

# Management Discussion and Analysis

## Overview of Global Economy

The world economy gained momentum witnessing its strongest, most broad-based and synchronised growth uptick since the global financial crisis. Most regions of the world including major economies of US, Eurozone, China and Japan witnessed growth acceleration. Moreover, world trade also picked up smartly despite the growing fear of protectionism.

Despite the beginning of gradual withdrawal of extraordinary monetary accommodation by US Federal Reserve, other major central bankers continued to increase their already large asset holdings, which underpinned continuation of easy financial conditions. Business and consumer confidence remained strong, global PMIs rallied and there was a pick-up in investments.

Our baseline expectation is that the global economy will continue to show steady expansion in 2018-19 and grow at a rate closer to IMF's forecast of 3.9%. The key risks to the global economy are sharp escalation in trade protectionism, geo-political tensions, sharp rise in global bond yields and inflation.

The Indian economy started FY18 amidst challenges posed by balance sheet deleveraging, the impact of demonetisation, and GST. Growth in 1QFY18 was the lowest in 13 quarters at 5.7%. However, the economy picked up thereafter, growing steadily through the year and is expected to have grown at ~6.5% in FY18. Besides the headline numbers, the composition of growth was quite positive with pickup in manufacturing and capital formation, which reflect the beginning of revival in the investment cycle. A variety of data points like IIP, infrastructure index, PMI, auto sales, cement consumption, and non-oil non-gold imports attested to the broad based pickup in growth momentum. Indian equities reflected the growth uptick, rallying along with global equity markets.

Inflation remained well contained except for a brief uptick in food inflation in Nov-Jan period. Average inflation in FY18 was 3.6%, lower than RBI's target of 4%, despite the statistical impact of pay commission HRA award on headline inflation. Core inflation remained well contained. However, there is an upside risk to inflation in FY19 owing to the likely impact of higher MSP, higher crude price, growth uptick and some weakness in INR. Bond yields started to rise from August owing to the uptick in growth, some fiscal slippage, and prospect of higher inflation down the line.

Indian external account was well funded with healthy BoP surplus, owing to strong foreign capital flows even as current account deficit witnessed some

increase towards the second half of the fiscal. Forex reserves rose by US\$54 bn and stood at US\$424 bn, giving a healthy import cover of 10.5 month.

We remain positive about growth prospects in FY19 and expect economic growth to rise to 7.25%. The last few years have been one of structural reforms (eg. GST and Banking reforms) and macro-stabilisation (lower twin deficits and higher real rates) for Indian economy. This has laid the foundation for a sustained and durable growth recovery and made the economy much better positioned to withstand domestic and global shocks. We believe that the economy is now moving from stabilization to recovery phase, and is on course to a healthy cyclical recovery.

## Mutual Fund Industry Overview

The Indian mutual fund industry comprises 39 asset management companies. Dominance of Top 5 asset management companies continues with these companies contributing to 57.15% of industry's AAUM#. In the current year, the Industry witnessed a growth of 26% in AAUM. AAUM grew from ₹ 18,28,151 crores in quarter ended March 2017 to ₹ 23,03,287 crores in quarter ended March 2018.

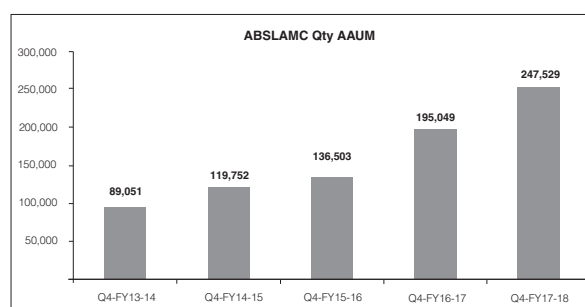
Industry Equity Assets grew by 60.84% from ₹ 5,85,310 crores in quarter ended March 2017 to ₹ 9,41,395 crores in quarter ended March 2018. Proportion of equity AAUM in total industry AAUM grew to 40.87%.

Industry SIP book size grew by 74% from ₹ 4,335 crore in March 2017 to ₹ 7,119 Crore in March 2018. B-15 locations have seen AAUM growth of 38% i.e. from ₹ 3,09,098 Crore in March 2017 to ₹ 4,26,436 Crore in March 2018.

## Performance Review

During the year, Aditya Birla Sun Life AMC Limited (ABSLAMC) outperformed the industry and increased its market share to 10.75% in terms of domestic AAUM#. With a quarterly AAUM of ₹ 2,47,529 crores for quarter ended March 2018, ABSLAMC is now the 3<sup>rd</sup> largest AMC in India, witnessing Y-o-Y growth of 26.91%.

## Growth in ABSLAMC Total AUM



Note 1: Average AUM for the fourth quarter ended 31<sup>st</sup> March of the respective year/s.

(in ₹ crs)

<b>Aditya Birla Sun Life AMC Limited</b>	<b>2017-18</b>	<b>2016-17</b>
<b>Average Assets under Management (Quarter ended March)##</b>		
Equity	86,450	49,914
Debt and Liquid	1,61,079	1,45,135
<b>Domestic</b>	<b>2,47,529</b>	<b>1,95,049</b>
Off shore	14,927	11,621
Real Estate Onshore Fund	973	880
PMS & AIF	4,310	3,191
<b>Total</b>	<b>2,67,739</b>	<b>2,10,741</b>
Revenue from Operations	1,249	968
Profit before tax	493	337
Profit after tax	330	223
Net Worth	1,033	942

ABSLAMC is serving its large investor base through a strong distribution network of 163 branches and 68,019 financial advisors. Both our fixed income and equity funds continued to perform exceedingly well against peers and benchmark.

The Fund House, the schemes of Aditya Birla Sun Life Mutual Fund and the Fund Managers of the Company received various awards and recognition during the year under review of which the following are noteworthy:

➤ **2017 Thomson Reuters Lipper Awards – India**

**Category:** Bond Indian Rupee

Best Fund over 10 years, BSL Dynamic Bond Fund - Retail – Growth

**Category:** Equity Sector Information Technology

Best Fund over 3 years, BSL New Millennium Fund – Growth

**Category:** Overall

Best Group Over 3 Years

➤ **2017 Thomson Reuters Lipper Awards - MENA Markets**

**Category:** Bond Indian Rupee

- Best Fund over 3 years, BSL Dynamic Bond – Retail Growth
- Best Fund over 5 years, BSL Dynamic Bond – Retail Growth
- Best Fund over 10 years, BSL Dynamic Bond – Retail Growth

**Category:** Equity India

- Best Fund over 3 years, BSL Small & Midcap Fund - Growth
- Best Fund over 10 years, BSL Midcap Fund – Growth

**Category:** Equity Sector Financials

- Best Fund over 3 years, BSL Banking & Financial Services – Growth

➤ **Asia Asset Management - 2018 Best of the Best Awards**

- Best Fund House
- CEO of the Year - A Balasubramanian
- CIO of the Year, Equity - Mahesh Patil
- CIO of the Year, Fixed Income - Maneesh Dangi

➤ **Outlook Money Awards**

Fund House of the Year

➤ **Morningstar Awards 2018**

- Best Fund House – Overall
- Best Intermediate Bond Fund - ABSL Treasury Optimizer

# Source : Association of Mutual Funds in India ("AMFI"), [www.amfiindia.com](http://www.amfiindia.com)