

EPFO looks to invest ₹18K cr in stocks this financial year

FINAL CALL Decision to be taken at CBT meeting; analysts advise caution

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NEW DELHI: India's retirement fund manager Employees' Provident Fund Organisation (EPFO) will invest at least ₹18,000 crore in stocks in the current financial year, adding fuel to a stock market that is already on fire.

Labour minister Bandaru Dattatreya told reporters in New Delhi on Monday that his ministry is positive on more equity exposure because of the "encouraging returns" it has received over the last one-and-a-half years.

EPFO functions under the Union labour ministry and started investing in stocks in August 2015. In 2015-16, it invested 5% of the annual incremental corpus in equities and in 2016-17, 10%. EPFO has an annual incremental corpus of more than ₹1.2 lakh crore and 15% of that will be at least ₹18,000 crore.

"We have to increase the basket. The central board of trustees (CBT) of the EPFO is meeting on May 27 and we hope to reach a decision on this," said Dattatreya, who is also the chairman of the EPFO's CBT, the apex decision-making body of the retirement fund manager.

In April, CBT could not reach a conclusion on hiking the equity exposure to 15% of the annual EPF accruals as it was not part of the agenda. "We are making this part of the agenda this time," the minister said.

The news could spur the ongoing bull rally. On Monday, BSE's



Banking on equities

The move to invest ₹18,000 cr in equities is likely to bring further cheer to the bullish stock market

EPFO's equity investments

	Investments (In ₹ crore) (As of Feb 2017)	Returns (in %) (As of Mar 17, 2017)
SBI MF ETFs	15,206	13.81
UTI MF ETF	1,990	9.47
CPSE ETF*	1,504	10.18

*Allotment date: Jan 28, 2017. ETF: exchange-traded fund

Graphic: Paras Jain/Mint

Source: EPFO

at well as talks with... hence (it is) beneficial to enter the market even now, and others feel Indian equity market looks overvalued due to high demand and low supply. I tend to believe the second, though."

Dattatreya said his ministry has the option, given by the finance ministry, to invest 15% of the annual incremental corpus in equities. "We have raised the exposure gradually. We can go from 10% to 15% in 2017-18."

EPFO invests in equities via exchange-traded funds. An ETF comprises a clutch of stocks that

reflect the composition of an index, such as the Nifty or the Sensex, and is traded on the stock exchange.

So far, the retirement fund manager has invested nearly ₹8,500 crore via ETFs run by SBI Mutual Fund, UTI Mutual Fund and the central public sector enterprises ETF run by Reliance Mutual Fund.

Dattatreya said the ETF investments have returned in excess of 13%. That's higher than the 8.5% return the fund manager used to get from investing in debt instruments. He added that equity is a long-term bet that will reduce risks and return more.

Interestingly, EPFO doesn't have a policy guiding its exit from equity investments. "Though we are in equity for long term, it is better to have an exit policy to benefit from a bullish market if the fund managers feel so," said an EPFO official who declined to be named. This person added that this may be discussed at the next meeting of the CBT.

Dattatreya said there was no problem because EPFO is being guided by expert agencies.

Still, the plan to invest more in equities will face some resistance from conservative labour unions represented on CBT. The unions are wary of what they see as speculative investments.

"EPFO does not have an exit policy yet, which means their equity exposure is not well thought through," said DL Sachdeva, a national secretary of the All India Trade Union Congress and member of the CBT.