

# Wealth Management in India: New Opportunities & Challenges

*Himanshu Bhagat, Senior Managing Partner and Head of Strategy of IIFL Investment Managers, has been helping to build the firm's strategy proposition and shared some vital insights on the wealth management industry and on IIFL Wealth's success and strategy at the Hubbis India Wealth Management Forum 2018.*

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**B**HAGAT'S INTRODUCTION to his talk focused on the importance for an individual's career and satisfaction of being in the right place at the right time - for him, in India in recent years and involved in the wealth management industry.

He attributed success to 4 factors:

- a) The country - 40%
- b) The industry - 30%
- c) The company - 20%
- d) The individual - 10%

“The third factor is the platform, in other words, who one works for and whether that company can help one achieve one's dreams and goals, and whether you can fulfil your potential on behalf of the business.”

His presentation, he explained, was to focus in on the first and



HIMANSHU BHAGAT  
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third of these factors, in other words, India and the company, IIFL Wealth. “Everyone here today is in this wealth management industry because we believe in its potential, so I will not address that today, only the first and third of these key features.”

### **India - riding a tidal wave of opportunity**

Turning attention to India, he noted that the US wealth management industry handles more than USD80+ trillion of wealth, with the largest player, Vanguard, accounting for an estimated 6% of that figure. “Vanguard was traditionally an index management company and has slowly transformed into a quasi-wealth management company,” he explained.

“If we were to compare to the Indian market, our economy houses almost USD4 trillion of wealth, and IIFL, one of the biggest in this industry, handles less than USD25 billion of assets, in other words, a tiny fraction of the wealth. If we could grow to 6% of the local market, we would grow to more than 11 times today’s levels and represent nearing USD280 billion of wealth here. We believe we can achieve this.”

### **The shift from hard to financial assets has only just begun...**

Bhagat then extrapolated further projections from looking across to US data. The GDP there is around USD19 trillion, so wealth is more than four times the GDP level. If the same were true in India where GDP is around USD2.6 trillion, then wealth should already have been at over USD10 trillion. “That would mean almost three times growth from today’s levels and would result in more and more money flooding into the financial sector rather than real estate, gold or



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other asset classes.”

That will rocket fuel the growth in our industry, so IIFL Wealth estimates financial sector wealth market assets could grow by 33 times or more in the foreseeable future. “The opportunity in our minds is literally humongous,” he enthused.

He then referred to the market valuation of IIFL Wealth, which was close to 14,000 crores, more than USD2 billion. “But despite the rapid rise in value in recent times,” Bhagat observed, “the run has yet to begin because if we capture a growing share of this incredibly fast growth market we could easily more than triple our value in the next five years. So, it is zero to USD2 billion plus in 10 years, then another remarkable period of growth ahead of us.”

### **Growing the slice of a fast-growth pie**

“We are so lucky that we are in India, which is a rapidly growing economy in which we can grow from a smaller portion of the pie rather than being a larger part of a smaller, slow growth pie.”

To take full advantage of the vast opportunity ahead, Bhagat explained that there must be

four key elements in place at the company - the people, the platform, the product, and the proposition. “If we achieve all of these in an optimal way, then we can be the best and can continue to experience the tremendous success we have achieved so far.” Bhagat reported how IIFL Wealth is already 24% employee-owned, which is highly unusual for India, with most employee stock options representing on average between 0.5% and 1.5%, which helps the company attract and retain the best people.

He also explained that the platform is open architecture, so clients can experience the broadest perspectives on investment opportunities in India.

And the product range is vast and focused on quality. “We have around 100 people in our product/investments team and our proposition is again the best of the class; and combined with the leverage business and the trust business, the wealth business is a remarkable proposition. Ten years of building and we are now looking ahead to another decade of exciting growth and evolution.” ■