
CHAPTER - IV
*INVESTMENT PATTERN OF
UNIT TRUST OF INDIA*

CHAPTER #IV

INVESTMENT PATTERN OF UTI

4.1 : INVESTIBLE FUNDS OF THE UTI

The data regarding the growth of the investible funds of the Trust under all the Unit Schemes, during the period from July 1983 to the end of June 1988 is shown in the Table 4.1

The data in the Table 4.1 shows that total investible funds of the Trust under all the Unit Schemes rose from Rs. 12.61 Crores at the end of June 1984 to Rs. 6,738.8 Crores at the end of June 1988. There was an increase in total funds in every year. At the end of June 1988, total investible funds were Rs. 6,738.8 Crores which were increased by Rs. 2,175.1 Crores over the funds at the end of previous year 1986-87. It was the largest increase in total funds during the whole period from 1983-84 to 1987-88 which was due to the more net sale of units in that year.

The nature of investible funds of the UTI during the period of 1983-84 to 1987-88 is also clear from the Graph No.2

Graph No.2 shows that the height of line showing total investible funds is increasing every year from 1983-84 to 1987-88. In 1987-88 the line has the maximum

high indicating the highest investible funds throughout the period.

Thus, from the above table and graph, it is clear that trust's investible funds are increasing every year.

After considering the magnitude of investible funds of the Trust, next is to examine the investment of such funds.

Table : 41 Investible Funds of the U.T.I

(1983-84 to 1987-88)

Rupees in Crores

YEAR (As on June 30)	Investible Funds * Rupees	Increase or Decrease over previous year Rupees
1983-84	1,261.3	-
1984-85	2,209.6	948.3
1985-86	3,218.3	1,008.7
1986-87	4,563.7	1,345.4
1987-88	6,738.8	2,175.1

* Include investible funds under Unit scheme 1964, 1971, 1981, 1983, 1984, 1985, 1986, 1987.

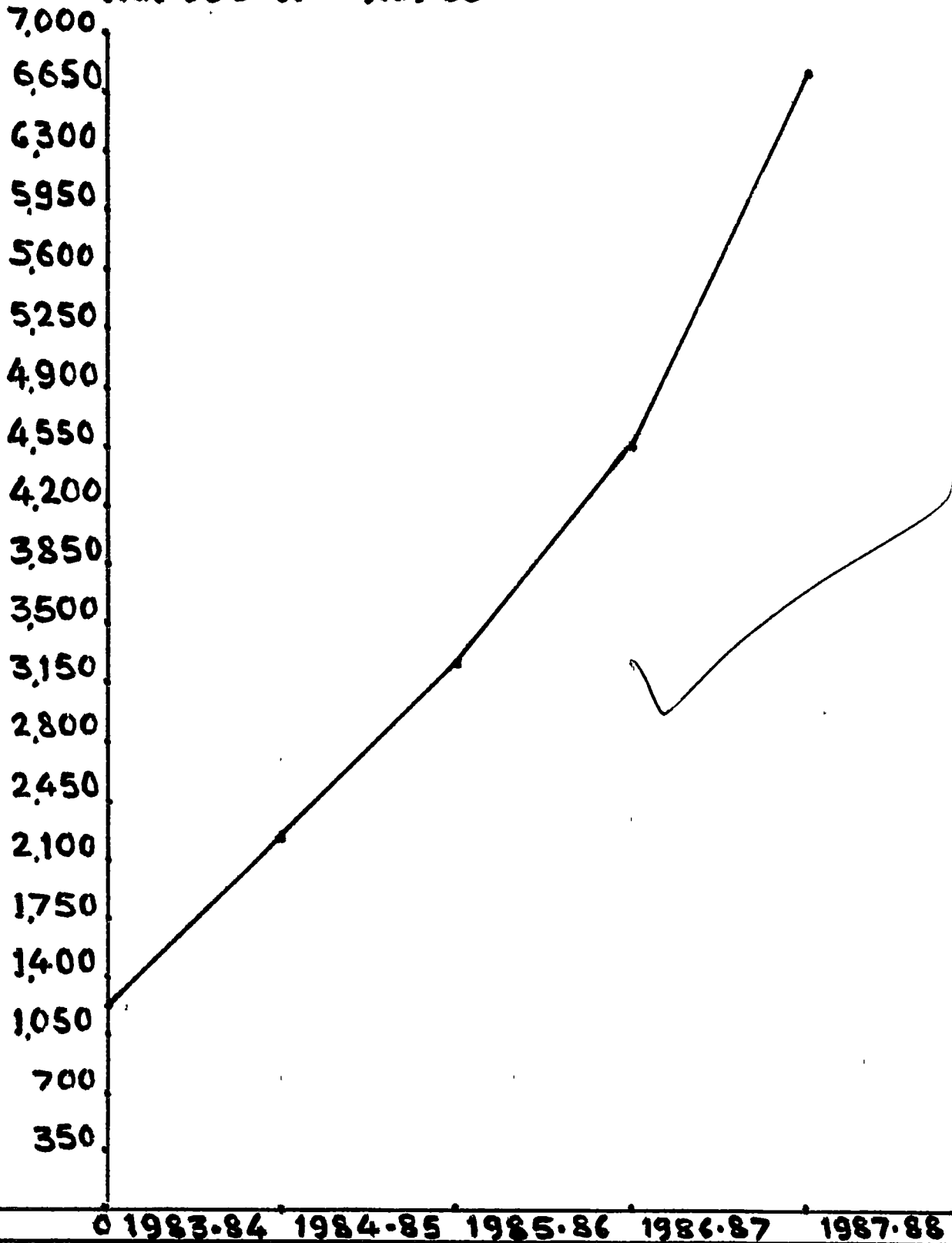
Source: Compiled from Annual Reports of UTI.

INVESTIBLE FUNDS OF THE U.T.I.

GRAPH NO. 2

— INVESTIBLE FUNDS

RUPEES IN CRORES



YEAR: JULY-JUNE

4.2 : EMPLOYMENT OF THE TRUST'S FUNDS :

Total investible funds of the Trust have been invested mainly in two types of investments, viz securities and other investments. The investments in 'securities' consist of corporate securities, bonds of public corporations and government securities. The investment in 'Other investments' consist of term loans, advance deposits against investment commitments, unsecured short-term deposits, bridging finance, application money etc. The extent to which the Trust has invested its funds in these two types of investments from 1983-84 to 1987-88 is examined from the data given in Table 4.2

The data in the Table 4.2 reveals that during the period from 1983-84 to 1987-88 more than 57 percent of the investible funds at the end of each year were invested in securities. The Trust's investments in 'other investments' were in the range between 33 to 42 percent of its funds during the same period. At the end of June, 1988, total investments in securities rose to Rs. 4,474.9 Crores which was Rs. 764.5 Crores at the end of June 1984.

At the end of June, 1988, out of total investible funds of Rs. 6,738.8 crores, Rs. 4,474.9 Crores were invested in securities contributing 66.4 percent of the total funds. As a percentage to the total investments is concerned, it marked the highest record during the period

under review. The larger percentage of investible funds in " Other investments", particularly at the end 1985 indicates that the Trust might have not secured good securities in the security market, or it might have found other investments more profitable than those of securities.

Thus, from the above discussion, it can be concluded that the Trust has used its privilege if investing the funds in securities or depositing in banks or with companies right from 1983 to the end of June, 1988. Trust's investments in securities during the period under review showed rather fluctuating trend.

Table 4.2 Employment of the Trust's Funds *

(1983-84 to 1987-88)

(Amounts in Crores of Rupees)

YEAR	Total Investible funds	Total Investment in Securities		Other Investments	
		Amount	% of Total Funds	Amount	% of Total funds
1983-84	1261.3	764.5	60.6	496.8	39.4
1984-85	2209.6	1275.4	57.7	934.2	42.3
1985-86	3218.3	1980.8	61.6	1237.5	38.4
1986-87	4563.7	2766.0	60.5	1797.7	39.4
1987-88	6738.8	4474.9	66.4	2263.9	33.6

* Covers funds of the Unit Scheme 1964, 1971, 1981, 1983, 1984, 1985, 1986, 1987.

source: Compiled from Annual Reports of UTI.

4.3: SECURITY-WISE INVESTMENTS OF THE TRUST :

It is observed that the Trust has invested its funds in 'Securities' and in 'other investments'. The Trust's investments in securities (Table 4.2) do not give an idea about its investments in corporate securities and in Bonds of Public Corporation and Government securities. Therefore, the analysis of the Trust's investments in the securities is given in the Table 4.3, to examine the extent to which the Trust has invested its funds in each of them during the period from 1983-84 to 1987-88.

Table 4.3 reveals the following facts;

- i) The Trust's investments in corporate securities were about 56.6 percent of the total investments at the end of 1983-84 which increased upto 58.4 percent at the end of June 1988.
- ii) Total investments in corporate securities increased from Rs. 714.4 Crores at the end of June 1984 to Rs. 3,937.9 Crores at the end of June 1988.
- iii) The percentage of investments in corporate securities to the total investible funds of the Trust has been increased to 56.6 percent in 1983-84 and 58.4 percent in 1987.88 But totally there appears to be fluctuation

in the percentage of investments in all the years.

Table 4.3 Security-wise Pattern of Investments of the Trust;
Investment in Corporate securities & in Bonds of
Public Corporation & Government securities

(1983-84 to 1987-88)

(Rs. in Crores)

YEAR	Total Investible Funds	Total Investments in securities	Investment in Corporate securities	% of Investible funds	Investments in Bonds of Public Corpn & Securities	% of total Investible Funds
	Rupees	Rupees	Rupees		Rupees	
1983-84	1261.3	764.5	714.4	56.6	60.1	4.0
1984-85	2209.6	1275.4	1120.3	50.7	155.1	7.0
1985-86	3218.3	1980.8	1695.7	52.7	285.1	8.9
1986-87	4563.7	2766.0	2435.9	53.3	330.1	7.2
1987-88	6738.8	4474.9	3937.9	58.4	537.0	8.0

Source: Compiled from Annual Reports of UTI

iv) Regarding investments in Government Securities, the same table shows that, the Trust had invested a fairly substantial amount in these securities. Total investments in these securities increased from 50.1 crores at the end of June 1984 to Rs. 537 Crores at the end of June 1988. The percentage of investment in Government securities increased from 4 percent at

the end of June 1984 to 8.9 percent at the end of June 1986. But after that, there appears to be fluctuation in the percentage.

Thus, from the above trends, it is clear that the Trust has been making efforts for extending a major portion of its funds to the corporate sector through investments in securities. But, the overall growth of investments by the trust is somewhat fluctuating. As a financial institution, it gives an impressive appearance during 1983-84, but the trust failed to maintain even its normal level of investments during the subsequent years. Investments in Government securities received less importance, particularly after 1985-86.

4.4 THE TRUST'S INVESTMENT IN CORPORATE SECURITIES :

It is observed from the Table 4.4 that the major portion of the Trust's investible funds is invested in corporate securities. The investment philosophy that the Trust has followed in investing its funds in various corporate securities during the period from 1983-84 to 1987-88 can be examined from the data given in Table 4.4

The data in Table 4.4 shows the followings;

- 1) Among investments in corporate securities, investments in ordinary shares rose from Rs. 214.8 crores (17 percent of total investible funds or 30.1 percent of total investments in corporate securities) at the end of June 1984 to Rs. 1132.9 Crores (16.9 percent of total

Table 4.4 : security-wise Pattern of Investments of the Trust, Investment
in Various Corporate securities

(1983-84 to 1987-88)
(Amount in Crores of Rupees)

Year	Ordinary Shares		Investible Funds		Corporate Securities		Investible funds		Corporate Securities		Investible Funds		Corporate Securities	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
1983-84	214.8	17.0	30.1	11.8	0.9	1.7	4879 +	38.7	68.3					
1984-85	279.1	12.6	24.9	10.3	0.5	1.0	830.9+	37.6	74.2					
1985-86	370.7	11.5	21.9	10.4	0.3	0.6	1314.6+	40.9	67.5					
1986-87	620.8	13.6	25.5	10.2	0.2	0.4	1804.9	39.5	74.1					
1987-88	1138.9	16.9	28.9	12.7	0.2	0.3	2786.3+	41.3	70.8					

+ Inclusive of funded interest amounting to Rs. 1.11 Crores, Rs. 0.09 Crores, Rs. 2.86 Crores &

Rs. 4.82 Crores under Unit Scheme 1964 which was included under other current assets in the

Balance Sheet

Source: Compiled from Annual Reports of UTI

investible funds- or 28.9 percent of total investments in corporate securities) at the end of June 1988.

ii) Investment in ordinary shares as a percentage of total investible funds and as a percentage of investments in corporate securities increased to 17 per cent and 30.1 percentage. Thereafter the percentage in both started declining every year which reached 16.9 percent and 28.9 percent at the end of June 1988.

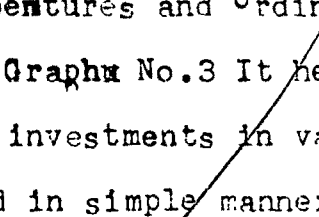
iii) The investment in preference shares as percentage of total investible funds and as a percentage of total investments in corporate securities increased to 0.9 percent and 1.7 percent at the end of June 1984. Thereafter, the percentage in both started declining every year which reached 0.2 percent and 0.3 percent at the end of June 1988.

iv) Debentures have also claimed the lion's share in the Trust's investments during the period of 1985-86 and 1987-88. During these two years the percentage of total investible funds in debentures were increased to 40.9 percent and 41.3 percent respectively. But during the period of 1983-84, 1984-85 and 1986-87, there appeared to be fluctuations in the percentage, investment in debentures as percentage of total corporate securities of the Trust has been continuously rising up to 1985-86 when it touched almost 77.5 percent. Thereafter, there was decline in percentage in every year which reached 74.1 percent and 70.8 percent at the end of June 1987- and 1988.

v) During the same period, an increasing proportion of investible funds was invested in securities yielding a fixed return (preference shares and debentures) as compared to ordinary shares of joint stock companies. Taking together preference shares and debentures, the proportion increased from 39.6 percent at the end of June 1984 to 41.5 percent at the end of June 1988, while that the ordinary shares declined from 17 percent to 16.9 percent during the period under study.

vi) Investment in ordinary shares as percentage of total corporate securities started declining from 30.1 percent in 1983-84 to 28.9 percent at the end of 1987-88. Investment in fixed income bearing securities (Debentures and preference shares together) as the percentage of corporate securities started rising from 70 percent at the end of June 1984 and reached 78 percent at the end of 1986. Thereafter, it started declining from 74.5 percent at the end of June 1987 to 70.8 percent at the end of June 1988.

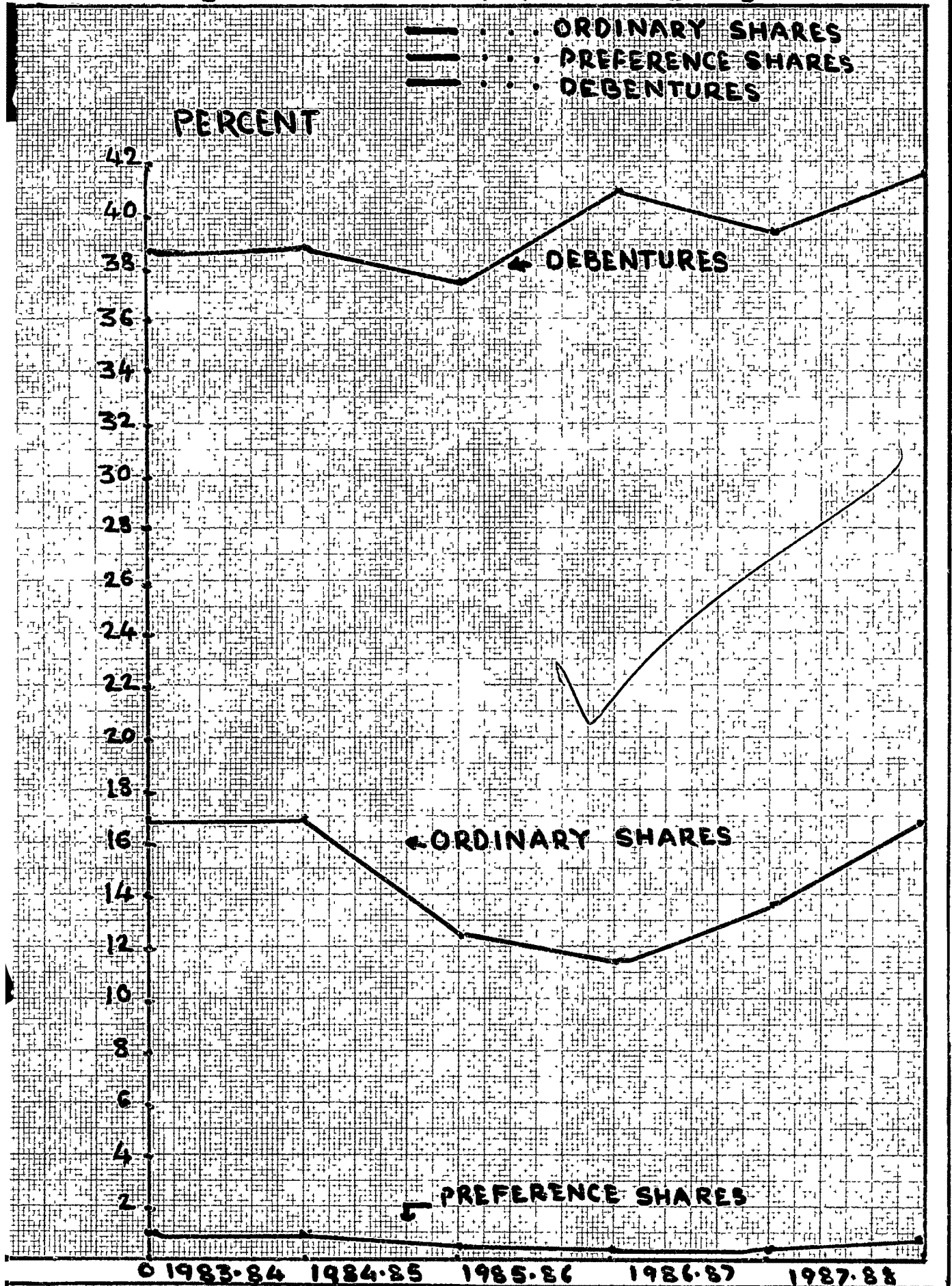
The data relating to Trust's investments in preference shares, Debentures and Ordinary shares is also represented on Graph No. 3. It helps us to study the trends in Trust's investments in various corporate securities, easily and in simple manner.



GRAPH No.3

**GRAPH SHOWING EMPLOYMENT OF TRUST'S FUNDS
PERCENTAGE OF TOTAL INVESTIBLE FUNDS AT THE YEAR END**

[INVESTMENT INCORPORATE SECURITIES]



YEAR: JULY. JUNE

In the year 1983-84, there is an upward trend with regard to the investment in preference shares but thereafter there is a continuous downward trend upto 1988. As far as investment in debentures ~~xxx~~ is concerned there is an upward trend upto 1984 Then there is a downward trend upto 1985 and further there is upward trend upto 1986 and then again there is a downward trend upto 1987 and further there is upward trend upto 1988.

With regard to ordinary shares, there is downward trend from 1985 to 1986 but from 1986-87, there is a continuous upward trend till the end of the study period.

From the above trends in the investments of various corporate securities, it is clear that during the period from 1983-84 to 1987-88 the Trust gave more importance to the investment in fixed interest bearing securities (preference shares plus debentures) and rather less emphasise to the investments in ordinary shares. This shows that during this period the Trust tried to maintain a balanced portfolio consisting of ordinary share about 20 percent of the funds and fixed interest bearing securities about 40 percent. The relative predominance of fixed income yielding securities in the Trust's portfolio indicates that the Trust following a very cautious investment policy during this period.

4.5: INDUSTRY WISE INVESTMENT IN CORPORATE SECURITIES -

The investment policy of the UTI aims at diversification in securities of various industries. The Trust is making its efforts to invest its investible funds in corporate securities of various industries. All the industries in which the investments are made are grouped under 16 heads :

Aluminium, Bank & Investment Companies, Cement, Chemicals & Pharmaceuticals, Electricity Generation and supply, Engineering, Glass & Potteries, Iron and Steel Paper and Paper products, Plantation, Rubber & Rubber Manufacturers, shipping, Sugar, Textiles, Transport Equipments and Miscellaneous. The industry-wise distribution of corporate securities of the Trust during the period from 1983-84 to 1987-88 is given in Table 4.5 and Table 4.5a to examine the extent of its investments in various industries and to see the changes, if any, in the relative position of different industries in the Trust's investments from time to time.

Table 4.5 and Table 4.5a show the following:

- i) The Trust's investments in shares and debentures of industrial concerns upto June 1988, accounted for Rs. 3,938.95 Crores or about 58.4 percent of the total investments in corporate securities.

Table 4.5 Industry-wise Investment of the U.T.I.
Investment in Corporate securities
(1983-84 to 1987-88)

Sr. Industry No.	Rupees in Crores				
	End of June				
	1983-84	1984-85	1985-86	1987-88	1987-88
1. Aluminium(Basic & Foundries)	14.74	24.00	37.79	47.27	63.64
2. Banks & Investment Companies	5.66	8.17	12.72	20.10	34.26
3. Cement	24.54	54.73	74.19	114.50	129.07
4. Chemicals & Pharmaceuticals	96.09	172.60	323.31	467.69	669.25
5. Electricity Generation & Supply	42.67	43.59	58.21	92.25	413.47
6. Engineering	136.82	190.71	345.66	467.41	639.48
7. Glass & Potteries	1.96	2.62	4.52	6.27	6.13
8. Iron & steel (Basic & Foundries)	48.94	53.50	60.52	88.52	182.43
9. Paper & Papers Products	32.86	44.40	61.76	70.37	80.77
10. Plantations(Tea Coffee & Rubber)	6.56	19.47	30.21	54.72	81.46
11. Rubber & Rubber Manufacturers	16.94	21.59	25.41	40.63	75.57
12. shipping	3.95	5.66	31.61	38.86	41.33
13. sugar	2.67	4.67	6.23	7.73	10.99
14. Textiles	168.81	283.09	372.93	469.04	654.24
15. Transport Equipments	52.21	87.20	94.53	122.03	177.27
16. Miscellaneous	59.26	102.25	156.04	328.48	678.59
Total	714.48	1102.25	1695.70	2435.89	3987.95

* Includes investments in Banks since Nationalised

Source: Compiled from Annual Reports of UTI

Table 4.5a Industry-wise Investments of the U.T.I.
 (Percentage to Total Investment in Shares & Debentures)
 (1983-84 to 1987-88)

Sr. No.	Industry	End of June				
		1983-84	1984-85	1985-86	1986-87	1987-88
1.	Aluminium(Basic & Foundries)	2.06	2.14	2.23	1.94	1.62
2.	Banks & Investment Companies	0.79	0.73	0.75	0.83	0.87
3.	Cement	3.43	4.89	4.37	4.70	3.22
4.	Chemicals & Pharmaceuticals	13.45	15.41	19.07	19.20	15.99
5.	Electricity Generation & supply	5.97	3.89	3.43	3.79	10.50
6.	Engineering	19.15	17.02	20.39	17.19	16.24
7.	Glass & Potteries	0.27	0.23	0.27	0.26	0.16
8.	Iron & Steel (Basic & Foundries)	6.85	4.77	3.57	3.63	4.63
9.	Paper & Paper Products	4.60	4.14	3.64	2.89	2.05
10.	Plantations(Tea Coffee & Rubber)	0.92	1.74	1.78	2.25	2.07
11.	Rubber & Rubber Manufacturers	2.37	1.93	1.50	1.67	1.92
12.	Shipping	0.55	0.51	1.87	1.60	1.05
13.	Sugar	0.38	0.42	0.37	0.32	0.28
14.	Textiles	23.60	25.27	21.99	19.26	16.61
15.	Transport Equipment	7.31	7.78	5.57	5.02	4.50
16.	Miscellaneous	8.30	9.13	9.20	13.49	17.23
Total		100.00	100.00	100.00	100.00	100.00

Source: Compiled from Annual Reports of U.T.I.

ii) The maximum amount of investments at the end of June 1984 was in textile industry sharing about Rs. 168.81 crores or nearly 23.60 percent of the total investments in corporate securities. It increased upto Rs. 654.24 Crores or 16.61 percent of the total investment at the end of June 1988. This shows that during the 5 years period (1983-88) the Trust's investments have been the largest in textile industry varying between 16 to 25 percent and in Engineering varying between 16 to 20 percent of the total investments.

iii) Investments in Chemicals & Pharmaceutical industries increased from 13.45 percent at the end of June 1984 to 19.20 percent at the end of 1987 and 16.99 percent at the end of June 1988. Similarly during the five years period, the Trust has increased its investments in Cement, Electricity generation & miscellaneous, but in Transport Equipment percentage has declined over the years from 7.31 percent to about 5.01 percent and 4.50 percent at the end of June 1988.

iv) At the end of June 1988 about 50 percent of the Trust's investments in shares and debentures in each of the years, were in four industries; Textile, Engineering Chemicals & Pharmaceuticals & Miscellaneous.

v) Textiles, Engineering, Chemicals, and Miscellaneous received first importance in the Trust's investments as on 30th June 1988 and next importance was given to Electricity Generation & Supply, Transport, Iron & Steel, Cement Aluminium industries.

vi) The bulk of the Trust's funds has been invested in financial utility and manufacturing enterprises.

Thus from the above discussion it can be concluded that in order to spread the risk inherent in industrial securities, the Trust has diversified its investments over a large number of companies. The Annual Report of UTI 1988 states that the investment portfolio of the Trust at the end of June 1988 included holdings in 850 companies compared with 82.4 companies at the end of June 1987. But from the Table it appears that the actual investments of the Trust has been confined mostly to large and established industries. Participatt in ~~confined~~ new industrial ventures appears to be rather limited.

4.6 OTHER INVESTMENTS OF UTI:

It is observed that from the Table 4.6 the total investible funds of the UTI has been invested in securities and some other investments. It is also clear that a small portion of investible funds is invested in other investments. The study of other investments of the Trust is important because amount invested in other investments affects the investments in securities. Therefore, a study of Trust's other investments is made in relation to the followings:

- a) Composition
- b) Analyse of other investments.

a) Composition :

The components of 'other investments' in which the Trust's funds are invested from time to time are grouped into;

1. Term loan
2. Advance Deposits against Investment Commitments.
3. Unsecured Short-term Deposits
4. Bridge Finance- In this, the Trust provides Temporary accommodation to corporate borrowers by way of deposits with them against the loans sanctioned to them by the term lending institution.
5. Application Money.
6. Advance call Deposits
7. Deposits and other investments with scheduled Banks.
8. Special Deposits.

A break up of these investments is shown in Table 4.6

b) Analysis of other investments :

Regarding the Trust's investments in above investments, it is to be noted that while investing in any components of 'other investments' the Trust gives importance to the yield factor and accordingly it makes the selection of investment item. The nature and the extent to which the Trust has invested in investible funds in each of the

Table 4.6 Other Investments of UTI
 Composition & Relationship with Total Investments
 (1983-84 to 1987-88)
 (Rupees in Crores)

Sr. No.	Type of Investment	End of June				
		1983-84	1984-85	1985-86	1986-87	1987-88
1.	Term Loan	-	-	-	-40.02 (0.9)	384.60 (5.7)
2.	Advance Deposits against Investment commitments	117.81 (9.4)	247.05 (11.2)	328.12 (10.2)	207.14 (4.5)	43.90 (0.6)
3.	Unsecured short Term Deposits	133.53 (10.6)	170.72 (7.7)	257.04 (8.0)	236.68 (5.2)	159.09 (2.4)
4.	Bridge Finance	6.84 (0.5)	10.44 (0.5)	3.76 (0.1)	8.62 (0.2)	27.37 (0.4)
5.	Application money	16.76 (1.3)	34.47 (1.6)	16.49 (0.5)	5.13 (0.1)	3.97 (0.4)
6.	Advance Call Deposits	0.10 (**)	0.10 (**)	0.10 (**)	0.05 (**)	0.05 (**)
7.	Deposits & other investments with scheduled Banks	221.75 (17.6)	471.46 (21.3)	632.91 (19.6)	1166.37 (25.6)	1296.27 (19.2)
8.	Special Deposits	-	-	-	131.66 (2.9)	348.66 (5.2)

** Less than 0.05 percent

Figures in the bracket-shown the percentage of investible funds,
 Source: Compiled from Annual Reports of U.T.I.

components of 'other investments' from 1983-84 to 1987-88 is examined from the brekkup of these investments shown in Table 4.6

i) During the period from 1983-84 to 1987-88 the Trust has invested its funds in various other categories of investments of which advance deposits against investment commitments, unsecured short-term deposits, deposits and other investments with Scheduled banks were predominant over the years.

ii) The investment as a percentage of investible funds under each item from 1983-84 to 1987-88 indicates fluctuating trend, investment in item No 2,5, & 7 at the end of 1984 was Rs. 117.81 crores, Rs. 16.76 Crores and Rs. 221.75 Crores or about 9.4 percent, 1.3 percent, 17.6 percent of total investible funds respectively rose upto Rs. 247.05 Crores, and Rs. 471.46 Crores or about 11.2 percent, 1.6 percent, and 21.3 percent respectively at the end of June 1985, But immediately declined to Rs. 43.90 Crores, Rs. 3.97 crores and Rs. 19.2 crores or about 0.6 percent, 0.1 percent & 19.2 percent at the end of June 1988.

iii) In the initial years(1983-85) the funds of the Trust in other investments were confined to item No. 2,3,5 and 7 but gradually they were invested under different types as and when the Trust found opportunities. For instance employing the funds in term-loan and special deposits were started during 1986-87.

iv) At the end of the study period (1987-88) it is found that the major portion of the funds in other investments were invested in Item No.1 amounting to Rs.384.60 Crores (5.7 percent of total investible funds), Item No.3 Rs. 159.09 Crores, about 2.4 percent of total investible funds, item No. 7 Rs. 1,296.27 Crores, about 19.2 percent of total investible funds and item No. 8 Rs. 348.66 Crores, about 5.2 percent of total investible funds.

From the above trends it appears that it is not the policy of the Trust to invest some portion of its funds regularly in each item of other investments. As a matter of policy, the Trust tries to invest almost all of its funds in securities. So, the increased proportion of investible fund in most of the items under 'other investments' shows that the Trust might have not secured good scrips on the stock market or it might have found the investment in 'other investments' more profitable as compared to investment in securities. It can also be concluded that from the point of view of income, the Trust might have invested in these items as secondary line of defence.