

SURESH SONI, CEO, DHFL Pramerica

'We are committed to the retail market in India'

We have a retail DNA and would like to offer products that market needs, says Suresh Soni, in conversation with **Preeti Kulkarni**



Can you run us past the acquisition and where does DHFL Pramerica stand now?

Year-ended March 2016 was a year of transformation for us. In fact we completed the largest ever acquisition in Indian asset management space. We acquired Deutsche MF which was almost

10 times our size, which is the first time such a thing has happened in India. I would say that it shows our commitment to the market, our commitment to the industry and we have successfully completed that transition. Our AUM in March 2015 was about ₹1,800 crore, which as we speak is approaching

around ₹25,000 crore. It has been a wonderful time—year of growth, a year of transition for us and it has not only lead to increase in assets but increase in our capabilities, expansion of our product suite and much better offering to our investors.

What areas are you focusing on right now?

DHFL Pramerica has a retail DNA. DHFL is a large home loan company focused essentially on low and medium end of the market in terms of housing loans. Prudential of America or Pramerica, the other partner, is a joint venture and is an insurance company based out of USA, catering largely to retail population. So we have a retail DNA. We want to be relevant, committed to the retail market in India. We have made sure our product offerings are what the market would like to see, what the retail investors would like to see. They put the right resources ensuring that customer delivery is good for the investment products in terms of performance, in terms of customer service, in terms of overall customer experience and with this background we would like to see our retail footprint increasing and would of course look to build a strong sustainable business on the back of it.

➤ The past 18 months have been a good phase for the industry; how do you view this?

It's been a heartening phase in the mutual fund industry. For the past two years, we have seen continuous growth in the industry. In fact it was in 2014 the industry crossed ₹10 lakh crore AUM for the first time and this year the industry has already crossed ₹15 lakh crore of AUM. So we have grown more than fifty percent as an industry in the last two years but more heartening than that is the number of new investor accounts and the number of SIP accounts. The SIP accounts have now crossed about a crore for the industry and the industry gets almost ₹3,500 crore per month by way of SIP accounts. That's very heartening.

➤ What is your outlook for the markets and DHFL Pramerica?

Within the market segments I would favour the large-cap stocks at the expense of mid-caps because they appear to be relatively better valued at this point of time compared to the mid-cap space which has seen a serious run-up in the recent times. Over the last decade we have seen mid-cap stocks trading at about 10 per cent discount compared to large-cap indices. Currently they are trading at about 50 per cent premium over large-cap indices and therefore from the segmentation I would say large-cap stocks offers better value.

For our company, I would say the acquisition of Deutsche Bank asset management business that we did last year was a transformational event for us. Post that we are looking to aggressively build this business and would continue on the path engaging more retail investors and distributors as we go along. So overall we are poised to grow and we believe that markets are looking reasonably healthy too.

➤ Do you think this growth would be sustainable if the markets were to fall? Will retail investors still stick with mutual funds?

It's the nature of equity markets that they will go up and down. It's a fact of life. I don't think any of us can change it. The fact that investors are coming in by way of SIPs or even when they are coming into equity funds, there is a good appreciation for the fact that this can be short-time volatile asset class but can deliver superior and strong long term returns. We believe that the investors are coming in with the right perspective and therefore the flow should continue. For a

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large part of the industry flow now indeed comes from people who are setting aside a certain amount of money every month in a disciplined manner.

➤ What additional efforts does the industry need to make to increase retail participation and awareness levels?

I would like to congratulate the regulator in terms of the historic steps they took about four years ago in order to increase the retail participation both in terms of giving the B15 incentive as well as setting aside some amount of money for investor awareness programme. Over the last four

years the industry has doubled in terms of AUM and this has also come in by way of an increased participation of investors across the country and to that extent I think a lot of efforts that had been taken by regulator in spreading the message of mutual fund have helped. Publication like yours have helped, overall the media has led to increased awareness for mutual funds as well. I think that creates a right ecosystem for people to know about it as well as to become aware about the medium.

➤ What role has digitisation played in getting more retail investors on board? What steps have you taken to simplify transaction process?

The digitisation has impacted the financial services business across the board and the habits of investors or customers have changed from the way they bank to the way they invest. Digital medium is not only a medium for transaction but also a great medium for communication or taking your message to the clients. The way we are approaching this particular issue is in two ways. One, how do we increase the engagement of our clients, our distribution partners by enabling them with more material on our websites, more educative material, engaging with them, giving them tools to do the risk profiling or even for customers understanding their goal and planning for that and then of course enabling them to transact in a much more smoother and easier way than compared to what they would have done from handling of too many papers perspective. And this is being done both for our distributors as well as our clients. I think it increases the ease of business, reduces the turnaround time and also leads to a much more effective communication. □