

MF investment portfolio closes in on 1K firms, hits 88-month high

AUM rose to ₹48 trn in September, with over half of the money invested in equity funds

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Amid rising inflows into equity funds, India's mutual fund (MF) industry has increased the number of companies it is investing in to nearly 1,000.

A large number of stocks in which it has invested in have a low free float and show signs of limited liquidity, according to a *Business Standard* analysis of data from tracker primemfdatabase.com.

Assets under management (AUM) rose to nearly ₹48 trillion in September, with more than half of the money invested in equity funds.

The number of companies had touched a low of 792 in July 2020 amid heightened uncertainty because of Covid-19. It has largely gone up since then.

Equity mutual funds are invested in 983 stocks as of September 2023. This is the highest in 88 months (since 2016).

Mutual funds have to increasingly deal in smaller companies as they expand their portfolio and deploy higher funds, shows an analysis across all the 983 companies. According to fund managers, they are on a constant look out for fresh opportunities to generate better returns. Rise in the number of stocks is also due to cap on maximum holdings in a single stock and liquidity issues.

"The growing size of funds and

search for newer opportunities leads to an increase in the number of stocks. Addition of new stocks also become important if the existing stocks in the portfolio do not have enough liquidity to absorb further inflows or the holdings may have become a much larger portion of the total market-cap of the company. Also, as fund managers we look to add new," said Chirag Mehta, Chief Investment Officer at Quantum AMC. The median company among the top 100 holdings had a market capitalisation of nearly ₹90,000 crore. This dropped to around ₹32,000 crore for the next 100 and less than ₹6,000 crore for anything beyond (ranked 201-983).

Free float refers to shares in the hands of the public and available for trading.

The top 100 holdings had a median free float of nearly ₹43,000 crore. This fell to less than ₹15,000 crore for the next 100. Stocks beyond this had a free float of around ₹2,000 crore. Investor interest in smallcap funds have surged in the last one year, propelling the fund category to the top in AUM rankings from fifth in September 2022.

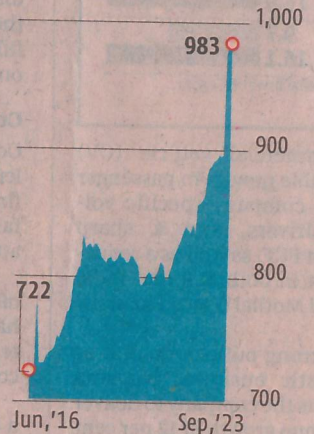
The AUM of the fund category has jumped 61 per cent in one year to ₹1.98 trillion. This is owing to consistent inflows and a rally in stock prices. On an average, investors have poured in ₹2,850 crore into smallcaps during the last one year.

ILLUSTRATION: BINAY SINHA



EXPANDING UNIVERSE OF INVESTMENTS

Number of companies in which MFs have invested



EQUITY MUTUAL FUNDS ARE INVESTED IN 983 STOCKS AS OF SEPTEMBER 2023. THIS IS THE HIGHEST IN 88 MONTHS (SINCE 2016)

SHARP DECLINE IN FREE FLOAT BEYOND TOP 100 COMPANIES

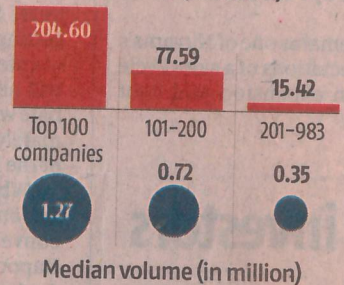
■ Median market capitalisation
■ Median free float (in ₹ cr)



The market capitalisation is the value of all the shares of the company. The free float shows the value of shares available for trading in the hands of the public. The analysis based on data compiled by BS Research Bureau categorised companies in descending order of the value of mutual fund investments across asset managers

LESS THAN ₹100 CRORE WORTH OF TRADING IN MOST STOCKS

Median turnover (in ₹ crore)



The volume is the number of shares changing hands every day, given here on a median basis. The turnover is the value of these shares. The analysis based on data compiled by BS Research Bureau categorised companies in descending order of the value of mutual fund investments across asset managers