



UPDATE

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From the Chairman's Desk

The year ended March 2001 was an eventful year for the Mutual Fund Industry. While gross sales went up by 55 percent to Rs.92,957 crores, there was a substantial increase in redemptions resulting in net mobilisation of only Rs. 9,128 crores - a fall of 51 percent over the previous year. The year witnessed extreme volatility in the market and on an year on year basis, the equity index declined by 28 percent and as a result, the assets under management declined by about 20 percent to Rs. 90,587 crores. This is the first time in the last two decades that the industry has had such a decline in the total assets under management.

The erosion in the value of assets under management is however confined only to the equity segment and this is reflective of the depressed market conditions. However, many equity schemes have distributed attractive dividends to the unitholders. The category of income schemes covering pure income schemes, liquid/money market and gilt schemes which together accounts for 61 percent of the total assets under management provided competitive returns to the investors with no erosion in the value. With the expected improvement in the market and with diligent and skillful management of equity portfolio a better picture would emerge on a long term basis for the equity segment of the industry.

The new fiscal year which started off in a difficult environment is getting settled and with the fundamentals of the economy being further strengthened the market conditions would change for the better which would augur well for the industry. While income schemes are becoming more and more popular now among investors, conditions are equally conducive for investment in equity schemes for investors with medium to long term outlook.

Several improvements have been made in the regulatory framework, valuation and disclosure standards and AMFI continues to play its role in catalysing such developments and has proactively taken several initiatives.

We look forward to a better time in this fiscal.

Yours,

A. P. Kurian
Chairman
May 15, 2001

SEBI UPDATE

Guidelines issued by SEBI

Circular No. MFD/CIR/10/039/2001 dated February 9, 2001

- Updating of offer documents on continuous basis
SEBI has stipulated the frequency at which abridged offer document is to be revised and updated besides indicating essential items which require to be revised accordingly. It has also indicated that pending revision of abridged offer document, an addendum giving details of changes be circulated to all distributors and unit holders.

- Time frame for despatch of dividend warrants
The time frame for despatch of dividend warrants has been reduced from 42 to 30 days from declaration of dividend.

- Report of securities transactions by Directors of AMC

Directors of AMC are required to report details of securities transactions which exceed the value of Rs.1 lakh to Trustees on quarterly basis.

Circular No. MFD/CIR/No.11/171/01 dated February 9, 2001

- Mutual Funds are required to update their NAVs, sale and repurchase prices on AMFI website by 8.00 P.M every day in respect of their open end schemes.

Circular No. MFD/CIR/No.12/175/01 dated February 15, 2001

- Guidelines issued for launching under ongoing scheme, any additional plans which differ from the main scheme in terms of portfolio, maturity or any other characteristics. Such plans should be launched as separate schemes.

Circular No. MFD/CIR/13/087/2001 dated March 28, 2001

- Valuation of securities & provisioning of Non Performing Assets (NPA)

Following amendments made in the SEBI circulars dated September 18, 2000 and October 30, 2000 in respect of valuation of securities and provisioning of NPAs.

- ❖ The period for determining whether a security is traded or non-traded has been reduced from sixty days to thirty days.
- ❖ The aggregate value of illiquid securities shall not exceed 15percent of total assets of the scheme and any illiquid assets above 15percent will be valued at zero.
- ❖ Provisioning for NPA is required to be made by debiting to the revenue account and aggregate carrying value with market value of NPA to be disclosed in the balance sheet

- ❖ NPA has been defined as investments not providing any income in the form of dividend or interest.

- Uniform day for publication of NAV of close end schemes

Mutual Funds are now required to compute and publish the NAVs of close end schemes on every Wednesday.

Circular No. MFD/PKN/091/2001 dated March 29, 2001

- All Mutual Funds to inform SEBI the progress made by Mutual Funds in implementation of guidelines/directions issued by them during the period January 5, 2000 to February 15, 2001 on various matters.

Circular No. MFD/CIR/1/200/2001 dated April 20, 2001

- A revised format for Half-Yearly disclosure of unaudited financial results has been prescribed to be published before the expiry of one month from the close of each half-year.

AMFI MUTUAL FUND TESTING PROGRAMME

There has been a growing interest shown by distributors and employees in the Mutual Fund Testing Programme. AMFI has sold more than 8000 workbook so far. Many Mutual Funds have now taken various initiatives to motivate their employees as well as distributors to take the test.

The National Stock Exchange of India (NSE) has provided testing facilities in 21 additional centres on specified days. The details of the same are available on AMFI website www.amfiindia.com. This is a welcome development and members are requested to advise their distributors in and around these centres to avail of the facility and get certified. Members could take the initiative to organise training programmes in these centres in association with UTI Institute of Capital Markets (UTIICM).

WORKSHOP ON MUTUAL FUND TESTING PROGRAMME

UTI Institute of Capital Markets (UTIICM) has conducted two more workshops during the quarter. In the financial year UTIICM has conducted 12 workshops and many more are in pipeline. These workshops have been well appreciated by the participants and have provided valuable inputs to the candidates who have undertaken the Test.

COMMITTEE UPDATE

Committee on Best Practices

A joint meeting of the Best Practices Committee and Board of Directors of AMFI was held on February 13, 2001 at Mumbai. Working papers prepared by Shri Chandrasekhar Sathe of Kotak Mahindra Mutual Fund, Shri Alok Vajpeyi of DSP Merrill Lynch and Shri Rajiv Vij of Templeton Mutual Fund on subjects such as Eligibility Standards For Intermediaries, Best Practices For Mutual Fund Industry and other related issues were discussed. These subjects were taken up later at the Roundtable Conference held on March 9, 2001 at Mumbai.

Committee on certification programme for intermediaries and mutual fund employees

The Committee on Certification has now been reconstituted with Shri Nikhil Johri of Alliance Capital as Chairman and Shri Shailendra Bhandari of Prudential ICICI, Shri Sanjay Sachdev of IDBI Principal, Shri A. N. Palwankar of UTIICM, Shri M. S. Sahoo of National Stock Exchange (NSE) and Shri D. C. Anjaria, Consultant as its members. The Committee has already began the work of revising and updating the AMFI workbook.

Working Group on Real Estate Mutual Funds

The draft report of the working group headed by Shri K. N. Atmaramani of Tata Mutual Fund for formulating guidelines for setting up of Real Estate Mutual Funds has been circulated to all members. The same will be finalised after considering all the comments and suggestions from members.

ROUNDTABLE CONFERENCE ON BUDGET 2001 AND PROMOTING BEST PRACTICES IN THE MUTUAL FUND INDUSTRY

A Roundtable conference of all the members was held on March 7, 2001 at Mumbai. The conference was attended by almost all members. The objective of the conference was to arrive at a consensus on some of the important and sensitive issues and also to form our response to the Budget proposals 2001. Members expressed their appreciation over the contents of the subjects which are vital and important for the orderly growth of the Industry. Based on detailed discussions the following working groups have been constituted:

Working Group on Budget 2001

A working group with Shri K. N. Atmaramani of Tata Mutual Fund as Co-ordinator and with Shri S. V. Prasad of Zurich Mutual Fund, Shri B.G. Daga of Unit Trust of India, Shri Milind Barve of HDFC

Mutual Fund, Shri Arun Ohri of IL & FS and Shri Kanu Doshi, Consultant was constituted to formulate industry's response on Budget 2001. Representation has been made to Finance Ministry giving suggestions for its consideration on certain provisions of the Finance Bill 2001 having implications for the Industry.

In the final Bill passed by the Parliament the proviso to Section 10(33) has been suitably amended as suggested by AMFI. The other suggestions made by AMFI are however pending with the government.

Working group on Standardisation of Disclosure, Industry classification and labeling of schemes

A working group with Shri Rajiv Vij of Templeton Mutual Fund as Co-ordinator and with Shri S. V. Prasad of Zurich India Mutual Fund, Shri Nikhil Johri of Alliance Capital, Shri Jeremy Beswick of Birla Sunlife Mutual Fund and Shri Shailendra Bhandari of Prudential ICICI was constituted to formulate detailed proposals in respect of standardisation of disclosure, industry classification and labeling of schemes. The report of the working group has been circulated to members and will be finalised soon.

Working group on Best Practices for Sales and Marketing of Mutual Funds.

There was general agreement among members that the AMFI certification programme should be aggressively promoted and every distributor should obtain the certificate over a period of time. However the workbook has to be revised to include subjects like financial planning, selling technique etc. The Committee on certification has already initiated the work.

It was agreed that there should be general guidelines specifying qualifications, certification criteria and healthy practices to be followed by distributors. With a view to formulating such guidelines a working group with Shri B. G. Daga of Unit Trust of India as Co-ordinator and with Shri Alok Vajpeyi of DSP Merrill Lynch, Shri Chandrasekhar Sathe of Kotak Mahindra Mutual Fund, Shri Vivek Reddy of Kothari Pioneer and Shri Nikhil Khattau of SUN F & C as members has been constituted.

Working group on Valuation of Gilt securities.

A working group with Shri Nilesh Shah of Templeton Mutual Fund as the Co-ordinator and Shri H. Shriram of Prudential ICICI, Shri Sandesh Kirkire of Kotak Mahindra Mutual Fund, Shri A. Balasubramaniam of Birla Sunlife Mutual Fund and Shri S. Sudakar of Zurich India as its members has been formed to formulate uniform methodology for valuation of gilt securities.

BUDGET 2001

The Union Budget 2001 has the following provisions relating to Mutual Fund Industry.

1. Tax on Income Distribution

It may be recalled that in the last year's budget the tax rate on Income Distribution was steeply raised. AMFI had taken up the matter with Finance Ministry to reduce the said rate. AMFI is pleased to inform that the rate of Income Distribution Tax has been reduced from 20 percent to 10 percent in the current budget.

2. Capital Gains on transaction of units

The proviso to Section 10(33) added in the original Finance Bill 2001, has been amended suitably and there is no ambiguity regarding application of Capital Gains tax.

3. Dividend Stripping

New Section 94(7) has been added disallowing set off of the loss on sale of securities to the extent of exempted income.

4. Exemption of capital gain if invested in IPO

New Section 54 ED gives exemption from tax on capital gain, if the same is invested in IPO of eligible issue with lock in period of one year.

AMFI's representation to include equity oriented schemes also under Section 54 ED and its suggestion to include units of debt schemes under Section 54 EC have however not been implemented by the Government.

5. Expenditure & Tax Free Income

The new Section 14A seeks to disallow expenditure incurred in relation to Income which are tax exempt.

AMFI has taken up with the Ministry of Finance for clarification that this section would not apply to income distribution by UTI/MF as the income from UTI/MF, which is subject to Income distribution tax, is not completely exempted from Income Tax.

6. Service Tax

The budget has extended service tax, inter alia to Asset Management and Portfolio Management. AMFI has taken the view that Asset Management Companies do not come under the definition of banking, non banking or other financial companies and as such the tax is not leviable. AMFI is awaiting confirmation from the Ministry.

GENERAL MEMBERSHIP MEETING ON MUTUAL FUNDS LAUNCHING PENSION SCHEMES

The Insurance Regulatory and Development Authority (IRDA) had preliminary discussion with some representatives of Mutual Fund Industry and this was followed by a detailed consultation among all members of Mutual Fund Industry on April 9, 2001. Based on this consultation, AMFI has formulated its suggestions for launching pension schemes as recommended by OASIS report. This has been sent to IRDA and to the OASIS Foundation. Members of AMFI are committed to take up this business, which in many parts of the world is handled by Mutual Funds. It is expected that there will be further consultation with IRDA and for this purpose a special Committee of AMFI has been formed with Chairman AMFI as the Co-ordinator.

IRDA SETS UP A WORKING GROUP

IRDA has constituted a 12 member Working Group with Shri N. Rangachary, Chairman, IRDA as Chairman and with Senior Government officials and other professionals. Shri A. P. Kurian, Chairman, AMFI has been nominated to this Working Group.

TRAINING

Half day training session on concept and working of Mutual Funds was conducted by AMFI Chairman for the Executives of Stock Holding Corporation of India. The UTI Institute of Capital Markets (UTI ICM) conducted AMFI certification workshops for two days each in Calcutta and Patna and AMFI Chairman along with the faculty from UTI ICM took the sessions.

INVESTOR EDUCATION & SEMINARS

Chairman AMFI spoke on the various aspects of Mutual Fund Industry in the following seminars:

- ❖ Seminar organised by Bombay Chartered Accountants Society
- ❖ Price Waterhouse Coopers seminar on Risk Management, Mumbai
- ❖ Kovai Investors Forum at Coimbatore
- ❖ ICFAIAN Business School, Mumbai
- ❖ The Industrial Economist had organised a seminar on Mutual Funds - the road ahead at Chennai. Many CEOs of Mutual Funds and Chairman AMFI spoke. The keynote address was given by Chairman, Unit Trust Of India.

SIXTH ASIA OCEANIA REGIONAL MEETING OF THE INTERNATIONAL FUNDS CONFERENCE (IIFC) APRIL 18-22, SEOUL, KOREA.

An Indian delegation consisting of Shri A. P. Kurian, Chairman, AMFI, Shri S. K. Mitra of Birla Sunlife Mutual Fund, Shri M. R. Murali of LIC Mutual Fund, Dr. S. S. Nayak and Shri Madhav Kumar of Unit Trust of India attended the Sixth Asia Oceania Regional Meeting of The International Funds Conference (IIFC) on April 18-22 at Seoul, Korea. The conference was attended by representatives of Unit Trust/Mutual Fund Associations from Australia, Phillipines, Japan, Hongkong, Taiwan, Singapore, Korea, Ceylon and India. The conference discussed the latest developments of the Unit Trust/Mutual Fund Industry in the region and touched upon subjects like structural changes, disclosure, valuation, pension scheme etc.

The Seventh conference in 2002 will be held in India and AMFI has the privilege to host the same.

WELCOME TO FIRST INDIA ASSET MANAGEMENT CO. LTD.

AMFI welcomes First India Asset Mgmt.Co. Ltd as the member of AMFI. With this the total membership of AMFI stands at 35 including Unit Trust of India.

AMFI WEBSITE

With the hosting of daily NAVs of over 400 schemes on our website on a daily basis which has now become mandatory, the AMFI website has become an effective media for disseminating information on Mutual Funds. From less than 10,000 persons visiting our website on a quarterly basis in the past, the number has grown manifold and today it is over a lakh per quarter.

In our effort to make AMFI website a source of useful and current information we have added several new features:

New Features on www.amfiindia.com

- I] Investors zone
- 1) Latest NAV of all schemes for a particular type.
 - 2) Latest NAV of all schemes for a particular category.
 - 3) Latest NAV of upto 5 schemes across all Mutual Funds
 - 4) Historical NAVs
 - Daily NAVs for any specific period
 - Compare NAVs for two specific dates of a particular scheme
 - Monthly/Annually high/low NAVs for a specific period
- II] Essential Features of New Schemes Launched

III] Information on existing schemes

IV] Latest News from AMFI

MUTUAL FUND INDUSTRY

A] Fourth quarter January - March, 2001

The Fourth quarter January-March 2001 data are presented in tables 1 to 4.

- During the quarter 8 new schemes were launched which mobilised a total of Rs.631 crores. Total sales aggregated Rs.32,334 crores registering 24 percent increase over the corresponding period last year.
- Redemptions at Rs.30,057 crores were more than double the corresponding period last year.
- The last quarter witnessed an erosion of the assets under management from Rs. 99,326 crores to Rs.90,587 crores and it was about 20 percent lower than an year ago.

B] Annual Data April 2000 - March - 2001

The Annual Data are given in table 5.

- 41 new schemes were launched during the year - 36 of which were open ended and 5 close ended. Income schemes predominated with 17 schemes collecting Rs.2,079 cores which accounted for 54 percent of total collection of Rs. 3,830 crores from new schemes. While 5 liquid/money market schemes mobilised Rs. 687 crores, 8 growth schemes collected Rs.541 crores. 6 Balanced schemes garnered Rs.268 cores while one gilt scheme mobilised Rs.253 cores. (Table 5.1).
- The aggregate sale of all the 393 schemes amounted to Rs. 92,957 crores, registering an increase of 55.5 percent over the last year's mobilisation of Rs.59,748 crores. It may be recalled that this increase was on the top of an increase of 179 percent registered in 2000 over the previous year. Sales under ELSS and under Gilt schemes showed declines over the year, while all the other categories of schemes registered increases. (Table 5.2)
- Redemptions during the year were substantially higher. At Rs. 83,829 cores they were more than double the previous year, all categories of schemes registering increases over the year. (Table 5.3)
- On a net basis, thus the mobilisation declined by nearly 50 percent from Rs. 18,544 crores in 2000 to Rs. 9,128 crores in 2001. As a result chiefly of the fall in the equity prices, the total assets under management as at the end of the year at Rs. 90,587 crores were lower by about 20 percent over the last year's figure of Rs.1,13,005 crores.

MUTUAL FUND DATA FOR THE FOURTH QUARTER JANUARY - MARCH 2001

TABLE - 1

(Rs. In crores)

Category	No of Schemes Launched	Sales - All Schemes				Redemptions All Schemes		Total Assets Under Mgmt. As on 31.3.2001
		During the Quarter	From New Schemes	From Existing Schemes	Total for the Quarter	Total for the Year	Total for the Quarter	
A Unit Trust of India	2	220	2404	2624	12413	2780	12090	58017
B Bank Sponsored (6)	2	273	565	838	3918	3487	9663	76547
C Institutions (4)	-	-	2048	768	13536	858	1744	3333
D Private Sector				2048	1828	1616	3147	7842
I Indian (6)	2	67	8169	1349	4011	622	1864	3507
II Joint Ventures - Predominantly Indian (8)	-	-	7317	8236	19901	7727	17576	3370
III Joint Ventures - Predominantly Foreign (10)	2	71	11200	2441	6688	2427	5718	2331
				7317	20796	6872	18353	8620
				7520	15548	5838	10641	9724
				11271	33655	10685	28538	13740
				10115	19937	6371	11574	12991
Total (I+II+III)	4	138	26686	26824	74352	25284	64467	25730
				20076	42173	14636	27933	25046
Grand total (A+B+C+D)	8	631	31703	32334	92957	30057	83829	90587
				26111	59748	19603	41204	113005

Notes : 1) Figures in brackets denote number of funds. 2) Data is provisional & hence subject to change. 3) Figures in RED denote amount for corresponding period, last year.

SALES DURING THE QUARTER JANUARY-MARCH 2001

TABLE 2

2.1 New schemes launched during the quarter

(Rs. in crores)

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	2	21	2	289	-	-	4	310
Growth	-	-	1	50	-	-	1	50
Balanced	1	17	-	-	-	-	1	17
Liquid/Money Market	-	-	-	-	-	-	-	-
Gilt	1	253	-	-	-	-	1	253
ELSS	1	1	-	-	-	-	1	1
Total	5	292	3	339	-	-	8	631

2.2 Existing Schemes

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	58	9433	29	442	35	-	122	9875
Growth	91	5291	18	-	-	-	109	5291
Balanced	27	2873	4	5	-	-	31	2878
Liquid/Money Market	26	12654	-	-	-	-	26	12654
Gilt	16	973	2	-	-	-	18	973
ELSS	17	32	62	-	-	-	79	32
Total	235	31256	115	447	35	-	385	31703

2.3 Total of All Schemes**(Rs. in crores)**

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	60	9454	31	731	35	-	126	10185
Growth	91	5291	19	50	-	-	110	5341
Balanced	28	2890	4	5	-	-	32	2895
Liquid/Money Market	26	12654	-	-	-	-	26	12654
Gilt	17	1226	2	-	-	-	19	1226
ELSS	18	33	62	-	-	-	80	33
Total	240	31548	118	786	35	-	393	32334

Notes: The number of schemes has undergone a change in view of the change over to the new source of data viz. Monthly Cumulative Report.

REDEMPTION / REPURCHASE DURING THE QUARTER JANUARY-MARCH 2001**TABLE 3****(Rs. in crores)**

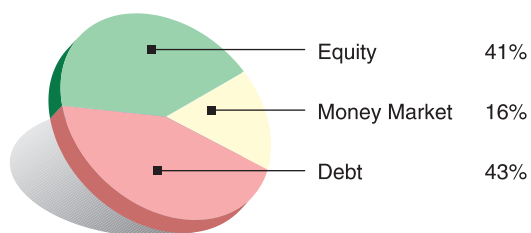
	Open End	Close End	Assured Return	Total
Income	7460	489	256	8205
Growth	5034	398	-	5432
Balanced	2023	3	-	2026
Liquid/Money Market	13298	-	-	13298
Gilt	1043	-	-	1043
ELSS	-4(*)	57	-	53
Total	28854	947	256	30057

Note : (*) This is due to the adjustment made for the excess repurchase reported by one of the funds in the month of Dec' 2000

ASSETS UNDER MANAGEMENT AS ON 31ST MARCH 2001**TABLE 4****(Rs. in crores)**

	Open End	Close End	Assured Return	Total
Income	22769 22327	6413 4968	19681 22564	48863 49859
Growth	8769 18956	4714 7971	- -	13483 26927
Balanced	19040 25534	233 1223	- -	19273 26757
Liquid/Money Market	4128 2227	- -	- -	4128 2227
Gilt	2263 2370	54 -	- -	2317 2370
ELSS	324 752	2199 4113	- -	2523 4865
Total	57293 72166	13613 18275	19681 22564	90587 113005

Note: Last year's data in red in respect of Income, Growth and ELSS have been revised to depict the correct position and therefore is different from that published in the VIIth issue of AMFI UPDATE released on 19th May 2000

ASSETS ALLOCATION AS ON 31ST MARCH 2001

ANNUAL DATA 2000 - 2001

TABLE 5

5.1 NEW SCHEMES LAUNCHED DURING THE YEAR APRIL 2000 - MARCH 2001

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	13	1,267	2	289	2	523	17	2079
Growth	7	491	1	50	-	-	8	541
Balanced	6	268	-	-	-	-	6	268
Liquid/Money Market	5	687	-	-	-	-	5	687
Gilt	1	253	-	-	-	-	1	253
ELSS	4	2	-	-	-	-	4	2
Total	36	2968	3	339	2	523	41	3830

Notes: The number of schemes has undergone a change in view of the change over to the new source of data viz. Monthly Cumulative Report.

5.2 TOTAL SALES DURING THE YEAR APRIL 2000 - MARCH 2001

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	60	24681	31	1379	35	614	126 113	26674 17707
Growth	91	17946	19	50	-	-	110 105	17996 15020
Balanced	28	7692	4	9	-	-	32 23	7701 5717
Liquid/money market	26	36212	-	-	-	-	26 18	36212 15925
Gilt	17	4160	2	-	-	-	19 13	4160 5132
ELSS	18	214	62	-	-	-	80 65	214 247
Total	240 168	90905 54224	118 128	1,438 337	35 41	614 5187	393 337	92957 59748

5.3 TOTAL REDEMPTIONS DURING THE YEAR APRIL 2000- MARCH 2001

	Open End	Close End	Assured Return	Total
Income	18740	1433	1662	21835 9039
Growth	16357	1942	-	18299 10170
Balanced	4103	816	-	4919 4204
Liquid/Money Market	33648	-	-	33648 14177
Gilt	4472	-	-	4472 2997
ELSS	47	609	-	656 617
Total	77367 37597	4800 2654	1662 953	83829 41204

Association of Mutual Funds in India

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