

## 7 new firms get access to EPFO money

Part of the corpus of the Employees Provident Fund Organisation (EPFO) would soon be available for investment in bonds of seven private firms that meet the new criterion of 'AAA' rating from at least two agencies.

After EPFO's Central Board of Trustees (CBT) cleared a proposal to this effect, the labour ministry recently approved the minutes.

According to the new rules, besides the rating criterion, a company needs to be listed, earning profits for five years and have a net worth of Rs 3,000 crore, to be eligible for investment of EPFO money in its bonds. Also, it should have declared at least 15 per cent dividend for five preceding years and the maturity period of its bonds should be at least 10 years.

The move was expected to boost EPFO's returns, Chief Provident Fund Commissioner Anil Swarup told Business Standard.

Investment in equities would continue to be out of EPFO's permitted range. "We are allowing investment in bonds only, as these give fixed returns," a top official said.

The organisation has a subscriber base of 80 million people and a corpus of about Rs 4.5 lakh crore at present. It has been earning an interest of 16 per cent a year.

According to EPFO, seven companies — ACC, Grasim Industries, Great Eastern Shipping, Reliance Capital, Reliance Industries, UltraTech Cement, and Larsen & Toubro — currently meet these criteria.

CBT also recommended that the 2008 investment pattern, which allowed investment of 40 per cent of the EPFO corpus in private- and public-sector bonds and was approved by the finance ministry, be adopted. This would soon be notified by the labour ministry, sources said. The existing investment pattern, based on the one approved by the finance ministry in 2003, allows investment of 40 per cent in government securities, 30 per cent in public-sector bonds and 30 per cent in the rest (10 per cent of the last category set aside for private bonds).

When EPFO had started investing in private bonds in 2006, it had picked seven companies on the basis of "discretion and logic" and got those approved by CBT. These firms were HDFC, IDFC, IL&FS, LIC Housing Finance, HDFC Bank, ICICI Bank and Axis Bank. Of these, only IL&FS is an unlisted entity.

The new rules for selection would be prospective in nature and, so, won't affect the investment decisions taken in the past.

Since CBT had already approved the rule on admission of private companies, EPFO could now invest in bonds of any firm that met the set criteria and would not have to seek CBT's approval each time, an EPFO official said, adding the new criteria reflected CBT's cautious approach.

Trade union members in CBT have supported the move. A D Nagpal, secretary, Hind Mazdoor Sabha, said: "We have nothing against investment in private bonds. We are only opposed to investment in equities. The new norms would allow investment in more companies, helping the EPFO corpus grow.

*(Business Standard)*