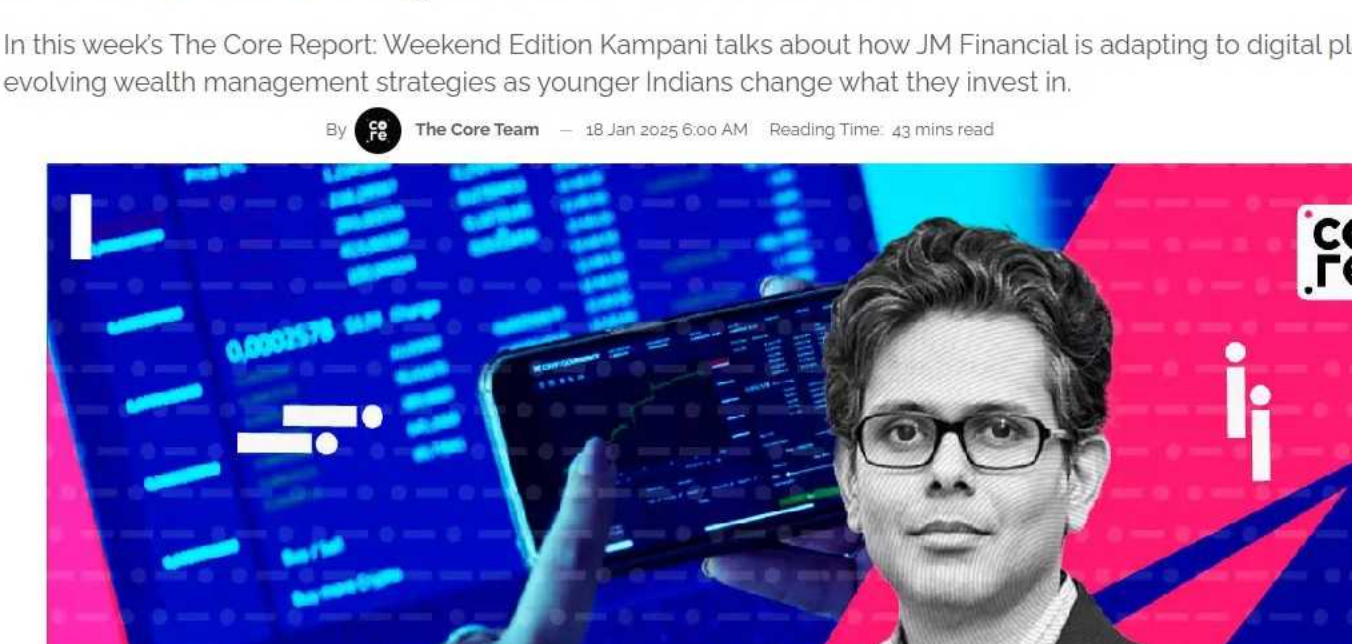
Property to Portfolios: JM Financial's Vishal Kampani On Redefining Wealth Management for India's Digital Generation

In this week's The Core Report: Weekend Edition Kampani talks about how JM Financial is adapting to digital platforms and evolving wealth management strategies as younger Indians change what they invest in.

By The Core Team — 18 Jan 2025 6:00 AM Reading Time: 43 mins read



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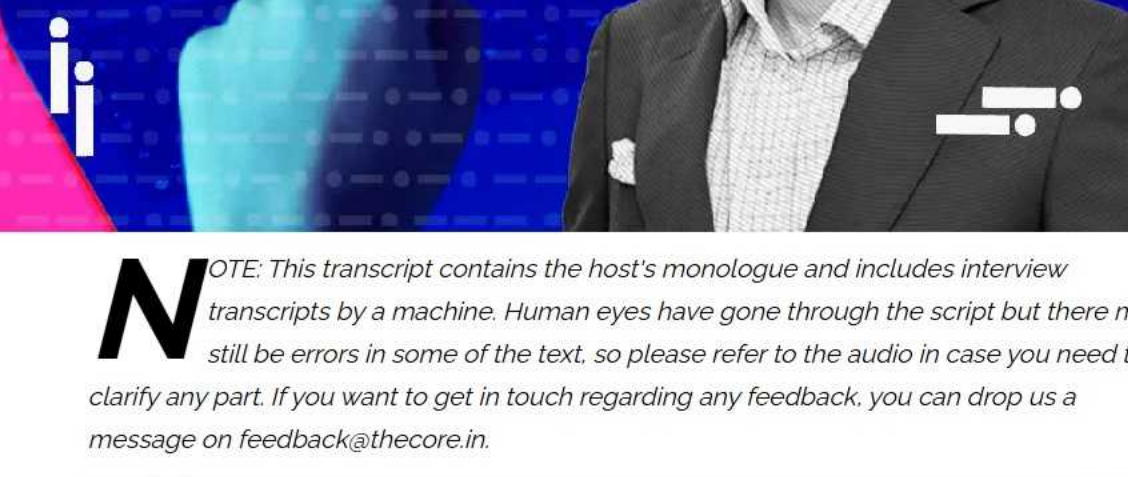
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The way Indians manage their surplus money is undergoing a dramatic transformation, driven by changing aspirations, technological advancements, and a growing appetite for diversified investments.

JM Financial, a financial services sector with a 50-year legacy, has witnessed significant shifts in how customers seek services.

"Many of the new companies that you see probably have not seen cycles, and they are in rapid expansion mode. I think learnings really come when you go through a cycle. As a firm, we've seen many cycles," Vishal Kampani, Managing Director of JM Financial, in a conversation with *The Core*.

The digital revolution, accelerated by the pandemic in 2020, has reshaped consumer expectations in India, making companies like JM Financial rethink their strategies. Despite the high costs involved, the firm is investing heavily in long-term digital platforms to stay ahead.

"I think the graduation of customers from the age bracket of 20-30, 30-40 may actually be more digital. And therefore we are building the platform from an extremely long-term perspective. So it's costing us, there is a burn involved, but we're taking a very long-term view to building it out," Kampani added.

Kampani shares insights into the diverse customer segments emerging in the financial ecosystem, the strategic long-term investments JM Financial is making, and how the firm is balancing cutting-edge technology with its legacy of trusted wealth management.

Traditional preferences like owning physical property are being replaced by innovative capital market instruments that promise better yields and greater convenience.

This shift is known among younger investors, who value flexibility and long-term gains over the complexities of property management.

"I don't think the younger generation will be interested in really owning properties, managing them. Their free time on a weekend is not going to go into having three properties, figuring out if they're managed, if my rent is coming on time. They much rather own yielding properties through capital market instruments," Kampani said.

In this week's The Core Report: Weekend Edition Kampani talks about the rising trend of young investors exploring crypto, REITs, and SME stocks while opportunities and challenges of navigating a rapidly digitising financial world.

Here are edited excerpts from the interview.

JM Financial is now more than a 50-year-old company. Financial services in general, and in specific, in many of the verticals that you operate, is a very competitive business, has always been, but we are seeing more and more players and coming from different places.

In the old days, finance was usually in and around the city of Mumbai. Today, there are people sitting in Bangalore or Noida, thanks to technology, or using technology, you know, sort of penetrating this world. So, it's a different world.

How do you look at doing business at a time like this, when you have to think about more things than one? You have to think about the firm's legacy, the firm's brand, the people who are behind it, as you go into doing deals, and as you navigate this complex and competitive financial market?

You know, 50 years, 51 years this year now, is a long legacy. But the legacy brings a lot of strengths with it. One is the culture. As a firm, we have a very well-defined and a very strong culture. Second is highly experienced people, and I'll come to why that's important. Third, we as a firm have been very lucky, because we've had a lot of people who've stayed more than a decade, two decades with us.

In fact, there are even people in the firm who've been three decades with us now. Some of them have graduated to becoming board members over time, and still guiding the teams and guiding the firm. So I think that brings a wealth of experience for us to be able to manage through cycles.

Many of the new companies that you see probably have not seen cycles, and they are in rapid expansion mode. I think learnings really come when you go through a cycle. As a firm, we've seen many cycles.

So that is a very big advantage. When we break up the business, we are actually, to be honest, seeing less competition on the investment banking side, contrary to what I would have thought maybe half a decade or a decade ago. Where we are seeing the entry of new competition is actually the brokerage business, the distribution business, new forms of asset management, new forms of wealth management, only digital platforms for wealth management.

So that is where we are seeing a very different kind of competition. And we are very kind of alive and kicking and following what's going on in that space. Because those spaces, you can have a lot of disruption.

And there are some extremely smart companies backed by some smart entrepreneurs who will cater to what I call the 40 and below clientele. The 40 and above clientele, whether it's broking, whether it's wealth management, general capital markets or asset management, will still see a physical form of service existing. But it's really the clientele below the age of 40, which is highly digitised.

In fact, below 30 is very digitised. We not even want a physical service for which we at JM are already building a business to cater to those customers.

And that's interesting. So you're saying that, and I'm gonna come back to investment banking, and you're saying that people who cross 40 change, or is it those who are under 40 today? And therefore, I mean, the question is really today, I mean, if I'm a digital native and I may be 50, will I change only because I've crossed 40 or because I'm now living in this era?

You're bang on. It's about literally, let's take 2020, because that was game-changing for digital, at least in India, in Indian capital markets.

I mean, 18.2 crore, 18.3 crore DMAT holders adding 40, 45 lakh a month. All of that started literally in 2020. I think the cutoff is 2020, 40 years of age, 2020 is what I'd put it.

I think the graduation of customers from the age bracket of 20, 30, 30 to 40 may actually be more digital. And therefore we are building the platform from an extremely long-term perspective. So it's costing us, there is a burn involved, but we're taking a very long-term view to building it out.

So I feel that people who get accustomed, they will continue doing things on their own, and they will prefer DIY platforms, and they will keep switching depending on which they find more comfortable to use and what gives them sort of better service quality or better sort of trading patterns, and I don't think the shift will be as quick. But see, there is a bit of laziness that sets in once you make money. That's a fact.

We expect that there has been a ballooning of customers, which has happened post-COVID, and there will be a set between that, which will get very wealthy. And as you get wealthy, you probably want advisors, you probably want better management of your assets. And maybe they take a dual service.

I mean, they do stuff on their own. For example, you could have an extremely rich client, we have one, who trades on his own. He's got a trading book. 30% of his portfolio is trading, and 70% of his portfolio is wealth management. The 70% portfolio is managed by wealth managers, people like us. But the 30% trading that he does, he does it on an app.

So he will need an app, he'll need a top-end digitised service for his trading needs, but he wants two, three solid advisors for his long-term portfolio. So it's very client-driven. And I think you will have, I feel there will be a much broader market segmentation.

There's not gonna be like five typical customers. I think there are probably gonna be 25 kinds of customers, right? And you will have to sort of work through their needs.

And therefore, the market expansion, you will have many sort of online platforms, many of the wealth managers, asset members, making it very successful over time, purely because the market segmentation is broadening. And I don't think every brokerage house or every wealth manager will be able to cater to every kind of client.

Right. And the 30-70 is an interesting example. And it's also maybe unusual to those who don't know how this space works or how some people tend to invest and divide their attention, so to speak. What are the other unusual or interesting examples that you've seen of the way people manage their money, maybe in recent years?

Very few people I know in the 40-plus bracket who will take a risk on crypto. A lot of the young people will take the risk on crypto. I mean, you clearly see that, right? Whether it's investing or whether it's even trading. Someone who's gonna do more research, be more comfortable, is a little more conservative, will not trade these stocks. Many clients don't invest in SME stocks despite the returns.

They're just very conservative. So you'll have all kinds of sort of players, right? We've had a lot of wealth customers who bought a tonne of REITs, right? They want that yield and they believe in the long-term capital appreciation through real estate. We have many customers who are used to buying physical properties themselves to own the yield and are very comfortable owning the REITs. We also have customers who haven't changed.

They're like, no, I wanna own the property. I'm happy getting the yield myself. See, it's also about what makes you comfortable.

I think the younger generation is interested in really owning properties and managing them, right? Their free time on a weekend won't go into having three properties, figuring out if they're managed okay, if my rent is coming on time, right? They much rather own yielding properties through capital market instruments.

And you're seeing that shift. The most important thing within all of this is that everybody wants a higher yield. So on the broad side, the race is really between banking deposits and yields that you can get in capital market instruments.

And then the capital market instrument segmentation is going to be very exciting because of the way they are growing compared to just a simple banking deposit.

If I were to use the term life investment balance, so suppose you said work-life balance and investment life balance, as in how much time do I give of mine to manage my investments actively or otherwise? You're saying than overall younger people are clearly more focused on life than investment.

100%.

And do you have a sense on how that could change or is that, do you see any changes or shifts or evolution?

No, I find it hard. I mean, I wouldn't know to be, I mean, I don't know.

Yeah, yeah, of course.

It's hard to tell. But I would find it hard that they would change their ways. See, also in countries per capita, GDP is going to improve substantially over the next 10 to 20 years, right? I mean, you're going to have a lot more to do with your free time.

When I grew up, there weren't that many options. My kids growing up, many more options. Their kids growing up, many more options.

So I think they will want, people will want to find efficient and productive ways to manage their surplus and manage their wealth. I'm very, very sure about that because people want that time. Whether they want to devote that time to activities with friends, activities with families, holidaying or understanding some other sort of theme in their life, not just working, right?

There's a book called Range. I don't know if you've read it. It says that the younger generation, people born after 2010 will have multiple careers.

They won't have one career. I've been a banker for 25 years, but my kids or my kids' friends in 25, 30 years may have three careers because they will have range. And digital technology and being able to learn and digital tools which teach you will help you have different careers.

So I think there are a lot of factors that go into how the younger kids will live compared to how we live. And also that goes into how they will manage their money.

And all of this is important as a financial services company today, as you think of your present and future customers.

Of course, of course.

And, but between the two, let's say the individuals who are, let's say entrusting their wealth to you to manage versus let's say the more retail who can be reached through digital platforms and all that. From a firm, as a firm, what is more lucrative and what makes more?

No, I'll be honest, right? I mean, a 100%, Retail doesn't make as much money today, right? Because the margins are very low.

We make a lot more money on the wholesale side, but our investments in the last two years are more directed towards retail. Because we think that longer term there's going to be a much bigger opportunity. Now, even retail, there are lots of cuts, right?

We service retail directly through our online platforms. We also have an IFD business where we work with independent financial advisors, right? And these IFDs are very smart.

Many of them are 20, 25 years of experience of having managed money at a big bank or investment bank and now they're on their own. They have some very interesting clients. They use technology, they use our products and they go service those clients with a profit share, right?

And then of course, we have a brokerage business which has their own sales team, its own branches. Then we have franchisee partners that we partner with sub brokers, to actually get broking customers. So there are various ways to get those customers.

We have invested significantly more on the retail side in the last two to three years. And we'll see the fruits of that over the mid term to long term.

So let me come back to investment banking and that's what JM Financial was known for. I mean, optically at least, though you've grown in many ways. Tell us about what's changed there and from your own vantage point as being part of deals, big and small.

Investment banking is seeing its best sort of decade ever, right? I mean, I don't think in my 25 years of work experience or longer actually, almost 27, 28 years now, I've seen a bull market like this for primary issuance. And it's fuelled by a couple of things.

Number one is the growth of private equity. So private equity as an asset class would have invested close to 300 to 350 billion dollars in the last five to seven years into India. It's almost ranging between 50 to $60 billion a year.

And this asset class is not a long term holder of companies. And what it means is within a 4 to 7 year timeframe, they need to find an exit. So if you take 300, 350 billion and you grow that, assuming these guys are smart guys, at even 14 or 15%, if GDP is growing at seven, seven and a half, eight, they're gonna double their money, right, over GDP.

That means the exit value over a 7 to 10 year period for this 350 billion is close to a trillion. And so that is fuelling a large amount of capital market activity. Second, India has never seen high multiples across sectors the way it's seen today.

We've had high multiples in the consumer space, for example, which probably has the longest history of high multiples. So this encourages a lot of promoters to come and take advantage. You know, somebody in a manufacturing business, right?

Multiple is 25 to 30 times, why not list the business? Why not take growth capital and grow it? Third, a lot of the second and third generation, they may not wanna run businesses.

There are a lot of friends of mine whose kids wanna do something in tech, right? Who wanna do something in different spaces. There are some who wanna run family offices.

I have a different view on that, but the fact is they may not want to come back and run these businesses after they finish their studies, right? So then there is an offer for sale component, which is available to markets now. And interestingly, most institutional investors now don't distinguish between a primary race and a secondary race.

As long as the company's of good quality, there is good, clean management. If a promoter wants to sell 10% and take some chips off the table, investors are very happy, you know, to provide that kind of capital.

And we saw a lot of that in 24 and 26.

Absolutely, I mean, 2023, 24, in fact, 24 has been the year of offer for sales. So that allows the family to, you know, give part of that wealth to maybe one child who doesn't wanna be in the business and the second one runs the business. So I think the all sorts of forms of capital raising today are very active in the markets.

But I think one thing I would add that where I think where India can really, you know, leapfrog or maybe focus more attention to and would really urge India's regulators is to allow for financial innovation. Of course, not at the risk, right? Of, you know, of wrongdoing.

But I think India has the edge today. I mean, if you look at our system, look at our exchanges, right? Look at our settlement systems.

I mean, we've done a great job, right? So I think we can be at the cutting edge of capital market innovation. And we should somehow find a way that innovation thrives, new products, right?

New services keep coming out from a capital market.

Can you illustrate that?

No, for example, can I issue a warrant, right? To a foreign investor, or can I do a convertible bond, which is a three or a four year maturity? So there are some changes in the regulation, which doesn't allow some of these products.

You're saying convertible bonds can be issued. Is there a time?

You can't do a warrant to a foreigner beyond a certain timeline, right? Then you have a 25% payment, which is required on a partly paid instrument, right? Why 25%?

Let the capital markets decide that, right? If a company wants to issue an instrument with 10% paid up, or 15% paid up, let that negotiation be between the investor and the company. I understand for the promoter who's taking a warrant, maybe he should pay 25%.

But why have that with an investor? Why should an investor pay 25%? I'm just saying, make it more flexible.

Let the markets decide on many of these instruments, and let innovation thrive. And that will really put India into a different spot.

And I haven't seen too many convertible bonds. Is there a reason for that?

No, because the equity markets are at crazy multiples.

People just raise trade equity.

But see, frankly, the equity markets can't be where they are all the time. You need different instruments at different points in time from a capital structure of a company's perspective, as well as what the market's willing to buy. And I think convertibles is a great sort of instrument, which, for example, we should do much more innovation on.

Got it. So if you were to look back, let's say 20, 25 years, in a conversation where you're sitting around a table with a founder, promoter, wanting to list, or raise additional capital, versus conversations that you may be part of more recently, do you think anything's changed?

Yeah, I think the 20, 25 years ago, it was more primary capital. I need the money to set up a project. I need to grow the business.

And the only way out is how do I access the capital market? And will I really get the right valuation for it? Sometimes valuation didn't matter, because I just need the capital to get the project going.

Because if I get the project going, then I create the value. Now it's very different. Do you want to raise private equity?

If not private equity, do you want to do a pre-IPO kind of listing, I mean, funding? Do you want to do an IPO directly? Do you want to do a combination of it?

So I think there is a very different corporate finance discussion that we have with every promoter, every company, on how they can meet their financial needs. And also, I think when private equity as an asset class started in India, promoters are very wary about partnering. I mean, how can I have someone on my board?

Instead of adding value, their thought process also was, will he challenge me? That kind of insecurity. That's completely changed, because people have seen the success of PE-partnered companies with promoters and the kind of growth that's been created.

So I think most clients that we talk to now are very open to receiving private equity capital. That's completely changed. But even the nature of private equity capital in the last, again, half a decade has changed, right?

We're seeing a lot more large private equity funds who are focused on buyouts and not necessarily focused on growth. So very keen to work with promoters and tell them, listen, if you have a succession planning issue, or if you feel that you want to hang up your boots and be involved in charitable activities, or whatever you want to do, or you believe that you can't add more value to the business today, we are happy to take a controlling stake. You go into minority.

We, as PE, drive the business. And increasingly, these conversations are not something where a banker needs to carefully work with a promoter. These are very open conversations we are having.

And you've been sitting in the room, obviously, when these conversations-

Yeah, yeah.

I mean, I- Because these are difficult conversations.

I'm having them once a week. I'm having 50 of these conversations in a year.

But you're telling people that maybe you're not the right person to

Yeah, see, I'll give you this number.

I'm pretty sure of the number. I think India sent $150 million, I think in 2010. I could be wrong by the year.

Sure, sure, yeah.

To educate its kids. And India sent, I think, close to 5 billion last year. Just for education of Indian kids going abroad.

All of these who are going abroad, many of them are having careers abroad. And who are studying abroad and they're coming back, their thought process on how business needs to be managed is very different. And I think the next generation is bringing a different kind of thought process to the older generation.

Like, you know, dad, let's just sit down and think about this in a different way. There's nothing wrong if, you know, a large US private equity firm is owning 60% of our business and we are owning 40%. I'm okay with it.

Right, and these are, these conversations never existed 20 years ago. It's commonplace now.

And you came back from Wall Street yourself.

Yeah, I came back, exactly. I came back myself and I was very clear I'm joining the business. I'm not very clear whether my son or daughter will join the business.

I mean, I like them too, but it's their choice. Right now, the way I see it, both are not.

Interesting. So you're saying that people are unlikely to maybe find successors, in which case they are willing to sell or explore selling. But I'm also assuming that they're not necessarily that old. So there's always that sense that, okay, maybe I can run this business for longer. And after all, I built it and created it. So I'm coming back to that, you know, having those tough conversations. I mean, are people in general more willing to have those tough conversations or?

Yes, absolutely.

Yeah, okay.

Very open. And what's changed that you feel? I think it's also a bit of the effect of seeing your industry partners, everyone, you're seeing more deals happen.

You're seeing your friends do it, right? And some of them being very successful after doing it. So then you're open to having that chat.

And also multiples. I mean, don't forget Indian promoters are very smart. Right?

They understand that they're going to sell this at 40 or 50 PE. It's a very good price.

Yeah.

So they're very smart in that sense.

So let me ask you a price question. So of course, this is a perennial or a return on question, right? At what price should I sell? And then once we've done an IPO at a certain price, does it really hold or does it?

I actually gave you the price.

Yeah.

If you have long-term India PEs, say around 20, it's actually high teens, I'm saying even 20. And if you're being offered 50% or 100% higher, people will think.

Sure. But if you were to look back, let's say at all the offers, maybe in the last two years and calendar years, and how would you say people are pricing it? I mean, of course, greed is always in the market. So you cannot take that away. But do you feel people are being fair about pricing as an investment banker? What are you telling? Are you able to find?

Yeah, so I'll tell you private equity is very smart. I mean, they understand the cyclicality in the markets and they understand the comparable valuation very well. So when capital markets are at a crazy high, they will be very careful trying to do private deals and getting comp to public market stocks, right?

And then paying up, they're quite smart. At the same time, when they see a good business and they see a good growth runway from a three to five year perspective, they don't shy away from paying up and taking stakes in those companies. Third, if they can buy the asset, they can add leverage to it.

If it's a controlled sort of situation. And most of these private equity firms have become so large internationally that the cost of leverage is very low. So they're able to get leverage and sizable leverage at lower costs.

Again, that leverage allows them to pay up a little bit more. So we're seeing all situations where PE pricing is very competitive. Having said that, in the last year, the capital markets have been way higher than where private equity would have liked it in terms of buying assets.

And therefore, they've been a larger seller of assets than actually buying assets. Because the multiples have been in a zone where PE rather give supply. But you know, going supply is very healthy.

Think of it from a large asset manager sitting in the US who is giving money to all of these funds to manage emerging markets risk. If he's not gonna get capital back, he's not gonna give more capital. So the fact is in private equity is able to sell and return this kind of capital, I can guarantee you two times that capital will come back.

Just go back 10 years, right? 15 years, the biggest challenge of private equity used to be can we IPO these businesses in India? Will we get exits?

Do we have to rely on a private equity buyer for a private equity trade to happen? All that has changed.

So huge amounts of liquidity and the ability to access that liquidity.

Also good companies, see what happens is generally if PE is invested in a company from a three to five year perspective, they sit in, they improve the governance, right? They improve the quality, they improve the management skills, right? They bring a very different view on the table, which helps these businesses flourish faster.

So I'm gonna come to a little bit of outlook for 25 as well. But again, as JM, we talked about this being a 50 year old firm and the company has evolved as businesses evolved, as the economy has grown. So when you look around you today, how are you dividing your time and forward looking, let's say, view and effort?

Yes, I think

Between verticals of businesses.

So we have four businesses. Our first business, which is what James stands for is our corporate advisory and capital markets business.

Our second is our wealth and asset management, including retail broking. And then we have private credit syndication. And then we have affordable home loans business.

So I would think I spend a significant portion of my time on business one and business three. I think the retail facing businesses, which are wealth asset management and affordable home loans, those actually run by just fantastic teams. We've got great CEOs in place, and they run the businesses.

It's the institutional side of the business, which takes more of my time from a marketing perspective, spending time with promoters, spending time with institutions, and figuring out how and where they should deploy their money or raise money. So that's where a bulk of my time goes. But incrementally, I'm finding managing, working with these CEOs and managing to grow and make larger some of the retail businesses very satisfying as well.

So I would, if you ask me my split, it's probably 70 to 75% on the institutional businesses and around 20, 25% on the retail businesses.

And if you look at the growth of JM, is it tracking the evolution in the marketplace and the demands of it or responding to it? And how would you say that is today?

Yes, I think on the banking side, we are kind of in a way tracking it, but we also have to respond from an infrastructure perspective. Because think of it that in the last 10 years, there's not been a rapid expansion in the talent pool in many of these segments. And the underlying growth in many of these segments has been very high.

Take for example, equity capital markets, right? The pace at which ECM has grown, I mean, I don't think the number of professionals added to ECM have grown as much. Big change, right?

So then you have to make sure that you are on the cutting edge of talent and you've got to figure out how you are going to make sure that talent is available. It's with you and it's performing well to meet the needs of the industry, of the growth in the industry. So that is something which is not just a JM problem, I think it's an industry problem.

But I think growth is being tackled very well. I think what helps us is, again, the 50 year history, the legacy helps us. Having a lot of senior bankers, having a lot of repeat business with many of the clients helps us.

And also our focus with private equity very early on has helped us even capture a lot of market share with those clients. Where I think we can do a much better job would be actually in the smaller companies. So we are not present at all in the SME exchange, companies are very small.

We're not typically present in the angel seed, first two or three rounds of funding. And we need to figure out how do we get there because that's when you build relationships with some very early stage companies and early stage founders. We typically start talking to them when they're at pre-IPO stage or IPO stage.

So we're working on that. Again, but the business has become pretty balanced. It's not that it's completely tech-led.

Yes, there will be a lot of tech IPOs, but manufacturing is growing as well. There's a lot of interest in the consumer space. I mean, Pharma's back, for example.

So I think today it's an amazing time. I mean, to be in capital markets, it's an amazing time.

And I'm gonna come to that outlook. So one of the challenges of growth, of course, as a large firm is that you tend to, let's say, push up against regulatory restrictions or pushbacks. And you've had that problem recently. What are the lessons and takeaways from the whole Reserve Bank of India?

Yeah, so I think a couple of things. I think one is, we sometimes feel internally that the business being done in a certain way is right. And we need to apply a deeper regulatory lens from a spirit perspective, whether something that you're doing is right or wrong.

That's one test which you need to apply to every single business. Third, on the distribution side, there are a lot of smaller businesses, a lot of smaller products that you distribute to cater to the clients. You know, I spoke about clients requiring different kind of products.

You need to have a deep regulatory lens to each of those products on how they are being sold and how you're managing the process to sell them. So that's the exercise we went through. And you just have to tighten processes everywhere because you may have a very small business which sometimes you don't pay attention to.

And there can be some kind of smaller issues.

Like IPO financing. So you're saying that what appears like a cool, smart product would actually be testing the limits of regulation.

Yeah, exactly. Now, you know, for example, in IPO financing, we take custody of all of the money which comes for the financing because we are providing a significant amount of the leverage.

Now, the fact is that many of the IPO funding clients, they would trade the securities out, right? So you have to make sure that the cash comes back to you. And then you have to tighten some of those processes stronger.

But what happens is in a typical equity IPO, you know, you have like 10,000 crores of demand coming in the last half an hour or last one hour, right? It's no matter what you do, I mean, how do you make the process 100%? It's difficult.

So we went through a board level discussion. We went into details. Can we actually manage this process?

I mean, is there technology available today? And sadly, there's not. So we decided we don't want to do it.

Because if you're not able to adhere to 100% of the process, and what happens if we are actually adhering to it, it's not being adhered to in the timeline. We cannot close every process by 5 p.m. The process will maybe close by 6 p.m., 7 p.m., 8 p.m. But if the regulator wants everything closed by 5 p.m. and they are right, then don't do the business. So it's about choosing which business and making sure that certain products, which you cannot meet everything in a certain timeline and they cannot be done with a perfect process, it's better not to do it.

So 24, in a way, was characterised by this huge demand in the capital markets from investors, massive demand for IPOs, 300 times, 400 times, SME phenomenon, and even big companies. So that was 24. And it's, of course, now already been predicted and projected that 25 will not be like 24 and things are gonna be a little more muted. So what's your outlook?

I don't know if things will be muted. So I think I have a different view and I'm just gonna give a very simple view. I talk to a lot of my friends who manage money in the US even now. And I think the US gave phenomenal returns last year.

26%.

And the rupee has been relatively a very stable currency in emerging markets with higher valuations. And some level of already built-in disappointment that earnings may not shape out the way as they were projected last year for this year. So I think the required and anticipated selling from FPIs was taking risk off the table.

Just think about it from a fund manager sitting out of Dallas or sitting out of Boston, right? He's like, I've made enough money in the US markets, I run a big global portfolio. Right?

And if I wanna cut risk in emerging markets to make sure I've done well for the year, what's the most stable currency and where are the high valuations? Where without a meaningful loss, I can cut down positions.

That's India, yeah.

It's India. That's what they did. And they may continue to do that, but the movement of the rupee is turned.

It's already closer to 86 and not 83, right? And we are going back. This consumer slowdown was kind of being talked about in August, September, October.

Numbers are slightly better. I think our governments recognise the fact that there is a bit of a slowdown. There's a bit of a slowdown in government spending which will pick up, I feel, this quarter.

Macro in India is very strong. It's not really a macro issue. People talk about a K-shape recovery which may have hurt us partially.

But having said that, there's also a top-end benefit of consumers who are consuming, regardless of what happens in the economy. And you're seeing that in India now. So I think macro is still stable.

Micro challenges are being looked into. Liquidity in the markets is immense. Globally, as an attraction, India is one of the top markets and emerging markets people want to focus on.

Most money managers I talk to in the West would still this year choose India over China. Now it really boils down to valuations, what stocks to pick. And in terms of global money flow, does money really chase returns in the US this year after they've given 25, 26% returns last year?

Right? Or there is some diversification in terms of their portfolios. So I personally don't think it's gonna be as muted.

I think we're gonna see another good year this year.

So when you say good year, you mean better than 11% or so it was in 24?

In terms of returns and in terms of capital issues.

Got it.

So what's happened is, see a lot of the good returns have been made in IPOs. IPO pricings have been attractive. Listings have been on average 20%, 25% higher. Right? And there's enough of FPI money coming into every IPO.

Yeah. Yeah. Okay. So I'm gonna come back to the theme for 25 in a moment. But you mentioned that family offices were something that you had a view on. So why is that?

So I tell you, I think in a family office-

Oh, you said it because you said that people were coming back and setting up family offices.

No, I feel, I just feel sometimes that, see, see India is still not a rich country. There are parts of India that have gotten rich. And I think the young people in India still have a responsibility to go out there and build businesses and create businesses, generate employment and invest in the economy and not be money managers.

You really become a money manager after you made your wealth. So I see this trend with some people where there's a younger generation which wants to build a family office, but the family office is being built or managed from your father or your grandfather's time. I mean, you'd rather go and build a business, right?

And not manage money. And I think maybe that's happening in certain industries where people don't want to deal with issues like corruption, right? Issues where there are delays in approvals, or I've got to build a road, I've got to go build a building, infrastructure or certain industries.

So I can understand in those segments. But again, the second or third generation there should actually go and build something in the consumer space, something in financial services. So family office phenomenon is something after you make money.

But then having said that, when you look at the West, you've seen highly professionalised companies where the families just manage money, take a backseat and professionals run that business. I just feel it's a trend which is happening a little faster than I would like to see in India. I think India needs to put up more CapEx, create more jobs with the second, third gen and not run.

I mean, you turn 50, then you make your family office. Work for 50 years.

Yeah, that's a good point. So, let me ask you a question to which...

But it hurts my wealth management business.

Yeah, yeah.

But it's just my view.

Yeah, yeah. Let me ask you a question to which, I mean, let's assume the implicit bias, but that would be useful as well. So, financial services as a sector, how do you see that in the year ahead? And how would you compare that to other sectors? Like I said, given the implicit bias of being in that business?

Yeah, I think financial services going through a couple of changes, right? One is we are going from a savers economy to a yield focus investors economy. That's a big change.

And I'm sure many countries in the West have gone through that change. Where I think the size of the capital markets, and this is important, the size of the capital markets would be bigger than banking deposits, right? So, if you just take total market cap, right?

Equity market cap, you add bond market cap, and you put the market cap together, it's already very close to where the banking system assets are in terms of deposits. So, I think there is gonna be a tussle, a soft tussle in terms of how one invests their money and do people actually knock in their money in deposits. And if you look at most US banks or global banks, they always offer you a very quick, a simple sweep facility, where money is moved into money market mutual funds with ease, right?

No one really keeps money in deposits. And I think that is a big game changer from a 10 to 15 year perspective. So, what is the impact of that on broad financial services, right?

You've always seen the banking system being the owner of assets in India. And now in the next 10 to 15 years, you will see the markets being the owners of assets in India. You look at the size of the insurance industry, it's quietly become very large, right?

Pensions become very large, mutual funds have become massive. Now you have an alternatives industry, which is almost 3 lakh crores, which is growing at 15 to 16% a year, right? Again, huge.

So, a lot of these spaces being created, which are gathering assets. And I talked about innovation, right? You need to focus on financial innovation.

I mean, why do you need vehicle loans to sit on a bank's balance sheet? If you can create capital market assets, people who want a higher yield to own those loans. You can package those assets and sell them down, right?

So, you need small innovations everywhere, just not in convertible bonds. How can we have a much larger PTC market? Unfortunately, India's credit markets, pass through certificates.

India's credit markets are not deep. A lot of, you know, CII, which I'm a part of actively, we've made a lot of suggestions on what all we can do, to make the credit markets deep over time. And many of them have been accepted.

But I think there is a time for all of this, right? So, I'm hoping in this decade itself, we'll see a very different credit environment from a market's perspective, which also allows for more of the asset movement to happen from the banking system, to the system of insurance, pension, mutual funds, and alternatives. And I think that is a big theme.

So, in this theme, what plays out is, you know, what stocks do you want to own, right? Do you really want to own banks? And if you want to own the banks, what banks do you want to own, right?

And, or you want to own capital market players, you want to own asset management companies, or you want to own insurance companies. So, I think you want to own NBFCs, specialised NBFCs, HFCs. So, I think the market's become very broad in a sense.

But I think the multiples have shifted to the intermediaries and players and the product specialists on the market side and not on the banking side. And the multiple is almost in 30 to 40% higher now.

And could increase by the looks of it this year. I think so. I think so.

I actually won't be surprised, yeah.

Vishal, it's been a pleasure speaking with you. Thank you so much.

Oh, thank you, thank you.

Thank you. Thanks.