

“Sensex will be 20,000 by October 2010”



DR. H. SADHAK
CEO, LIC Pension Fund

LIC Pension Fund manages portion of NPS funds to provide reasonable returns to pensioners. LIC PF CEO Dr H. Sadhak spoke to Prakash Patil about the prospects of the NPS and pension industry in general. Excerpts...

Tell us about LIC Pension Fund's corporate structure.

LIC of India has sponsored LIC Pension Fund as a public limited company and we started fund management operations in April 2008. Our set-up is independent of LIC as per the PFRDA guidelines, which stipulate that there should be a firewall between the fund manager and sponsor. We have an independent fund management system with 16 fund managers and an independent Board with three independent directors.

What is LIC PF's revenue model?

We are only a fund management company and manage only PFRDA-approved Central and state governments' pension funds. Our revenue comes from the fund management fees we get from NPS Trust for managing these funds.

What is the corpus size managed by LIC PF?

We manage a small amount of NPS corpus, but even with the small corpus, we have emerged as the best performing pension fund. Our share increased from five per cent of NPS funds in 2008-09 to 29 per cent in 2009-10 and 35 per cent in the current year.

What's the secret of your good performance?

Monitoring and understanding the market and the changes in the macro-economic variables and their expected impact on the market. The investment strategy should have two things, one is planning the investments and second is finding better investment opportunities. You have to take a long-term view of the market and explore opportunities and build your portfolio accordingly. Similarly, portfolio rebalancing is most

important. In our case, rebalancing has to be done within the framework of the regulatory guidelines.

What kind of investment strategy do you follow?

We can invest in stocks which are listed in derivatives segment. We being long-term investors follow bottom-up approach, where we try to evaluate changes in government policies and other macro-economic changes. We invest for the long term as people put their money for 30-35 years in NPS.

Which sectors do you find promising today?

At this stage, infrastructure, banking, pharma, FMCG, IT, education, power, water and chemicals appear promising sectors.

LIC PF manages two schemes, LIC PF Scheme 1 and LIC PF SG Scheme 1. How have these schemes performed?

The returns on both these schemes are positive but the return on state govts' scheme (LIC PF SG Scheme 1) is lower as we get small amounts which we have to keep for 7-8 days before investing.

Financial penetration is very low in India. How do we increase it?

We need to create awareness about post-retirement income and take the products to the people. For this, we need agents and brokers who are the 'first line financial educators'.

Where do you see the Indian market headed going forward?

My prediction is that Sensex will be around 20,000 by October 2010. Equity market is a function of growth rate of the economy, disposable incomes and global situation. Higher growth rate and more disposable incomes will

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create more demand in the economy. So, market will move up and it may even touch 22,000 next year.

What kind of potential do you see for the NPS scheme?

The potential for pension schemes is huge. In Chile, pension assets rose from one per cent of GDP in 1981 to 64.5 per cent in 2007. In India, pension assets are 5.3 per cent of GDP today. Employment in the unorganized sector is increasing, but there is no social security. Hence, there is need for post-retirement income and NPS has a tremendous role to play.

What kind of future do you see for pension industry in India?

In five years, India's pension assets should be around Rs 100,000 crore and in another 10-15 years, the assets may exceed the funds of all insurance companies. So there is tremendous scope for pension industry. DS

(Wish to comment on this interview? Send your feedback to prakashp@dsij.in)