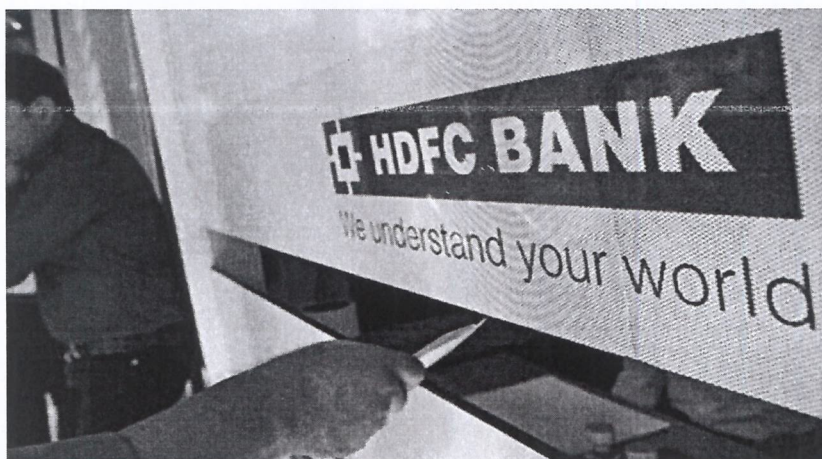


# Mutual funds may have time to reduce stakes in HDFC Bank post-merger if limits are exceeded

By The Bharat Express News - April 6, 2022



National mutual funds should reduce their stake in HDFC Bank, if the exposure of the program exceeds 10% of the corpus after its merger with HDFC. There are a handful of plans that can exceed this limit after the merger.

According to 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 both entities and some of them they could exceed the 10% limit after the merger.

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However, experts believe that fund managers have enough time to reduce their exposures until the final merger, and that a glide path should and will be given to finance companies to reduce their holdings in the coming months. "A glide path should and in all likelihood will be given to the funds to reduce their stake in the merged entity in order to meet the standards. Eventually, these funds will only have to rebalance their portfolios," said Pranav Haldea, director General of Prime Database Group.

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After reducing their exposure, fund managers will eventually rebalance their portfolios and increase the allocation in some other stocks, as the overall size of the fund will remain the same, while only the exposure in the selected entity will be reduced. Additionally, with the merger of two entities, there will be another inclusion in the Nifty-50 Index, which will be closely monitored by mutual fund company fund managers for fund allocation.

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"The rebalancing would be supported by a new addition in the benchmark. Let's say there are 50 stocks in Nifty-50, and when HDFC and HDFC Bank combine, another stock will be included in the benchmark in which fund managers can seek allocation," the CEO of a mutual fund company told FE on Tuesday.

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