

10:56 AM | 28 MAR  
**MARKET STATS ▼**SENSEX  
**29,424** ▲ 186.56NIFTY 50  
**9,105** ▲ 59.60GOLD (MCX) (Rs/10g.)  
**28,802** ▼ -5.00USD/INR  
**65.04** ▼ -0.38**CREATE  
PORTFOLIO****Download ET  
MARKETS APP**CHOOSE  
LANGUAGE  
**ENG**

# Investors scramble to buy fixed maturity plans ahead of financial year-end

By [Prashant Mahesh](#), ET Bureau | Updated: Mar 28, 2017, 09.24 AM IST[Post a Comment](#)

Mumbai: Fixed maturity plans (FMPs) of mutual funds are back in vogue as the financial year comes to an end. At least eight asset management companies have launched three-year FMPs of late as superior tax benefits and better returns than [fixed deposits](#) attract well-heeled investors to this product.

FMPs are close-ended [mutual fund](#) schemes which invest in debt instruments with maturity of the fund.

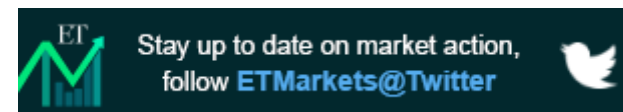
Mutual fund houses that have launched FMPs are Birla, IDFC, UTI, L&T, Reliance, DHFL Pramerica, ICICI and Edelweiss. The tenure of these funds are 1,100,150 days. By investing in March 2017 and holding till the FMP matures in April 2020, the investment is locked for just a little over three years, but investors get indexation benefits for four years.

"There is a rush amongst HNIs to lock into these FMPs before March 31, as the extra indexation benefit ensures that the returns have very little tax liability or are virtually tax free," says Ashish Shankar, head investment advisory, Motilal Oswal Wealth Management.

Indexation takes into account [inflation](#) from the time the investor bought an asset to the time she sold it. By indexing, investors bring their cost of investment to the current value, after factoring in inflation.

**RELATED COMPANIES****EXPAND**[L&T](#)

**ET Global Business Summit 2017:**  
[Read what global leaders have to say about future challenges and what it holds of India](#)



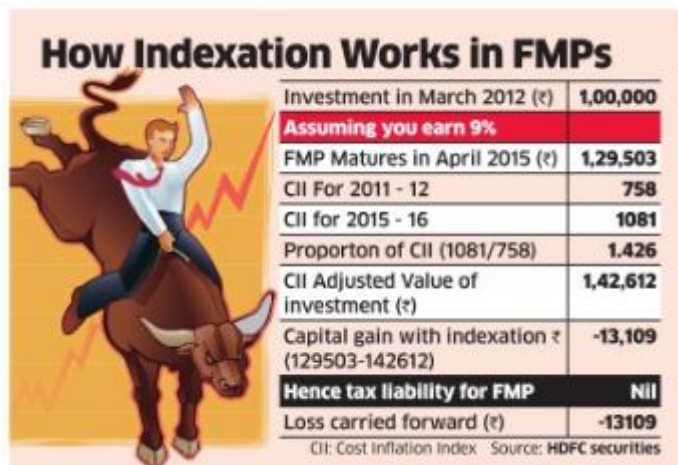
"Given the type of paper the portfolio has, investors could earn anywhere between 7.25% and 8%," says Rupesh Bhansali, head (distribution), GEPL Capital.

Portfolios with a higher allocation to AA rated paper could earn 8%, while those with only AAA rated paper could earn 7.25-7.5%.

Typically, March witnesses lower **liquidity** due to advance tax outgo and corporates moving out of money market segment for balance sheet management. As a result, FMPs tend to give a slightly higher return. Since FMPs lock in their money immediately, there is no interest rate **risk** for investors and are less volatile compared to income or gilt schemes of mutual funds.

"Many fixed income investors believe interest rates have stabilised after the recent bout of volatility and are keen to lock in a part of their portfolio at these rates," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

Experts, however, advise investors to keep their liquidity needs in mind while investing in FMPs.



Stay on top of business news with The Economic Times App. [Download it Now!](#)

[Live Market](#)[News](#)[Portfolio](#)[Mobile](#)[Live TV](#)[Newsletter](#)[Commodities](#)[Speed](#)[QnA](#)[Blogs](#)[Alerts](#)[RSS](#)**Other Times Group news sites**

Times of India | इकनॉमिक टाइम्स  
 ઈકોનોમિક ટાઇમ્સ | Mumbai Mirror  
 Times Now | Indiatimes  
 नवभारत टाइम्स | महाराष्ट्र टाइम्स  
 ವಿಜಯ ಕರ್ನಾಟಕ | Lifehacker  
 Gizmodo | Eisamay | IGN India  
 NavGujarat Samay

**Living and entertainment**

Timescity | iDiva | Zoom |  
 Luxpresso | Gaana | Happytrips |  
 Cricbuzz | Get Smartapp

**Networking**

itimes | MensXP.com

**Hot on the Web**

Live: Uttarakhand election  
 results | Elections Results 2017  
 Sensex | Gold rate today  
 Income Tax calculator | Income  
 Tax Slabs  
 RBI Monetary Policy

**Services**

ads2book | Gadgetsnow | Free Business Listings  
 Simplymarry | Astrospeak | Timesjobs | Magicbricks | Zigwheels | Timesdeal |  
 dineout | Filmipop | Remit2india | Gaana | Greetzap | Techradar | Aliveear |  
 Google Play

[About us](#) / [Advertise with us](#) / [Terms of Use & Grievance Redressal](#) / [Privacy Policy](#) / [Feedback](#) / [Sitemap](#) / [Code of Ethics](#) / / [Disclaimer](#) Copyright © 2017 Bennett, Coleman & Co. Ltd. All rights reserved.