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THE CHEMISTRY BETWEEN

## INDIA & MOLECULAR GASTRONOMY

Using science to challenge our taste buds, some Indian chefs are giving a new twist to the molecular gastronomy story. But are we ready for this food chemistry?



### HIGH SPIRITS

WINE SOLUTIONS

## INVESTING IN FINE WINES

Amphora Portfolio Management, a leading fine wine investment advisor in the UK, has forayed into the Indian market with All Things Nice and is looking at attracting the HNI segment to invest in the finest wines that the world offers

By Sudipta Dev



All Things Nice has formed an association with UK headquartered Amphora Portfolio Management (APM) to launch a fine wine investment arm in India. Established in 2009, APM entered the China market in 2012, and had expanded its footprint across South East Asia the next year. The basis of APM's business is to get people to invest in the fine wine market. "People collect and consume fine wine but there is a very good reason why the investment side of the fine wine market exists too," says Philip Staveley, investment manager, APM, informing that what distinguishes fine wine from any other

wine is that fine wine ages in the bottle and it appreciates in quality over time as it gets older. "But the corollary to that is that while the normal drinking wine might be produced one year and you can drink it as soon as it goes into the bottle, fine wine is not at its best immediately. So often you have to wait until the drinking window opens in order to appreciate it at its best," mentions Staveley.

#### Changing ownership

For example, a typical fine wine produced from grapes in year 2000, the drinking window may not open till 2015, and then it will remain open often for over a 100 years. It will evolve and change

and get better with time. "But the point is that if it is produced in 2000 and will not be consumed before 2015, then what happens is that a part of it is drunk though it is not at its best and the greater part is stored. Originally what used to happen is that the landed gentry in UK would receive their produces every year by their merchants, over time as the wine improved in quality and price appreciated. In the early 1990s the market changed and more people got involved - from Japan and then China," states Staveley.

The wine does not just sit in a single cellar, until the drinking window opens. Instead of sitting in one person's ownership, it

transfers ownership. Before it gets to be drunk by the consumer it changes hand several times. "That is why the investor in the market place has quite an important part to play. If there is nobody to invest who would sit on all this wine until the window opened," asserts Staveley, adding that if the window opens 15 years after production, the wine could have changed hands five or six times. Investing in fine wine is a very important part of the supply chain.

#### Many producers and vintages

The investment market of fine wine is quite young, but it has advanced rapidly in the last 15

years. "You should think of the fine wine market as a mini stock market. It is not like a commodities market. For instance, the essence of gold does not change whether it is mined in 1870 or in 2000. However, in case of fine wine there are many producers and many vintages. These vintages change in quality according to the climatic conditions of each given year. So the market of fine wine is very broad in terms of regions and producers although it is dominated by Bordeaux, France. And very deep so far as vintages that can go back to 40, 50, or 60 years and even longer in some cases," explains David Jackson, CEO, APM.

Nearly four years ago around

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David Jackson



Philip Staveley



Nikhil Agarwal

90 per cent of the wine that went into APM's portfolio were from Bordeaux. About three years ago there was a price crash and Bordeaux prices rallied and went up by almost 150 per cent. Prices of some of the top wines also went up by 300-400 per cent. "Then there was a correction in prices and Bordeaux prices fell by 25 to 30 per cent. What's happened since then is that price has been fairly static. In the healthy years when the prices were rising a lot of wine got sold into China, this was young wine and was not drunk. When the prices dropped this wine got flooded back into the market and there was over supply in China. We found the stock available in China and Hong Kong cheaper than the stock available in Europe. There is not much demand from Asia for Bordeaux just at the moment, but it is only for a short time," explains Jackson. Over the last two years the company has been selling some wines from Tuscany in Italy, Napa Valley in the US, Champagne, couple of wines from Spain and only one wine

from Australia.

The wine is stored in bottles in a UK Government bonded warehouse. It is very important as one of the dangers that investors face is poorly looked after stock, fake stock, damaged stock. "Our stock comes from the chateau of the producer, goes straight to the bonded warehouse, where it is stamped and given an identification by the UK Government. As long as the wine has not been taken out of the vault we can guarantee authenticity. One part of our responsibility is ensuring that we give best possible advice to our clients and the other part is selling wines on behalf of our clients and getting them the best possible prices," adds Jackson.

What APM did was that it identified about five years ago that the market was likely to start moving ahead again and that's exactly what happened. It encouraged investors to invest in fine wine and make money. "Two years ago we entered China as the Chinese have become dominant consumers in the market place and became big investors

in the market place too. As the company evolves we are always on the lookout for potential new markets and there are certain consistencies between China as we perceived it and India as we perceive now," says Jackson. He mentions that in China, the growth in economy has thrown up huge numbers of HNIs - the new millionaires and billionaires. India has also seen the emergence of the HNIs. This segment likes to spend on luxury items and fine wine is a luxury item. However, it differs from other luxury items due to a crucial element - there is only a finite amount available of a given vintage.

#### Market dynamics

There is quite an interesting dynamics in the fine wine market which differentiates it from other luxury goods. As the quality of the wine appreciates over time, the supply and availability diminishes. "No other luxury item has production constraints of that sort. What we found in India there is a significant demand for 'western' luxury items. We know that there is a huge non-resident Indian population in the UK. We also know that many Indians buy properties in the UK. The fine wine market is also denominated in Sterling," states Jackson.

APM focuses on two aspects - if an investor collects wine they can show a better way to do it, and if he does not already invest in wine then it is worthy of consideration. Any investor must be

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### HIGH SPIRITS

conscious of his risk profile which diminishes in accordance with diversification. "So you reduce the risk of investment as you increase the number of investment. From that perspective fine wine is a good addition to anybody's investment portfolio. We know that Indians are conservative investors and that they like to make money. We are also able to roll out and present a better way of maintaining your financial exposure to the fine wine market than just sit on a static holding of fine wine that you like," says Jackson.

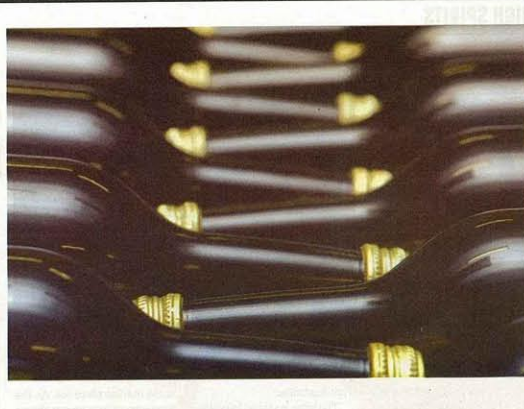
The company has Indian families domiciled in UK as its clients. "In fact one of the families is our biggest client. So we have some experience of dealing with Indian investors and this is really encouraging because what we found while dealing with Indians in the UK is that they start quite cautiously, but once they are comfortable they become very good clients. They invest

very regularly and introduce us to other people within their demographic and sometimes even within their family," avers Jackson.

#### India focus

India is a very new market for the company so it has entered into a JV with Nikhil Agarwal, sommelier and director, All Things Nice, who will help APM in promoting the business and finding the clients and investors. "We will facilitate the investment for the client. We will build the portfolio and give advice and recommendations. We will be the machinery in this part of the JV and Nikhil will be the front man of the business," reveals Jackson.

Talking about the profile of the investors in India, Agarwal states that while anyone can invest in the fine wine market, in the beginning they are looking at people who already have a liking for fine wines. He adds with op-



timism, "Right now nobody knows about it but later when investment in fine wine becomes known people looking for a good ROI can perhaps put a part of their investment portfolio into fine wine. We have noticed that there is a certain community in

each city that we engage with who like the finest wines and spirals. There has been positive feedback from potential investors in India. The number of super HNIs growing in the country and there will be enough people out there. Investment in

art is not new in India, that does phenomenally well, its going to happen with wine as well. What we are trying to do for those in India is firstly, create a portfolio purely for investment sake and secondly, create a portfolio for drinking."

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