

How simplicity can breed funds success in India

The last decade has seen Mirae Asset Global Investments (India) Pvt Ltd grow steadily by pursuing a tried-and-tested strategy of consistently delivering on its promises, says Swarup Mohanty.

Not many foreign-owned asset management companies can boast a growth story in India.

Yet despite not being a household name outside of its home market of Korea, Mirae Asset Global Investments (India) Pvt Ltd has shown the way for a solid

specific and clear-cut strategy aligned with a business plan that engulfs potential customers.

“Contrary to most of the funds in the [Indian] market, we have been dominant on the equity side,” he says, but adds that he is looking for this to evolve

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growth and profitability over the past 10 years since setting up shop in the South Asian country. The firm’s local chief executive officer, Swarup Mohanty, puts the success down to a

in the next few years. “The landscape has changed at the ground level, with taxation on the debt side now extended to three years,” he explains. “This gives us the opportunity as an



SWARUP MOHANTY
Mirae Asset Global Investments

asset manager to build up a good, long debt book, which was not really possible before the tax changes.”

On a global consolidated basis, the firm manages more than USD2.5 billion in Indian equities and USD450 million in Indian fixed income instruments (as of August 31, 2017). The progress the firm has made is all the more impressive given that many other global asset managers have retreated from this growing yet challenging market.

As a further sign of Mirae Asset's Group commitment to India, the firm has also launched its India Portal (www.miraeasset.com/india/) to showcase its asset management capabilities. Mirae Asset India office also has a dedicated website for its Indian investors (www.miraeasset.mf.co.in).

GROWTH TRAJECTORY

The last few years have certainly been interesting in the domestic mutual funds space. Multi-fold year-on-year growth in terms of industry AUM has given a fillip to most fund houses in India. This is now coupled with the fact that the broader investment universe is going through a landmark change – with investors increasingly shifting towards looking to financial assets.

“This is a sweet-spot to be in,” adds Mohanty. “We have done the hard work and now, if we continue to build a good track record in our products, a lot of positive things can happen for us.”

He is confident the firm's market share will grow in line with this. “The market has become more differentiated among the various players,” he explains. “There are the scale players and there are specialised players like us.”

THE RIGHT TYPE OF BUSINESS

The scale players in India are akin to financial supermarkets, offering all types of financial assets.

By contrast, having a simpler and more streamlined business model can appeal to the ever-expanding pool of advisers who are in need of showing to end-investors products that perform – not necessarily branded.

“The fund management industry today [in India] is far more responsible and is aware of its fiduciary role. Also, the portfolio constructs today are far superior to those 10 years ago from a risk mitigation perspective.”

“[Asset management firms] have come to India hoping to build a good business, and if you analyse all the exits, most of the funds or schemes were good – but it was the business model that wasn't,” explains Mohanty.

He sees an important lesson to be learned. “We have been more realistic about our business; we have not tried to do things beyond our capacities, playing to our strengths and being candid in admitting where there are categories or schemes that we cannot manage has helped us to keep the communication very clear with our advisers.”

At the same time, the fundamental changes in the business environment in India, combined with the influence of the regulator, are big factors in dealing Mirae Asset a helping hand for the future.

“The opportunity in India is far better today than it was 10 years ago, with the structural framework stronger,” says Mohanty. “The fund management industry today is far more responsible and is aware of its fiduciary role. Also, the

portfolio constructs today are far superior to those 10 years ago from a risk mitigation perspective.” But not only is there now a more established industry of professionals who have learnt from some difficult market cycles. Indian

investors are also much more aware of the volatility in the market and what this means for them and their investments, he adds. “The customer now has experience [that they didn't have before]. From this perspective, the opportunity in India is larger today than it was 10 years ago.”

A ROADMAP OF CONSISTENCY

Mohanty says he is looking forward to the next 10 years in India, having inked his blueprint for the business. “One of our big priorities is to continue this focus on simplicity and to build on the platform that we have,” he says. The firm's thought process, he explains, is that once an investor or adviser comes to the firm, they know what they will get.

“We ask for long-term money. We evaluate whether our product is qualified to take in long-term money, before launching new funds” he says. “Well, we are the only fund house that has stood by its product continuously for 10 years. No other fund house in this country has done this, so the data tells its own story.” ■