

Govt launches second tranche of CPSE ETF to raise ₹6k cr

fe Bureau

Mumbai, Jan 11: The government on Wednesday announced the launch of its second tranche of central public sector enterprise (CPSE) exchange-traded funds (ETF) with an aim to raise up to ₹6,000 crore through divestment of its stakes in top 10 listed state-run firms. Reliance Nippon Life Asset Management Ltd has been appointed as the fund manager for the CPSE ETF.

CPSE ETFs includes stocks such as ONGC Ltd, Coal India Ltd, Indian Oil Corp. Ltd, Gail (India) Ltd, Power Finance Corp Ltd, Rural Electrification Corp Ltd, Container Corp of India Ltd, Bharat Electronics Ltd, Oil India Ltd and Engineers India Ltd. ETF is a marketable security that tracks a basket of assets such as stocks. Unlike mutual funds, it trades like a stock.

“We feel confident that the timing of the issue will help investors benefit from their exposure in a diversified basket like CPSE ETF that includes a list of

Reliance Nippon Life Asset Management said the fund aims to raise up to ₹4,500 crore as a base issue size with an option to retain oversubscription of ₹1,500 crore

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.

In a press conference in Mumbai, Reliance Nippon Life Asset Management said the fund aims to raise up to ₹4,500 crore as a base issue size with an option to retain oversubscription of ₹1500 crore. The latest CPSE ETF will allow investments at an expense of 6.5 basis points, which is lower than other mutual fund

schemes. The government had launched its first CPSE ETF in March 2014, taking ETF route to disinvestment and had raised ₹3,000 crore. CPSE ETF, was originally managed by Goldman Sachs MF, which was acquired by Reliance MF in October 2015. In September 2016, the finance ministry had given its nod for the transfer of management of CPSE ETF to Reliance Mutual Fund.

Further, all investors in the ETF will get a 5% upfront discount. The department of public asset management (DIPAM), ministry of finance, had raised around ₹3,000 crore in the first tranche of the CPSE ETF in March 2014. The units of the ETF are listed on NSE and BSE. The CPSE ETF has given a compounded annual growth rate (CAGR) returns of 15.15% since its inception.

The further fund offer for the latest CPSE ETF will be open for subscription from January 17 to 20, 2017. ICICI Securities Ltd, has been appointed as the advisor for the further fund offer.