

Young Execs' Brush With Art & Investment

Art is no longer the sole preserve of museums or aristocratic patrons. Young professionals with deep pockets are shelling out big money to have a Tyeb Mehta painting adorn their home. And it's not only about being a connoisseur — art is being seen as good investment

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Alex Mathew (name changed), managing director with a foreign investment bank, is a new entrant to the world of art collection. He had his first brush with art during his visits to galleries abroad. Soon, he started taking a fancy to art. And much to his surprise, he found that there were several promising artists whose works were available at a reasonable price.

Mathew is part of a motley crowd of young professionals in their mid-thirties who have developed a liking for paintings. For some of them, it is a hobby, while for others, it is an investment which they think would appreciate with time.

"Many younger Indians have started collecting art as a result of their exposure to galleries and museums on their trips abroad. Also, rising income levels in India and with the HNI population doubling, people have more wealth to spend on art these days," says Neha Kirpal, director of India Art Summit. However, it is not just companies and the well-heeled who are chasing these artworks, even students are drawn to them. "It is interesting to see college students pool in their pocket money to buy a piece of art worth Rs 20,000," says Kirpal.

India Art Summit is a two-year old organisation that holds trade fairs where desi and foreign galleries participate. Kirpal says that the Indian art market is growing at a rapid pace. This was seen in the Summit's trade fair held in August last year where 54 galleries participated and generated sales worth Rs 26 crore. According to Kirpal, 40% of the consumers at the fair were first-time buyers. Globally, sales through art fairs have been between 20% and

30%, whereas in India it has been growing at 50% on an annual basis. The summit will host its next fair in January 2011 where 85 galleries are slated to take part. There will be 34 foreign participants — up two-fold from 17 in 2009. This throws light on the fact that like FMCG, auto and luxury goods sectors,

is an important factor in determining the price. For example, the works of Tyeb Mehta and Manjit Bawa are in great demand because very little of their work is available." However, don't draw conclusions on your own about the supply of an artist's work. We all know that M F Hussain courts controversy the same



international players are

looking to cash in on the Indian boom as the western markets for art have reached saturation.

While prices of works by well-known artists have skyrocketed, it's the upcoming artists who are attracting both the seasoned and the new collectors. "It is definitely a trend. More and more people are buying art, especially there is a good demand for younger generation of artists," says Bose Krishnamachari, artist and curator. "It is also a question of demand and supply as the availability of work

way he finishes his paintings. But surprisingly, his works are not that easily available. "We were looking for some Hussain works, but we found that they are not easily available," says Krishnamachari.

Art has also emerged as an asset class most moneyed people would love to have in their investment portfolio. Blame it on Bollywood's depiction of aristocrats. These days, the decor of a big shot's home is incomplete without a painting on the living room wall or the hallway. Most of these people have started buying art because many wealth managers ask them to diversi-

fy their investment into it. "Yes, we tell these people to look at some art because it can be a great at times," says the head of wealth management at a foreign bank. "These are super-rich people, who have diversified their portfolio into everything possible like equity, gold, mutual funds... We normally ask them to limit their art investment to 10-15% of their portfolio," says Suresh Sadagopan, chief financial planner, Ladder 7 Financial Advisors. However, he tells his clients to tread very carefully "People tend to go overboard when they start investing in something new. We ask them to do a due diligence before buying art because we don't have any expertise in it."

Many investment experts concede that this lack of expertise is the main obstacle when it comes to investing in art. "It is not very easy for someone to invest in art because it would involve some knowledge about the world of paintings. Most people are not comfortable buying expensive works merely on recommendations from a so-called expert," says the foreign banker. Amar Pandit, a certified financial planner (CFP) with My Financial Advisor, says a lot of his clients invest in art but they buy them directly from auction houses and galleries. "A lot of times, it is not really an investment but its something that they like and enjoy," he adds.

Bose Krishnamachari says the first stop for a serious collector should be an art gallery. He also says collectors should keep a few things in mind while looking to buy art. "Obviously, the work has to be good," he says. Another important factor is to find out where the artist comes from and the history of the work. It is also important to find out how many museum shows the artist had. ► Insurers see opportunity, P 20

MONDAY SPECIAL

Insurers see opportunity in offering cover for art collection

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A by-product of the growing demand for art is obtaining an insurance cover for precious works. Insurance companies are also happy cashing in on the trend by offering cover to wealthy collectors. For instance, international broking outfit Marsh has brought its global practice to India and has been advising business houses on securing an insurance cover for their collection. Says San-jay Kedia, country head of Marsh: "The stakes involved are quite high and so it is important to have a cover for artwork." He also adds that the demand for insuring the collection is growing among business houses. Some of the famed collectors include the Tatas, Harsh Goenka, the Pi-ramals, Rajshree Pathy and

the Singhs of Religare.

The largest treasure trove of paintings and artefact is the hospitality industry. Old hotels like the Taj Mahal Palace in South Mumbai have an enviable collection and even the new ones mushrooming across the country procure pieces from experienced curators and galleries. Interestingly, a first-of-a-kind art hotel chain called Le Sutra is setting up properties across the country.

To capture the growing interest in art, several art funds — modelled on the lines of mutual fund schemes — were launched recently. However, their performance till date is nothing to write home about.

Experts believe that one of the major hindrances in art investment is the lack of transparency in pricing. "We still have to develop best

business practices so that investors would have more confidence," says an expert. Others believe that Indian art is yet to get the kind of recognition to make it a precious commodity someone would strive to have in his investment portfolio. "Sure, we have some big names raking in a lot of money. But on the whole, Indian art hasn't arrived in a big way like other Asian art and so is more reasonably priced now. That is one of the main reasons why many people are enthusiastic about picking up artwork," says the head of wealth management division at a foreign bank. "I would say 90% of the people who have bought art did so because they love to look at them. Not because they want to rake in a huge amount by selling their collection," he adds.