

# Investors put ₹5,660 crore into a ₹10 fund in 2008. Then markets fell

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**Maxim:** A ₹10 NAV is not cheap. — Dhirendra Kumar

*A new fund's ₹10 unit looks like a bargain next to an old fund's ₹300. It is not. The number on a fund unit tells you nothing about what you are buying, and the belief that it does has cost investors dearly.*

A fund's NAV is a measurement, not a price tag.

In January 2008, Indian investors queued for a new fund. Reliance Natural Resources Fund, offering units at ₹10 each, collected ₹5,660 crore in its new fund offer, the second-largest sum an Indian equity fund had ever raised at launch, [Value Research recorded](#). The market was near the end of a five-year boom, commodity stocks were the theme of the moment, and a fresh fund at ₹10 felt like getting in at the ground floor.

The ground floor gave way. The Sensex fell 52.5% in 2008, according to [annual return data](#) compiled by TopForeignStocks. By June that year, Business Standard [reported](#) that the fund's NAV had slipped below its ₹10 starting point, and it was far from alone; most of that season's new funds were trading below par. In fairness, the fund's managers had held much of the money in cash in the early months, which cushioned the first fall. The problem was not the managers. It was the belief that had drawn the money in.

## Why ₹10 feels cheap

Dhirendra Kumar, founder of Value Research, traced the confusion to a single word in a [September 2026 column](#). The industry calls a fund's NAV its "price", so investors treat it like the sticker on a product in a showroom. A ₹10 unit sits next to a ₹300 unit and looks like the bargain. Kumar calls this a mistake of vocabulary, not intelligence.

The NAV is simply the value of the fund's investments divided by the number of units. A new fund starts at ₹10 for no deeper reason than convention. An old fund's NAV of ₹300 records how much its portfolio has grown since it too started at ₹10. Kumar's own illustration makes the point: put the same money into two funds holding identical portfolios, one at ₹10 and one at ₹500, and when the portfolio rises 10%, both investments rise by exactly the same amount. You get more units of one and fewer of the other, and the same result.

What a low NAV does do is make selling easy. Kumar notes that new fund offers tend to cluster after markets have risen, when fresh investors are eager, and he describes a ₹10 unit sold to a first-time investor as "the easiest sale in this business". His advice is blunt: anyone who recommends a fund because its NAV is low is misleading you.

## The pattern repeats

The 2008 lesson did not end the habit. In 2024, after a strong run in Indian shares, fund houses launched 81 equity new fund offers that raised ₹94,548 crore, a record, led by thematic funds in areas

such as defence, tourism, energy, manufacturing and realty, according to AMFI data [reported by Angel One](#). After the correction that began in October 2024, launches and collections fell sharply in the first half of 2025, as many of the previous year's thematic funds disappointed.

Some new funds deserve to exist. Kumar points to early international funds that gave Indian investors exposure they could not get elsewhere. His test is simple: does the new fund offer something an existing fund cannot? If the answer is no, the existing fund has one big advantage. It has a track record you can examine, through good markets and bad.

The same illusion turns up with shares. A company whose share trades at ₹50 is not cheaper than one trading at ₹5,000; what matters is the price relative to the earnings, assets and prospects behind each share. Splits and bonus issues change the number on the screen without changing the value of what you own. The habit of reading a small number as a bargain is worth unlearning everywhere it appears.

What should you compare instead? For any fund, new or old, look at what it owns and what it charges. For an existing fund, add its returns over five and ten years against its benchmark and its category, how it behaved in falling markets, and how long the current manager has run it. All of this is in the factsheet and on independent research sites. None of it is captured by the NAV.

Before buying any new fund, ask four questions. What will it own that I cannot already own through a fund with a record? Who manages it, and what have they done before? What will it cost each year? And why is it being launched now, rather than three years ago when the theme was unfashionable?

**If you do one thing:** The next time a fund is offered to you at ₹10, ignore the NAV completely and ask the seller to show you an existing fund with a similar portfolio and a five-year record. If no such fund exists, ask why this theme needs a fund at all.

The investors of January 2008 thought they were buying early and cheap. They were buying late, and at whatever the market charged that month. The ₹10 on the form described nothing about either.

Kumar's maxim is worth keeping in its shortest form. A fund's NAV records where it has been. It says nothing about where it is going, and nothing about whether it is worth owning.

## Sources

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