insight

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Art funds have broken out like a rash on the Indian art market. And collectors ought to be worried. Moneymen are scouring galleries, buying up works, and putting them in storage until such time that they turn a profit.

All this with the complicit agreement of leading galleries, whose very purpose – to represent artists and place art in collections – has been superseded by the urge to make a quick buck.

At first the funds were rather modest, for instance Saffronart's CAPCO and the Yatra 1 fund set up by the promoters of Sakshi Gallery. But the new funds are rather more ambitious: Osian's successfully raised 102 crores, Crayon Capital has a target of 40 crores, and Yatra 2.75 crores. COPAL hopes to raise a whopping 150 crores in January and an additional 500 crores in April!

Notwithstanding the frustrations of collectors, who wait patiently for exhibitions only to be informed by galleries that the works have been pre-sold (allocated, in other words, to the funds they advise and in which they have a financial interest), art funds can rapidly become market makers. Under pressure to deploy their swelling coffers, they were among the biggest clients at auction this past year, paying record prices.

In a healthy art market, funds should represent no more than five to ten percent of the total market. If the Indian art funds achieve their targets, they could represent between thirty and fifty percent of the total art market in India, which most believe stands at 1000 crores. This is dangerously high, and could easily trigger a downturn in an otherwise resilient market.

Long-term collectors are the mainstay of the art market and when left stranded by galleries, they simply move on to collecting in different areas. The vacuum they leave is quickly filled by funds,

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buying and selling among themselves, cosy in the anonymity of the auction process.

Most of the funds launched between 2006 and 2007 are close-ended with a fixed lock-in period – between three and five years. So what happens three to five years down the line? Auction catalogues, for one, will bulge with paintings for sale. These are works that could have been in the homes of collectors, if only they'd had the opportunity to buy them.

My hunch is that serious collectors will no longer be willing to pay the exceptional prices necessary for the men in ties to turn the profits they have been promising their investors. And the meltdown will begin – a moment most genuine collectors are waiting for.

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