

A STUDY OF DISTRIBUTIONAL PATTERN AND DIVERSIFICATION OF TEN LEADING INVESTMENT TRUSTS IN INDIA

K. S. SHARMA

Since comprehensive statistics regarding all investment trust companies are not available and whatever available are not up to date, we have to base our study, mainly on information from the annual reports and balance-sheets of 10 companies. Among these 10, nine are public limited companies and one a private limited company. These companies may be treated as investment trusts in the true sense of the term.*

Distributional Pattern of Investments

A study of the distributional pattern of investment of the 10 companies shows that ordinary shares accounted for a predominant part of investments. Investments in preferred stocks and debentures were insignificant except in the case of the Industrial Investment Trust Ltd. and Birds Investment Ltd. whose share in preference stock in total investment portfolio amounted to 13.30 and 13.52 per cent respectively. This is evident from Table (1).

* The criteria adopted to treat a company as an investment trust company in the present study are :

(i) If the company is being run with a stipulated provision that the dividends shall be paid out of the dividends earned on its investments only, and the income from the sale of the portfolio is treated as a capital gain and hence precluded from distribution.

(ii) If a company does not turn over more than one-sixth of its portfolio annually (Adopted from Hugh Bullock, *The Story of Investment Companies*, 1960, Columbia University Press, New York, p. 136.)

(iii) If the investment portfolio of the company exceeds 70 per cent of its total assets (similar but less inexorable condition appears in one of the many conditions laid down in the Investment Trust Companies Act of 1940, U.S.A. It lays down as one of the conditions that for a company to qualify as an investment company its investment securities must exceed 40 per cent of its assets, See Hugh Bullock, *The Story of Investment Companies*, 1960, Columbia University Press, New York, p. 79).

Among the companies which fulfil the above conditions the top 10 are selected in descending order from the point of paid-up capital.