

Mutual Funds Monthly Monitor: January 2021

February 25, 2021 | BFSI Research

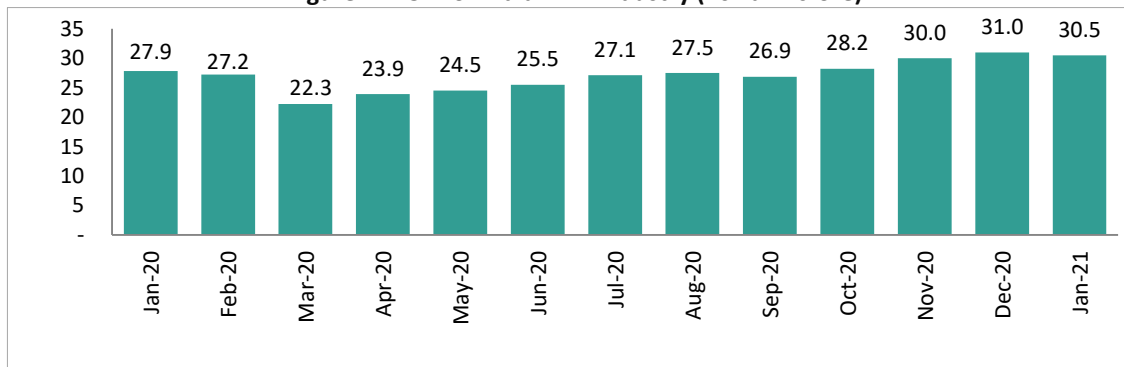
Key Highlights

- Assets Under Management (AUMs) of the Indian Mutual Fund industry decreased by 1.7% m-o-m to Rs.30.5 lakh crore in January 2021, while it increased by 9.5% y-o-y translating to an asset base addition of Rs.2.7 lakh crore.
- The overall net outflows stood at Rs.35,587 crore in January 2021 as compared with a net inflow of Rs.1.2 lakh crore in January 2020.
- The equity schemes have witnessed a continuous net outflow, primarily due to profit booking, for the seventh consecutive month at Rs.9,253 crore in January 2021.
- Liquid funds witnessed outflows of Rs.45,316 crore in January 2021.

Industry Size

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)

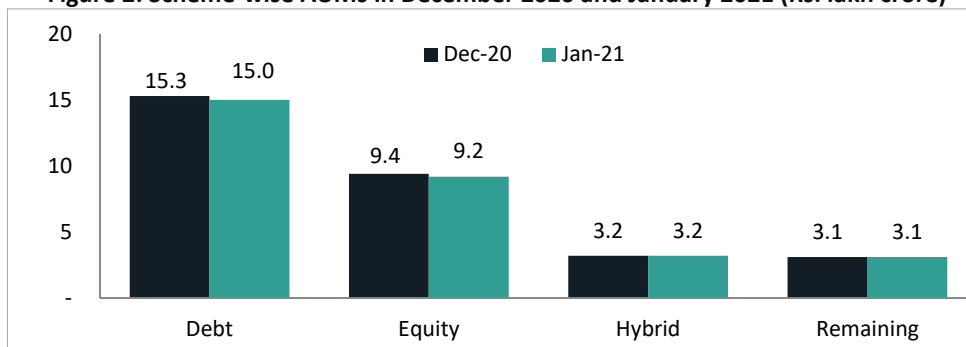


Source: AMFI

Equity schemes have the largest number of folios at approximately 644 lakh, 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 82.3 lakh folios (9.0% share). Solution-oriented and other schemes account for the balance folios.

Schemes-wise AUMs

Figure 2: Scheme-wise AUMs in December 2020 and January 2021 (Rs. lakh crore)



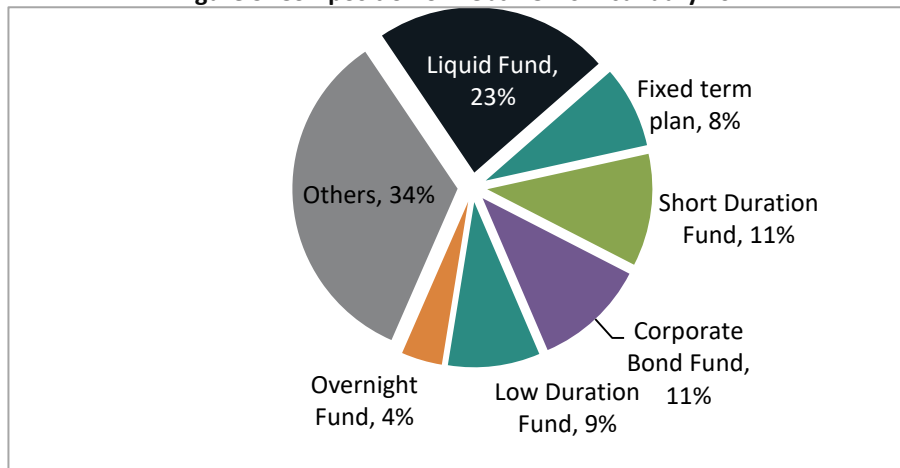
Note: Remaining includes solution-oriented and other schemes

Source: AMFI

Debt schemes accounted for the largest share of AUMs at 49.2% (vs. 50.0% in January 2020), followed by equity schemes with 30.1% (vs. 29.6% in January 2020) and hybrid schemes with 10.5% (vs. 12.8% in January 2020). The balance 10.2% (vs. 7.6% in January 2020) is accounted by solution-oriented and other schemes.

Composition of Debt Mutual Funds

Figure 3: Composition of Debt AUMs in January 2021

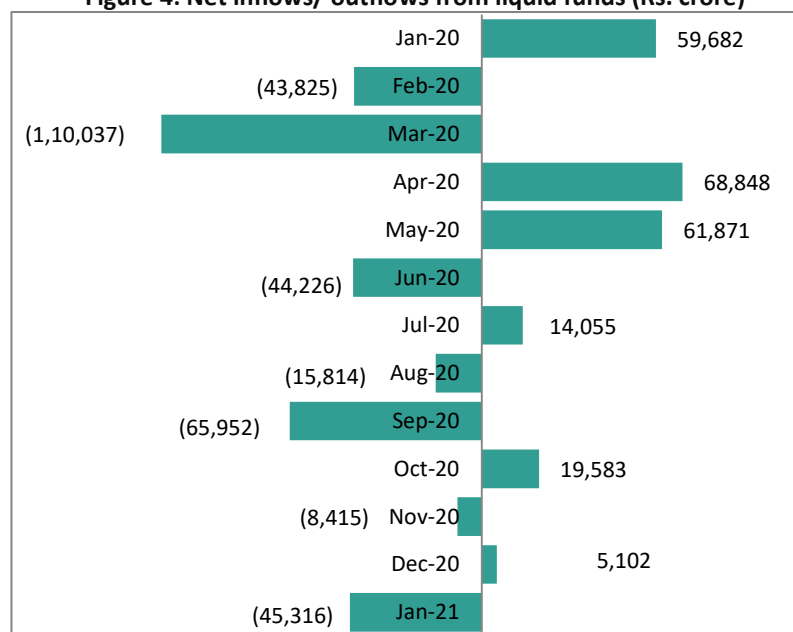


Source: AMFI

Out of the net assets of Rs.15.0 lakh crore of the debt mutual fund AUMs as on January 31, 2021, liquid funds continue to have the largest share at 23.0% (share in December 2020: 25.0%), followed by short duration funds and corporate bond funds with a share of 11.0% each; and low duration fund with a share of 9% followed by fixed-term plan with a share of 8.0%; and overnight funds had share of 4.0%. Top six debt schemes account for about 66% share of debt AUMs, while thirteen schemes account for the remaining 34.0%. The debt mutual funds witnessed an outflow of Rs.33,409 crore in January 2021 as compared with an inflow of Rs.109,306 crore in January 2020 (inflows of Rs.13,863 crore in December 2020).

Net inflows/ outflows from liquid funds

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



Source: AMFI

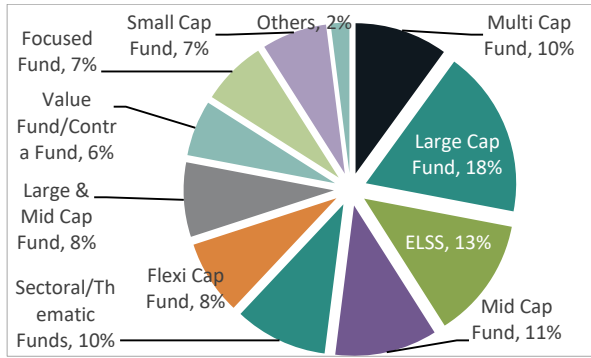
Figure 4 depicts the net inflows/ outflows from liquid funds during January 2020 to January 2021 on monthly basis. The liquid funds witnessed outflows of Rs.45,316 crore in January 2021 on contrary to the regular inflows witnessed in the past few years during the same period (outflows of Rs.1.1 lakh crore in January 2017, Rs.1.0 lakh crore in January 2018 and approximately Rs.0.6 lakh crore in January 2019 and January 2020).

Composition of Equity Mutual Funds

Out of net assets of Rs.9.2 lakh crore of equity mutual fund AUMs, the largest share continues to be of large cap funds with a share of 18% each, followed by ELSS with 13% share. In January 2021, equity mutual funds witnessed the seventh straight month of outflows of Rs.9,253 crore compared with an outflow of Rs.10,147 crore in the previous month, primarily due to profit booking amid markets touching new highs. Additionally, amongst all categories of equity mutual fund, the recently created flexi fund category witnessed higher outflows of Rs.5,934 crore in January 2021.

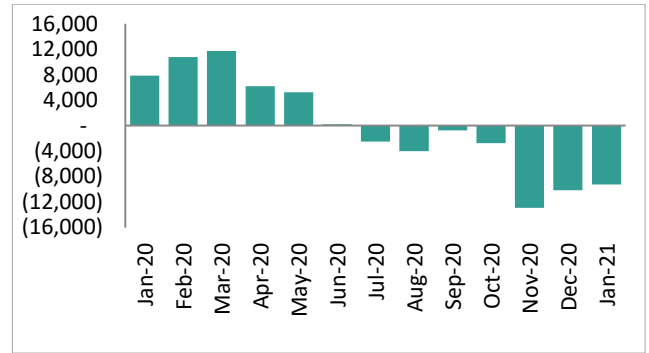
Total SIP accounts stood at 3.56 crore in January 2021 as against 3.14 crore in April 2020. SIP contribution declined to Rs.71,347 crore during April 2020 to January 2021 as compared with Rs.82,930 crore during April 2019 to January 2020.

Figure 5: Composition of equity AUMs in January 2021



Source: AMFI

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



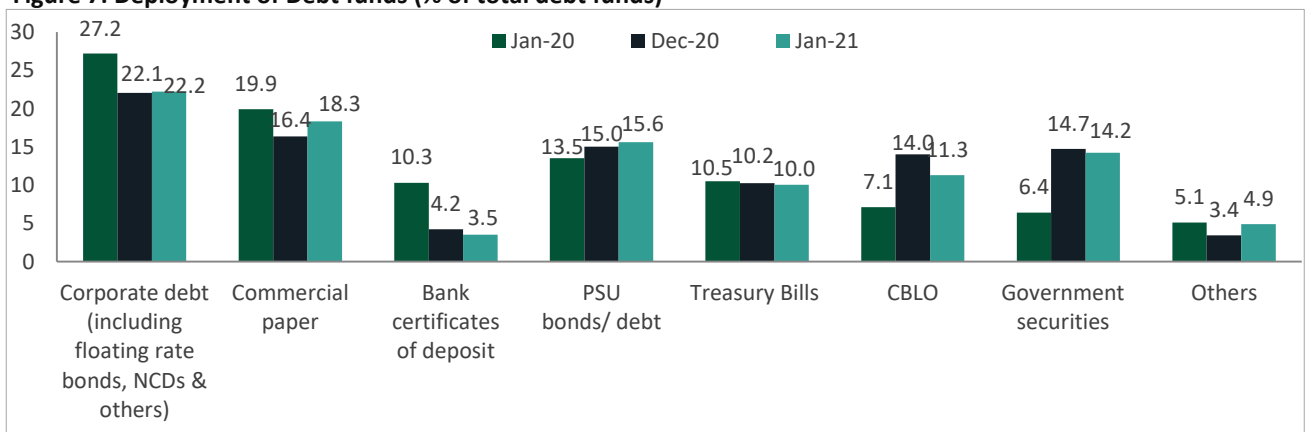
Deployment of Debt Funds

This section analyses the various products in which debt funds were deployed by MFs. The highest share (45.3%) of debt AUMs are in short-term instruments with maturity of less than 90 days, followed by a share of 40.5% in long duration instruments with maturity of 1 year and above, 8.1% in 90-182 days and the balance 6.1% in 182 days to 1 year.

Figure 7 depicts the deployment of debt funds in various instruments in January 2020, December 2020 and January 2021. Key observations from the below figure include:

- In January 2021, the largest proportion of debt funds were invested in corporate debt papers worth Rs.3.74 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.6,000 crore; while in percentage terms, the share remained largely stable at around 22.2% of debt funds.
- The second-highest category in which debt funds invested their money was Commercial Papers (CPs) with Rs.3.07 lakh crore. When compared with previous month, investment in this category increased in value terms as well as in percentage terms, whereas it decreased on y-o-y basis owing to decline in interest rates from 9.1% in January 2020 to 7.3% in January 2021 on the back of lower issuances of CPs compared with the previous year.
- Funds deployed in bank certificates of deposit stood at Rs.0.6 lakh crore in January 2021 as compared with Rs.1.6 lakh crore in same month previous year. Concurrently, percentage share of investments in this category have also fallen sharply from 10.3% in January 2020 to 3.5% in January 2021. Furthermore, it can be noted that the average rate of interest on CDs has fallen by 250 bps compared with previous year (3.5% in January 2021 compared with 6.0% in January 2020).
- Funds in PSU bonds/debt increased to Rs.2.6 lakh crore from Rs.2.1 lakh crore in January 2020; also in percentage terms, the share increased to 15.6% compared with 13.5% a year-ago.
- Funds in CBLO increased to Rs.1.9 lakh crore in January 2021 from a year-ago level of Rs.1.1 lakh crore in January 2020 (Rs.2.3 lakh crore in December 2020), and the percentage share increased to 11.3% compared with 7.1% in January 2020 and declined on m-o-m basis (refer figure 7). Also, funds in government securities increased from last year level of 6.4% share to 14.2% in January 2021.
- Others category includes money market investments, securitised debt, asset-backed securities, mortgage-backed securities, equity-linked debentures/notes, bank FD, etc.

Figure 7: Deployment of Debt funds (% of total debt funds)



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 Rs.1.8 lakh crore in January 2021 (vs. Rs.1.7 lakh crore in January 2020), 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 10.9% in January 2021.

As seen in Figure 8, investments in CPs of NBFCs increased and reached a level witnessed in January 2021, after having declined for the better part of the previous year. The percentage share of funds deployed by MFs in CPs of NBFCs in January 2021 stood at 4.7% of debt AUMs (compared with 9.5% in September 2018) and the amount held increased to Rs.0.88 lakh crore (Rs.1.26 lakh crore in September 2018); this level was last observed in November 2019 (Rs.0.87 lakh crore). The percentage share of funds deployed by MFs in corporate debt paper of NBFCs in January 2021 increased to 6.2% of debt AUMs on m-o-m basis, however, it was lower by 1% as compared with March 2020 (7.2% share of debt AUMs).

Figure 8: Exposure of MFs to CPs of NBFCs

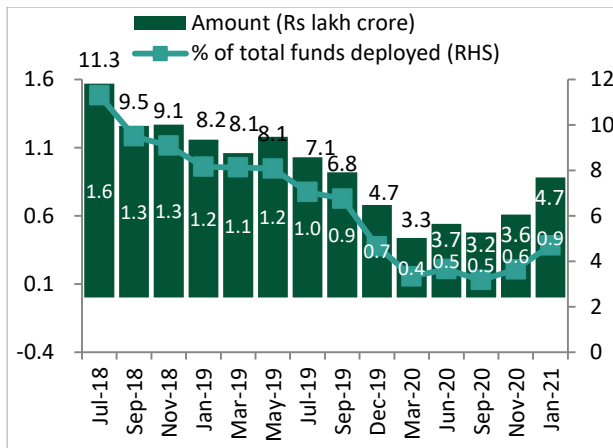
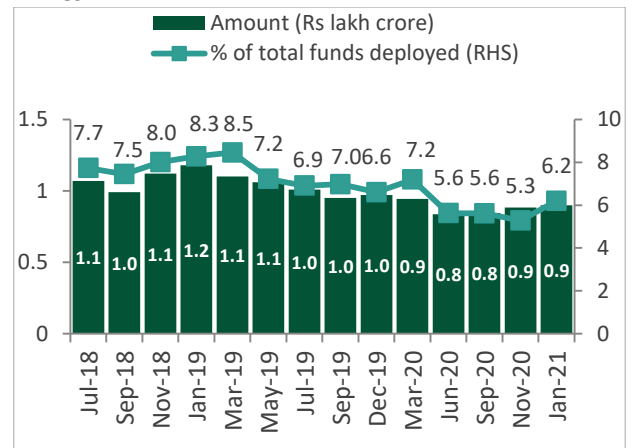


Figure 9: Exposure of MF to corporate debt paper of NBFCs

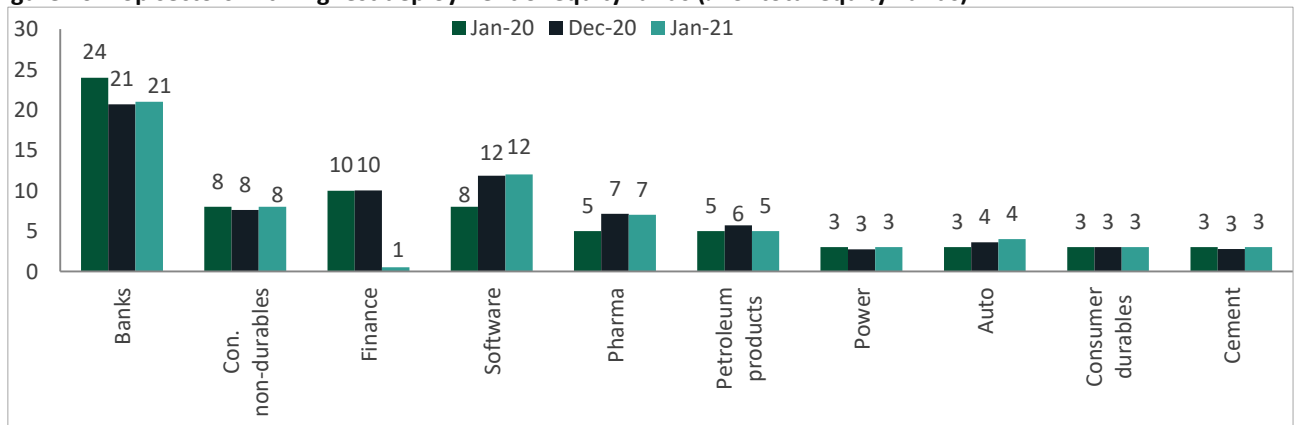


Source: SEBI

Deployment of Equity Funds

Banks, consumer non-durables, software, pharma, petroleum products and auto were the top six sectors where equity funds invested their funds in January 2021 and they cumulatively accounted for over 57.0% share of equity funds equivalent to Rs.7.6 lakh crore. Top ten sectors in which equity funds invested their money in January 2020, December 2020 and January 2021 are depicted in figure 10.

Figure 10: 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:

- AUMs of the Indian Mutual Fund industry decreased by 1.7% m-o-m to Rs.30.5 lakh crore in January 2021, while it increased by 9.5% y-o-y translating to an asset base addition of Rs.2.7 lakh crore.
- AUMs of debt, equity and hybrid schemes in January 2021 accounted for 49.2%, 30.1% and 10.5%, respectively, of the overall AUMs, the balance 10.2% was contributed by solution-oriented and other schemes.
- In January 2021, liquid funds witnessed outflows of Rs.45,316 crore in January 2021 (inflow of Rs.59,682 crore in January 2020).
- Outflows in equity mutual funds have continued during the month at Rs.9,253 crore, compared to outflows of Rs.10,147 crore in the previous month.
- The highest share (45.3%) of debt AUMs are in short-term instruments with maturity of less than 90 days, followed by a share of 40.5% in long duration instruments with maturity of 1 year and above, 8.1% in 90-182 days and the balance 6.1% in 182 days to 1 year.
- Overall exposure of Debt MFs to NBFCs witnessed increase in January 2021 at Rs.1.8 lakh crore (Rs.1.7 lakh crore in January 2020), after having declined during the last one year.
- Banks, consumer non-durables, software, pharma, petroleum products and auto were the top six sectors where equity funds invested their funds in January 2021.

Contact:

Sanjay Agarwal
Saurabh Bhalerao
Shobhna Kanojia
Mradul Mishra

Senior Director
Associate Director – BFSI Research
Deputy Manager – BFSI Research
(Media Contact)

sanjay.agarwal@careratings.com
saurabh.bhalerao@careratings.com
shobhna.kanojia@careratings.com
mradul.mishra@careratings.com

+91-22-6754 3582
+91-22-6754 3573
+91-22-6754 3519
+91-22-6754 3573

+91- 810 800 7676
+91- 900 495 2514
+91- 816 945 9228

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CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital
Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel. : +91-22-6754 3456 | CIN: L67190MH1993PLC071691

Connect :

