

- Article rank
- 2 Nov 2016
- mint ePaper
- BY ANIRUDH LASKAR anirudh.l@livemint.com

## **In a first, mutual funds overtake LIC in equity holdings**

The 44 mutual fund companies operating in India now own more stocks than the Life Insurance Corporation of India (LIC), thanks to six months of continued inflows into equity funds and a change in the investment strategy at India's largest life insurer.

This is the first time the mutual funds have held more Indian equities than LIC.

At the end of September, the value of mutual fund equity portfolio in listed firms stood at Rs4.94 trillion compared with Rs4.77 trillion held by LIC, data collated by Prime Database shows.

The growth of mutual fund investments is a sign of the growing equity culture in the country. It could also improve the quality of institutional shareholding in companies.

This is a clear positive for equity markets, said Dharendra Kumar, chief executive of Value Research Ltd, a NewDelhi-based mutual fund analytics firms. "Broad-based institutional play improves the market's efficiency to a great extent," he added.

The mutual fund holdings were spread across 1,088 companies while LIC has invested in 310 firms. A caveat to this analysis is that only those firms where these institutional investors hold at least 1% have been considered.

"Since mutual funds are required to follow regulatory disclosures for every investment and the fund managers are subjected to greater probity by investors, the increase in mutual funds' equity participation in such a scenario is a strongly positive development," said Kumar. "Additionally, since the equity inflows are steadily growing rather than abruptly jumping, it means the money coming to the fund industry is a sustainable asset."

As the Sensex gained 10% in the first half of this fiscal year, investors poured money into mutual fund schemes. Data from AMFI (Association of Mutual Funds in India) shows that fund houses received net inflows of Rs19,829 crore in pure equity schemes, Rs11,828 crore in balanced schemes and Rs2,404 crore in equity-linked saving schemes between April and September.

LIC is currently realigning its investments as part of fresh strategies in the insurance market. The insurer is increasaround ing its focus on the pension and annuity business, which calls for higher fixed-income investments. Annuity requires a matching asset class which gives a steady income, i.e. fixed income.

On 24 August, Mint reported that LIC would invest the same amount in equities this fiscal as it did last year, and increase its investments in debt instruments. The insurer had invested around Rs60,000 crore in equities last year.

On total assets managed, however, mutual funds continue to lag LIC. In the September quarter, the 44 mutual fund houses managed an average Rs16.10 trillion of investor assets, AMFI data shows. In comparison, LIC, which manages insurance contracts for at least 250 million people, had total assets of Rs21 trillion.

According to Pranav Haldea, managing director of Prime Database, during the September quarter, the holding of mutual funds went up in 338 companies and came down in 322 companies listed on NSE. Between July and September, LIC increased its stake in at least 38 firms while trimming its stake in 71 firms.