Press Clipping

Publication : Business Standard

Date : Tuesday, March 04, 2008

Edition : All Editions*

Page : Front (Section II)

*New Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, Bhubaneswar, Chandigarh, Kochi, Lucknow and Pune

Short-term portfolios hit most by the fall

RAJESH ABRAHAM
Mumbai, 3 March

Portfolio management services (PMS) of leading brokerages have seen a major depletion in their assets. But this time around, short-term schemes – those which have an investment horizon of 6 to 8 months – were the most hit in the current fall.

PMS schemes launched during this calendar year have had the worst start after benchmark indices have fallen by nearly 20 per cent since the beginning of the new year.

There are no official data on assets handled by PMS schemes, but industry official reckon that the figure could be as high as Rs 10,000-15,000 crore. It is estimated that there could be at least 30 PMS (recognised and unrecognised) schemes in the market.

"Eighty per cent of our schemes are for longer-duration products. These products have not been hit by the fall as investors are willing to wait for 3-4 years to get good returns," said Shashank Khade, the senior vice-president of Portfolio Management at Kotak Securities.

He said investors of Kotak's PMS schemes had left the decision on the management of funds to fund managers and hence there were no major redemptions. "We feel this is a right time to launch new PMS schemes. But there could be more pain left as investors have not been decapitated despite the sharp fall today," he said.

Experts say there are two kinds of correction — price correction and time correction. While the price correction may have occurred, the time correction is yet to happen. "We may see the markets continuing to remain lacklustre for another 6-8 months," said Khade Dinesh Thakkar, the managing director at Angel Broking, which runs the Rs 80-85 crore PMS portfolio, said the sharp fall in prices had left several investors bleeding.

"When everybody is inside the market, there is bound to be pain all across. Some fund managers may have performed better than others. But there is no doubt on the fact that everyone has been hit," he said.

While most of the PMS schemes were focused on small- and mid-cap stocks, the wipe-off in asset value is more for these schemes as small- and mid-cap stocks fell the most during this calendar year.

The Sensex lost 17.79 per cent in this calendar year (from 20,286 to 16,677), while the Bombay Stock Exchange's mid-cap index lost 24 per cent and the small-cap index shed nearly 31 per cent.

Since the January-end fall, today's fall of over 900 points for the Sensex was the biggest, the worst start for March.

There are good signs this time around. "We are seeing inflows into our schemes from investors as they feel this is the right opportunity to buy," said Thakkar.

During the crash of May 2006, where the bearish sentiment lasted for about 6-7 months, investors had opted out of several PMS schemes.

"Portfolio managers have been left free (to make decisions) this time around. Investors have realised that they made a mistake by taking investment decisions on their own," said Khade.

Recent public issues, including Reliance Power, have seen large-scale applications by retail investors. Most of these issues are now trading below their issue price.