

Running losses to build topline is not a sustainable strategy: Harsha Viji, Sundaram AMC

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The newly appointed CEO of Sundaram Mutual Fund – Harsha Viji has ambitious plans to grow the AMC's assets to Rs. 40000 crore in the next 3 years.

You took over as the CEO of the company recently. What priorities have you defined for your fund house?

I was the deputy Managing Director of Sundaram AMC for some time and so the succession was easy. My agenda will be a continuation of the direction set before.

We have always enjoyed a reputation for service. And the priority focus is to improve services to distributors and investors. Now we have invested in technology and moved to a superior RTA platform (Sundaram BNP Paribas Fund Services, which is a group entity). For us, it was a massive data migration – we moved 21 lakh investor folios and fifteen years of data - and now we are delivering better capabilities.

Our fixed income programme is another priority area. We are now delivering very competitive returns and products. At the end of 2009-10 fixed income assets were around Rs. 2000 crore (roughly a fifth of our AUM). Now we have Rs. 8000 crore of assets (over half our total assets).

Growing the global business is another area and we have started a company in Singapore to manage global funds.

You have a relatively stronger presence/brand in South. How are planning to strengthen your presence / brand in other parts of the country?

I am glad you asked this question. This is not a fair perception – we are not South-centric. Sundaram MF is a prominent pan-India player with over 50 points of presence (500+ through group) and majority of business comes from North and West of the country. South remains a strength and our market share there is higher - but not dramatically so. We are predominantly retail and have strength outside top cities. I run into investors across the country who have invested in our funds, sometimes in the most surprising and remote locations. That is gratifying.

With an additional incentive to grow in B-15, how are you expanding your reach beyond top 15 cities?

For us, this is not about the SEBI incentive, which is anyway limited in extent. We have always focused in 'B-15' markets as well as top urban markets. We have spent years working with and supporting distribution partners in these markets. Reaching beyond top 15 cities is something that is

embedded in Sundaram MF's growth plans. To be realistic, incentive or no incentive, it will take time for mutual funds to really make inroads in these markets.

You have not launched any passive funds and gold funds... Which kind of products are you planning to add to your bouquet? Are you planning a RGEES?

We offer investors exposure to gold in our 'Equity Plus' fund which is an equity/gold hybrid. We have also been a leader in the Capital Protection Oriented Funds (CPOF) category and continue to push there. No plans for a real push in RGEES yet.

When you took over as the CEO, you said that you will focus on fixed income business. How much is your fixed income book now? How much are you planning to scale up assets in fixed income? Are you focusing on institution or retail? Is fixed income business profitable enough for AMCs in the current scenario?

As I mentioned, we have Rs. 8,000 crore of fixed income assets, and this book continues to grow month on month. Running losses to build topline is not a sustainable strategy; your investors/distributors will suffer from it. So we ensure that we make money on our fixed income portfolio. Industry profitability is depressed, but we are one of a handful of AMCs that have remained profitable throughout the past five years

Many standalone AMCs have inducted foreign partners. Is Sundaram open to induct any foreign partners? Has any foreign AMC approached you recently?

Our position here is clear – we are not looking for equity partners in this business.

What activities have you undertaken for the Investor Awareness Programs mandated by SEBI?

We are doing a number of things: investor meetings, materials etc. We are also working on a national media campaign that should be out soon.

Sundaram AMC's net profit dipped 2% to Rs 11 crore in FY12. How does FY13 look like? Many small and mid-size AMC cut down their costs to maintain their margins in FY12. How do AMCs keep costs low and expand business at the same time?

We have stuck to a strategy of profitable growth, and while profit may go up or down, we don't foresee that the business will make losses. Like any business in a down-cycle, we have kept a focus on reducing costs, but (as I alluded to earlier) we have also made investments towards growth.

Have you seen any shift in direct plans in your fixed income schemes?

It is still too early to tell, but there is movement towards direct for institutional clients. Elsewhere, no impact has been seen. Let us see how the model evolves. I strongly feel that someone investing in mutual funds needs advice tailored to their larger financial goals and risk appetite. To that end, our distributors and IFAs have done a lot for our investors, and will continue to do so.

What is your roadmap for Sundaram for the next two years?

Our stated ambition is twofold. The first is to be a significant player in the market, which translates to growing our AUM to more than Rs. 40000 crore in the next 3 years. The second is to become a benchmark for service to investors and distributors. These are stretch goals that we set ourselves, and they are achievable.