POST-MERGER REALIGNMENT

MFs likely to get time to trim stakes in HDFC Bank

Handful of schemes may breach the 10% limit after the amalgamation

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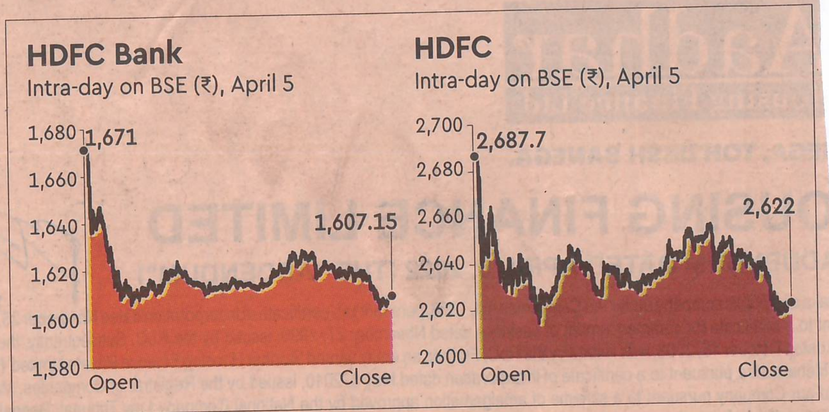

DOMESTIC MUTUAL FUNDS would need to pare down their stake in HDFC Bank, if the exposure of the scheme breaches 10% of corpus post its merger with HDFC. There are a handful of schemes that may breach this limit after the amalgamation.

According to the data compiled by primemfdatabase.com, several large cap and flexi cap funds, including SBI Bluechip Fund, ICICI Prudential Mutual Fund, Indiabulls Bluechip Fund, and Sundaram Large Cap fund have significant exposure in the two entities and some of these could surpass the 10% limit post the merger.

However, experts feel that there is adequate time for fund managers to pare down their exposures till the final merger happens, and a glidepath should and will be given to fund houses for bringing their stakes down in the upcoming months. "A glidepath should and in all likelihood will be given to funds to pare down their stake in the merged entity to meet the norms. Eventually these funds will just have to rebalance their portfolios," said Pranav Haldea, managing director, Prime Database Group.

Post cutting their exposure, fund managers will eventually rebalance their portfolios and increase allocation in some other stocks, as the overall fund size will continue to remain the same, while just the exposure in the select entity will be reduced. Further, with the merger of two entities, there will be another inclusion in the Nifty-50 index, which will be closely tracked by fund managers of mutual fund houses for allocation of funds.