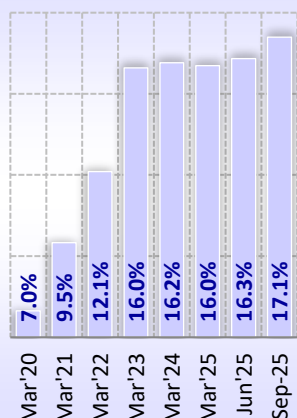


Motilal Oswal values your support in the EXTEL POLL 2025 for India Research, Sales, Corporate Access and Trading team. We request your ballot.

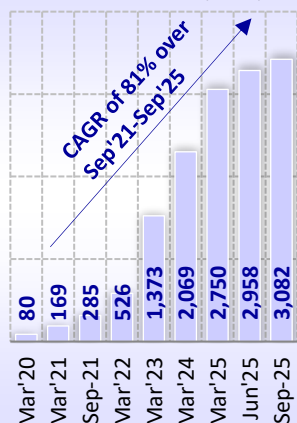
EXTEL POLL
2025



■ % of Passives in total QAUM



■ Index QAUM (INRb)



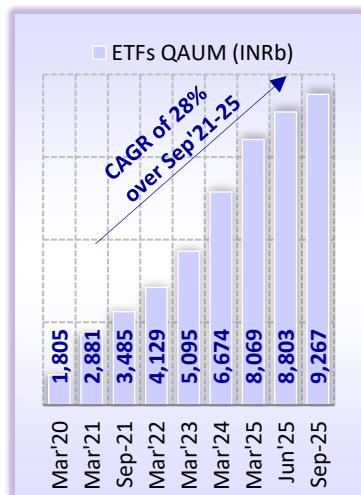
Indian MF: Growing share of passives

HNIs and Corporates lapping up Index Funds, ETFs | share in retail still low

- India's mutual fund landscape is experiencing a structural shift towards passive investing, with QAAUM share rising to ~17.1% as of Sep'25 (vs. 7% in FY20). Over Sep'21-Sep'25, ETFs/Index Funds delivered AUM CAGRs of 28%/81% (vs. total equity at 28%).
- Passive investing has entered a structural growth phase, with FY25 emerging as a breakout year—net inflows more than doubling (~118% YoY) driven by a 278%/59% surge in Index/ETF flows.
- However, YTD FY26 (Apr-Oct'25) flows have moderated, with passives down 34% YoY and equity funds lower by 8%, due to base effects and rotation toward active categories like flexi-cap and mid-cap funds. Nonetheless, the long-term outlook for passives remains strong, supported by rising investor comfort with low-cost, benchmark-linked products, expanding offerings, and growing institutional adoption.
- This domestic momentum mirrors global trends, where passives have overtaken active funds in the US with over 51% share in AUM, expanding to ~USD16t as of Mar'25, reflecting a long-term investor shift toward transparency, cost efficiency, and consistent performance (<https://tinyurl.com/5e27ww3w>).
- India's passive penetration, at just ~17.1% of total QAUM (Sep'25), remains well below developed markets, highlighting a long runway for growth as investor awareness, digital adoption, and institutional participation expand.
- Institutional catalysts such as the EPFO, which allocated nearly 10% (Mar'24) of its corpus to ETFs (allowed 5-15%), alongside Corporate (~86%/~37% share in ETFs/Index AUM mix as of Sep'25) and HNIs' (~12%/~39%) institutionalizing passive allocations, are reinforcing the depth and sustainability of this trend.
- At the same time, retail participation remains the missing piece (~3%/~23% share in ETFs/Index AUM mix – Sep'25), constrained by low distributor incentives and limited awareness, though digital platforms are beginning to narrow this gap.
- Wealth managers like 360ONE and Nuvama are well-placed to benefit, given their sophisticated client bases and direct investment platforms. With the transition towards an advisory model, their reduced product bias and focus on cost efficiency are expected to drive greater adoption and growth of passive funds.
- While the passive segment will see strong growth, active funds are also witnessing healthy growth. Resultantly, the share of passives will increase, leading to overall lower yield for AMCs and RTAs. However, the scale benefits (as passives have very limited costs against them) will aid in protecting the overall profitability.
- Our preferred picks in the RTAs, Wealth, and AMCs segments include CAMS, Nuvama Wealth, Nippon AMC, and ABSLAMC.

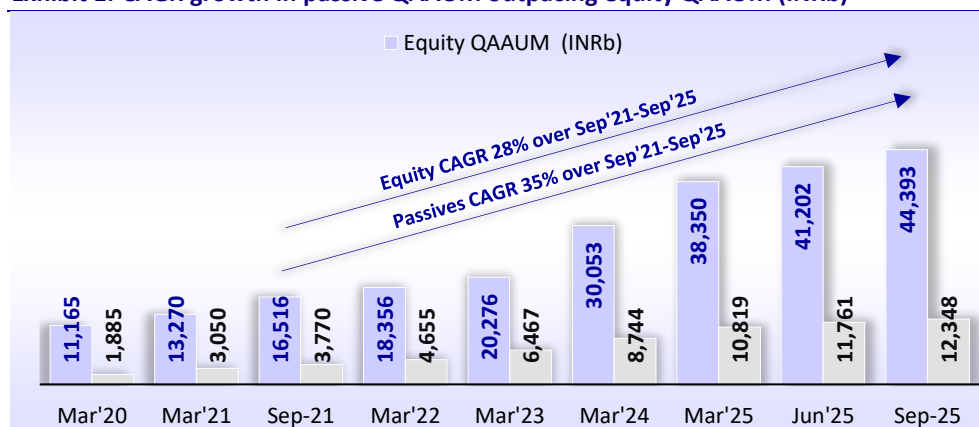
AUM growth in passives outpacing active funds

- Over Sep'21-Sep'25, ETFs and Index Funds in India registered **AUM CAGR** of 28% and 81%, respectively, vs 28% for total equity schemes, driven by strong and sustained net inflows.
- FY25 emerged as a turning point, with **passive fund inflows** more than doubling YoY (~118% vs. 64% for total equity), led by a 278% surge in Index Fund flows and 59% growth in ETFs. This surge was supported by rising investor interest and robust fund launches. This also marked the fourth consecutive year of positive monthly inflows into passive products.



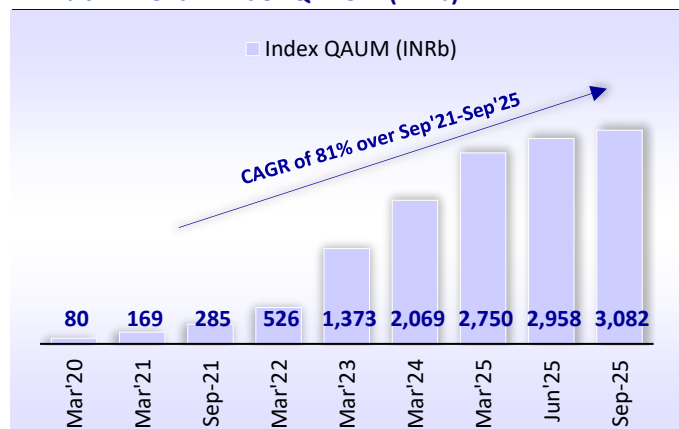
- **Passive funds' share** of total mutual fund QAUM rose to ~17.1% in Sep'25 from ~7% in Mar'20, supported by higher investor awareness, digital access, better liquidity, and lower costs.
- As of Sep'25, the **ETF AUM mix** remains dominated by corporates (~86%), followed by HNIs (~12%) and retail investors (~3%). The **Index Fund AUM mix** shows a more balanced mix—HNIs (~39%), corporates (~37%), and retail (~23%).
- **Retail participation**, however, remains subdued, with ~73% of retail assets (as of Sep'25) still routed through distributors. Limited commissions on ETFs vs active schemes continue to deter distributor push and slow retail adoption.
- In terms of **returns**, our analysis shows that the 1-year and 3-year returns for large-cap active equity schemes, Indexes, and ETFs are not materially different.
- FY25 also witnessed a record 150 new passive fund **launches** (vs. 77 in FY24 and 50 in FY21), reflecting a ~32% CAGR in new schemes over FY21–25 (~108 launched as of FY26YTD). The 150 schemes launched comprised 102 Index Funds, 3 Gold ETFs, and 45 other ETFs, raising INR150.6b (~11% of FY25 net inflows), compared to INR42.1b in FY24—signaling a significant uptick in both the volume and scale of new passive offerings. (<https://tinyurl.com/56jvb7kv>).

Exhibit 1: CAGR growth in passive QAUM outpacing equity QAUM (INRb)



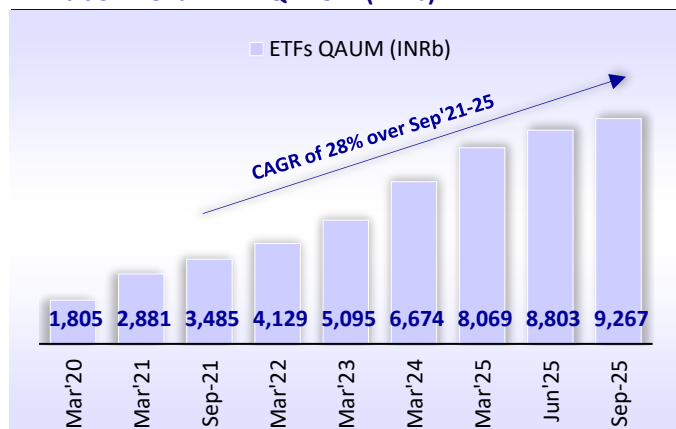
Source: MOFSL, AMFI

Exhibit 2: Trend in index QAUM (INRb)



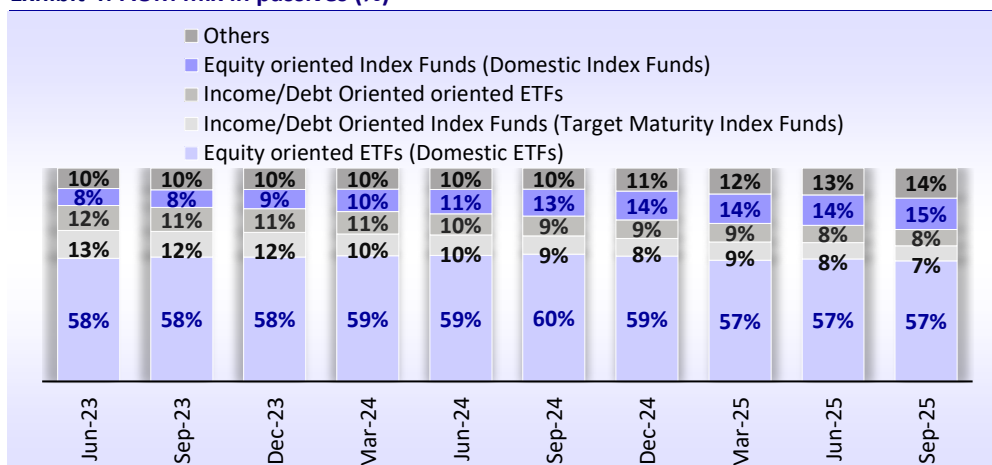
Source: MOFSL, AMFI

Exhibit 3: Trend in ETF QAUM (INRb)



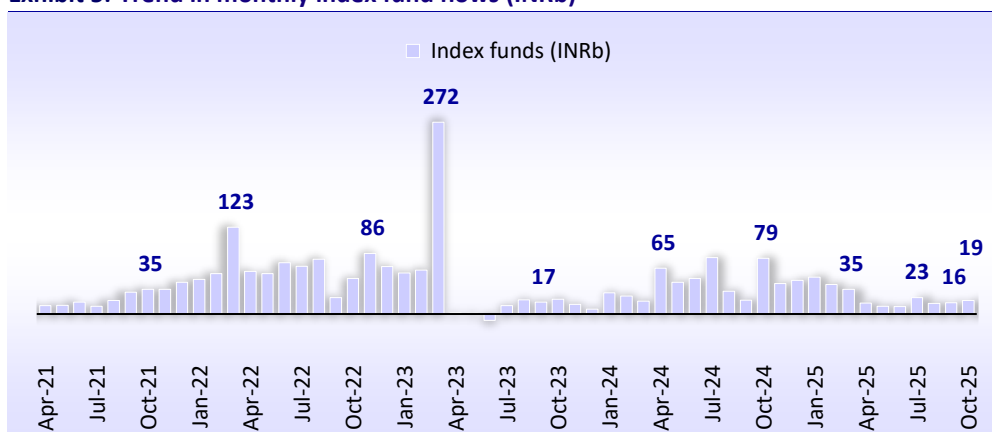
Source: MOFSL, AMFI

Exhibit 4: AUM mix in passives (%)



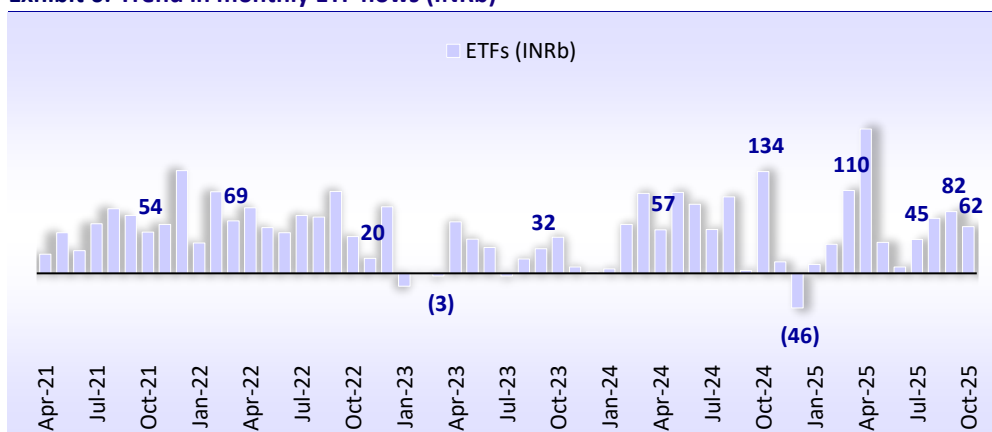
Source: MOFSL, AMFI

Exhibit 5: Trend in monthly index fund flows (INRb)



Source: MOFSL, AMFI

Exhibit 6: Trend in monthly ETF flows (INRb)



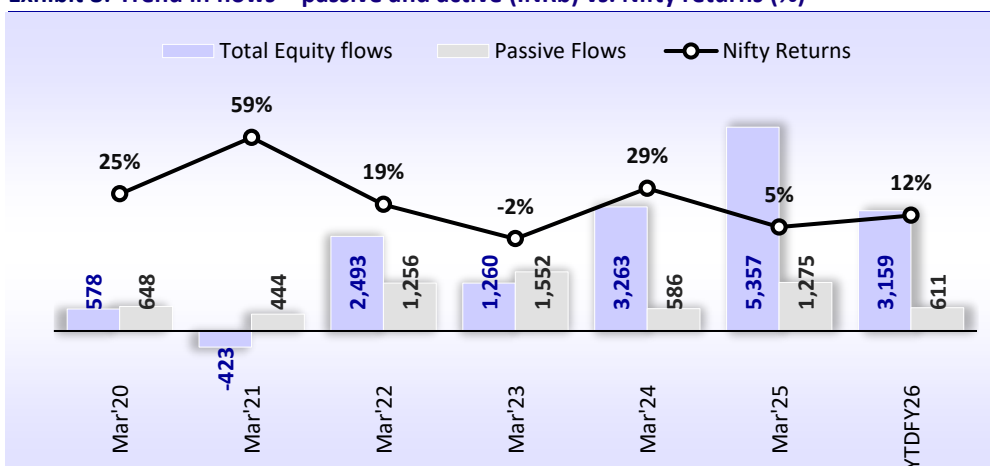
Source: MOFSL, AMFI

Exhibit 7: Bifurcation scheme (category-wise) in passive net inflows on a monthly basis in INRb

| Other Schemes Net inflows in INRb | Oct'24 | Nov'24 | Dec'24 | Jan'25 | Feb'25 | Mar'25 | Apr'25 | May'25 | Jun'25 | Jul'25 | Aug'25 | Sep'25 | Oct'25 |
|---|--------------|-------------|------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Equity-oriented Index Funds (Domestic Index Funds) | 78.0 | 51.9 | 45.4 | 43.5 | 38.1 | 34.6 | 31.2 | 30.6 | 25.2 | 27.7 | 33.9 | 27.6 | 24.7 |
| Equity-oriented Index Funds (International Index Funds) | 0.0 | 0.2 | 0.0 | -0.1 | -0.3 | -0.9 | -0.7 | -0.5 | -0.5 | 2.6 | 1.2 | -0.1 | -0.3 |
| Income/Debt-oriented Index Funds (Target Maturity Index Funds) | 1.4 | -8.1 | 4.5 | 10.5 | 5.2 | -16.0 | -18.1 | -15.9 | -11.1 | -10.9 | -18.9 | -11.3 | -12.8 |
| Income/Debt-oriented Index Funds (Other than Target Maturity Index Funds) | -0.2 | -0.7 | -2.0 | -1.5 | -1.3 | 16.9 | 3.3 | -3.2 | -3.1 | 4.1 | -1.2 | -0.4 | 8.0 |
| Other Index Funds | 0.1 | 0.1 | -0.0 | 0.2 | 0.1 | 0.4 | -0.1 | 0.0 | -0.2 | -0.2 | 0.1 | -0.1 | -0.3 |
| Gold ETF | 19.6 | 12.6 | 6.4 | 37.5 | 19.8 | -0.8 | -0.1 | 2.9 | 20.8 | 12.6 | 21.9 | 83.6 | 77.4 |
| Equity-oriented ETFs (Domestic ETFs) | 138.0 | 20.5 | -24.7 | 7.7 | 19.4 | 118.1 | 92.2 | 42.3 | -6.2 | 30.0 | 56.9 | 44.5 | 25.7 |
| Equity-oriented ETFs (International ETFs) | 0.5 | 0.7 | -0.4 | - | - | -0.9 | 1.0 | - | -0.4 | 0.3 | 0.1 | 0.2 | 0.3 |
| Income/Debt-oriented ETFs | -10.6 | -15.2 | -25.3 | 1.8 | 14.6 | -11.2 | 86.8 | -9.9 | -5.0 | -4.6 | -2.1 | -16.6 | 1.7 |
| Silver ETF | 6.4 | 9.3 | 4.8 | 2.2 | 4.4 | 3.6 | 10.7 | 8.5 | 20.0 | 19.0 | 17.6 | 53.4 | 34.1 |
| Fund of funds investing overseas in Active Funds | 1.6 | -0.3 | 0.2 | 1.6 | 3.2 | -0.6 | -1.7 | 1.3 | 0.9 | 2.6 | 5.4 | 10.1 | 9.1 |
| Fund of funds investing overseas in Passive Funds | -0.7 | -0.4 | -1.0 | -0.8 | -0.8 | -1.7 | -2.1 | -0.8 | -0.6 | -0.6 | -0.3 | -0.5 | -0.9 |
| Total | 234.3 | 70.6 | 7.8 | 102.6 | 102.5 | 141.5 | 202.3 | 55.3 | 40.0 | 82.6 | 114.4 | 190.6 | 166.7 |

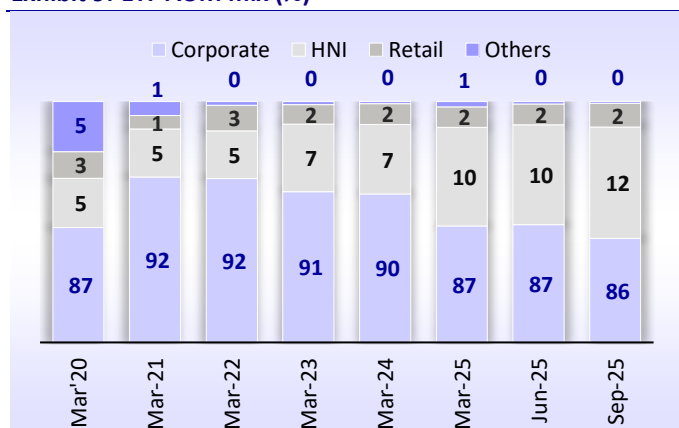
Source: MOFSL, AMFI

Exhibit 8: Trend in flows – passive and active (INRb) vs. Nifty returns (%)



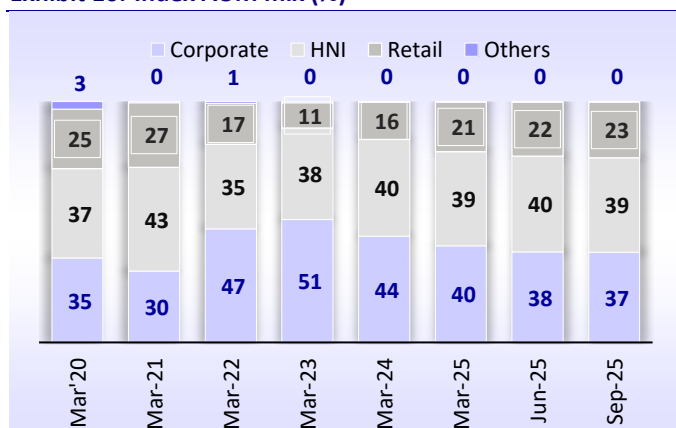
Source: MOFSL, AMFI

Exhibit 9: ETF AUM mix (%)

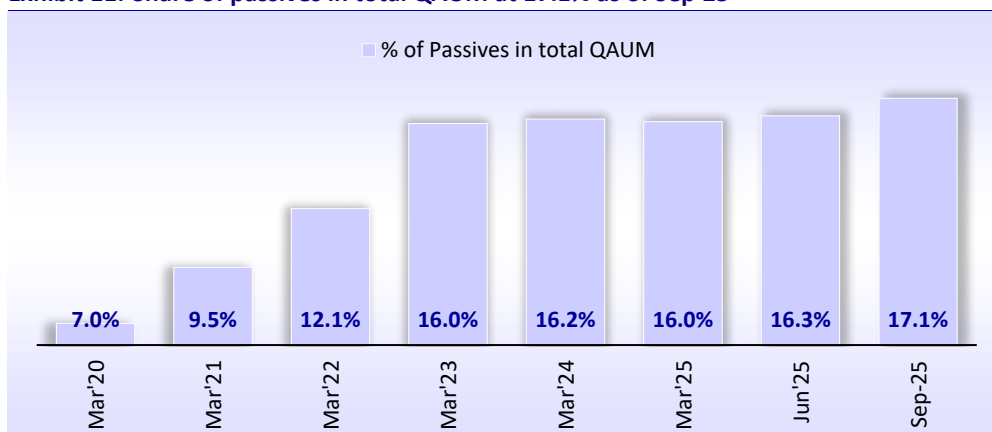


Source: MOFSL, AMFI

Exhibit 10: Index AUM mix (%)



Source: MOFSL, AMFI

Exhibit 11: Share of passives in total QAUM at 17.1% as of Sep'25


Source: MOFSL, AMFI

Exhibit 12: Comparison of returns among large-cap funds across three segments showed no material difference in performance

| Returns Basis | Oct'25 | Returns (%) | |
|-----------------------------------|-----------------|-------------|--------|
| Equity Large Cap Funds (Direct) | AUM Size (INRb) | 1-year | 3-year |
| SBI Large Cap Fund | 528.3 | 6 | 16 |
| Nippon India Large Cap Fund | 464.6 | 9 | 21 |
| HDFC Large Cap Fund | 382.5 | 5 | 17 |
| Mirae Asset Large Cap Fund | 396.2 | 8 | 15 |
| Index Funds | AUM Size (INRb) | 1-year | 3-year |
| UTI Nifty 50 Index Fund | 243.4 | 7 | 14 |
| HDFC Nifty 50 Index Fund | 209.3 | 7 | 14 |
| SBI Nifty 50 Index Fund | 103.5 | 7 | 14 |
| HDFC Index Fund - BSE Sensex Plan | 85.1 | 7 | 13 |
| ETFs (Exchange-Traded Funds) | AUM Size (INRb) | 1-year | 3-year |
| SBI Nifty 50 ETF | 2,024.6 | 8 | 15 |
| UTI Nifty 50 ETF | 638.3 | 8 | 14 |
| Nippon India ETF Nifty 50 BeES | 507.4 | 8 | 15 |

Source: MOFSL, Company

Exhibit 13: Folios mix in passives ('000)

| Other Scheme Folios ('000) | Oct'24 | Nov'24 | Dec'24 | Jan'25 | Feb'25 | Mar'25 | Apr'25 | May'25 | Jun'25 | Jul'25 | Aug'25 | Sep'25 | Oct'25 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity-oriented Index Funds (Domestic) | 11,377 | 11,693 | 12,011 | 12,228 | 12,433 | 12,551 | 12,610 | 12,702 | 12,974 | 13,160 | 13,396 | 13,525 | 13,626 |
| Equity-oriented Index Funds (International) | 255 | 255 | 255 | 251 | 248 | 244 | 241 | 237 | 234 | 244 | 255 | 252 | 249 |
| Income/Debt-oriented Index Funds (Target Maturity) | 166 | 170 | 170 | 169 | 171 | 172 | 183 | 186 | 180 | 182 | 181 | 179 | 177 |
| Income/Debt-oriented Index Funds (Other than Target Maturity) | 18 | 18 | 18 | 19 | 19 | 21 | 9 | 9 | 10 | 11 | 19 | 31 | 25 |
| Other Index Funds | 88 | 90 | 92 | 95 | 96 | 98 | 99 | 99 | 100 | 101 | 101 | 102 | 102 |
| Gold ETF | 5,913 | 6,253 | 6,405 | 6,497 | 6,833 | 6,970 | 7,145 | 7,369 | 7,654 | 7,870 | 8,034 | 8,664 | 9,575 |
| Equity-oriented ETFs (Domestic) | 14,276 | 14,784 | 14,948 | 15,509 | 15,911 | 16,066 | 16,160 | 16,264 | 16,309 | 16,343 | 16,646 | 16,739 | 16,753 |
| Equity-oriented ETFs (International) | 609 | 646 | 686 | 735 | 782 | 849 | 919 | 927 | 940 | 948 | 968 | 995 | 1,045 |
| Income/Debt-oriented ETFs | 2,292 | 2,335 | 2,341 | 2,368 | 2,404 | 2,430 | 2,403 | 2,465 | 2,455 | 2,504 | 2,508 | 2,520 | 2,532 |
| Other Domestic ETFs | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Silver ETF | 447 | 583 | 622 | 620 | 639 | 685 | 748 | 838 | 910 | 1,016 | 1,131 | 1,487 | 2,529 |
| FoF investing overseas in Active Funds | 725 | 730 | 732 | 741 | 764 | 771 | 774 | 776 | 780 | 803 | 846 | 921 | 1,002 |
| FoF investing overseas in Passive Funds | 659 | 650 | 639 | 630 | 622 | 615 | 608 | 601 | 595 | 588 | 569 | 563 | 557 |
| Total | 36,823 | 38,206 | 38,919 | 39,862 | 40,923 | 41,472 | 41,898 | 42,474 | 43,142 | 43,770 | 44,655 | 45,977 | 48,174 |

Source: MOFSL, AMFI

Exhibit 14: Number of schemes under the passive segment

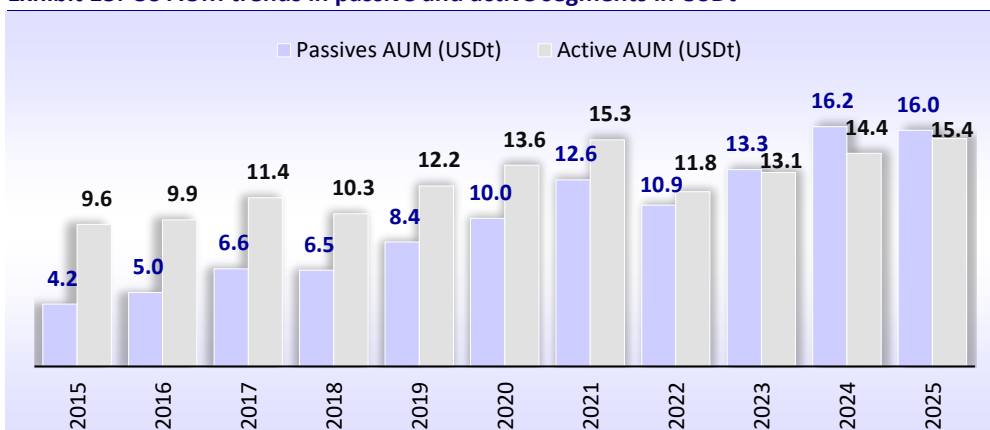
| Total number of Schemes | Oct'24 | Nov'24 | Dec'24 | Jan'25 | Feb'25 | Mar'25 | Apr'25 | May'25 | Jun'25 | Jul'25 | Aug'25 | Sep'25 | Oct'25 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Equity-oriented Index Funds (Domestic Index Funds) | 160 | 167 | 177 | 180 | 190 | 196 | 198 | 204 | 212 | 217 | 227 | 228 | 231 |
| Equity-oriented Index Funds (International Index Funds) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Income/Debt-oriented Index Funds (Target Maturity Index Funds) | 83 | 86 | 88 | 89 | 91 | 92 | 96 | 97 | 96 | 97 | 97 | 97 | 96 |
| Income/Debt-oriented Index Funds (Other than Target Maturity) | 8 | 8 | 8 | 8 | 8 | 12 | 6 | 6 | 7 | 7 | 8 | 10 | 9 |
| Other Index Funds | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Gold ETF | 18 | 18 | 18 | 18 | 19 | 20 | 20 | 20 | 20 | 21 | 21 | 22 | 22 |
| Equity-oriented ETFs (Domestic ETFs) | 164 | 163 | 165 | 166 | 171 | 177 | 179 | 185 | 191 | 196 | 199 | 201 | 208 |
| Equity-oriented ETFs (International ETFs) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Income/Debt-oriented ETFs | 32 | 33 | 33 | 33 | 33 | 35 | 34 | 34 | 34 | 35 | 37 | 37 | 38 |
| Other Domestic ETFs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | - | - |
| Silver ETF | 12 | 12 | 12 | 12 | 12 | 14 | 14 | 15 | 15 | 15 | 16 | 16 | 16 |
| Fund of funds investing overseas in Active Funds | 41 | 41 | 41 | 41 | 41 | 40 | 40 | 40 | 39 | 39 | 40 | 40 | 40 |
| Fund of funds investing overseas in Passive Funds | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 12 | 12 | 12 |
| Total | 546 | 556 | 570 | 575 | 593 | 614 | 615 | 629 | 642 | 655 | 672 | 678 | 687 |

Source: MOFSL, AMFI

Astounding growth in passives in the US; momentum picking up in India

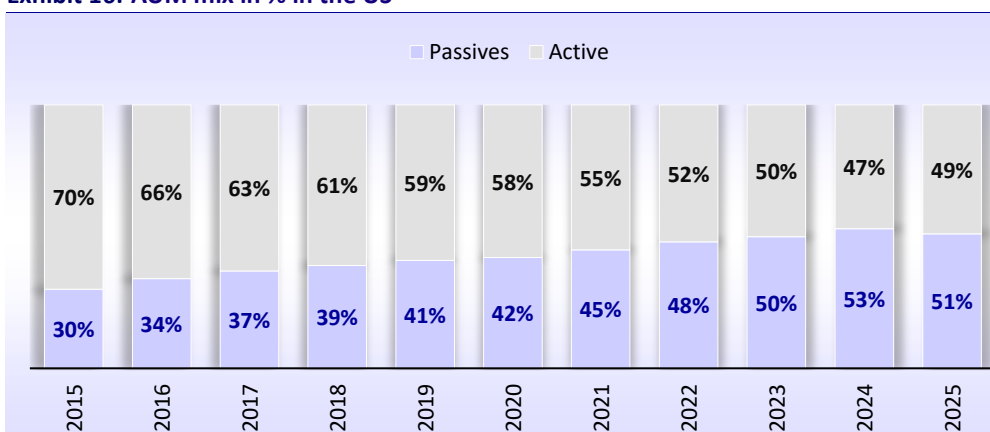
- Over the past decade, the **US passive funds** have seen sustained inflows, reflecting a long-term investor shift toward low-cost and transparent strategies. **Passive AUM** reached ~USD16t (51% of MF industry AUM) vs. active AUM of USD15.4t as of Mar'25 (<https://tinyurl.com/5e27ww3w>).
- ETFs** have become the preferred vehicle, with their share of total fund assets rising to ~35.4% in Jul'25 from ~14% in 2013. This has underscored a strong structural momentum.
- While **passive flows** have remained consistent over the last ten years, the active fund flows have faced persistent outflows. In **Mar'25 alone**, US active funds saw net outflows of USD61.3b, whereas index funds witnessed net inflows of USD49.8b, highlighting declining confidence in active performance. (<https://tinyurl.com/568wmcyn>).
- Post-Covid, the **Indian MF industry** has seen accelerating passive adoption, with the segment's share in total MF AUM rising to double digits (~17.1% in Sep'25) from ~9% in Mar'21. Despite this, India's penetration remains well below that of developed markets, indicating significant headroom for expansion.
- Between Sep'21 and Sep'25, **ETF AUM** clocked a 28% CAGR, fueled by corporate/HNI/Retail segment growth of 25%/56%/49%. Net ETF inflows reached INR682b in FY25 (INR439b YTD FY26) vs INR429b in FY24, up 59% YoY.
- Index Funds** expanded even faster, with AUM recording an 81% CAGR over Sep'21–Sep'25. Segment-wise, corporates grew 79%, while HNIs and retail grew 71% each. Net inflows surged 278% YoY to INR593b in FY25 (INR91b in FY26 YTD) from INR157b in FY24.

Exhibit 15: US AUM trends in passive and active segments in USDt



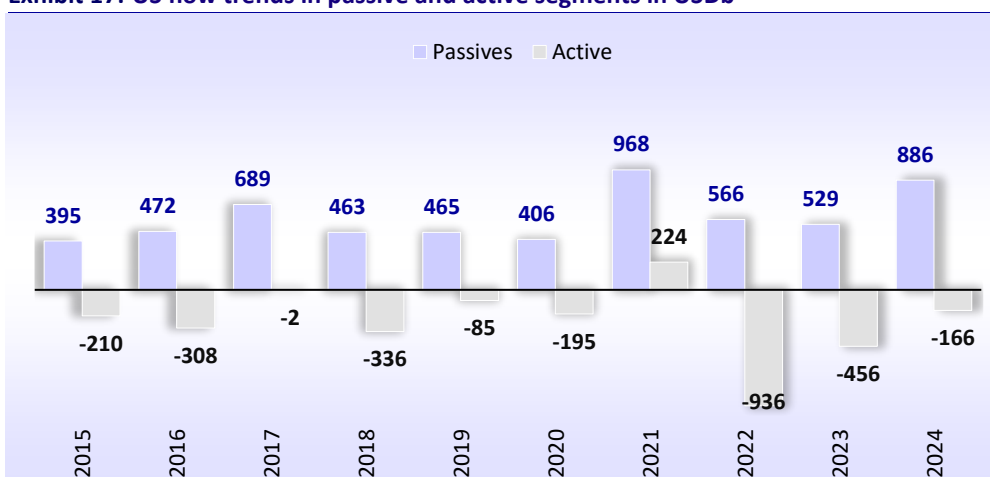
Source: MOFSL, PWLCAPITAL

Exhibit 16: AUM mix in % in the US



Source: MOFSL, PWLCAPITAL

Exhibit 17: US flow trends in passive and active segments in USDb



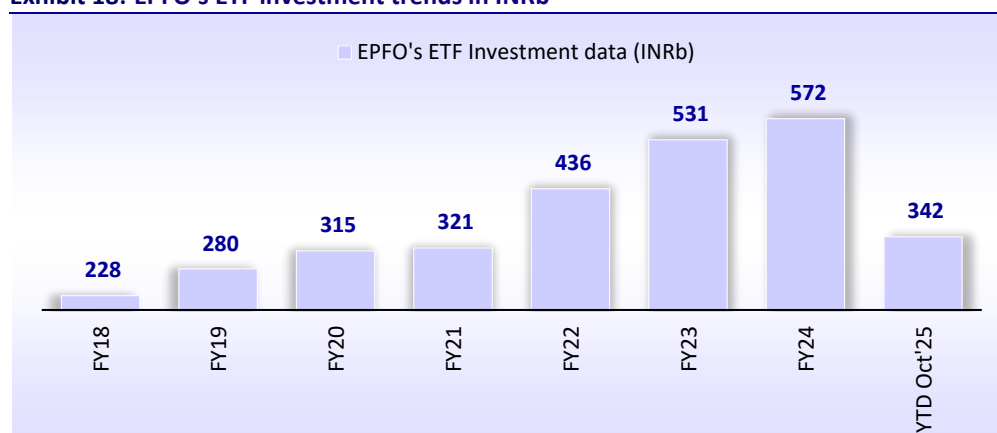
Source: MOFSL, PWLCAPITAL

EPFO deepens its footprint

- According to the media article (<https://tinyurl.com/4vy8nrrn2>), the Employees Provident Fund Organization (EPFO), as of Mar'24, managed an investible corpus of ~INR 24.8t, of which INR2.4t (~9.5%) was invested via ETF tracking major indices (such as the NSE Nifty50 / BSE Sensex).

- In the Apr-Oct'24 period alone, EPFO invested ~INR342.1b into ETFs, pointing to active incremental flows into passive equity vehicles within its portfolio. (<https://tinyurl.com/y2y9xkxk>)
- The major boost to the ETF market came in 2015, when EPFO started investing in stock markets via the ETF route. Initially, it was 5% of incremental flows, and the same was subsequently hiked to 15% in 2017. The current ETF exposure of ~9–10% of the corpus leaves scope to grow within the upper bound of the mandate.
- EPFO's Board has approved a policy to reinvest about 50% of ETF redemption proceeds back into equity-linked avenues and extend the holding period of its ETF investments from four years to seven years, signaling a strategic tilt towards longer-tenure passive equity exposure (<https://tinyurl.com/3nkmxb9t>).

Exhibit 18: EPFO's ETF investment trends in INRb



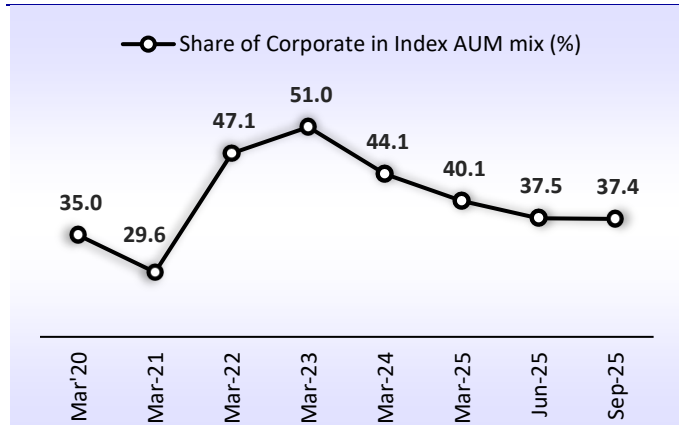
Source: MOFSL, PIB.GOV

Corporate segment continues to dominate the ETF segment

- The **corporate AUM** across all MF categories has expanded significantly – Equity (27% CAGR) to ~INR3.1t, Index (79% CAGR) to INR1.2t, and ETFs (25% CAGR) to ~INR8.2t, over Sep'21-Sep'25, underscoring greater adoption of passive products in the corporate segment.
- The **ETF AUM mix** was dominated by the corporate segment at ~85.8%, followed by HNI at ~11.5% and Retail at ~2.5% as of Sep'25.
- Regarding the **folios**, under the **Equity segment**, it showed a smooth, upward trajectory, growing ~1.8x over Sep'21-Sep'25. However, the **AUM per folio** fluctuated between INR1.4m and INR3.7m and even declined during FY20-21. This reflected the COVID correction and profit-booking, followed by a steady recovery as equity AUM rose in line with market appreciation.
- Regarding the **folios**, under the **Index segment**, folio counts rose almost linearly with visible inflection points in FY22 and FY24, coinciding with the surge in passive investing. The **AUM per folio** rose steadily to INR22–31m between FY22–25 from INR7–8m in FY19–21; however, some decline in AUM per folio count was seen in YTD FY26. This dual increase over FY22-25 (more folios and higher AUM per folio) indicated that corporates are institutionalizing index exposure as a long-term core holding.
- Regarding the **folio count**, the **ETF segment** showed a more volatile but exponential trajectory, with spikes in FY22 and FY24, likely driven by EPFO and corporate treasury inflows. **AUM per folio** trend dipped sharply during 2020–22

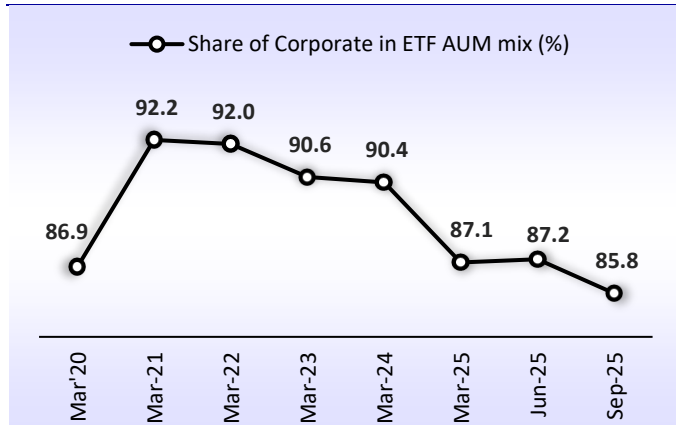
(as new investors entered with smaller ticket sizes), stabilized through FY23–24, and remained relatively flat thereafter, reflecting broadening participation but smaller individual allocations.

Exhibit 19: Share of Corporates in Index AUM mix (%)



Source: MOFSL, AMFI

Exhibit 20: Share of Corporates in ETF AUM mix (%)



Source: MOFSL, AMFI

Exhibit 21: Corporate mix in the Equity, Index, and ETF categories

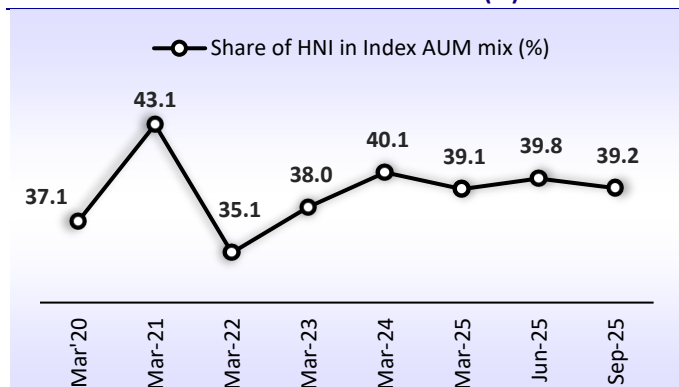
| Corporates | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Equity | | | | | | | | | | | | | | | | |
| AUM (INR b) | 1,174 | 1,208 | 1,233 | 1,189 | 1,324 | 1,358 | 1,382 | 1,567 | 1,696 | 1,925 | 2,047 | 2,681 | 2,674 | 2,622 | 2,970 | 3,081 |
| Folios ('000) | 482 | 507 | 542 | 563 | 577 | 586 | 602 | 605 | 625 | 646 | 676 | 752 | 792 | 819 | 833 | 861 |
| AUM/Folio (INRm) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 4 | 4 |
| Index Fund | | | | | | | | | | | | | | | | |
| AUM (INR b) | 112 | 181 | 323 | 428 | 531 | 650 | 854 | 865 | 889 | 916 | 941 | 1,071 | 1,087 | 1,136 | 1,160 | 1,157 |
| Folios ('000) | 9 | 11 | 14 | 16 | 18 | 21 | 25 | 26 | 27 | 28 | 30 | 42 | 48 | 51 | 52 | 54 |
| AUM/Folio (INRm) | 13 | 17 | 24 | 27 | 29 | 31 | 34 | 34 | 33 | 33 | 31 | 26 | 22 | 22 | 22 | 21 |
| ETFs | | | | | | | | | | | | | | | | |
| AUM (INR b) | 3,361 | 3,542 | 3,785 | 3,642 | 4,151 | 4,560 | 4,389 | 4,875 | 5,101 | 5,660 | 6,003 | 7,434 | 7,076 | 7,302 | 8,060 | 8,202 |
| Folios ('000) | 39 | 37 | 44 | 47 | 49 | 51 | 55 | 56 | 61 | 65 | 69 | 98 | 114 | 124 | 135 | 149 |
| AUM/Folio (INRm) | 86 | 95 | 86 | 77 | 84 | 89 | 80 | 87 | 83 | 87 | 87 | 76 | 62 | 59 | 60 | 55 |

Source: MOFSL, AMFI

HNIs dominate the Index segment

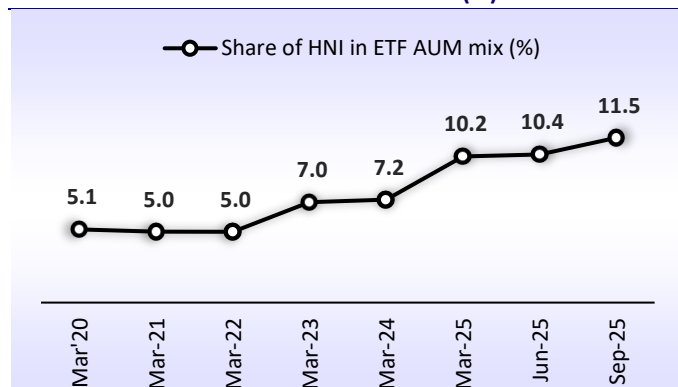
- Under the **HNI** category, the **passive AUM** has seen a robust growth of 63% CAGR (71%/56% for Index/ETFs) over Sep'21-Sep'25 to INR2.3t vs. equity AUM rising at 29% over the same period to INR13.2t. This indicates that while active equity remains dominant, passive strategies are fast emerging as meaningful allocations within HNI portfolios.
- The **Index AUM mix** is dominated by the HNI category at ~39.2%, followed by HNI at ~37.4% and Retail at ~23.1% as of Sep'25.
- Regarding the **folios**, **Equity folios** rose 1.8x over Sep'21-Sep'25, indicating both new investor entry and existing clients diversifying across schemes. While growth was relatively steady, with notable acceleration from FY22 onward, driven by strong market performance and digital distribution penetration.
- The **Index fund folios** surged 13x, and **ETF folios** jumped 6.2x over Sep'21-Sep'25— highlighting broader adoption of passives among affluent investors who earlier preferred only actively managed funds. The spike in ETF folios, especially from FY23–25, shows that HNIs are now using ETFs as tactical and liquidity tools.

Exhibit 22: Share of HNI in Index AUM mix (%)



Source: MOFSL, AMFI

Exhibit 23: Share of HNI in ETF AUM mix (%)



Source: MOFSL, AMFI

Exhibit 24: HNI mix in the Equity, Index, and ETF categories

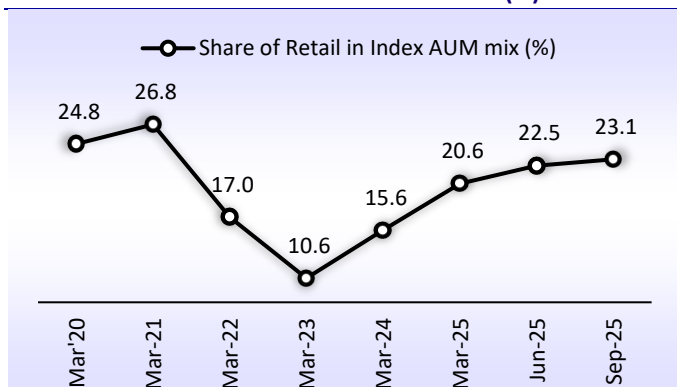
| HNI | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Equity | | | | | | | | | | | | | | | | |
| AUM (INR b) | 4,718 | 4,939 | 5,079 | 4,807 | 5,484 | 5,705 | 5,666 | 6,507 | 7,180 | 8,270 | 9,015 | 12,259 | 12,060 | 11,562 | 13,103 | 13,216 |
| Folios (m) | 4.8 | 5.1 | 5.6 | 5.9 | 6.1 | 6.3 | 6.5 | 6.7 | 7.1 | 7.5 | 8.1 | 10.0 | 10.8 | 11.2 | 11.5 | 12.0 |
| AUM/Folio (INR'000) | 989 | 962 | 913 | 819 | 901 | 911 | 869 | 973 | 1,011 | 1,100 | 1,106 | 1,221 | 1,119 | 1,033 | 1,140 | 1,098 |
| Index Fund | | | | | | | | | | | | | | | | |
| AUM (INR b) | 142 | 174 | 241 | 279 | 370 | 472 | 636 | 678 | 714 | 790 | 858 | 1,100 | 1,104 | 1,108 | 1,229 | 1,210 |
| Folios (m) | 0.11 | 0.13 | 0.17 | 0.19 | 0.21 | 0.23 | 0.27 | 0.29 | 0.30 | 0.32 | 0.37 | 0.53 | 0.60 | 0.63 | 0.66 | 0.68 |
| AUM/Folio (INR'000) | 1,326 | 1,316 | 1,450 | 1,473 | 1,768 | 2,018 | 2,317 | 2,371 | 2,376 | 2,480 | 2,339 | 2,087 | 1,841 | 1,756 | 1,875 | 1,781 |
| ETFs | | | | | | | | | | | | | | | | |
| AUM (INR b) | 189 | 175 | 204 | 257 | 294 | 315 | 340 | 360 | 356 | 416 | 479 | 789 | 729 | 859 | 958 | 1,104 |
| Folios (m) | 0.09 | 0.09 | 0.12 | 0.13 | 0.14 | 0.15 | 0.17 | 0.20 | 0.21 | 0.25 | 0.29 | 0.50 | 0.56 | 0.52 | 1.44 | 1.63 |
| AUM/Folio (INR'000) | 1,990 | 1,852 | 1,746 | 1,952 | 2,113 | 2,048 | 1,960 | 1,839 | 1,671 | 1,680 | 1,637 | 1,575 | 1,303 | 1,644 | 667 | 677 |

Source: MOFSL, AMFI

Retail passive industry has a long way to go!

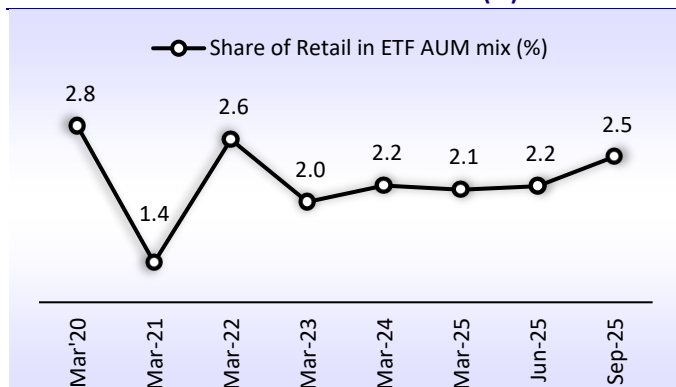
- Under the retail segment, the Equity/Index/ETFs **AUMs** clocked a CAGR of 25%/71%/49% to INR17.4t/INR715b/INR235b over Sep'21-Sep'25. The strong growth in passives was driven by a thrust from online distributors such as ET Wealth, Groww, and other platforms.
- However, the share of ETFs in retail total AUM is a meager 2.5% as of Sep'25, as the Indian retail MF industry is highly dependent on the push model, wherein MFDs play an integral part in distribution. With commissions to distributors on Equity schemes being much higher, the preference for distributing ETFs is much lower.
- The AUM per folio in the Index segment was 6.5x that of AUM per folio in ETFs, and the number of folios in the ETF/Index was 18%/8% of the total equity fund folios.
- Nippon, being an early entrant in the ETF segment, remains the category leader with ~50% share in industry folios and 49% share on the NSE and BSE ADTO ETF volumes.

Exhibit 25: Share of Retail in Index AUM mix (%)



Source: MOFSL, AMFI

Exhibit 26: Share of Retail in ETF AUM mix (%)



Source: MOFSL, AMFI

Exhibit 27: Retail mix in the Equity, Index, and ETF categories

| Retail | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Equity | | | | | | | | | | | | | | | | |
| AUM (INR b) | 7,026 | 7,276 | 7,389 | 6,892 | 7,863 | 8,220 | 8,154 | 9,368 | 10,208 | 11,608 | 12,433 | 16,144 | 15,829 | 15,260 | 17,397 | 17,383 |
| Folios (m) | 70.5 | 75.1 | 80.3 | 83.5 | 86.1 | 88.5 | 91.5 | 93.9 | 99.5 | 105.1 | 114.3 | 136.7 | 146.2 | 152.1 | 156.1 | 162.0 |
| AUM/Folio (INR'000) | 100 | 97 | 92 | 83 | 91 | 93 | 89 | 100 | 103 | 110 | 109 | 118 | 108 | 100 | 111 | 107 |
| Index Fund | | | | | | | | | | | | | | | | |
| AUM (INR b) | 83 | 99 | 117 | 120 | 143 | 162 | 177 | 206 | 233 | 287 | 334 | 521 | 551 | 583 | 694 | 715 |
| Folios (m) | 1.5 | 1.9 | 2.3 | 2.5 | 2.7 | 3.0 | 3.6 | 4.2 | 5.1 | 5.9 | 7.2 | 10.7 | 11.9 | 12.4 | 12.8 | 13.4 |
| AUM/Folio (INR'000) | 55 | 52 | 51 | 48 | 53 | 55 | 50 | 49 | 46 | 48 | 47 | 49 | 46 | 47 | 54 | 54 |
| ETFs | | | | | | | | | | | | | | | | |
| AUM (INR b) | 48 | 87 | 108 | 71 | 82 | 85 | 97 | 104 | 115 | 125 | 144 | 245 | 249 | 178 | 200 | 235 |
| Folios (m) | 6.8 | 8.4 | 10.4 | 11.3 | 11.4 | 11.5 | 11.8 | 11.9 | 12.2 | 12.5 | 13.4 | 21.8 | 24.3 | 26.4 | 26.7 | 28.6 |
| AUM/Folio (INR'000) | 7 | 10 | 10 | 6 | 7 | 7 | 8 | 9 | 9 | 10 | 11 | 11 | 10 | 7 | 7 | 8 |

Source: MOFSL, AMFI

A higher share of passives will reduce yields for CAMS

- Passive funds (ETF & index funds) account for ~14% share in the total AAUM mix for CAMS, whereas they account for ~17% share in the total AUM mix for KFINTECH.
- Of the total passive AAUM, CAMS accounts for ~58% share as of Jun'25.
- Yields generated on passive funds are much lower than active funds, and thus, the growth of passives would have an impact on profitability for RTAs.

Clientele base of 360ONE and Nuvama Wealth attracts passive investments

- **360ONE** manages the wealth of over 8,500 as of Jun'25, classified as institutional players, family offices, and corporates, while **Nuvama Wealth** manages ~4,400+ UHNIs, ~1.3m affluent and HNIs, and 1,000+ corporates as of Jun'25. These clients are well-informed about the advantages of passive investing.
- Also, these wealth managers have built a facility to allow clients to use the direct route for a certain category of MF investments, simplifying the process of passive investing for clients.
- Importantly, if they can transition the AUM from the distribution or transaction line to the advisory segment, it would result in better realizations, leading to improved profitability.

Growth in passives brings in scale benefits

- To assess the potential revenue contribution from passive assets for the AMC industry, we conducted a sensitivity analysis factoring in both AUM growth and yield assumptions.
- As of Mar'25, the industry's passive AUM stands at INR10.8t. Given the increasing investor preference for low-cost passive products, the segment is expected to continue expanding robustly. However, yields in passive funds tend to be lower.
- We assume a current average yield of ~10 bp (averaged based on the yields reported by NAM and ABSL AMC) and test sensitivity across six yield scenarios (5bp-15bp) combined with five AUM growth scenarios (0% to 35%) through FY26E. The output represents the potential annual AMC revenue pool from passives under each case.
- Under the current scenario, passive revenue for the industry stands at ~INR11b (assuming 10bp yields). In an upside scenario, revenue is likely to rise to INR21.1b (30% AUM growth, 15 bp yield). Conversely, a lower-yield and slower-growth environment (15% growth, 5bp yield) would lead to revenue of ~INR6.2b for FY26.
- This sensitivity framework highlights that even small improvements in yield (e.g., from 12bp to 15bp) can meaningfully enhance revenue potential, especially in a growing AUM environment. As the industry shifts more assets into passive strategies, these incremental revenue pools could become a significant driver of AMC topline growth over the medium term.
- Importantly, the costs against these revenues are minuscule, and hence incremental revenue flows down to PBT.

Exhibit 28: Sensitivity analysis of passive revenue for FY26E (INRm), using FY25 passive AUM as the base

| AUM (INRm) 1,08,19,124 | Passives AUM Growth (%) and Revenue Sensitivity Outlook for FY26E | | | | | |
|------------------------|---|--------|--------|--------|--------|--------|
| Yields (%) | 0% | 15% | 20% | 25% | 30% | 35% |
| 0.05% | 5,410 | 6,221 | 6,491 | 6,762 | 7,032 | 7,303 |
| 0.07% | 7,573 | 8,709 | 9,088 | 9,467 | 9,845 | 10,224 |
| 0.10% | 10,819 | 12,442 | 12,983 | 13,524 | 14,065 | 14,606 |
| 0.12% | 12,983 | 14,930 | 15,580 | 16,229 | 16,878 | 17,527 |
| 0.15% | 16,229 | 18,663 | 19,474 | 20,286 | 21,097 | 21,909 |

Source: MOFSL, Company

Exhibit 29: Lists of regulations affecting the passive segment

| Regulation / Circular | Key Provision / Description | Effective Date | Intended Impact |
|--|--|----------------|--|
| MF Lite Framework for Passive Mutual Funds | ❖ Introduces a simplified regulatory framework for entities dealing exclusively in passively managed products such as ETFs, index funds, and FoFs. Eases sponsor eligibility norms, governance requirements, and reporting obligations. | Dec'24 | ❖ Lower entry barriers for new AMC entrants focused on passive strategies; reduce compliance overheads to encourage passive fund growth. |
| Relaxation of Group Company Exposure Limits | ❖ Permits Equity-oriented ETFs & Index funds to invest in listed securities of sponsor/group companies beyond the earlier 25% limit, up to a maximum of 35% of net assets, aligned with index weights. | Mar'24 | ❖ Enables true replication of benchmark indices that are heavily weighted toward group entities; improves tracking accuracy. |
| Mandatory Rebalancing | ❖ Standardizes rebalancing timelines for all "passive breaches" (portfolio deviations due to market movements or corporate actions). Mandates correction within 30 business days . | Apr'25 | ❖ Failure to do so results in penalties like a freeze on new scheme launches and waiving of exit loads. |

Source: MOFSL, Company

Valuation & view: Prefer ABSL AMC, Nippon AMC, CAMS, and Nuvama

- The outlook for passives in India remains structurally strong, underpinned by expanding institutional adoption, digital distribution, and evolving product innovation.
- Over the medium term, the segment is expected to see broader diversification beyond plain vanilla index products, with rising traction in factor-based, thematic, and global indices aiding differentiation for AMCs.
- The newly introduced *MF Lite framework* is likely to attract fintechs, brokers, and global passive specialists, further intensifying competition while broadening investor access.
- Although yield compression will persist as the passive mix rises, scale benefits and operational efficiency will offset some of the margin impact for larger AMCs.
- Retail participation, currently underpenetrated, should accelerate with growing investor awareness and direct-plan preferences through digital channels. As ETF volumes deepen, tracking efficiency and liquidity management will emerge as critical differentiators.
- Over the next 4–5 years, India’s passive share could converge toward 25–30% of total MF AUM, mirroring the global trend toward low-cost, transparent investment products.
- **We continue to remain constructive on the entire MF ecosystem. Our top picks in this space include ABSL AMC, Nippon AMC, CAMS, and Nuvama.**

Exhibit 30: Though the share of passives in overall AUM is expected to grow to 21% in FY30 from 16% in FY25, we expect the industry revenue to clock a 15% CAGR.

| AUM in INRt as of Mar'25 | FY25A | FY26E | FY27E | FY28E | FY29E | FY30E |
|--------------------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Equity | 38.3 | 46.0 | 55.2 | 66.3 | 79.5 | 95.4 |
| Debt | 7.2 | 8.1 | 9.1 | 10.2 | 11.4 | 12.7 |
| Liquid | 9.8 | 11.0 | 12.3 | 13.7 | 15.4 | 17.2 |
| Passives | 10.8 | 13.5 | 16.9 | 21.1 | 26.4 | 33.0 |
| Others | 1.2 | 1.4 | 1.6 | 1.7 | 2.0 | 2.2 |
| Total AUM (INRt) | 67.4 | 80.0 | 95.0 | 113.0 | 134.7 | 160.6 |
| Growth in AUM (%) | | | | | | |
| Equity | | 20 | 20 | 20 | 20 | 20 |
| Debt | | 12 | 12 | 12 | 12 | 12 |
| Liquid | | 12 | 12 | 12 | 12 | 12 |
| Passives | | 25 | 25 | 25 | 25 | 25 |
| Others | | 12 | 12 | 12 | 12 | 12 |
| Total | | 19 | 19 | 19 | 19 | 19 |
| AUM Mix (%) | | | | | | |
| Equity | 57 | 58 | 58 | 59 | 59 | 59 |
| Debt | 11 | 10 | 10 | 9 | 8 | 8 |
| Liquid | 15 | 14 | 13 | 12 | 11 | 11 |
| Passives | 16 | 17 | 18 | 19 | 20 | 21 |
| Others | 2 | 2 | 2 | 2 | 1 | 1 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |
| Yields in bps | | | | | | |
| Equity | 55 | 53 | 51 | 49 | 47 | 45 |
| Debt | 27 | 27 | 27 | 27 | 27 | 27 |
| Liquid | 15 | 15 | 15 | 15 | 15 | 15 |
| Passives | 10 | 10 | 10 | 10 | 10 | 10 |
| Others | 15 | 15 | 15 | 15 | 15 | 15 |
| Total | 38 | 37 | 36 | 35 | 34 | 33 |
| Revenue (INR b) | | | | | | |
| Equity | 211 | 243 | 280 | 322 | 371 | 428 |
| Debt | 20 | 22 | 24 | 27 | 31 | 34 |
| Liquid | 15 | 16 | 18 | 21 | 23 | 26 |
| Passives | 11 | 14 | 17 | 21 | 26 | 33 |
| Others | 2 | 2 | 2 | 3 | 3 | 3 |
| Total | 258 | 297 | 342 | 394 | 455 | 525 |
| YoY Growth (%) | | 15 | 15 | 15 | 15 | 15 |

Notes: Yields are based on our assumptions

Source: MOFSL, Company

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| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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