

21. Lessons from the UTI Turnaround

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Then..

- **2001:**

- Flood of redemptions- virtual run on the company
- Government bail out
- Company split into two
- Changing an address or bank account took months
- Customer info. Fragmented among four players
- Senior talent deserted company
- Market share halved to 8.5%
- Considered fund house for those over 40 only!
- Written off for good

Now!

- Fourth largest MF in India
- 10 M customers
- Assets : Rs 80k cr
- Getting ready for global presence
- T. Rowe Price (assets over \$350B) takes a 26% stake
- Stepping into venture capital and private equity

The hero

- U.K.Sinha
- Bihar cadre Union finance ministry veteran
- Contributor to banking, capital market and mutual fund reforms
- Dealt with Ketan Parekh scam
- Resolved amicably a dispute between Tata Steel contractors and tribals in Jamshedpur in 1978
- A successful track record
- He got the right people for the right job- even though it took months of convincing

What he did?

- Took a new HR head
 - Salaries raised in line with industry norms
 - ESOP for all
 - All labor issues tackled
- Took a good fund manager
 - Free hand given
 - Cleaned up equity portfolio
 - Decentralized fund management

What he did? Contd.

- Marketing
 - Moved to a vertical structure –separate sales teams focused on reaching out to specific groups
 - Increased branch network
 - Bigger presence in large cities
 - Aggressive sales model to reach out to distributors who ignored UTI
 - Chased money from retail investors –different approach compared to other players
 - New schemes like selling thru post offices- a great last mile connection to remotest parts of the country

What he did? Contd.

- Technology:
 - Call centre to help customers
 - Funds on NSE platform
 - SMS to customers
 - Better control on database of 10 m customers
- Admin:
 - Four registrars replaced with one-Karvy

Results!

- 20% return from UTI opportunities growth funds - among the highest
- High alphas maintained (ability to give returns above market)
- Market share increased to 10%
- Reached the top quartile in analysts' reports
- UTI offshore fund (\$55m) ranked No. 1 in India in performance over 3 years
- New funds like Japanese fund and Shariah fund in the offing

Lessons

- One man can make a difference even in a stodgy PSU asset management company!
- There are many lessons but the main one is:
 - Innovation always pays
 - I particularly like the idea of using post offices- they have a great potential –at the bottom of the pyramid
- Innovate, innovate, innovate..



Source: Article in Forbes India, Feb 19, 2010