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One year of Modi rule sees surge in retail participation in mutual funds

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There has been a sense of disappointment over the performance of the Modi Government in its first year, but the mutual fund industry has never had it so good.

Since Narendra Modi took over as the Prime Minister in May 2014, the assets under mutual fund management have grown from ₹9 lakh crore to ₹11.8 lakh crore, recording a 31 per cent jump. Around 22 lakh new mutual fund folios were added in this period.

Low penetration

These were some numbers shared by the top executives of Reliance Capital Asset Management (RCAM) in an offsite conference held in Abu Dhabi.

Sundeep Sikka, CEO of the company, underlined the fact

that retail participation in mutual funds has recorded a sharp jump in the past year. About ₹1.63 lakh crore of retail money was pumped in to the mutual fund industry since the government took charge; up 3 times over the past year.

But the mutual fund penetration in the country continues to be relatively low with just 4 crore mutual fund folios, representing 3 per cent of the population.

If this is compared with 97 crore telecom subscribers and 21 crore bank accounts, the potential for the mutual fund industry remains big.

Sikka projects assets managed by the mutual fund industry to rise to ₹20 lakh crore by 2018; at a 22 per cent CAGR.

Reliance Capital AMC has also grown well over the past year, increasing its market share from



Sundeep Sikka

11.4 to 11.9 per cent over the past year. The AUM of retail investors managed by the fund has grown 95 per cent from ₹14,038 crore as of March 2014 to ₹27,307 crore as of March 2015.

This is well above the industry average of 51 per cent. While ICI-ICI has grown its retail AUM by 80 per cent, Birla Sun Life and HDFC

have recorded 63 and 46 per cent growth respectively. The geographical spread of mutual funds also appears to be improving. Funds invested in B-15 cities (beyond the top 15 cities) as of March 2015 amounted to ₹189,014 crore or almost 15.7 per cent of the total funds of the industry.

Maximum assets

UTI had the maximum assets from B-15 cities at ₹28,630, followed by Reliance Capital AMC at ₹27,422 crore.

Retail investors appear to prefer the Systematic Investment Plan (SIP) route to invest in MFs. New SIPs added by RCAM per month have increased from ₹15 crore as of March 2014 to ₹4.6 crore as of March 2015.

The writer is in Abu Dhabi at the invitation of RCAM