

Offering high-quality financial products

Tata Asset Management Ltd manages Rs181.71 billion under various schemes of its Tata Mutual Fund

TATA Asset Management Ltd, part of the Tata group, one of India's largest and most respected industrial groups, manages Rs181.71 billion (average assets under management as on July 31) under various schemes of its Tata Mutual Fund. The excerpts of an interview with Ved Prakash Chaturvedi, Managing Director, Tata Asset Management Ltd.

With the stock market indices climbing to record highs, do you see good prospects for the mutual fund business during the year?

The growth of the Indian mutual fund industry over the past two decades has happened owing to the inherent high quality of the products and services offered by the mutual fund industry as well as the huge untapped potential of the need for servicing a large number of individual potential investors.

Since the penetration among potential investors is yet at a very low level, the future opportunities for the mutual fund industry are significant. Mutual funds are uniquely positioned in the sense that they offer the entire spectrum of risk / return

products to cater to the requirements of various individual investors.

Similarly, mutual funds offer transparency of portfolio disclosure as well as the opportunity of having the services of qualified fund managers for a small fee. The performance of Indian mutual funds in various asset classes over this period of the last decade and a half has provided a large number of investors with good returns and a convenient opportunity of managing their financial lifecycle.

While the future returns from mutual funds will depend on market trends, one expects that the bright prospects for the Indian economy and the low penetration among potential investors clearly indicate that the future of this industry is indeed very bright.

Do you see good demand for mutual fund schemes even in the Gulf, with NRIs diversifying their portfolios?

Our belief is that investors should first take advice from their financial advisors and decide on the appropriate risk-return profiling of their financial needs before taking an investment decision. Investors should also convince themselves about the legal and tax standing of their intended investments.

In our view a large number of NRI investors have benefited from investing in mutual funds over the past many years and our expectation is that more and more such investors will come to take benefit from



Ved Prakash Chaturvedi

this opportunity. In the context of a global environment where alternative growth economies / asset classes are becoming increasingly scarce, the Indian economy is a very bright spot of opportunity.

Most analysts believe that the next decade will see the Indian economy growing at reasonably high rates thus outperforming many other large developed economies in terms of rate of growth. Thus, within applicable legal and tax guidelines and jurisdictions, NRI investors will look to invest into Indian equities through appropriate vehicles.

Will you be holding road shows in the Gulf to meet the growing demand from NRIs there?

We take great care of approaching investors in various markets after a thorough analysis of various jurisdictions and legal requirements of each jurisdiction. Within the laws of the jurisdictions in various Gulf countries we will take care to make only appropriate representations to potential investors.

What are the reasons for the surge in stock market indices ?

In our view there will be four fundamental drivers of India's economic growth in the next few years. First and foremost is the consumption demand-led growth that the Indian economy will witness. Second is the infrastructure opportunity. Third is local consumption demand. And last but not the least is the financial intermediation opportunity.

Consequently, the Indian economy continues to move forward with these basic drivers. We have seen businesses in these areas do well and reflect earnings growth. Investors and analysts now expect that this growth will sustain for some time into the future. It is this business optimism which has led to the upturn in Indian stock markets.

Clearly, equity investors are advised to invest in markets from a medium-term perspective as after the sharp recent run-up markets can be volatile in the near future.

Are returns from mutual funds likely to be good this year ?

The returns from mutual funds reflect the returns from underlying stock markets as well as the outperformance that the fund manager can generate. If one looks at the last 15 years, most years have seen Indian fund managers outperforming benchmark indices from a medium-term basis.

It is our expectation that high-quality, actively managed funds with fund managers who have a track record can continue to outperform in the future too. Future returns will importantly also depend on broad stock market trends driven by growth in the earnings of individual companies.

Since most companies have talked about an optimistic outlook, the medium term stance on Indian stock markets is more or less bullish. Short-term fluctuations will continue to happen and we recommend that investors look to invest in equities only with a long-term time horizon.