

MFs hungry for bigger slice of banking pie

Seek to exceed RBI's 5% ownership threshold

Amid growing investor inflows, mutual funds (MFs) are eyeing a larger slice of the banking sector.

In the past few years, a few of the major fund houses have approached the Reserve Bank of India (RBI) seeking permission to hold more than a 5 per cent stake in banking sector stocks. As of the end of August, three fund houses held over 5 per cent ownership in one or more banks.

SBI MF possessed more than 5 per cent in CSB Bank, Equitas Small Finance Bank (SFB), HDFC Bank, and ICICI Bank, with the highest holding being in CSB Bank at 9.17 per cent, according to data from PRIME Database.

Franklin Templeton and Tata were the other two fund houses. However, higher holdings in some stocks may be temporary due to their merger with another listed entity, as in the case of HDFC Bank.

MORE BANK FOR THE BUCK

Mutual funds (MFs) with highest ownership in banks

MF	Bank	Ownership (%)
SBI MF	CSB Bank	9.17
SBI MF	Equitas Small Finance Bank (SFB)	6.77
SBI MF	HDFC Bank	6.56
Franklin Templeton MF	Equitas SFB	6.44
SBI MF	ICICI Bank	5.85
Tata MF	DCB Bank	5.20
HDFC MF	Federal Bank	4.96
HDFC MF	Equitas SFB	4.69
HDFC MF	City Union Bank	4.54
Kotak Mahindra MF	AU SFB	4.51

As on August 31, 2023

Source: PRIME Database

Last week, India's third-largest asset manager, HDFC Asset Management Company (AMC), received approval from the RBI to acquire up to 9.5 per cent in five banks: Karur Vysya Bank, DCB Bank, Equitas SFB, Federal Bank, and City Union Bank.

The AMC intends to increase

its holdings in these smaller banks amid surging inflows into smallcap and midcap funds.

HDFC MF's schemes are among the largest in these categories and already hold nearly a 5 per cent stake in these banks.

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