

Lighthouse Canton, India's CEO & MD Sumegh Bhatia Surveys India's Dynamic Wealth Management Market and the Road Ahead

Sumegh Bhatia, CEO & Managing Director of Lighthouse Canton in India joined our panel for the Hubbis Digital Dialogue event of November 3, during which a panel of six experts looked under the hood of India's incredibly dynamic wealth management and investment market, one whose momentum appears thus far unaffected by the troubles in the developed world and leading capital markets around the world. Bhatia focused his attention on the immense opportunities India offers in the UHNW client segment in particular and analysed how leading market players can enhance their offering for these rising numbers of clients in what is an increasingly competitive environment.

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Sumegh Bhatia
Lighthouse Canton

Sumegh Bhatia is Chief Executive Officer & Managing Director for the India arm of Singapore-headquartered Lighthouse Canton, which is on a rapid expansion trail globally, with offices also now in Dubai and in India since 2020.

2020 proved a good time to invest into India. Buoyed by the remarkable performance of the equity market in the aftermath of the 2020 pandemic-induced sell-off, encouraging economic data, and by the growth of private wealth and the diversification of their investments, Lighthouse Canton had its first full year of operation in 2021 from their office in Delhi. The market's dynamic helped their rapid progress and encouraged the firm to open their second office in Mumbai in late 2021. The team today totals 21 located in Delhi and Mumbai.

In past interviews, Sumegh has explained that he believes the firm is well-positioned as both a local Indian EAM and as part of an international operation to expand apace in India's dynamic wealth market.

The firm has a pure distribution license granted by the Securities and Exchange Board of India (SEBI). They have been increasing pace in building their internal product capabilities and focusing on venture investments. As such they also run their own in-house Alternative Investment Funds (AIF) which are also registered with SEBI.

Sumegh's background is as a business leader with two decades of experience in private banking. Before joining the firm, he worked with names including Avendus, Citi Private Bank and Reliance Private Client, where he built the wealth business from the

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ground up, and his last role was as Executive Director at Avendus Wealth Management, the private banking arm of Avendus Group, a prominent and diversified financial services group in India and in which since 2015 US-based private equity giant KKR and another private equity firm are core shareholders.

“Our target market here in India is the Indian UHNW community with financial wealth of USD30 million or more and including single family offices,” he told delegates. “While Lighthouse Canton's Singapore business has had a well-run tenure managing relatively large relationships out of Southeast Asia firstly, India is a relatively new venture for us, but we have built a seasoned team already. We have

seen that in the past two decades in India, the wealth market had developed dramatically in line with private wealth creation and expansion, and of course, the economy at large. We are now part of the new wave here as the market evolves apace.”

He explained that in the past five or so years, there had been major segmentation of the market. This has led to competitors becoming more focused on specific segments, and competition narrowing and intensifying amongst different players for different areas of the market.

“If you go back 10 to 20 years, most of the clients in India were being serviced by banks, and the protocol was to invest in either fixed deposits or start investing in mutual funds, in other words rather plain vanilla activities,” he explained. “But over the over a course of last two decades, we have seen a lot of these investors grow to become HNW type clients, encouraging more dedicated firms to offer them advisory, asset management, portfolio structuring, robust financial planning and a host of key services they need.”

And he said that then over the years, more of these HNW clients became ultra-HNWs, with specific and different expectations and needs.

"When they become UHWI clients, they tend to focus more on wealth preservation as a major theme than on growth of their portfolios," he observed. "The result has been the evolution of more boutique type firms with highly experienced teams setting up in India. Some are international, some are home grown, and they have been taking over the active management of their clients, and their families' wealth, and working increasingly across the generations."

He reported another visible trend, namely the development of the fintechs. "We are actually very involved in that space because we run our own private equity fund, which has in turn invested in several fintechs. These fintechs have been able to compete in areas where the banks are limited by resources or by regulatory impediments. So, we are seeing the fintechs literally mushrooming in India, helping clients in a much more structured way of putting their portfolios together."

He explained that these typical mass affluent, tech-savvy clients often then become much wealthier and transition to very large HNW or even UHNW relationships at some point in time, making

the fintechs potentially feeder vehicles for specialist firms such as Lighthouse Canton.

"We are highly focused on the ultra HNW space, which is our DNA in Southeast Asia and also here in India," he told delegates.

Bhatia then told guests how the growth and diversification of the client base had gradually led to a more global outlook for portfolios and asset allocation, and India's UHNWI and families are slowly following suit.

"We tend to think that the evolution of India's wealth management industry has been led by larger players entering the market. But really it has been led by the clients themselves – the clients have grown in wealth and their needs have evolved, and that is the reason why we have to focus on global markets. For any large client perhaps out of Singapore or Hong Kong, their portfolios are very geographically diversified, but in India the largest clients still have a majority of their portfolio allocations domestically. But it is changing, and here I am talking about the UHNW space, of course. For UHNW clients, their children and family members are often

educated overseas, and they often want to establish themselves and businesses offshore."

At the same time, he closed his comment by explaining that the UHNW clients are fairly solid and consistent in their approach to the markets and have focused on capital preservation and yield plays, with an increasing interest in growth assets and private markets. "Over the years we've seen on the UHNWI and family office space consistency when it comes to investing in India's markets. While the downturns have seen FIIs sell off, there hasn't been a gush of liquidity or penny selling from the domestic investors. UHNW investors today have portfolios that tend to be growth orientated, and they are looking increasingly towards alternate assets for growth, or opportunities that can show multiples of growth over the coming five to ten years," he explained. "And for the core part of the portfolio, they want to have a very risk averse, safeguarded type of approach. That is why there has been a huge evolution of hedge funds in India, and that sector could even become bigger than the mutual fund industry in the next decade." ■

