## 5 AMCs in the race to manage debt ETF for state-run firms

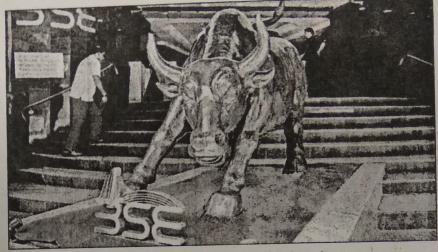
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MUMBAI: Five asset management companies (AMCs) will make their pitch before government officials on Thursday to manage India's first exchange-traded fund (ETF) that will hold debt securities of state-run firms.

The department of investment and public asset management (DIPAM) has invited SBI Funds Management Pvt. Ltd, Reliance Nippon Life Asset Management Ltd, Edelweiss Asset Management Ltd, Aditya Birla Sun Life AMC Ltd and UTI Asset Management Co. Ltd to make presentations for the planned debt ETF, the department says on its website. The fund houses must elaborate on their expense structure and expertise in managing debt funds and stressed assets.

"The government is looking for a fund house, which will offer the lowest expense structure and has a long track record of managing large assets of debt and stressed assets," a person aware of the matter said on condition of anonymity. "Most of the fund houses are offering an expense structure of as low as 20 basis points and a maximum of 40 basis points." Following up on a Union budget 2018-19 announcement. DIPAM on November 16 invited AMCs to set up a debt ETF. Bids were to be submitted by December 17. Only those AMCs with debt assets under management



 The AMCs will make their pitch before officials today to manage India's first ETF that will hold debt securities of PSUs

(AUM) of ₹15,000 crore in the July-September quarter were eligible to apply.

"The debt ETF will contain bonds, credit notes, promissory notes and debentures as underlying instruments issued by central public sector entities (CPSEs)," the person cited earlier said. "Government securities will perhaps be added only if the underlying securities by CPSEs fall short."

The first round of selection would be made based on the strength of AMCs in managing debt funds and the second round would take into account their financial bids, added the person.

The fund manager and the fund house will need to work with the government and an external adviser for creating, launching and managing the debt fund, including additional tranches

and fund offers.

Most fund houses in the fray have a fairly large AUM, over 50% of which is held in debt funds. According to data published by the Association of Mutual Funds in India, at the end of the September quarter Aditya Birla managed ₹2.54 lakh crore of assets, Reliance ₹2.45 lakh crore, UTI ₹1.66 lakh crore and SBIMF ₹2.54 lakh crore. Edelweiss had an average AUM of ₹14,161 crore in the July-September quarter.

"Edelweiss is a smaller AMC in terms of AUM, but it is presenting itself as a group and its expertise in handling stressed assets and debt management," said a fund manager, who did not want to be identified.

With the beginning of the last quarter of the fiscal, the government has sped up the divestment process.

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