

Mutual Funds' investments HFCs, NBFCs see steep fall

By: FE Bureau

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Investments made by mutual funds (MFs) in housing finance companies (HFCs), excluding the top two, declined to Rs 7,500 crore at the end of December 2019, from Rs 80,600 crore in August 2018, a fall of over 90%. Their investments in non-banking financial companies (NBFCs) fell around 40% over this period after the collapse of infrastructure lender IL&FS.

An analysis by Nomura shows that mutual funds invested Rs 67,800 crore in the debt paper issued by all NBFCs – wholesale and retail – as on December 2019, compared with Rs 1.14 lakh crore in August 2018. Investments in housing finance companies (HFCs) by MFs also come down from Rs 1.75 lakh crore in August 2018 to Rs 95,900 crore, a fall of 45%.

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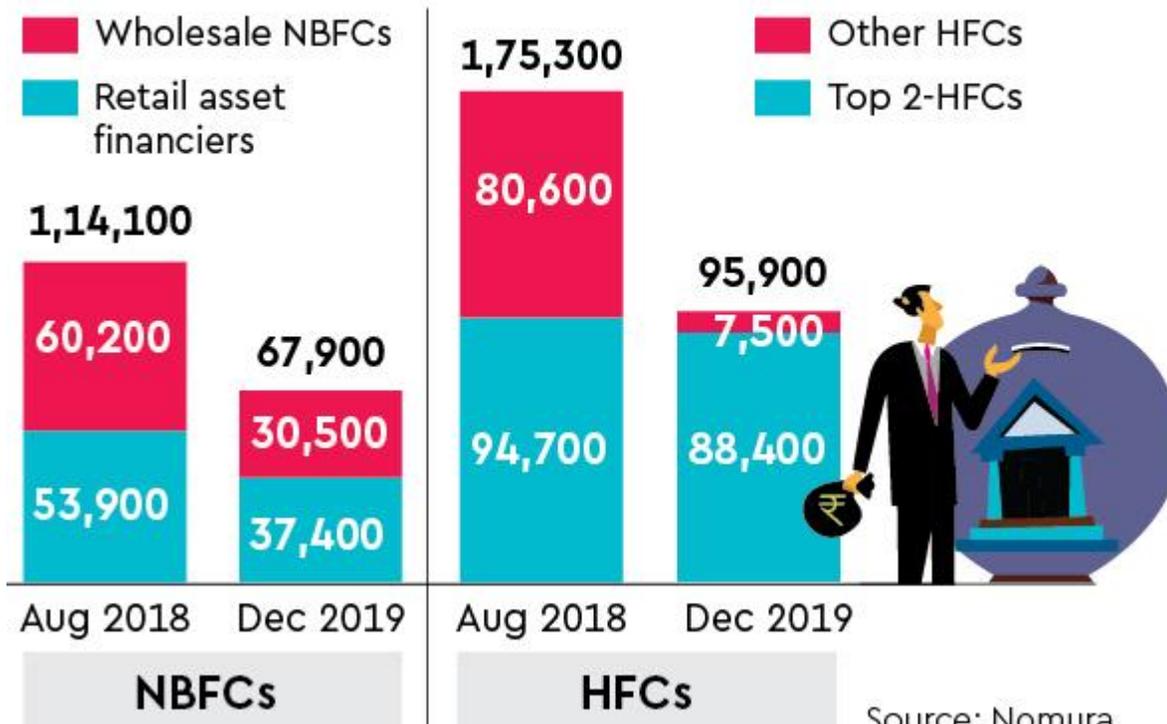
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MFs funding in NCDs and CPs

(₹ crore)



Source: Nomura

While fund houses have reduced their exposure to NBFCs, banks, on the other hand, have continued to invest in NBFCs.

Deployment of gross bank credit to the NBFC sector as on December 20, 2019 stood at Rs 7.28 lakh crore, against Rs 5.71 lakh crore in December 21, 2018, show the data from the Reserve Bank of India.

Fund managers say they are cautious about wholesale NBFCs as these firms have high exposure to the real estate sector. "They have given loans to sensitive sectors like real estate, infrastructure or power. Even for HFCs, we are sticking to only the top names," said a fund manager on the condition of anonymity.

Investments by fund houses in top two HFCs – HDFC and [LIC Housing Finance](#) – stood at Rs 88,400 crore as on December 2019, compared with Rs 94,700 crore in August 2018.

The latest data from Sebi show that as on January 2020, investments by debt funds in commercial paper (CPs) of NBFCs were at Rs 72,542.46 crore. Investments in corporate debt (which includes floating rates bonds, NCDS and other debt papers) of NBFCs stood at Rs 95,781.54 crore as on January 2020.

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