

Mutual Funds Update For February 2019

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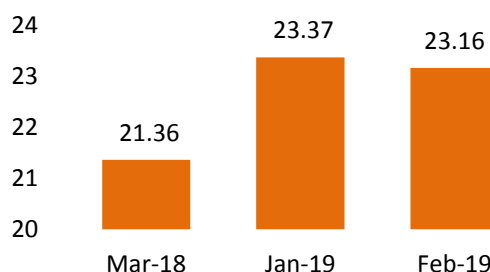
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AUMs of Indian Mutual Fund (MF) industry grew to Rs.23.16 lk cr in Feb-19, registering a growth of 8.4% over March-18, which translates to an asset base addition of Rs. 1.8 lk cr in initial 11 months of FY19. However, this growth rate of 8.4% is much lower compared with the growth of 26.5%, registered in corresponding period last year.

Chart 1: AUM of Indian MF industry (Rs. lk cr)



Source: SEBI

Along with the growth in AUMs, the industry grew in terms of number of folios. As of Feb-19, Indian MF industry had a total of 817 lakh folios, out of which ~76% were of equity/growth oriented schemes, ~14% of debt/income oriented schemes, ~8% of balanced schemes and remaining ~2% of Exchange Traded Funds (ETFs) and fund of funds investing overseas.

Private sector MFs have continued their dominance over public sector MFs with a share of ~80% as of Feb-19. However, the share has reduced from ~82.6% in March-18.

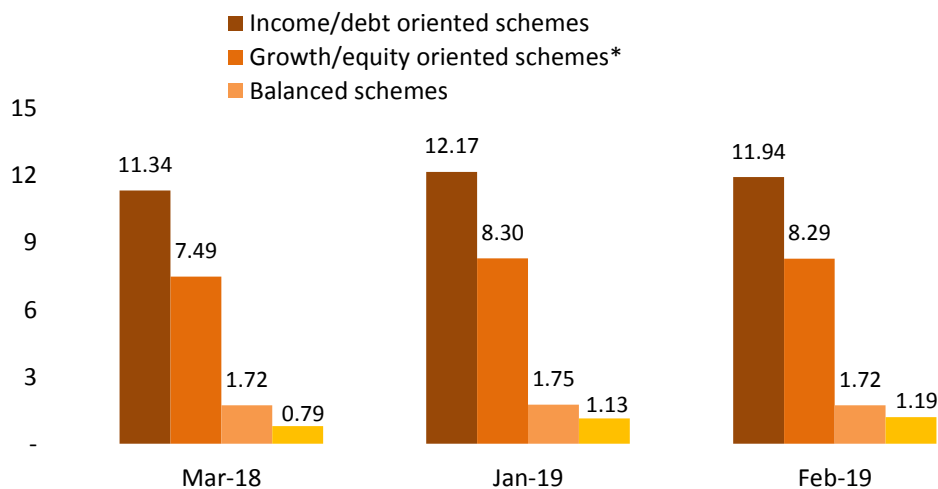
Scheme wise resource mobilisation

Chart 2 depicts the AUMs of various schemes. In FY19 (up to Feb-19), AUMs of debt grew 5.2%, equity grew 10.6%, balanced grew 0.4% and other schemes including Exchange Traded Funds (ETFs) and fund of funds investing overseas cumulatively grew by 51.6%.

A scheme-wise pattern reveals that share of equity in total AUMs has grown to reach 35.8% in Feb-19, compared with 35.1% in March-18. However, AUM shares of debt and balanced schemes fell to 51.6% and 7.5% respectively (compared with ~53.1% and 8.1% respectively in March-18). As of Feb-19, AUMs of debt, equity and balanced schemes are Rs.11.9 lk cr, Rs.8.2 lk cr and Rs. 1.7 lk cr respectively.

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Chart 2: AUMs in various schemes (Rs. lk cr)



Source: SEBI, Note: figs are rounded off to nearest digit

Others include ETF and fund of funds investing overseas schemes

* Growth/equity oriented schemes include equity funds, ELSS and arbitrage funds

From chart 2, it can be concluded that AUMs of all schemes (except ETF and fund of fund schemes) declined m-o-m in Feb-18, but rose when compared with March-18.

AUMs of debt, equity and balanced schemes grew by Rs. 59,489 cr, Rs. 79,393 cr and Rs. 632 cr respectively in Feb-19, over March-18.

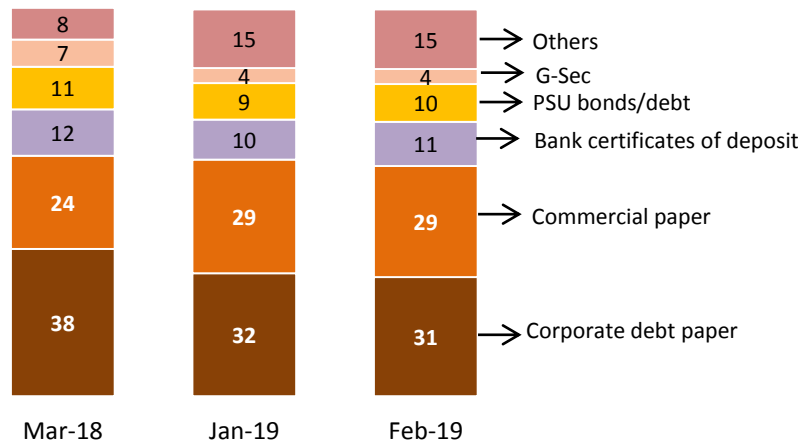
Deployment of funds by MFs

(a) Debt MF

A shift in deployment of funds by debt MFs was witnessed in initial 11 months of FY19. Chart 3 depicts the funds invested by debt MFs in various instruments in March-18, Jan-19 and Feb-19. Key observations from the chart are as follows:

- Allocations to GSecs have almost halved since March-18.
- Corporate debt paper which includes including floating rate bonds, non- convertible debentures, etc, saw a fall in share from 38% in March-18 to 31% in Feb-19. Total exposure to this instrument is Rs.4.34 lk cr in Feb-19.
- 29% of total funds deployed by debt MFs in Feb-19 are in CPs. As of Feb-19, debt MFs invested Rs.4.05 lk cr in CPs, compared with Rs.3.06 lk cr in March-18, registering a growth of Rs. 0.99 lk cr.
- The share of certificates of deposit and PSU bonds/ debt has dropped marginally in Feb-19, compared with March-18.
- Investment in other asset types almost doubled from 8% in March-18 to 15% in Feb-19. This segment includes treasury bills, other money market investments, equity linked debentures/notes, asset backed securities, bank FD, etc.

Chart 3: Deployment of funds by debt MFs (% of AUM)



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

Exposure of MFs to NBFCs

Overall exposure of MFs to NBFCs stood at Rs.2.2 lk cr in Feb-19, a drop of Rs. 45,386 cr since July-18. While the amount has reduced, the percentage share also dropped from 19% in July-18, to 15.6% in Feb-19.

As seen in chart 4, after the liquidity crisis triggered in the NBFC space, MFs withdrew more than 1/3rd of their investments from CPs. The percentage share of funds deployed in CPs of NBFCs was at the lowest at 7.7% in Feb-19, since Dec-17. As of Feb-19, debt MFs held Rs. 1.08 lk cr funds in CPs of NBFCs.

However, deployment of funds in corporate debt paper of NBFCs show a different trend (chart 5), wherein Oct-18 onwards the exposure to NBFCs rose, but fell again in Feb-19 to reach Rs. 1.12 lk cr during the month.

Chart 4: Exposure of MF to CPs of NBFCs

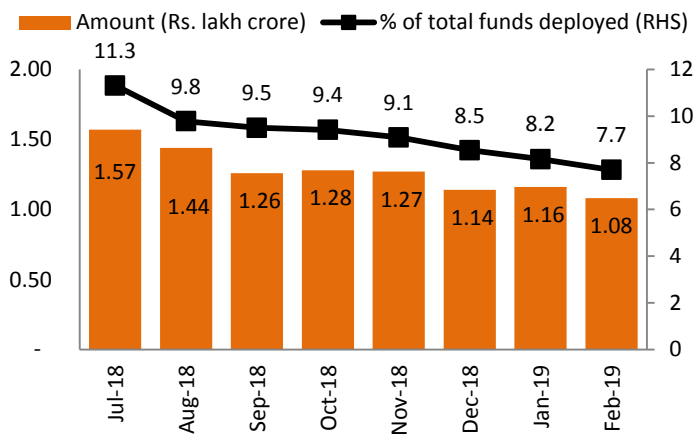
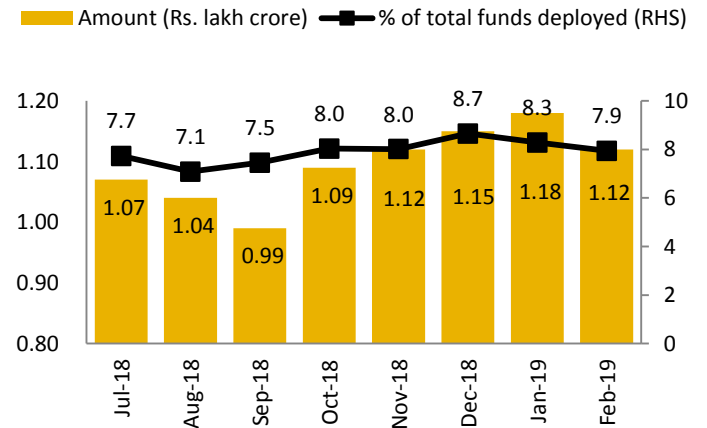


Chart 5: Exposure of MF to corporate debt paper of NBFCs



Source: SEBI

(b) Equity MF

The top 5 sectors where equity MFs deployed their funds in Feb-19 are banks, software, finance, consumer non-durables and pharmaceuticals with shares of 22.8%, 9.4%, 9.1%, 7.8% and 5.5% respectively.

The table below depicts the sectors which witnessed a drop and rise in percentage share of equity AUMs in Feb-19, over March-18.

Table 1: Sectors with drop and rise in percentage share of equity AUM in Feb-19 over March-18

Sectors with drop in share	Sectors with rise in share
Auto	Banks
Auto ancillaries	Consumer non- durables
Cement	Fertilisers
Chemicals	Hardware
Construction	Healthcare services
Construction project	Hotels
Consumer durables	Mining and minerals
Engineering	Oil
Ferrous metals	Petroleum products
Finance	Pharmaceuticals
Gas	Retailing
Industrial capital goods	Software
Industrial products	
Media and entertainment	
Non-ferrous metals	
Paper	
Pesticides	
Power	
Telecom-equipment and accessories	
Telecom- services	
Textile- cotton	
Textile products	
Transportation	

Source: SEBI

Concluding remarks:

- AUM of Indian MF industry grew 8.4% in FY19 (up to Feb-19) to reach Rs.23.16 lk cr.
- Private sector MFs have continued their dominance over public sector MFs. However, its share is dropping in recent years from 82.6% in March-18 to 80% in Feb-19.
- Deployment of funds by debt MFs in initial 11 months of FY19 has undergone a shift, in terms of increased allocations to CPs and reduced investments in corporate debt paper. Investments in G-Secs have almost halved.
- Total exposure to NBFCs as of Feb-19 stood at Rs. 2.2 lk cr with a share of 15.6% in total funds deployed by debt MFs. During the month, investments in CPs and corporate debt papers of NBFCs have fallen.

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