Motilal Oswal's Wealth Management Head on Building for India's Prosperous Future

Ashish Shanker is Managing Director & CEO of Motilal Oswal Private Wealth (MOPW), one of the core business segments boasting a remarkable AUM figure of 52000 Crore, equivalent to roughly USD7.3 billion. MOPW is a core business within the Motilal Oswal Group, a multi-faceted financial services company with a market valuation of around USD2 billion and which was formed some 35 years ago. Today, the group has an incredible reach across the country, operating from 15 cities nationwide, a number which will expand to 18 by the end of 2023, and with approaching 10000 employees. Hubbis spoke with Ashish recently to learn more about the wealth business in India, how he has been positioning MOPW and his missions for the foreseeable future. He explains that the growth and the opportunity are so remarkable that it is vital to be in the best possible position to seize that potential in the five to 10 years ahead. And he explains how he and his colleagues are tailoring their talent, their skills, their technology and their strategy to achieve those goals.

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ASHISH SHANKER
Motilal Oswal Private Wealth

Ashish opens the

conversation by remarking how the opportunities in India just keep expanding, noting that by 2025, there are likely to be more than a million locals classified as millionaires. Wealth, he reports, is being created amongst corporate professionals through company ESOPs, and new wealth is blossoming in the start-up and early-stage business segment.

"Moreover, markets have performed well, and many companies that were valued at one or two hundred million are now closer to half a billion in valuation, with some hitting a billion or more," Ashish reports. "There is plenty of activity amongst promoters and professionals who are monetising some of that wealth."

The sands are shifting…

Another major trend is the shift from reliance on investing only in physical assets such as property or gold to a far wider array of financial assets.

"Real estate has actually performed well in the past few years, so there has been a lot of selling, and switching to financial investments, which has benefitted wealth managers like us," Ashish reports. "So, wealth is rising fast across the board, right from the mass affluent segment through the HNW market of up to USD25 million of wealth and through to UHNW and family office levels with more than USD25 million to invest. And at the same time, the money is flowing into an increasingly diverse array of assets."

Seize the future

Ashish then turns his attention to the 'how' of capturing these remarkable opportunities, remarking that they already have more than 200 relationship managers and over 40 in the product and advisory team, but the aggressive hiring he had initiated in the past two years continues apace. "I took the reins of this business in 2020 and we had roughly 112 RMs then and we are over 200 now and rising as fast as we can," he reports. "And to fulfil our ambitions, we need a really robust product and product research effort, and we continue to build actively in that area as well."

Know your market

Turning to the market environment, Ashish reports that in the core HNW segment, the premium offerings at the banks are the main competitors.

"We believe we offer a markedly superior proposition to them, as our product and research platform is much wider, the content that we generate is much deeper and we have a capital markets DNA," he explains. "Whether it is broking, whether it is helping clients buy stocks, or bonds, or in other key areas, we have a much stronger proposition than the banks. And actually, the banks have, as a result, been one of our favourite

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hunting grounds for talent, with many good quality RMs willing to come to us as a pure play wealth management operation."

Positioning and strategy

In the lofty UHNW and family office segment, the competition is more specialist firms such as IIFL Wealth, now the biggest and renamed 360 ONE, or Edelweiss, which has become Nuvama Private, or Avendus. Competition is tough, Ashish reports, but one of the biggest differentiators MOPW has is in being a multi-capability, multi-product operation.

"We can bring an institutional-level array of services and solutions to clients," he reports. "Additionally, we are not owned by private equity, whereas pretty much all the other non-bank competitors are nowadays; our two co-founders still control 72% of the shares, we are listed with a valuation of around USD2 billion and we are very stable, with a long-term vision of the markets and the clients."

Seeing the big picture

As to portfolio construction for wealthy clients, Ashish explains that they look at the client's needs and expectations from a holistic viewpoint, to determine what structures, risks and types of assets and geographies their exposures should take. "We also look from a family perspective at their locations and even residence and citizenship needs, and of course, we look at the tax implications of investments and structures e might then propose," he reports.

Before the portfolio construction begins in earnest, they define the Investment Charter, documenting how the portfolio will be constructed, how it is to be managed, the key targets in terms of risks and returns, and the likely diversification in terms of assets and geographies.

Key Priorities

Ashish cites three key priorities, the first of which is hiring, training, nurturing and retaining the right talent. The second big priority is to keep strengthening the product proposition, creating more solutions, and ensuring that the firm offers the broadest array of multi-asset solutions, and at the same time, strengthening the advisory and research proposition. The third key mission is to expand the number and quality of client relationships and engagement.

Rising returns on debt

Ashish notes the considerable innovation in the fixed-income arena, with a strong interest in direct structured debt products or funds that are investing in structured debt. "These types of assets are funds which generate a much higher yield than traditional debt, with target returns of anywhere between 14% to 18%," he explains. "And demand for global diversification in debt and fixed income continues, for example as seen in our partnering with Silverdale on a Singapore-based fixed income product that offered three-year returns of 9.% annually."

Navigating regulation and liberalisation

Looking at the future in India, Ashish expects the regulator to keep a firm hand on the tiller in terms of tightening rules but also, at the same time, to keep liberalising gradually as the economy, financial markets, and private wealth just keep growing apace. "There is clearly a drive to make the world of finance and wealth management more transparent in terms of products and fees," he reports.

Regulation in the form of the Liberalised Remittance Scheme (LRS) limits Indian residents to annual outward remittances of up to USD250,000 for current or capital account transactions but Ashish points to a new avenue of liberalisation in the form of GIFT City, through which locals can invest up to 50% of their company's net worth offshore.

He offers more detail on GIFT City, noting that it is deemed to be an offshore jurisdiction, although it is physically located in Gujarat. "Citizens who are resident here can invest in global funds through GIFT City while sticking below the LRS limit, or they can invest 50% of their company's net worth, the latter freeing up a lot more capital," he reports. "The whole idea was to encourage investors to go through GIFT City as opposed to maybe Singapore or Dubai, for flows in and out of India."

Building the talent base

Ashish offers more detail on its hiring, training and talent retention, noting that the firm has very detailed and active policies on nurturing talent within through continued professional development and encompassing the most experienced and productive RMs down to younger recruits from perhaps retail banks who then go through a five-year internal training and work programme to emerge as fully-fledged RMs at the end. Some of the training is internal, and some of it is through third-party specialists.

And for the very senior wealth managers who are senior partners or managing partners, the firm has tie-ups with institutions like IIM Ahmedabad and Harvard Business School, where they are sent on programmes to develop their skills and global knowledge further. "And behavioural skills are very important, especially for the most senior of the RMs," he adds.

Ashish says some RMs are very higher performers, such as the 32 RMs with more than 250 crores (USD30 million) of AUM and 15 RMs with more than 1000 crores (USD120 million) of AUM. "All of them represent homegrown talent," he reports. "And the overall business is running at a 35% profit margin now, so we have the money to keep investing in such talent and hiring more."

Getting Personal with Ashish Shanker

Ashish was born in Mumbai, did his early schooling there, and then spent his formative years in a small town called Pune, close to Mumbai, before studying for his degree in Business Management from Bangalore University. Later on, during his working years, he also attended Harvard Business School for a one-year advanced management programme in 2017-2018.

He began his career as an equity analyst working then in asset management with Franklin Templeton and HSBC and later became Head of Investments at Standard Chartered Private Bank. He joined Motilal Oswal in 2012 to help build the private wealth business, first as CIO and then as CEO from 2020. "I am really lucky in that I have enjoyed every step of my career to date," he reports. "I am doing what I love and am best at, bringing my background to help the firm build a really significant business here in India and beyond."

Ashish is married and they have a 15-year-old son. His wife works with PwC as a consultant.

Ashish enjoys sports, both playing and watching. He was a national-level table tennis player and was captain of his state team and number one in Maharashtra. He still plays today when time permits. He professes to be a foodie, enjoying the number high-quality restaurants India has to offer.

Spare time at home might see him reading about investments and capital markets, as well as history. He recently enjoyed a talk by Pulak Prasad, who owns Nalanda Capital. "The title is 'What I Learned from Darwin about Investing' and it focuses on him connecting evolutionary biology to investing," Ashish reports. "It is a fascinating read. And to switch off later at night, I love these platforms like Netflix for winding down."

A holistic view on the wealth continuum

Ashish turns his gaze on inter-generational wealth transfer in India, explaining that there is so much first-generation private wealth that there is now a rising tide of businesses and estates transitioning to the next and younger generations, all of which require sound advice and sophisticated planning.

"The approaches, structures, tax mitigation and key issues around succession all need addressing, especially as wealthy Indian families are increasingly international in their locations, their residences, and their investments," he reports. "If a wealthy family have a son or daughter studying overseas and perhaps then staying on later as residents to work in their early careers, the family need to right structures and advice to organise their affairs efficiently. And in the world of regulation in which we all live, this is no longer so simple."

Many issues to address

Ashish explains that for families where there is no clear succession, perhaps where the children are not interested in taking control, then MOPW can put forward its corporate finance and IB teams to help advise those owners on options for going public, for disposals, perhaps on bringing in professional management teams, and so forth. "If they decide to sell, there are many different types of buyers," he explains, "as there is a very robust demand from private equity for the right businesses."

Another issue, he reports, is that wealthy families often have relatively large and often quite illiquid real estate investments across the country and need advice on how to monetise those assets. "Generally, the next generations do not want so many heavy, fixed assets, as they are hard to manage," he says. "They want more flexibility and agility."

The competition keeps getting smarter

He also anticipates greater market penetration from digital-native firms targeting especially the retail and mass affluent segments as the 'financialisation' of wealth takes an ever-stronger grip. "In India, the adoption of technology in the younger generations is very strong, and penetration will increase there," he explains. "But for the HNW and UHNW market segments, we believe the personal touch will still be needed for many years, perhaps in the hybrid wealth model via what some call 'phygital' delivery of advice and services."

He predicts that as this happens, the economics will improve. "RMs and advisors today handle 40-60 HNW clients, but those numbers could at least double if the right combination of technology solutions is adopted to free up their time and make them more productive, whilst at the same time delivering a better set of experiences and outcomes for the clients. We need scale to counter competition and rising costs. In short, technology will be a major driving force over the next 10 years or more."

On the global radar

He also believes that as India maintains its economic growth, the country will become more of a must-have within global portfolios. "That is one reason we are establishing a presence in Dubai, as a conduit for inward investment of all types through there," he explains. "We have a few clients already from Dubai, Singapore, London and the US, we want to see that activity expand significantly."

He notes that they are hoping to obtain their license to operate out of the Dunai International Finance Centre (DIFC) by the end of 2023. ■

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