ET Markets: Beating Volatility

'Deposit Rates May Fall, Credit Growth to Hold in FY26'

SMART INVESTING ▸▸ 13

Market Trends

STOCK INDICES		% CHANGE
Nifty 50	24973	0.42
BSE Sensex	81425	0.40

MSCI INDIA	1691	0.48
MSCI EM	3542	0.77
MSCI BRIC	786	0.56
MSCI WORLD	19988	0.04

Japan(Nikkei)	43838	0.87
Hong Kong(HSI)	26200	1.01
S.Korea(Kospi)	3315	1.67
Singapore(STI)	4346	1.14

OIL ($/BRL)	
DUBAI CRUDE	70.34
Absolute Change	1.11

GOLD RATE	US ($/Oz)	India (₹/10GM)
OPEN	3625	108744
LAST*	3653	109180
Prev(%) chg	0.57	0.13

FOREX RATE	
OPEN	88.22
LAST*	88.10

Source: Bloomberg, MCX, ETIG, LSEG

Market on Twitter @ETMarkets

Debt mutual funds record outflows of ₹7,980 crore ● Weak retail investor appetite, a slowdown in new scheme launches and fall in equity markets weigh on overall assets

Retail Flows into Equity MFs See a Sharp 21% Drop in Aug

Our Bureau

Mumbai: Flows into equity mutual funds fell 21% in August from the previous month on a weaker retail investor appetite. A decline in scheme launches also weighed on collections.

Investors poured ₹33,430 crore into equity mutual funds in August compared with ₹42,702 crore in July. Inflows through SIPs were marginally lower at ₹28,265 crore against ₹28,464 crore a month earlier.

"The lower impact of new flows compared with the previous month of about ₹9,000 crore is to the extent of new fund offers (NFOs) which were higher in July than August," says Akhil Chaturvedi, ED, Motilal Oswal Asset Management Company.

Debt mutual funds recorded outflows of ₹7,980 crore, driven largely by withdrawals from liquid schemes. The decline in equity markets also weighed on overall assets. The mutual fund industry's net AUM slipped 0.3% to ₹74.30 lakh crore from ₹75.18 lakh crore in July, according to data from the Association of Mutual Funds in India (AMFI).

Among equity categories, sectoral or thematic funds saw the sharpest drop, with inflows slipping to ₹3,893 crore in August from ₹9,426 crore in July.

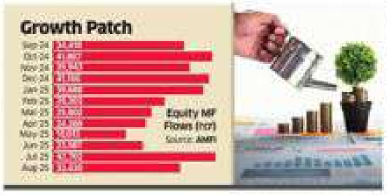
Within the diversified equity space, flexicap funds attracted the highest flows at ₹7,679 crore in August, marginally higher than ₹7,654 crore a month earlier. Small-cap funds saw a 23% fall in inflows to ₹4,993 crore from ₹6,484 crore in July, as investors turned cautious amid high valuations in the segment.

Mid-cap funds, however, recorded a modest rise in flows to ₹5,331 crore compared with ₹5,182 crore earlier, while large-cap funds saw inflows climb to ₹2,640 crore from ₹2,125 crore.

In the fixed income space, liquid funds recorded the largest outflows at ₹13,350 crore in August, while overnight funds saw inflows of ₹4,950 crore. As bond yields rose, investors pulled out ₹928 crore from gilt funds.

In the hybrid category, which invests across two or more asset classes, net inflows eased to ₹15,294 crore from ₹20,879 crore in July. Arbitrage funds, known for their safety and tax efficiency, witnessed inflows drop to ₹6,667 crore from ₹7,296 crore, while multi asset allocation funds saw collections fall to ₹3,328 crore from ₹6,197 crore in the previous month.

A sharp rise of 50% in the price of domestic gold led to investors adding ETFs worth ₹2,190 crore in August from ₹1,256 crore in the previous month.



Large-cap MFs Trail Benchmark on Returns

Give 13.6% over 3 years against Nifty TRI's 14.7%; Categorisation rules said to limit alpha

Prashant Mahesh

Mumbai: Large-cap mutual funds have slipped behind the benchmark in recent years.

Between January 2020 and July 2025, they returned 13.6% over three years and 12.9% over five years, according to a study by DSP Mutual Fund. In comparison, the Nifty Total Returns Index (TRI) delivered 14.7% and 14.1% in three- and five-year periods, respectively.

That's a sharp reversal from earlier decades when these funds consistently beat the index, generating alpha — returns over the benchmark — of 4.5% and 4.9% in 2000-2009 and 1.1% and 0.9% in 2010-2019 on a 3-year and 5-year basis.

Analysts said mandatory benchmarking to the Total Return Index (TRI) and the recategorisation of funds based on market capitalisation by Sebi have led to lower alpha generation. The Nifty TRI also includes dividends in addition to capital gains, assuming those dividends are reinvested.

As per Sebi's mandate, large-cap schemes should have 80% of their portfolio in the top 100 stocks by market capitalisation.

"On account of Sebi rules on categorisation, the universe of large-cap stocks is restricted to the top 100 stocks. Due to this, many large-cap active funds are seen hugging their benchmarks, leading to low alpha generation," says Harshvardhan Roongta, founder, Roongta Securities.

Turning Laggards

Shrinking Alpha of Active Funds in Last Decade

	Active large cap funds*	Nifty 50 TRI	Alpha
3 year daily rolling			
2000 to 2009	25.8	21.3	4.5
2010 to 2019	12.1	11.0	1.1
2020 to YTD 2025	13.6	14.7	-1.1
5 year daily rolling			
2000 to 2009	28.5	23.6	4.9
2010 to 2019	12.7	11.8	0.9
2020 to YTD 2025	12.9	14.1	-1.2

Returns in %. Source: DSP Mutual Fund, As of July 31, 2025
*Active large cap funds with the same performance track record as Nifty 50 TRI considered

BID TO CAPITALISE ON YOUTH CONSUMPTION

Saree Retailers in South Weave a ₹20kcr IPO Design

Peer Show

COMPANY	MCAP (₹ Cr)	GM RTN (%)	YTD RTN (%)	1Y RTN (%)
V2 Retail Ltd	5,523	-5.3	-6.3	53
Sai Silks (Kalamandir)	2,655	37.4	2.7	2
Baazar Style Retail	2,061	54.7	15.2	-3
Trent	1,84,771	0.8	-27.0	-27
Vedant Fashions	17,775	-2.9	-43.2	-42

With fresh capital, these players aim to expand into tier-2 and tier-3 markets

Himadri Buch

Mumbai: Saree retailers from southern India, including RSB Retail India, Marri Retail, Pothys and Nalli Silk Sarees, are readying to raise nearly ₹20,000 crore through initial public offerings (IPOs) in the next 6-8 months, said bankers with knowledge of the matter.

IPOs offer a way to monetise and create value from the brand equity these ethnic women's wear retailers have built over decades, they said.

"Most of these saree retailers have so far been concentrated in metro and tier-1 cities in south India," said Bhavesh Shah, managing director and head of investment banking at Equirus Capital.

With fresh capital, these companies can expand into tier-2 and tier-3 markets, where both population and spending power are increasing. That makes equity funding a good strategy to capitalise on the opportunity, said Shah.

Among such companies, RSB Retail has already filed papers for a ₹1,300 crore issue, while Marri Retail and Pothys are planning IPOs of ₹2,000 crore and ₹1,200 crore, respectively. Heritage saree retailer Nalli Silk Sarees is also exploring a public listing.

Emails sent to these companies remained unanswered till press time.

These companies are likely to use the IPO proceeds to expand store networks, invest in supply chains and push for more online sales, riding a wave of consumption-led growth in ethnic wear, according to bankers.

Currently, Hyderabad-based Sai Silks (Kalamandir) is the only listed saree retailer from southern India. Since its listing in September 2023, the company's stock is down nearly 32% but in the past six months, it has climbed about 27%.

Sarees remain a core cultural product, especially in southern India, with high repeat purchases driven by festivals, weddings and other occasions, according to Vaqarjaved Khan, senior fundamental analyst, Angel One. He said the organised sector's share is only 30% of the total saree market, offering a headroom for growth to organised players.

"Past listings such as Sai Silks and Vedant Fashions show ethnic wear can command premium valuations if done right as these products have high gross margins of 40-50%," said Khan. "Sarees are timeless products with strong cash conversion and low inventory obsolescence."

Amid growing consumption, increasing purchasing power and policy push to boost spending, saree retailers are seizing the moment to go public and scale up.

ETPrime

Air pockets

SpiceJet has once again hit rough weather. Its latest annual report and presentations over the past two years suggest that even last year's ₹3,000 crore funding hasn't been enough to steady the airline. Its total debt and payables still stand at around ₹5,000 crore, compared with ₹7,000 crore a year earlier. In all, the airline has racked up around ₹6,000 crore in losses over seven years, and worryingly, it appears to have stumbled again this fiscal.

Tarun Shukla has the details.

Sluggish pace

As of August 8, 2025, credit growth of scheduled commercial banks was at 10.2%, down from 13.7% a year ago. In the same period, deposits grew at 10.1%. In contrast, retail loans and MSME credit are buzzing, both growing at over 14%. There is one positive shift though: Large corporations now account for only 15% of overall bank credit, compared with more than 35% a decade ago.

A deep dive by Sunny Verma.

Gsec Demand Set to Rise from Oct

The recent sell-off in government bonds seems to be easing, with demand expected to rise from October. The impact on revenues from the GST changes is seen as less severe than first feared, and the market is factoring in possible RBI to fix the bond market dislocation.

INDIA INNOVATION, GLOBAL OPPORTUNITY

SPOTLIGHT

Shaping the Future of Global Capability Centres

With vision and leadership, India is increasingly leveraging chartered accountants to drive enterprise resilience and global growth

Hena Ahmed

Policymakers, industry leaders, and finance professionals gathered in Ahmedabad to discuss the talent, technology, and policy support to cement India's position in the Global Capability Centres (GCC) landscape. The deliberations around India's GCC ecosystem was timely since the industry is trying move beyond the traditional transaction-focused industries and build their own IPs and competencies.

GCCs are driving India's economic and technological rise, leveraging talent and strong frameworks. Discussions emphasised how these centres transform industries through governance, digital innovation, and sustainability, revealing both progress and future pathways.

The epicenter of India's GCC industry is home to a vast pool of young, skilled talent. For the industry to thrive and expand, new centres need to be added and several state governments are now designing policies for tier-two and tier-three cities to unlock talent and drive balanced growth. Besides talent, India also wants to build quality physical and digital infrastructure, enhance competitiveness of cities and driving the innovation pipeline.

India also wants to more than double the number of GCC from around 1800 by 2030, positioning the country as the hub for global enterprise capabilities.

BEYOND AUDIT, TAXATION

The widening expertise of CAs beyond the traditional roles such as audit and taxation had the attention of the speakers as well as the audience. Delegates highlighted that while GCCs may have originated as extensions of global businesses, they are now recognised as hubs of innovation and decision-making. The rapid scaling up of GCCs is enabling a transformation in business practice. Professionals to position themselves not as transactional accountants, but as trusted advisors in governance, risk, and digital adoption.

The story of Ahmedabad city was recounted as a living example of vision translating into reality. It is now home to thriving financial and technological ecosystems. Leaders drew parallels between this transformation and the role of CAs in shaping the future of GCCs. Across locations, several GCCs are thriving with expertise in their chosen domains.

The multiplier effect of GCCs was repeatedly raised, noting how their economic impact extends far beyond their immediate functions to entire ecosystems of allied industries. The challenge was no longer about hosting centres but about owning the intellectual and strategic blueprint.

DEFINING ROLE OF TECHNOLOGY

The accelerating role of technology in shaping the functions of the GCC was a topic that got particular attention. Artificial intelligence, generative AI, and ESG-linked reporting were discussed as defining frontiers. Automation is expected to take over tasks that are repetitive and the routine work, but the expertise of human-led judgment, ethics, and assurance will continue to be value for enterprises and societies. The emphasis was on embracing these tools as enablers of efficiency and creativity.

Sustainability and governance also took centre stage, with reflections on how financial reporting now extends to non-financial metrics. From ESG disclosures mandated by regulators to sustainability-linked loan evaluations, the landscape has been rapidly shifting. CAs were urged to embrace this shift and deliver integrated reporting that builds trust in global markets.

REIMAGINING RESPONSIBILITY

Chartered accountants were encouraged to adopt a broader identity. No longer limited to balance sheets and compliance, their role is expanding to create innovative solutions and influence enterprise strategy. Suggestions ranged from AI-driven real-time audit tools to global tax compliance platforms powered by machine learning. The message was clear: professionals must position themselves as both innovators and guardians of trust.

Another recurring theme was the confluence of supportive infrastructure, policy clarity, and institutional collaboration. Gujarat's universities, research centres, and entrepreneurial culture were described as fertile ground for the growth of GCC-linked enterprises. Discussions emphasised that relying solely on cost advantages is insufficient; India's future lies in leadership, creativity, and the integration of technology with governance.

The Institute of Chartered Accountants of India (ICAI) hosted the second GCC Summit which saw strong attendance from the finance community. The event highlighted how CAs are driving GCCs toward strategic global leadership, focusing on the transition from accounting to decision-making and innovation.

"With more than 80,000 Chartered Accountants embedded in Global Capability Centres, we are no longer passive contributors but architects of global vision. From governance and entrepreneurship to digital transformation, CAs are shaping the future of enterprise. Our discipline and expertise are fuelling India's emergence as a global leader"

Charanjot Singh Nanda
President, ICAI

The GCC opportunity transcends talent alone; it rests on a framework of regulatory agility and financial resilience. IFSCA is committed to nurturing cross-border services, fintech innovation, and seamless compliance. By aligning policy clarity with executional excellence, India can redefine itself as the world's most trusted hub for capability centres.

Kalyanaraman Rajaraman,
Chairperson, IFSCA

Gujarat has consistently pioneered ecosystems that catalyse innovation and enterprise. As GCCs move deeper into areas such as AI, cybersecurity, and ESG solutions, our state offers fertile ground for research linkages, infrastructure, and skilled talent to support this evolution. Together, we are advancing India's aspiration to be the innovation capital for global enterprises.

Ponugumatla Bharathi
Secretary, Science and Technology, Gujarat