

Venturing forth

Waterfield Advisors supports multiple families to manage their wealth

In June 1994, when Soumya Rajan was distributing promotional material as her first assignment for the newly-opened branch of ANZ Grindlays Bank on Waterfield Road at Bandra, in Mumbai, she had little knowledge that, one day, she would start a firm with the name Waterfield. Rajan's venture, Waterfield Advisors, was set up in August 2011. "I am emotionally attached to the word Waterfield," says Rajan, now founder & MD, Waterfield Advisors, a multi-family office. "I wanted the name that reflects transparency and water is transparent," she adds. There is no official data available on how many multi-family offices there are in the country. There is also little clarity on how much wealth each family office advises on. Waterfield claims it is probably the largest multi-family office in the country.

Business has been expanding at great pace for Waterfield. "Our advisory business will soon touch \$2 billion," says Rajan. "In the last 18 months, we have doubled our customer base, as well as assets under advisory," she adds. Amit Patni who, along with his brother Arihant, came in as a promoter in 2014, jointly holds 26 per cent stake in Waterfield. The firm is expected to grow to thrice its size in the next two years, he says. "The market for multi-family offices is growing, as there are so many liquidity events. The number of UHNIs is growing. Technology is creating unicorns. Today, promoters are willing to sell their stakes, which was not the case 15 years back," Patni argues, explaining his optimism.

The Patni family has been one of the pioneers in the field and had set up its family office in the country way back in 2002. They saw the need for a family office, even before they sold their company iGATE (previously known as Patni Computers)



SASINAV BORADE

Rajan: all about transparency

in 2011. Many promoters in the last few years have set up family offices, the prominent names among them being PremjiInvest of Azim Premji, and Catamaran Ventures of Narayana Murthy. Almost all leading business houses today have their family offices, though multi-family office is a relatively new concept, where independent family office advises more than one family. The concept of multi-family office serves those

wealthy families, whose wealth does not run into billions of dollars. They opt for the multi-family office that gives them the advantage of keeping costs under control, without compromising on the quality of service. It's a concept based on shared economy, which is gaining traction around the world.

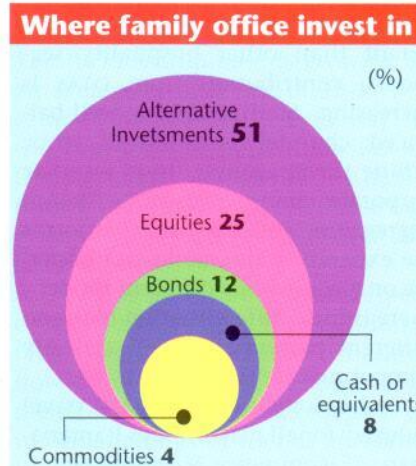
There are four types of family offices globally. The first one is the single family office, which is distinct from the family business – Narayana Murthy and Azim Premji being examples of the same. The second type is a single family office, which is embedded within the family business, while the third is a private multi-family office, where few families come together to share common services and manage their wealth, though this is not open for public at large, as this operates as a close circle. The last one is the commercial multi-family office, which can cater to large number of families and Waterfield Advisors falls into the last category.

According to a UBS-Campden report, the need for a family office arises when a family's wealth crosses \$150 million (about ₹10,000 crore), which is the global benchmark. In India, perhaps, a few hundred crores of rupees would necessitate such a family office.

Huge demand

A Kotak Mahindra report in 2016 had estimated that India has 146,000 UHNIs (ultra high net worth individuals) as on March 2016. The report also predicted that this number would double to 294,000 in the next five years. This growth would create a huge demand for family offices in the country.

This is one of the segments, which is still evolving in the country. Many people think that a family office and a wealth management unit are one and the same and use the terms interchangeably. Actually, wealth management is more the selling of wealth products, where the income comes by way of distribution fees. Product manufacturers like MF and AIF give money to wealth management firms to market their products to family



Source: UBS-Campden report

offices. On the other hand, a family office like Waterfield receives its income by advising clients. Its commission normally runs into less than 100 basis points.

Munish Randev, who joined Waterfield as CIO in 2014, explains how its purely advisory role ensures that it doesn't compromise on the interest of the clients. "We could be brutal about diligence, while dealing with an investment proposal, as we are not investment bankers; nor are we earning commission by selling products," informs Randev, who has 23 years of experience in the field, working with two MNCs and three Indian companies, before joining Waterfield. Each family has a different need and intent, he says.

"We create a separate asset allocation for each family with the lowest amount of risk. The families recognise that a group of professional managers, who advise without any conflict of interest, can recommend what is best, keeping in mind the long-term legacies," says Rajan. "Investment is just a part of the family office, structuring the investment is another part, estate planning is a another part, while philanthropy as a legacy is another part and so on," she adds. "We need to ensure that the governance framework is just right, so that there is no conflict when it comes to succession." Randev concurs: "Clients have stopped asking questions about returns on the portfolio; instead, they ask what is the risk involved – is it economic or political?" In a way, the family office's job is not only to generate returns on the wealth, but also to preserve the wealth for future generations.

"Many people warned me that, in India, nobody pays for advice, but



Patni: growing market

our experience has been that people do pay, if you pitch correctly," says Patni. "We charge substantial fees and yet people have signed us for three years," he adds, justifying the scope for multi-family offices in India.

There is no official data available on where a family office normally invests in India. But the report by UBS-Campden says that alternative investments (real estate, private equity/VC) are the most sought-after asset classes globally, followed by equities and bonds. In terms of cost structure, almost 50 per cent of the cost is related to investment, followed by global advisory services and administration services.

Relevant idea

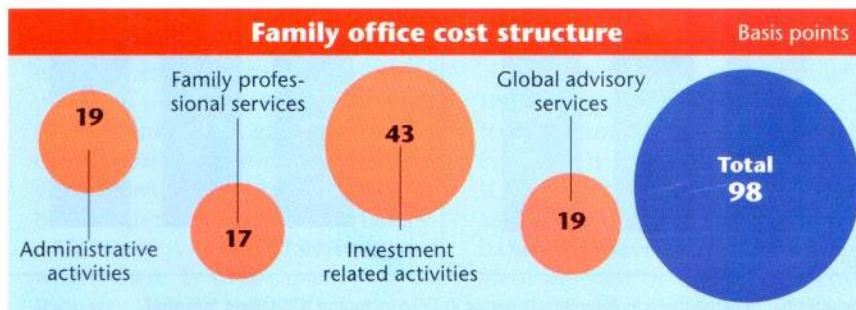
But when Rajan was hit by the entrepreneurial bug, it was not easy to start the business. Before Waterfield, she was heading the private banking division of Standard Chartered Bank. Cushy jobs with handsome salaries are not that easy to let go of. "My parents

were stunned," says Rajan, about their reaction to her announcement that she planned to quit her job and start the venture. But her husband Mukund Rajan and family were encouraging. Today, Rajan is more than thrilled about her decision. The Patnis coming on board also reinforced the message that the idea of multi-family office is relevant and helped Waterfield define the model in terms of what families are looking for.

Any new set-up needs two main ingredients – capital and manpower. Rajan pumped her savings into the venture and, then, for human capital, convinced Sanjay Telli to come in as a co-promoter with a minority stake. Telli had previously worked with firms like HDFC, the Sterlite group and Eureka Forbes. Today, he runs a talent management consultancy firm called ESP Consultants. Rajan continues to hold more than 50 per cent stake in Waterfield.

Waterfield's first client was a company in the pharma space in Chennai. It did not come for family office business, but for the services of a corporate advisory – a division which Waterfield had, but had closed down. Today, the same client has graduated to family office and continues to be a patron of Waterfield. Rajan's endeavour today serves 30 wealthy clients and she plans to double it in the next 18 months. Word-of-mouth endorsements, more than anything else, have helped Waterfield build and solidify its business.

But, Waterfield's ambition is to go further. "We want to be a global player," says Rajan. In India, this segment is still nascent, but its growth potential is huge. The Indian economy is in a growth phase and, with strong market momentum, it would create many liquidity situations for many promoters. Maybe, Waterfield should stick to the India story, rather than try to go global, at least for the time being. But, one thing is sure. The Waterfield success story will force many more private bankers to start multi-family offices. And, there is enough market for many to play in this segment.



Source: UBS-Campden report

♦ SUNIL DAMANIA

sunil.damania@businessindiaingroup.com