

# 'Retail investor has not yet come back in a big way'

Wealth management and advisory services is the next big opportunity in the financial services space, believes **AMIT RATHI**, managing director, Anand Rathi Financial Services. In a chat with **Sneha Padiyath**, he talks about the slow but gradual return of retail investors, changes in the financial services landscape and growth opportunities in the wealth management business. Edited excerpts:



**AMIT RATHI**  
Managing Director, Anand  
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## **Is your business seeing strong growth after the market rally which started earlier this year?**

We are seeing strong pick-up in institutional activity and strong flows from high net worth individuals (HNIs). Retail (investment, meaning those by individuals), though, has still not come back in a big enough manner, not like in the previous bull market. Corporate activity has also picked up, with a lot of activity in fund-raising and mergers & acquisitions (M&A). Private equity funds have also become more aggressive.

## **Why do you think retail is still largely absent from the market, despite the rally?**

Traditionally, for that, you have to attract a whole new wave of investors. A couple of large IPOs (initial public offerings) and then investors start talking to their brokers and become active in the market. That cycle is yet to really pick up and we are hoping government issuances will bring some attractive pricing for small investors.

## **Are you seeing a lot of consolidation of businesses within the sector?**

We're seeing a lot of consolidation, not through M&A but with a lot of competitors falling by the wayside. Competition is there but competitive intensity is lower. This time, almost no new players are coming into the business. Clients are becoming savvier. In some sense, pricing power has come back because clients are willing to pay.

## **Is hiring big on your agenda this time?**

Our hiring is happening more selectively, around advisors. We have started to centralise the interaction that happens with clients. Rather than all dealers sitting in branches, we have centralised them in certain locations and servicing clients across these. The maximum hiring we're doing this time is doubling our head-

count on wealth management and we expect to achieve that by March of next year.

## **Why this focus on the wealth management business?**

HNIs have gotten more aggressively into the market. We believe this is a long bull market and if we position ourselves appropriately, get our clients to position their portfolios appropriately, it will work well. The advisory services on the HNI side in terms of holistic wealth management is still an under-penetrated area. If people can deliver those services, there is a lot of appetite and investors are willing pay for these as well.

## **Has the sector's focus moved from the retail business to wealth management in this market rally?**

There is as much focus on our side on the retail business. But the wealth management business has become of significant scale. In the previous cycle, the scale itself was very small, while brokerage business was the largest pie. Today, in some cases, the brokerage business has come down from 90 per cent to about 50 per cent of the total business. People are now giving wealth management as much importance but the barriers to entry are huge in both businesses.

## **Will discount brokerage (low-commission online brokerage model, with no advisory) be the way forward, then, for the retail business?**

For discount brokerage to work, scale will become very important. My sense is that there will be co-existence of various models. There will be self-directed investors who will trade by themselves. Traders might move online but still have a significant presence offline, to get a pulse of the market. The very casual investors who trade three or four times a year have already moved online. Investors still need the advisory coming through and do not yet have the confidence to move completely online.

