

Mutual funds raise stakes in financial services firms

Funds also lap up industrials and consumer discretionary, but cut stakes in IT cos

Ujjwal Jauhari
ujjwal.j@livemint.com
NEW DELHI

Mutual fund managers increased their holdings of financial services, industrials, and consumer discretionary stocks, sectors that are most likely to benefit as economic activity and consumer demand pick up in India, data for July showed.

They, however, cut their exposure to information technology services and energy companies in July amid fears of a recession in the West and high global energy prices.

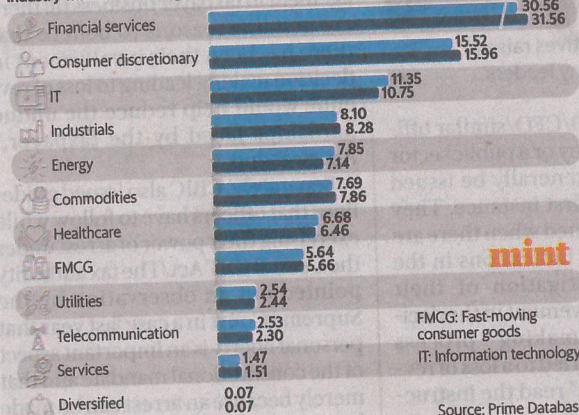
Mutual fund ownership in financial services, as a percent of their total holdings as of July, stood at 31.56%, a percentage point increase from the previous month.

Fund managers are betting on stocks that benefit from faster growth and increasing consumer demand as cooling global energy and commodities prices ease pressure on

STOCKING UP

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Industry-wise shareholding as a % of total as on



SARVESH KUMAR SHARMA/MINT

India's economy.

In addition, the central bank's survey showed that consumer confidence continued to rise in July and inflation expectations moderated as the country nears a three-month-long festival season when most Indians make high-value purchases such as

cars and appliances.

Mutual funds are bullish on the prospects of banks and other financials amid sustained credit growth despite rising interest rates.

Analysts at Kotak Securities said that they see lenders report a healthy recovery in loan growth and net interest

income, as well as lower credit costs. In addition, asset quality is showing a steady improvement, and most lenders appear to be quite comfortable accelerating loan growth, they said. Even insurance companies are seeing much improved prospects.

Kotak Mahindra Bank and HDFC Life Insurance were two companies among the top 10 large-cap holdings that saw funds lap up shares.

Muthoot Finance, State Bank Of India, SBI Cards, ICICI Lombard General Insurance, and Piramal Enterprises also featured among large-cap names where mutual funds increased holdings.

Consumer discretionary, where fund holdings remained the second largest, saw mutual fund holdings increase by 44 basis points (bps) to 15.96% in July from June. Mutual funds have remained buyers in Maruti Suzuki India Ltd, Tata Motors and even Zomato Ltd. The

TURN TO PAGE 6



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MINT

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FROM PAGE 1

three stood among the top 10 large-cap mutual funds holdings. Berger Paints, Mahindra and Mahindra, Hero Moto-Corp and Asian Paints were the other large-cap names that saw increased buying by funds.

The rebound in the economy and easing of commodity prices is likely to help consumer discretionary companies. Easing of input cost pressure is likely to ease margin pressure, while an uptick in rural demand, helped by good monsoon and the festive season, bode well for the growth of the companies, analysts said.

Mutual fund holdings in industrial stocks increased to 8.28% at the end of July from 8.18% in June amid strong order books.

Analysts said these companies have passed on higher commodity prices, as reflected in their revenue outperformance in the June quarter. Analysts at Jefferies India Pvt. Ltd highlighted that order flows rose 30% from a year earlier

for ABB, Siemens and Thermax combined in the three months ended 30 June. Data centres, buildings, renewable energy, oil and gas, and cement are key sectors contributing to order flow and outlook, analysts said.

Meanwhile, commodity companies also saw an increase in fund holdings by mutual funds.

However, the information technology sector has seen significant offloading of shares by mutual funds. As a result, IT

Mutual funds also reduced their holdings in the healthcare, telecom and energy sectors

sector holdings as a percentage of total holdings fell to 10.75% at the end of July from 11.35% in the previous month.

The growth outlook for IT companies has taken a beating

with expectations of a recession in the developed countries. While the stronger dollar helps IT companies, the weakening of currencies such as the euro and pound against the dollar has offset the benefits, analysts said.

Mutual funds also reduced their holdings in the healthcare, telecom and energy sectors.