

MFs pruned PSU exposure ahead of election result

Sold shares of 9 PSUs worth ₹9,570 cr in May

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Mutual funds (MFs) cashed in on their investments in public sector undertaking (PSU) ahead of the general election results.

In May, MFs were the net sellers in several PSUs, as they deployed ₹47,600 crore in equities during the month.

Canara Bank led the list of the most sold stocks by fund managers in May with an estimated pull out of ₹2,270 crore, according to a Nuvama Alternative & Quantitative Research report.

The list of the 30 most sold stocks featured names of nine PSUs, compared to four in April. The aggregate redemption in these nine stocks, which also included Bharat Electronics, Punjab National Bank, and GAIL, amounted to ₹9,570 crore.

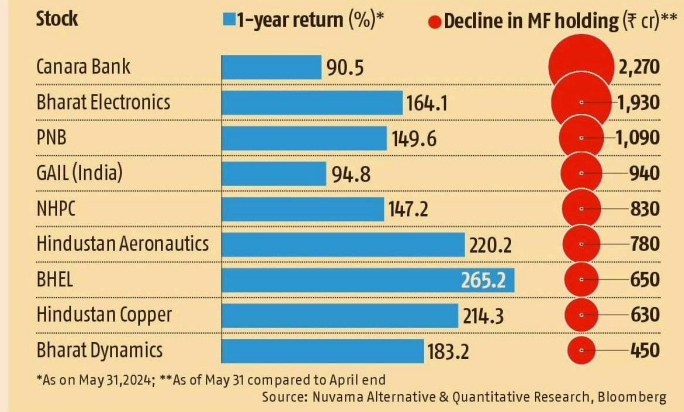
Only one PSU — IRFC — was among the most-bought stocks in May with the aggregate MF investment estimated at ₹860 crore. Most PSU stocks have had a strong run in recent years with some of them having more than doubled over the past year.

The BSE PSU index was up 102 per cent in the past year ending May 31, 2024.

Buoyed by the exit poll results, it went up another 7.7 per cent on June 3 but tanked almost 16 per cent the next



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day amid the post-election result sell-off. However, the index has now recouped most of the losses.

At the fund house level, HDFC MF and Quant MF were among the top sellers. Quant MF exited four stocks last month, and all of them were PSUs —

PNB, Bharat Electronics, GAIL, and Hindustan Copper.

In the case of HDFC MF, all of the five holdings that it sold the most were PSUs — Hindustan Aeronautics, SBI, NHPC, Bank of Baroda, and Power Finance Corporation.

The report shows that private bank stocks, many of whom have underperformed in recent years, saw the highest buying interest in the previous month.

HDFC Bank and Kotak Mahindra Bank were at the top of the buy list as MFs invested a net of ₹7,600 crore and ₹3,210 crore, respectively, in the two stocks.

Reliance Industries, Infosys, and Larsen & Toubro were also in the top five. The heavy deployment in the Nifty 50 and Sensex heavyweights was also due to a surge in investments in passive funds. Index funds and ETFs raked in a net of ₹15,180 crore in May vis-a-vis ₹12,270 crore in April.

Many of the fund managers and market experts have been predicting a shift in the market cycle and expect 'quality' stocks to take the lead over 'value' stocks.

Stocks of companies with strong financials, high growth potential, and durable business model are considered to be quality shares. Value stocks are those that appear to be trading for less than their intrinsic or book value.

PSU stocks are generally tagged as value stocks.

"For over three years now, the quality stocks have been underperforming. With political uncertainty returning and speculative action likely to subside, we believe the focus should move back to bottom-up fundamentals. Quality of management, strength of balance sheets, and sustainability of growth should become important again," SBI MF said in its latest factsheet.