

CPSE ETF second tranche garners 2 times subscription

Government to get ₹6,000 crore as disinvestment proceeds

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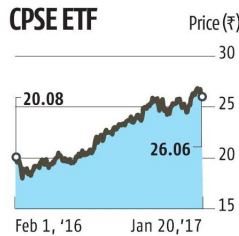
The second tranche of the Central Public Sector Enterprises' Exchange-Traded Fund (CPSE-ETF) saw two times more demand than the units on offer, enabling ₹6,000 crore for the government as disinvestment proceeds.

The further fund offer (FFO) by Reliance Mutual Fund (MF), manager of the ETF, saw strong demand from all category of investors. There were bids for ₹12,000 crore and a little more than 200,000 applications till closure at 6 pm on Friday. The base issue size is ₹4,500 crore, with an option to retain additional subscription of ₹1,500 crore.

CPSE-ETF's recent outperformance, attractive dividend yield and valuations attracted investors, said market players. The government is offering an additional five per cent discount to those applying in the FFO. The allotment price would be the weighted average one for the FFO's subscription period. The offering opened on Wednesday.

Around 30 per cent of the issue was reserved for anchor investors. Retail (individual) investors are being given priority in the remaining 70 per cent.

"There has been an exceptional response from investors. This has been the largest fund



Compiled by BS Research Bureau
 Source: Exchange

offering by any mutual fund till date," said Sundeep Sikka, chief executive, Reliance Nippon Life Asset Management.

The ETF is a basket of 10 CPSEs, including Oil and Natural Gas Corporation, Coal India and Indian Oil. The government was to offload shares in the underlying 10 companies as part of the 2016-17 disinvestment programme, the target for which was set at ₹56,500 crore. So far, however, in this financial year, the

mobilisation has been a little less than ₹30,000 crore.

"The follow-on offering has seen good demand and at ₹6,000 crore, is the largest disinvestment for this financial year. The ETF structure is designed keeping in mind the benefit of retail investors. The basket of key CPSE stocks are liquid and offer good dividend yields. This success should give an impetus to more such structures, a win-win for both investors and the government," said Shilpa Kumar, managing director, ICI-Cl Securities, and an advisor to the government for the CPSE-ETF.

The Employees' Provident Fund Organisation was one of the biggest bidders in the anchor category, with an application worth ₹800 crore, according to sources. HDFC Ergo, Nomura, JPMorgan, Axis Bank, Kotak Mutual Fund and Birla Sun Life Mutual Fund were among the other.