

Allegro's take on private banking in India

By Sameera Anand | 25 April 2008

Kunal Kashyap, founder and CEO of Indian investment bank Allegro Advisors, discusses the firm's focus on wealth management and what advice he is giving his clients.

What prompted Allegro to start offering wealth management services in India?

We started Allegro with the vision of creating a full-service Indian investment bank so wealth management services were part of a suite of products we intended to offer our clients. When we started, we felt that the middle-income group was an attractive target segment for the following reasons:

- a. global wealth management firms were largely catering to the needs of only high-net-worth individuals
- b. the middle-income group was largely serviced by stock broking firms that offered speculative investment advice with little or no emphasis on financial planning
- c. we were bullish on India and felt that the middle-income group would be one of the biggest beneficiaries of the India story
- d. the middle-income group comprising the professional working class had neither the time nor the expertise to manage their finances
- e. financial institutions launching a slew of products in the marketplace further necessitated the need for an adviser to assist customers to choose the right product, and
- f. our belief, which has been confirmed, was that customers were willing to pay for objective, high-quality advice.

The attractiveness of the segment, coupled with the fact it was a largely untapped market, made this an automatic first choice for our retail foray.

How many people work in your private banking practice and what is your typical client profile?

We have 80 relationship managers spread across 15 branches. We target working professionals in the age group of 25-35.

What are your assets under management and across how many clients?

We segregate our AUM into middle-income and high-net-worth clients. We currently manage Rs3 billion (\$75 million) of money from 4,000 clients in the former category and Rs7 billion from 100 clients in the latter category.

What is your competitive advantage vis-a-vis a number of global wealth management firms opening and enhancing their focus on India?

We do not stipulate a minimum AUM and provide a fee-based offering, enabling us to service the middle-income group. Our network of 15 private banking offices and 75 distribution offices allows us to reach a large target audience. We do not ourselves offer any financial products to our clients so we have no product bias and our advice is completely objective. We have the ability to offer advice across all asset classes.

Finally, our culture of client servicing rather than sales has helped us recruit talent seeking to be advisers.

What advice are you currently offering your clients given the market volatility?

We spend time trying to understand the risk tolerance of our clients our advice is based on how much volatility they have an appetite for. For clients with a long-term orientation, we advise buying equities on every dip. Equities are available at a discount to what we perceive as fair value for the first time in three years and offer very good value over a two-year time horizon. Some of these clients have hopefully benefited already from the recent rally.

For clients for whom volatility is an issue we advise a staggered approach committing some funds to equities but maintaining the flexibility and liquidity to buy on large drops. We recently advised these clients to buy equities as the risk of these dislocations has, we believe, abated.

We have also been advising clients to take advantage of higher rates and extend duration into longer maturities for fixed income.

From a sectoral allocation perspective, we currently advise clients to stay away from rate sensitive sectors such as real estate and automobiles and focus on consumer spending related stocks and services. We think capital goods stocks are very cheap following recent corrections, given their strong order-book position.

We believe gold is over-bought in the short run and have been advising clients to trim their gold holdings.