VOLUME 6 FOR PRIVATE CIRCULATION ONLY DECEMBER 2015

KARVY PRIVATE WEALTH

INDIA WEALTH REPORT 2015

FINANCIAL ASSETS
ARE GAINING AN EDGE OVER PHYSICAL ASSETS

KARVY PRIVATE WEALTH

Foreword

I have joined Karvy Private Wealth in July this year but I have been a follower, user and fan of the Karvy Private Wealth's India Wealth Report for the last 5 years. This marquee output from the Karvy Business House, which has been serving and supporting the financial needs of millions of Indians, over the last 35 years, has been well read and well received.

I am experiencing great joy and pride, while presenting this 6th edition of our India Wealth Report. As you would be aware, in this report, we do an in depth data collection and analysis of where the Indian individual is placing his/her faith and wealth; which are the asset classes where the investor confidence is growing and which are the ones where it is dwindling. We have covered a wide variety of physical and financial assets so as give maximum representation to the actual vehicles of savings and investments of the total wealth of the Indian individuals.

As you read this report, you will know that the World wealth is indeed growing but the Indian wealth is accelerating at a much faster pace. The overall HNI wealth in India has grown by 28% as against a global HNI wealth growth of only 12 % last year . What is interesting is that this year is indeed different from the earlier years. We have seen an important trend reversal and this has happened for the first time since we started publishing this annual wealth report from 2009. The incremental allocation of wealth has moved significantly from physical assets to financial assets. Our study indicates that financial assets, which had a share of only around 35% of the new money invested in the last year; now have as much as 54% share of the allocation of incremental savings and investments.

This report indicates that as of Mar'15, the overall wealth share of real estate has remained flat while that of gold, silver and platinum has actually gone down. Amongst the financial assets, while direct equity and fixed deposits are the top two investment vehicles; mutual funds have seen the maximum incremental growth of allocation of new money. An important fact that I want to present to you is that this latest data, we have analyzed shows that while the percentage wealth allocation for India vis-a-vis the world is similar for real estate and debt, the equity allocation is much lesser (16 % v/s 27 %). The key question is will India catch up with the rest of the World on equity allocation?

Is this trend of financial assets outnumbering physical assets going to continue? Is gold a dead asset? Will the real estate sector pick up? What is expected of debt over the next 5 years? Answers to these and many more questions would be answered in this 6th edition of the Karvy India Wealth Report. You just to need to start by turning this page.

I am confident that you will find good value addition as a reader as well as an investor. If you wish to have a more detailed discussion on any of the contents of this Report, please write to me at abhijit.bhave@karvy.com.

Happy reading,

Keep Growing with Karvy Private Wealth.

Abhijit Bhave
Karvy Private Wealth
Chief Executive Officer


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Executive Summary

In this world where technology wears a new look every day, where relationship dynamics of countries are changing every day, where the number of millionaires is increasing every month, Asia Pacific (excluding Japan) continues to be the undefeated growth champion with private wealth growing by a steep 29% from last year. The Global private financial wealth grew by nearly 12% in 2014 to reach a total of USD164 trillion, out of which Asia accounted for USD47 trillion. India emerged as the key driver in FY15 with its HNI wealth increasing by 28% on the back of a robust GDP growth rate of 7.3%.

After the change in central government last year, India has been going through a wave of optimism. One of the reasons for this optimism has been the positive green-shoots that have been prevailing in FY15. Retail inflation, having reduced from previous years, continues to remain in the range of 5-6% encouraging spending among consumers. Markets have been rejoicing a rate cut of 125bps in 2015 by RBI. With this transmission, investments in the real economy would increase. An addition to these positives was that the RBI increased the foreign investment limit in central government securities.

In the 2014 edition of the India Wealth Report, our prediction that Direct Equity would become the single largest asset class contributing to individual wealth in India in the year ending March 2015 came true. With a staggering growth of 29% Direct Equity has overtaken Fixed Deposits and Bonds in FY15. This has been one of the key drivers of the growth in wealth, which increased the value of existing assets. Equity is projected to witness a continuation of the growth trajectory for the next few years.

In the first year of the Modi government, a plethora of schemes were initiated. The Jan Dhan scheme led to the opening of 14 Crore bank accounts for financial inclusion. The Soil Health Card scheme was launched to enhance farm productivity, and in turn enhancing the farmer's income. Another famous scheme known as the Swachh Bharat Mission was implemented with the vision of a clean and hygienic India, especially of the poor. These and many other initiatives such as Make in India, Digital India, 100 smart cities have not only increased optimism among domestic investors, but also among foreign investors. This is seen by the heavy inflows by FIIs and FDIs summing up to USD 45.7 billion by the former in both equity and debt in FY15.

India has been considered as the Next big emerging economy with its GDP outpacing China for next decade due to the changing positive dynamics within India. One of the key positive changes in FY15 has been the trend reversal of new fresh investments of household savings getting invested more in financial assets (54%) than physical assets (46%). For the FY14, the trend was completely opposite with physical assets accounting for 65% of fresh investments.

Wealth in India is increasing at an increasing pace, especially in financial assets. This year has been a year of increasing optimism, aspirations and growth for India. We expect this to continue in FY16 and believe that better times lie ahead, while continuing our faith that SENSEX would grow at a CAGR of close to 20%.

Global Individual Wealth

Global private financial wealth stood at USD 64 trillion, recording a growth of nearly 12% in 2014. The rise was in line with previous year[1], when global wealth grew by just over 12%. With USD 51 trillion in private wealth, North America retained the position of world's wealthiest region in 2014. Continuing the trend of 2012 and 2013, Asia-Pacific (excluding Japan) remained the fastest-growing region in 2014, with private wealth expanding by 29 percent.

The number of High Net-worth individuals (HNI)[2] grew in both number and wealth to 14.6 million and USD 56.4 trillion respectively. Asia-Pacific expanded its HNI population at the fastest rate globally which pushed it past North America as the region with the most HNIs.

India, with 1,98,000 HNIs is ranked 11th globally on the number of HNIs.

Individual Wealth in India:

India's individual wealth is calculated by collating the private wealth in all asset classes in which individual investors make their investments. It does not consider government and institutional investments. In this report, investments made by individuals in India in Financial and Physical assets are considered.

Table1: Total Individual Wealth in India 2015

Asset Type	Amount (₹ Cr.)	Proportion
Financial Assets	1,60,55,686	57.25%
Physical Assets	1,19,89,287	42.75%
Total	**2,80,44,973**	**100.00%**

While physical assets such as gold and real estate have been traditional modes of investments for Indian individuals, FY15 saw a trend reversal wherein majority of the investments made were in financial assets. This also suggests a new growing India, where apart from economic growth; people see value in investing their hard earned money in more liquid and return oriented assets.

1. BCG World Wealth Report 2015
2. HNI refers to individuals having investible assets of USD 1 million and more excluding primary residence, collectibles and consumer durables

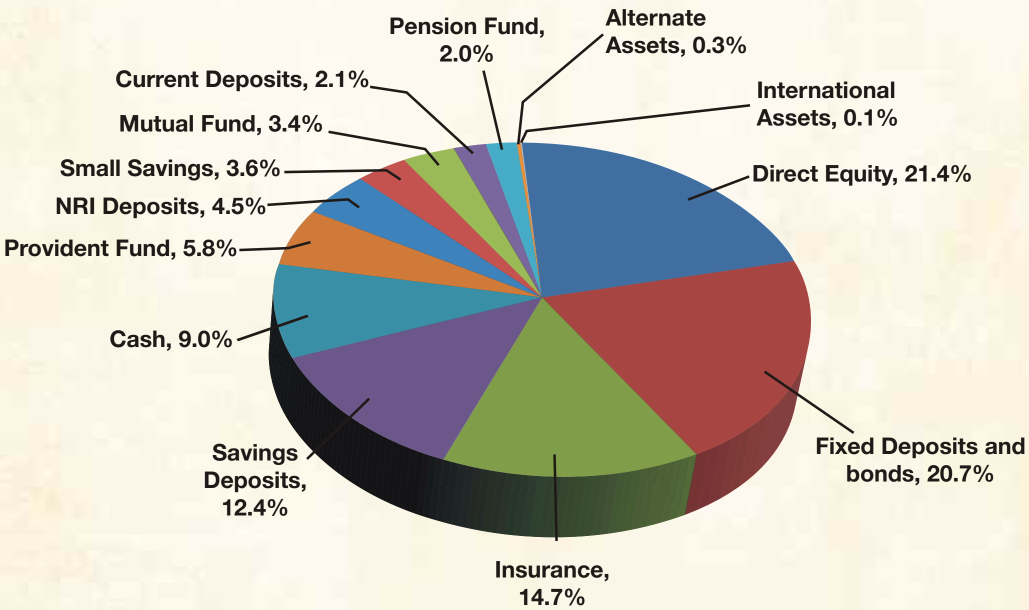
Table 2: Classification of Individual Wealth in India based on Financial Assets.

Assets	Amount (₹ Cr.)	YoY Change %	Proportion
Direct Equity	34,39,861	29.02	21.4%
Fixed Deposits and bonds	33,26,429	13.10	20.7%
Insurance	23,59,790	16.85	14.7%
Savings Deposits	19,90,249	22.20	12.4%
Cash	14,48,320	11.33	9.0%
Provident Fund	9,24,026	25.53	5.8%
NRI Deposits	7,20,997	15.85	4.5%
Small Savings	5,78,990	0.02	3.6%
Mutual Fund	5,52,325	40.49	3.4%
Current Deposits	3,42,785	11.25	2.1%
Pension Fund	3,15,915	30.96	2.0%
Alternate Assets	41,960	76.85	0.3%
International Assets	14,040	10.91	0.1%
Total Financial Assets	**1,60,55,686**	**19.19**	**100.0%**

The total individual wealth in financial assets has increased from ₹ 134.7 Lakh Crore in FY14 to ₹ 160.5 Lakh Crore, which is a growth of 19%.

Direct Equity jumped to top position overtaking fixed deposits and bonds. With 20.7% allocation, fixed deposit and bonds managed to be the second largest investment choice. Insurance on the other hand retained the 3rd position.

Figure 1: Asset-Wise Distribution of Individual Wealth in India (Financial Assets)



There has been a significant growth in individual financial assets. The assets have grown by more than 2 times in the last 6 years from ₹ 73 Lakh Crore in 2010 to a whooping ₹ 160 Lakh Crore With the new initiatives of the Central Government on bringing solid investments to India and attempting to make business environment more conducive for foreign investors, the picture hence looks affirmative for the investors to grow their wealth multifold in the coming decade

Figure 2: YoY Growth in Individual Wealth in Financial Assets last 6 years

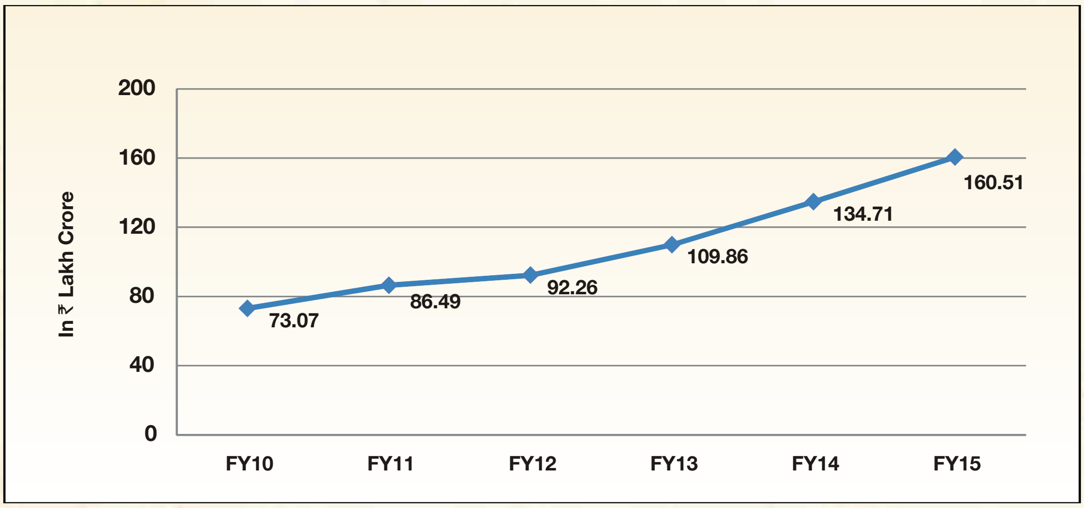
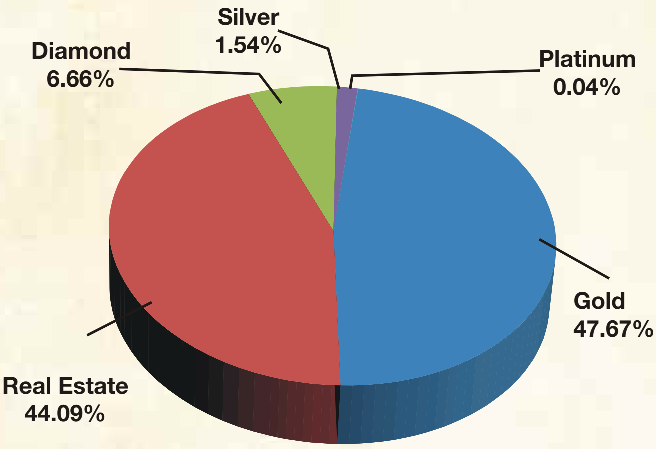


Table 3: Classification of Individual Wealth in India in Physical Assets

Assets	Amount (₹ Cr.)	YoY Change (%)	Proportion
Gold	57,15,605	-8.60	47.67%
Real Estate	52,85,577	4.89	44.09%
Diamond	7,98,934	2.81	6.66%
Silver	1,84,472	-6.04	1.54%
Platinum	4,698	-17.25	0.04%
Total Physical Assets	**1,19,89,287**	**-2.30**	**100.00%**

Figure 3: Asset-wise Distribution of Individual Wealth in India (Physical Assets)



Individual Wealth in physical assets stands at ₹ 119 Lakh Crore. The wealth held in physical assets by Indian individuals de-grew by 2% in FY15 as compared to FY14.This is primarily on account of softening of prices of gold, silver and platinum globally. The individual wealth in gold stands at ₹ 57.1 Crore.

Investment in real estate stands at around ₹ 52.8 Lakh Crore, and excludes primary residences. Gold and real estate together form approximately 92% of the physical wealth in India. Diamonds contributed 6.66% in the total physical wealth; while platinum is losing its charm and is a meagre 0.04% in the total physical wealth.

Table: 4 Classification of Individual Wealth in India in Key asset classes

Asset Class	Amount (₹ Cr.)	Proportion
Equity	44,45,696	16%
Debt (Including cash)	1,15,53,990	41%
Alternate Assets (Including Gold & other precious metals and gems)	67,59,710	24%
Real Estate	52,85,577	19%
Total	**2,80,44,973**	**100%**

Key Trends

- The total wealth held by individuals in India has grown by 8.9% to ₹ 280 Lakh Crore. Individual Wealth in Financial Assets grew by 19% while Physical assets de-grew by 2.3%.

- Direct Equity has been the flavor of FY15 becoming the largest asset class of investments overtaking fixed deposits. This trend is likely to continue forever considering the likely swing in the economy. We expect a close to 20% CAGR in the equity markets over the next 5 years.

- The individual wealth in Financial Assets is expected to double from the present ₹ 160 Lakh Crore to ₹ 326 Lakh Crore in the next five years.

- Physical assets saw subdued interest with the wealth held by individuals in physical assets reducing marginally in FY15, on account of reduction in prices of gold and precious metals and gems and also subdued activity in the real estate sector. The physical assets are expected to grow at a slower rate of 4.4% CAGR for the next 5 years.

- For the new additional money being invested, FY15 has seen a reversal of trend with 54% of new money being invested in financial assets. This is in sharp contrast to previous few years where only 35-40% of new investments we being invested in financial assets and majority of investments were in physical assets. The current trend is likely to continue in the coming years owing to upturn in the economy, better liquidity in financial assets and global reduction in prices of precious metals and gems.

- In assets like debt and real estate, individual wealth in India is in line with the Global proportions. However, with faster growth in equities and slower growth in gold, the coming decade is likely to witness a trend reversal between equity and alternate assets leading to India broadly being in line with the Global proportions in all asset classes.

- We expect alternate assets and mutual funds to grow at a faster rate of about 44% and 29% per annum respectively over the next five years.

- Several initiatives of the Central Government towards financial inclusion such as *Jan Dhan Yojna, Atal Pension Yojna, Pradhan Mantri Jeevan Jyoti Bima Yojna, Mudra Yojna, Pradhan Mantri Suraksha Bima Yojna* will go a long way in increasing household savings rates and also financial investments across all strata of society.

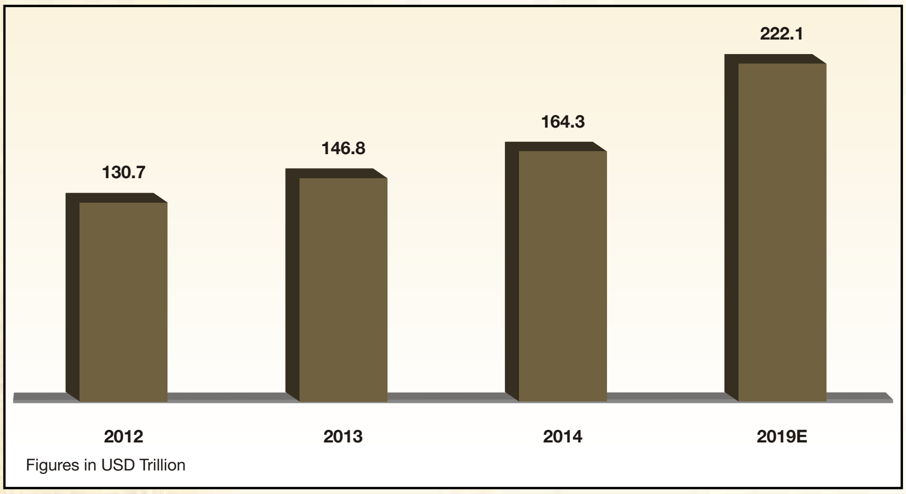
Section 1
Global Individual Wealth

Global private financial wealth stood at USD 164 trillion[3] , recording a growth of nearly 12 percent in 2014. The rise was in line with the previous year, when global wealth also grew by just over 12 percent.

With USD 51 trillion in private wealth, North America retained the position of being the world's wealthiest region in 2014.

Overtaking Europe (Eastern and Western Europe), Asia-Pacific (excluding Japan) region became the World's second wealthiest region with USD 47 trillion. The region is also projected to hold 34% of global wealth in 2019. Private wealth in India and China showed significant market gains, mainly as a result of investments and growth in the local equities. The Indian equity market rose by 23% while the Chinese jumped to 38%.

Figure 4: Global Private Financial Wealth

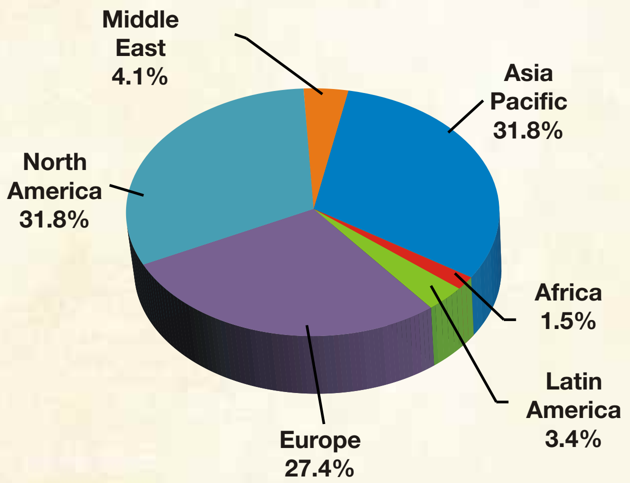


3. BCG World Wealth Report 2015

The number of high net-worth individuals grew in both number and wealth to 14.6 million and USD 56.4 trillion, respectively. Asia-Pacific expanded its HNI population and is growing at the fastest rate globally. This resulted in it pushing past North America as the region with the most HNIs.

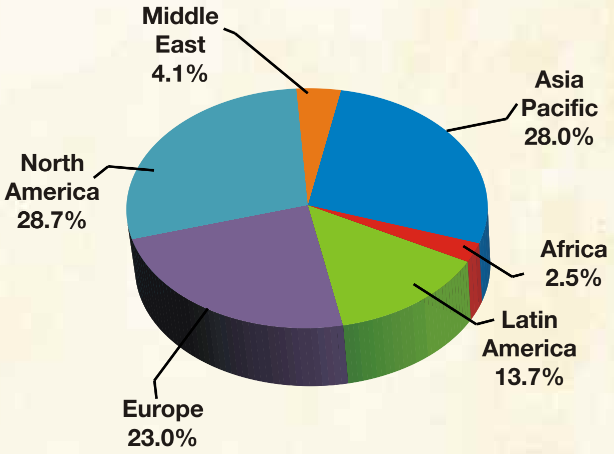
Ultra High Net worth Individuals (UHNIs) [4] who make only 1% of all HNIs however contribute roughly 35% of the wealth were once again the Key drivers of the Global HNI population. Ultra HNI grew their population by 8.6% [5] in 2014.

Figure 5: Global HNI Population



With 1,98,000 HNIs, India ranked 11th [6] in the list of global HNI. Global financial wealth is expected to grow at 7.7% over the next few years.

Figure 6: Global HNI Wealth Allocation



The allocation of the global wealth across asset classes showed that debt remained the big investment vehicle, clearly signifying lower risk appetite inspite of low interest rates

Table 5: Classification of Global Wealth across Key Asset Classes

Key Assets	Global (%)
Equity	26.80
Debt (Including Cash)	42.60
Alternate Assets	13.00
Real Estate	17.60
Total	**100.00**

The global asset allocation in equities grew to 26.8% compared to 24.8% last year. Allocation to real estate reduced to 17.6% from 18.7% last year.

4. UHNI are individuals having US$30 million or more investible wealth.
5, 6. Capgemini RBC Wealth Management World Wealth Report 2015.

Section 2
Indian Economic Scenario

In FY15, Indian economy registered a growth rate of 7.3%, compared to 6.9% in the previous financial year. This is a significant growth as in the aftermath of colossal global uncertainties India still performed better than its peers. The size of the Indian economy is estimated to be at ₹ 129.57 trillion (USD 2.01 trillion) for the year FY15 as compared to ₹ 118.23 trillion (USD 1.84 trillion) in FY14[7] . India ranks seventh in terms of GDP at current prices globally and is expected to grow at 7.5% in 2016, as per the IMF.

The Central Government along with the RBI is showing a much higher rate of coordination implementing various initiatives that are expected to make the Indian economy more efficient and vibrant.

The Reserve Bank of India (RBI) in its latest monetary policy review has cut the GDP growth projection to 7.4%, from its earlier estimate of 7.6% , on slower global and trade expansion as well as lack of appetite for new investment in private sector domestically.An increase in FDI limits and improved Fiscal deficit will improve demand-supply of government securities boosting investors confidence.

These various positives along with financial flows helped India increase its level of Foreign exchange, which stood at USD 341.6 billion at the end of March 2015. The International Monetary Fund, which released its annual report on India on 11 March, noted that India's forex reserves stand at 148% of IMF's reserve adequacy metric .

Other positive green-shoots like IIP coupled with Inflation, both CPI and WPI show signs of a growing and progressing economy. The CPI fits well within the range of RBI targets for this year and this is the ideal approach for an economy like ours where inflation needs to be monitored primarily.

India does not run an external funding risk since the Current Account Deficit plus net FDI is positive number. This gives the central bank comfort to respond to various risks without worrying about excessive currency volatility. A Cyclical recovery seems underway and may more stimulus could support this recovery in future.

7. IBEF

Section 3
Individual Wealth in India

The total individual wealth in FY15, in financial assets stands at ₹ 160.56 Lakh Crore, whereas the total individual wealth in physical assets settled at ₹ 119.89 Lakh Crore Hence the total Indian individual wealth is estimated to be at ₹ 280 Lakh Crore

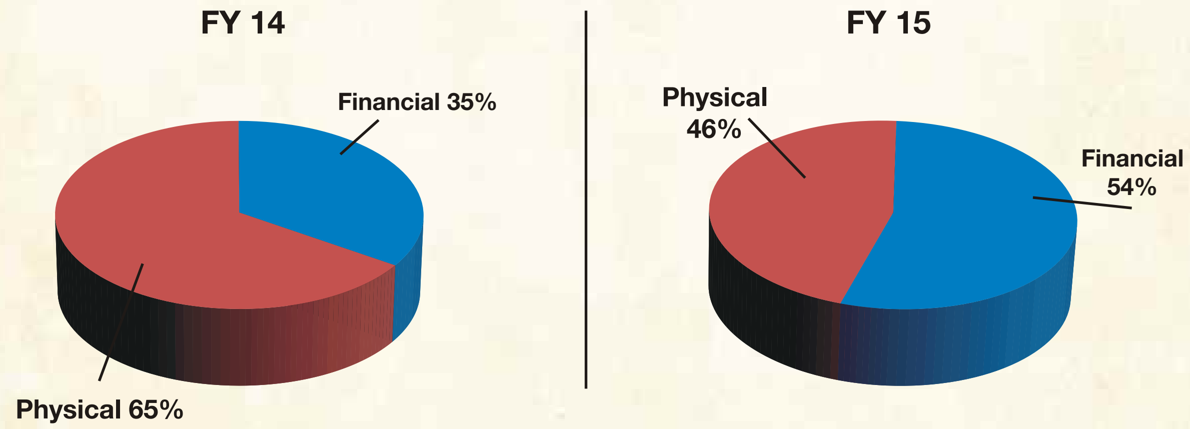
Financial wealth contributed 57.25% of the total wealth, whereas physical assets formed the balance 42.75%.

Table 6: Total individual wealth in India

Asset Class	Amount (₹ Cr.)	Proportion
Financial Assets	1,60,55,686	57.25%
Physical Assets	1,19,89,287	42.75%
Total	**2,80,44,973**	**100.00%**

As compared to FY14, the Individual wealth in india grew by 9%. While the individual wealth in financial assets grew by 19.19%. The individual wealth in physical assets de-grew by 2.3%. This degrowth in physical assets is on account of a falling prices of gold and other precious metals and gems globally as well as slower offtake in the Indian real estate market.

Figure7: Breakup of Total Domestic Household Saving



This year there has seen an interesting reversal of trend in the form of where newer money is getting invested. While for the past many years the ratio of new money and savings going into physical assets had grown to 65% leaving financial assets to just 35%, in FY15 owing to the wave of optimism, 54% of the new money was invested in financial assets and just 46% in the physical.

Table: 7 Classification of Individual Wealth in India in Key Asset Classes

Asset Class	Amount (₹ Cr.)	Proportion
Equity	44,45,696	16%
Debt (Including cash)	1,15,53,990	41%
Alternate Assets (Including Gold & other precious metals and gems)	67,59,710	24%
Real Estate	52,85,577	19%
Total	**2,80,44,973**	**100%**

As can be seen in the table above, Indian individual investors prefer investing in Debt instruments as the preferred choice followed by Alternate Assets of which Gold is the most common form of investment.

Section 4
Asset wise break up of Individual Wealth held in Financial Assets:

The total Individual wealth held in financial assets in FY15 stands at ₹ 160 Lakh Crore, a growth of 19% from FY14. The following financial assets have been considered to arrive at the Individual wealth figure:

- Direct Equity
- Fixed Deposits and Bonds
- Insurance
- Savings Deposits
- Cash
- Provident Fund
- NRI Deposits
- Mutual Funds
- Small Savings
- Current Deposits
- Pension Funds
- Alternate Assets
- International Assets

4.1 DIRECT EQUITY

Large swings have been seen in the stock markets of emerging economies, especially after the slowdown in China. This volatility is likely to have a spillover effect in many economies. Brazil, which is part of the BRIC nations, has also been warned of a slowdown. While 3 out of the 4 BRIC economies are slowing down, India is the only one showing steady growth. Among the developed nations, US has started to show steady growth. Europe has also seen signs of consolidation after the Greece crisis, amidst their own quantitative easing. In the midst of this, India has managed to stand out. Being an import oriented country, India has also benefited from the fall in commodity prices, which has hurt other emerging countries like China, Brazil, Russia & Malaysia. Among these positives, the Government has also shown credible reforms in Railways, Agriculture, Technology and Power, which is likely to aid investments, grow further in India.

In FY15, direct equity changed gears to resume its growth trajectory. Improving positive sentiment, with the change in the Central government, lower inflation, improving CAD (Current Account Deficit) and fiscal outlook points to steadily improving growth prospects for the Economy. The revival of the Economy has changed investor sentiments and led to a higher flow from FIIs over the past one year. These factors coupled with soft commodity prices have proved to be a positive for equity markets.

Table 8: Direct Equity Classification

Investors	% of Market Capitalization	Amount (₹ Cr.)
Promoter	34.19	33,04,89,247
Retail	13.72	13,25,14,680
Institution	52.09	50,34,87,977
Total	**100.00**	**96,64,91,904**

Direct Equity has made its move to the Top within the Financial asset classes in FY15, growing at 29% from the Previous financial year and is expected to remain the Top financial asset class for years to come. Total individual wealth in direct equities stood at ₹ 34.3 Lakh Crore.

4.2 FIXED DEPOSITS AND BONDS

The Wealth held by individuals in this asset class grew by 13% and this is now the second most preferred asset class by Individuals in India.

Table 9: Composition of assets held in Fixed Deposits and Bonds

Sub Assets	FY15 (₹ Cr.)	FY14 (₹ Cr.)	YoY Change (%)
Fixed Deposit	32,37,065	28,71,763	12.7
Bonds and Debentures	89,363	67,937	31.5
Total	**33,26,428**	**29,39,700**	**13.1**

Fixed Deposits Fixed Deposits consist of:

1. Bank Fixed Deposits

2. Corporate Fixed Deposits

3. Deposits with NBFCs (Deposit accepting Non Banking Financial Companies) and RNBCs (Residuary Non Banking Companies)

1. Bank Fixed Deposits: Bank Deposits in India are one of the top choices of investments since these are considered to be among the safer investment tools. Individual wealth in Bank Fixed Deposits stood at ₹ 31 Lakh Crore, an increase of 14% from the last fiscal year. These deposits can be further classified as those with Scheduled Commercial Banks and those with Scheduled Co-operative Banks.

Table 10: Composition of individual wealth in Bank Fixed Deposit

Bank Category	Amount (₹ Cr.)	YoY Change (%)
Scheduled Commercial Banks	30,32,491	13.93
Scheduled Co-operative Banks	1,44,000	11.13
Total	**31,76,491**	**13.80**

2. Corporate Fixed Deposits: A corporate fixed deposit is suited for investors who want slightly higher returns on their investments as compared to bank fixed deposits over a fixed tenure. Non-banking finance companies (NBFCs) & Housing Finance Companies (HFCs) offer such corporate fixed deposits (FD) that are similar to those offered by banks. However, they have a higher default risk attached to them and hence offer higher rates than a bank fixed deposit.

Individual wealth in Corporate FDs has reduced to about ₹ 29,887 Crore, a fall of 56% from FY14. The continuous fall in this category is due to the provisions of the New Companies Act of 2013. This Act states that "All companies will be required to comply with the prescribed conditions which includes issuance of a circular to its members, obtaining credit rating, providing deposit insurance, maintaining deposit repayment reserve account, etc." For the investors, the new law helped increase the safety for new investors in this instrument

3. NBFC Deposits: The redemptions from corporate fixed deposits have shifted to NBFC deposits, which have seen an increase of 113% amounting to ₹ 30,687 in FY15. Investments in NBFC Deposits can be classified as per the table below:

Table 11: Composition of assets in NBFCs and RNBCs

Type of NBFC	FY15 (₹ Cr.)	FY14 (₹ Cr.)	YoY Change (%)
NBFC taking deposits	27,504	10,808	154.48
RNBC	3,183	3,582	-11.14
Total Deposits	**30,687**	**14,390**	**113.25**

Residuary Non Banking Companies (RNBCs) are companies whose principal business is acceptance of deposits and investing in approved securities. The functioning of these companies is different from those of NBFCs in terms of method of mobilization of deposits and requirement of deployment of depositors' funds. They decreased by 11% in FY15 to ₹ 3,183 Crore.

Bonds and Debentures

Several reform measures initiated by the Central government in FY15 proved to be a positive trigger for foreign investors who pumped in a staggering ₹ 1.64 Lakh Crore into the debt markets. They continued to remain bullish on the Indian equity and debt market during FY15 and inflows are believed to continue even further. The Debt market in India mainly constitutes of Government debt securities and corporate debt securities.

Total Individual Wealth in Bonds has increased by 32% to ₹ 89,363 Crore in FY15.

Investments in the different types of bonds can be classified as below:

Table 12: Composition of Individual Wealth in Bonds

Bond Type	FY15 (₹ Cr.)	FY14 (₹ Cr.)
Corporate	17,910	13,637
PSU	71,453	54,300
Total	**89,363**	**67,937**

4.3 INSURANCE

The Insurance asset class consists of Life Insurance & Employee Deposit Linked Insurance Fund. Life Insurance has been a traditional form of investment in the past many decades for investors from all walks of life.

Table13: Assets in Insurance

Type of Insurance	FY15 (₹ Cr.)	FY14 (₹ Cr.)
Life Insurance	23,44,227	20,06,867
EDLI	15,563	13,711
Total	**23,59,790**	**20,20,578**

Total Individual Wealth has increased by 17% in FY15 to ₹ 23.6 Lakh Crore from ₹ 20.2 Lakh Crore in FY14 contributing to almost 16% of the overall Individual Wealth in Financial Assets.

Life Insurance

The Indian insurance industry consists of 53 insurance companies of which 24 are in life insurance business and 29 are non-life insurers. The Insurance Law (Amendments) Bill was ratified in March 2015, which hiked the permissible foreign investment limit for insurance companies from 26% to 49%, still requiring ownership of insurance ventures to remain with Indian entities. The Indian insurance market is expected to quadruple in size over the next 10 years[8] . A faster growing economy, rising income levels and improving life expectancy rates are some factors that are likely to boost growth in this sector in the coming years.

The Individual Wealth in insurance is ₹23.44 Lakh Crore

Employee Deposit Linked Insurance Fund (EDLI)

Employee Deposit Linked Insurance fund is funded through contribution by the employer and a voluntary contribution by the employee. It is maintained by the Employee Provident Fund Organization (EPFO), which is also responsible for collecting premium and honouring death claims. Standing at ₹ 15,562 Crore, EDLI has also grown since the previous financial year by 14% in FY15.

4.4 Saving Deposits

Savings Deposits are the basic form of bank account used by Indians for their regular transactions owing to its liquid nature. It provides the convenience of easy withdrawals as well as acts as an avenue for parking short-term fund to earn interest.

Table 14: Composition of Individual Wealth in Savings Bank Deposit

Category	Amount (₹ Cr.)	YoY Change (%)
Scheduled Commercial Banks	19,52,499	22.42
Scheduled Co-operative Banks	37,750	11.79
Total	**19,90,249**	**22.20**

The total Individual Wealth in Saving Deposits stands at ₹ 19.9 Lakh Crore, growing by 22% in FY15.

8. Forbes

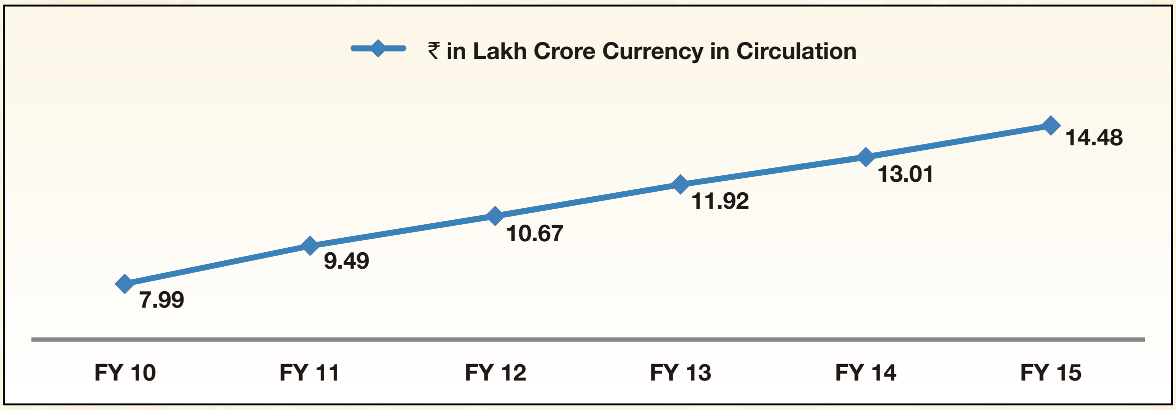
4.5 CASH

Every week the Reserve Bank of India publishes the currency in public circulation. These figures are used to estimate the amount of total cash with individuals in the economy. For FY15, the most liquid asset, cash, was estimated at ₹ 14.4 Lakh Crore[9], inching 11% higher than in FY14

Table 15: Individual Wealth in Cash

Year	Currency in circulation (Amount in ₹ Lakh Cr.)
FY 10	7.99
FY 11	9.49
FY 12	10.67
FY 13	11.92
FY 14	13.01
FY 15	14.48

Figure 8: Currency in Circulation



Cash forms 9% of the Individual Wealth in India.

4.6 PROVIDENT FUND

The Employees' Provident Fund (EPF) and Public Provident Fund (PPF) are two types of Provident funds, intended for investment and tax saving purpose. Total individual Wealth in Provident Funds has increased to ₹ 9.24 Lakh Crore[10] a jump of 26% from FY14.

Table 16: Individual Wealth in Provident Fund

Composition of PF	FY15 (₹ Cr.)	FY14 (₹ Cr.)	YoY Change (%)
Employees' Provident Fund	6,14,780	4,74,446	29.58
PPF with banks	2,58,981	2,14,017	21.01
PPF with post office	50,265	47,633	5.53
Total	**9,24,026**	**7,36,096**	**25.53**

9. RBI
10. EPFO and Indian Budget

Employees' Provident Fund (EPF)

Employee Provident Fund is one of the most popular investments for salaried individuals. They are long term investments are intended for retirement. It is only applicable to salaried employees wherein the employee contributes 12% every month from their basic salary. The employer makes a matching contribution with 12% going towards Provident fund and Employee pension scheme, 0.5% towards Employees Deposit Linked Insurance (EDLI) scheme . The present interest rate for EPF is 8.75%.

The total individual wealth in Employees Provident fund is ₹ 6.15 Lakh Crore.

Public Provident Fund

PPF or Public Provident Fund is a scheme of the Central government. It is another retirement scheme, providing security to individuals. These investments can be made either at post offices or selected bank branches. The deposit under this scheme qualifies for a tax deduction under section 80C and also exempted from wealth tax. In addition to this the maturity amount including the interest earned is non-taxable. **The total individual wealth in Public Provident Funds stands at about ₹ 3.08 Lakh Crore, a growth of 27% from FY14.**

4.7 NRI DEPOSITS

Non-Resident Indians have taken advantage of a weaker rupee and the interest rate arbitrage between US and India and increased investments into bank deposits. NRI Deposits now contribute to 4.5% of the total individual wealth. These are further categorized into NRE (Non-Resident External Account), NRO (Non-Resident Ordinary Account) and FCNR (Foreign Currency Non-Resident bank Account).

Table 17: Individual Wealth in NRI Deposits

Scheme	FY15 (₹ Cr.)	FY14 (₹ Cr.)	YoY Growth (%)
FCNR	2,68,106	2,50,645	7.0
NRE	3,92,832	3,17,078	23.9
NRO	60,059	54,614	10.0
Total	**7,20,997**	**6,22,337**	**15.9**

In FY14 RBI withdrew its incentive scheme for FCNR depositors which it had implemented in FY 13 to attract foreign currency inflows. This explains the lower growth in FCNR of 7% in FY15 compared to the 204% growth in FY14.

The total wealth in NRI deposits as of 31st March 2015 was ₹ 7.21[11] Lakh Crore, growing by 16% from FY14.

4.8 SMALL SAVINGS

Small Savings are typical savings instruments for the common man and are still prevalent in rural India since they are considered traditional and safe. The National Savings Organization has been systematically mobilizing resources from people through investments in small savings scheme since its inception in 1948. These comprise of savings made with the post office. The investments made in these schemes are further invested into Government securities as per certain norms decided by the Central Government and hence interest rates on these are linked to yields of government bonds. There are various small saving schemes one can invest into as given below:

11. RBI

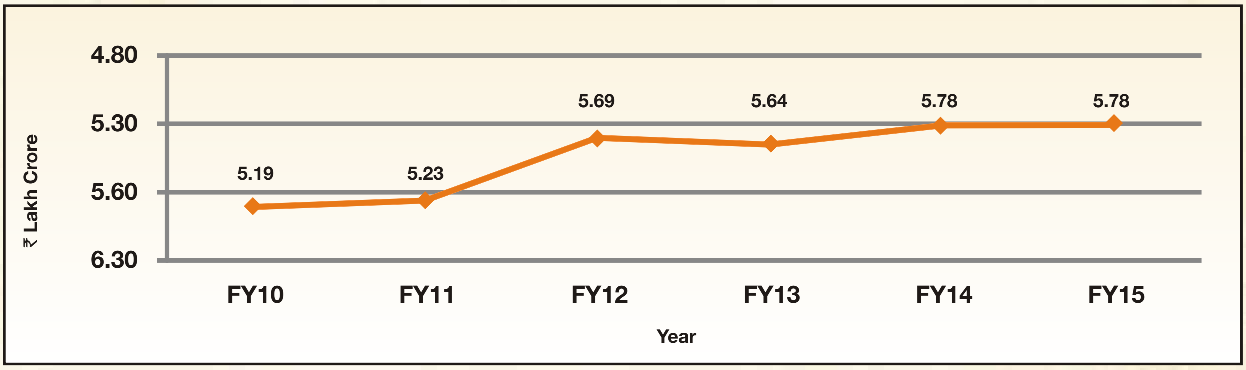
Table 18: Individual Wealth held in Small Savings

Investment Instrument	FY15 (₹ Cr.)	FY14 (₹ Cr.)	YoY Change (%)
Post Office Monthly Income Scheme	2,01,035	2,04,540	-2
Kisan Vikas Patra	88,184	1,08,265	-19
NSC Issues	74,275	82,663	-10
Post office Recurring Deposit Account	84,462	74,396	14
Post office Time Deposit Account	50,876	39,738	28
Post Office Savings Bank Account	46,427	39,112	19
Senior Citizen Savings Scheme	18,176	19,452	-7
Other Certificates & Deposits	9,337	5,257	78
National Saving Scheme 87, 92	5,421	4,533	20
Indira Vikas Patra	797	895	-11
Total	**5,78,990**	**5,78,851**	**0.02**

We are not seeing high inflows in this asset class. As there are redemptions happening at the end of the tenure of various certificates and deposits, leading to a near stagnant growth.

Individual wealth in Small Savings stands at ₹5.79 Lakh Crore[12]

Figure 9: Individual Wealth in Small Savings so far



12. *RBI*

4.9 MUTUAL FUNDS

With close to around 44 fund houses in the country, the Mutual fund industry has witnessed an addition of almost 2.2 million new investors in FY15, increasing the total AUM by 40%. The change in the Central government as well as the expected turn around in the Economy raised investor sentiments in the country. With a vast number of options to choose from, this financial asset is considered to be relatively transparent and low cost.

Table 19: Mutual Funds based on underlying investment by Individual Investors

Asset Class	FY15 (₹ Cr.)	FY14 (₹ Cr.)	YoY Growth (%)
Equity	3,15,987	1,83,748	71.97
Debt	2,36,338	2,09,392	12.87
Total	**5,52,325**	**3,93,140**	**40.49**

Mutual Funds are categorized mainly into Debt and Equity Funds. The latter has shown a huge jump since last year, growing by 72% in FY15. It grew by only 1.29% in FY14 as reported in our earlier report. The robust investments into equity funds saw a shift with greater than 50% wealth in equity as compared to the previous years. 57% of the total mutual fund investments were held in equity.

The individual wealth in Mutual Funds[13] stood at ₹ 5.52 Lakh Crore in FY15, an increase of 40.49% over the last year.

4.10 Current Deposits

Being the most liquid deposits, these are usually meant for businessmen & professionals. Current deposits offer a great amount of flexibility through the overdraft facility.

Table 20: Composition of Individual Wealth in Current Bank Deposits

Category	Amount (₹ Cr.)	YoY Change (%)
Scheduled Commercial Banks	3,35,170	12.23
Scheduled Co-operative Banks	7,615	-19.68
Total	**3,42,785**	**11.25**

The total Individual Wealth in Current Deposits stands at ₹ 3.4 Lakh Crore, growing by 11% in FY15.

4.11 PENSION FUND

Employees Pension Scheme (EPS)

Under the Employees' Provident Fund and Miscellaneous Provision's Act, 1952, the Employees' Pension Scheme (1995) was formed as a retirement scheme meant for salaried employees. The investment in this scheme is done as part of Employers contribution to EPFO. Individual Wealth in the Employee Pension Scheme has grown by 13% from FY14 and amounts to ₹ 2.3 Lakh Crore

13. AMFI

National Pension Scheme (NPS)

In 2003, the Government of India notified the contributory pension system, which is now known as the National Pension Scheme. NPS, as it is called, is a long term retirement product. From FY16, this is the only scheme that can give an investor an additional ₹ 50,000 tax deduction under section 80C.

Another pension scheme launched in 2015 by the central government is the 'Atal Pension Yojna', which targets the unorganized sector. In this scheme for every contribution made to the pension fund, the government will contribute an equal amount to the Fund. The pension amount would be paid on a monthly basis, after the attainment of the age of 60 years. With this initiative, the Government is aiming to increase the number of pension scheme holders across all schemes put together.

Table 21: Individual wealth in Pension Schemes

Pension Scheme	Amount (₹ Cr.)
Employee Pension Scheme	2,35,060
National Pension Scheme	80,855
Total	**3,15,915**

The total individual Wealth in Pension Funds stands at about ₹ 3.15 Lakh Crore.[14]

4.12 ALTERNATE ASSETS

Complex in nature, less liquid and non-traditional, alternate investments are also considered the Financial world's Holy Grail. These are broadly products which have a low correlation with those of standard financial asset classes like stocks, bonds and cash. Since their minimum ticket size is high, these are usually invested in by high net-worth individuals. These investments include venture capital funds, private equity funds, structured products & real estate funds to name a few. Of late, huge sums of money have been poured into Indian technology and e-commerce start-ups, encouraging early-stage investment. SEBI, the regulator for Alternate Investment Funds(AIFs) has allowed 158 entities as of August 2015 to set up AIFs in India

The Total individual wealth in alternate assets including AIFs in FY15 was ₹ 41,960 Crore, growing by 77% from the last financial year.

These investments are divided into the following categories:

Category	Sub-Category
Category I	Social venture Funds, Infrastructure Funds, Venture Capital Funds, SME funds
Category II	Private Equity Funds, Debt Funds, Fund of Funds
Category III	Hedge Funds

India is at a nascent stage when it comes to Alternate Assets and hence there is huge scope for exponential growth in this financial asset class.

14. PFRDA and EPFO

Table 22: Composition of Individual Wealth in Alternate Assets

Asset Class	Total Individual Estimation (₹ Cr.)	Proportion (%)
High Yield Debt	14,232	33.92
Structured Products	12,080	28.79
Private Equity	6,255	14.91
Real Estate Fund	3,622	8.63
Gold ETF	3,439	8.20
Hedge Fund	1,346	3.21
Film Fund	679	1.62
Infra Fund	215	0.51
Venture Capital Fund	92	0.22
Total	**41,960**	**100.00**

High Yield Debt

This alternate investment sub-asset class has various instruments like mezzanine debt, non-convertible debentures, and structured debt, which can be considered as high yielding assets. Real estate NCD is the most popular high yield debt instrument among high net-worth individuals since most of them offer a regular coupon ranging from 18%-22%. **The total AUM held by individuals in High Yield Debt stands around ₹ 14,232 Crore.**

Structured Products

Though the returns of structured products are linked to the performance of underlying assets such as equities or commodities, they possess unique risk-return profiles that allow investors to alter their desired level of exposure.

There are structures that provide capital protection and ones that do not. They are listed on the exchange but are not very liquid. SEBI has kept a minimum investment of ₹ 25 Lakhs as a mandate to deter small investors from investing in these since these are products for investors with a high risk appetite. **There has been an increase in the total individual wealth in structured products which is estimated to be ₹ 12,080 Crore.**

Private Equity

Gaining Popularity among HNIs and UHNIs, Private Equity investments in India soared by 18% in FY15 with individual wealth invested being ₹ 6255 Crore. This increase can be attributed to sectors like IT and ITeS, energy and natural resources, manufacturing, banking and financial services, telecom and pharmaceuticals. Initiatives like 'Digital India' and 'Make in India' have significantly boosted overall investor confidence and market prospects. Private Equity funds deal momentum is expected to gather pace on improving domestic corporate earnings and favorable macros like a declining interest rate and continued low inflation environment.

The period of January 2015 to October 2015 saw almost 863 Private Equity deals worth USD 13.83 billion, a 38% rise from the Corresponding period last year. **The individual wealth in Private Equity in FY15 is ₹ 6,255 Crore.**

Real Estate Funds

These funds are invested into different properties and hence offer the advantage of diversification. They can be development-based funds or rental-based funds. The latter do not take development risk. Unlike stocks or direct buying of real estate, realty funds start appreciating only after 2-3 years and generally have tenure of 5-8 years. Total AUM under real estate funds is estimated to be ₹ 10,976 Crore in FY15 and **the individual contribution is expected to be ₹ 3,622 Crore.**

Gold ETFs

Gold Exchange Traded Funds (ETFs) are simple investment products that combine the flexibility of stock investment and the simplicity of gold investments. It is listed on the National Stock Exchange and can hence be traded continuously like a stock. They are passive instruments aiming to track the price of Gold. In the past one year gold prices have been very sluggish and this has reflected in the decrease in **the individual wealth during FY15 to ₹ 3,439 Crore, a massive 60% fall as compared to FY14.**

Hedge Funds

Hedge funds frequently use instruments like derivatives and strategies like shorting of stocks or leveraging (investing with borrowed capital) to generate higher returns. About 18 hedge funds are registered with SEBI as of March 2015. The total AUM of Hedge Funds saw an 85% growth in FY15 and the **individual wealth contribution in Hedge Fund was ₹ 1,346 Crore.**

Film Funds

In India, Film Funds are not new. The money invested in them is used for various aspects in the Indian film industry like marketing, distribution etc. Investors are looking at content production companies especially after technology has grown by leaps and bounds. Apart from the traditional music rights and copy rights, movies have online streaming rights, cable and satellite rights and a plethora of other rights associated with it. The glamour of the film industry might suggest that investors backing films always hit the bulls-eye. However, these are risky funds since there are very few blockbusters. Thus these funds are generally meant for investors who have a very high risk appetite. Film Funds in India have a total AUM of ₹ 870 Crore, an increase of 11% from FY14. **The total individual contribution is about ₹ 678 Crore.**

Infrastructure Funds

The New Central Government through various measures is focusing on increasing infrastructure projects. On this backdrop, infrastructure funds under the Category I of AIFs are gaining momentum. The total AUM of these funds has grown by 78% in FY15 to ₹ 1,076 Crore. While the investments seem to have increased, there is further scope of this sector to show growth. **The total individual wealth is estimated to be approximately ₹ 215 Crore at the end of FY15.**

Venture Capital Funds

The main difference between Venture Capital Funds and Private Equity Funds is that the former is often an early stage investing outfit and the latter is investments an existing company, mostly unlisted, with existing cash flows that may be needed to be restructured to increase efficiency. Venture Capital funds usually invest in start-ups and are often termed as riskier capital investments. The second half of FY15 experienced a cycle where investors were eager to take risk and take a shot at these kinds of Alternate Investments. With the increase in the number of start-ups, investors have a vast number of options to choose from. Like in the US, if India gets on to the crowd funding route, this would open up more opportunities for investors. The total AUM in FY15 in Venture Capital Funds was ₹ 485 Crore and the **individual wealth was estimated at ₹ 92 Crore, an increase of 14% from FY14.**

4.13 INTERNATIONAL ASSETS

Investments done by resident Indians in financial assets overseas, under the Liberalized Remittance Scheme (LRS) are known as international assets. Under the Scheme, resident individuals can acquire and hold shares or debt instruments, without prior approval of the Reserve Bank up to a certain limit of investments. Individuals can also open, maintain and hold foreign currency accounts with banks outside India for carrying out transactions permitted under the Scheme.

Table 23: Individual Wealth in International Assets

Category	Amount (₹ Cr.)
Equity/Debt	10,181
Fund of Funds (Overseas)	1,962
Deposits	1,897
Total	**14,040**

The total wealth held by Indian Individuals in International Financial assets is ₹ 14,040 Crore.

Section 5
Asset wise break-up of Individual Wealth held in Physical Assets in India

The physical assets considered as part of this report are Gold, Real Estate, Silver, Platinum and Diamond.

Table 24: Classification of Individual Wealth in India in Physical Assets

Asset	Amount (₹ Cr.)	Proportion (%)
Gold	57,15,605	47.67
Real Estate	52,85,577	44.09
Diamond	7,98,934	6.66
Silver	1,84,472	1.54
Platinum	4,698	0.04
Total	**1,19,89,287**	**100.00**

Total Individual Wealth in Physical assets in FY15 is ₹ 119 Lakh Crore, a reduction of 2% as compared to FY14, on account of decrease in prices of Gold and other precious gems and jewelry globally as well as a slowdown in the real estate market.

5.1 Gold

Aurum, as gold is called in Latin, forms 47.67% of the physical assets. Gold has traditionally been part of majority of the Indian households. Right from jewelry, to coins, to bars, to industrial use, this yellow metal has surely shown how versatile it can be. It is said that since the time Gold was found, a total of 183,600 tonnes of gold has been mined till 2014. 50% of the gold is used for jewelry, 40% in investments and 10% is for industrial use.

In FY15, we have seen the prices of gold fall globally. Consumers, lacking confidence in gold prices refrained from buying gold. This contributed to the continuing subdued gold market. India was no different. The election and the subsequent import restrictions made it more difficult for the Gold market to recover. Demand for bars and coins were weaker than that of jewelry. The partial easing of restrictions by the RBI after the elections led to a drop of domestic price premiums.

In the continued subdued second quarter, demand for jewelry in India followed the opposite trend. On account of Diwali, demand almost jumped by 60%[15]. The optimism within Indian consumers after an increase in the growth forecast was a positive for gold demand. This jewelry purchases picked up in September, just before the festival of Dhanteras. The lower gold price was like a cherry on the cake for the Gold demand, for a country like India, where Gold is considered very auspicious.

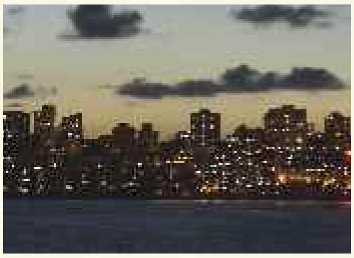
15. World Gold Council

The increase in jewelry demand from countries like India and part of Europe in the beginning of 2015 was over powered by a slump in countries like China and Middle East. This trend was visible in the investment segment too. During this time, India was seeing a rise in its stock markets and investor confidence, which drew their attention away from gold leading to a decrease in demand for bars or coins. All in all, consumer demand did not match the upsurge of FY14.

In an effort to mobilize 20,000 tonnes of unproductive gold owned by Indian households into cash, Finance Minister Arun Jaitley in his budget speech on Feb. 28 2015 unveiled the gold monetization scheme. Under this scheme, one takes their gold to banks, who test it for purity and after due checks and balances, accept a gold deposit. The banks can sell it for foreign exchange or loan it out to jewelers, get interest from those they on-lend this gold to and finally pay out an interest to the depositors.

Total individual wealth in Gold reduced to ₹ 57.1 Lakh Crore, a fall of about 9% in FY15.

5.2 REAL ESTATE



Owning Real Estate is one of the primary needs of every Indian, owing to the culture we all live in. There is an immense level of psychological satisfaction from owning real estate. Hence real estate investments have traditionally been high in India. This is evident from the fact that India Individuals hold 19% of their wealth in Real Estate, higher than the global average of 17.6%. It is important to note that this wealth is excluding the primary residence where one lives in.

In FY15, with the advent of the new Central government, a lot of emphasis has been laid on initiatives such as improving infrastructure, creation of 100 smart cities, reducing red-tapism and bottlenecks related to approvals,, steps towards formation of REITs, giving the hope for a faster revival and growth of the real estate sector, which already contributes approximately 5-6% of the country's GDP.

The Indian Economy has also witnessed significant growth in GDP in the last few quarters which has started to have a positive impact. The increase in overall industrial output coupled with growth in new job creation is likely to impact the end user and investor demand in the residential segment in the coming years. The easing of inflation and trend of reduction in interest rates is expected to have a positive impact on the Real estate sector on both the supply as well as demand side.

The residential real estate demand in FY15 was not very encouraging with the demand reducing in most of the metros and Tier 2 cities. This was primarily on account of the persistent waning of absorption rate which has been impacting the developers' cash-flows and inability to raise funds at reasonable rates which impacts project execution capabilities of developers, resulting in construction delays. The capital values have also started feeling the pressure of inventory build-up across regions leading to a resistance in price appreciation across many cities.

Across residential segments[16], mid-end housing is witnessing significant developer interest on account of a healthy mix of end-user and investor demand across cities. The Luxury segment on the other end is witnessing slowing absorption on account of increased input costs and inventory build-up. The Pune and Bangalore markets have been doing well in the residential space, on account of healthy supply and demand dynamics, pricing dynamics and higher participation from the end user segment.

In the commercial[17] space, FY15 has been a mixed bag with rental values and capital values increasing in pockets in markets such as Mumbai, Pune, Bangalore and Hyderabad while prices have been stabilizing in other metros.

In the retail segment[18], while Mumbai and Kolkata have seen prices grow, the southern belt of Bangalore, Chennai and Hyderabad are seeing prices stabilize. The other metros are showing signs of price stagnation.

While FY15 has not been very promising for the Real Estate sector, the coming years, especially FY17 onwards hold a lot of promise for the Indian Real Estate sector, owing to expected execution of various central government initiatives as well as softening of inflation and interest rates.

Investment in Indian Real Estate

The individual Wealth in Indian Real Estate is estimated to be ₹ 52.83 Lakh Crore, an increase of 5% over last year.

16. Prop equity Research
17, 18 JLL Pulse

Investment in Real Estate Abroad

Apart from investing in India, HNIs also invest in immovable property abroad. These investments made abroad come under the Liberalized Remittance Scheme (LRS) governed by the RBI. Cumulative investments made in international real estate as of FY15 end stand at ₹ 2,906 crore, an increase of 16% over last year.

Table 25: Classification of Investment in Real Estate

Category	Amount (₹ Cr.)
National	52,82,671
International	2,906
Total	**52,85,577**

Total Individual Wealth in Real Estate stands at approximately ₹52.86 Lakh Crore

5.3 DIAMOND

The word Diamond is derived from the Greek word "Adamas", which means invincible or indestructible. Diamonds have been valued and coveted for thousands of years. India was the World's original source of diamonds, beginning in the 1400s. Slowly diamond mines in India started exhausting, and Brazil became the world's major supplier, just before bigger diamonds started being discovered in South Africa. 30% of the diamonds are of gem quality and are distributed for cutting, exporting and jewelry manufacture. The remaining 70% are sold for industrial application.

According to some estimates, Surat in India polishes 80% of the diamonds in the World. In recent times, after the slow growth in China, luxury purchases have taken a back seat. This has affected the Diamond industry and traders are left with unsold stocks. India's exports of cut and polished diamonds in July 2015 fell 18.3% from a year ago. Unlike other physical assets, the price of diamonds has not fluctuated even though demand has decreased. This is the reason why **the total individual wealth has increased by a nominal 2% to ₹ 7.9 Lakh Crore from FY14.**

5.4 SILVER

Argentum is the Latin word for Silver and it, is also known as a 'miracle metal' because of its practical and industrial use along with being an investment avenue. In industries it is used for industrial fabrication like in electronics and for investments, people buy silver jewelry, silverware or even entire bars. Silver is also used for medicinal purposes due to its anti-microbial properties. In India, silver is also woven into fabric in the form of Jari, whose demand has averaged about 2 million ounces in the past few years.

The demand for physical silver has been weighed down after the weakening growth of China. In India, this demand is forecasted to reduce by 22.9 million ounces[19]. This generally includes silver bars and coins. When gold prices are high, many investors consider silver the next best thing as a monetary asset. On the supply side, China has emerged as the biggest miner of the white metal in 2015, while the US has mined the least compared to 2014.

Total Individual Wealth in Silver reduced to ₹ 1.8 Lakh Crore, a fall of 6% from FY14, mainly on weak global cues during the year.

5.5 PLATINUM

South Africa and Russia are known to have the largest deposits of this metal that is scarce. Platinum of late has lost its charm of being a scarce and exquisite metal; its price is now lower than that of Gold, thus leading to lower demand of platinum.

Platinum is being viewed as the next generation metal, since youngsters are willing to experiment with change and new styles. Going forward, the Platinum market is expected to remain in demand and be considered a metal premium to Silver but inferior to Gold. **The Total Individual Wealth in Platinum during FY15 declined to approximately ₹ 4700 Crore, falling by 17% from last fiscal.**

19. *Thompson Reuters*

Section 6
Individual Wealth: India Vs World

The Table below shows the proportion of investments in key asset classes by individuals in India and globally. As it is evident from the table below, investments in debt instruments are highest once again in India and globally.

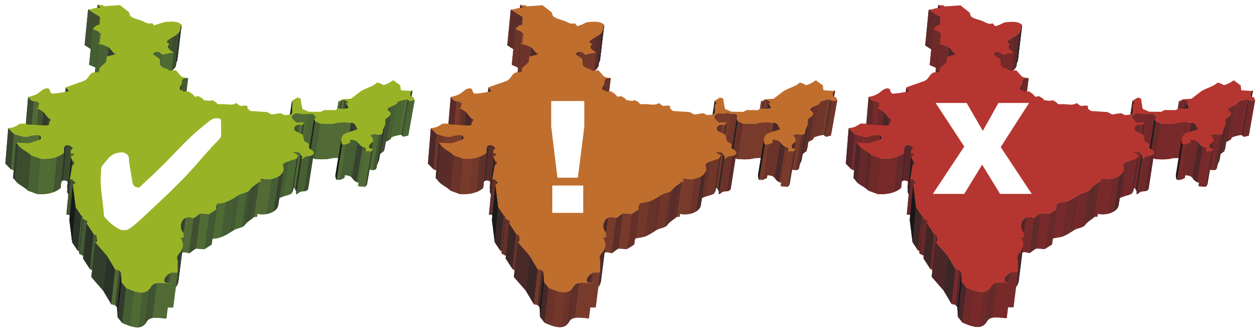
Table 26: Individual Wealth – India Vs World

Key Assets	India (%)	Global (%)
Equity	16.00	26.80
Debt (Including Cash)	41.00	42.60
Alternate Assets	24.00	13.00
Real Estate	19.00	17.60
Total	**100.00**	**100.00**

Indians traditionally prefer investing in less riskier products (by conventional wisdom) like debt, real estate and precious metals. Globally, investments in equities ranks just next to debt investments, Indians however rank equities at the bottom with merely 16% contribution.

Alternate investments form a large chunk in India as compared to global peers; this is because the Indian investor prefers investing in gold compared to other countries. In assets like debt and real estate, India is in line with the Global proportions. With faster growth in equities and slower growth in gold, the coming decade is likely to witness a trend reversal between Equity and Alternate Assets leading to India broadly being in line with the Global proportions in all Asset classes.

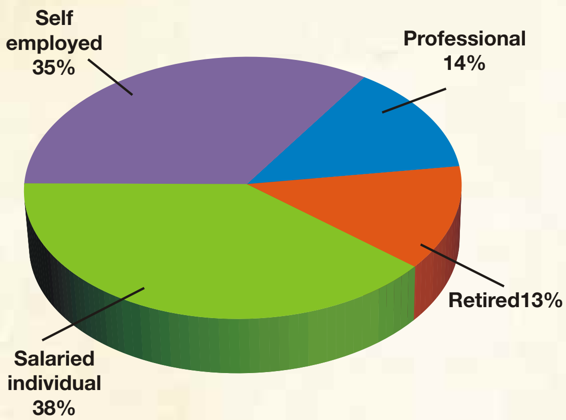
Section 7
Survey on HNI Investment Behavior in India



Karvy Private Wealth conducted a research across 8[20] cities in India with more than 800 HNIs to gauge the behavior of investors according to market trends and also try to identify future trends.

Every customer was categorized on the basis of whether they were self employed, professionals, salaried individual or retired and accordingly the survey was carried out.

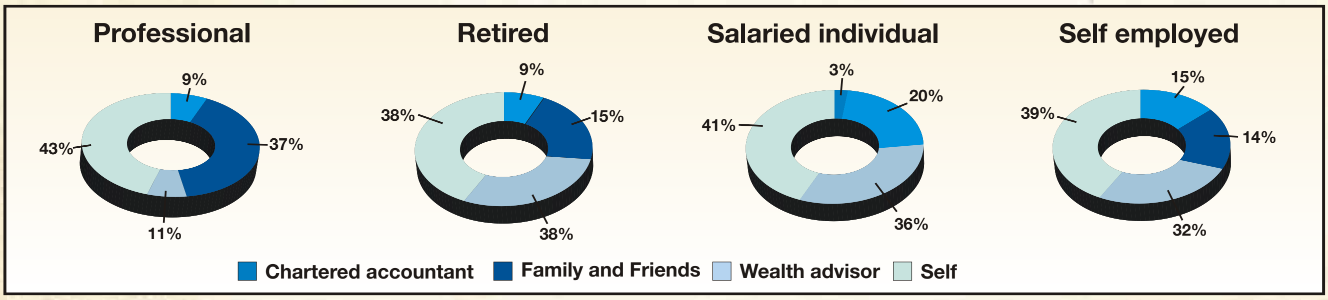
Figure 10: Profile of respondents



Investment Decision Influencers

When asked about who the key decision maker was in terms of investments, it was concluded that retired individuals prefer their wealth managers to take investment related decisions, whereas professionals preferred taking such decisions on their own. Apart from family and friends; wealth managers are key influencers in investment decision.

Figure 11: Investment Decision Influencer

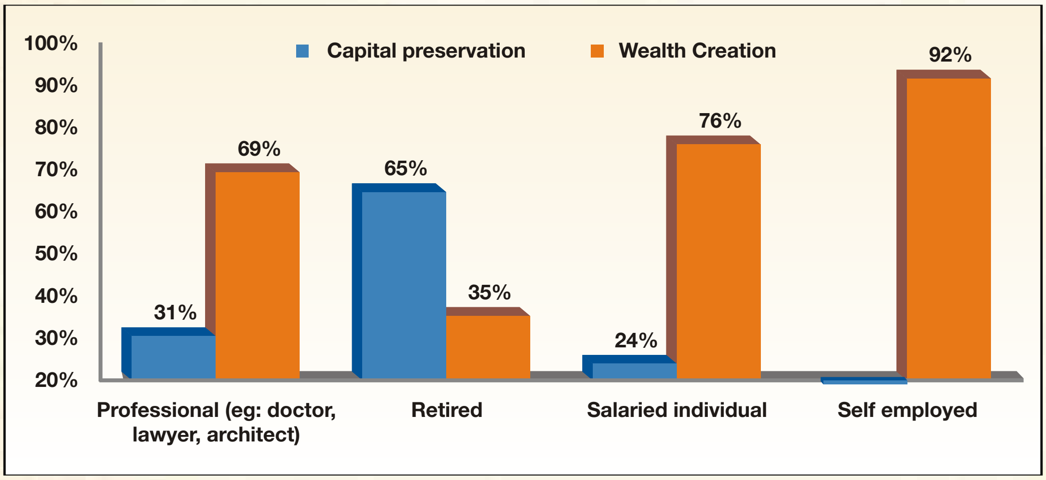


20. Cities surveyed were Mumbai, Pune, Delhi, Chennai, Hyderabad, Bangalore, Chandigarh and Kolkata.

Philosophy behind investing

Capital preservation and wealth creation are the main reasons investments are carried out. This may be in their own business or in financial assets or in physical assets. According to our survey, 75% of the investors invest in order to create wealth where as the rest, predominantly retired individuals aim for capital preservation.

Figure 12: Philosophy behind investing

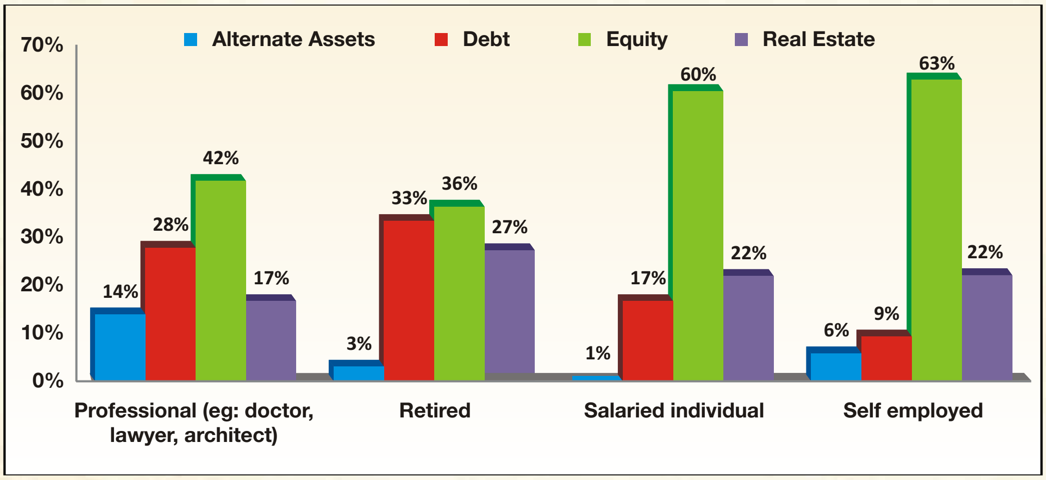


Asset Class Preference

When asked about their asset allocation in equities, debt, alternate assets and in real estate, here too, as the wealth report indicates, equity has been a favorite among investors, with 55% preferring this asset class over others. The least favorite turned out to be alternate assets.

The highest percentage of alternate assets was preferred by professionals who generally have a higher risk appetite. As expected, the highest percentage of debt, which is considered safer, was preferred by retired individuals.

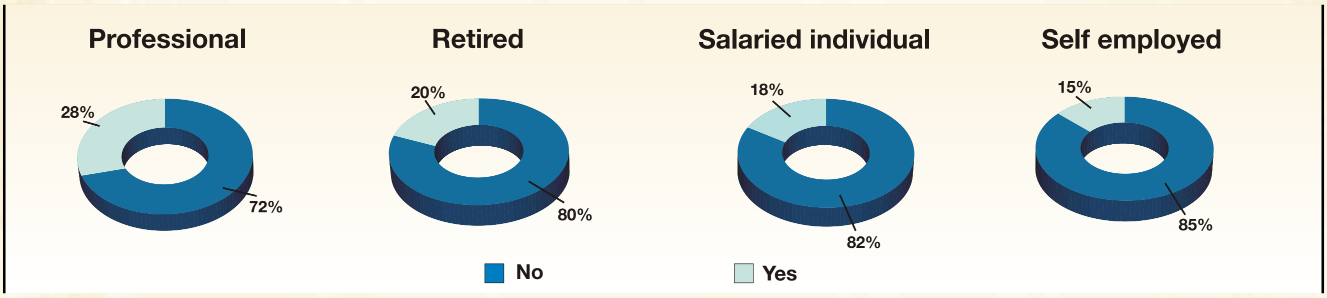
Figure 13: Asset class preference



Comfort towards Alternate Assets

Alternate Assets is a non-traditional investment avenue. These are considered to give higher returns because they entail higher risk. With globalization and a technology savvy world, this asset class is getting popular especially with the younger generation (between ages 25-40) but there is far more scope for penetration into this asset class.

Figure14: Comfort towards Alternate Assets



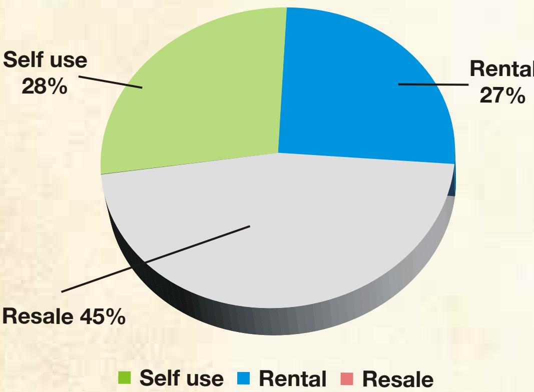
Asset Class Preference

As seen above, professionals are more open towards investing in alternate assets than the other 3 categories, whereas the self employed category prefers to stay away from it. From the survey we concluded that only 19% of the individuals were open to this alternate investment avenue.

Real Estate Investment Objective

Real Estate has always been a popular asset class especially with those looking at a long-term horizon. Sub-categories like real estate NCDs are now becoming a part of many investors' portfolios. When investors were asked why they invest in Real Estate, 45% said that it was for the sole purpose of re-selling it. 28% of the individuals said that it was for their own use. Another objective was for the purpose of giving it out for rent. Rent is considered as an additional source of income for investors and thus 27% of the individuals opted for rent as an objective.

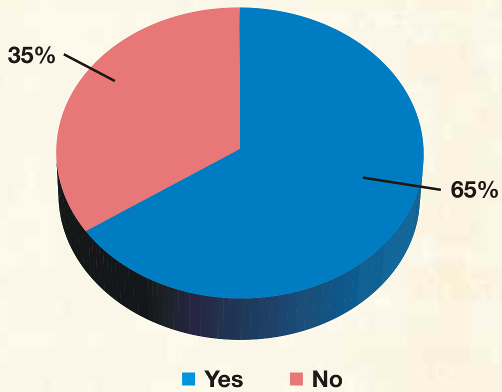
Figure 15:
Real Estate Investment Objective



Philanthropic contributions

With the world becoming closer, technology has increased awareness among individuals. Be it education, sanitation, women empowerment or child labor, many investors are contributing part of their wealth to these and many more social causes.

Figure 16:
Philanthropic Contribution



Our research shows that 65% of the respondents have made some contribution towards philanthropy. Further, the research also concluded that individuals spend almost 3% of their wealth towards philanthropy.

Section 8
Future of Indian Individual Wealth

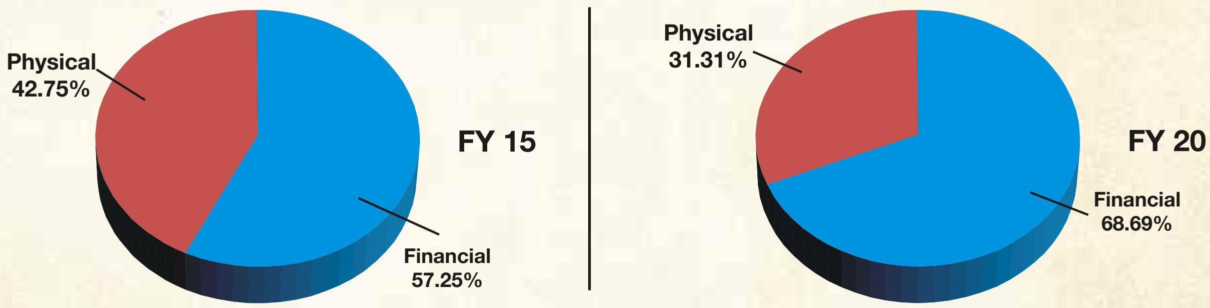
Today, India is one of the fastest growing economies in the world after having overtaken China in GDP growth rates. The GDP growth rate for FY16 is expected to be at 7.5% and the economy is expected to grow at 8-8.5% in the next 3-5 years indicating huge growth potential in personal wealth creation for all individuals.

Total individual wealth is expected to reach ₹ 480 Lakh Crore in FY20 from ₹ 280 Lakh Crore in FY 15 showing a CAGR of 11.1%. Financial assets are expected to grow at a much faster pace than physical assets

Table 27: Individual Wealth Forecast

Asset Type	FY15 (₹ Cr.)	FY20 (₹ Cr.)	CAGR (%)
Financial	1,60,55,686	3,26,11,503	15.20
Physical	1,19,89,287	1,48,68,125	4.40
Total	**2,80,44,973**	**4,74,79,629**	**11.10**

Figure 17: Breakup of Financial and Physical Assets in FY15 and FY20



Individual Wealth in Financial assets is expected to double to ₹ 326 Lakh Crore at a CAGR of 15.2% riding on the higher growth in equity markets. By FY20 it is expected that the proportion of financial assets in individual wealth will increase to 68% as compared to the present 57%, indicating a closer replica of the global break-up across major asset classes namely equity, debt, alternate assets and real estate.

Table 28: Projected Financial Wealth – Asset class wise distribution in FY20

Financial Asset class	FY15 (₹ Cr.)	FY20 (₹ Cr.)	CAGR (%)
Direct Equity	34,39,861	83,62,385	19.40
Fixed Deposits	32,37,066	54,24,467	10.90
Insurance	23,59,790	43,21,703	12.90
Savings Deposits	19,90,249	41,42,794	15.80
Cash	14,48,320	23,62,239	10.30
Provident Fund	9,24,026	23,00,796	20.00
Mutual Funds	5,52,325	19,62,351	28.90
NRI Deposits	7,20,997	13,64,189	13.60
Pension Funds	3,15,915	8,84,076	22.90
Current Deposits	3,42,785	5,58,020	10.20
Small Savings	5,78,990	4,35,999	5.50
Alternate Assets	41,960	2,59,111	43.90
Bonds	89,363	1,87,002	15.90
International Assets	14,040	46,372	27.00
Total	**1,60,55,686**	**3,26,11,504**	**15.20**

Figure 18: Projected Financial Wealth – Asset class wise distribution in FY20

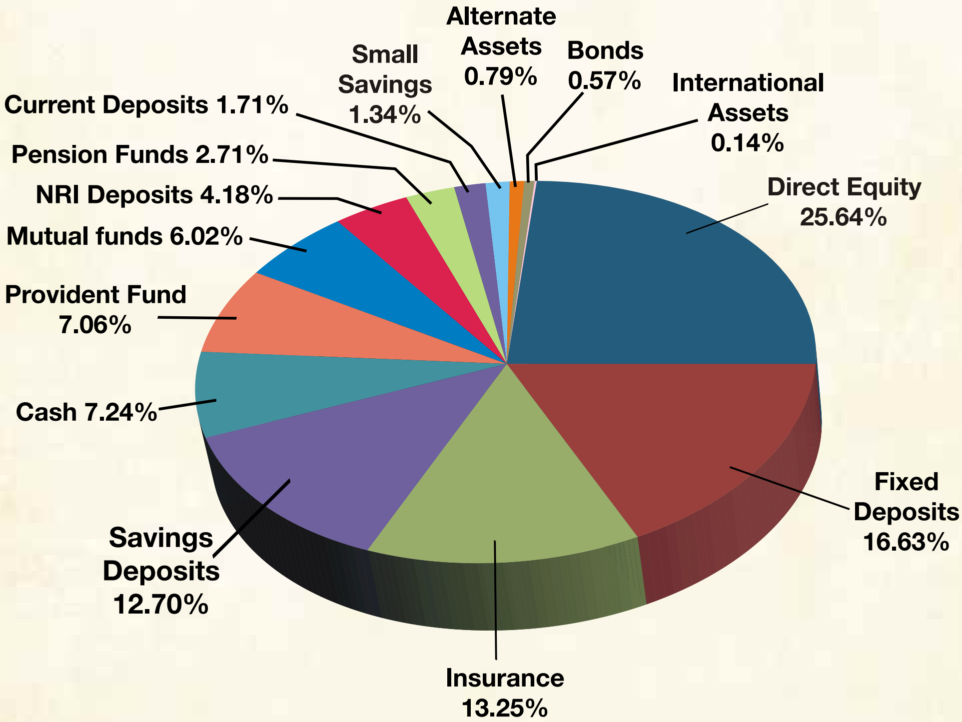


Table 29: Projected physical wealth-Asset class wise distribution in FY20

Physical Asset	FY15 (₹ Cr.)	FY20 (₹ Cr.)	CAGR (%)
Real Estate	52,85,577	63,03,366	3.60
Gold	57,15,605	62,29,562	1.74
Diamond	7,98,934	19,92,724	20.06
Silver	1,84,472	3,25,937	12.15
Platinum	4,698	16,535	28.61
Total	**1,19,89,286**	**1,48,68,124**	**4.41**

Physical assets are expected to grow at CAGR of 4.41% to reach ₹ 148 Lakh Crore by FY20. Among the asset classes, platinum and diamond are expected grow faster than the other physical assets.

Key Trends

- The total wealth held by individuals in India has grown by 8.9% to ₹ 280 Lakh Crore. Individual wealth in financial assets grew by 19% while physical assets de-grew by 2.3%.

- Direct equity has been the flavor of FY15 becoming the largest asset class of investments, overtaking fixed deposits. This trend is likely to continue for many years, considering the likely positive swing in the economy. We expect close to 20% growth p.a. in investments in equity over the next 5 years.

- The individual wealth in financial assets is expected to double from the present ₹ 160 Lakh Crore to ₹ 326 Lakh Crore in the next five years.

- Physical assets saw subdued interest with the wealth held by individuals in physical assets reducing marginally in FY15, on account of reduction in prices of Gold and precious metals and gems and subdued activity in the real estate sector. The physical assets are expected to grow at a slower rate of 4.4% CAGR for the next 5 years.

- For the new additional money being invested, FY15 has seen a reversal of trend with 54% of new money being invested in financial assets. This is in sharp contrast to previous few years where only 35-40% of new investments were being invested in financial assets and majority of investments were in physical assets. The current trend is likely to continue in the coming years owing to upturn in the economy, better liquidity in financial assets and global reduction in prices of precious metals and gems.

- In assets like debt and real estate, individual wealth in India is in line with the Global proportions. However, with faster growth in equities and slower growth in Gold, the coming decade is likely to witness a trend reversal between equity and alternate assets leading to India broadly being in line with the global percentages across all asset classes.

- We expect alternate assets and mutual funds to grow at a faster rate of about 44% and 29% per annum respectively over the next five years.

- Several initiatives of the Central Government towards financial inclusion such as *Jan Dhan Yojna, Atal Pension Yojna, Pradhan Mantri Jeevan Jyoti Bima Yojna, Mudra Yojna, Pradhan Mantri Suraksha Bima Yojna* will go a long way in increasing household savings rates and also financial investments across all strata of society.

About Karvy

KARVY PRIVATE WEALTH

Karvy Group:

The Karvy Group, established in 1982 and headquartered at Hyderabad, India is the Country's leading financial services conglomerate. The Group has grown steadily over the years, establishing a global presence with a wide range of financial-services offerings. The Groups enjoys leadership positions and competitive advantage in most business segments. A highly diversified enterprise has over 13,000 employees, spanning a vast network of over 1000 offices in about 600 cities / towns across India, UAE, Bahrain and the United States of America. Given such a well-established network, that touches the lives of millions, Karvy enjoys significant brand loyalty among investors, both individual and institutional.

The Group covers the Entire spectrum of financial services, such as registry and share transfer, stock broking, distribution of financial products (including equities, mutual funds, bonds, IPOs, and fixed deposits), wealth management, corporate finance, commodities broking, NBFC, data management services, insurance broking, investment banking, and depository participant, among others.

In order to ride new opportunities presented by the changing business scenario, Karvy has diversified into two new businesses viz. data analytics and market research.

Karvy Private Wealth:

Karvy Private Wealth is the Wealth management arm of Karvy Group providing exclusive and customised wealth management solutions to High net-worth individuals (HNIs) and families based on their specific needs. With the widest range of product offerings backed by industry's finest brains, Karvy Private Wealth is a complete wealth management boutique. This of course is built upon the Strong belief of the Group of providing clear, unbiased and most appropriate investment solutions to our esteemed clients and prospects.

Karvy Private Wealth is an open architecture firm at 2 levels – asset class level and product level, offering a comprehensive range of investment solutions across all asset classes including debt, equity, real estate and alternate assets.

At Karvy Private Wealth, we constantly work to grow your wealth over a long period of time to fulfill your financial aspirations and goals.

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