Not As You Like IT

Mutual Fund Holdings of IT Stocks Sink to Record Low in September

Ravindra Sonavane

Mumbai: Indian mutual funds' exposure to Information Technology (IT) stocks fell to an all-time low in September as concerns over artificial intelligence (AI) disruption, weak global client spending and subdued growth prospects weighed on the sector. The decline has pushed frontline IT stocks such as Infosys and TCS, once among fund managers' biggest holdings, out of mutual funds' top holdings lists.

IT stocks accounted for 5.3% of mutual funds' equity assets under management (AUM) in September, compared with 7.6% at the end of 2025 and 9.24% at the end of 2024. The sector's weight had touched a record 13.4% at the end of 2021.

"The correction in Information Technology stocks during 2026 has been a de-rating story more than an earnings story," said Harsh Thakkar, equity research analyst at Samco Securities.

The value of mutual funds' IT holdings fell 25% to ₹2.97 lakh crore in September from ₹3.98 lakh crore in December 2025, according to Prime Database. The value had reached a record ₹4.03 lakh crore in November 2025.

Infosys, which was among the five largest holdings of mutual funds at the start of 2026, slipped to 10th place in September. TCS has seen a similar decline. The stock, which ranked 10th among mutual fund holdings in 2024 and was among the top 14 in 2025, slipped to 18th place in September.

HCL Tech and Tech Mahindra, which ranked 20th and 25th among mutual funds' largest holdings at the beginning of 2026, slipped to 25th and 31st positions, respectively, in September. Wipro fell sharply to 316th place from 88th at the start of 2026 and 56th in 2024.

Many fund managers have cut their exposure due to uncertainty over the extent of disruption that AI could bring into the software services industry.

"Revenue growth has remained muted but has not collapsed," said Thakkar. "However, valuations have fallen sharply because investors priced in the potential threat from AI agents to the labour-intensive application development and maintenance business model."

Weighed down by these concerns, the Nifty IT index till October 8 had shed about 28% in 2026 as against the 14% decline in the Nifty. But, a rebound since then has helped cut losses, with the index running up 11.7% last week, posting its biggest weekly gains in 18 years, amid a sharp sell-off in AI-related semiconductor stocks elsewhere in Asia on concerns over the durability of their recent rally.

"Promising management commentary, the anti-AI trade turning favourable for Indian IT companies and valuations that are very reasonable at the moment, below their five-year average and closer to the 10-year average," said Kunal Bajaj, research analyst at Choice Institutional Equities.

While the industry cut its exposure to IT stocks, fund houses also made some additions to their holdings. In Infosys, funds increased their holdings by 2.7 crore shares to 86 crore shares in September from 83.4 crore shares in December 2025. In TCS, they added 61 lakh shares, taking their holdings to 20.64 crore shares from around 20 crore.

Mutual funds also increased their holdings in HCL Tech by 1.8 crore shares to 26.4 crore from 24.6 crore. But, they reduced their holdings in Tech Mahindra by 45 lakh shares to 18.97 crore from 19.42 crore.

In Wipro, their holdings fell by 33.96 crore shares to 17.42 crore from 51.39 crore at the beginning of year.

Out Of Favour

MF Holdings Ranking

	As of Sep 2026	As of Dec 2025
Infosys	10	5
TCS	19	14
HCL Tech	25	20
Tech Mahindra	31	25
Persistent Sys	61	38
Mphasis	97	62
Hexaware Tech	224	195
Cyient	269	226
Wipro	316	80
KPIT Tech	389	214
Zensar Tech	397	254

Source: **Primedatabase**

MF Weight in IT Sector

