# Mutual funds accelerating new stock additions

## Industry had exposure to 1,244 stocks in Oct, hitting fresh high for a fifth straight month

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ILLUSTRATION: BINAY SINHA

Fund houses are adding new stocks to their portfolios faster than they did in over a year, even as inflows slow down.

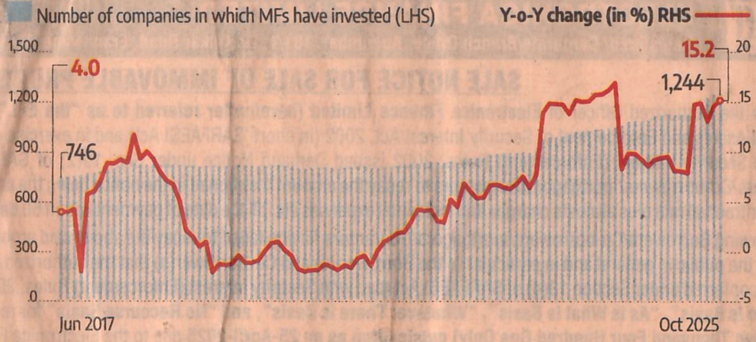
Mutual funds (MFs) added 164 new stocks across asset managers over the last one year. This reflects a 15.2 per cent year-on-year (Y-o-Y) rise, the fastest since July 2024. The industry as a whole now has exposure to 1,244 stocks, hitting new record highs for the fifth month in a row. The number of stocks is the highest in data going back to June 2017 when it had investments across 746 stocks.

This comes even as inflows into equity schemes slowed to ₹24,690 crore in October compared to a high of ₹42,702 crore in July 2025, which was the highest in the ongoing calendar year so far.

**THE INDUSTRY AS A WHOLE NOW HAS EXPOSURE TO 1,244 STOCKS, HITTING NEW RECORD HIGHS FOR THE FIFTH MONTH IN A ROW**

"There is not enough supply of good paper," said U R Bhat, cofounder and director at Alphaniti Fintech. Earlier cycles had more companies raising equity to fund capital expenditure (capex), which is not as plentiful in the current environment, he said. The companies coming to the market through initial public offerings (IPOs) are startups and other new-age companies, which have limited profitability, and trade at very high valuations. Mutual funds are almost forced to deploy capital in such companies because of the heavy inflows they are getting, essentially resulting in a situation in which fund houses with retail money provide exits to sophisticated, well-informed private equity (PE) investors, according to Bhat.

### New firms added saw double-digit growth




Source: primemfdatabase.com, *Business Standard* calculations

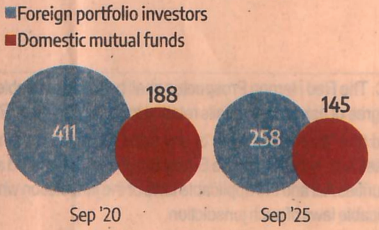
There has been ₹1.3 trillion worth of IPOs in 2025, according to figures from primedatabase.com. The majority (₹82,975.97 crore) has been in the form of offer for sale. This means that the money raised went to exiting shareholders rather than for funding the company's business activities.

The concentration of stocks in which mutual funds are invested relative to their overall portfolio has actually declined since 2020, according to NSE data, which looked at the Herfindahl–Hirschman Index (HHI) — a measure of portfolio concentration. It remains lower than foreign portfolio investors (FPIs).

"Among institutional categories, DMFs (domestic mutual funds) saw their HHI edge down to 145, well below the post-pandemic high of 189 in December 2020, pointing to greater portfolio dispersion. FPIs continued to display the highest concentration among institutional groups, with an HHI of 258 — lower on a sequential basis but still reflecting a relatively narrower focus compared with domestic institutions," said the November 2025 NSE Market Pulse report.

### Lower portfolio concentration

**Herfindahl – Hirschman Index (HHI)**




Note: Herfindahl–Hirschman Index (HHI) is a measure of portfolio concentration. Higher numbers indicate greater concentration.
Source: NSE Market Pulse (November 2025)

The latest NSE data is for September. Additional HHI data calculated by *Business Standard* based on portfolio disclosures from primeinfobase.com shows a further decline in October.

A larger number of stocks that mutual funds now have exposure to also reflect the fact that many companies have gained significantly in market capitalisation over the last few years, said Vidya Bala, cofounder at independent research organisation PrimeInvestor.in. The gain in market capitalisation means that more companies are now of sufficient size to merit investment than was the case before the pandemic or during previous cycles.

Mutual funds have been cognizant of the risks, and even smallcap funds have exposure to largecap names, which can provide liquidity during volatile periods. While mutual funds may invest in numerous entities, the investment in smaller companies is made in a way that would usually reflect the liquidity risks involved, according to Bala. "Positions may be very small," she said.