



Mutual Fund Screener

For the quarter ended Mar 2016

ICRA Online Ltd

A Group ICRA company



ICRA ONLINE LIMITED
A Group ICRA Company

Mutual Fund Screener – What's Inside

01

Industry
AUM

02

Inflow Outflow
Analysis

03

Sector Exposure
Analysis

04

Category
Performance

05

Industry
Insights

06

M&A
Update

07

Union Budget –
Impact Assessment

08

Regulatory
Update

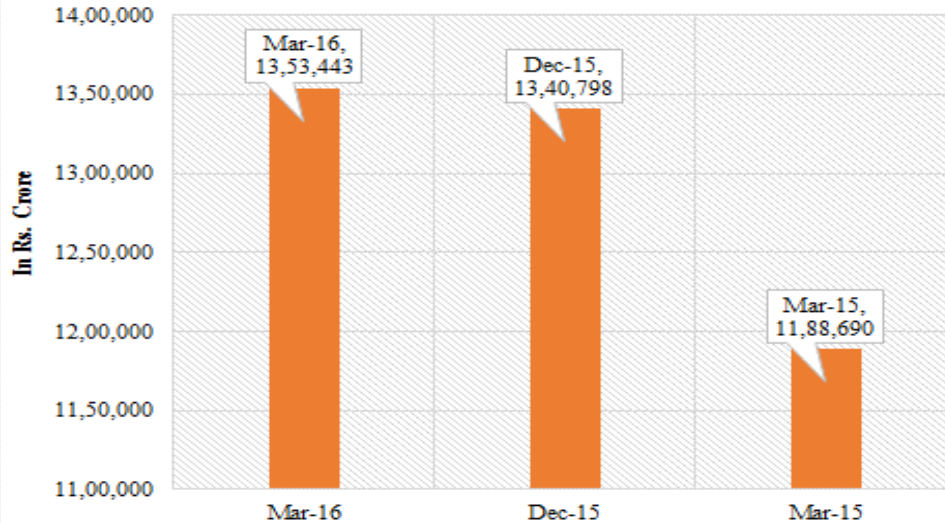
Section I

INDUSTRY AUM



Industry AUM grew 0.9% in Q4 and 14% in FY16

Mutual Fund Industry (QAAUM)

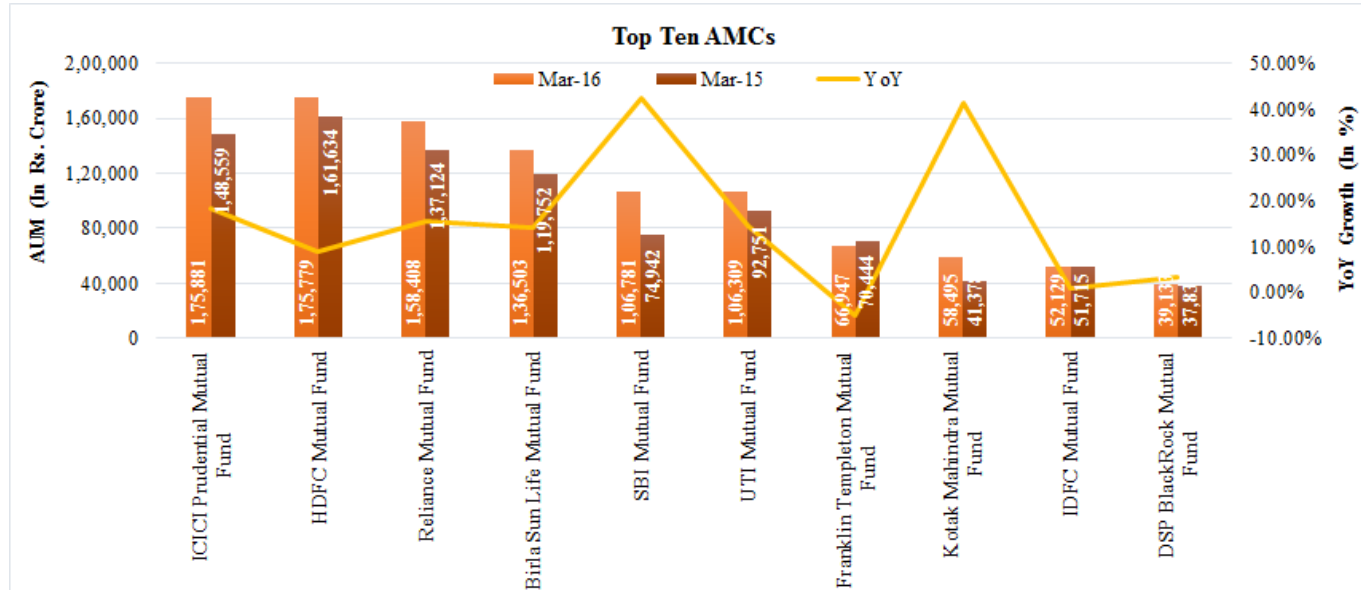


Source: AMFI, ICRA Online Research

Industry AUM still far behind Rs. **97 trillion** aggregate deposits held by commercial banks (as of Apr 1, 2016)

- ✓ Industry AUM grew for the 10th straight quarter in Q4FY16
 - ✓ Gain of 0.9% in Q4 the slowest in last 10 quarters
 - ✓ 27 fund houses report AUM growth during the quarter

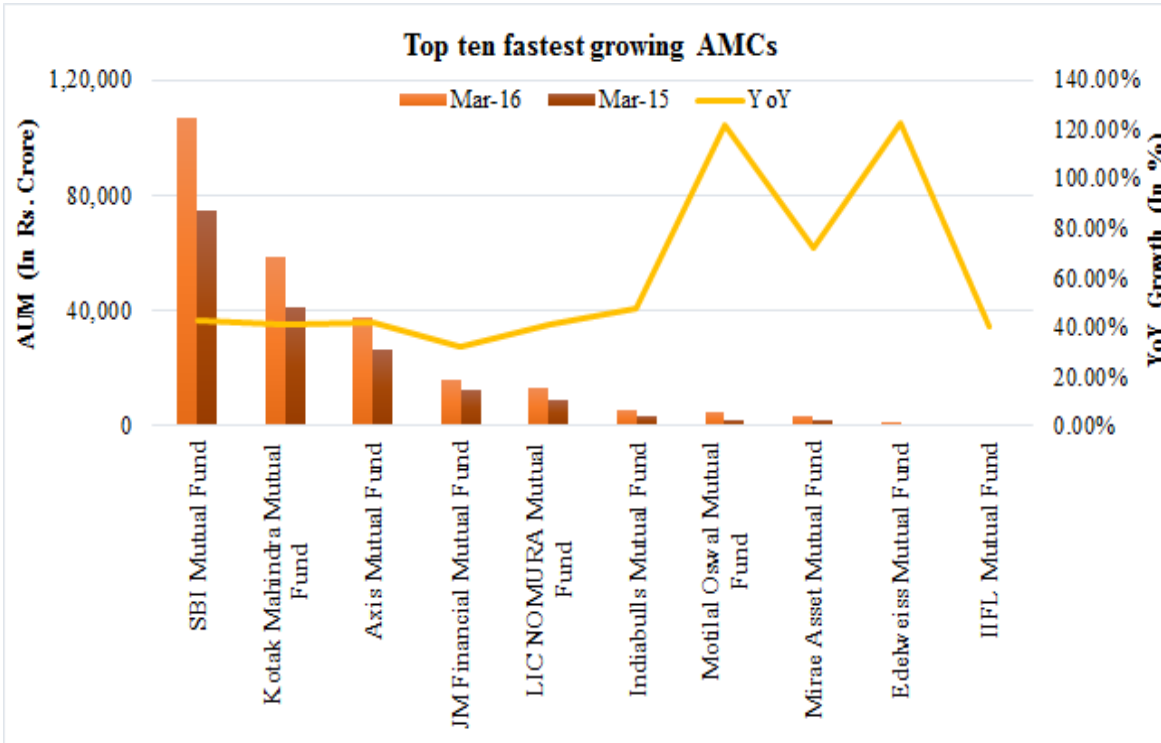
ICICI Prudential MF surges ahead to become the largest fund house in India



Source: AMFI, ICRA Online Research

- ✓ Industry witnessed major reshuffle at the top with ICICI Prudential claiming the top slot
- ✓ SBI MF replaced UTI AMC as the fifth largest fund house in terms of corpus by moving up one place

Edelweiss and Motilal Oswal doubled their AUM in FY16



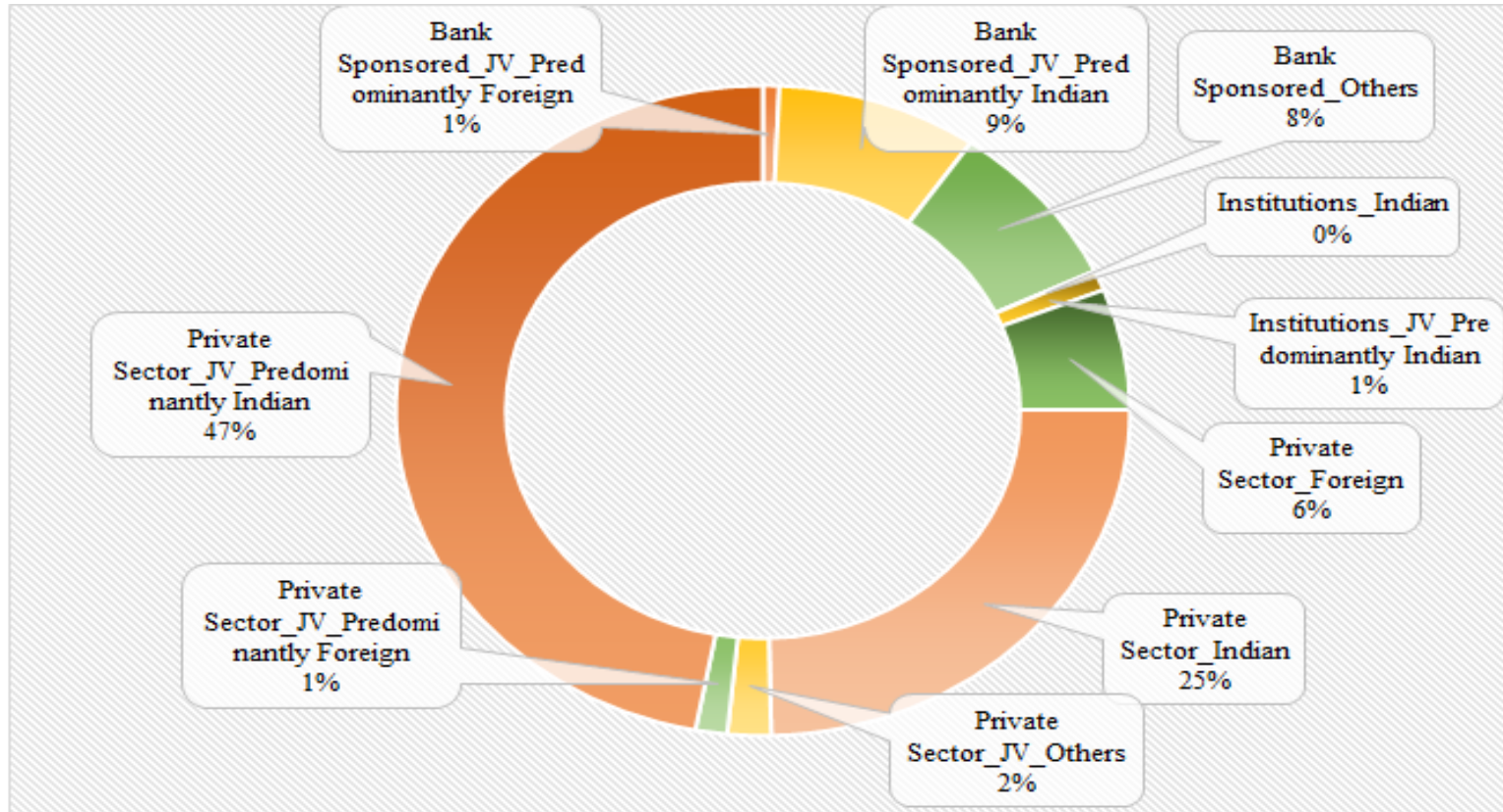
SBI, Kotak, and Axis AMC showed exceptional growth in corpus in FY16

- ✓ Edelweiss AMC and Motilal Oswal more than doubled their corpus in last one year and witnessed the highest % change in AUM (YoY) to the tune of 122.2% and 121.8%, respectively
- ✓ Out of top 10 fastest growing AMCs, seven have AUM below Rs. 20,000 crore

Source: AMFI, ICRA Online Research

DHFL Pramerica AMC was not included in the list of top ten fastest growing AMCs as its YoY growth of 1101% was fuelled by the acquisition of Deutsche MF.

47% of the AUM managed by private sector-joint ventures that are predominantly Indian



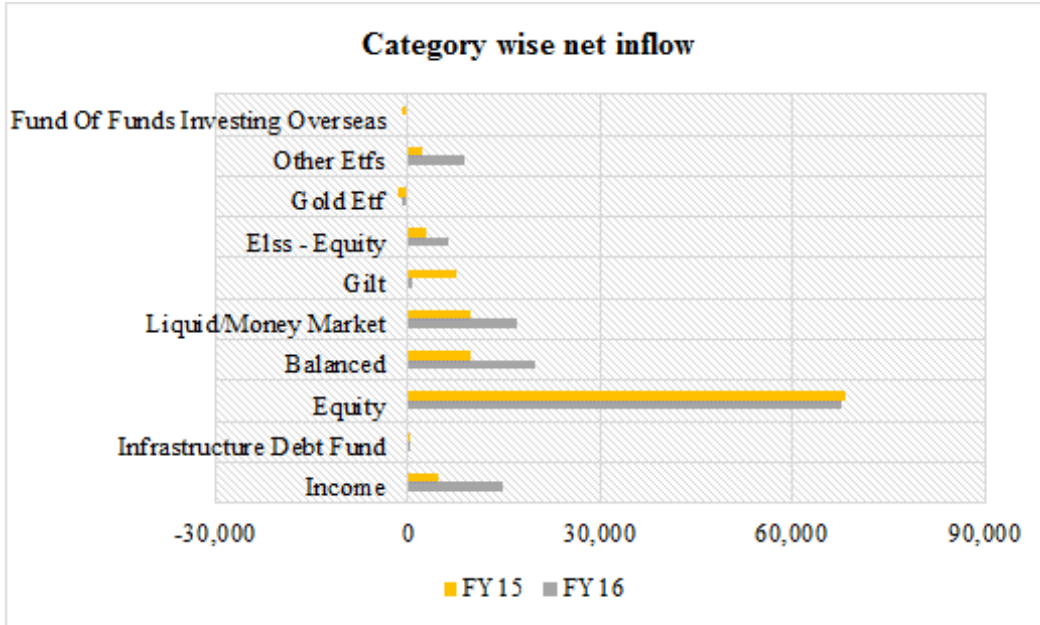
Source: AMFI, ICRA Online Research, data pertains to Mar-16

Section II

INFLOW OUTFLOW ANALYSIS



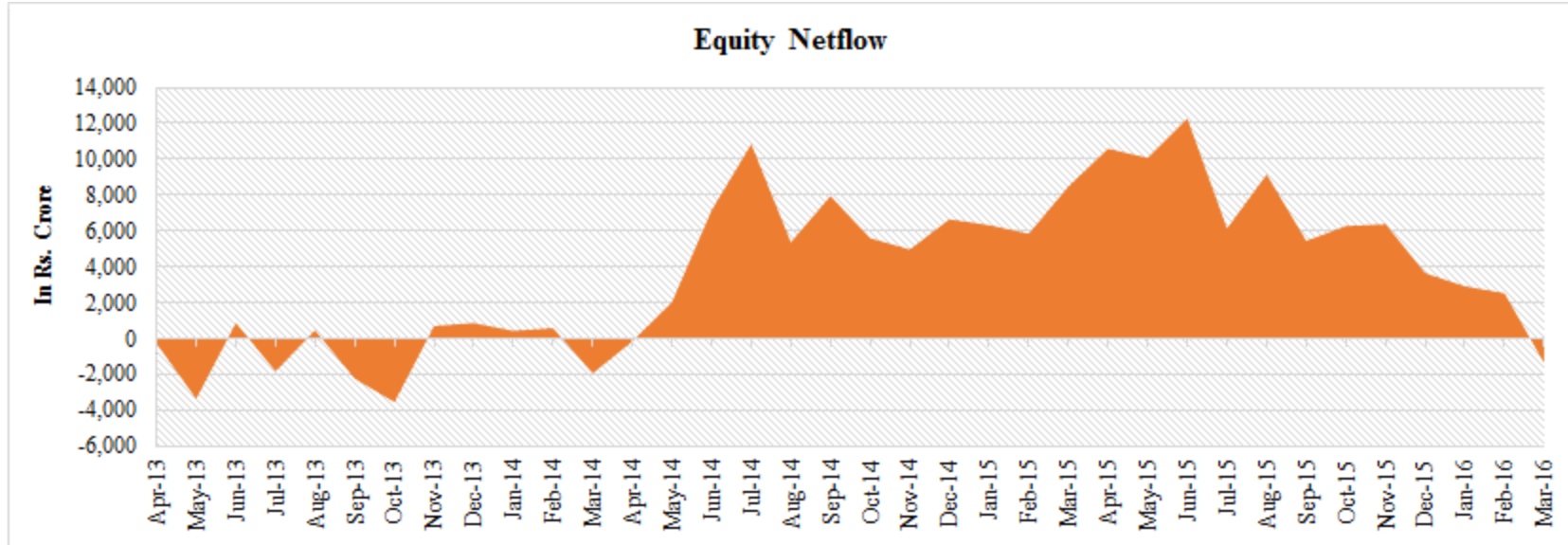
FY16 witnessed net inflows in most categories



Source: AMFI, ICRA Online Research

- ✓ Gold ETFs post their first quarterly growth after 10 quarters in Mar-16
- ✓ Barring gold ETFs and FoFs investing overseas, all other categories of funds saw net inflows in FY16.
- ✓ Balanced category also witnessed a net inflow of Rs. 19,743 crore in FY16 compared with Rs. 9,826 crore in FY15.
- ✓ Gilt show net inflow of only Rs. 759 crore in FY16 (net outflow of Rs. 1,622 crore in Q4FY16) compared with Rs. 7,712 crore in FY15 mainly due to lack of clarity on the interest rate front by RBI

Equity mutual funds witnessed net infusion of Rs. 74,024 crore in FY16



Source: AMFI, ICRA Online Research

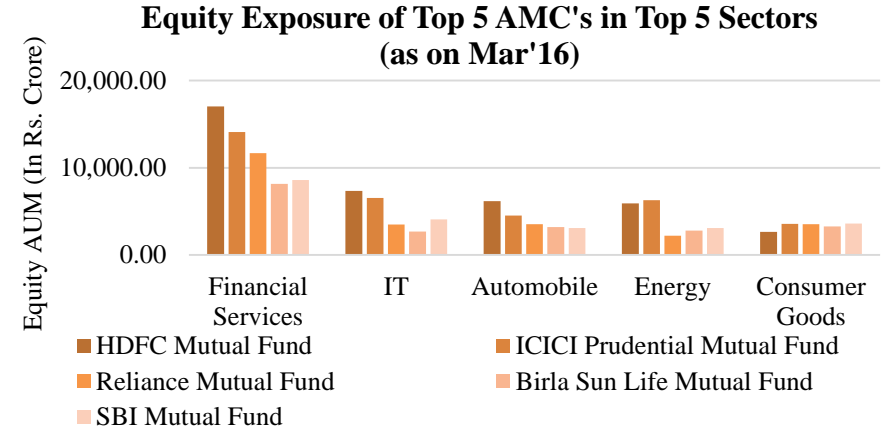
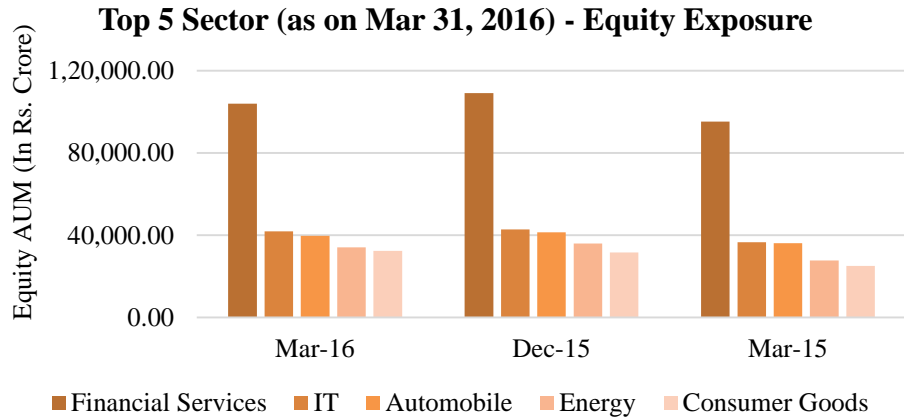
- ✓ Throughout the year, retail investors continued with their equity SIPs even though the broader markets remained volatile
- ✓ Equity category witnessed its first net outflow in Mar-16 after 22 months

Section III

SECTOR EXPOSURE ANALYSIS



More than 25% of the equity AUM invested in financial services sector



Source: ICRA Online Research

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✓ Financial services continued to be the sector with the highest exposure. However, asset quality of banks, especially PSUs, remains a concern

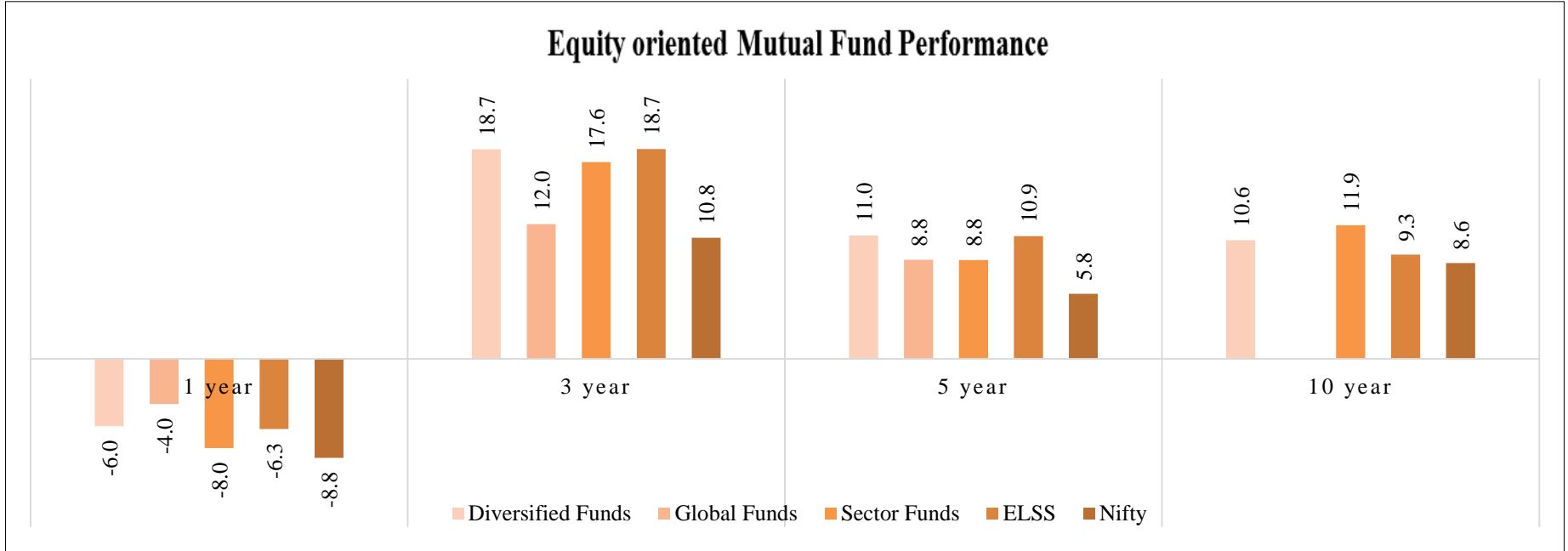
As part of our continuous improvement plan we have realigned sector classification with the widely accepted AMFI sector classification in our flagship product MFI Explorer .

Section IV

CATEGORY PERFORMANCE



Equity funds in India generated positive real returns in the last 10 years

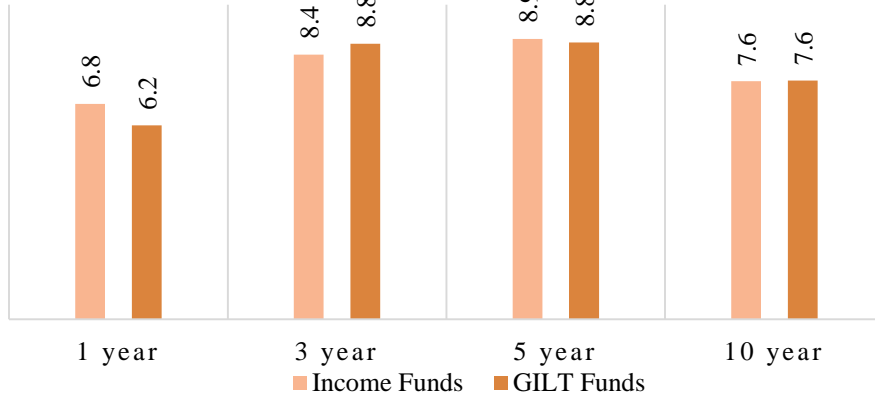


Source: ICRA Online Research, Returns as on 31-Mar-2016
Greater than 1 year Compound Annualized returns

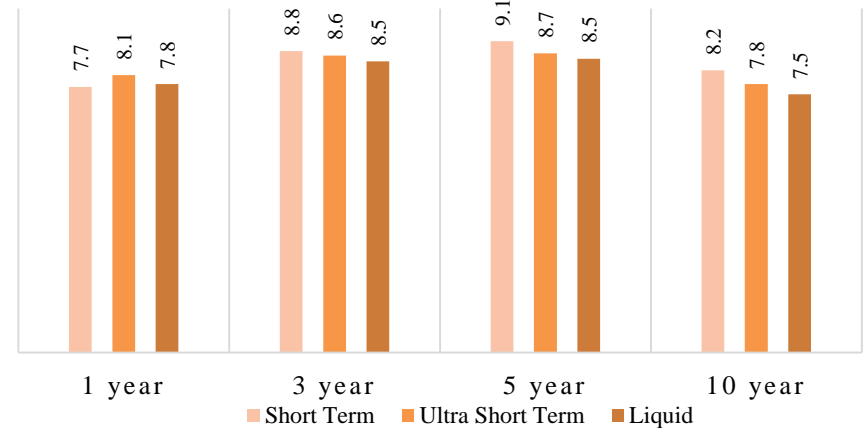
✓ Funds that aim to diversify across economies, i.e. global funds, met with limited traction, as performance was disappointing compared with domestic diversified funds

Returns of debt funds have hovered in the region of 8% to 9% across categories

Long term-Debt Oriented Mutual Fund Performance



Short term-Debt Oriented Mutual Fund Performance



Source: ICRA Online Research, Returns as on 31-Mar-2016
Greater than 1 year Compound Annualized returns

✓ RBI cut interest rates by 125 bps in 2015, which resulted in decent returns for dynamic bond funds

Section V

INDUSTRY INSIGHTS

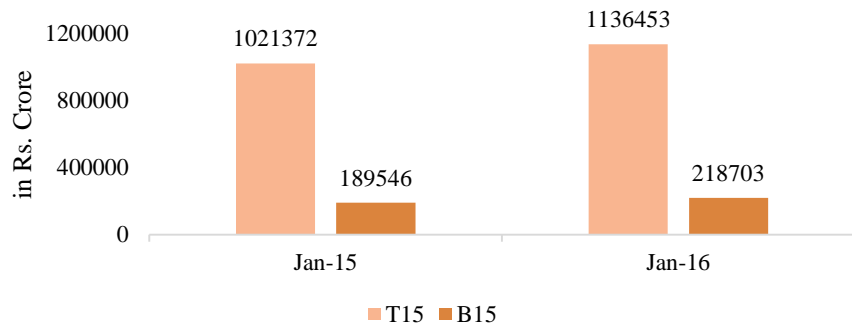


16% of the industry AUM came from B15 locations in Mar 2016

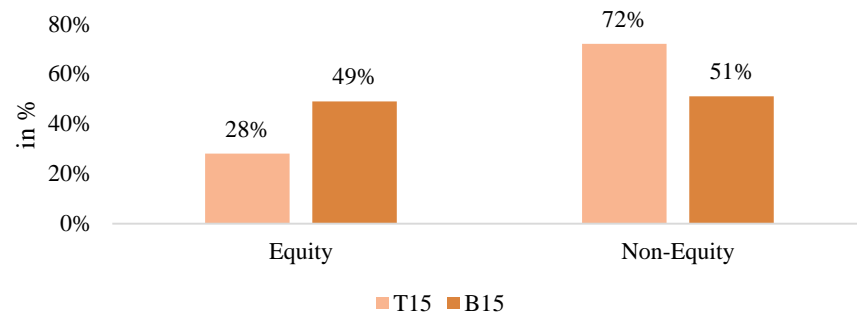


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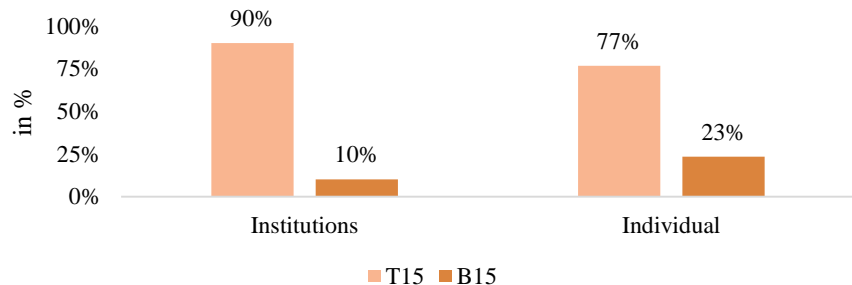
Assets from B15 locations grew from Rs 1.90 lakh cr in March 2015 to Rs 2.19 lakh cr in March 2016



B15 locations have a better balance of equity and non-equity assets (March 2016)

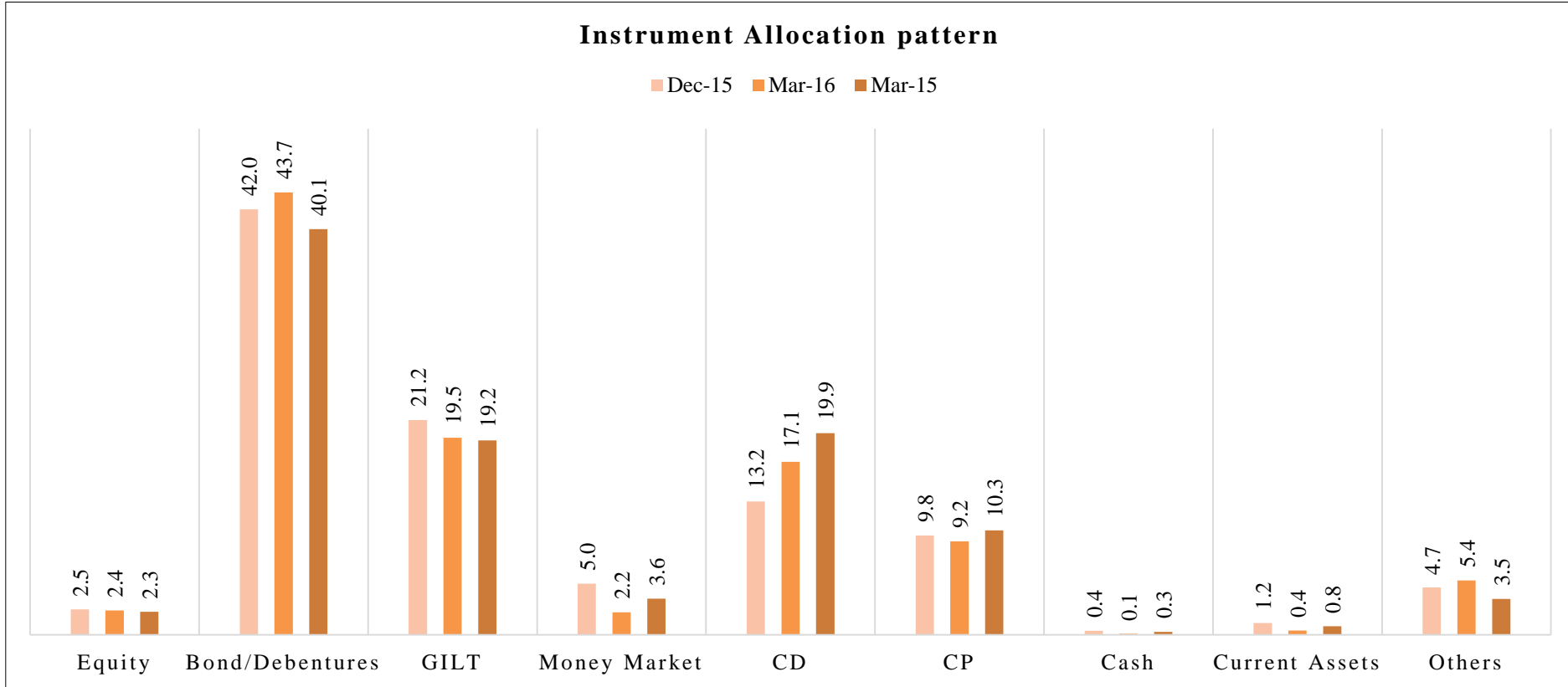


23% of Individual Assets are from B15 Locations (March 2016)

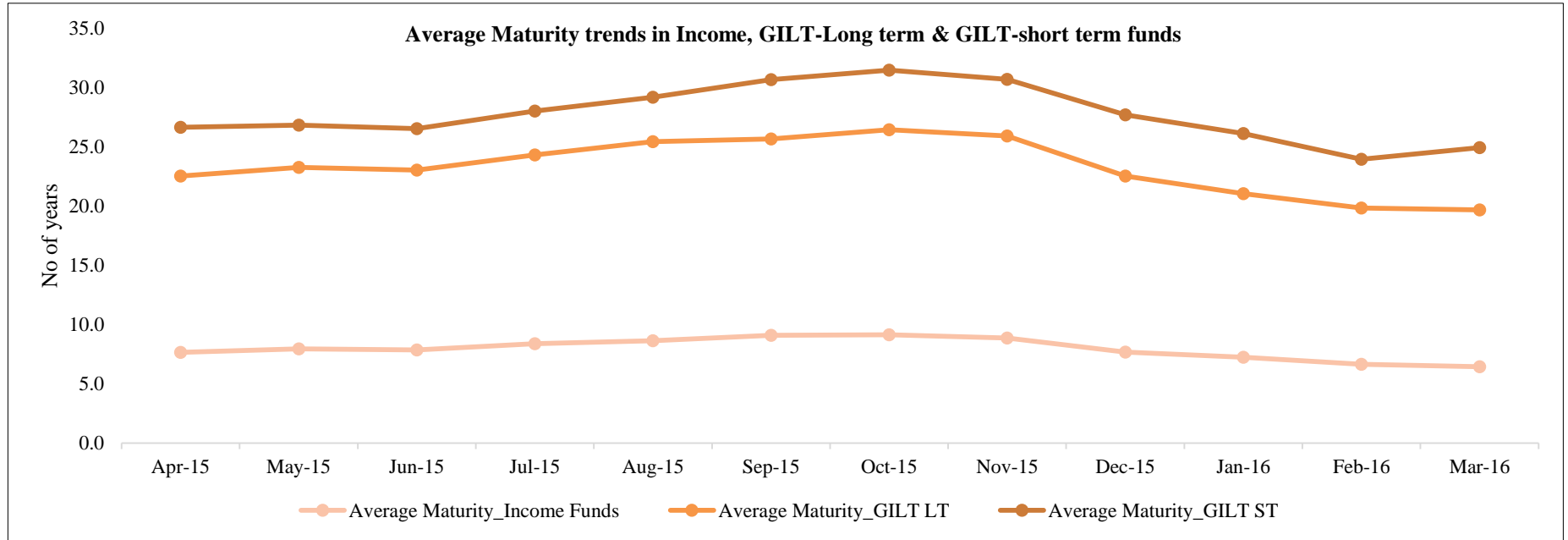


- ✓ The rate of growth in assets for B15 locations was 15.38% compared with Mar 2015 (12% for the industry as a whole during the same period)
- ✓ About 10% of institutional assets came from B15 locations

Instrument allocation pattern in debt segment



Average maturity remained on the higher side in FY16



✓ Expectation of benchmark rate reduction has been high during FY16. This is the prime reason why average maturity has been higher during the period. However, once rate cut transmission started, average maturity reduced

Liquidity analysis

Cash & Cash Equivalent as a % of Net Assets -Category wise

Mutual Fund Category	Mar-16	Feb-16	Jan-16	Dec-15	Nov-15	Oct-15	Sep-15	Aug-15	Jul-15	Jun-15	May-15	Apr-15
Equity	1.9	1.9	1.8	2.1	2.1	2.0	2.1	2.1	2.2	2.3	2.2	1.8
Gilt	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Balanced	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
ETF	0.6	0.6	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.6	0.6	0.6
Fund of Funds	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Dynamic/Asset Allocation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debt	9.6	10.2	10.0	9.4	10.0	9.9	9.7	11.1	11.0	11.2	11.2	12.2

- ✓ Debt funds have held a good amount of cash in the last 12 months
 - During the year, as interest rates started falling, debt funds reduced their cash positions accordingly

Section VI

M&A UPDATE (Q4FY16)



Mergers and acquisitions





- ✓ Nippon Life Insurance (NLI) completed acquisition of additional 14% stake in Reliance Capital Asset Management (RCAM) for Rs. 1,200 crore, raising its holding to 49%. Accordingly, NLI became a co-sponsor of Reliance Mutual Fund along with Reliance Capital
 - ✓ The transaction pegs RCAM valuation at Rs. 8,542 crore (\$1.3 billion), the highest valuation till date for any AMC in the country
- ✓ Edelweiss Asset Management, a unit of Edelweiss Financial Services Ltd, acquired the mutual fund business of JPMorgan Asset Management India.
 - ✓ The AUM of JPMorgan Asset Management India stand at approximately Rs. 7,081 crore, while the combined AUMs of both entities amount to approximately Rs. 8,757 crore (as on Dec 31, 2015)

Section VII

UNION BUDGET – IMPACT ASSESSMENT



Impact of Union Budget

Budget Announcement		Likely Impact
Any transfer of units in merger or consolidation of plans of a mutual fund scheme shall be exempt from capital gains tax		This has paved the way to merge or consolidate the plans such as institutional, super institutional, wholesale, and regular plans
It has been proposed to exempt service tax levied on agents earning less than Rs. 10 lakh commission annually. However, those distributors earning more than the threshold limit will have to pay service tax of 14%		Mutual fund agents/distributors who earn below Rs. 10 lakh as commission will be exempted by service tax. This will result in higher net income for them. The move is aimed at increasing retail participation in mutual fund (MF) industry
Proposal to impose a cess, called the Krishi Kalyan Cess, @ 0.5% on all taxable services		The service tax on distributors' commission goes up by 50 basis points (15% from 14.5%)
Proposal to raise the surcharge from 12% to 15% on persons, other than companies, firms, and cooperative societies having income above Rs.1 crore		Debt schemes investors will receive relatively lower net dividend amount. So far, AMCs pay Dividend Distribution Tax of 28.84% for the dividend declared from debt schemes. Now, AMCs will have to pay DDT of 29.6125%. No impact on equity-oriented schemes

The proposal to levy 10% income tax on dividend income in excess of Rs. 10 lakh in the hands of the receiver is applicable on dividends received as shareholders from companies and not on dividends received from mutual funds. Further, mutual funds are not required to pay this tax on dividends received by them as shareholders from companies as this tax is applicable only on dividends received by individuals, HUF and firms

Section VIII

REGULATORY UPDATE



Investor-friendly regulatory measures to increase retail participation in mutual funds



ECS to get replaced with NACH forms

- ECS form replaced with NACH form to invest in mutual funds through SIP with immediate effect. With NACH, the turnaround is expected to reduce to only up to 10 days as against 30-35 days under ECS



National KYC from April 1, 2016

- National KYC likely to start from FY17, which will make investing in mutual funds procedurally easier for investors as well as help MF distributors in complying with KYC rules



“FillEezz” to reduce manual form filling

- Mutual Fund Utility (MFU) has launched a new facility which is known as "FillEezz". The facility will enable individual investors and distributors to fill up the form online and save time on manual form filling



Aadhaar number to make MF investment easier

- Mutual fund houses are offering the facility of investing in their products by using the Aadhaar number. The objective of the move is to make it easier for investors to buy or sell mutual fund products

The thrust of the regulator is on greater transparency



Fund House

Tighter norms for debt securities

Putting investment restriction on “wilful defaulters”

Laying out proper norms for redemptions from debt MFs

Allowing AMC’s to invest unclaimed dividends

AMC’s to be much more transparent

- To diversify the portfolio at an issuer, sector and group level, SEBI has reduced single security exposure, sector exposure, and group exposure for debt schemes
- SEBI is considering norms to restrict investments in companies reported “wilful defaulter”
- AMC’s need to investment in such companies
- SEBI is mulling rules that will help determine how and when mutual funds can restrict investors from withdrawing money from mutual fund debt schemes
- To invest unclaimed redemption and dividend amounts in a separate plan of liquid scheme floated by AMC’s
- To provide additional information to unit holders, including the commissions paid to distributors
- AMC to disclose salaries paid to senior executives

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