

Targeting Growth, Quality, Diversification and Scale in India's Dynamic Wealth management Space

Anshu Kapoor, Head of Edelweiss Private Wealth Management, was the recipient of the coveted Hubbis Indian Wealth Management - Award for Excellence in 2018 and has a deep and intuitive understanding of the development of the market in India. We met him recently to mine out his latest insights into the market's evolution and how his firm plans to stay ahead, as India's economy and its total personal wealth both head towards the USD5 trillion figure.

“**T**HERE IS NO ISSUE OVER DEMAND FOR WEALTH MANAGEMENT IN THIS MAR-

KET,” Kapoor begins, whereas there is constrained supply, so if you get the basics right - your customer segmentation, value proposition, talent strategy, the customer experience, the service - you can flourish even if you are modestly good, and can be really successful if very smart. In this constrained market, and accordingly, I would consider that demand will remain robust for the next decade or so.”

Dramatic growth ahead

He estimates the high net worth (HNW) and the ultra-HNW population of India will balloon from about 150,000 to around 500,000 individuals by 2025, while India’s GDP is expected to double to about USD5 trillion. And that figure of USD5 trillion is roughly what Boston Consulting Group expects private wealth to reach in less than three years.

But he notes that the top three wealth managers in India only control assets equivalent to about 2% of India’s GDP, whereas for China the equivalent figure is already around 6% and for the US a lofty 40%.

Building the proposition

Kapoor believes that Edelweiss has a good number of the key facets he highlights as prerequisites for success already reasonably well nailed down. “Even in the second half of 2018, which was a fairly difficult year in India, we added 90 people to our ranks,” he reports. “We feel we have the business model and the revenue model going and the cost structure in the right places, so combined with my positive outlook on the market, we feel very encouraged as we look forward.”

Key Priorities

“Infinity, as I explained, has been one of our biggest priorities in terms of getting clients to accept the solution, to transition the entire business from this product sales culture to our portfolio conversation,” Kapoor explains. “That remains our key priority.”

Secondly, talent is vital. “Around 200 people joined us in the past two years,” he reports, “so we have launched our learning academy to significantly enhance the quality and range of skills of our people.”

And technology is the third priority. “We are working very closely with Infosys on overhauling our core systems, which need to be more sophisticated, and more scalable. We think that by December we will be live with our new systems and then we will be the first perhaps wealth manager in the country to be fully cloud-based. We will have no physical servers. It is actually also a first for Infosys, which has never done a cloud implementation of their wealth management system.”

Kapoor’s closing comments are to reiterate the thrust towards advice and portfolio management services, away from product selling. And to continue to build both talent and technology. “The future is bright here in India,” Kapoor concludes, “and we hope and think we are taking the right steps to truly benefit from being a leader in this exciting industry.”

“By our estimates, the top 10 wealth managers in this country have not yet reached more than about 25,000 of the current 150,000 customers and those customer numbers, as I mentioned, are growing very fast,” he adds. “The key challenge for us now, as I have said before, is how we manage to scale up and still personalise our solutions, when we will have dramatically more clients.”

As to new developments, Kapoor has been focusing on products and solutions. “The first element is talent,” he comments, “and the second element is

innovation, while the third is the intellectual property or perhaps the domain expertise that we have been building.”

Family offices abound

Beginning with the third of these, he explains that Edelweiss in 2018 conducted the first-ever research on family offices in India. “That was part of our effort to really create intellectual property and experience around a particular segment,” he reports.

“We found, for example, that in India, the family office is primarily embedded within the business,



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which impacts the way we must service them, compared to other countries, where businesses are more separated from the management of the family wealth. And we understand now that there are

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perhaps five or six reasons family offices would come to a wealth manager, namely the decision-making process, the asset allocation thinking and other key factors.”

Creating wealth communities

He notes that Edelweiss has also been trying to create a community around some of its client segments. “Communities are very powerful,” he remarks, “because the clients get to learn from each other, and we get to learn from them.”

Edelweiss has managed to encourage two communities. “First, partnered with Campden

Family Connect, we do a couple of events and conferences each year targeted at specific needs of the family offices,” he explains, “and we will build that further. And we are now doing conferences for the professional investor community in India, and many of these people are actually leaving their firms and setting out on their own, so they are almost quasi institutions themselves. We have been building a team that is dedicated to serving these clients, so this is all part of our effort to mine deeper into our actual and potential client base.”

Kapoor’s also gazes into his crystal ball to look at the outlook for the industry’s competitive environment. “We expect a lot more technology-led competitors to come and try, and by this, I mean non-traditional competitors;” Kapoor predicts. “But that is not a

problem, we welcome this. Moreover, on the very positive side, the tech sector in India is actually a big future source of clients for us, as India’s tech entrepreneur market is booming. We have a large team in Bengaluru - India’s Silicon Valley - building our relationships there.”

Diversifying the offerings

He turns to the asset market in India, namely the three core categories of real estate, debt and equity. “Clients are stuck in these three asset classes, and exposed to the volatility and all the disruptions that these asset classes bring,” he notes. “Accordingly, we

Getting Personal

Born in the biggest state in India, Uttar Pradesh, he attended university in Delhi and then completed his CFA studies, also in Delhi. He joined ICICI Bank, when it was one of the earliest private sector banks in the country, before moving to HSBC, working initially on internet trading, a new innovation to India at that time. “I then moved to the HSBC Private Bank in Dubai for two years, a great experience, before returning to India to join Merrill Lynch, and then actually back to HSBC here. I love the world of wealth management, it is in my bones.”

Kapoor is married with three children spanning, aged 17, 16 and as young as three years old. “We are doing it all over again,” he jests.

Family travel of late has been to places such as Phuket and Scotland, which he says is a favourite with Indians due to the scenery, the air and of course the single malt whiskies. “I visited the Talisker distillery three times, it is a wonderful place and so too is the whisky!” he remarks, jovially. And aside from a long love affair with photography, he also enjoys the gym and then a quiet read at home.

have been trying to cultivate the understanding and the solutions around alternatives in India, and by that we mean any asset class or any product type where the returns and the risk are not directly correlated to the equity markets or interest rates.”

Edelweiss has created several strategies. One is a roughly USD1 billion structured trade fund currently being assembled, another was the 2018 USD1.3 billion distressed trade fund, and a third was the USD 400 million infrastructure

classes and structures,” he notes, “with these many asset diversification developments having also been encouraged by gradual liberalisation from the regulators.”

Infinity defined

He turns his attention to another vital solution Edelweiss has created in the form of Infinity. “The concept was to provide a holistic perspective and numerous possibilities, rather than offering a series of products that apparently added up to a portfolio,” he

we estimate this costs the clients more than 25% less than handling these portfolios themselves.”

Infinity targets the HNWI and ultra-wealthy segments. “We sit down with the client, then jointly work up the investment policy statement. We overlay the technology platform we have developed in the past year, and suddenly the portfolio can be viewed, alerts can be delivered, and it can be rebalanced on a 24/7 basis. It is tailored, customizable, and scalable.”

At the top of this pyramid sits the Edelweiss Global Investment Advisory Committee, comprising roughly 10 experts who oversee the portfolios. “With the flat fee approach, we are really trying to democratise high-quality advice, it is an exciting development, as the clients sit down and document what their expectations and aspirations are as the fundamental construct for how the portfolio has to be created.”

Solving some of the issues

Kapoor hopes that some of the problems in India’s market will be resolved, sooner rather than later. “A key issue is that fixed

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yield fund. “It is all about offering new ideas and alternatives to our clients,” he noted. “And all this has been supported by new talent, including our new CIO.”

“The Indian wealth market is increasingly sophisticated and also ever more receptive to new asset

explains. “And it was designed to side-step client decision-making that is excessively influenced by the biases of their RMs or advisers. So this is designed to be managed by a team of experts and at modest cost to make it as competitive as possible, so with a flat fee,



income, the second largest asset class in India, is fixed income. You pay 35% tax on the interest you earn on bank deposits, but in a fixed income fund, you can save a large part of that tax if you stay invested for three years. But oddly, this has created pressure on the fixed income managers to push for that bit more yield, which means compromising credit quality and the structure of fund holdings and maturities, so what you thought was safe and sound, but actually is not.”

The result is that defaults have occurred, people are stuck on some funds, but Kapoor explains that many of these managers either cannot enforce collateral, or do not have the expertise to do so. “The basic issue is that the credit underwriting infrastructure is lacking,” he reports.

Edelweiss stands out

Edelweiss Private Wealth Management (Edelweiss) is today a leader in the Indian wealth management market, Kapoor admits that the firm at first struggled to find its identity in the two or three years

after it was founded in 2010. But, once Kapoor and the team he assembled had identified both its strategy and key characteristics, Edelweiss began growing apace and assets under management (AUM) now stand at USD 15 billion.

As if the USD 15 billion figure were not impressive enough for Indian’s relatively youthful wealth management market, Kapoor reports that since 2016 AUM has mushroomed by more than USD 7 billion from around USD 8 billion. Moreover, the AUM figure continues to grow swiftly.

Edelweiss focuses its broad range of services and products on the country’s growing ranks of entrepreneurs, business owners, family offices, corporate leaders and corporate treasuries.

Still looking far ahead

But the firm is far from resting on its laurels. Kapoor closes the discussion with some insights into the strategic partnership Edelweiss announced in February with Bank of Singapore, a leading Asian private banking group. The concept is to combine Bank of Singapore’s

wide range of global investment solutions offered through its open-architecture platform and Edelweiss’ robust wealth solutions and investment opportunities in India.

This partnership will allow Bank of Singapore to significantly raise its profile in one of Asia’s fastest growing wealth markets through Edelweiss as one of India’s leading industry players. The partnership also offers Edelweiss’ clients the opportunity to access Bank of Singapore’s product platform, creating a powerful global investment proposition.

“Many of our clients are global in nature from a business perspective, and they run businesses which are multinational,” Kapoor observes. “They do have a need for global solutions, and as the current regulations allow USD250000 each year to be taken out of the country and invested overseas. We wanted to tie up with an institution and not work only on a referral basis, so we can properly exchange ideas and capabilities. It is early days for this but an important strategic initiative from our clients’ perspective.” ■

