BIRLA SUN LIFE ASSET MANAGEMENT COMPANY - HARTING A UNIQUE SUCCESS TRAJECTORY

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CASE DESCRIPTION

Birla Sun Life Asset Management Company (BSL AMC) has been one of the most successful companies operating in the Indian mutual fund space. However, contrary to most of the industry players and the prima facie trend, BSL AMC focussed on debt funds to drive its success story. Interestingly the incumbent Chief Executive Officer, Balasubramanian, has been with the company since 1994 with a significant exposure to the Investments function.

This case begins with an illustrated narration of the Indian mutual fund industry. Subsequently, the case examines the different value drivers, the top management characteristics and possible support from the equity partners, which aided the sustained competitive advantage of the organisation.

Keywords: Mutual Funds, Asset Management Company, Asset under Management, Indian Mutual Fund Industry.

INTRODUCTION

"Till 1999, the journey was very good. We were the number 1 equity fund and the number 1 debt fund also. But post-1999, after technology bubble collapse, as an organisation we did go through some issues. It was in 2006 when I was given the responsibility of the entire investment team. Till 2006, we couldn't settle either in investment-side or in the CEO's position and in 2008-2009, we incurred loss. Then from organization point of view – I think probably the Chairman Mr. Birla Ajay Srinivasan (CEO of ABFSG) and Mr. Pankaj Razdan (Deputy CEO, ABFSG) thought that let's make Bala [affectionately for *Balasubramanian*] as the CEO of the company. That was 2009. When I took charge I think the assets should have been somewhere around 40,000 crores and today we are about 1 lakh crores,"

Balasubramanian, Chief Executive Officer of Birla Sun Life Asset Management Company (henceforth referred to as "BSL AMC"), on a fine afternoon in May, 2015.

During those troubled times, the company reinforced its business position by focussing on debt funds. But this presented a dilemma for the future. Sunny Singh, Executive Advisor to the CEO, noted,

"In 2008-2009, industry AUM (*Assets under Management*) grew by 3% but BSLAMC grew by 42% and our growth was mainly driven by duration products helping us earn higher revenue. Due to the consistent performance in debt category, BSLAMC gained more assets in debt funds helping AMC to sustain and improve profitability…Having done that in 2013 the fund house turned bullish towards equity. We are the largest debt fund house in the country and in the last few years we have seen a huge growth as an equity fund house as well."

The Indian Mutual Fund Industry

Mutual Funds are a vehicle for collective investment. Investors pool in their money to be managed collectively by an expert fund manager. The primary advantage of mutual fund for investors is the access to investment experts who can manage the pool of money with desired goal of investment like steady returns with reduced risk or maximize the gains with a proportionate higher risk. And since it is done collectively, even small investors can afford to pay for those services.

The process of establishing a mutual fund starts with a sponsor. The sponsor acts like a promoter and appoints a trust. The sponsors or the trustee then appoint an asset management company (AMC). Subsequently, the mutual fund appoints a custodian who provides custodial services for the schemes of the fund. Various schemes are then floated by the fund house and this is driven by the investment objectives as defined by the Fund House keeping the end investors in mind.

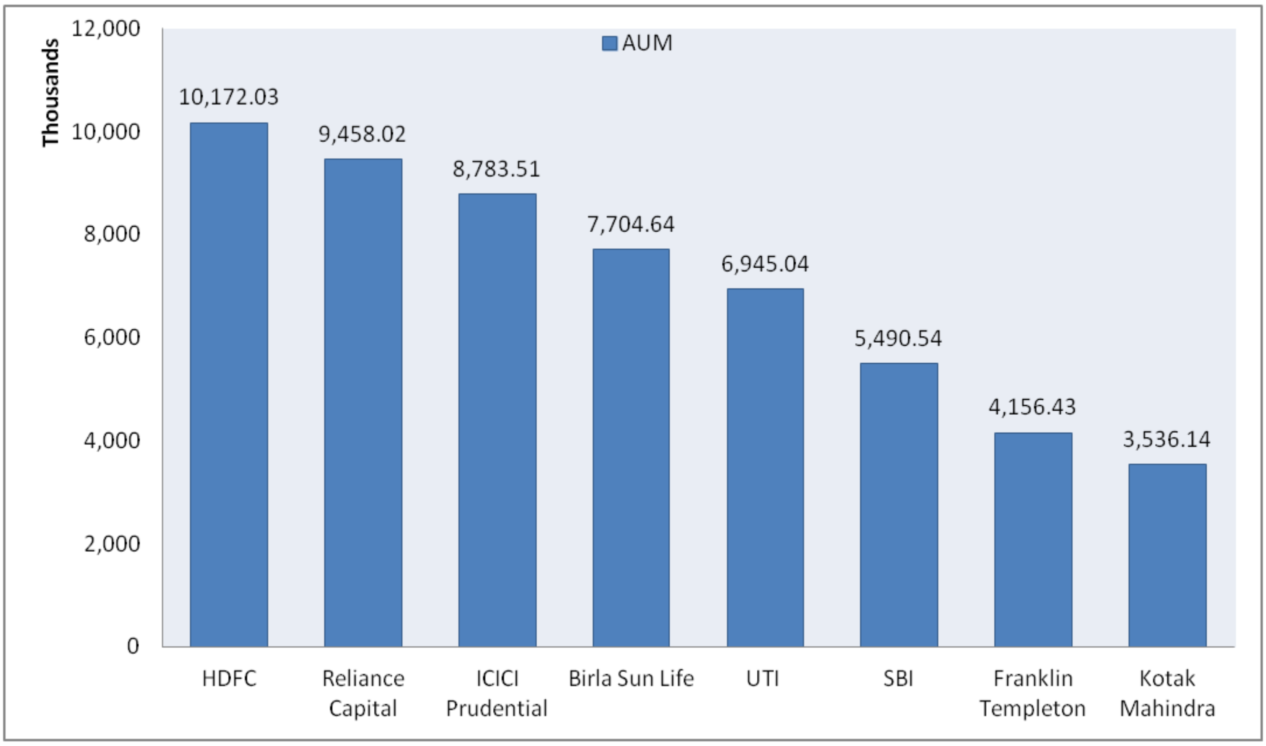
Once different funds/products are designed and approved by a mutual fund player, the product specs are shared with the Marketing team. The products are marketed and sales are primarily driven by the distribution channel. In India, the individual retail agents and banks play a crucial role in the product sales. The performance of those products is managed by a fund manager, who generally has a team of traders/dealers for day-to-day investment of the accumulated funds by transacting in equity and debt instruments. The success of a fund is often driven by its distribution footprint and the performance (i.e., the capital appreciation, which is the return on investment to the end customers).

The mutual fund schemes may be classified into various types. This categorisation is based on the investment objectives like the time and the duration of investment, expected return, risk of investment, etc. The product classification broadly falls under the categories of Debt Funds, Equity Funds, Liquid Fund and Hybrid Mutual Funds. An investor looking for steady returns, medium risk levels with capital preservation may go for debt funds. Debt funds mainly invest in various debt instruments. An investor looking to maximize returns with a high risk appetite may prefer to invest in equity. Equity finds primarily invest in common stock. Liquid funds carry least amount of risk and provide returns that are higher than a savings account. Based on the various investment strategies, fund managers create hybrid funds that are a mix of debt, equity and liquid funds.

The journey of mutual funds in India started with the first open ended scheme Unit 64 by the Unit Trust of India (UTI), which was set up in the year 1963. Since then, the industry has evolved with ever-increasing assets under management (AUM) and structural regulatory changes. Securities and Exchange Board of India (SEBI) was setup as a regulator which allowed the entry by the private players in asset management business in 1993. Over the years, the mutual fund industry of India has seen significant growth with the total AUM as on March 2013 standing at Rs. 8.23 trillion. Latest figures by AMFI indicate that as on Sept 2015, the total AUM have reached a tune of Rs. 13.15 trillion.

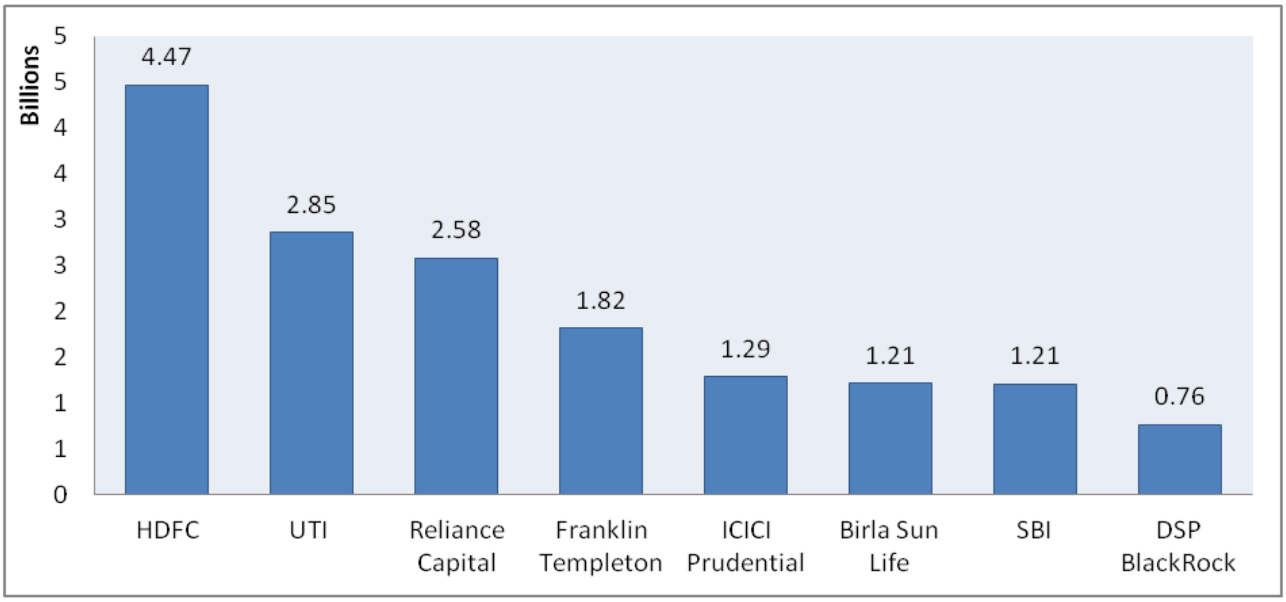
The industry was dominated by few top players like HDFC, Reliance Capital, ICICI Prudential, Birla Sun Life, UTI, etc. The top 8 AMCs as on March 2013, based on their AUM as well as their profit before tax, are depicted in Exhibits 1 and 2. Overall, there were around 44 asset management companies with an average age of 12 years in operation, which is much lower as compared to the age of first mutual fund which was setup 50 years ago. The industry was found to be still evolving with lower levels of penetration beyond the top 8 contributing cities (refer Exhibits 3 and 4 for geographic distribution and the footprint of Birla Sun Life).

Though mutual funds have created a lot of wealth for investors over this period, there is a lot that still needs to be done. Few issues that are clearly visible are non-uniform geographic distribution of asset under management, lack of customer awareness and knowledge about mutual fund investment, lack of robust institutional/regulatory framework and lack of initiative in building a network of distributors. These drawbacks are pointers to the direction in which mutual funds may want to focus so that the industry as a whole benefits.



Source: Individual AMCs' Annual Reports

EXHIBIT 1
TOP 8 AMCS BASED ON AUM



Source: Individual AMCs' Annual Reports

EXHIBIT 2
TOP 8 AMCS BASED ON PBT

Exhibit 3 GEOGRAPHIC DISTRIBUTION OF BUSINESS (AUM)			
			Rupees in Crores
I zone	**FY 13-14**	**FY 14-15**	**FY 15-16**
East	4,862	6,428	7,942
Delhi NCR	14,418	17,482	2 1,575
North	2,539	3,451	4,868
South	10,809	14,314	18,361
West	9,035	12,479	17,301
Mumbai	41,209	53,224	63,299
Grand Total	82,872	1,07,379	1,33,345

Source: Company Documents

Exhibit 4 AMC'S GEOGRAPHICAL FOOTPRINT (FY 2015-2016)		
Zone	**Branches**	**Investor Service Centres**
East	22	34
West	29	61
North	24	54
South	34	59

Source: Company Documents

Company History

BSL AMC started its operations in 1994 and the early focus was primarily on equity and debt funds. At inception, the company was a wholly-owned subsidiary of the Aditya Birla Group. Initial growth was impressive and by 1998 (i.e., within a span of 3-4 years), the company managed assets of around Rs. 700 crores.

Even after the market crash in early 2000, the AUM reached Rs. 5,590 crores by 2003 and Rs. 18,000 crores by 2007. Subsequently, the assets quadrupled to Rs. 69,000 crores in 2010. The rise in market position was likewise and it increased from the company being No. 7 in 2008 to No. 4 in 2012. As of August 2014, the market share stood at 9.7% with an overall industry ranking of 4; the company managed assets of about Rs. 1.02 lakh crores. The movement in the company's business as well as the portfolio details of the business are depicted in (Exhibits 5 and 6).

Exhibit 5 GROWTH IN BUSINESS (YEAR-ON-YEAR AUM)			
Year	**AUM**	**Year**	**AUM**
1994-95	220	2005-2006	15010
1995-96	190	2006-2007	19040
1996-97	350	2007-2008	35900
1997-98	700	2008-2009	69631
1998-99	1390	2009-2010	65111
1999-00	3820	2010-2011	62390
2000-01	3290	2011-2012	75506
2001-02	4170	2012-2013	86540
2002-03	5590	2013-2014	115188
2003-04	8860	2014-2015	107401
2004-05	10370	2015-2016	133345

Source: Company Documents

Exhibit 6 **YEAR-ON-YEAR PORTFOLIO OF BUSINESS**										
Year	**2005**	**2001**	**2007**	**2008**	**2009**	**20 10**	**2011**	**2012**	**2013**	**2014**
ARBITRAGE FU1"l	0.0	0.0	0.0	0.0	25541.2	140.7	35.4	3.2	30839.6	1467 1.5
BALANCED	15002.9	5250.S	4873.9	4250.3	28991.3	20673.8	27504.9	10360.7	15664.2	24329.2
B011' D	3895.9	9689.2	63889.1	1460906.7	994421.3	1786893.7	507506.8	235219.3	2385404.3	1211300.4
CAPITAL PROTEC	0.0	0.0	3206.5	0.0	0.0	101838.4	6(1(147.8	37666.0	5279.1	25883.8
CASH	3969955.S	9284818.0	21732035.2	33990712.6	52349047.5	59785417.2	17283021.7	57554043.9	70367 122.8	61427271.4
DEBT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10037.2	0.0
EL-SS	1675.0	23781.4	49495.2	49379.2	28251.5	39952.4	23863.S	15308.6	13167.5	12569.8
EQUITY	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17440.4	19409.0
EQLTIY(G)	172662.8	261160.2	485930.5	264794.2	283714.7	473292.7	275315.9	188741.8	228917.7	577620.2
EQLTIY(S)	103106.7	80476.8	23735.6	9517.3	15641.2	15834.0	7983.4	6619.8	14307.7	22214.1
ETF	0.0	0.0	0.0	0.0	0.0	0.0	1183.7	0.0	0.0	0.0
D'IP(CE)	275374.3	383113.4	1162649.0	1891536.3	17023.1	1293685.1	1844333.9	1180747.3	1417014.7	1389486.9
FOF	519.9	451.S	228.8	406.2	492.6	4734.9	911.9	2045.2	541.8	194.4
GILT	2984.3	13478.1	16925.5	269189.9	28216.3	170862.2	18607.2	*51599.S*	117521.3	12404.4
GOLD ETF	0.0	0.0	0.0	0.0	0.0	0.0	10878.3	7453.0	1727.0	75.0
GOLD FOF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8147.9	4473.3	2016.6
L\"l>EX FU"l>	1128.7	92132.1	14959.7	6235.0	4704.6	3989.1	3278.1	2054.4	2224.6	83785.9
i\'IIP	16866.2	27216.1	240897.1	812423.7	234037.9	208374.2	60612.9	36862.8	30064.6	15732.3
STP	2 113.6	14649.4	225060.0	1804770.3	2664953.8	3372470.7	992725 .8	2593467.0	1202 130.S	665167.7
ULTRA LIQUID	1523437.6	IS 13607.2	4586914.3	10990153.0	24073860.4	25153431.7	10189794.0	18814846.3	20269580.3	16023878.4

Source: Company Documents

Exhibit 7 **LIST OF AMC'S CEOS, HISTORY-TILL-DATE**				
S. No.	**Name**	**Designation**	**Date of Appointment**	**Date of Cessation**
1	Mr. A. Balasubramanian	Chief Executive Officer	1st August, 2009	NA
2	Mr. Anil Kumar	Chief Executive Officer	22nd February, 2008	31st July, 2009
3	Mr. Mukul Gupta	Chief Executive Officer	3rd January, 2007	22nd February, 2008
4	Mr. Gray Comerford	Chief Executive Officer	30th August, 2006	2nd January, 2007
5	Mr. S.V. Prasad	Chief Executive Officer	3rd November, 2003	30th August, 2006
6	Mr. S.K. Mitra	Managing Director	1st December, 2001	30th October, 2003
7	Mr. Jeremy Beswick	President and Chief Executive Officer	16th August, 1999	30th November, 2001
8	SK Mitra	Chief Executive Officer	October, 1997	August, 1999
9	Mr. Ramamoorthy Ganesh	Chief Executive Officer	7th October, 1996	6th October, 1997

Source: Company Documents

While discussing the organisational history, a few landmark events are worth a mention here. The company underwent a change in its ownership structure in 1999 and became an equal equity participation international joint venture with Sun Life Financial, Canada, as a parent. Subsequently, the equity participation was readjusted in the proportion of 51:49, respectively. The details of the Chief Executive Officers of BSL AMC for the past decade are enlisted in Exhibit 7. The company followed both the organic and inorganic modes for pursuing growth. In September 2005, the company acquired Alliance Capital Mutual Fund. This acquisition (announced in 2004) resulted in a direct movement of Rs. 1,305 crore worth AUM to Birla Sun Life. As recent as May 2014, the company announced acquisition of the assets of another mutual fund company, the ING Investment Management (India). In this journey, the company was adjudged many a prestigious awards for being the best fund house.

Focus on Shareholder Wealth

The management identified 10 factors, bifurcated into 2 broad categories, which impacted organisational success (Exhibit 8).

External Value Drivers

- Regulatory changes
- Macro-economic developments
- Competitor moves and change in landscape

Internal Value Drivers

- Fund performance
- Distribution expansion
- Financial awareness
- Cost efficiency
- Risk management
- AUM growth
- Asset mix

Low ⟷ Management influence ⟷ High

EXHIBIT 8
AMC'S MANAGEMENT INFLUENCE ON BUSINESS VALUE DRIVERS
Source: Company Documents

External Value Drivers

The mutual fund industry has been witnessing a series of regulatory and macro-economic changes for the past few years (refer Section 2 above, for details). Those changes, coupled with competitor moves, are often external forces that are difficult to control.

Notwithstanding so, Balasubramanian employed various tools to influence these external drives. He, along with some other members of the TMT, had associated with the Board of Association of Mutual Funds in India. As an illustration, Balasubramanian was himself the Chairman of the CII Mutual Fund Summit in 2014. Also, the company has representation in the SEBI's Mutual Fund Advisory Board. He added, "2008 crisis…we managed quite well. I think as an industry leader, we actually not only helped ourselves but we could help the industry by being part of the regulatory discussions, coordinating with RBI, SEBI, which was personally, I was doing and that all helped in terms of managing the whole crisis quite well."

With such presence and the long-standing relationship and reputation with the regulator, the company created an ecosystem where it gets heard for any regulatory or macro-economic change that's underway.

Internal Value Drivers

Fund Performance

The fund performance is significantly driven by macro-economic conditions and is correlated to the stock market performance. Having said that, it is worth a mention here that BSL AMC focussed on providing benchmark beating returns to its customers, which helped it bag many laurels for the fund performance. About 80% of the company's AUM comprised of fixed income assets (Exhibit 9).

Distribution Expansion

BSLAMC distributed its products through all the three distribution channels, viz., independent financial advisors (IFA), banks and national distributors (ND) (Exhibit 10).

Exhibit 9
ASSET MIX OF THE COMPANY

Category	FY 13-14	Contribution	FY 14-15	Contribution	FY 15-16
Eoultv	19111	19%	20,047	19%	30,859
Non-Equity	83430	81%	87,332	81%	1,02,486
Grand Total	102541	100%	1,07,379	100%	1,33,345

Source: Company Documents

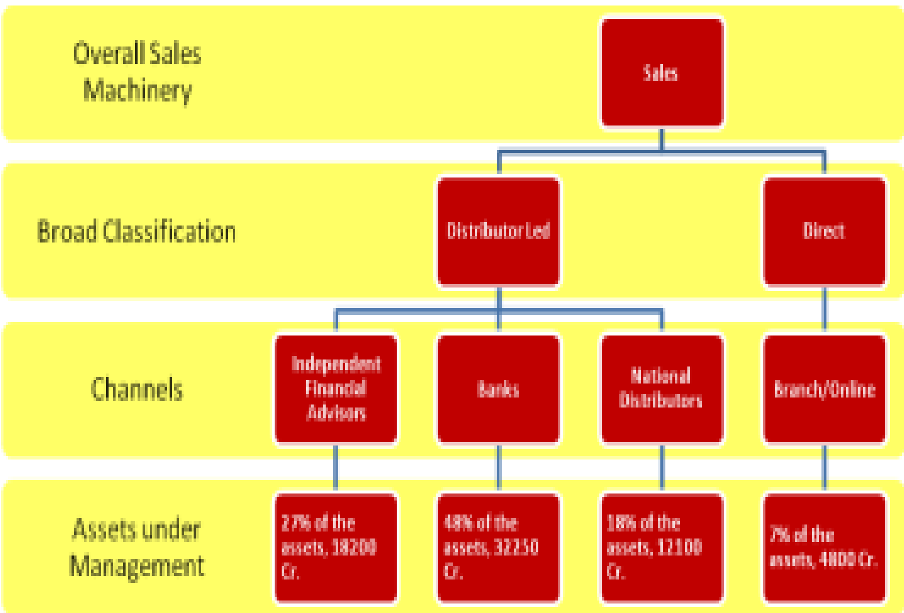


EXHIBIT 10
CHANNEL OF SALES

Source: Company Documents

IFAs are widely believed to be the most efficient channel to achieve geographical penetration and BSLAMC had strength of around 33,000 IFAs in 2013. On the flip side, the IFAs are free to sell mutual fund products of multiple AMCs; thereby reducing the latter's ability to push hard through this channel. Also, the loyalty of this channel was a challenge. A company source added, "With a plethora of options available, the IFA is an extremely brokerage sensitive agent and the pricing control of an AMC is fairly limited."

Around 30 banks were empanelled with BSL AMC. As distribution partners banks recommended mutual fund products, as investment tools, to its existing customer base. The

AMC realised that the private (both Indian and foreign) were more active in selling mutual funds, as compared to the public sector counterparts. Another channel that had significant contribution to the overall business was the ND and these were the organised distributors with pan-India presence. The company had a panel of over 78 NDs and these distributors focussed both on the institutional and the retail customer segments.

BSLAMC had a direct channel of sales as well. Around 120 branches were spread across the country (Exhibit 4) and this helped in sales as well as the servicing of existing business. Through the existing website, whereby prospective customers could directly invest in the product offerings. All these four sales touch-points are depicted in Exhibit 10.

Balasubramanian explained the dip in the company's performance in 2007, "Building infrastructure is nothing but setting up a new branches and [*the associated*] rental cost. Then more number of personnel was added. The selling and distribution cost increased in the particular year. That is only to get that whole momentum back."

Financial Awareness

The awareness about mutual fund products as a means to financial freedom among the masses is dismal. This continued to be a challenge and the company had started various initiatives for customer awareness.

Cost Efficiency

With regulation on the charges that could be levied to the customers, the mutual fund products had emerged to have wafer-thin margins. To remain profitable in such a paradigm, the AMC was focussed on a controlled cost structure. Primarily, this involved rationalisation of the branch network and renegotiation on all contracts, while retaining a balance between profitability and growth (Exhibit 11). "I rationalized the profit. So, it started with choosing the right branches, right-sizing of team and increased focus on cost efficiency and increased focus on top line," added Balasubramanian.

Exhibit 11
AMC'S BUSINESS PERFORMANCE

Year	2008	2009	2010	2011	2012	2013
Asset Under Management (in Rs., lakhs)						
BSLAMC	3,590,604	4,709,623	6,234,337	6,369,620	6,114,251	7,714,429
Total	50,494,052	48,290,331	73,708,272	69,740,628	66,479,157	82,319,526
Profit Before Tax (in Rs.)						
BSLAMC	4,43,02,677	161.121.758	72,60,60,514	1.261.516,806	1,06,17,25,882	1,213,MJ,099
Total	6,821,366,660	6,729,672,977	12,709,381,101	13,28,00,99,209	12.783,552,414	1,40,64,02,02,711

Source: Company Documents

Risk Management

The AMC has always strived to have a sound risk management practice. A company source elaborated, "The Risk framework is designed to assist the identification and assessment of risks in order that they can be managed in an efficient manner and also so that informed decisions can be taken to manage threats and maximise opportunities. The framework applies to the company and covers all sections, departments, locations and units, including outsourced activities to the extent applicable."

And this is reflected in its organisational structure. Contrary to most other players, Birla Sun Life AMC had all the three roles that encompass Enterprise Risk management, viz., risk, audit and compliance, clubbed under a single functional head. "*This structure helps us by timely identification of risk factors enabling framing of policies and guidance to mitigate them proactively*," the same source added.

AUM Growth

A respectable AUM size is necessary to maintain the revenue stream for an AMC. The AUM size is a function of the market performance as well as the new business acquisition. BSLAMC's AUM over the years is depicted in Exhibits 5 and 11.

Asset Mix

Till the recent past, BSL AMC focussed on debt products (Exhibits 6 and 9). In a paradigm of high interest rates (risk adjusted, which was seen a few years back), those fixed maturity plans seemed to be the natural choice of the customers. Eventually, the organisational focus changed to duration-based products (which BSLAMC also pioneered) and this benefitted the company with higher revenue share per acquisition. However till about 1999, the company used to have an equally balanced focus on both equity and debt funds. Balasubramanian recollected the transition that took place in and around 2009,"Till [*and beyond*] 1999, we were the No. 1 equity fund house and No. 1 debt fund house and the journey was fantastic…We were doing quite well [*even in 2009*] and then we realized that time [*that we should focus only on our strengths*] and our strength is fund management.

And within the fund management in pecking order of 1 to 5, I will put 5 for debt and equity as 4. That time equity market outlook was also not great. So we decided to focus on something which is acceptable in the market. The investors will buy it and distributors will buy it. We then focussed on building the size in the fixed income side which is very important from the industry point of view."

The focus on the three external value drivers and seven internal value drivers seemingly had an impact on the market position of the company. As of March 2013, the company was ranked 4 with an asset-under-management of Rs. 77,144 crores (Exhibit 1). The Profit before Tax figure was Rs. 121 crores and the company occupied 6th position in the market along this parameter (Exhibit 2).

Managing the Growth

Organisational Focus

The company believed that an important aspect of growth pertained to its distribution footprint. Singh noted, "The retail drive is focussed mainly through the organised channel, with banks and NDs contributing a large chunk in the top metro cities and the IFAs contributing a major chunk from the smaller towns. Also, we are driving B15 participation through our branch network and we have also introduced the Market Representative (MR) model. This model is designed to help expand the market without having a branch. We have also amplified efficiency of existing branch locations by the introduction of a hub-and-spoke model. So our physical branches act as hubs to service spoke locations (smaller towns and cities) located within 80-100 km of each hub. It's a commonly known fact that the mutual funds only have five percent penetration among 1.2 billion Indians. Driving market expansion and building a larger customer base are the key imperatives for the industry today."

The different channel of sales and their respective business contribution are depicted in Exhibits 4(b) and 10.

Use of Technology, as a driver for success, resulted in BSL AMC taking steps to innovatively reach out the customers in a cost-effective and efficient manner. Singh added, “Continuous campaigns and increased use of online tools have resulted in providing routine transactions, grievance redressals and also sales literature. Through our website, we have enabled our investors to access their folio and transact online 24 × 7, 365 days a year through its online account access facility. Similarly, by using SMS Transact, investors can place purchase, sell, switch and SIP requests for mutual fund units instantly across schemes by sending a simple instruction via SMS from their registered mobile number. Our attempt has been to simplify the way our customers interact with us and provide them with options which are both simple to use and understand.”

This technological outreach had other dimensions as well. Customers could conduct switch and redemption transactions using Interactive Voice Response (IVR) of the telephonic transaction facility. Investor education and customer engagement also built upon the technological capability and radio and micro-sites were created to reach out to the customers. He added, “We are in the process of leveraging analytical techniques which will maximise revenues through higher customer retention and increased wallet share achieved by providing consistent services and cross-selling. Enabling the distributors or agents with mobiles or tablets which takes the POS to the investor in rural underpenetrated areas.”

BSLAMC had a portfolio covering all the mutual fund asset classes and mutual fund schemes. The contribution of those funds to the overall business of the AMC, for a 10-year period, is depicted in Exhibit 4(b). Seemingly, the relative focus on those funds had an impact on the overall profitability. Somewhere between 2011 and 2012, BSL AMC witnessed a marginal fall in its AUM and a significant fall in the profits (PBT). Also, this was against the industry trend. Singh clarified, “In order to have the right asset mix, there was a renewed focus within the asset classes like fixed income which is a high-margin asset but also has a longer term sustainability from the point of view of growth. As a result of the renewed focus, most of the products while giving high volume and had potentially high profitability in the future, the cost of acquisition was high. BSL AMC built its size in fixed income products during this period thereby resulting in higher acquisition cost for AMC lowering its profit for the year. The benefits of these will be seen in future.”

The Leadership

Balasubramanian was the 9th CEO of the AMC (Exhibit 7). He joined the Aditya Birla Group in 1994 as a Group Management Trainee (GMT). He added nostalgically, “I started as manager – as chief dealer. So, from a chief dealer to the CEO is what this group has given me.” He recollected his association with the Investments function, “.In 2005 end, I took charge as CIO. Some people left also after I took charge of CIO. But then a good team was built in 2006. The present existing 2014 team is the one built by me in 2006. New talent came and that is the time even as organization, I was taking lot of people for GMTs [*Group Management Trainees*]. I used to have lot of references from the group [*about taking people*]. Somehow I used to be bit aggressive in taking best of people. As long as you have good background, good qualifications, good mind-set and you know actually how the financial model works. So I started taking GMTs and some of them actually, really shined well. And I think today I have the largest number of GMTs in my investment team.

2007 was the best year in terms of investment performance and recognition. We won the various awards and we also grew the size. Also, 2007 was the period when the top management was changed and the overall structure of organization was changed. The Group got some new blood. The new blood started focusing more on taking care of the people, but they never touched the investment team because [*our*] investment team was considered to be best team in the market."

"Mutual fund is actually combination of money management and better customer service," defined Balasubramanian. He recollected that the business started flowing on an 'auto-pilot' basis, once these two functions were properly tweaked. In spite of being an 'investment guy', he himself had spent about 9 months in the Sales function, in 2006. After the successful stint, he was then called back to Investments and then made the Chief Investments Officer that same year.

Balasubramanian took charge as the helm of the company on August 1, 2009. One of the biggest challenges that the company and the entire industry as a whole, faced at that time was that "the market was not going anywhere." "In 2010, due to lot of ups and downs, we lost the rhythm in equity investment performance. I would say once we lost the rhythm, it takes some time to come back," recollected Balasubramanian. The company then chose to focus on the fixed income/debt funds. And contrary to the industry where these funds found flavour only with the corporate customers, we had had an equal success from the retail customers.

There was at least another such initiative to address the 2010-situation. Balasubramanian explained, "I have talked about losing rhythm in Investments. Then we discovered that the process is somewhere a bit out of line and we identified faults in process. I personally approached and took charge of that [situation]…the equity guys are good. They are working very hard and they put their full effort, passionate they are, but something we need to do…employee motivation within the equity was low and we have to kill that. So we started doing the collective programmes on employee side, say let us we sit in a room and discussed actually – And we took a feedback and it was combination of both negative and positive. Every quarter I used to do this exercise…So, largely we start focusing on people, overall focusing on strengths rather on focusing on negatives. So we focussed on spending 90% of time on positives and 10% it on the negatives. I am not saying don't speak negative at all but change the whole ratio. Then we start working on that and I said – just work on your strength, forget about who is doing it right."

Singh thoughtfully added about the contribution of CEO in the success of the AMC– "Our CEO focusses on the 3Ps- **People, Processes and Performance**. All the three Ps, while relevant for the entire organisation, are more relevant for the fund management from a consistency and sustainability point of view to deliver sustainable investment performance. Also, the longevity of the team increases the continuity and thus creates the performance culture.

First is the unrelenting focus on developing our **people** capability and talent. We strengthened our equity research team, where we brought in very capable and experienced analysts with specific skills in areas we thought we had gaps in.

Through innovative HR practices, we strive to funnel a continuous stream of ideas by employees in adding more value to the customers and ultimately the business. Kutumb–our induction programme, through one of its module which enables case studies by employees– has generated key ideas of business and regeneration. We have increased skill levels and reduced turnover by creating an employment ecosystem that emphasises competence-based career ladders for entry-level employees, modular training for high-skill positions and higher levels of internal recruitment.

Second, our **process** of allocating strategies to our fund managers according to their own skill sets has enabled us to get the best out of each fund manager. Specialisation in research as well as fund management, is delivering value for us. Specialisation works only when you have a sound framework for all processes – including stock selection, portfolio construction, portfolio monitoring, review mechanism and risk management. The work we have done in the last 6 years on building these processes is allowing specialisation and independence to deliver value, without taking unnecessary risk. We have always believed in knowing our strengths and building on them. By manifesting 'Saksham' (competence) as a platform, we have empowered our employees with information about new developments (technological and service innovations and distinct product offerings for our customers) within the organisation.

Taking market, sector and stock calls is part of the day-to-day job. Weaving in these calls into this process is what I think is helping us deliver consistent **performance**.

Thus, the process is geared towards delivering on our strengths, focussed on finding winners all the time and swaps the ideas not performing as per the expectations which ends up forming a culture geared towards performance excellence."

The Parents

Aditya Birla Group and Sun Life Financial, the partners in the joint venture, had an equity participation of 51 and 49 percent, respectively.

Balasubramanian indicated that the parental contribution was far deeper than just the equity which they held. He recollected a few such instances, which correspond to the early days of the company, "In 1999…Apple was considered to be world's largest fund therefore the departure was seen as something which is negative but ultimately got managed. Second, some of the senior people left and when they left it was a big loss for the organization but the shareholders played and the brand played a major role in getting us back on track."

Balasubramanian underscored the importance of parental brand even during the intermediate stage of the IJV life cycle, "…2008 crisis [*global meltdown and sub-prime crisis*]… the power of brand stood behind the organization. I think the power of brand is bigger in size [*and*] the people do not matter [*much*]. It is actually power [*of the brand*] which matters. The brand matters. That reinforced the confidence in the investors to come back and put the money with people who have got a good brand, good reputation such as Birla-Tata's types And Birla actually got significant support from the point of view of the investors' confidence. So that's what I think parental support to be. Also, of course, Mr. Birla himself supported in 2008 crisis. It was for a day but still he had to step in."

"The other parental support come in the form of i) helping in the business in reviewing it frequently, ii) ensuring that the processes are being followed, iii) you ask the right question continuously so the process gets improved and from HR point of view they used to give right set of advice and mentoring to the people. E.g., I took charge in 2009 as CEO in the crisis time I was managing only 25 people. From 25 I became manager of 700 people, I need to have different style. But can I change overnight? No. Can I learn and change? Yes. But can organization afford to wait for me to do my learning and to do the things which are difficult. They gave me a coach immediately after to help me in terms of organizing the things, helping them in planning , help in asking right questions, help in moving up, help in terms of moving out in to the market," enlisted Balasubramanian.

He added, "Parental interventions also come from Ajay Srinivasan [*CEO of Aditya Birla Group's Financial Services*] and the ABFSG. They are called as the whole-time members. Some interventions more from the point of view of helping in the crisis time working in the team towards fighting for the larger interest. So that's another support which normally comes from the whole-time members. And shareholders front–what I just mentioned the intervention more in terms of fixing on the people front. I think the shareholders support is more on giving the right set of freedom and empowerment for the CEOs to function independently. Which also another aspect is what I would call as the 'trust,' because ordinarily it is shareholders' business and they also need to have trust on the people who are running the company. So that's the trust was very, very high and even now I think the trust is high." The AMC also had group management trainees, who were directly recruited by the ABFSG and then posted there ("*Aditya Birla alumnus*").

The parental representatives in the Board of Directors had a role to play. Even the Chairman of the Sun Life Financial would sit in the quarterly business reviews (QBRs) and share his insights. There also existed a board of trustees "who would ask lot of questions more from the customer point of view."

The Changing Competitive Landscape

"We have been winning the award of the Best Debt Fund House of the year consistently from the year starting 2008," noted Singh. But that's not all, the company was recognised as a top-performing fund house across multiple dimensions (Exhibit 12 for an indicative list of awards and accolades).

Exhibit 12
AN INDICATIVE LIST OF RECENT AWARDS AND ACCOLADES

1.	Nomination at Sun Life Financials 2013 CEO Award of Excellence for 'Investor Education' (Q1 2014)
2.	'Best Financial Services Website' for http://www.janotohmano.com at the 2014 Internet Advertising Competition Awards from the Web Marketing Association (Q1 2014)
3.	Joint Winner - Highest Campaign on Investor Awareness from an AMC point of view in an effective way @6th Annual Mutual Fund Round Table Conference, 2014 (Q2 2014)
4.	Most Innovative Training Program conducted during 2013-2014, @6th Annual Mutual Fund Round Table Conference, 2014
5.	Joint Winner - Highest Advisor Mind share in T15 cities in India, @6th Annual Mutual Fund Round Table Conference, 2014
6.	Asset Management – House of the Year @Money Today-FPCIL Awards 2013-2014
7.	Fund House Award – 'Best Fund House – Debt'; Best Intermediate Bond Fund Award – 'Birla Sun Life Dynamic Bond Regular Gr', @Morningstar Awards, 2015
8.	Won Asset Management – House of the Year 2013-2014 at the Money Today – FPCIL Awards (January 22, 2015)
9.	Most Admired Asset Management Company at ABP NEWS Banking, Financial Services & Insurance Awards, 2013
10.	Joint Winner - Highest Campaign on Investor Awareness from an AMC point of view in an effective way @6th Annual Mutual Fund Round Table Conference, 2014
11.	Best Debt Fund House of the Year @Outlook Money Awards 2013
12.	Commendation Certificate at Aditya Birla Group's Chairman's WCM Awards 2013 for BSLAMC in the Business Category
13.	Nomination at Sun Life Financial's 2013 CEO Award of Excellence for 'Investor Education'
14.	Best Debt Fund House of the Year @Morningstar Awards, 2013
15.	'Golden Peacock Business Excellence Award' for the year, 2013
16.	Voted as the Best Asset Management Company, India, at The Asset Triple A Asset Servicing, Fund Management and Investor Awards, 2013

Source: Company Documents

But the industry dynamics seem to be changing fast. New Fund Offers (NFO) was rare. The share of debt funds in the overall business of the industry had improved to 45% in 2016, but this was primarily driven by the institutional investors. Retail customers continued to have only a limited appetite for debt funds. Also, with the abolition of entry load, 'intermediation has become painful for distributor's (Exhibit 13).

Exhibit 13(a)
CHANNEL STRENGTH AND BUSINESS CONTRIBUTION

YEAR	BANK		IFA		NATIONAL DISTRIBUTOR	
	Count	Sales (in lakhs)	Count	Sales (*in* lakhs)	Count	Sales (*in* lakhs)
1995	3	7.1	89	21652.7	17	12854.0
1996	6	74.0	121	12366.1	20	3523.7
1997	6	5294.6	214	49279.8	28	35801.5
1998	12	8899.1	290	87703.5	33	78854.7
1999	12	92775.9	484	302888.1	46	386699.6
2000	15	235214.7	599	568122.8	55	616229.5
2001	16	234843.0	612	463800.9	61	1060513.6
2002	18	475488.6	777	684909.3	66	1611762.6
2003	21	713047.7	1742	1159144.9	75	2274864.4
2004	25	846862.8	2601	1454480.7	81	3472922.7
2005	28	1433912.5	449'2	1318220.7	91	3015453.1
2006	41	2543820.3	*1513*	1306124.4	106	6596747.8
2007	50	4792056.5	13428	2990317.7	124	17834233.5
2008	65	8295120.8	18811	3745946.4	135	31778213.7
2009	66	13618395.7	21526	7768711.2	153	51274379.6
2010	10	18399358.4	24149	9684010.4	165	57944056.4
2011	69	16555616.6	24006	10123613.9	113	49864164.2
2012	10	14510711.0	24434	11003611.2	193	49664385.7
2013	11	14324778.3	26017	5734877.5	201	24508652.5
2014	61	9637984.0	26628	4299236.9	199	18893854.3

Source: Company Documents

Exhibit 13(b)
CHANNEL STRENGTH AND BUSINESS CONTRIBUTION (INCLUDING MARKET SHARE)

Distributor Mapping	Average AUM FY 14-15		Market Share	Average AUM FY 15-16		Market Share
	BSLAMC	CAMS		BSLAMC	CAMS	
Bank	16,527	1,92,116	8.6%	18,817	2,25,374	8.3%
Direct	41,058	36 1,292	11.4%	52,617	4,72,346	11.1%
IFA	22,974	2,73,554	8.4%	29,174	3,30,064	8.8%
National Distributor	26,820	2,36,674	11.3%	32,737	2,81,655	11.6%
Total	1,07,379	10,63,636	10.1%	1,33,345	13,09,438	10.2%

Source: Company Documents (Computer Age Management Services, CAMS, is a transfer agent for multiple mutual funds in India providing a wide range of mutual fund and portfolio management services)

The Way Forward

The company emerged as one of the leading mutual funds of India in 2015. However, is the growth sustainable? With over forty companies operating in this space, the competition is only bound to intensify. Will Birla Sun Life Asset Management Company, under the leadership of Balasubramanian, be able to continue on this enviable growth trajectory?

ENDNOTE

1. The authors acknowledge the research assistance of Mr. Pankaj Eklarkar (PGPEX08 participant, IIMC).
2. Aditya Birla Financial Services Group (ABFSG) is an umbrella brand '*for all the financial service businesses of the Aditya Birla Group*'; excerpted from http://www.adityabirla.com/businesses/Profile/aditya-birla-financial-services-group on September 20, 2017.
3. 1 US Dollar corresponds to 67.48 Indian Rupees as on 23rd May, 2016; excerpted from http://www.xe.com/currencyconverter/convert/?From=USD&To=INR on the same day.
4. 'Crores' and 'Lakhs' correspond to the numbering system that is most commonly used in the Indian sub-continent. 'One Lakh' corresponds to 'One Hundred Thousand' and 'One Crore' is to 'Ten Million'
5. Excerpted from http://www.moneycontrol.com/news/mf-news/birla-sun-life-acquires-alliance-capital-schemes_181422.html on September 3, 2014.
6. Excerpted from http://www.thehindu.com/2004/10/19/stories/2004101904421600.htm on September 3, 2014.
7. Excerpted from http://www.business-standard.com/article/markets/birla-sun-life-mf-acquires-ing-s-indian-assets-114051501330_1.html on September 3, 2014.
8. Excerpted from "AMC Application Document for Chairman's Award 2013" on September 4, 2014.
   Excerpted from http://adityabirla.com/About/ajay-srinivasan on July 20, 2015
9. Excerpted from "Indian Mutual Fund Industry: The Road Ahead, by ICRA and ASSOCHAM" (http://www.icraonline.com/img/PDF/assocham1.pdf) on February 8, 2017.
10. Excerpted from 'Indian Mutual Fund Industry Trends Report Card for May 2016' (https://capitalmind.in/2016/06/indian-mutual-fund-industry-trends-report-card-may-2016/)on February 8, 2017.
11. Excerpted from "Indian Mutual Fund Industry – Towards 2015" by PwC.

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