



Hike in 80C limit evokes positive response from mutual fund industry

Industry players expect that the hike in limit of 80C will benefit ELSS in a big way.

With the Finance Minister Arun Jaitley's announcement to increase limit of 80C investment limit from Rs. 1 lakh to Rs. 1.5 lakh from the next financial year, industry officials expect ELSS category to grow bigger in the days to come.

Though the finance minister has increased annual ceiling limit of PPF to Rs. 1.5 lakh which is considered as the biggest competition of ELSS, industry players still feel that a large portion of money will come into ELSS.

Hemant Rustagi of Wiseinvest advisors points out that majority of people who utilize their 80C limit in life insurance, pension funds and fixed deposits will now look at other asset classes like ELSS. He is of the view that people who have already invested in ELSS will increase their investments due to the increased limit.

"Some people would invest all the money of 80C in PPF while some would like to invest in a combination of PPF and other asset classes like ELSS. I believe the move to raise limit of Section 80C will definitely bring inflows to ELSS," says Vishal Dhawan of Plan Ahead Wealth Advisors.

Ajit Menon, EVP & Head - Sales, DSP BlackRock Mutual Fund believes that the move will certainly benefit ELSS. He, however, said that it will take 3-5 years for ELSS category to gain popularity.

Jimmy Patel, Chief Executive Officer, Quantum Mutual Fund said, "ELSS has its own charm. Existing investors would increase their allocation to ELSS. New investors who have already invested in fixed income products like PPF may find other opportunities like ELSS. I believe that the industry should capitalize this opportunity through its distribution network."

However, some experts are skeptical. Dharendra Kumar, Chief Executive Officer, Value Research is of the view that the move will not significantly benefit the industry. "There are too many products which fall under 80C limit. Also, unlike ULIPs in which investors have a yearly commitment of paying premium, the ELSS involves no such commitments. Investors have to take a call every year if they wish to invest in ELSS."

Around 37 ELSS schemes manage asset under management of Rs.30,230 crore as on June 30, 2014. SBI Magnum Tax Gain Scheme is the biggest fund in the category which manages close to Rs. 4,400 crore. The ELSS category has delivered an absolute return of 39% in the last one year, shows Value Research data.