SEBI – Securities and Exchange Board of India; regulator of securities and mutual fund industry.

AMFI – Association of Mutual Funds in India; industry self-regulatory body for mutual funds.

Retail Investor – Individual investor using personal savings for investment.

Institutional Investor – Organizations like pension funds, banks, insurance, or FPIs investing large pools of capital.

HNI / Ultra-HNI – Individuals with high/ultra-high investable funds (typically ₹2 crore+ / ₹25 crore+).

FPI (Foreign Portfolio Investor) – Overseas investors investing in India’s financial markets.

T30 / B30 Cities – Top 30 metro vs Beyond 30 (non-metro) cities for mutual fund penetration classification.

ESG Investing – Investing based on Environmental, Social, and Governance parameters.

Liquidity Risk – Risk of not being able to convert assets into cash without significant loss.

Market Volatility – Degree of fluctuation in asset prices over time.

Fee Compression – Declining profit margins due to price competition and regulatory caps.

CAGR (Compound Annual Growth Rate) – Annualized rate of return over multiple years.

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