

Fourth tranche of CPSE ETF subscribed nearly six times

Government likely to retain ₹10,000 crore by exercising greenshoe option in the ETF issue

OUR BUREAU

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The fourth follow-on offer of Central Public Sector Enterprise Exchange-Traded Fund (CPSE ETF) was subscribed six times and managed to collect ₹20,000 crore against the issue size of ₹3,500 crore.

The final amount collected through the issue may increase as the fund house is still collating data, said sources close to the development.

Managed by Reliance Nippon Life AMC, the anchor investor book of the issue was oversubscribed 5.78 times and collected

₹6,072 crore against the issue size of ₹1,050 crore.

The government may exercise the greenshoe option and retain ₹10,000 crore the deficit in fund-raising through disinvestment process, sources said.

The CPSE ETF had attracted interest of many eminent global and domestic investors, such as Merrill Lynch, Morgan Stanley, Goldman Sachs, JP Morgan, Citigroup and ICICI Prudential MF.

Sundeep Sikka, Executive Director, Reliance Nippon Life AMC, said the fund offering has managed to attract investors' interest across various foreign

and domestic institutional, alternate investment funds and mutual funds.

4% discount

In order to attract retail investors' interest in this passively-managed fund, the government had offered a discount of 4 per cent to investors. Though the discount can provide short-term gains, investors should hold their investment for long-term gains.

This is the second CPSE ETF FFO for this fiscal after a record ₹17,000-crore mop-up last November.

ETF tracks shares of 11 CPSEs including ONGC, NTPC, Coal India, IOC, Rural Electrification Corporation, Power Finance

Corporation, Bharat Electronics, Oil India, NBCC India, NLC India and SJVNL.

Most of these public sector enterprises have near-monopoly or are leaders in their lines of business and can fetch better returns for investors.

Launched in 2014, the CPSE ETF has seen three FFOs and investors who had entered in the first round have gained substantially. The government had initially given a discount of 5 per cent and rewarded bonus units to investors who had held on to the issue for more than one year. Investors in the subsequent three offers were also offered discounts of 5 per cent, 3.5 per cent and 4.5 per cent, respectively.