CHAPTER-3

PROFILE OF SAMPLE

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3.1 INTRODUCTION

The Indian mutual funds industry is drawing a comparatively fast growing mode. The study also reflects this through its findings. Here, some terms are necessary to understand for getting the right view of the industry under ‘the research’. All relevant sources have been traced out for finding the exact and relevant definitions. Various categories are the parts of Indian mutual funds industry.

3.2 LIST OF MUTUAL FUND COMPANIES IN INDIA

List of Mutual Funds in India

Below is the list of category wise mutual funds in India. The list has been collected from nifty’s officially reliable sites.

A. Bank Sponsored

1. Joint Ventures – Predominantly Indian

   • CanaraRobeco Asset Management Company Limited
   • SBI Funds Management Private Limited

2. Joint Ventures – Predominantly Foreign

   • Baroda Pioneer Asset Management Company Limited

3. Others

   • UTI Asset Management Company Ltd

B. Institutions

   • LIC Mutual Fund Asset Management Company Limited

C. Private Sector
1. Indian

- Axis Asset Management Company Ltd.
- Benchmark Asset Management Company Pvt. Ltd.
- DBS Cholamandalam Asset Management Ltd.
- Deutsche Asset Management (India) Pvt. Ltd.
- Edelweiss Asset Management Limited
- Escorts Asset Management Limited
- IDFC Asset Management Company Private Limited
- JM Financial Asset Management Private Limited
- Kotak Mahindra Asset Management Company Limited (KMAMCL)
- Quantum Asset Management Co. Private Ltd.
- Reliance Capital Asset Management Ltd.
- Religare Asset Management Company Ltd.
- Sahara Asset Management Company Private Limited
- Tata Asset Management Limited
- Taurus Asset Management Company Limited

2. Foreign

- AIG Global Asset Management Company (India) Pvt. Ltd.
- FIL Fund Management Private Limited
- Fortis Investment Management (India) Pvt. Ltd.
- Franklin Templeton Asset Management (India) Private Limited
- Goldman Sachs Asset Management (India) Private Limited
- Mirae Asset Global Investments (India) Pvt. Ltd.

3. Joint Ventures – Predominantly Indian

- Birla Sun Life Asset Management Company Limited
- DSP BlackRock Investment Managers Private Limited
- HDFC Asset Management Company Limited
- ICICI Prudential Asset Mgmt. Company Limited
- Religare AEGON Asset Management Company Pvt. Ltd.
- Sundaram BNP Paribas Asset Management Company Limited
4. Joint Ventures – Predominantly Foreign

- Bharti AXA Investment Managers Private Limited
- HSBC Asset Management (India) Private Ltd.
- ING Investment Management (India) Pvt. Ltd.
- JPMorgan Asset Management India Pvt. Ltd.
- Morgan Stanley Investment Management Pvt. Ltd.
- Principal PNB Asset Management Co. Pvt. Ltd.
- Shinsei Asset Management (India) Pvt. Ltd.

3.3 Unit Trust of India Mutual Fund

UTI Asset Management Company Private Limited, established in Jan 14, 2003, manages the UTI Mutual Fund with the support of UTI Trustee Company Private Limited. The sponsors of UTI Mutual Fund are Bank of Baroda (BOB), Punjab National Bank (PNB), State Bank of India (SBI), and Life Insurance Corporation of India (LIC). The schemes of UTI Mutual Fund are Liquid Funds, Income Funds, Asset Management Funds, Index Funds, Equity Funds and Balance Funds. Mutual Funds occupy a large share of the primary market of Certificates of Deposit (CDs) and commercial papers (CPs). As on June 10, 2011, the total holdings of Mutual Funds in CDs and CPs remained at Rs.2,95,164 crore (66 per cent of the aggregate outstanding) and Rs.82,951 crore (65 per cent of the aggregate outstanding) respectively. Mutual Funds have also provided substantial liquidity to the secondary market segments of CPs and CDs. During the last six months, MFs’ share in the end of 1993, the total AUM of the industry was Rs. 470.04 bn. The private sector funds started penetrating the fund families. In the same year the first Mutual Fund Regulations daily turnover the secondary market of CDs and CPs stood at around 41 per cent and 46 per cent respectively.

The succeeding decade showed a new horizon in Indian mutual fund industry by coming into existence with re-registering all Mutual Funds, Bank of India Mutual Fund. Kothari Pioneer was the first private sector mutual fund company in India which has now merged with Franklin Templeton. Just after ten years with private sector players penetration, the total assets rose up to Rs. 1218.05 bn. (business.tmn-India)
3.4 ABN AMRO

ABN AMRO Mutual Fund was setup on April 15, 2004 with ABN AMRO Trustee (India) Pvt.Ltd. as the Trustee Company. The AMC, ABN AMRO Asset Management (India) Ltd. was incorporated on November 4, 2003. Deutsche Bank is the custodian of ABN AMRO Mutual Fund. Birla Sun Life Mutual Fund is the joint venture of Aditya Birla Group and Sun Life Financial. Sun Life Financial is a global organization evolved in 1871 and is being represented in Canada, the US, the Philippines, Japan, Indonesia and Bermuda apart from India. Birla Sun Life Mutual Fund follows a conservative long-term approach to investment. Recently it crossed AUM of ₹ 10,000 crores. Bank of Baroda Mutual Fund (BOB Mutual Fund) Bank of Baroda Mutual Fund or BOB Mutual Fund was setup on October 30, 1992 under the sponsorship of Bank of Baroda. BOB Asset Management Company Limited is the AMC of BOB Mutual Fund and was incorporated on November 5, 1992. Deutsche Bank AG is the custodian.

3.5 STATE BANK OF INDIA MUTUAL FUND

State Bank of India Mutual Fund is the first Bank sponsored Mutual Fund to launch offshore fund, the India Magnum Fund with a corpus of Rs. 225 cr. approximately. Today it is the largest Bank sponsored Mutual Fund in India. They have already launched 35 Schemes out of which 15 have already yielded handsome returns to investors. State Bank of India Mutual Fund has more than Rs. 5,500 Crores as AUM. Now it has an investor base of over 8 Lakhs spread over 18 schemes.

3.6 GIC MUTUAL FUND

GIC Mutual Fund, sponsored by General Insurance Corporation of India (GIC), a Government of India undertaking and the four Public Sector General Insurance Companies, viz. National Insurance Co. Ltd (NIC), The New India Assurance Co. Ltd. (NIA), The Oriental Insurance Co. Ltd (OIC) and United India Insurance Co. Ltd. (UII) and is constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882
3.7 HDFC MUTUAL FUND

HDFC Mutual Fund was setup on June 30, 2000 with two sponsors namely Housing Development Finance Corporation Limited and Standard Life Investments Limited.

3.8 HSBC MUTUAL FUND

HSBC Mutual Fund was setup on May 27, 2002 with HSBC Securities and Capital Markets (India) Private Limited as the sponsor. Board of Trustees: HSBC Mutual Fund acts as the Trustee Company of HSBC Mutual Fund.

3.9 ING VYSYA MUTUAL FUND

ING Vysya Mutual Fund was setup on February 11, 1999 with the same named Trustee Company. It is a joint venture of Vysya and ING. The AMC, ING Investment Management (India) Pvt. Ltd. was incorporated on April 6, 1998.

3.10 PRUDENTIAL ICICI MUTUAL FUND

The mutual fund of ICICI is a joint venture with Prudential Plc. of America, one of the largest life insurance companies in the US of A. Prudential ICICI Mutual Fund was setup on 13th of October, 1993 with two sponsors, Prudential Plc. and ICICI Ltd. The Trustee Company formed is Prudential ICICI Trust Ltd. and the AMC is Prudential ICICI Asset Management Company Limited incorporated on 22nd of June, 1993.

3.11 SAHARA MUTUAL FUND

Sahara Mutual Fund was set up on July 18, 1996 with Sahara India Financial Corporation Ltd. as the sponsor. Sahara Asset Management Company Private Limited incorporated on August 31, 1995 works as the AMC of Sahara Mutual Fund.

3.12 TATA MUTUAL FUND

Tata Mutual Fund (TMF) is a Trust under the Indian Trust Act, 1882. The sponsors for Tata Mutual Fund are Tata Sons Ltd., and Tata Investment Corporation Ltd. The investment manager is Tata Asset Management Limited and its Tata Trustee
Company Pvt. Limited. Tata Asset Management Limited's is one of the fastest in the country with more than Rs. 7,703 crores (as on April 30, 2005) of AUM.

3.13 KOTAK MAHINDRA MUTUAL FUND

Kotak Mahindra Asset Management Company (KMAMC) is a subsidiary of KMBL. It is presently having more than 1, 99,818 investors in its various schemes. KMAMC started its operations in December 1998. Kotak Mahindra Mutual Fund offers schemes catering to investors with varying risk - return profiles. It was the first company to launch dedicated gilt scheme investing only in government securities.

3.14 RELIANCE MUTUAL FUND

Reliance Mutual Fund (RMF) was established as trust under Indian Trusts Act, 1882. The sponsor of RMF is Reliance Capital Limited and Reliance Capital Trustee Co. Limited is the Trustee. It was registered on June 30, 1995 as Reliance Capital Mutual Fund which was changed on March 11, 2004. Reliance Mutual Fund was formed for launching of various schemes under which units are issued to the Public with a view to contribute to the capital market and to provide investors the opportunities to make investments in diversified securities.

3.15 STANDARD CHARTERED MUTUAL FUND

Standard Chartered Mutual Fund was set up on March 13, 2000 sponsored by Standard Chartered Bank. The Trustee is Standard Chartered Trustee Company Pvt. Ltd. Standard Chartered Asset Management Company Pvt. Ltd. is the AMC which was incorporated with SEBI on December 20, 1999.

3.16 FRANKLIN TEMPLETON INDIA MUTUAL FUND

The group, Franklin Templeton Investments is a California (USA) based company with a global AUM of US$ 409.2 bn. (as of April 30, 2005). It is one of the largest financial services groups in the world.
3.17 MORGAN STANLEY MUTUAL FUND INDIA

Morgan Stanley is a worldwide financial services company and it’s leading in the market in securities, investments management and credit services. Morgan Stanley Investment Management (MISM) was established in the year 1975. It provides customized asset management services and products to governments, corporations, pension funds and non-profit organizations. Its services are also extended to high net worth individuals and retail investors. In India it is known as Morgan Stanley Investment Management Private Limited (MSIM India) and its AMC is Morgan Stanley Mutual Fund (MSMF). This is the first close end diversified equity scheme serving the needs of Indian retail investors focusing on a long-term capital appreciation. Escorts Mutual Fund Escorts Mutual Fund was setup on April 15, 1996 with Escorts Finance Limited as its sponsor. The Trustee Company is Escorts Investment Trust Limited. Its AMC was incorporated on December 1, 1995 with the name Escorts Asset Management Limited.

3.18 ALLIANCE CAPITAL MUTUAL FUND

Alliance Capital Mutual Fund was setup on December 30, 1994 with Alliance Capital Management Corp. of Delaware (USA) as sponsor. The Trustee is ACAM Trust Company Pvt. Ltd. and AMC, the Alliance Capital Asset Management India (Pvt) Ltd. with the corporate office in Mumbai. Benchmark Mutual Fund Benchmark Mutual Fund was setup on June 12, 2001 with Niche Financial Services Pvt. Ltd. as the sponsor and Benchmark Trustee Company Pvt. Ltd. as the Trustee Company. Incorporated on October 16, 2000 and headquartered in Mumbai, Benchmark Asset Management Company Pvt. Ltd. is the AMC.

3.19 CANBANK MUTUAL FUND

Canbank Mutual Fund was setup on December 19, 1987 with Canara Bank acting as the sponsor. Canbank Investment Management Services Ltd. incorporated on March 2, 1993 is the AMC. The Corporate Office of the AMC is in Mumbai. Chola Mutual Fund Chola Mutual Fund under the sponsorship of Cholamandalam Investment & Finance Company Ltd. was setup on January 3, 1997. Cholamandalam Trustee Co. Ltd. is the Trustee Company and AMC is Cholamandalam AMC Limited.
3.20 LIC MUTUAL FUND

Life Insurance Corporation of India set up LIC Mutual Fund on 19th June 1989. It contributed Rs.02 Crores towards the corpus of the Fund. LIC Mutual Fund was constituted as a Trust in accordance with the provisions of the Indian Trust Act, 1882. The Company started its business on 29th April 1994. The Trustees of LIC Mutual Fund have appointed JeevanBimaSahayog Asset Management Company Ltd as the Investment Managers for LIC Mutual Fund.

3.21 PUBLIC-SECTOR-MUTUAL FUNDS

According to Department of Public Enterprises (DPE) “The Mutual fund registered with and regulated by SEBI, where the government, its financial institution and public sector Banks holds/hold individually or collectively more than 50% of equity in the Asset Management Company of that mutual funds”.

3.22 RESOURCE MOBILIZATION

Resource mobilization or Mobilization of funds is a major sociological, theory in the study of social movements which emerged in the 1970s. It stresses the ability of movement’s members to 1) acquire resources and to 2) mobilize people towards accomplishing the movement’s goals. In contrast to the traditional collective behavior theory that views social movements as deviant and irrational, resource mobilization sees them as rational social institutions, created and populated by social actors with a goal of taking a political action. (Wikipedia)

According to resource mobilization theory, a core, professional group in a social movement organization works towards bringing money, supporters, attention of the media, alliances with those in power, and refining the organizational structure. Social movements need the above resources to be effective, because dissent and grievances alone will not generate social change year by year.

This theory assumes that individuals are rational. Individuals thus weigh the costs and benefits of movement participation and act only if benefits outweigh costs. When movement goals take the form of public goods, the free rider dilemma has to be taken into consideration.
Social movements are goal-oriented, but organization is more important than resources. Organization means the interactions and relations between social movement organizations (SMOs) and other organizations (other SMOs, businesses, governments, etc.). Efficiency of the organization infrastructure is a key resource in itself.

3.22.1 CAMPS OF RESOURCE MOBILIZATION

John McCarthy and Mayer Zald are the originators and major advocates of the classic entrepreneurial (economic) version of this theory, while Charles Tilly and Doug McAdam are proponents of the political version of resource mobilization.

The entrepreneurial model explains collective action as a result of economic factors and organization theory. It argues that grievances are not sufficient to explain creation of social movements. Instead access to and control over resources is the crucial factor. The laws of supply and demand explain the flow of resources to and from the movements, and that individual actions (or lack thereof) is accounted for by rational choice theory (Wikipedia).

3.23 REDEMPTION

Redemption is the act of buying something back, or paying a price to return something to your possession. Redemption is the English translation of the Greek word agorazo, meaning "to purchase in the marketplace." In ancient times, it often referred to the act of buying a slave. The Christian use of redemption means Jesus Christ, through his sacrificial death, purchased believers from the slavery of sin to set us free from that bondage. Another Greek word relating to this term is exagorazo. Redemption always involves going from something to something else. Redemption allows an individual debtor (not a partnership or a corporation) to keep tangible, personal property intended primarily for personal, family, or household use. The debtor must pay the holder of a lien on the property the amount of the allowed secured claim on the property, which typically means the value of the property. Otherwise, in order to retain the property, the debtor would have to pay the entire amount of the secured creditor’s debt, do a reaffirmation agreement and become legally obligated on the debt again. The property redeemed must be claimed as exempt or abandoned.
With redemption, a debtor can often get liens released on personal household possessions for much less than the underlying debt on those secured possessions. Unless the creditor consents to periodic payments, redemption must generally be made in one lump sum payment to the creditor. Redemptions are indicators or parameters of liquidity of the schemes (Wikipedia).

Redemption / Repurchase is the price or net asset value at which an open-ended scheme purchases or redeems its units from the unitholders. It may include exit, load, if applicable (singh J. “Mutual funds : Growth, Performance and prospects, p-15, 2006 Deep & Deep Publications Pvt. Ltd.

3.24 CUMULATIVE NET ASSETS POSITION

According to investopedia dictionary net asset value is a mutual funds price per share or exchange traded funds (ETF) per-share value. In both cases per share rupees amount of the fund is calculated by dividing the total value of all the securities in its portfolio, less any liabilities, by the number of fund shares outstanding.

Cumulative net assets position is the total of net assets values on March 31st of every year of the study period for all the schemes run by corresponding mutual fund company.

Mutual funds issue the various schemes through which they collect the funds from investors and invest the same money in diversified and managed portfolio. This investment in various scrips becomes assets for the mutual funds. The net amount of these assets after deducting the relative liabilities cumulatively for all the schemes is called cumulative net assets position (CNAP). This is generally a stock item hence calculated on a particular date i.e., march 31st. Say if there are 5 schemes under UTI mutual fund then it’s cumulative net assets will be calculated as ;

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CNAP = NAS_1 + NAS_2 + NAS_3 + NAS_4 + NAS_5
\]

Where; NAS is net assets values of scheme, and the following numbers denotes the distinguished schemes.
3.25 NET INFLOW/OUTFLOW OF FUNDS

Gross inflow in a mutual fund is through selling the new schemes, in a particular accounting year. When liabilities (relevant expenditures and obligations) are deducted out of it along with the outflow of funds in the form of redemption or repurchase of any previous schemes then it may be termed as net inflow or outflow, as the case may be, for the particular previous year. Inflow or outflow is a measure of liquidity released by the mutual funds.

3.26 REFERENCES

Wikipedia.com

www.utimf.com

www.sbimf.com

www.amfiindia.com