

Press Release

Financial distribution industry assets seen tripling by 2020

Expansion driven by demand for MF, insurance products and better business models to spell big growth

Mumbai, 23rd, June, 2015: Assets under management of mutual fund distributors could nearly triple to Rs 23 lakh crore (\$368 billion) from Rs 8 lakh crore (\$127 billion) by 2020, led by gains in equity funds, as retail and high net-worth investors hop on the economic-growth bandwagon, said a joint report by CRISIL Research and the Financial Intermediaries Association of India (FIAI).

That would tantamount to a compound annual growth rate of over 20%, and will mean the financial distribution industry in India is at an inflection point. Such growth will also redirect some of the high level of personal savings to the capital markets, said the report, released at the FIAI conclave in Mumbai today.

The report, which offers a granular estimation of growth in the financial distribution industry, estimates life insurance distribution premium could also triple from Rs 3 lakh crore to nearly Rs 9 lakh crore and non-life distribution premium from Rs 0.50 lakh crore to Rs 1.31 lakh crore.

Says Manish Jaiswal, Business Head, CRISIL Research, "Indeed, rarely has there been a more opportune time for the distribution industry. Relentless focus on fiduciary duties to gain investor's trust, technology-enabled models for cost efficiency and training will help win the confidence of millions of investors in smaller towns and potentially change the game for the industry."

To achieve the objectives of higher capital market product penetration and financial inclusion, the number of distributors needs to rise 3-5 fold from here, the report said.

Clearly, money managers and financial planners will have to play a key role going forward. ***Says Vishal Kapoor, Director, FIAI, "Developing a vast pool of financial advisors and distributors is an imperative for realising the enormous potential. This also helps in employment creation and retail penetration, and thereby benefits the economy at large. And since the industry requires specific skill sets, it is equally important to put in place initiatives that will foster such human resource development."***

Other drivers for growth of the financial distribution industry include increasing awareness in a country where most of the citizenry has limited exposure to market-linked products. Technology would be an enabler, and increased automation will help cut costs, but complex systems can be an issue if business plans are revised, the report said.

"Further, increased participation by retail and high net-worth investors will provide stability to the domestic financial market and be an efficient source of funding for Capital Markets" says Sudhakar Ramasubramanian, Director FIAI.

It is also imperative that the viability of distribution business be optimised to meet rising operating costs, making it sustainable and able to achieve the larger financial inclusion agenda. For the record, today an independent financial advisor needs to collect on average mutual fund AUM of Rs 2.5 crore to earn a revenue of Rs 20,000 per month. For a relationship manager, the AUM required to break even is nearly Rs 10 crore.

About FIAI

FIAI (Financial Intermediaries Association of India) is the premier trade body of Financial Intermediaries in India comprising Banks, National Distributors, Private Wealth Management Companies and IFA Associations. It is the Financial Distributors' body created to strengthen the cause, development, education and progress of the Distribution Industry.

FIAI's endeavor is to bring all the distribution players on one common platform to pursue the Industry Development, Issue resolution, Industry positioning & welfare. Its twenty four members are estimated to represent more than 60% of Industry's ARN holders (Mutual Fund sellers). The body has been in regular action like organizing Financial Literacy drives, conducting investor surveys, organizing own events, participating in important forums like being Industry support partner to Industry events, representing with SEBI, Ministry of Finance and AMFI through meetings & submitting white papers and various other activities.

About CRISIL

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 5,000 primary sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgements and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

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