

It's about mutual growth!

The Mutual Funds (MF) industry in India has been growing at an impressive rate for the past few years and this growth has a lot to do with the increasing awareness of the potential this sector offers to investors. For a while now, Association of Mutual Funds in India (AMFI) has been aggressively promoting this sector through various activities. In 2016, AMFI got its new chairman **A Balasubramanian** who is also the CEO for Birla Sun Life Asset Management Company. He has continued to propel the industry on this growth trajectory and has also built up momentum for the awareness campaign. Balasubramanian is also a member of the Mutual Fund Advisory Council set up by SEBI (Securities and Exchange Board of India). He spoke to **Free Press Journal's R N Bhaskar** and **Jescilia Karayampambal** on some key highlights of this industry. Given below are edited excerpts:



What is your take about the tax regime—GST?

■ From AMFI's point of view, there won't be any adverse impact from GST on the mutual fund industry. There would be changes in terms of compliance because in the past as well mutual funds are subjected to service tax (ST). So now we will be moving to GST. Mutual funds will come under the 18 per cent slab compared to 12 per cent under ST. This is same in case with many goods and services in the country. For some the rates have gone down and some it has gone up.

■ GST will not hurt the mutual fund industry. But it will increase the compliance cost. At the same time, the transition to GST will also result to lot of automation. GST would depend on individual adaption. If you are able to adapt to GST well, it will improve efficiency, increase collections and it will allow for frequent monitoring. Interlocking will be the key here. Interlocking will make the process run like an engine.

■ In order to create awareness about GST, AMFI as a body is carrying out a conference call which will have all our members across the country express their concerns. Through this process, we

want to see if our members are well aware of the various aspects of GST. We are also trying to reply to all the queries individually if they contact AMFI through AMFI's website.

Will GST affect commissions that the industry pays out to intermediaries?

■ Every person who is providing and taking services will have to pay his or her share of GST. Service Tax is gone up from 15 per cent to 18 per cent now. That system will not change. An unregistered agent will get his commission after deduction of the full service tax amount. But he will not enjoy the input credit. This is a smart move which will encourage every player to register himself with AMFI and GST. This will not leave anyone unattended. Therefore, compliance through this system will go up significantly.

How has growth been for mutual fund industry?

■ From the AMFI's point of view in the last three-four years, we have seen continuous growth. We have also seen continuous growth in equity and have seen increase in participation in various mutual fund

schemes. The growth of the SIP business is impressive, and its book size is also growing. We have seen 3.5 per cent growth month-on-month in SIP alone. Overall, we are growing 2 per cent month-on-month – that is almost 24 per cent on an annual basis. This rate of growth is bound to be maintained keeping in mind the penetration (into smaller towns and villages). The major driver to this growth is the mutual fund awareness that has been created. AMFI has been rolling out various awareness campaign across the country.

■ The awareness to invest in mutual funds has been growing. This will cause more and more participation from the middle class. This group is looking at mutual funds as a long-term vehicle. We have seen an increase in SIP and we have seen a new trend emerging – a move from a short term approach to MFs to a long-term perspective.

Is there any pain point or a wish list that you want the government to look at?

■ We only had an opinion about KYC (know

your customer) and we had pointed it to the government that asking a client to go through a KYC each time was cumbersome. But with a centralised approach to KYC coming in through CKYC, many of these problems could be ironed out.

Is it foreign fund inflows that are causing the stock markets to rise? What is your view?

■ Today, FDI (foreign direct investment) flow is higher than FPI (foreign portfolio inflows). FPI flows in the last two years are lower in the capital market than domestic flows. From India's point of view, this is good news. It means more domestic money is now supporting the market. Hence the December effect (when foreign investors take their money out towards the end of the year) is likely to be less severe than it used to be earlier. FDI flows into the bond market has been rising as India is considered as a stable market with regards to currency concerns. Project led investment has

started generating inflow.

■ The flow is more qualitative and long-term in nature unlike what happened three years ago. From the market point of view, the biggest advantage is that domestic savings that would otherwise find a way to real estate, gold and banks, are now moving towards the capital market.

There are talks about dividend tax. Is AMFI in talks with government on this?

■ Our consultants have given us an opinion about this. Any dividend received from the companies on the equity holding by mutual funds, is subjected to the provisions of Section 10(23B). Under this provision, things are clear. The final investor will be exempted from dividend tax. Both the mutual funds industry and investor are protected.

■ The clarification that we have received from our consultants has been forwarded to the CBDT office and to the finance ministry. We have informed them that we are going by what has been advised to us by our consultants.

How can the hidden nature of commission in MF be improved?

■ In last few years, the commission has been streamlined. Industry body as part of best practises has streamlined the whole process. There will be some deviation by some members or distribution. Some still have to be streamlined over a period of time.

What is AMFI's stand on churning of accounts?

■ Churning is coming down. Most of the commissions are long-term. The higher the upfront, lower the churning and lower the incentives have been structured in such a way that it encourages a long-term holding period.

Which states are the biggest contributor in the MF industry?

■ Maharashtra is the biggest contributor. Most investors are based in Maharashtra and the per capita income is highest in the state. Next comes Andhra Pradesh, Gujarat and Tamil Nadu.

What would be Birla Sun Life's target?

■ We want to be the leader in this space. If the industry grows by 15 per cent, we would like to grow by 16-17 per cent. We want to grow a little above the industry growth rate.

CORPORATE GALLERY

SAIL readies for new tax regime under GST



Steel Authority of India Ltd. (SAIL) is readying itself for a smooth transition into the new tax regime, which will come into effect with the introduction of GST from July 1, 2017. The Company, besides appointment of reputed consultant for overseeing the transition, has also formed special teams for coordination with its pan India based plants, units, marketing offices and other units

for migrating to GST regime. The introduction of GST is a significant step in the Country's taxation regime which will have far reaching and positive impact on Indian Economy. Implementation of this huge transformation process, requires detailed planning and clear understanding of the effects it will have on the existing systems and procedures. Keeping in mind these requirements, the dedicated teams are executing necessary modifications in the Company's internal systems and procedures, under the overall supervision and guidance of top management.

Swasth Saarthi Abhiyaan and Fuel Conservation Workshop inaugurated



Union Minister for Science and Technology and Earth Sciences and Environment, Forest and Climate Change, Harsh Vardhan and Minister of State for Petroleum and Natural Gas, Dharmendra Pradhan, together, inaugurated the Swasth Saarthi Abhiyaan (SSA) at Siri Fort Auditorium. The Swasth Saarthi Abhiyaan (SSA) is a two-month long mega campaign focusing on providing preventive healthcare to the auto, taxi and bus drivers of the region. SSA, an initiative of Indraprastha Gas Limited (IGL), was inaugurated in the presence of various dignitaries including members of Parliament, Officials of Delhi Police and other senior officials of the ministry. The SSA event is a unique initiative to address the major issues being faced by public transport drivers of the region, with almost all of them being users of CNG.

38th Masters National Athletic Championship 2017 held



Rajinder Singh of IRCON International Limited has participated in the event of 38th Masters National Athletic Championship 2017 for 100 meters hurdles run and in the long jump where he stood at third position. Singh of IRCON International limited has been invited for taking part in the Asian Masters Athletic Championship 2017 being organised by China.

United Way Day of Action commemorated



This year to commemorate the United Way Day of Action, United Way Mumbai (UWM), with the support of corporate and private contributors, organised the Let's READ Carnival. Let's READ is a United Way Mumbai initiative aiming to nurture a love for books and reading among children living in marginalised communities. Through this project, UWM sets up mini libraries, gift book sets, train NGO teachers and conduct workshops for students. The Let's READ Carnival, an all-day event, which happened recently aimed to bring the world of books and reading under one roof. Around 1,500 underprivileged children from 15 NGOs, working across the city of Mumbai were treated to a day filled with fun, learning and the magic and wonder of books.

National Awards Function 2015 at Pravasi Bhartiya Kendra



The Ministry of Micro, Small and Medium Enterprises had organised the National Awards Function 2015 recently at Pravasi Bhartiya Kendra, New Delhi. Since the United Nations has recently declared June 27th as the UN Day for MSMEs. The Ministry of Micro, Small and Medium Enterprises has selected this day for distributing National Awards to Micro, Small and Medium entrepreneurs for their outstanding performance, to express the gratitude of the Government to the achievers in this field which is so important for the national economy. The occasion was graced by the presence of Kalraj Mishra, Minister of MSME; Giriraj Singh and Haribhai P Chaudhary, Ministers of State for MSME; Vinai Kumar Saxena, Chairman, KVIC; C P Radhakrishnan, chairman, Coir Board, also were present on the occasion.

Ravi Shankar Prasad releases special issue of Kaleidoscope



Union Minister for Law & Justice and Electronics & Information Technology, Ravi Shankar Prasad released the special issue of Kaleidoscope on Digital India during the two-day national convention on 'Digitalisation: Opportunities and Challenges' organised by SCOPE. Also present on the occasion were Ved Prakash, chairman, SCOPE and CMD, MMTTC; R K Bahuguna, vice chairman, SCOPE and CMD, RailTel; U D Choubey, director general, SCOPE.

Policy favouring domestically manufactured iron & steel approved



The Government had approved a policy for providing preference to domestically manufactured iron and steel products in government procurement (DMI&SP Policy) and notified the same on May 8, 2017. The policy has come into force from the date of its publication in the Gazette of India. The policy mandates to provide preference to Domestically Manufactured Iron & Steel Products (DMI&SP), in Government Procurement in which a minimum value addition of 15 per cent have taken place domestically. Each ministry or department of government and all agencies/entities under their administrative control will be under the purview of the DMI&SP policy. The policy is applicable to supply of iron and steel products having aggregated estimate value of Rs 50 crore or more.

WR Women's Welfare Organisation conducts tree plantation drive



Western Railway Women's Welfare Organisation (WRWVO) organised a tree plantation drive recently in Mumbai. Archana Gupta, president of WRWVO along with Shubha Jain, vice president, WRWVO and executive committee members actively participated in the tree plantation drive at Badhwar Park, Churchgate. The executive committee re-dedicated themselves to safeguarding the environment in every possible way. On the occasion, Gupta conveyed that she would do a regular follow up of the various measures required to be adopted for nurturing and safeguarding the environment.

Western Railway's GM emphasised cordial relations with staff



A K Gupta, general manager, Western Railway addressed the PNM meeting at WR Headquarters at Churchgate on June 28, 2017. He interacted with representatives of unions and associations on various important issues and emphasised to ensure cordial and amicable relations between administration and staff for the healthy growth of the organisation. Rahul Jain, additional general manager; Sanjay Suri, chief personnel officer and other principal heads of various departments were also present on this occasion.

Indian Students win global aerospace competition, CanSat 2017



Team Astral of UPES (University of Petroleum and Energy Studies) has made its alma mater and country proud by securing first rank globally at CanSat 2017. CanSat is a prestigious annual design-build-fly competition with space related themes organised by American Astronautical Society (AAS) and American Institute of Aeronautics and Astronautics (AIAA). About 40 teams from across the world were competing in the finals this year held at Texas, U.S.A including Princeton University, University of Manchester, University of Alabama, VIT University and National Aviation Academy. Team Astral of UPES is a 23 member multi-domain team with students from Aerospace Engineering, Electronics Engineering, Computer Science Engineering, Material Science Engineering, Instrumentation and Control Engineering and design studies. The team has been participating in CanSat competition since 2013 and in a short span of five years has reached number 1 ranking.

CRPF and J&K Police tightens security at Amarnath Ji Yatra



The first group of 2,280 numbers of pilgrims along with 72 vehicles were flagged off recently by deputy chief minister of the State Nirmal Kumar Singh from Base Camp, Bhagwati Nagar, Jammu for Amarnath Ji Yatra-2017 under the security arrangements made by Central Reserve Police Force and J&K Police. Adequate security arrangements have been made by the CRPF keeping in view of present terrorist activities in J&K. CRPF has utilised modern tools for security like UAV and other security gadgets for proper surveillance of Yatra so that security of the pilgrims is not compromised at any cost. As per the present security scenario, Amarnath Yatra of this year is more challenging compared to Yatras of previous years.

APPOINTMENT

Piramal Enterprises' executive to join Shriram Capital as MD & CEO



Rajesh Laddha, chief financial officer of Piramal Enterprises Ltd (PEL), is joining Shriram Capital Ltd (SCL) as managing director and chief executive officer, PEL said in a statement.

PEL holds a 20% equity stake in Shriram Capital and 10% each in Shriram Transport Finance Ltd and Shriram City Union Finance Ltd. Piramal group picked a 10% stake in Shriram Transport Finance in 2013. Later in 2014, it bought a 20% stake in Shriram Capital Ltd for Rs 2,014 crore (\$334 million).

Laddha will cease to be CFO of PEL by 30 June 2017. Ajay Piramal, chairman, Piramal Group, said, "As an important member of the Piramal Group, Laddha has successfully driven some of our most significant strategic forays and acquisitions."

Laddha was appointed non-executive director on the board of Shriram Capital on 21 July 2015, following PEL's investment in SCL.

Other stakeholders in Shriram Capital include Shriram Ownership Trust, South African insurer Sanlam and US private equity fund TPG Capital.