



Interview of Mr. Waqar Naqvi - CEO, Taurus Mutual Fund Views on decline of retail investors participation in the markets

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“Retail investors may be left out if the markets rise very fast”

Waqar Naqvi, CEO of Taurus Mutual Fund, feels the budget could push up the markets, but fears that the retail investors may not participate in the rally | **By Babar Zaidi**



“In India, if you know the agent, there is trust. You can't replace a seller with a computer.”

Has the 2010 budget given direction to the markets?

It is a pretty balanced budget. The finance minister faced several challenges: controlling fiscal deficit, rolling back stimulus, ensuring liquidity to promote growth, controlling inflation and boosting infrastructural requirement and consumption. He has done well on all counts and presented a growth-oriented budget; we give him high marks for this. All these measures should act positively for the stock markets.

Do you think a lower fiscal deficit will boost global confidence in India as an investment destination?

A lower fiscal deficit will definitely boost FII confidence and we expect them to increase their allocation to India. It will also result in the global rating agencies upgrading India as an investment destination. Even without the improved rating we expect the FII inflow to go up, though it will be faster if the ratings become better.

Do you think the budget will encourage people to invest in the stock markets?

After the setback in 2008, Indian retail investors have not come back in a big way. The liberal income-tax structure proposed in the budget will place more money in the hands of taxpayers. As this money is spent and various sectors look up, we feel the stock markets will move up and induce retail investors to come back.

But it is possible that if the stock markets rise very fast, most retail investors remain on the sidelines waiting for a correction. They will come in only if the markets rise steadily.

Analysts feel that inflation could spoil the party.

There's not much the government can do to control inflation. People say that it can release food from the FCI godowns to bring down the prices, but the FCI stock is of low quality and fit only for the PDS. Also, the monsoon is not under the government's control.

If inflation remains high, the RBI might raise interest rates to control prices. Will this affect the markets?

There is a high possibility of this happening till December this year, but beyond that, the chances of interest rates rising are bleak. Also, we do not see the RBI increasing rates by more than 75-100 basis points. This will not make for a dramatic change.

Some analysts fear that the US could face another crisis. Could India get sucked into the turmoil again?

While there is a huge domestic market and robust consumption in India, we are still dependent on the recovery in the US and Europe. Obviously, with the US and Europe recovering, our pace of growth will be faster and higher. But there are mixed signals emanating from

the US. A survey of CEOs indicates that they are far more bullish; 60 of the 100 CEOs surveyed have predicted that their figures will be better this year. Yet, the analysts are not optimistic. Unemployment is still high.

You took charge at the Taurus Mutual Fund in March 2008 when the financial world was falling apart. What has been your biggest learning in the past two years?

The biggest learning was that you should not react in a knee-jerk manner when things start going extremely well or extremely bad for you. You should not change tracks just because things have gone haywire momentarily. It is consistency in the long run that the market rewards. Don't change your route just because of a particular situation.

Do you think the Swarup Committee's recommendations level the playing field for Ulips and mutual funds?

The only industry that has been directed to remove entry loads is mutual funds. Insurance companies continue with high expense ratios and high commissions. The high commission will continue to drive Ulips, but how will I go out and sell funds without paying a commission to the distributor? I need him as a medium between me and the investor. With insurance companies paying high commissions, the intermediary is going to talk about their products. They will keep sell-

ing because the driver is not the quality of the product or its usefulness, but the amount that the distributor will earn by selling it.

Do you think technology can replace the distributor by way of online selling of mutual funds?

I don't think so. The percentage of Internet users in the country is minuscule. Of this, the biggest segment of users is students and youngsters. Besides, India is known for relationship-based selling. If you know a person, there is trust. So you can't replace a distributor with a computer.

The Taurus Ethical Fund has a very interesting mandate. What type of investors is the fund targeting?

Though it was launched as a Shariah fund, its appeal is universal. Every religion and family preaches pretty much the same thing. I don't think anybody tells his son to go and have liquor or start smoking or watch adult movies. So, we have Jain and Christian trusts that have liked the idea and have invested in it. There are investors from across religions, castes and geographies. National integration has several facets and I guess this is one of them.

We will continuously keep you abreast of latest development and happenings at Taurus Mutual Fund through this mail service "TAURUS Talk".

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