

CPSE ETF follow-on offer from Jan 17-20

TIMES NEWS NETWORK

Mumbai: Reliance Mutual Fund on Wednesday said that the follow-on offer for CPSE Exchange Traded Fund (ETF) will be launched on January 17 and close on January 20. The offer aims to raise about Rs 6,000 crore. For the current fiscal, the government has a divestment target of Rs 56,500 crore, of which it has so far raised about Rs 24,000 crore.

Launched in March 2014, the CPSE ETF is an integral part of the government's divestment programme. In the initial tranche, the government had raised Rs 3,000 crore through this unique divestment route.

CPSE ETF, operated through a structure that is similar to a mutual fund scheme, is constituted through a weighted-average price of 10 PSU stocks. These are ONGC, Coal India, IOC, GAIL, Oil India,

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PFC, Bharat Electronics, REC, Engineers India and Container Corporation of India.

Of the total size, Rs 4,500 crore is the core offer with a green shoe option of Rs 1,500 crore. The fund managers are offering a 5% discount to all category of investors. The ETF has an expense ratio of 6.5 basis points (100 basis points = 1 percentage point). In comparison, most regular mutual funds charge an expense ratio of about 1.75% to 2%.

The current CPSE ETF offer is part of the government's larger divestment 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 like CPSE ETF that includes a list of distinguished PSUs that have performed exceedingly well in their respective sectors," said Manish Singh, joint secretary, DIPAM, Ministry of Finance. In the last one year, CPSE ETF had given a return of 19.5%, compared to a 5% gain in NSE nifty.