



# H.P. INFRASTRUCTURE DEVELOPMENT BOARD

NEW HIMRUS BUILDING, CIRCULAR ROAD, SHIMLA-171001

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To

All the M.D's/CEO's  
of Corporations/Boards  
Himachal Pradesh

**Subject: - Empanelment of Asset Management Companies for investment of surplus Short Term Funds in Mutual Funds by the State PSUs/Boards.**

Dear Sir/Madam,

It has been observed, that presently State PSUs and Boards are investing their surplus Short Term funds in the shape of Fixed Deposits with various Nationalized and other Private Sector Banks. However, there is another alternative option available with the PSUs/Boards to invest their Short Term funds in the Liquid funds of the various Mutual funds.

With a view to exercise the alternate available option under Mutual funds, the matter was placed before the Board of HPIDB, in which it has been decided that all State PSU/Boards can also invest their surplus Short Term funds with the Mutual funds under high security schemes like liquid funds only, if the returns and other benefits under the Mutual funds are better than the fixed deposit schemes of the banks. For this the following Mutual Funds AMC's have been empanelled to invest such funds:-

1. All PSU Banks AMC's/Mutual Funds.
2. LIC Mutual Fund/AMC
3. HDFC AMC/Mutual Fund
4. ICICI Prudential AMC/Mutual Fund
5. Reliance Capital AMC/Mutual Fund

Further, the criteria for investment of such funds is only in liquid funds schemes of the empanelled AMC's to be selected based on the highest performance/return as on the date of investment.

The detailed guidelines for investment of funds in Mutual funds are as per Annexure -I attached.

Yours faithfully,

SKA

**Addl. Chief Secretary (Fin.) to the  
Govt. of H.P. - cum - CEO  
HPIDB**

**Selecting the right schemes**

It is very essential that the right schemes are chosen for investment. Some very important criteria, especially for Liquid funds, that will help us in choosing the right schemes are:

**1. AUM and track record of the Scheme**

This is one important parameter that gives a clear idea about the popularity and performance of the scheme. The higher the AUM (Assets under Management) of a scheme the higher chances are that it is a scheme that is performing well and has a large number of investors. It would also ensure that the scheme has enough built in liquidity to meet the operational requirements and any unforeseen requirements without harming the interest of investors. Since investments in Liquid Schemes are mainly for the purposes of short term parking, it is very much necessary that liquidity is inbuilt in the scheme. So, it is necessary to invest in scheme with higher corpus as usually they have enough inbuilt liquidity to cater to investors needs. The minimum average corpus that the scheme should maintain to be eligible investments should be Rs. 5,000 cr. and having a track record of at least 5 years since inception.

**2. Credit Rating of the Scheme**

The ratings given to various schemes are the easiest way to judge the performance, portfolio quality and the quality of the professional management of the schemes. So, it is very necessary to ensure that the schemes chosen for investment are highly rated. A high rating indicates that the funds carries lowest credit risk, similar to that associated with short term debts obligations rated in the highest credit quality category. So, it is necessary to ensure that the schemes chosen for investments are rated in the highest category by one of the leading rating agencies.

**3. Investment as a percentage of Scheme AUM**

A prudent policy would be to restrict funds invested in single liquid scheme to less than or equal to 10% of the total scheme AUM. This minimizes risk involved and maintain liquidity of the scheme.

4. Investments should be made only in instruments with maximum safety.
5. There should be no element of speculation of the yield obtaining from the investment.
6. Investment decision should be based on sound commercial judgment. The availability should be worked out based on cash flow estimates taking into account working capital requirements, replacement of assets and other foreseeable demand.

**As per the Income Tax Regulations, there is no Tax Deduction at Source for Mutual Funds investments in Liquid Funds for Corporates.**

