

Mutual Funds Monthly Monitor: September 2020

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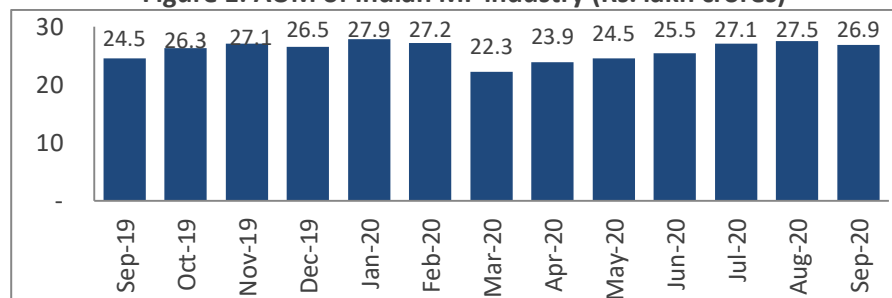
Key highlights

- The net outflow of the industry continues with negative figures in external flows for both debt and equity schemes with decline in industry size by 2.3% on m-o-m basis.
- The equity schemes have seen continuous net outflow for the third consecutive month of Rs.734 crores.
- Liquid funds witnessed outflows of Rs.65,952 crores during the month.

Industry Size

Assets under Management (AUMs) of the Indian Mutual Fund industry declined by 2.3% sequentially on m-o-m basis to Rs.26.9 lakh crores in September 2020 and compared with September 2019, the industry rose by 9.6% yoy translating to an asset base addition of Rs.2.4 lakh crores. Figure 1 depicts the movement in monthly AUMs for the past 12 months.

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



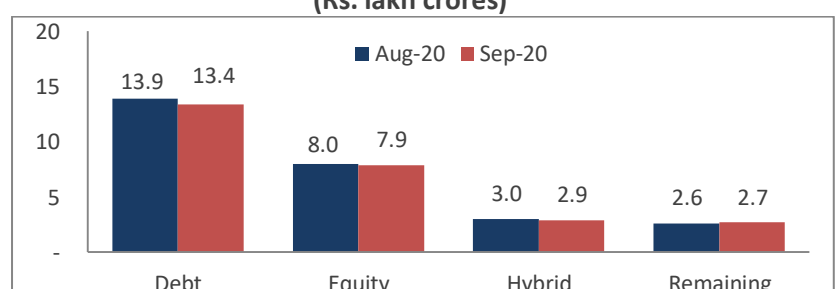
Source: AMFI

Equity schemes have the largest number of folios at approximately 639 lakh, which constitutes nearly 68% share of the total number of folios. This is followed by hybrid schemes with 95.5 lakh folios (10% share) and debt schemes with 73.0 lakh folios (8% share). Solution oriented and other schemes account for the balance folios.

Schemes wise AUMs

Debt schemes accounted for the largest share of AUMs at 49.8%, followed by equity schemes with 29.4% and hybrid schemes with 10.8%. The remaining 10.0% was contributed by solution oriented and other schemes.

Figure 2: Scheme wise AUMs in August and September 2020 (Rs. lakh crores)



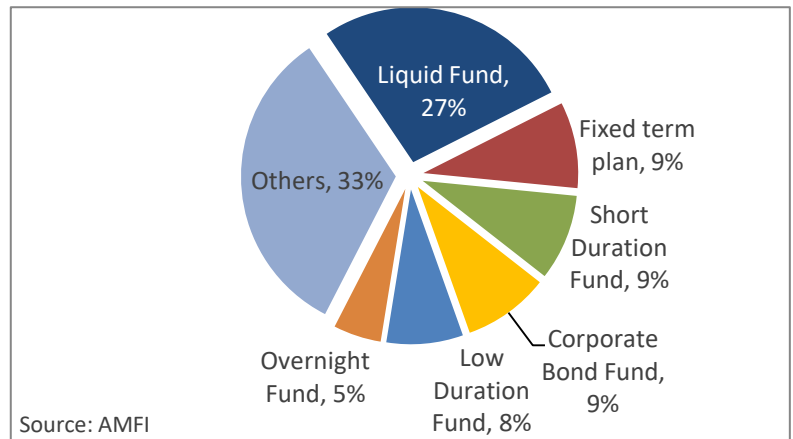
Source: AMFI

Note: remaining includes solution oriented and other schemes

Composition of Debt Mutual Funds

Out of the net assets of Rs.13.4 lakh crores of debt AUMs, liquid funds continue to have the largest share at 27% (share in August 2020: 31%), followed by fixed term plans, short duration fund and corporate bond fund with a share of 9% each; and low duration fund with a share of 8%; and overnight funds had shares of 5%. Top 6 debt schemes account for about 67% share of debt AUMs, while 13 schemes account for the remaining 33%.

Figure 3: Composition of Debt AUMs in September 2020

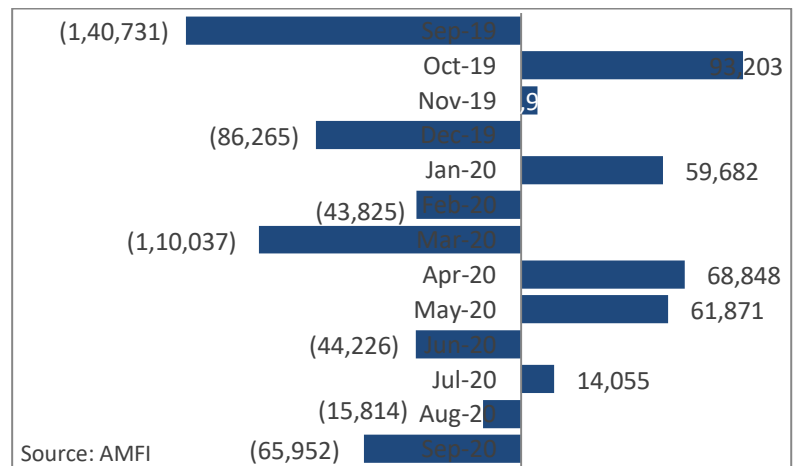


Source: AMFI

Net inflows/ outflows from liquid funds

Figure 4 depicts the net inflows/ outflows from liquid funds during September 2019 to September 2020 on monthly basis. The liquid funds witnessed regular outflows of Rs.65,952 crores in September 2020. The outflows could be on account of redemptions by corporates to pay their quarterly advance tax requirements, however, the outflows recorded during the month were lowest compared to the previous year.

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

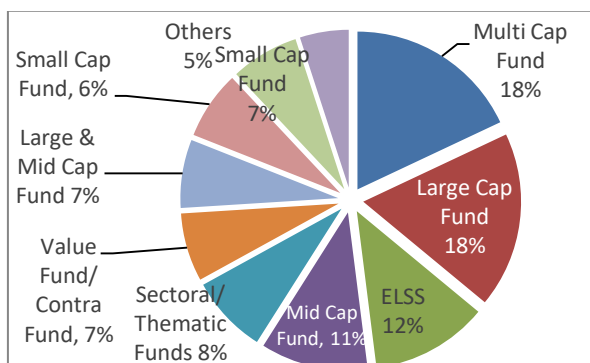


Source: AMFI

Composition of Equity Mutual Funds

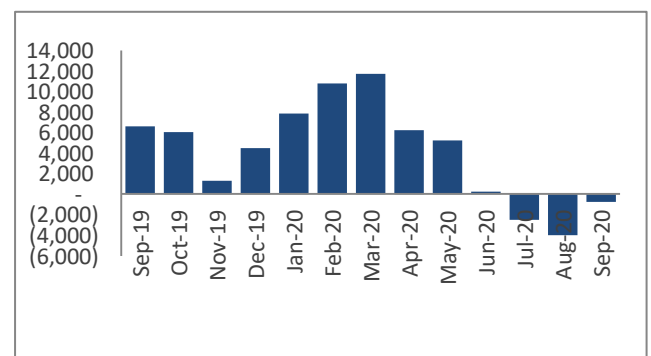
Out of net assets of Rs.7.9 lakh crores of equity AUMs, the largest share continues to be of large cap and multi cap funds with a share of 18% each, followed by ELSS with 12% share. In September 2020, equity mutual fund witnessed the third straight month of outflows of Rs.734 crores compared with an outflow of Rs.3,999 crores in the previous month.

Figure 5: Composition of equity AUMs in September 2020



Source: AMFI

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



Source: AMFI

Deployment of Funds by Debt Mutual Funds

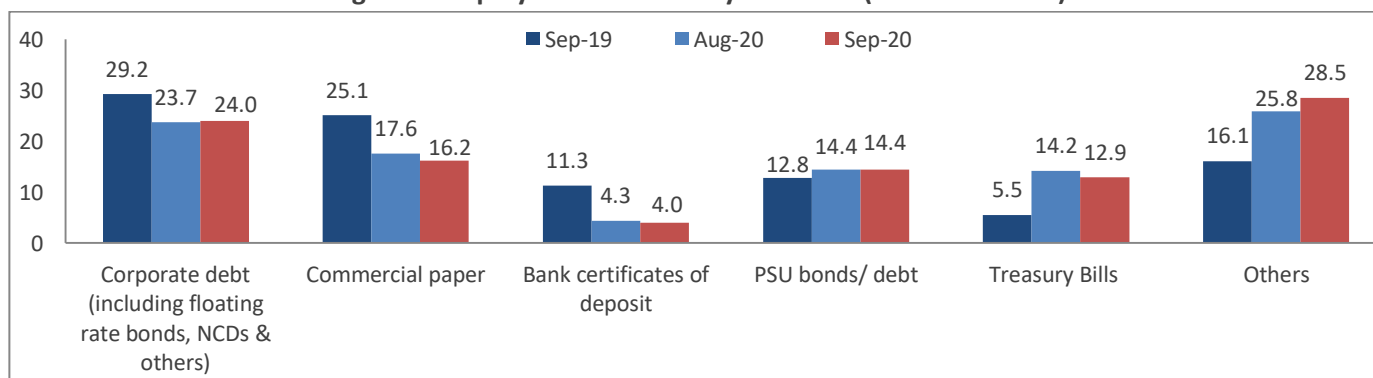
This section analyses the various products in which debt funds were deployed by MFs. The net assets of the debt AUMs increased to Rs.13.4 lakh crores from Rs.11.6 lakh crores in September 2019 but declined by 3.5% on m-o-m basis.

The highest share (41.6%) of debt AUMs are in short-term instruments with maturity of less than 90 days followed by a share of 40.8% in long duration instruments with maturity of 1 year and above, 9.6% in 90-182 days and 8.0% in 182 days to 1 year.

Figure 7 depicts the total funds invested by debt MFs in various instruments in September 2019, August 2020 and September 2020. Key observations from the below figure include:

- In September 2020, the largest proportion of debt funds were invested in corporate debt papers worth Rs.3.61 lakh crores. This segment includes floating rate bonds, non-convertible debentures, etc. Compared with the previous month, assets in this category decreased by over Rs.3,000 crores; however, in percentage terms, it increased marginally by 0.3% to 24.0% of debt AUMs.
- The second highest category in which debt funds invested their money was Commercial Papers (CPs) with Rs.2.43 lakh crores. When compared with previous month, the investment in this category decreased in terms of both 'value and percentage share of debt AUMs'; (Rs.2.70 lakh crore, 17.6% share) and also declined on y-o-y basis. The percentage share decreased by 8.9% on y-o-y basis largely owing to an increase in percentage share of treasury bills from 5.5 % in September 2019 to 12.9% in September 2020. However, on m-o-m basis investments in treasury bills declined by Rs.0.24 lakh crores to Rs.1.93 lakh crores in September 2020.
- Funds deployed in bank certificates of deposit stood at Rs.0.60 lakh crores in September 2020, a decrease of Rs.6,000 crores over previous month. Compared with September 2019, percentage share of investments in this category have fallen sharply from 11.3 % to 4.0%; further it can be noted that the average rate of interest on CDs has fallen 180 bps from previous year (4.2% in September 2020 compared with 6.0% in September 2019).
- Funds in PSU bonds/debt decreased to Rs.2.16 lakh crores from Rs.2.21 lakh crores in August 2020, while the percentage share increased to 14.4% compared with 12.8% in September 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 8.8% of the total funds deployed by debt MFs. The amount invested in this category rose to Rs.4.28 lakh crores in September 2020 and also increased as compared with September 2019 (Rs.2.19 lakh crores). The percentage share of other debt AUMs rose to 28.5% in September 2020 from 16.1% in September 2019.

Figure 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.1.32 lakh crores in September 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 8.8% in September 2020.

As seen in Figure 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 September 2020 have moderated as compared to March 2020 of debt AUMs as well as on m-o-m basis and are lowest since July 2018.

Figure 8: Exposure of MFs to CPs of NBFCs

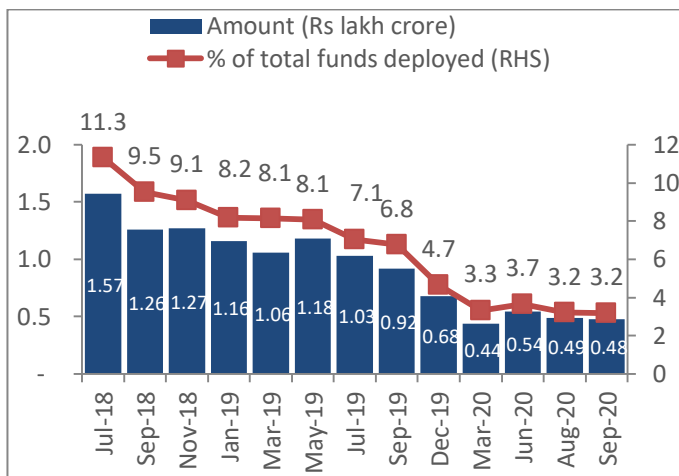
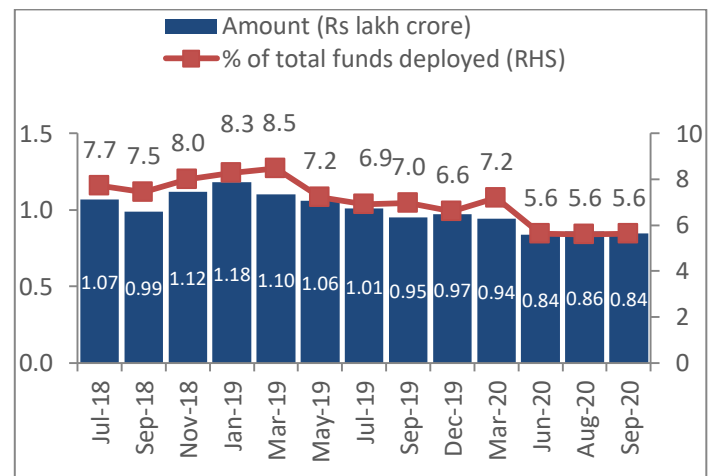


Figure 9: Exposure of MF to corporate debt paper of NBFCs

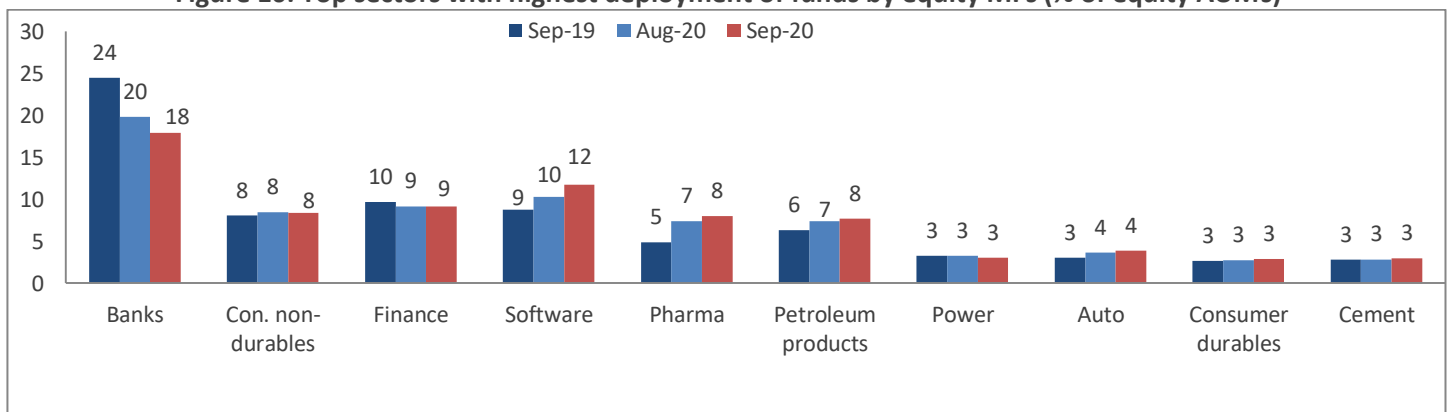


Source: SEBI

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 September 2020 and they cumulatively accounted for over 63% share of equity AUMs equivalent to Rs.7.33 lakh crores. Top 10 sectors where equity AUMs invested their money in September 2019, August 2020 and September 2020 are depicted in figure 10. The equity funds have suffered on account of the economic slowdown and increased market volatility due to the Covid-19 pandemic.

Figure 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.26.9 lakh crores in September 2020, increasing 9.6% over September 2019 and translating to an asset base addition of Rs.2.4 lakh crores.
- MF AUMs amounted to 13.5% 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 69.7% of GDP (at current prices).
- AUMs of debt, equity and hybrid schemes in September 2020 accounted for 49.8%, 29.4% and 10.8% respectively of the overall AUMs, the balance 10.0% was contributed by solution oriented and other schemes.
- In September 2020, liquid funds witnessed regular outflows of Rs.65,952 crores. The outflows could be on account of redemptions by corporates to pay their quarterly advance tax requirements, however, the outflows recorded during the month were lowest compared to the previous year.
- The highest share (41.6%) of debt AUMs are in short-term instruments with maturity of less than 90 days, followed by a share of 40.8% in long duration instruments with maturity of 1 year and above, 9.6% in 90-182 days and 8.0% in 182 days to 1 year.
- Overall exposure of MFs to NBFCs stood at Rs.1.32 lakh crores in September 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 September 2020.