

COMPANY TO ABSORB 25 execs of Goldman Sachs AMC; buyout to beef up Reliance Mutual Fund's AUM by over ₹7,000 cr

Rel Cap to Acquire Goldman's Indian Fund Biz for ₹243 cr

Our Bureau

Mumbai: Reliance Capital Asset Management will acquire Goldman Sachs' Indian mutual fund business for ₹243 crore, marking the sixth exit by a global financial services firm from the domestic asset management industry in the last three years. The buyout will add ₹7,132 crore to Reliance Mutual Fund's assets under management (AUM) of ₹1.52 lakh crore. The mutual fund industry manages assets worth ₹13.15 lakh crore.

The deal values Goldman's domestic mutual fund business at 3.4% of its AUM. Mutual fund industry officials said the valuation is fair given that Goldman Sachs Asset Management predominantly manages the cheaper exchange traded funds (ETFs). Most acquisitions in the Indian mutual fund industry in the past were valued at roughly 3-6% of their AUM.

Goldman, which manages 12 mutual fund schemes including 10 ETF schemes, entered the domestic mutual fund industry in July 2011 with the purchase of Benchmark Asset Management, which was India's only ETF specialist then, for about ₹120 crore.

"Through this acquisition, we shall add on 15 years of experience in passive fund management, making it a good fit," says Sundeep Sikka, President and CEO, Reliance

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President & CEO,
Reliance Mutual Fund

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Upping Sticks

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Mutual Fund, the third largest Indian mutual fund in terms of AUM. In addition to the assets, Reliance will also absorb the 25 executives of Goldman Sachs AMC.

Goldman Sachs joins other global firms such as ING, Morgan Stanley and Deutsche

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Bank which have sold sell their businesses in emerging markets. Last

year, Dutch financial services group ING sold its stake in ING Investment Management to Birla Sun Life Mutual Fund. In 2012, HDFC Mutual Fund bought the assets of Morgan Stanley Asset Management. Recently, Deutsche Bank sold its mutual fund business to Pramerica.

Asset management companies — mostly owned by foreign firms — are exiting India as they are reeling under losses and have been unable to scale up the domestic business on expected lines. Mutual fund industry officials said, for many of these global investment banks, mutual funds in emerging markets including India do not fit into their business plans.