

PSU pie

## Investors to get more choice with government ETF

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SPECIAL CORRESPONDENT

**MUMBAI:** Investors looking to buy shares of public sector enterprises (PSEs) will soon get more choice as the government plans to come out with an exchange-traded fund (ETF) with a diversified holding.

An exchange-traded fund comprises stocks of different companies and is traded on the stock exchange just like a share. It can be bought or sold at the net asset value (NAV), which is publicly available. The size of the global ETF market is pegged at approximately \$3 trillion.

### Overwhelming response

“Our ETF, comprising shares of ten CPSEs, has received an overwhelming response in the recent Further Fund Offering (FFO). We will continue to use ETF as a vehicle for further disinvestment of shares. Accordingly, a new ETF with diversified CPSE stocks and other government holdings will be launched in 2017-18,” said Finance

Minister Arun Jaitley, while presenting the Budget.

The Reliance Mutual Fund CPSE ETF was introduced in March 2014 through a New Fund Offer (NFO) with an issue size of ₹3,000 crore. The NFO received a positive response across all categories of investors and was oversubscribed by more than ₹1,300 crore. The ETF went live on April 4, 2014, and got listed on both NSE and BSE.

“We are thankful to the FM (finance minister) for recognising the success of CPSE ETF FFO,” said Sundeep Sikka, chief executive officer, Reliance Mutual Fund. “We see a great potential for ETFs in the mutual fund sector and look forward to supporting the government in their disinvestment program through the ETF route.”

After the initial success of the CPSE ETF, an FFO was introduced on January 17 that saw the offer getting bids worth ₹12,000 crore as against the base issue size of ₹4,500

crore. More than two lakh investors across 300 cities participated in the offering.

Leading institutional investors like Morgan Stanley, Nomura, Kotak Mutual Fund, State Bank of India and LIC participated as anchor investors in the offer.

### Market welcomes

Shilpa Kumar, managing director and chief executive officer, ICICI Securities, said the market would welcome the proposed fresh government issuance.

“The success of the CPSE ETF following-on issue and the general positive sentiment for IPOs are evidence of investors’ appetite for good issuances and the government’s ability to tap capital markets for significant issue sizes through well-structured and well-timed issues,” said Ms. Kumar.

Investors looking at returns while investing in public sector enterprises can also take solace from the fact that the government is quite focussed on unlocking value in such entities even as volatility remains in the broader market.

The government’s thrust on



**NEW AVENUES:** Sundeep Sikka, CEO, Reliance Mutual Fund, has thanked the Finance Minister for recognising the success of the CPSE ETF. — FILE PHOTO



INVESTMENT

Investors in PSEs can take solace from the fact that the Centre is focussed on unlocking value

disinvestment in CPSEs is corroborated by the fact that it has approved a new policy for management of government investment in PSE, including

disinvestment and strategic sale.

“We will encourage CPSEs to divest individual assets like land, manufacturing units, etc. to release their asset value for making investment in new projects. The NITI Aayog will identify the CPSEs for strategic sale,” said Mr. Jaitley. The Department of Disinvestment is being re-named as the Department of Investment and Public Asset Management, he added.