September 2010

KARVY PRIVATE WEALTH'S

INDIA WEALTH REPORT

Where do Indian Individuals Invest their Wealth?
Key Trends.

Foreword

In this “India Wealth Report” brought out by Karvy Private Wealth, we attempt to go deeper into the “India Rising” story, and try to unravel as to how the high GDP growth rate and savings rate manifest themselves as wealth for the Indian Individuals. Wealth in India is a relatively nascent concept, since so far, the quantum of cumulatively collected savings was never more than a blip on the world wealth radar. But the sheer math of high GDP growth rate, high savings rate and increasing awareness of smart investment products is going to increase wealth in India manifold in the coming years. We believe the wealth held by Individuals in India would double in the next 3 years.

We present this Report to Indian HNIs and emerging HNIs and invite you to understand the slice-and-dice of existing wealth in India – across asset classes of equity, debt and alternatives; and then across instruments within each of these asset classes. This should give you a quick idea of where Indian Individuals are investing their wealth and if there is some change required in your portfolio.

We compare breakdown of Indian wealth with global wealth to possibly forecast which type of investments we are under-invested in. We also forecast how this would change in the coming years. We clearly see the individuals in India having a much larger exposure to the equity asset class and we also believe that Alternative Assets will be the fastest growing “Asset Class” in the next few years in India. The key premise of many of these alternative assets is to have single products serving multiple investment objectives. As long as we are clear about our multiple investment objectives and do not follow the herd, we can identify smart alternative investment instruments to make us winners. As has been shown in recent world economic events, we need not pick up all learnings on this from the West – but instead use our capabilities to develop sharp-shooting alternative investment products in India to meet such objectives.

To have a more detailed discussion on any of the contents of this Report, please feel free to drop me a line. Happy reading ...Get More Out of Life.

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The Changing Face of India

The outlook of the world towards India is fast changing. Gone are the days when India was considered an under developed country. The nation as a whole has undergone a total face-lift with regard to its economy and financial growth. It is now considered as one of the fastest growing economies. This report talks about the amount of wealth available with Individuals in India and its break-up across various asset classes.

Estimated Individual Wealth in the World

The total estimated global wealth in financial assets with High Net Worth Individuals (HNIs)[1] at the end of December 2009 was US$ 39 trillion[2].

Estimated Individual Wealth in India

The amount of overall wealth in India has been calculated on the basis of the sum of all investment assets. For the purpose of this report only, the investments with individuals have been considered and does not include Government and Insitutional holdings. The total wealth in India held by individuals is estimated to be ₹ 73 lac crores[3]. The detailed break-up is as follows:

Table 1: Asset-wise break-up of Individual Wealth in India

Asset	Amount (in ₹ Crore)	Percentage
Direct Equity	22,73,043	31.1%
Fixed Deposits & Bonds	22,16,307	30.3%
Insurance	10,46,145	14.3%
Savings Bank Deposits	6,75,134	9.2%
Small Savings	5,19,162	7.1%
Provident Fund	2,81,559	3.9%
Mutual Funds	2,77,953	3.8%
Alternative Assets	18,575	0.3%
Total	**73,07,878**	**100%**

In this report, we have considered only the financial assets available to an Indian investor as shown the table above. Physical gold and real estate, which are physical assets have not been considered.

1 HNIs are defined as those having an investable asset of US$ 1 million or more, excluding primary residence, collectibles, consumables and consumer durables.

2 World Wealth Report 2010, Page 5, figure 2. Capgemini-Merrill Lynch Wealth Management.

3 Karvy Private Wealth Research

If we broadly consider the key asset classes, the same Individual Wealth in India stands as:

Table 2: Classification of Individual Wealth in India according to Key Asset Classes

Name of Asset	Amount (in ₹ Crore)	Percentage
Equities	24,76,626	33.9%
Debt	48,12,677	65.8%
Alternative Assets	18,575	0.3%
Total	**73,07,878**	**100%**

Comparing this with how globally investors invest their wealth, it may be observed that globally, approximately 58% of Individual Wealth is in Debt investments, 35% in Equity and 7% in Alternative Assets.

In India, Debt instruments are popular with the investors due to our traditional saving and risk-averse behaviour. But over the last few years investors have started viewing Equities as a good investment option, forming 33.9% of Individual Wealth. Investment in Alternative Assets is still at a nascent stage; therefore it comprises only 0.3% of total Individual Wealth but over the years it is expected to increase.

We expect that the wealth in India held by individuals will almost double over the next 3 years and we are looking at the Individual Wealth in India to grow from the present ₹ 73 lac crore to ₹ 144 lac crore by 2012-13.

The individual HNI wealth across the globe is estimated to grow from US$ 39 trillion in 2009 to US$ 48.5 trillion by 2013[4] at a growth rate of 5.6%. Hence it may be observed that the Individual Wealth in India which is estimated to grow at 25% compounded rate will grow at more than four times the world rate.

A large young educated population, which is open to investing their savings in different financial assets backed by a promising GDP growth rate will be the major contributor to this growth. We expect a much larger exposure towards the Equity asset class and believe that Alternative Assets will be the fastest growing Asset Class in the next few years in India.

4 World Wealth Report 2009, Page 4. Capgemini-Merrill Lynch Wealth Management.

Section 1: A Bird's Eye-view of Global Wealth

The total estimated global wealth with HNIs at the end of 2009 was US$ 39 trillion. This figure is almost same as the US $40.7[5] trillion at the end of 2007 i.e. before the global recession. Most of the wealth was concentrated in North-America, US$ 10.7 trillion to be exact. The Asia-Pacific region accounts for US$ 9.7[6] trillion.

Classification of World Wealth according to Asset Class

The total estimated global wealth in the key financial assets with HNIs at the end of 2009 is shown below:

Table 3: Classification of World Wealth according to Asset Class[7]

Name of Asset	Amount (in US $ Trillion)	Percentage of Wealth
Equities	11.2	35%
Debt	18.5	58%
Alternative Assets	2.3	7%

The above table does not include Real Estate which is included in the total estimated US$ 39 trillion. With the global economy having recouped and gained significant ground, in 2009 we have seen the Asia-Pacific region leading the world with a 30.9% increase in wealth as compared to global wealth which increased by 18.9[8]%.

5, 6 and 8 World Wealth Report 2010, Page 5, figure 2. Capgemini-Merrill Lynch Wealth Management.
7 World Wealth Report 2010, Page 17, figure 8. Capgemini-Merrill Lynch Wealth Management.

Section 2: India Rising

The economy of India is the eleventh largest in the world by nominal value and fourth largest on Purchasing Power Parity (PPP) basis.

Till 1990, there existed industrial licensing regime in India under which license was required for starting new companies, for producing new products, expanding productive capacity, laying off workers or for shutting down. Import of consumer goods, particularly luxuries, was restricted by means of high tariffs and low quotas or banning some items altogether. In 1991, India took a big leap away from the socialist protectionism in the wake of an exceptionally severe balance of payments crisis. The government signaled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of government in business.

With the liberalization of its economy, India witnessed tremendous economic growth. Between 2000 and 2005 India's GDP grew at 6-8% annually. In 2006-07 the growth rate was 9.7%. The GDP for 2007-08 was 9.2%. This figure fell to 6.7% for the year 2008-09. The main reason for this fall was the global economic downturn that began in the industrialized nations of the world in 2007.

In 2009–10, besides the global recession, factors such as sub-normal monsoon also contributed to the declining economy. In spite of all these negative factors, the economy, posted a remarkable comeback and the GDP growth rate for 2009-10 stands at 7.2%[9]. The estimated GDP growth rate for 2010-11 is 8.5%[10].

For the purpose of this Report we are considering only Individual Wealth and it does not include Institutional and Government holdings. The total wealth in India has been found as a sum of investments across the different asset classes available in the market.

The following financial assets have been considered as part of wealth, whereas physical assets such as gold and real estate have been excluded.

- Direct Equity
- Mutual Funds
- Insurance
- Fixed Deposits & Bonds
- Saving Bank Deposits
- Small Savings
- Provident Fund
- Alternative Assets

9 Economic Survey of India 2009-10
10 PMEAC

Section 3: Break-up of India's Individual Wealth Investment

The estimated total Individual Wealth in India stands at ₹ 73 lac crores. It is derived from the sum of all the asset classes, which are majorly classified into Equities, Debt and Alternative Assets. As our Report estimates Individual Wealth in India, we will further divide these assets based on the investment instruments available in India.

3.1 Direct Equity

Indians have conventionally invested in low risk assets but this behaviour is gradually changing with the economic boom and people experiencing higher returns in Direct Equities. The market capitalization value of Direct Equity changes according to the movements of the stock market. The overall amount invested in Direct Equities as on 31st March, 2010 is ₹ 60 lac crores.

Table 4: Overall Direct Equity Break-up

Investor type	% of Market Cap	Amount(in ₹ Crore)
Promoter Holdings	28.1%	16,89,755
Institutions / FII / QIBs	62.2%	37,36,130
Retail Investors	9.7%	5,83,288
Total	**100%**	**60,09,173**

However for the purpose of this Report on Individual Wealth we have only considered:

a. Promoter and Promoter Group – We have only considered the portion with Individuals/HUF, Bodies Corporate and Any Other (Trust/Partnership, etc) sections. We have not considered Government holdings as promoter in the report.

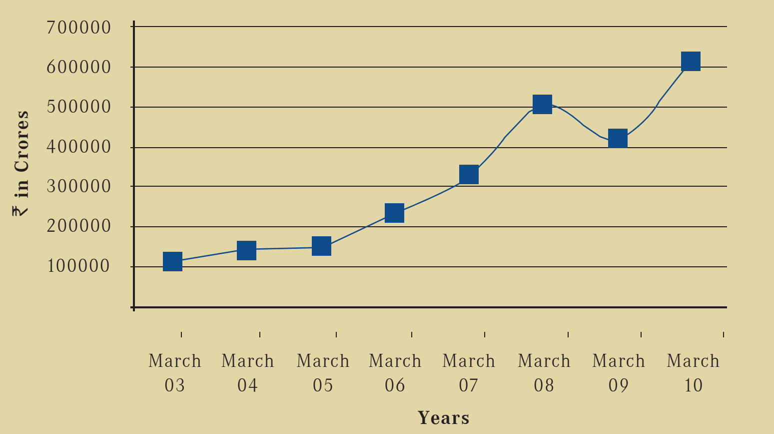
b. Public Shareholding – We have considered only the percentage of Individuals in this section.

Thus the portion of total Individual Wealth invested in **Direct Equity** comes to ₹ **22.7 lac crores** which is **31.1% of the Overall Individual Wealth in India.** It is the highest contributor of all of the asset classes. We also see Direct Equity to continue to grow and form a more prominent share of Individual Wealth in the years to come.

3.2 Mutual Funds

The Mutual Fund industry has seen a steady growth over the years. The Assets Under Management (AUM) for Mutual Funds has increased from approximately ₹ 1 lac crore in 2003 to ₹ 6.14 lac crore as on March, 2010. The growth of the AUM can be seen in the graph below (figure 1).

Figure 1: Growth in AUM of Mutual Funds



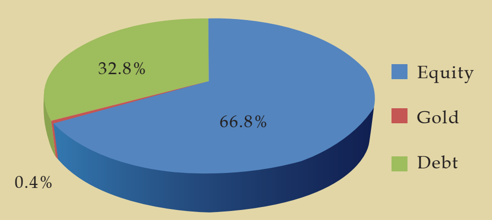
The total AUM for Mutual Funds as on March 31, 2010 is ₹ 6.14 lac crores. However, for the purpose of this report, only the HNI and retail investments have been considered and corporate and institutional investments have been removed from this asset pool.

The total wealth from Mutual Funds with individual investors is ₹ 2.77 lac crores. This indicates that of the total AUM, 45% is held by individuals and the remaining amount by corporates and institutional investors. The bifurcation of the total Individual Wealth invested in Mutual Funds is as follows[11]:

Table 5: Break-up of Mutual Funds by Underlying Investment

Asset Class	Amount (in ₹ Crore)
Equity	1,85,817
Debt	91,144
Gold	992
Total	**2,77,953**

Figure 1: Break-up of Mutual Funds



The AUM of Mutual Funds contributes 3.8% towards the overall Individual Wealth. The percentage of individuals that invest in Mutual Funds is low when compared to the other asset classes, however we see greater investments in Mutual Funds in the coming years.

11 Source - AMFI

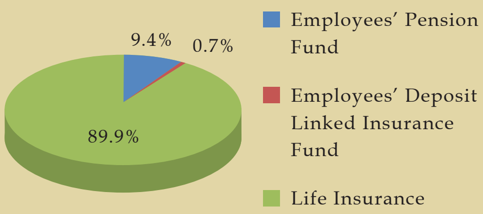
3.3 Insurance

In this section of the report we shall address wealth in Life Insurance, Pension Funds And Employees' Deposit Linked Insurance Fund[12]. The total AUM for this is ₹ 10.46 lac crores. Table 6 provides us with the amount of wealth in each of the sub categories under insurance.

Table 6: Assets in Insurance

Types of Insurance	Amount (in ₹ Crore)
Life Insurance	9,40,445[13]
Employees' Pension Fund	98,242[14]
Employees' Deposit Linked Insurance Fund	7,458[15]
Total	**10,46,145**

Figure 3: Composition of Insurance Asset



A major portion of this 'asset class' comprises Life Insurance. This can be divided into public sector insurers and private sector insurers. Life Insurance Corporation of India (LIC) is the only player in the public sector, whereas the private sector comprises more than 20 companies. The total of both these sectors will give us the total amount invested in Life Insurance in India.

Only 29% is invested in the private sector, whereas 71% of the AUM of Life Insurance is with LIC of India. The reason for this can be that LIC of India has been around for more than 5 decades. The private players followed much later starting from year 2000.

The Assets in Insurance account for 14.32% of the total Individual Wealth in India. This comes third only to Equity and Fixed deposits in terms of preferred investment instruments. This proves that investors ensure that the investable surplus they have is utilized not only to increase their wealth but also to safeguard themselves and their families.

Of the total amount that individual investors have put into Insurance, ₹ 1.77 lac crore (approx.) is invested in the Equity markets through Unit Linked Insurance Plans (ULIPs)[16].

12 All establishments with at least 10 full-time permanent employees and to whom the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 applies, have a statutory liability to subscribe to Employee's Deposit Linked Insurance Scheme (EDLI), 1976 to provide for Life Insurance for all their employees. The organization has to make a contribution @ 0.51% of each employee's wages (Basic + Dearness Allowance + Retaining Allowance), subject to a maximum of ₹ 6,500 per month, to the Provident Fund Authorities as part of its compliance to the Act. The death benefit payable under this scheme is based on the provident fund account balance of the individual member, subject to a maximum of ₹ 60,000/.

13 IRDA Annual Report 2008-09 ; 14 and 15 - 56th Annual Report, 2008-09 Employees' Provident Fund Organization ; 16- Outlook Money, 5th May 2010.

3.4 Fixed Deposits & Bonds

Traditionally Indian investors have invested in Fixed Deposits and it still comprises a major portion of asset allocation of Individual Wealth.

Table 7: Assets of Individuals in Fixed Deposits and Bonds	
Asset	**Amount (in ₹ Crore)**
Fixed Deposits	22,13,023
Bonds	3,284
Total	**22,16,307**

The asset class of Fixed Deposits (FDs) and Bonds comprise:

A. Fixed Deposits

- Bank Fixed Deposits
- Corporate Fixed Deposits
- Fixed Deposits with Non-Banking Financial Companies (NBFCs)
- Fixed Deposits with Residuary Non-Banking Companies (RNBCs)

Bank Fixed Deposits include scheduled commercial and co-operative bank's fixed deposits. The total assets for Scheduled Commercial Bank FDs as on April, 2010 is ₹ 39.24 lac crores[17] of which ₹ 20.23 lac crores are the Assets for Scheduled Commercial Bank FDs held by individuals. The Assets for Scheduled Co-operative Bank FDs in 2007-08 is ₹ 48,585 crores[18] of which ₹ 25,045 crores is the wealth held by individuals.

Corporate Fixed Deposits are similar to Bank Fixed Deposits except that they are offered by a company or a corporate. The interest rate that these offer is higher than that of banks, at times double. According to estimates, the AUM of Corporate Fixed Deposits is ₹ 60,000 crores. Many of the top companies belonging to reputed industrial houses like Tata Motors, JaiPrakash Associates, Mahindra & Mahindra Finance, etc. and government organisations like HUDCO, LIC Housing Finance, etc. are accepting deposits from public.

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by government or local authority or other securities of marketable nature, leasing, hire-purchase, insurance business, chit business, but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property. The AUM of Fixed Deposits with NBFCs is ₹ 14,802 crores[19] of which ₹ 7,630 crores is held by individuals.

17, 18 and 19 Source - RBI

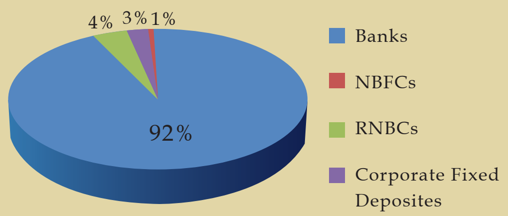
Residuary Non-Banking Companies (RNBCs) are companies which are non-banking institutions receiving deposits under any scheme/arrangement in one lump sum/installments by way of contributions/subscriptions or by sale of units/certificates/other instruments. The Assets in FDs with RNBCs is ₹ 97,082 crores.

Hence, the total wealth in Fixed Deposits in India is ₹ 41.45 lac crores. Of this, the amount with individuals is ₹ 22.13 lac crores. Thus, we can say that 53.39% of total wealth in Fixed Deposits is with individual investors. The chart below shows a break-up of FDs into the sources:

Table 8: Distribution of Fixed Deposits

Types of FDs	Amount (in ₹ Crore)
Bank FDs	20,48,311
Corporate FDs	60,000
NBFC FDs	7,630
RNBC FDs	97,082
Total	**22,13,023**

Figure 4: Distribution of Fixed Deposits



We can conclude that investors prefer Bank FDs over the other types of Fixed Deposits probably because Bank FDs are considered to be more secure. Although Corporate FDs have a much higher rate of return, they are unsecured investments and come with a greater level of risk.

Fixed Deposits account for 30.28% of the overall Individual Wealth in India. It is a high proportion as it is the 2nd most preferred investment avenue after Direct Equities. The reason it accounts for such a high percentage towards the overall wealth is its low-risk nature.

B. Bonds

- PSU Bonds (including Capital Gains Bonds)
- Corporate Bonds

In PSU Bonds, we have considered taxable as well as tax-free bonds. The total AUM for PSU Bonds as on 31st March, 2009 is ₹ 49,005 crores. However, the estimated Individual Wealth in PSU Bonds is ₹ 1,359 crores[20].

Table 9: Assets in Bonds

Bond Type	Amount (in ₹ Crore)	Percentage
PSU Bond	1,359	41%
Corporate Bond	1,925	59%
Total	**3,284**	**100%**

20 Source - RBI

The total AUM for Corporate Bonds as on 31st March, 2010 is ₹ 3,750 crores[21]. This consists of individual and institutional investors. Considering only individual investors, ₹ 1,925 crores is the total Individual Wealth in Corporate Bonds.

From the above data, we conclude that total AUM in Bonds with the individuals is ₹ 3,284 crores. Thus, PSU Bonds and Corporate Bonds account for a very minimal percentage of the total Individual Wealth in India (lower than 1%).

3.5 Savings Bank Deposits

The amount of investable surplus that investors have in a savings account with banks will be addressed in this section. This can be further divided into the type of banks the deposits are with. These types include Scheduled Commercial Banks and Scheduled Co-operative Banks.

Table 10: Savings Bank Deposits[22]

Bank Type	Amount (in ₹ Crore)
Scheduled Commercial Banks	6,70,895
Scheduled Co-operative Banks	4,239
Total	**6,75,134**

Though the returns are less, it has been the favourite asset of Indian individuals over the years as it is completely risk-free and highly liquid. The Savings Bank Deposits across India is worth ₹ 6.75 lac crores.

Savings Bank deposits with individuals account for 9.24% of the overall Individual Wealth in India.

21 AUM calculated is of the corporate bond issues which have come out for retail investors in 2009 and 2010.
22 Source – RBI

3.6 Small Savings

Small savings comprise savings made with the Post Office. They include instruments such as Post Office Time Deposits, Post Office Recurring Deposits, Post Office Savings Accounts, Post Office Monthly Income Scheme, Kisan Vikas Patra, and National Savings Certificate, etc. It is one of the most traditional forms of investment in India. The total AUM of Small Savings as on 31st March, 2009 is ₹ 5.19 lac crores[23]. Public Provident Fund in the Post Office has not been considered here as it is being considered as a separate asset class under Provident Fund. Table 11 below lists the different post office small savings schemes and the amount of Individual Wealth in each of them as on March 31st, 2009.

Table 11: Small Savings

Scheme	Amount (in ₹ Crore)
Post Office Monthly Income Scheme	1,79,270
Kisan Vikas Patra	1,47,584
Post Office Recurring Deposits	64,822
National Savings Certificate (NSC)	55,455
Post Office Time Deposits	26,331
Post Office Savings Account	22,217
Senior Citizens' Savings Scheme	20,612
Deposit scheme for Retiring Government Employees 1989 / Retiring Employees of Public Sector	1,244
Indira Vikas Patra	1,072
National Savings Scheme 1992	555
Total	**5,19,162**

The Assets in Small Savings contributes 7.10% of the total estimated Individual Wealth in India. Small savings are a popular choice amongst the smaller investors and are also extensively used by the rural population as investment avenues.

23 Source - RBI

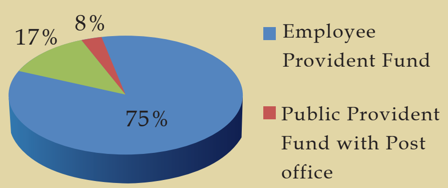
3.7 Provident Fund

Provident Fund (PF) is an investment-cum-tax savings instrument. It has been used traditionally as a retirement planning tool by individual investors in India. It is an asset class which provides the investor with the luxury of saving tax and also safeguarding their capital. Provident Fund can be divided into Employee Provident Fund (EPF) and Public Provident Fund (PPF). EPF is a retirement benefit scheme that is available to salaried employees. Both the employees and employer contribute to EPF as a percentage (12% in most cases) of the basic wages, dearness and retaining allowance, which is remitted to the PF authorities. PPF is a voluntary yearly amount that an individual deposits with Post Office (PPF with Post Office) or with Banks (PPF with Banks). Table 12 lists the break-up of all types of PPF accounts.

Table 12: Provident Fund

Type of PF	Amount (in ₹ Crore)
Employee Provident Fund	2,11,677[24]
PPF with Banks	47,124
PPF with Post Office	22,758[25]
Total	**2,81,559**

Figure 5: Distribution of Provident Fund



The total assets in PF as on 31st March, 2009 is ₹ 2.81 lac crores. The amount of wealth in EPF is ₹ 2.11 lac crores. The amount of wealth in PPF is ₹ 69,882 crores. One of the reasons for the difference in the AUMs of EPF and PPF is that EPF is provided by all employers to their employees and is compulsory in most organizations. Whereas PPF is an investment cum tax saving option that an investor can opt for. It is not compulsory to have a PPF account. As only individuals can have a Provident Fund account, the entire amount is considered as the wealth with individuals.

When the Assets of PF are evaluated against the overall Individual Wealth in India, they account for 3.85% of the overall wealth.

24 Source - EPFO
25 Source - RBI

3.8 Alternative Assets

Investments which are considered outside the traditional asset classes like Equity, Mutual Funds, Saving and Fixed Deposits, Insurance and other instruments covered earlier are known as alternative assets. These assets include private equity/venture capital, structured products, real estate funds, art funds, film funds etc. These alternative assets usually have a larger initial investment and hence not accessible to general investors.

A. Equity Linked Debentures

Equity-linked Debentures are instruments whose returns on investment are tied to the equity markets. These are comparatively new in the Indian market and are of two types:

- Principal Protected, where the principal amount is fixed while the interest component is variable and linked to stock market movements;
- Non-Principal Protected instruments are a riskier variant, where even the principal is linked to the market.

The total assets in ELDs as on 18th November, 2009 is ₹ 15,000 crores.

B. Private Equity Funds/Venture Capital

Starting and growing a business always requires capital. There are a number of alternative methods of raising funds. These include the owner or proprietor’s own capital, arranging debt finance or seeking an equity partner, as is the case with Private Equity and Venture Capital. Private Equity (PE) is a broad term that refers to any type of non-public ownership equity securities that are not listed on a public exchange. Private Equity encompasses both early stage (venture capital) and later stage (buy-out, expansion) investing.

The assets with PE Funds as of December, 2009 is ₹ 7,514 crores[26]. Of this, the amount of wealth with individuals is ₹ 1,503 crores.

C. Real Estate Funds

Like Mutual Funds, Real Estate funds are founded by a group of real estate professionals/experts to 'manage' property/real estate for the investor. Investors get the benefit of diversification across cities and across property - Residential and Commercial. The introduction of Real Estate Mutual Funds has further ensured large-scale investments in the Indian real estate market.

As of now, the real estate window is open to high net worth individuals, institutional investors and global investors. The total assets in Real Estate Funds is ₹ 6,753 crores[27]. The total AUM of Real Estate Funds with individuals is ₹ 1,351 crores.

26 and 27 Source - SEBI

D. Film Funds

Film Funds mobilize money to invest in movie productions/marketing. While not all films are successful, the payoffs from those that are successful can be huge. The fund sets up Special Purpose Vehicles (SPVs) to fund each film project. The revenues from the film will flow directly into the SPV and will be re-distributed according to the ownership pattern. The filmmaker too will have a stake in the SPV.

The total amount of wealth in Film Funds amounts to ₹ 965 crores[28]. The assets in Film Funds, considered for the purpose of this report, to be with individuals is ₹ 482 crores.

E. Art Funds

An Art Fund works much like a Mutual Fund, the difference being that the former invests in Art. The funds aim at investing in a diversified portfolio of select works by leading artists and providing investors with the opportunity to profit from leveraging the fund's pooled purchasing power. Art funds are a fairly recent phenomenon in India, and are cumulatively estimated to command AUM of ₹ 239 crore under management.

Table 13 lists the break-up of the amount of wealth under each sub-category of Alternative Assets.

Table 13: Alternative Assets

Type of Asset	AUM (in ₹ Crore)
Equity-linked Debentures	15,000
Private Equity/Venture Capital	1,503
Real Estate Funds	1,351
Film Funds	482
Art Funds	239
Total	**18,575**

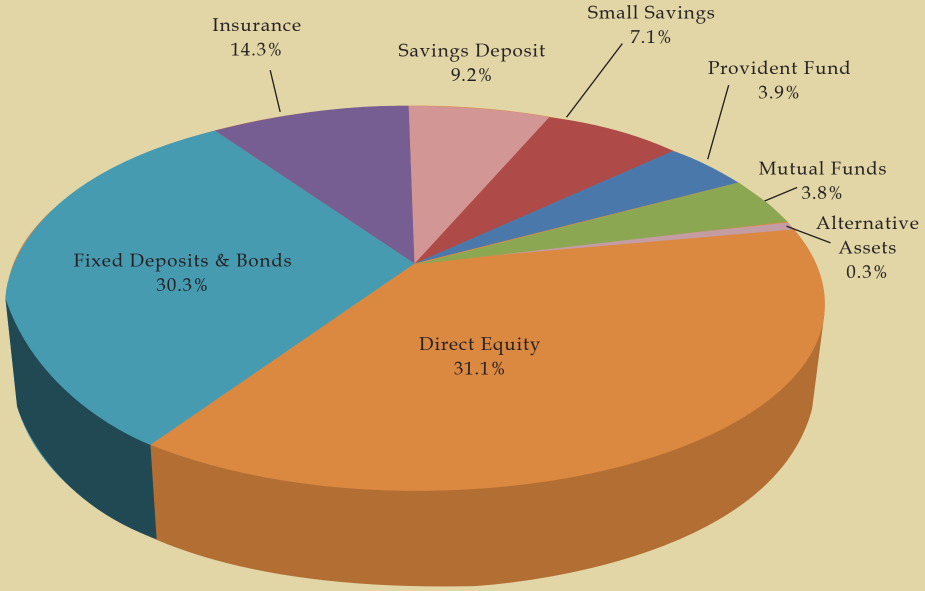
The total AUM in Alternative Assets is ₹ 18,575 crores. This asset class is relatively new in India and as the initial investment is huge and risk is fairly high, people are still reluctant to invest in it. But this scenario is expected to change over the next decade as HNIs will look for different options for portfolio diversification. We expect investments in Alternative Assets to grow at a phenomenal rate of 100% over the next three years.

28 Source - SEBI

3.9 Total Wealth in India

The total wealth in India is ₹ 73 lac crore and is invested across various asset classes, as described in the previous sections.

Figure 6: Asset-wise distribution of Individual Wealth



As we have observed above, a major portion of the wealth in India is in Equity and Fixed Deposits. It collectively accounts for 61% of the total share of wealth. The figure above illustrates in greater detail how the total wealth in India is bifurcated into various assets.

Section 4: Individual Wealth in India vis-a-vis the World

Table 14: Comparison of Global & Indian Individual Wealth according to Asset Class		
Name of Asset	**Percentage of Global Wealth**	**Percentage of Indian Wealth**
Equities	35%	33.9%
Debt	58%	65.8%
Alternative Assets	7%	0.3%

From the very beginning, Indians have been investing in Fixed Deposits, Insurance and depositing money in Savings Deposits, therefore a major percentage of Individual Wealth goes in debt instruments. But in the past one decade investment in equities has also been on a rise. This is due to an emerging robust Indian economy with a good GDP growth rate and a promising growth ahead. Indian economy in the coming years will be driven by robust domestic consumption, pick-up in exports and more market activity, thus boosting investor's faith in the markets. As India has a lot of young, working population risk appetite is fairly high. Alternative assets are relatively a new asset class. However it has a huge potential and is expected to grow over the next decade. Over the next decade we believe investments in Equity Instruments and Mutual Funds will also increase substantially.

Section 5: The Future of India's Wealth

5.1 Financial Household Savings

Individuals in India generally have a habit of saving. Consistent GDP growth leads to an increase in Household Savings, assuming that there is no radical change in consumption/savings pattern of Indian households. Our Household Savings rates are amongst the highest in the world. As Household Savings shoot up, the Financial Household Savings also increase.

The Financial Household Savings lead to an investment across various asset classes. Table 15 below lists the projection for the Financial Household savings for the next three years.

Table 15: Financial Household Savings Projection

	2010-11	2011-12	2012-13
GDP Growth Rate[29]	8.50%	9.00%	9.00%
Estimated GDP (at current market prices) in ₹ Cr.	73,56,946	88,20,979	1,05,76,354
Household Savings (in ₹ Cr.)	16,92,098	20,28,825	24,32,561
Financial Household Saving (in ₹ Cr.)	10,49,101	12,98,448	16,05,490

As can be seen above, over the next three years investment of Household Savings in the form of financial assets will gradually rise to about ₹ 16 lac crores in 2010-13 and will in turn contribute to the total Individual Wealth in India.

5.2 Forecast of Individual Wealth

The robust and growing Indian economy backed by consistent GDP growth is ensuring that the wealth in India held by individuals increases at a rapid pace. This is on account of both the existing investments held by individuals growing with the economy as well as additional wealth invested by individual from the Financial Household Savings on account of higher Household Savings.

29 Source - PMEAC


INDIA

Table 16: Individual Wealth Forecast			
(in ₹ Crores)	2010-11	2011-12	2012-13
Individual Wealth - Beginning of the Year	73,07,878	91,60,011	1,14,95,116
Return Generated on Invested Wealth[30]	8,03,032	10,36,658	13,39,928
Financial Household Saving[31] to be invested	10,49,101	12,98,448	16,05,490
Total Individual Wealth - End of the Year	**91,60,011**	**1,14,95,116**	**1,44,40,534**

As can be seen in table 16 above, **we estimate the Individual Wealth in India to almost double from the existing ₹ 73 lac crore to ₹144 lac crores by 2012-13 at a compounded annual growth rate of 25%.**

5.3 Key Trends

We see a shift in the way Individual Wealth in India will be invested across asset classes by 2012-13. This is due to various factors such as a promising GDP growth rate, better understanding of newer & better investment avenues, better financial literacy and a large young educated population.

Table 17: Forecast of Individual Wealth in India according to Key Asset Classes		
Name of Asset Class	**2009-10**	**2012-13**
Equities	33.9%	42.9%
Debt	65.8%	56.1%
Alternative Assets	0.3%	1.0%

As can be seen in Table 17, we see a shift towards the Equity based asset classes which will form 42.9% of Individual Wealth by 2012-13. Apart from the traditional direct equity, where Individual Wealth will also grow along with the growth of high growth sectors such as infrastructure, capital goods, banking, pharmaceutical & healthcare, we see Exchange Traded Funds becoming extremely popular and forming a part of an individual's portfolio.

30 Based on Karvy Private Wealth's propreitory "Asset Return Model"

31 Financial Household Saving as estimated in Table 15

While the investments in Debt asset class instruments would increase by 20% YOY in volume terms its overall proportion would reduce from the present 65.8% of Individual Wealth in India to 56.1% in 2012-13. Individuals would broadly continue to invest in the same debt instruments as they presently invest in, although the growth in small savings will be limited. We do not see futuristic products such as Inflation linked bonds getting popular in the next 3 years.

We believe that individuals in India are under-invested in Alternative Assets. With just 0.3% of our wealth presently in Alternative Assets as compared to 7% globally, we believe this will be a huge area of investments in the next decade. We see Private Equity Funds, Real Estate (Real Estate Funds & Real Estate Investment Trusts) and International investments becoming extremely popular among the HNIs. However we do not see Hedge funds becoming a popular option in the next 2-3 years.

About Karvy Private Wealth

Founded in 1985, the KARVY Group has grown to be become one of the leading financial groups in India. Our wide network spans more than 800 offices across India, Dubai and New York. The group operates multiple businesses – stock broking, IPO marketing, registry and transfer of shares, depository participants, insurance broking, mutual fund distribution and commodity broking – and is ranked among the top five in each of these businesses.

All this has been built upon the Group's unwavering commitment to integrity and transparency in all its dealings – a fact all our customers attest to. Out of this very culture of success has emerged Karvy Private Wealth, the wealth management arm of the KARVY Group. Karvy Private Wealth focuses on providing Wealth management advisory services to High Net worth Individuals and Business Families. Karvy Private Wealth provides a spectrum of innovative solutions to privileged individuals like you who need wealth management solutions to manage their hard–earned fortunes efficiently.

At Karvy Private Wealth, we believe that expert wealth management is important to maintain the value of your wealth over a longer period of time and to grow it to fulfill your aspirations and financial goals.

The Karvy Private Wealth Edge

We aspire to become your trusted and primary advisor.

We act as more than just investment advisors: we provide access to a complete suite of services. With the right people guiding your wealth in the right direction, there is no limit to what you can achieve. All our investment recommendations are backed by intense in-house research and tailor-made for you as bespoke solutions by our highly experienced senior management team. Our strategic asset allocation framework takes into account your unique circumstances and financial personality for recommending an asset allocation specific to your needs.

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