

RCAM to buy Goldman India MF biz

■ Acquisition price ₹243 crore; entire process expected to be over in FY16, subject to nods

fe Bureau
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FOREIGN mutual fund houses continue to exit the Indian asset management space and Goldman Sachs Asset Management (GSAM) is the latest player to sell its domestic asset management business to Reliance Capital Asset Management (RCAM). The acquisition price is ₹243 crore and the deal is valued at 3.4% of GSAM's average assets under management.

According to a release issued by RCAM, the boards of both companies have already approved the transaction and the acquisition is expected to be completed in this fiscal, subject to necessary regulatory approvals. "The transaction will add over half a percent in our market share. We will ensure

that we maintain seamless continuity for all GSAM India fund investors across all schemes. Going forward, we would be willing to consider more such acquisitions that add to our strength and complement our portfolio", said Sundeep Sikka, chief executive of Reliance Capital Asset Management.

With this buyout, Goldman Sachs Asset Management will be third foreign player to exit mutual fund operations in the current calendar year. Earlier, Pramerica Asset Management bought assets of Deutsche Asset Management Company (AMC), and just a few days ago—in the first week of October—Belgian-based KBC Asset Management sold its 49% stake in mutual fund business to its partner Union Bank of India.

The primary focus of GSAM is to manage exchange traded

CEO-SPEAK

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SUNDEEP SIKKA,
CEO, Reliance Capital

funds (ETFs) and the company currently manages 12 mutual fund schemes, including 10 ETF schemes, and is the largest ETF provider in the country.

GSAM India is currently the exclusive fund manager for central public sector enterprises (CPSE) ETF and manages assets worth ₹2,172 crore for the scheme. According to the data from the Association of Mutual Funds in India, average assets under management of GSAM for the July-September quarter stood at ₹7,132.05 crore. In March 2011, Goldman Sachs Asset Management had acquired assets of Benchmark Mutual fund for more than ₹130 crore.

Market participants said this deal would add value to the business of RCAM. "I think they have paid such high valuations only because of track record of schemes of Goldman Sachs.

With this move, Reliance gets to manage current CPSE ETFs and further benefit from participating in the follow-on offer of CPSE ETF," said the CEO of a top fund house. Typically, in the Indian mutual fund industry, equity assets are valued in the range of 4-6%, while debt assets are valued in the range of 1-2%.

According to Amfi, average AUMs of Reliance Mutual Fund stood at ₹1.52 lakh crore for the July-September quarter. "We feel this business is best positioned to achieve long-term success under the direction of an asset manager with an established onshore franchise. We are deeply encouraged by the growing investor demand and government support for the burgeoning Indian ETF industry", said Sanjiv Shah, co-chief executive officer of GSAM India.