

2nd CPSE ETF may include PSB scrips, SUUTI holding

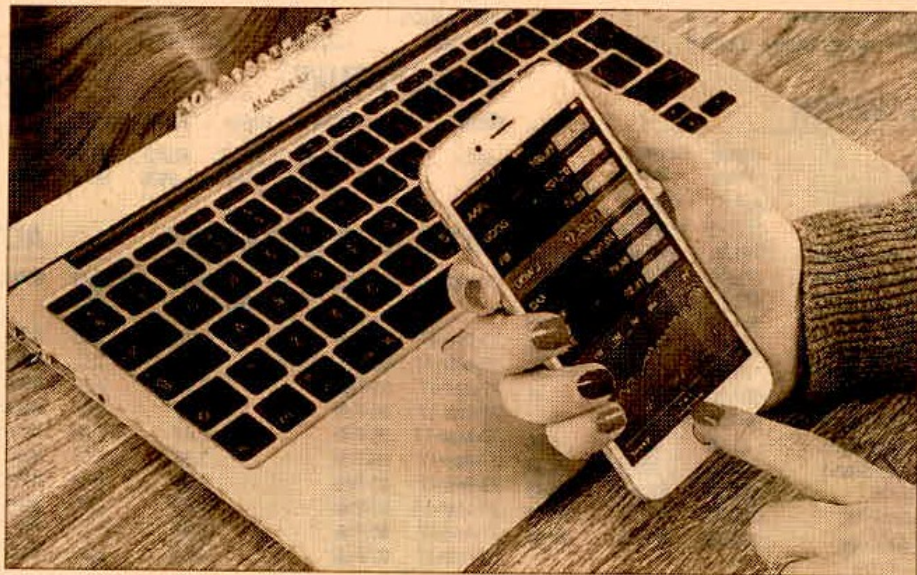
New Delhi, Feb 7: The finance ministry is considering including shares of public sector banks and the government's shareholding in erstwhile PSUs in the second CPSE Exchange Traded Fund (ETF) which it plans to launch next fiscal year.

Banking on the performance of the ETF, which it launched in March 2014 with scrips of 10 PSUs, the Department of Investment and Public Asset Management (DI-PAM) is working out the composition of the second CPSE ETF.

"Shares of public sector banks can be included. There could be an overlap of shares from the first CPSE ETF. The composition of the basket is being worked out," a senior finance ministry official said.

The ETF could comprise government shareholding in listed PSUs as well as stake in companies held through SUUTI. The government's residual stake in erstwhile PSUs like Hindustan Zinc can also be included in the ETF, the official added.

The finance ministry has already selected ICICI Prudential Mutual Fund to manage the second CPSE. The official said that there has been all round investor interest in exchange-traded fund (ETF) as



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the risk is diversified and the first ETF has given an average return of 14.4% in nearly three years.

"There is scope for developing the ETF market in India. In the United States, ETF figures among the top seven products traded in capital markets," the official added.

An ETF is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange.

Last month, the government raised ₹6,000 crore from the second tranche of the CPSE ETF which was subscribed 2.3 times. The ETF was launched in March 2014 during which the government had raised ₹3,000 crore.

The 10 PSUs that are part of the CPSE ETF basket are ONGC, GAIL India, Coal India, Indian Oil, Oil India, Power Finance Corp, Rural Electrification Corp, Container Corp, Engineers India and Bharat Electronics.

Union finance minister Arun Jaitley, in his Budget, had said that the government will continue to use ETF as a vehicle for further disinvestment of shares. "Accordingly, a new ETF with diversified CPSE stocks and other government holding will be launched in 2017-18," he had said. *PTI*