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‘Broad basing of market will help fund managers generate alpha’

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Suresh P. Iyengar
Mumbai

Tata Asset Management Company has surprised many investors by stopping lump-sum investment in its small-cap fund when there was a mad rush to invest in this category of fund. The equity asset of the fund house has grown 18 per cent CAGR in the last 5 years to ₹51,358 crore as of March-end. Prathit Bhohe, Managing Director, Tata Asset Management, spoke to *businessline* on the growth prospects. Excerpts:

How do you see Tata MF growth given the emerging competition?

Given our performance in the last few years, we are confident of growing faster than the market. Our expectations are not based on an annual basis because our business has inherent volatility.

If GDP grows by 6.5-7 per cent, this industry should grow by around 15 per cent. And if this industry grows at 15 per cent, we would definitely want to grow faster than that. We are working on this broader road map. In the last five years, the industry has more than doubled, and we have tripled.

Do you see challenges from new entrants?

The growth in the bottom half of the industry may appear faster due to the base effect. There is increased competition, whether it is from smaller or bigger players.

I think investors will always look for the track record of the fund manager and the reliability of the fund house.

Older fund houses have the benefit, as the new players do not have a track record. It takes time to build a track record and be seen as someone reliable to park your money. To that extent, the old fund houses inherently have that benefit.

There is enough evidence of fund houses that were called



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PRATHIT BHOHE
Managing Director
Tata Asset Management

small in the past growing magnificently given that they have performed well and attracted investment interest.

What has been your strategy to attract retail investors?

We have not focussed on one particular channel to grow our business. We have focussed on what we call all the traditional channels, including IFAs, banks, and national distributors.

We are also focussing on fintech and a direct-to-customer channel where investors come to our platforms and transact directly. We are also expanding our manpower on the sales side. Five years ago, we used to employ about 350, and it is about 550 now.

Is reaching smaller towns a challenge without the B-30 incentive?

No. Even without the incentive, we see a phenomenal benefit in expanding in these markets because our brand gives us a natural pull.

Our reach into smaller cities will continue. In fact, it has been about 18 months since we started this virtual relationship manager

channel. Our team members are centralised in a particular location, and a set of ARNs across the country are mapped to them. Distributors in these towns are excited about a call going out from our side and dealing with us because there is a natural affinity for the brand.

How do you see equity inflows, given the volatility in the market?

There are several things that are actually in favour of us as a country. If the GDP grows at 6.5 per cent, there is no reason why the financial markets do not sustain the level of enthusiasm that we are witnessing from investors.

Within this period, the market may go up and remain flat. Everybody relates with the index to gauge the interest level in the market, but we see many opportunities outside the index due to the broad basis of the market.

Our expectation is that you will find many more corporates doing well than we have seen in the past several years.

Broadbasing to the market will help fund managers generate alpha. Our expectation is that the markets will stay buoyant. We are not really as influenced by whether the index moves.

We are far more interested in seeing how the environment is developing, given all these structural reforms that have happened, and then being able to identify the opportunities that get presented.

Have inflows slowed in your small-cap funds after putting restrictions in place?

We stopped accepting lump sums in July. The pace of flows has reduced from Q1 level, but it continues to get us into flows through the STP stroke SIP route, thanks to the performance and the level of investor interest in this category. We continue to get around 25 per cent of what we used to get. We still think it is an area where investors can compound their investments.