

# margins

venues will continue

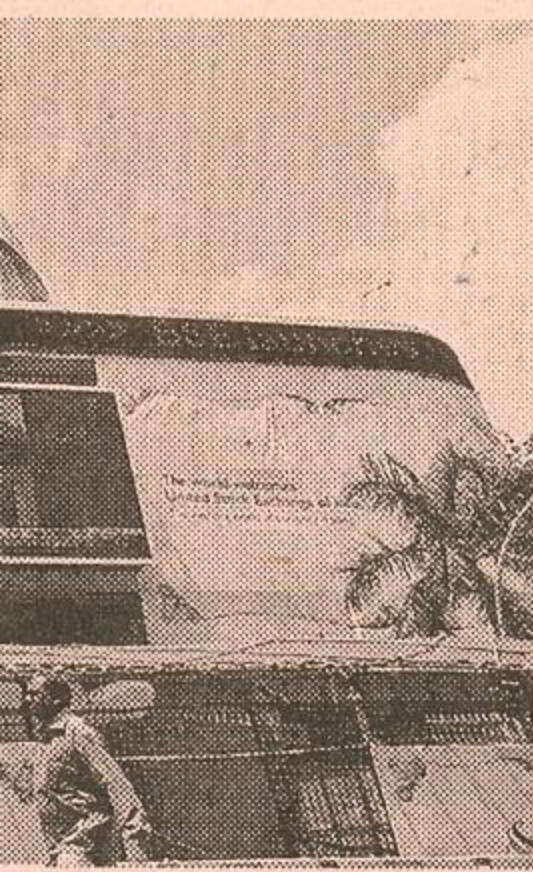


Net Profit (₹ crore)		
'11	Dec '12	% change
98	2,051.85	20.63
81	871.36	15.59
86	335.23	30.51
06	80.26	25.29
07	172.20	3.07
82	211.11	22.16
12	102.29	21.60
58	111.05	-3.92

Compiled by BS Research Bureau

policy rates by 25 basis points. Food inflation rose to 11.2 per cent and accounts for about half a monthly expenditure. Harsh and managing director, assure on food to reduce, supply should have to ease. Corporate to kick-start growth, the central bank to be aggressive with its

# still weak



However, Tata Motors gained 1.5 per cent and UltraTech cement ended up 3.24 per cent. The stock market briefly plunged as much as 1.5 per cent on Friday. Morgan Stanley said that a technology glitch at the exchange had caused "unintended transactions" in the shares of Tata Motors and UltraTech. Finance Corp rose 3.55 per cent and Rural Electrification Corp gained five per cent. The government is planning to offer new incentives for stalled power projects. The Reserve Bank added one per cent to the repo rate, ending the session with a 3.4 per cent rise in the benchmark rate in the previous sessions.

# Gilt assets jump 10 times in first 3 quarters of FY13

## Government securities among the top 3 investment avenues for debt fund managers

CHANDAN KISHORE KANT

Mumbai, 4 February

Gilt funds, which primarily invest in government securities (G-Secs), have emerged as a hot favourite among investors so far this financial year. In the first three quarters, the assets under management (AUM) in the gilt category increased a whopping 10 times. All thanks to the hopes of a rate cuts.

Anticipation of rate cuts fuelled high interest among investors for gilt funds. And not only have the assets risen manifold, G-secs are now among the top three asset investment avenues as far as the mutual fund industry's debt assets are concerned.

In December, the largest deployment of debt funds was in the certificate of deposits (CDs) of banks at 35.6 per cent while corporate debt paper had 11.8 per cent of debt AUM. This was followed by G-Sec assets at close to nine per cent. That means, around one out of every ten rupee of debt asset is finding its way into G-secs.

Consider this: At the end of the third quarter of financial year 2012-13, AUM in the gilt category stood at ₹47,700 crore against a mere ₹4,871 crore at the beginning of the current financial year. Moreover, close to one-tenth of the total debt assets is being poured into G-secs which during March last year was only 1.2 per cent.

Dwijendra Srivastava, head of fixed income at Sundaram Mutual Fund, says, "Such an increase of inflows in gilt funds is definitely because of anticipation of interest rates going down. Over the past year, yields have gone up and investors realised gains."

**At the end of the third quarter of FY13, AUM in gilt category stood at ₹47,700 crore against a mere ₹4,871 crore at the beginning of the current financial year**

G-secs is one of the most liquid counters, which offers comfort to investors. People who pumped in money belong to all categories — retail, high networth individuals (HNIs) as well as institutions.

According to the fixed income head of a foreign-owned fund house, fixed income has been preferred by investors as they are uncomfortable to get into stock markets.

"And since, rates are only going to go down further, may be around 100-150 basis points, gilt funds will remain in focus. But the momentum may slow down," he adds.

Agrees Srivastava. He says though the rates would not rise from hereon, it seems cuts will be curtailed, going forward. The pace of inflows in gilts which the industry witnessed may recede, he says. Fund managers have been advising investors to add duration to their debt portfolios so that the rate cut cycle will benefit them.

The high growth in gilt assets were mainly seen post-August. Till August, gilt assets made up only 2.3 per cent of total debt funds. However, since September it gathered pace and from 3.68 per cent in the month it reached up to close to 8.89 per cent in December. And during the October-December quarter, net inflows in gilt funds stood at ₹3,000 crore — one of the highest in several quarters.

During the first three quarters, overall debt AUM increased from ₹3.86 lakh crore in March to ₹5.36 lakh crore in December, according to the statistics available from the securities market regulator, the Securities and Exchange Board of India.