'We hope to reach a fund size of Rs 4,000-5,000 crore in 3 years'

TALKING BUSINESS

THE WEALTH management companies in India manage very little funds in India as compared to large sums from high net-worth individuals that go to mutual funds. But KN Vaidyanathan, CEO of Alchemy Capital Management, tells ***MC Vaijayanthi*** *of the opportunities available for a niche player targeting rich families:*

Does the growing list of millionaires in India suggest big business opportunity for you?

We have two types of clientele. People who own wealth and those who create it. We cater to the large ticket size investment. We manage Rs 940 crore of which Rs 540 crore comes from about 100 high net-worth families. This is the place where wealth is being created the fastest. We are now setting up offices in Bangalore, Chennai, Delhi and Ahmedabad. The beauty of stock market is that people can make money sitting in Gurgaon, Jaipur, Vijayawada. There is so much wealth. We hope to reach a fund size of Rs 4,000 to Rs 5,000 crore in three years.

Are there too many players entering the wealth management business?

Industry is in its infancy. But fundamental difference the market will make is between manufacturers and aggregators. We are manufacturers. When we take money, we do our research and based on that we invest in equities. Aggregators are mainly banks. They already have a relationship with the client. One of the logical extensions for them is wealth management. We have taken an approach of long-term wealth creators. That is our strength.

Do clients follow a graded approach in investing?

Nobody comes in and hands all his money to us and I would not recommend that. A typical client would want to understand people who manage his money, whether they are trustworthy—trust is built over time. Clients start somewhere at 25 per cent and then increase their investment. Comfort with investment philosophy, past performance is important.

What kind of returns have you given your investors?

Marigold our flagship product has a track record of over five years. It has given 57 per cent CAGR against the market return of 30-32 per cent.

How do you look at the expansion in equity investor base?

There are many investors in the market today. In 1992-93 when the markets were not well regulated, 20 per cent of savings went into equity. In 2002-03, when market had become well regulated, that number was as low as one per cent. It has now reached six per cent. Let us say that number becomes 10 per cent that means it is a \$10-\$12 billion flow, which is as large as FII inflows. That is very healthy for the market.

KN VAIDYANATHAN
CEO, Alchemy Capital Management