

Mutual Funds Monthly Monitor: July 2020

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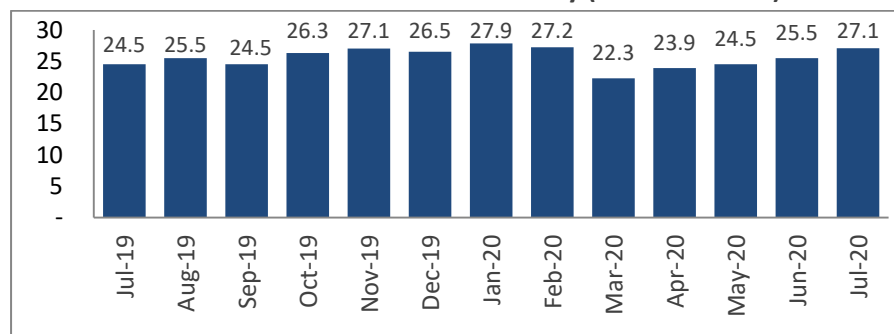
Key Development

After demonetisation, this is the first time, equity mutual funds witnessed net monthly outflows (net outflows of Rs.2,480 crores in July 2020) though equity AUMs increased due to a rise in stock prices.

Industry Size

Assets under Management (AUMs) of the Indian Mutual Fund industry rose by 6.3% sequentially to reach Rs.27.1 lakh crores in July 2020. Also, compared with July 2019, the industry increased by 10.6% translating to an asset base addition of Rs.2.6 lakh crores. Chart 1 depicts the movement in monthly AUMs for the past 12 months.

Chart 1: AUM of Indian MF industry (Rs. lakh crores)



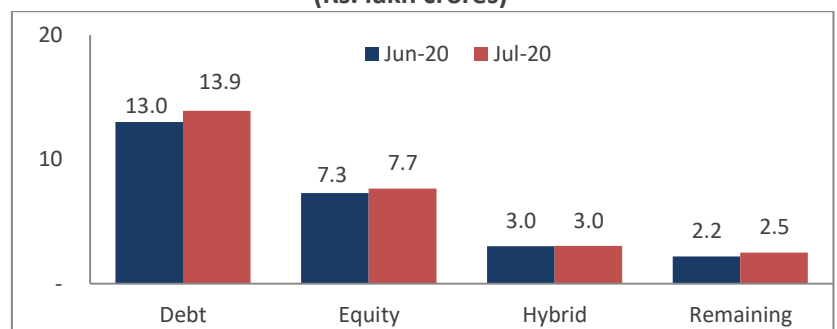
Source: SEBI

Equity schemes have the largest number of folios at approximately 637 lakh, which constitutes nearly 70% share of the total number of folios. This is followed by hybrid schemes with 95.0 lakh folios (10% share) and debt schemes with 68.8 lakh folios (7% share). Solution oriented and other schemes account for the balance folios.

Schemes wise AUMs

Debt schemes accounted for the largest share of AUMs at 51.3%, followed by equity schemes with 28.4% and hybrid schemes with 11.1%. The remaining 9.2% was contributed by solution oriented and other schemes.

Chart 2: Scheme wise AUMs in June and July 2020 (Rs. lakh crores)



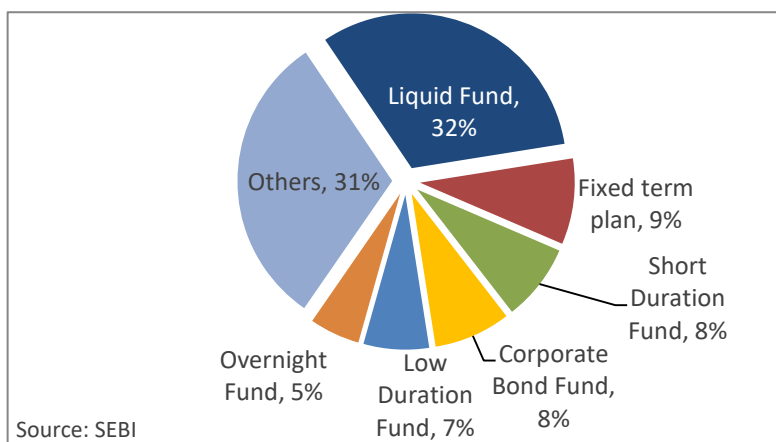
Source: SEBI

Note: remaining includes solution oriented and other schemes

Composition of Debt Mutual Funds

Out of the net assets of Rs.13.9 lakh crores of debt AUMs, liquid funds continue to have the largest share at 32% (share in June 2020: 33%), followed by fixed term plans with a share of 9%, short duration fund and corporate bond fund had a share of 8% each, low duration fund had share of 7% and overnight funds had shares of 5%. Top 6 debt schemes account for about 69% share of debt AUMs, while 13 schemes account for the remaining 31%.

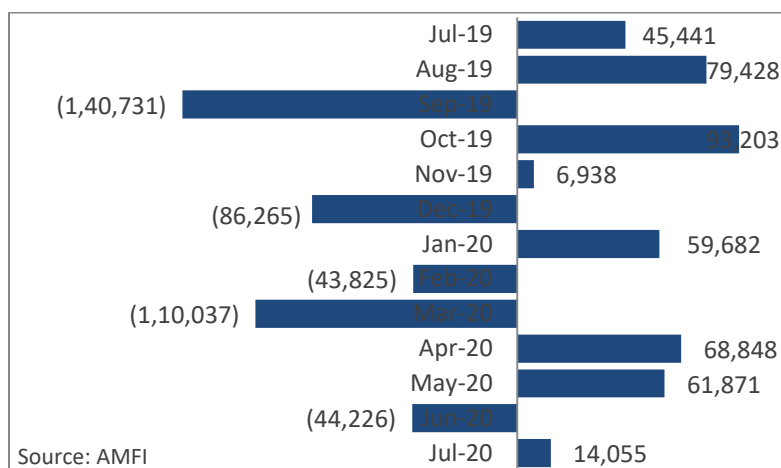
Chart 3: Composition of Debt AUMs in July 2020



Net inflows/ outflows from liquid funds

Chart 4 depicts the net inflows/ outflows from liquid funds during July 2019 to July 2020 on monthly basis. After witnessing the regular quarterly outflows in June 2020, liquid funds witnessed inflows of Rs.14,055 crores in July 2020. However, this reversal was lower than the inflows witnessed in April 2020 (Rs.68,848 crores) and January 2020 (Rs.59,682 crores).

Chart 4: Net inflows/ outflows from liquid funds (Rs. crores)



Composition of Equity Mutual Funds

Out of net assets of Rs.7.7 lakh crores of equity AUMs, the largest share continues to be of large cap and multi cap funds with a share of 19% each, followed by ELSS with 12% share. In July 2020, equity mutual fund witnessed the first month of net outflows (Rs.2,480 crores) after four years (net outflow of Rs.3,206 crores in Mar-16).

Chart 5: Composition of equity AUMs in July 2020

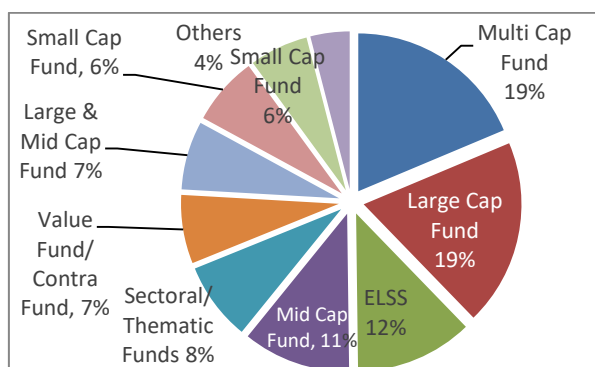
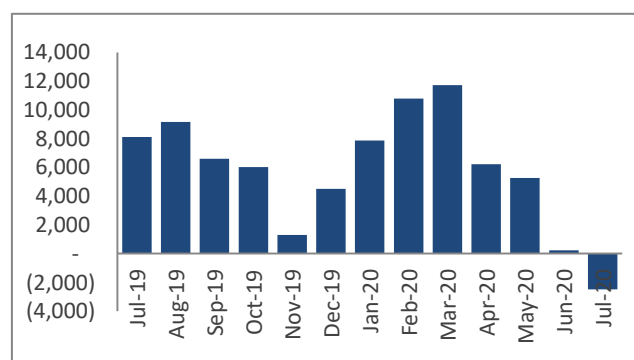


Chart 6: Net inflows/outflows in open-ended equity oriented schemes in Rs. crores



Deployment of Funds by Debt Mutual Funds

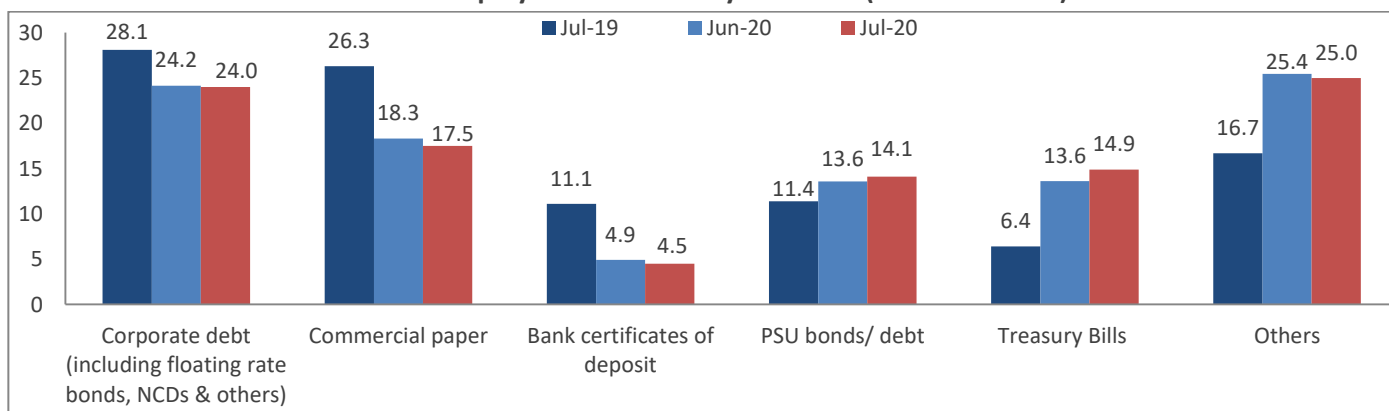
This section analyses the various products in which debt funds were deployed by MFs. The net assets of the debt AUMs increased to Rs.13.9 lakh crores from Rs.13.0 lakh crores in June 2020 and Rs.12.2 lakh crores in July 2019.

The highest share (43.5%) of debt AUMs are in short-term instruments with maturity of less than 90 days, followed by a share of 38.8% in long duration instruments with maturity of 1 year and above, 11.4% in 182 days to 1 year and 6.3% in 90-182 days.

Chart 7 depicts the total funds invested by debt MFs in various instruments in July 2019, June 2020 and July 2020. Key observations from the below chart include:

- In July 2020, the largest proportion of debt funds were invested in corporate debt papers worth Rs.3.70 lakh crores. This segment includes floating rate bonds, non-convertible debentures, etc. Compared with the previous month, assets in this category increased by over Rs.11,000 crores; however, in percentage terms, it decreased by 0.2% to 24.0% of debt AUMs.
- The second highest category in which debt funds invested their money was Commercial Papers (CPs) with Rs.2.70 lakh crores. When compared with previous month, this segment witnessed decline of close to Rs.2,000 crores and percentage share also dropped to 17.5% of debt AUMs from 18.3% in June 2020; and on y-o-y basis (26.3% in July 2019) the percentage share decreased by 8.8% largely owing to an increase in percentage share of treasury bills from 6.4% in July 2019 to 14.9% in July 2020. Investments in treasury bills stood at Rs.2.29 lakh crores in July 2020, a rise of Rs.0.28 lakh crores over June 2020.
- Funds deployed in bank certificates of deposit stood at Rs.0.69 lakh crores in July 2020, a decrease of Rs.4,000 crores over previous month. Compared with July 2019, percentage share of investments in this category have fallen sharply from 11.1 % to 4.5%; further it can be noted that the average rate of interest on CDs has fallen 250 bps from previous year (4.1% in July 2020 compared with 6.6% in July 2019).
- Funds in PSU bonds/debt increased to Rs.2.17 lakh crores from Rs.2.01 lakh crores in June 2020, while the percentage share increased to 14.1% compared with 11.4% in July 2019.
- Others category includes money market investments, CBLO, securitised debt, asset backed securities, mortgage backed securities, equity linked debentures/notes, bank FD, etc. of which CBLO accounts for the highest share at 7.6% of the total funds deployed by debt MFs. The amount invested in this category rose to Rs.3.85 lakh crores in July 2020 and also increased as compared with July 2019 (Rs.2.44 lakh crores). The percentage share of other debt AUMs rose to 25.0% in July 2020 from 16.7% in July 2019.

Chart 7: Deployment of funds by debt MFs (% of debt AUM)



Source: SEBI; Note: figures are rounded off to the nearest digit

Exposure of Mutual Funds to NBFCs

Overall exposure of MFs to NBFCs stood at Rs.1.38 lakh crores in July 2020, less than half of the September 2018 level after which the NBFC crisis began. Accordingly, the percentage share also declined from 19.0% in July 2018 to 8.9% in July 2020.

As seen in chart 8, investments in CPs of NBFCs had been on a consistent decline every month but have risen marginally in June 2020 (YTD) compared with March 2020. Post September 2018, after the liquidity crisis triggered in the NBFC space, MFs withdrew over 50% of their investments from this category. The percentage share of funds deployed by MFs in corporate debt paper of NBFCs in July 2020 have moderated as compared to March 2020 of debt AUMs and are lowest since July 2018 while it remained stable on m-o-m basis. This quantum of investment (Rs 0.84 lakh crore) was last witnessed in September 2016.

Chart 8: Exposure of MFs to CPs of NBFCs

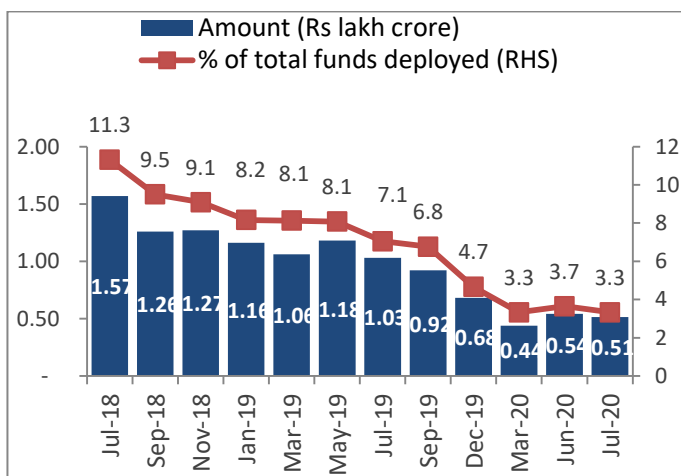
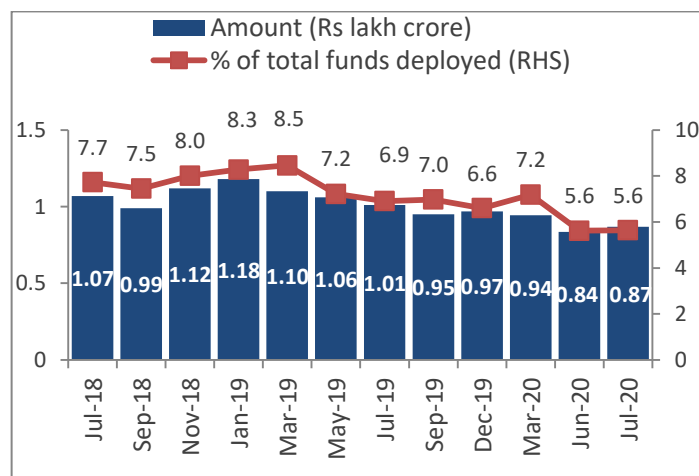


Chart 9: Exposure of MF to corporate debt paper of NBFCs

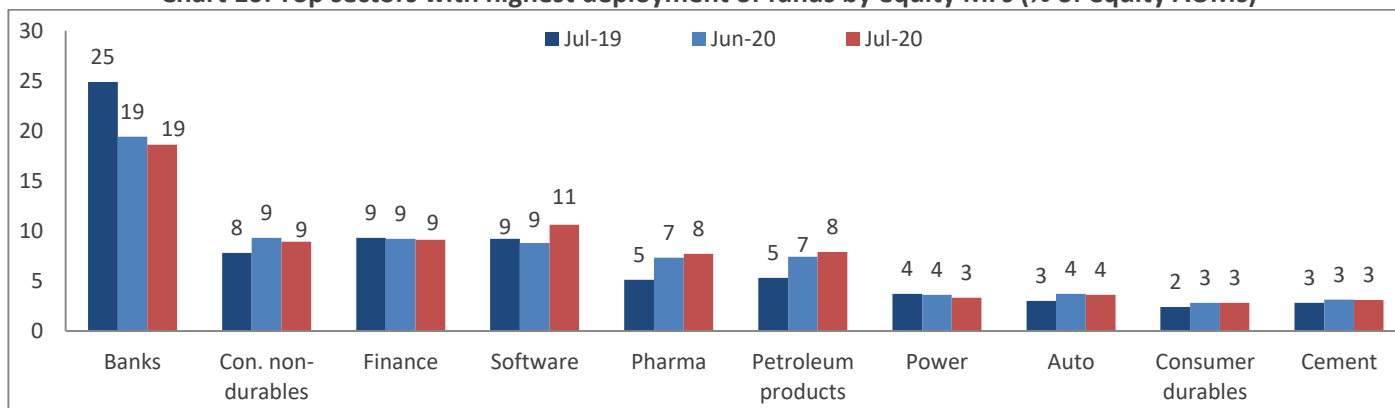


Source: SEBI

Deployment of Funds by Equity Mutual Funds

Banks, consumer non-durables, finance, software, pharma and petroleum products were the top 6 sectors where equity AUMs invested their funds in July 2020 and they cumulatively accounted for over 64% share of equity AUMs equivalent to Rs.7.09 lakh crores. Top 10 sectors where equity AUMs invested their money in June and July 2020 are depicted in chart 10. The equity funds have suffered on account of the economic slowdown and increased market volatility due to the Covid-19 pandemic.

Chart 10: Top sectors with highest deployment of funds by equity MFs (% of equity AUMs)



Source: SEBI, Note: figures are rounded off to the nearest digit

Concluding remarks:

- Assets under Management (AUMs) of the Indian Mutual Fund industry reached Rs.27.1 lakh crores in July 2020, increasing 10.6% over July 2019 and translating to an asset base addition of Rs.2.6 lakh crore.
- MF AUMs amounted to 13.3% as a percentage of GDP (at current prices) in FY20 while overall AUMs of insurance in FY19 amounted to 17.9% of GDP (at current prices) and bank deposits amounted to 68.8% of GDP (at current prices).
- AUMs of debt, equity and hybrid schemes in July 2020 accounted for 51.3%, 28.4% and 11.1% respectively of the overall AUMs, the balance 9.2% was contributed by solution oriented and other schemes.
- In July 2020, liquid funds witnessed inflows of Rs.14,055 crores, however, this reversal was lower than the inflows witnessed in April 2020 (Rs.68,848 crores) and January 2020 (Rs.59,682 crores).
- The highest share (43.5%) of debt AUMs are in short-term instruments with maturity of less than 90 days. This is followed by a share of 38.8% in long duration instruments with maturity of 1 year and above, 11.4% in 182 days to 1 year and 6.3% in 90-182 days.
- Overall exposure of MFs to NBFCs stood at Rs.1.38 lakh crores in July 2020, almost half of the levels since September 2018.
- Banks, consumer non-durables, finance, software, pharma and petroleum products were the top 6 sectors where equity MFs invested their funds till July 2020.