

MF investors to get goal-based products soon

SUNDEEP SIKKA, chief executive officer of Reliance Capital Asset Management, is heading the country's largest asset management company since January 2009. He is also a director on the board of Association of Mutual Funds in India (Amfi). In an interview with Kumar Shankar Roy, Sikka shares his views on where he sees the industry going ahead. Excerpts:

■ **After a spate of regulatory changes, what lies ahead of the mutual fund industry?**

Definitely, there has been a slowdown after the regulatory changes took effect. It is very important for the industry that investors start coming back.

We have seen a drop in the number of investors in the past few months, although the average assets under management (AAUM) have not seen such a dip. It is painful to see Indian retail investors missing the opportunity to make money while foreign funds are enjoying the fruits of a vibrant stock market. We hope things will change for the better.

■ **Experts say the last-mile connectivity has broken down in the industry. What are you doing to solve this situation?**

Yes, that's right. The solution will take time. All market participants will need to realise that the rules of the game have

changed. The speed at which reforms were executed have left the industry with little time to react. The changes were focussed on investors, but it is the investors again who are taking time to come back. Advisory services, which were free earlier, are being priced now.

■ **On this backdrop, do you see a wave of consolidation in the industry now?**

There is so much potential out there right now that I believe there is a lot of scope for new AMC's to come in. In the US, there are over a thousand players. However, the mutual fund industry is a scale game at the end of the day. Scale will definitely work to the advantage of the bigger players.

■ **Will profitability from mutual fund operations hit for Reliance Capital?**

The profitability will definitely be hit. The change in the rules will indeed leave an impact. The only way to escape this situation is to increase volumes. But on a basis point level, profitability will come down.

■ **Independent financial advisors (IFAs) and PSU banks have previously been your mainstay in the distribution segment. Is this going to change now?**

Right now we have a good mix of national distributors, IFAs, PSU banks as well as private and foreign banks.

From our point of view, we have been getting a large market from IFAs. In the short term, IFAs have been finding it difficult to get business and are losing mar-



ket share. They have not been able to fully respond to the changes that have taken place in the market. However, Reliance Mutual Fund has been taking a lot of initiatives to convert financial product distributors into financial planners. This may help them rise in the value chain and regain lost market share.

■ **You have hinted that Reliance Mutual Fund will soon move away from the product culture and instead focus on providing solutions...**

Basically, we are saying we want to move away from product-focussed selling. The industry today has numerous prod-

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ucts, but it is adding to the confusion of investors.

Instead of selling small-cap, mid-cap and large-cap funds, we want to give them goal-based products. For instance, the moment an investor spells out her investment goal such as child's education, daughter's marriage, or maybe buying a car, we will have a solution for it. You will hear more on this from us shortly.

■ **Technology is a big focus for you. What are you doing over there?**

I would not be able to share a number with you regarding investments, but we will be using technology to the fullest.

One of the issues is how to expand reach. Secondly, how we can reduce transaction costs and thirdly, we have to have a fully integrated mid-office and back-office in place. We are geared to handle 30 crore transactions a year, 10 times of the 3 crore transactions we are handling right now.

■ **When are you making SIP investments available on the NSE-Mutual Fund Service System platform?**

Our teams are working at the back-end and sorting out some processes. We will hope to be there soon enough.

■ **Some people want to interpret your fund house's renewed focus on retail debt as a pushed-to-the-wall kind of solution, especially since equity net inflows haven't been that great...**

I don't agree fully that it's a pushed-to-the-wall strategy. We are going out there and sensing a big opportunity.

This can bring huge volumes, which will help profitability. Almost, 90 per cent of Indian household savings are in bank fixed deposits. We are not saying we will reduce the focus on equity products. While money was lying in banks earlier, our recent success with monthly income plans (MIPs), where we collected Rs 10,000 crore in about 14 to 15 months, has shown us we can succeed.

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(The reporter's visit to Goa was hosted by Reliance Capital Asset Management)