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Govt to launch second tranche of CPSE-ETF for ₹4,500 cr on Jan 18

Offers discount of 5% to investors; preference allotment to retailers, pension funds

OUR BUREAU

Mumbai, January 11

Furthering its divestment programme, the government has decided to launch a second tranche of exchange-traded funds through which it will partially sell its holdings in 10 listed public sector companies and raise up to ₹6,000 crore. Reliance Mutual Fund will manage the ETF. The government has appointed ICICI Securities to advise the follow-on public offer.

Opens for anchors on Jan 17

The offer opens on January 17 for anchor investors and for all other investors between January 18 and 20. The issue size is ₹4,500 crore with a green-shoe option of ₹1,500 crore. The largest companies by weightage on the ETF are ONGC, Coal India, IOC, GAIL (India), Oil India and Power Finance Corporation.

Doing away with the loyalty bonus of the first tranche, this time the government is offering an upfront 5 per cent discount to all investors buying the ETF. It is also offering preferential allotment to retail investors and pension funds. The expense ratio is set at 0.065 per cent.

The government had launched its first CPSE ETF in March 2014, taking the ETF route to disinvestment for the first time. It had then raised ₹3,000 crore through the ETF, the issue of which was handled by Goldman Sachs Mutual Fund. Since then, Reliance has bought over Goldman Sachs' MF business in India. The existing assets under management of the ETF is ₹2,300 crore.

'Confident of good response'

"The further fund offer in the CPSE ETF is part of the government's larger disinvestment programme that was announced earlier by the Ministry of Finance. We feel confident that the timing of the issue will help investors benefit from their exposure in a diversified basket such as CPSE ETF that includes a list of distinguished PSUs that have performed exceedingly well in their respective sectors.

"We are confident of an overwhelming response to this FFO," said Manish Singh, Joint Secretary, DIPAM, Ministry of Finance.

The Finance Ministry is in a race against time to meet its disinvestment target for the year. Manish Singh said the government will consider strategic sale and/or further stake sale through Suuti to meet its ₹56,500 crore disinvestment target for 2016-17.

Singh declined to name specific companies that will be considered for disinvestment but said it all amounts to market timing. However, not meeting the target would not adversely affect the fiscal deficit target.