

**Mutual Funds Update:
January 2019**

February 25, 2019 | Industry Research

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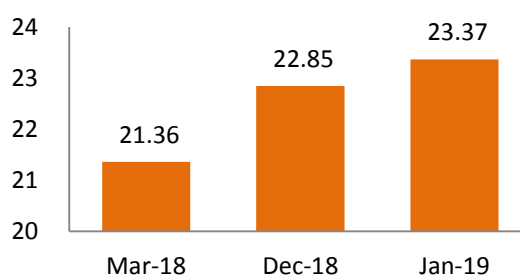
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The Indian Mutual Fund (MF) industry grew to Rs.23.37 lk cr in Jan-19, registering a growth of 9.4% over March-18, which translates to an asset base addition of Rs. 2.01 lk cr in FY19 (up to Jan-19). However, this growth rate of 9.4% is much lower compared with the growth of 28%, witnessed in Jan-18 over March-17.

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



Source: SEBI

Along with the growth in AUMs, the industry has also witnessed a growth in number of folios. As of Jan-19, Indian MF industry had a total of 809 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 to dominate with a share of 80.1% as of Jan-19. However, the share has reduced from 82.6% in March-18.

Scheme wise resource mobilisation

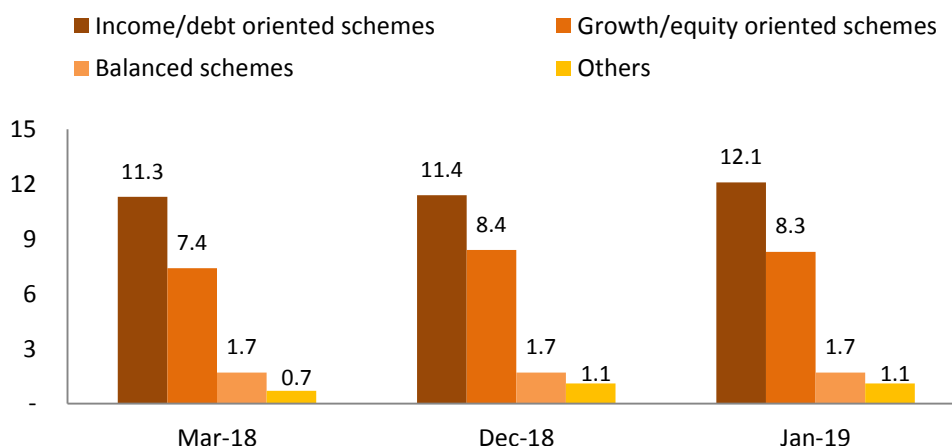
Chart 2 highlights the AUMs of various schemes. In FY19 (up to Jan-19), AUMs of debt grew 7.3%, equity grew 10.7%, balanced grew 2% and other schemes including Exchange Traded Funds (ETFs) and fund of funds investing overseas cumulatively grew by 43%.

A scheme-wise pattern reveals that share of equity in total AUMs has grown to reach 35.5% in Jan-19, compared with 35.1% in March-18. However, AUM shares of debt and balanced schemes fell to 52.1% and 7.5% (compared with ~53.1% and 8.1% respectively in March-18).

As of Jan-19, AUMs of debt, equity and balanced schemes are Rs.12.1 lk cr, Rs.8.3 lk cr and Rs. 1.7 lk cr respectively.

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Chart 2: AUMs in various schemes (Rs. lakh crore)



Source: SEBI

Others include ETF and fund of funds investing overseas schemes

MF inflows/outflows in Jan-19

Jan-19 has remained a positive month for FY19 with net inflows in all schemes except balanced schemes. The month registered net inflows worth Rs.65,439 cr, which is ~75% higher compared with the previous month. Out of the total net inflows in Jan-19, a majority portion (~93% or Rs. 60,628 cr), came from debt schemes, which can be attributed to the heavy inflows of Rs.58,637 cr in liquid/money market schemes which invest in short term assets such as treasury bills, certificates of deposit and commercial paper, etc.

While balanced schemes registered an outflow worth Rs. 951, for the first time in FY19, equity schemes witnessed low inflows worth Rs. 5,082 cr, out of which Rs.1,244 cr came from Equity Linked Saving Schemes (ELSS).

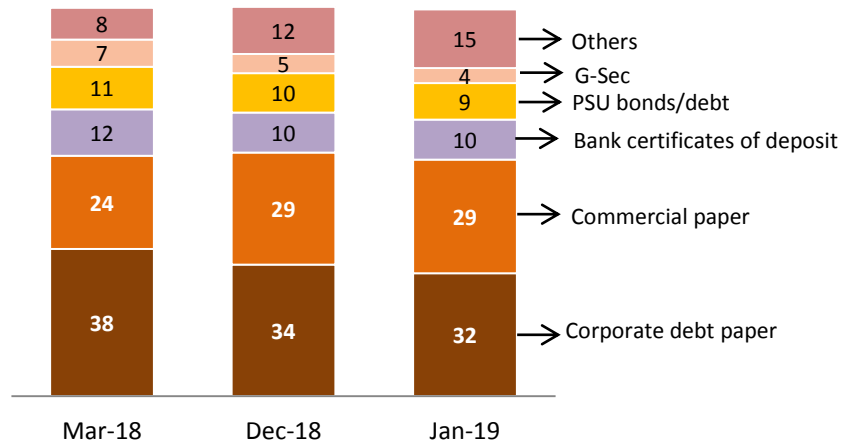
Deployment of funds by MFs

(a) Debt MF

Chart 3 depicts the funds invested by debt MFs in various instruments from March-18 to Jan-19. Key observations from the chart are as follows:

- Gradual decline in investments was witnessed in corporate debt paper, including floating rate bonds, non-convertible debentures, etc. The share of this instrument in total funds deployed by debt MFs, reduced from 38% in March-18 to 32% in Jan-19. Total exposure to this instrument is Rs.4.53 lk cr in Jan-19.
- 29% of total funds deployed by debt MFs in Jan-19 are in commercial papers (CP). As of Jan-19, debt MFs invested Rs.4.19 lk cr in CPs, compared with Rs.3.06 lk cr in March-18, registering a growth of Rs. 1.13 lk cr.
- The share of certificates of deposit has dropped from 12% in March-18 to 10% in Jan-19.
- Investment in other asset types almost doubled from 8% in March-18 to 15% in Jan-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

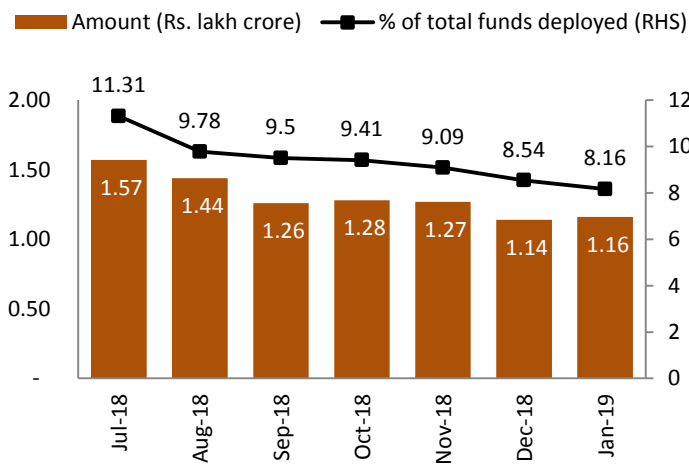
Overall exposure of MFs to NBFCs stood at Rs.2.34 lk cr in Jan-19, a drop of Rs. 31,000 cr since July-18. While the amount has reduced, the percentage share also dropped from 19% in July-18, to 16.4% in Jan-19.

As seen in chart 4, after the liquidity crisis triggered in the NBFC space, MFs reduced almost 1/4th of their investments from CPs. The percentage share of funds deployed in CPs of NBFCs was at the lowest in Jan-19, since the past 11 months. As of Jan-19, debt MFs held Rs. 1.16 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 and reached Rs.1.18 lk cr in Jan-19.

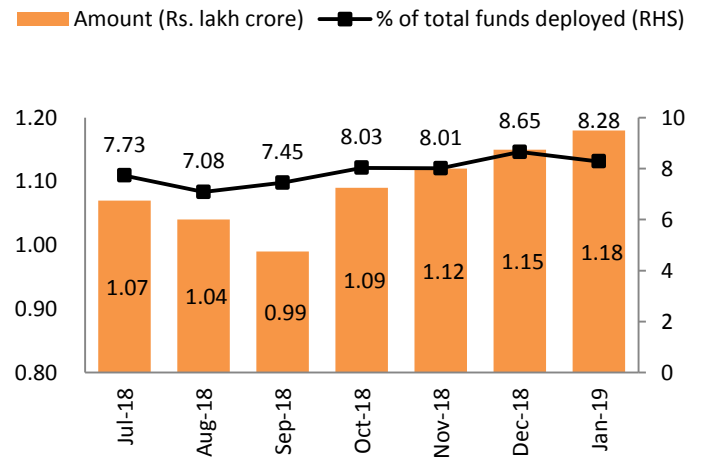
As of Jan-19, exposure to CPs and corporate debt paper is at par, compared with July-18 levels where CPs had about 50% higher investments compared with corporate debt papers.

Chart 4: Exposure of MF to CPs of NBFCs



Source: SEBI

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 Jan-19 are banks, finance, software, consumer non-durables and pharma with shares of 22.8%, 9.2%, 9.4%, 7.6% and 5.6% respectively.

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

Table 1: Sectors with drop/rise in % share of equity AUM in Jan-19 over March-18

Sectors with drop in share	Sectors with rise in share
Auto	Banks
Auto ancillary	Consumer non- durables
Cement	Fertilisers
Chemicals	Hardware
Construction	Hotels
Construction project	Mining and minerals
Consumer durables	Oil
Engineering	Petroleum products
Ferrous metals	Pharmaceuticals
Finance	Retailing
Gas	Software
Healthcare services	Trading
Industrial capital goods	
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 9.4% in FY19 (up to Jan-19) to reach Rs.23.37 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 80.1% in Jan-19.
- Deployment of funds by debt MFs in FY19 (up to Jan-19) has undergone a shift, in terms of increased allocations to instruments such as CPs and reduced investments in corporate debt paper, certificates of deposit, PSU bonds/ debt, G-Sec.
- Total exposure to NBFCs as of Jan-19 stood at Rs. 2.34 lk cr with a share of 16.4% in total funds deployed by debt MFs. Investments in CPs of NBFCs has fallen, while it has risen in corporate debt papers.



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