

# ‘What is good for the investor is also good for AMCs, distributors’

Sundeep Sikka, executive director and CEO, Reliance Nippon Life Asset Management (RNAM), believes what is good for the investor is good for the industry. It is in this spirit that he steers RNAM's retail-focused growth. With presence in 100 locations where no other AMC is present and 3 million SIPs that contribute over ₹10,000 crore on an annualized basis, the company is proud of the contribution it has made to increase the reach of mutual funds



## MONEYGURU

**SUNDEEP SIKKA**  
ED and CEO, Reliance Nippon Life Asset Management Ltd



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### What is the status of the sale of Reliance Capital Ltd's stake in Reliance Nippon Life Asset Management to Nippon Life Insurance Co.?

Reliance Capital has communicated to the stock exchanges that it has offered JV (joint venture) partner Nippon Life the option to buy out its stake. Discussions are ongoing and there's nothing new to add at this point of time.

Nippon Life is a valuable partner in two JVs with Reliance Capital—in asset management and in insurance. It came into the AMC with 26% in 2012 and has increased its stake in stages.

I wouldn't like to comment on reports about other foreign investors being approached for the stake sale. As a listed company, a number of big global investors are already invested in RNAM. Since our listing, various international investors have shown interest and their interest goes beyond this specific transaction.

### Did the recent rationalization of costs hurt RNAM more, given its retail focus and dependence on the retail distribution channel?

Our primary focus has always been on IFAs (independent financial advisers). But it is also important to recognise support from partner banks. Reduction in TER (total expense ratio) and banning upfront commissions are both good measures for the investor and what is good for the investor is good for all the stakeholders, including distributors and asset management companies (AMCs). The reduction in TER is a reality and the way to compensate is to increase volumes and improve operational efficiency.

We are happy to see the

retail portion grow and are proud of the contribution we have made to increasing the reach of mutual funds. Today we are present in 100 locations where no other asset management company is present.

This is a business in which you have to invest for the long term, especially when you are building up a retail book—this is not easy. Our focus has been on building the SIP book and today we have 30 lakh SIPs that contribute over ₹10,000 crore on an annualized basis.

Technology is one big area we are investing in: over 31% of our transactions are through the digital platform. This improves operational efficiency and brings down costs.

### How do you approach the complicated task of taking debt products to retail investors given that debt investing is nuanced?

Nothing is easy when you are acting in a fiduciary capacity. The infrastructure we have created to

help fund managers make the right decisions is because we recognise our responsibility in our fiduciary capacity to 8.8 million investors. We have not been involved in any accidents that have happened in the industry. Our trustees believe that we need to have a conservative approach for debt as investors may not realise there is a downside risk—just like in equities—as they view debt MFs more like fixed deposits.

If you are taking debt to retail investors, it is important to have research capability. In our 18-member debt team, 11 are analysts. We have a separate head of research. A large research desk is neither a regulatory requirement or an industry norm. We do it as part of our internal risk management process. We believe that in our fiduciary capacity, we

## OFF TRACK

### If you were 21 again?

I started investing late in MFs. Now I am making my daughter start early



### Gadget you can't do without

My phone



### Your money mantra

Keep investing in MFs. All my assets are only in mutual funds



### Your fitness mantra

One hour of exercise at 5 am every day



### Favourite thing on your desk

A small Sai Baba idol has been a constant on all my desks



and not about higher returns. The core for any AMC is the risk management framework.

### How do you align product offerings with investor interest? Is India a developing market for passive investments?

We are a balanced fund house. We believe any portfolio needs debt, equity, money market and commodities. We believe in having the investor at the centre of all our strategies. We have seen our equity assets increase from 34% of overall assets to 38% in the last 12 months. But we do not want investors to create a portfolio of only equity assets. Like a balanced meal, there should be a little of everything—equity, fixed income, gold and commodities. We offer everything that the investor may need and let them choose. We also have a US fund, Japan fund and a Hang Seng fund to give investors options for geographical diversification. You offer a scheme if there is a need for it in the investor's portfolio and you can add value, and it is scalable and not cyclical.

As for passive investments, markets will keep maturing. There are the educated, savvy investors who look at ETFs (exchange-traded funds), especially in large-caps where alpha generation may reduce and higher expenses may eat away the returns. When we acquired Benchmark and Goldman Sachs, it was a ₹7,433 crore portfolio. Today, we are in excess of ₹29,000 crore. Today 90% of the traded ETF volumes on the stock exchanges are our ETFs. This is critical because there are two things that matter most to ETF investors—tracking error and impact cost. And impact cost reduces when there is greater liquidity. As much as 56% of the total ETF investors in India are RNAM investors.

### Sunita Abraham

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have to take all the protection.

Moreover, unlike equity markets, debt markets are not liquid which makes selection important. We have developed our own rating capabilities too. We track the downgrades to upgrades in our portfolio and for every one downgrade, there are 2.64 upgrades in the last financial year; 92% of our portfolio is AA- and above. It is a very conservative approach. This is about managing risk