Wealth managers go solo, chasing scale and profits

Six new wealth firms have emerged in recent years from senior-executive breakaways

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Senior employees of large wealth management companies who walked out together to build something of their own are starting to show that the model can work. The entities they set up are now advising clients on assets of over ₹1.38 trillion.

However, pressures associated with private equity funding and scaling up to add clients outside their loyal client base may prove to be hurdles as they pursue sustainable profits, industry executives said.

India's demand for wealth management services in terms of assets under management (AUM) will almost double to $2.3 trillion by fiscal year 2029 (FY29) from $1.1 trillion in FY24, as per a Deloitte report.

In India, the number of ultra-high net worth individuals, those with a net worth of over ₹25 crore ($2.6 million), reached 13,600 in 2024, per DBS Bank.

At least six such new wealth management ventures have come up over the past few years. TriGen Wealth was formed late last year after about 35 employees of LGT Wealth quit together. Veriqus Partners was set up last August. A majority of the team worked at DSP Merrill Lynch (now known as Julius Baer) at some point in their careers.

Among earlier examples is Dezerv, set up by former IIFL Wealth executives Sandeep Jethwani, Vaibhav Porwal and Sahil Contractor. Centricity Wealth was started by 13 core founding members, 11 of whom were earlier with IIFL Wealth. Neo Group's senior leaders are from Edelweiss Financial Services.

There have also been spin-outs from asset management firms. A set of people from HDFC Asset Management Co. went on to set up wealth management firm Creed Capital, led by Naveen Gogia, earlier an executive vice-president at HDFC AMC.

The trigger for the departures of senior wealth management executives is lack of incentives to stay on as they start managing huge assets.

As senior executives mature and build a significant book, the cost-income equation increasingly tilts in favour of the organization rather than the employee.

For instance, when an executive manages a book of ₹200 crore and generates revenue of ₹2 crore for the company, he gets a salary and bonus of say, ₹35 lakh. There's a greater incentive to stay on and raise his income.

But a manager with a ₹1,000 crore book may generate ₹10 crore in revenue. Of this, he may get about ₹2 crore as salary and bonus. If the manager is on his own, his experience and ties with clients can help him retain a way larger share.

"Over time, many RMs begin to perceive that they have become bigger than the brand," said Maneesh Kapoor, founder and joint chief executive officer of TriGen Wealth.

"As their books grow, revenues rise and client trust deepens, clients often start associating more closely with the individual than the firm. The idea of building something of their own can then start to feel viable," Kapoor said.

Even stock options aren't attractive at this stage. At several larger wealth platforms, employee stock option plans (Esops) are either no longer available or have become relatively insignificant for senior managers.

In contrast, the founding members of a new wealth management company can often secure a more meaningful equity participation through Esops, said Sailesh Balachandran, founder and joint chief executive of TriGen Wealth.

There is also growing interest from private equity (PE) firms, which can create opportunities for managers to eventually monetize their Esops.

For example, Veriqus has raised funds from Norwest Venture Partners, while Dezerv has raised capital from Premji Invest, Elevation Capital, Matrix Partners India and Accel.

However, reaching break-even is difficult for these new wealth management firms. This is a people-driven business and relationship managers (RMs) are one of the biggest costs for these companies.

"When a wealth management company has a very high cost structure and needs to recover that cost quickly, the temptation is to sell products carrying very high margins," said Feroze Azeez, joint chief executive of Anand Rathi Wealth Ltd.

Unlisted shares and products with large upfront commissions have a very high spread that may not always be visible to the client. Such products may become attractive to a distributor while lower-margin products like mutual funds may get less attention, said Azeez.

"So, I am less worried about whether the company's P&L survives... I'm more worried about what pressure to monetize quickly can do to client portfolios," he added.

Wealth boom

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Wealth management companies	Who backs them?	Assets under advisory
Neo Group	Peak XV, TVS, MUFG, Crystal Investment Advisors	₹1 trillion
Trigen Wealth	Prime Securities	₹5,000 crore
Veriqus Partners	Norwest Venture Partners	-
Dezerv	Accel's Global Growth Fund, Elevation Capital, Premji Invest	₹17,000 crore
Centricity	Lightspeed India Partners, Burman Family Office	₹16,000 crore

Source: Public information, company filings
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PRATEEK KUMAR/MINT

MANAGER EXODUS

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Krafton is looking to play a new game in India, bets on AI

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Korea-headquartered global gaming firm Krafton, which operates India's top-grossing mobile game Battlegrounds Mobile India (BGMI), will invest in five venture capital (VC) funds as a limited partner, alongside about half a dozen startup investments in India by the end of 2026.

But instead of gaming, Krafton's focus in India will be on consumer internet platforms and artificial intelligence, as its total investments in India hit $900 million this year.

The firm's focus in India, a top executive said, is to play the role of a strategic investor. It has earmarked $50-60 million to invest in VC funds and startups directly.

"We're in the final closing stages of funding two funds in VC firms, as well as three startups—and we'll announce all of them by the end of the year," said Nihansh Bhat, lead for corporate development at Krafton India.

On 21 April, Krafton, in partnership with asset management firm Mirae Asset's India arm, announced a 'unicorn investment fund' with total available capital of ₹6,000 crore ($620 million).

The fund, Bhat told *Mint* in an interview, was "to solely invest as a financial backer in high-growth startups."

"Beyond that, though, our goal is to have deeper integration with funds and startups that we back—where we can offer strategic advisories and play a larger role in the life cycle of a fund or a startup. That's where the rest of our India investments come in—where we are investing $50-60 million every year in ventures that have synergies with Krafton as a group. There has been a funding winter in the industry, and access to patient capital as ours is strategically important for VC funds," Bhat added.

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Industry stakeholders, however, said access to capital is available for funds in India, and that matching sectoral expertise is important.

"Krafton is one of multiple investors who offer perpetual capital to funds with deep study, thesis and expertise in specific fields. Alongside them, Japanese conglomerates such as Mitsubishi, Marubeni and Suzuki are patient, long-time investors without making much noise," said Pratip Mazumdar, partner at Inflexor Ventures.

Krafton, so far, has echoed Mazumdar's sector-specific thesis, having invested in gaming-focused Lumikai and consumer internet-facing 3one4 Capital, which has invested in the likes of company information platform Tracxn and employee management platform Darwinbox, among others.

Anurag Ramdasan, partner at 3one4 Capital, said Krafton is a long-term investor, and brings "a lot of" strategic value to India's venture capital ecosystem.

Bhat said Krafton's investments in individual startups range from $5 million to $25 million, with the company aiming to invest early and staying on as a long-term stakeholder rather than pursue immediate exits.

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