

# Equity NFOs at 9-year high in first half

**Fund houses launch 28 schemes to garner ₹7,500 cr, amid buoyancy in the secondary market**

**CHANDAN KISHORE KANT**  
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Domestic fund houses have raised the highest sum in nine years through equity New Fund Offers (NFOs) in the first half of calendar 2017.

A total of 28 NFOs garnered ₹7,469 crore in these six months, the highest since 2008, when 30 new schemes had got ₹21,421 crore. The first half of 2016 saw only 12 equity NFOs, cumulatively raising ₹811 crore.

The latest surge has come with an uptrend in the stock markets, which has helped benchmark indices and also small-cap and mid-cap indices climb to record levels.

Prior to the 2008 market meltdown caused by the global financial crisis, NFOs were a popular vehicle for asset mobilisation for mutual funds (MFs). However, between 2009 and 2016, only ₹15,561 crore, almost a

third cent less than the amount raised in 2008 alone, was raised via NFOs. The correction in the market, along with regulatory dictates against launching too many new schemes, particularly of a similar nature, contributed to the slump.

Those in the sector say fund houses are not relying heavily on NFOs for asset mobilisation and a lot of investors prefer existing schemes over new ones.

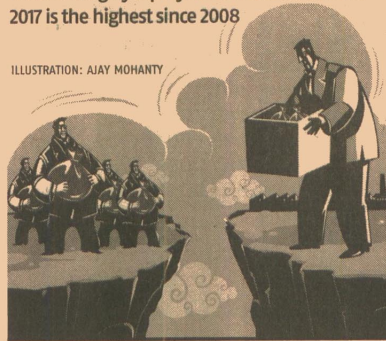
Sundeep Sikka, chief executive officer (CEO) of Reliance Nippon MF, says, "It's a pleasant surprise. It is another mode which suggests investors' attraction for equity investments continues to rise. However, it does not mean that the trend of NFOs is back. Existing schemes are fetching much higher than the new launches and I believe this trend will continue."

Sunil Subramaniam, CEO of Sundaram MF, agrees.

## SURGE IN NEW OFFERS

Fund raising by equity NFOs in the first half of 2017 is the highest since 2008

ILLUSTRATION: AJAY MOHANTY



YEAR	NO. OF EQUITY NFOs#	FUND RAISED (₹ crore)	AVERAGE FUND RAISED PER NFO (₹ crore)
2008	30	21,421	714
2009	10	894	89
2010	11	2,703	246
2011	6	572	95
2012	5	130	26
2013	9	641	71
2014	31	3,326	107
2015	41	6,484	158
2016	12	811	68
2017	28	7,469	267

Includes ELSS & Equity Schemes – both open and close-ended; # No. of equity NFOs in the first six months of a calendar year  
 Source : Association of Mutual Funds in India (Amfi)

"There are fund houses which do not have several products in their basket. They are coming up with products and launching funds. Apart from this, several closed-end funds have also come during this time. I do not think it is right to say NFOs are back."

NFOs were launched in recent months by, among others, IDBI MF, Sundaram MF, ICICI Prudential MF, Mahindra MF and Union MF.

Kaustubh Belapurkar, director (fund research) at Morningstar India, says: "No doubt, it's a large mobilisation in absolute terms through NFOs in the past six months. Only, in percentage terms, the money raised is about 10 per cent of that flowing into equity schemes. I was of the view that new launches might dry down but this does not seem to be happening. Apart from fulfilling of product baskets by

fund houses, I feel strong market sentiment might also be propelling fund houses to come up new funds to garner a healthy sum."

Swarup Mohanty, CEO of Mirae Asset MF, says: "If the market remains strong, there could be an increasing trend of new offers. Though NFOs are the riskiest of products, there is still a section of investors who like the ₹10 unit value."