

Deployment of Mutual Fund: February 2021

Corporate debt and CPs continue to account for a higher share in Debt Mutual Funds deployment, while Equity Mutual Funds have larger exposure towards banks

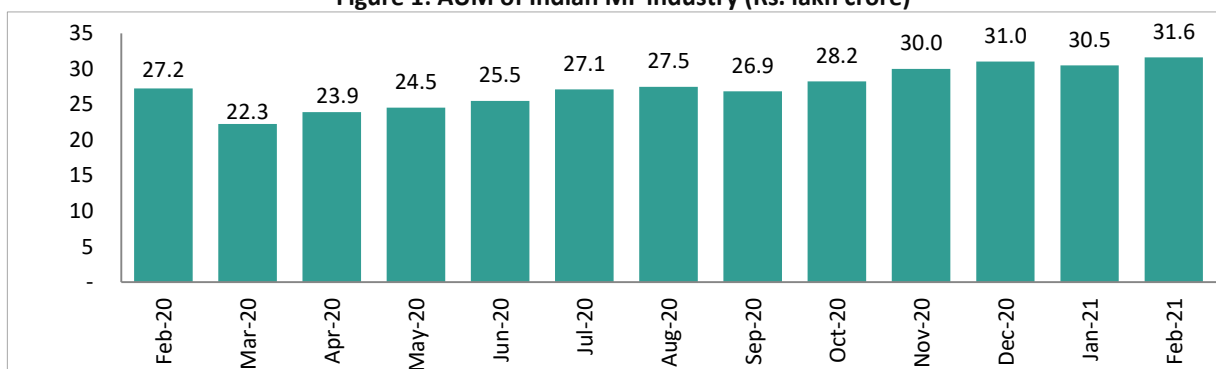
March 19, 2021 | BFSI Research

Industry Size

As discussed in our report "[Mutual Funds Monthly Tracker: February 2021: AUM numbers hit a record high](#)", Assets under Management (AUMs) of the Indian Mutual Fund industry reached to an all-time high of approximately Rs.31.6 lakh crore at the end of February 2021, increasing 16.1% y-o-y translating to an asset base addition of Rs.4.4 lakh crore (increased by 3.6% on m-o-m basis).

The figure given below depicts the movement in monthly AUMs for the past 12 months.

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

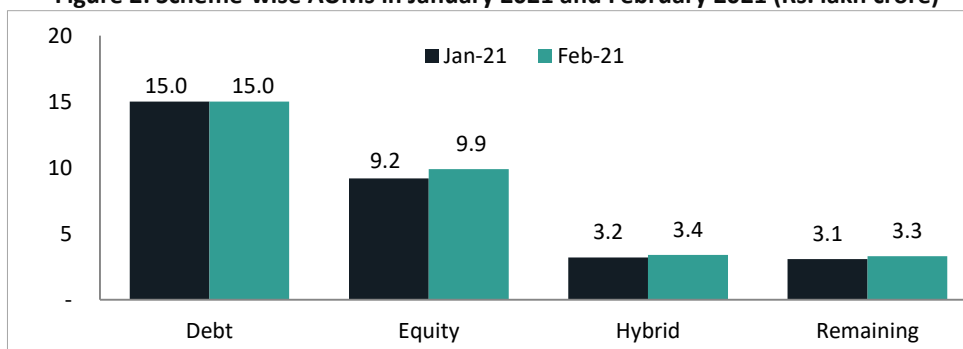


Note: Refer report "[Mutual Funds Monthly Tracker: February 2021: AUM numbers hit a record high](#)"; Source: AMFI

Equity schemes have the largest number of folios at approximately 659 lakhs, which constitutes nearly 68.0% share of the total number of folios. This is followed by hybrid schemes with 93.0 lakh folios (10.0% share) and debt schemes with 88.9 lakh folios (9.0% share). Solution-oriented and other schemes account for the balance folios.

Schemes-wise AUMs

Figure 2: Scheme-wise AUMs in January 2021 and February 2021 (Rs. lakh crore)

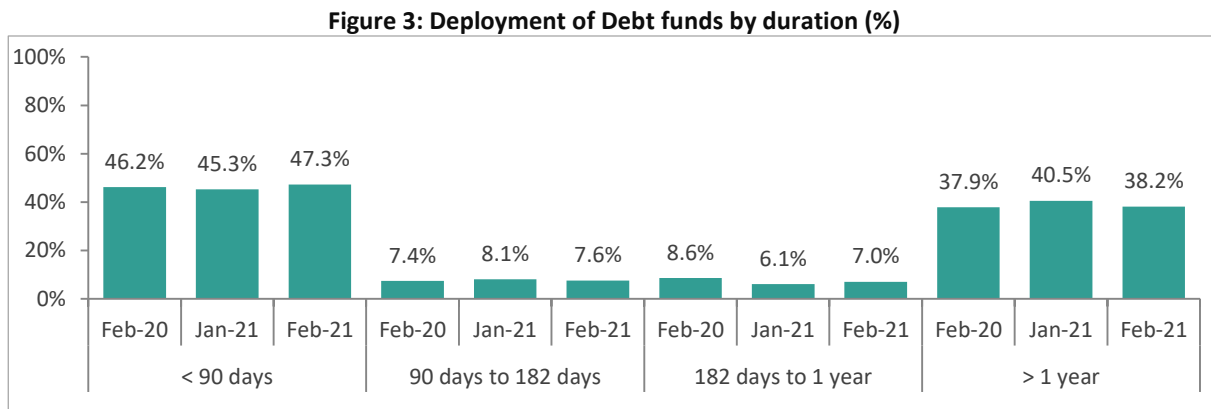


Note: Remaining includes solution-oriented and other schemes ; Refer report "[Mutual Funds Monthly Tracker: February 2021: AUM numbers hit a record high](#)"; Source: AMFI

Debt schemes accounted for the largest share of AUMs at 47.5% (vs. 50.3% in February 2020), followed by equity schemes with 31.3% (vs. 28.9% in February 2020) and hybrid schemes with 10.8% (vs. 14.3% in February 2020). The balance 10.4% (vs. 8.2% in February 2020) is accounted by solution-oriented and other schemes.

Deployment of Debt Funds

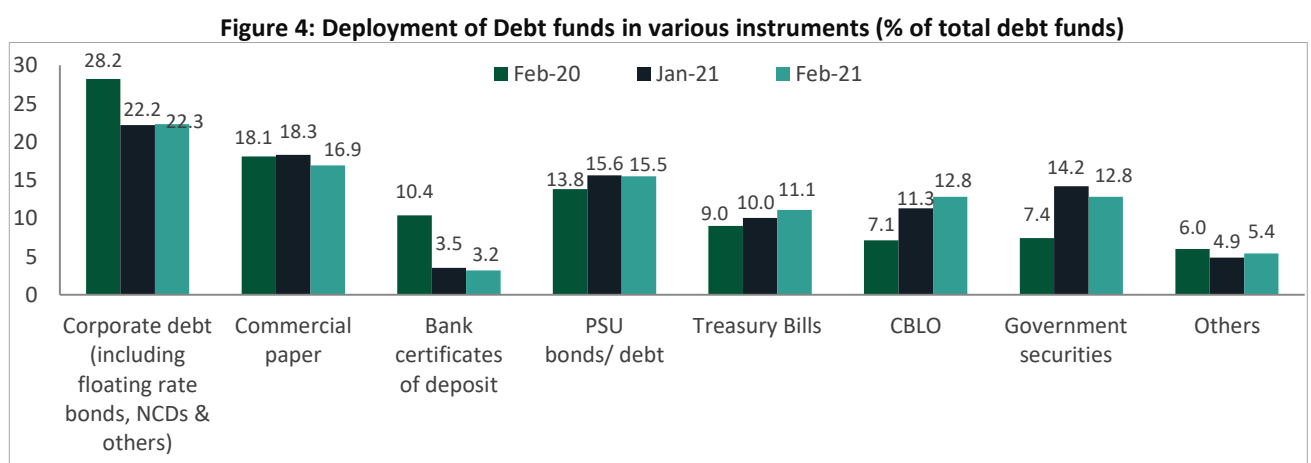
This section analyses the various products in which debt funds were deployed by MFs. The highest share (47.3%) of debt AUMs is in short-term instruments with maturity of less than 90 days, followed by a share of 38.2% in long duration instruments with maturity of 1 year and above, 7.6% in 90-182 days and the balance 7.0% in 182 days to 1 year. Figure 3 represents percentage of debt funds deployed by duration in February 2020, January 2021, and February 2021.



Source: SEBI

Figure 4 depicts the deployment of debt funds in various instruments in February 2020, January 2021, and February 2021. Key observations from the below figure include:

- In February 2021, the largest proportion of debt funds were invested in corporate debt papers worth Rs.3.73 lakh crore. This segment includes floating rate bonds, non-convertible debentures, etc. Compared with the previous month, assets in this category increased by over Rs.660 crore; while in percentage terms, the share remained largely stable at 22.3% of debt funds (22.2% in January 2021).
- The second-highest category in which debt funds invested their money was Commercial Papers (CPs) with Rs.2.83 lakh crore. When compared with previous month, investment in this category decreased in value terms by Rs.24,000 crore (Rs.3.07 lakh crore in January 2021). Also, the percentage share decreased by more than 1% on y-o-y basis owing to decline in interest rates from 9.3% in February 2020 to 7.9% in February 2021.
- Funds deployed in bank certificates of deposit stood at Rs.0.53 lakh crore in February 2021 as compared with Rs.1.59 lakh crore in the same month previous year. Concurrently, percentage share of investments in this category have also fallen sharply from 10.4% in February 2020 to 3.2% in February 2021. Furthermore, it can be noted that the average rate of interest on CDs has fallen by 200 bps compared with previous year (4.2% in February 2021 compared with 6.2% in February 2020).
- Funds in PSU bonds/debt increased to Rs.2.60 lakh crore from Rs.2.11 lakh crore in February 2020; also, in percentage terms, the share increased to 15.5% compared with 13.8% a year-ago.
- Funds in CBLO increased to Rs.2.15 lakh crore in February 2021 from a year-ago level of Rs.1.09 lakh crore in February 2020 (Rs.1.90 lakh crore in January 2020), and the percentage share increased to 12.8% compared with 7.1% in February 2020 and 11.3% in January 2021. Also, funds in government securities increased from last year level of 7.4% share to 12.8% in February 2021.
- Others' category includes money market investments, securitised debt, asset-backed securities, mortgage-backed securities, equity-linked debentures/notes, bank FD, etc.



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

Exposure of Debt Funds to NBFCs

Overall exposure of Debt MFs to NBFCs stood at last year's level of Rs.1.6 lakh crore in February 2021, slightly more than half of the September 2018 level (Rs.2.3 lakh crore). Accordingly, the percentage share also declined from 19.0% in July 2018 to 9.7% in February 2021.

As seen in Figure 5, investments in CPs of NBFCs increased from a year-ago level of Rs.0.61 lakh crore in February 2020, after having declined for the better part of the previous year. The percentage share of funds deployed by MFs in CPs of NBFCs in February 2021 stood at 4.3% of debt AUMs (compared with 9.5% in September 2018) and the amount held increased to Rs.0.72 lakh crore (Rs.1.26 lakh crore in September 2018); this level was last observed in January 2020 (Rs.0.73 lakh crore). The percentage share of funds deployed by MFs in corporate debt paper of NBFCs in February 2021 have moderated compared with last year (6.7% of debt AUMs in February 2020) as well as on m-o-m basis.

Figure 5: Exposure of MFs to CPs of NBFCs

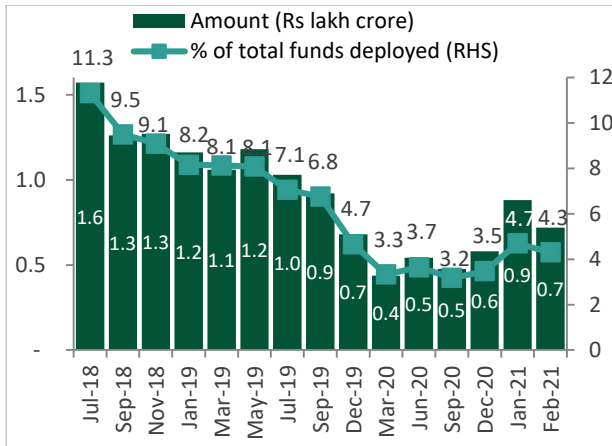
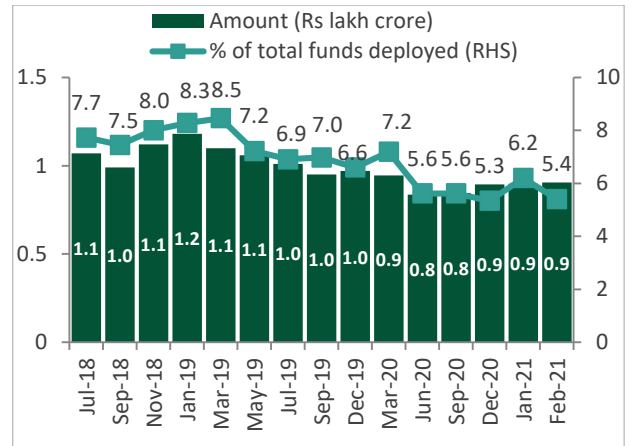


Figure 6: Exposure of MF to corporate debt paper of NBFCs

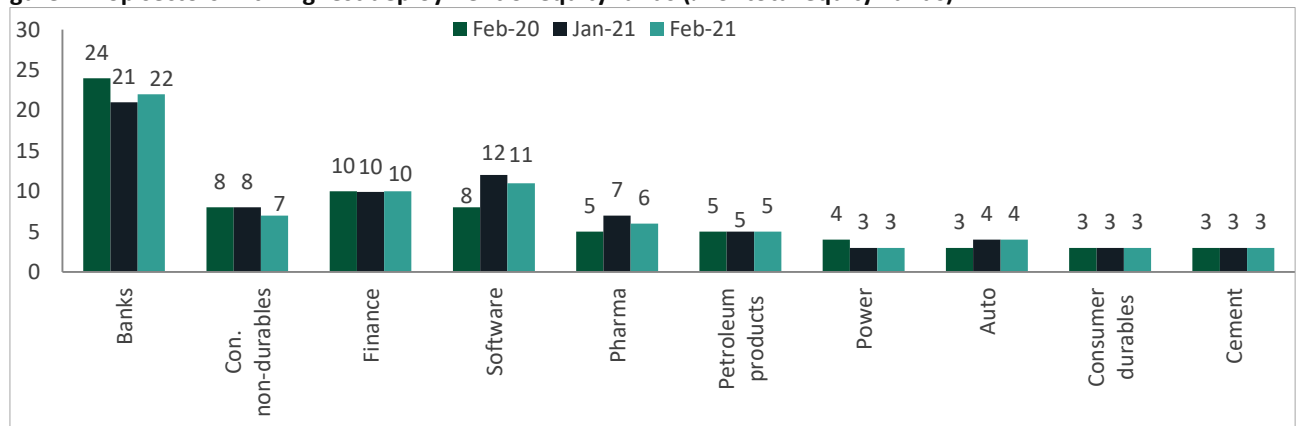


Source: SEBI

Deployment of Equity Funds

Banks, consumer non-durables, finance, software, pharma, and petroleum products were the top six sectors where equity funds invested their funds in February 2021 and they cumulatively accounted for over 61.0% share of equity funds equivalent to Rs.8.9 lakh crore. Top ten sectors in which equity funds invested their money in February 2020, January 2021 and February 2021 are depicted in figure 7.

Figure 7: Top sectors with highest deployment of equity funds (% of total equity Funds)



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

Concluding remarks:

- The Indian Mutual Fund industry significantly recovered to the level of Rs.31.6 lakh crore in February 2021, after witnessing steep fall in AUM to Rs.22.3 lakh crore in March 2020 (vs. Rs.27.2 lakh crore in February 2020) owing to the impact of Covid-19.
- The highest share (47.3%) of debt AUMs is in short-term instruments with maturity of less than 90 days, followed by a share of 38.2% in long duration instruments with maturity of 1 year and above, 7.6% in 90-182 days and the balance 7.0% in 182 days to 1 year.
- Overall exposure of Debt MFs to NBFCs stood at last year's level of Rs.1.6 lakh crore in February 2021, after having declined during the last one year.
- Banks, consumer non-durables, finance, software, pharma, and petroleum products were the top six sectors where equity funds invested their funds in February 2021.

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