VOLUME 9 | DECEMBER 2018
FOR PRIVATE CIRCULATION ONLY

KARVY PRIVATE WEALTH

INDIA WEALTH REPORT

2018

KARVY
INDIA 2017
WEALTH REPORT
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INDIA WEALTH REPORT 2016
"The times they are a-changing.."
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Foreword

It gives me great pleasure and pride presenting to you, the much awaited ninth edition of India Wealth Report, 2018. In this report, we have analysed in great detail where individuals in India are investing their hard earned income, the current Global and Indian trends in wealth management and also how this wealth is expected to grow over the next half decade across various financial and physical asset classes.

The volatility in world markets and Indian equity market has been noteworthy of late, but India still stands tall and has reclaimed 'the world's fastest growth large developing economy' tag from China. The Global growth has been steady, and the emerging markets will continue outpacing the global growth. We are extremely optimistic of the opportunity available to fellow Indians to grow our wealth over the medium to long term, like never before.

Taking forward the acceleration of wealth growth over the last few years, individual wealth in India grew by 14.02% to reach ₹392 lakh crore in FY18. This was achieved by a huge 17.42% wealth growth in financial assets and a sober 9.24% wealth growth in physical assets. Direct Equity emerged as the hero to capture the top spot where Indian Individuals have their wealth. Other notable assets which saw good growth include Mutual Funds and Alternative Investments.

We foresee that the coming five to seven years will be the time for equity as an asset class and investors can possibly treble their wealth in equities.

In addition to a detailed analysis of trends in the various physical and financial sub-asset classes, we cover some special topics in this report

- Sensex at 1,00,000 by 2025?
- Trends in Real Estate
- International Investments
- Philanthropy – Giving for a cause

We end this report with our inhouse research projections of asset class preferences over next 5 years. By FY23, we expect the total individual wealth to almost double to ₹762 lakh crore, growing at a CAGR of ~14.19%.

I am convinced that you will find this wealth report useful both as a reader and as an investor. Please write to me on abhijit1.bhave@karvy.com if you wish to have a more detailed discussion on any of the contents of this report.

Read on for more interesting details

Keep growing with Karvy Private Wealth

Abhijit

Abhijt Bhave
Chief Executive Officer
Karvy Private Wealth


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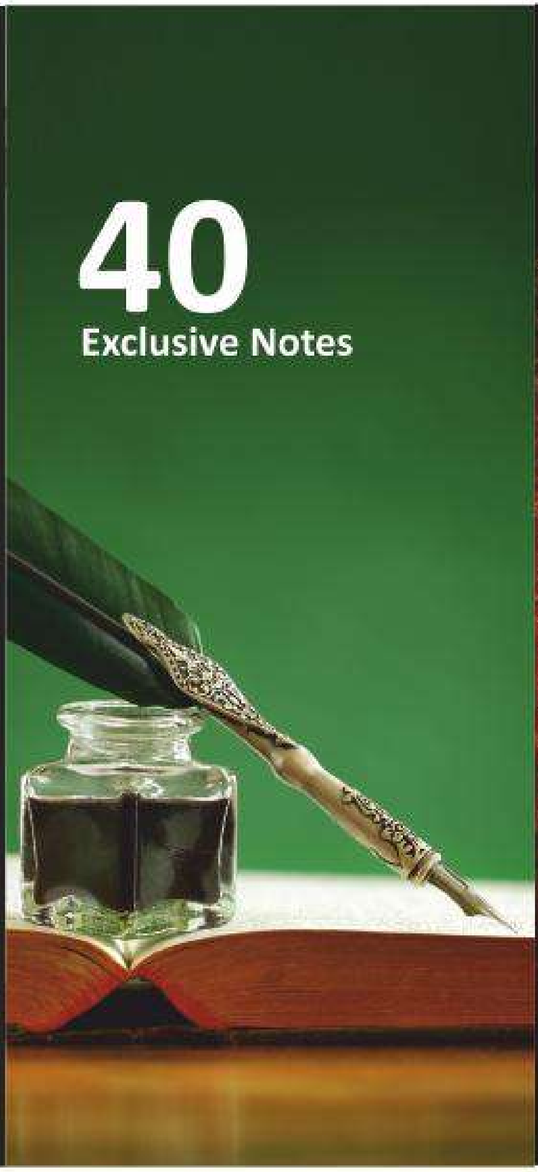
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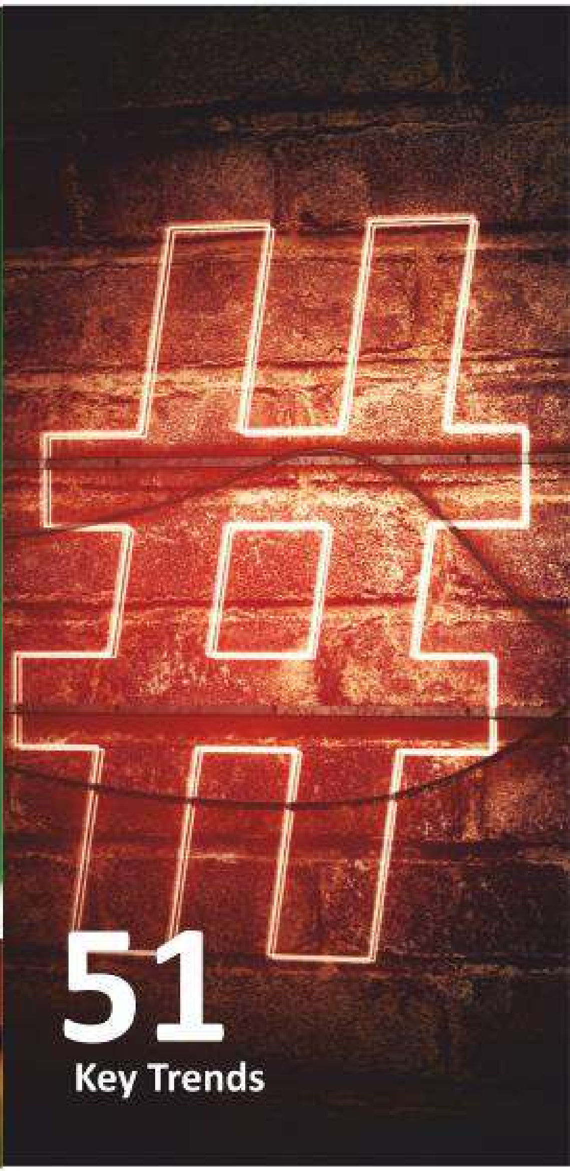
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EXECUTIVE SUMMARY

The annual India Wealth Report attempts to do an in-depth analysis of the global and domestic wealth holdings of individual investors to understand where and how Individuals in India have invested their money. A thorough research of the asset classes is undertaken to understand the latest trends of investments and to show which asset classes are gaining investors' favor, and which ones are falling out of preference. Based on this study and the in-house research view, the India Wealth Report then projects the investment trends for the future.

The Global economy though on a stronger footing currently, may start easing from FY20. We expect by 2020 the US economy will moderate and the US Fed may start lowering rates. The ECB may start pulling back the easy money policy as the growth number inches up. Chinese economy which is presently on a slower track, by 2020, will start reaping benefits of the recent government policy changes and thus change gears towards accelerated growth path again. Japanese economic growth is on track and easy monetary policy may continue for coming years. The strength in pound sterling does indicate that a consensus for the Brexit is in pipeline and may also lead the central bank of England to raise rates going forward in 2019.

In FY18, individual wealth in direct equity zoomed 30.32% to a massive ₹ 48.97 lakh crore, making it the most preferred asset for holding individual wealth, overtaking fixed deposits and bonds which ended at ₹42.09 lakh crore in FY18. Insurance maintained its 3rd rank, holding ₹33.36 lakh crore of Individual wealth.

The Global Private wealth management industry had a glorious FY18, as the industry registered a sixth consecutive year of gains and grew by 10.6% to reach the US$70 trillion mark. Being home to the fourth largest population of millionaires in the Asia Pacific region, India was amongst the fastest-growing markets globally in 2017, with a 20.4% HNI population expansion and 21.6% growth in HNI wealth.

In FY18 the individual wealth in India grew to ₹ 392 lakh crore, a rise by 14.02% on Y-O-Y basis, against a growth of 10.91% in FY17. Individual wealth in Mutual Funds grew by a whopping 34.5%, underlying once more, the popularity of this medium of investments. The HNIs/UHNIs have also started moving assets towards alternative investments. Total Individual wealth in alternative assets was at ₹ 1, 24,073 crore in

FY18, a jump of around 33.46% on a Y-O-Y basis. Noticeably the share of investments in in financial assets is on the rise and has increased on Y-O-Y to 60.22% and the proportion of physical assets have come down to just 39.78 % in FY18 as compared to 48% in FY17. On the back of growing financial inclusion and more sectors coming under the formal economy; we expect this trend to continue in near future too. We project that till FY23, the total individual wealth in India will have a healthy growth rate of a CAGR of ~14.19%.

Global Private Financial Wealth

2017 has been a satisfying year with respect to growth for the Global private wealth industry. HNI wealth segment grew by 10.6%[1], making 2017 the second-fastest year of HNI[2] growth since 2011. Global HNI Wealth has now crossed the US$70 Trillion Mark[3].

HNI population witnessed a handsome growth of 20% for the period 2012 - 2017 and is projected to grow much faster, by as much as 43% in the period 2017-2022. Geographically, Asia Pacific contributed the most i.e. 41.4% increase in the global HNI financial growth, North America being 27.4% and Europe's HNI growth was next at 16.3%.

Individual Wealth in India

Being the home to the fourth largest population of millionaires in the Asia Pacific region, India was the fastest-growing major market globally in CY17, with a 20.4%[4] HNI population expansion and 21.6% HNI wealth growth. The table below provides an insight into the wealth held by individuals and HNIs across both the physical and financial asset classes in India. In FY18 the individual wealth in India grew to ₹ 392 lakh crore, a rise of 14.02% on Y-O-Y basis, against a growth of 10.91% in FY17 (₹ 344 lakh crore). A Detailed classification on both financial and physical assets along with trends and forecast has been explained in this report.

Source: 1,2 - World Wealth report, 2018 - Capgemini; 3 - HNI are individuals having US$1 million or more investable wealth and Ultra HNI are Individuals having US$30 Million or more investable wealth; Investable wealth excludes primary residence, collectibles, consumables and consumer durables; 4 - Asia Pacific Wealth report, 2018 - Capgemini

Table 1: Total Individual Wealth in India in FY18

Category	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY18 %	Proportion FY17 %
Financial Assets	2,36,34,730	2,01,28,861	17.42	60.22	58.48
Physical Assets	1,56,10,118	1,42,89,371	9.24	39.78	41.52
Total	**3,92,44,848**	**3,44,18,233**	**14.02**	**100.00**	**100.00**

Individual Wealth in Financial Assets

Individual wealth in financial assets witnessed an increase of 17.42%, and grew to ₹236.34 lakh crore in FY18 as compared to ₹201.28 lakh crore in FY17. Around 73.2% of the assets held by individuals were held in direct equity, fixed deposits, insurance, saving bank deposits and cash in FY18. A major portion of the money moved towards direct equity on the back of a strong equity market performance, while the fading demonetisation effect resulted in cash outflow from the savings deposits account (13.11% growth in FY18 compared to 14.30% in FY17) to direct equities and Mutual funds.

In FY18, positive performance of equity market made it the most loved asset class for the UHNIs/HNIs and direct equity now forms 20.7% of the total wealth pie of individual financial wealth in India. Mutual Funds remained one of the biggest growth drivers of wealth in FY18 with growth rate of 34.50% through both an increase in regular SIPs and lumpsum investment. Astute investors realised the power of Alternative Investments and the wealth held by individuals in Alternative Investments grew by 33.46%. The recent emerging market currency depreciation also saw renewed interest in the international investments which saw a jump of 25.83% for FY18.

Meanwhile, major drags to total individual wealth included Current Deposits, NRI Deposits, Saving Deposits and Fixed Deposits in FY18 as the rise in yields globally and also a jump of ~120bps in the domestic yields contributed to reduced interest in the bank savings schemes.

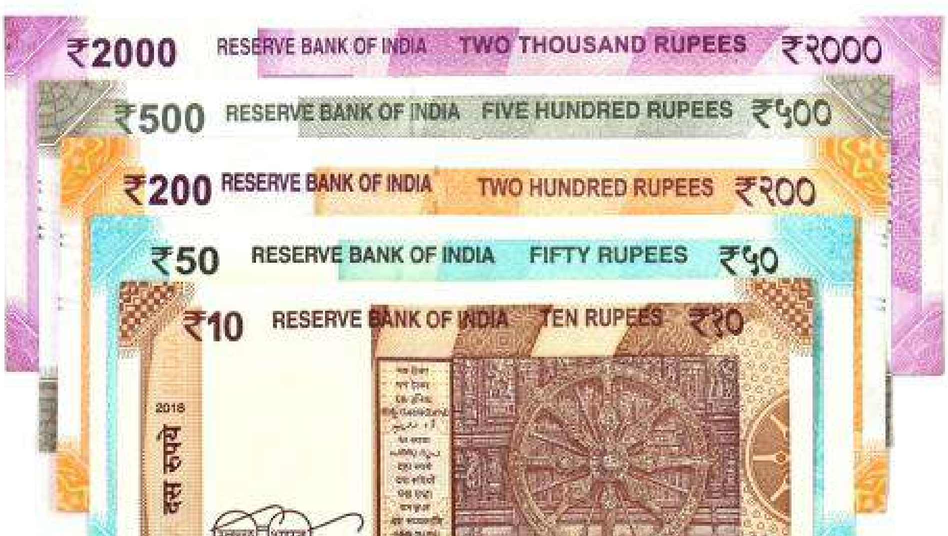


Table 2: Classification of Individual Wealth in India based on Financial Assets

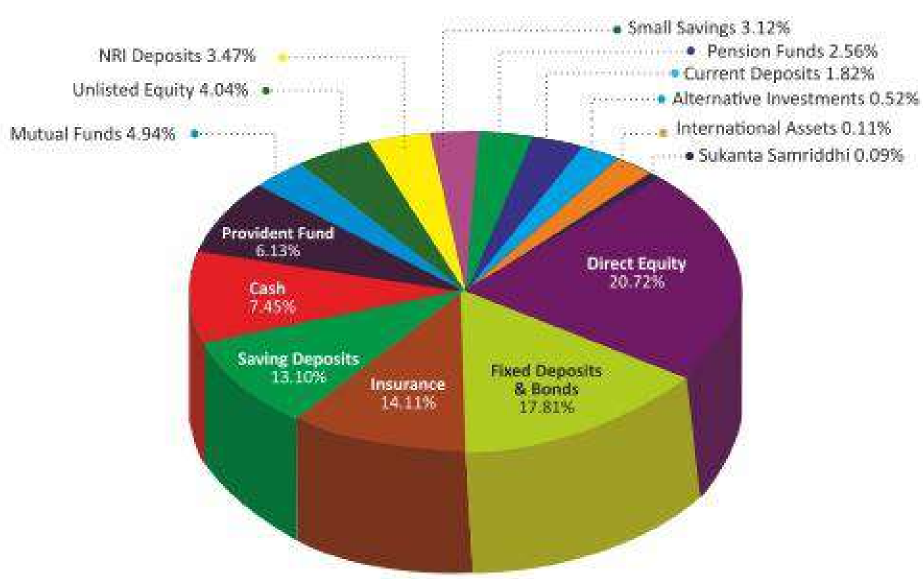
Financial Assets	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY18 %	Proportion FY17 %
Direct Equity	48,97,574	37,58,255	30.32	20.72	18.67
Fixed Deposits & Bonds	42,09,745	39,09,252	7.69	17.81	19.42
Insurance	33,35,909	30,01,230	11.15	14.11	14.91
Saving Bank Deposits	30,96,806	28,83,697	7.39	13.10	14.33
Cash	17,59,712	12,64,124	39.20	7.45	6.28
Provident Fund	14,48,241	13,04,316	11.03	6.13	6.48
Mutual Funds	11,67,954	8,68,396	34.50	4.94	4.31
Unlisted Equity	9,55,930	6,98,620	36.83	4.04	3.47
NRI Deposits	8,19,725	7,57,200	8.26	3.47	3.76
Small Savings	7,36,560	6,67,912	10.28	3.12	3.32
Pension Funds	6,03,937	4,75,227	27.08	2.56	2.36
Current Deposits	4,30,935	4,13,163	4.30	1.82	2.05
Alternative Investments	1,24,073	92,963	33.46	0.52	0.46
International Assets	26,027	20,682	25.84	0.11	0.10
Sukanya Samriddhi Scheme	21,602	13,824	56.26	0.09	0.07
Total	**2,36,34,730**	**2,01,28,861**	**17.42**	**100.00**	**100.00**

It is estimated that the individual financial wealth in India will double to ₹517.88 lakh crore by FY23 at a CAGR of 16.99%. Direct equity and mutual funds are expected to be the growth drivers of this northward trend, growing by 198% and 160% respectively over the next 5 years.

Figure 1

How Financial Wealth reshaped in FY18

Break up of Individual Wealth in Financial Assets



Individual Wealth in Physical Assets

Growth of individual wealth in physical assets inched higher to 9.24% in FY18 as against 8.03% recorded in FY17. The domination of Real estate and Gold in the portfolio of individual investors as regards to physical assets continued as they together held ~9.24% of the pie.

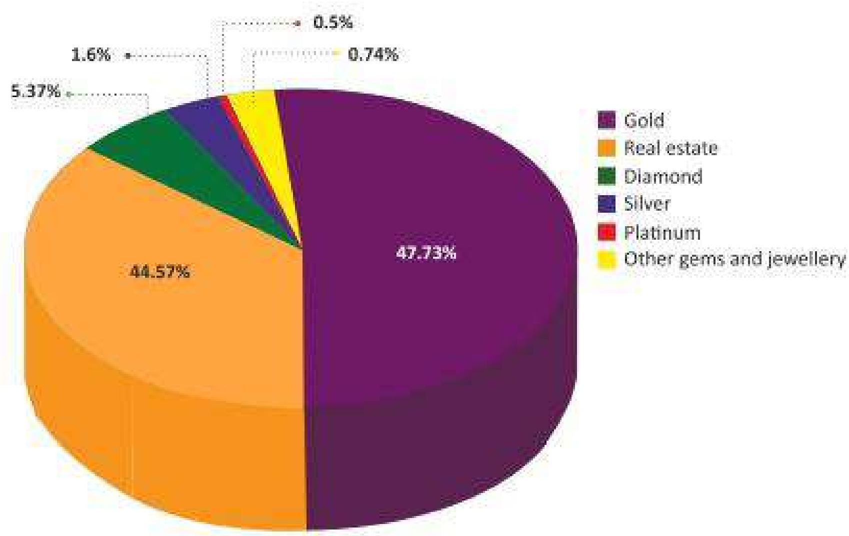
As gold lost part of its sheen in FY18, people showed more interest in financial assets. Real estate on the other hand suffered as the lending norms for banks toughened and raw material prices increased. But going forward the positive effect of reforms like RERA and GST will play its part and we can see renewed interest in the real estate sector, especially on the commercial real estate part

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

Physical Assets	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY18 %	Proportion FY17 %
Gold	74,51,305	68,45,167	8.85	47.73	47.90
Real Estate*	69,56,802	63,04,188	10.35	44.57	44.12
Diamond	8,38,142	7,98,240	5.00	5.37	5.59
Silver	2,24,276	2,28,916	(2.03)	1.44	1.60
Platinum	7,683	6,998	9.78	0.05	0.05
Other Gems and jewellery	1,31,911	1,05,862	24.61	0.85	0.74
Total	**1,56,10,118**	**1,42,89,371**	**9.24**	**100.00**	**100.00**

*It may be worthwhile to note that for the purpose of this report, primary residences are not considered.

Figure 2 How Physical Wealth reshaped in FY18. Break up of Individual Wealth in Physical Assets



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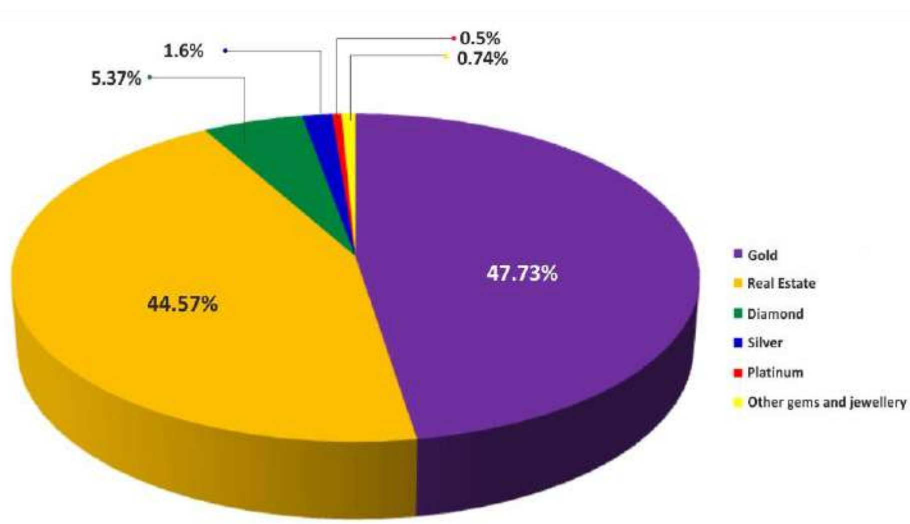


Classification of individual wealth in Key Asset Classes

The continuation of the economic growth in India will reflect on the increase in the individual's contribution to the key asset classes. As can be seen from the table below, across the key asset classes, there has been a significant increase in proportion for Equity Asset class as compared to the previous year.

Table 4: Classification of Individual Wealth in India in Key Asset Classes

Physical Assets	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY18 %	Proportion FY17 %
Equity	74,65,344	57,82,986	29.09	19.02	16.80
Debt (including cash)	1,59,73,918	1,41,91,414	12.56	40.70	41.23
Alternate Assets (Including Gold & Other precious metals & gems)	88,48,784	81,39,645	8.71	22.55	23.65
Real Estate	69,56,802	63,04,188	10.35	17.33	18.32
Total	**3,92,44,848**	**3,44,18,233**	**14.02**	**100.00**	**100.00**

Future of India's Individual Wealth

India is going through an attitude shift in terms of wealth allocation moving towards financial assets and higher yielding assets. The Indian economy is expected to grow in the range of 7.3% to 7.7% over the next 5 years which will make India the fastest growing economy among its emerging peers.

As per our in-house research projections Individual wealth in India is expected to grow at a handsome CAGR of 14.19% till FY23 and is likely to nearly double to ₹762 lakh crore by FY23.

Table 5: Individual Wealth Forecast

Asset Type	FY 18 Amount (₹ Crore)	FY23 Amount (₹ Crore)	CAGR %	Proportion FY18 %	Proportion FY23 %
Financial Assets	2,36,34,730	5,17,88,943	16.99	60.22	67.98
Physical Assets	1,56,10,118	2,43,89,513	9.34	39.78	32.02
Total	**3,92,44,848**	**7,61,78,455**	**14.19**	**100.00**	**100.00**

In the next five years, financial assets will witness 16.99% CAGR forming 68% of total individual wealth. Whereas Physical asset will grow at 9.34% CAGR and its share will reduce to 32% of total individual wealth.

KEY TRENDS

1. Total wealth held by Individuals in India has grown by 14.02% to ₹ 392 lakh crore. Individual wealth in Financial Assets grew by 17.42%, while that in Physical Assets grew by 9.24%.

2. Financial Assets have continued to show higher double digit wealth growth rate and now constitute 60.22% of total individual wealth in India. Financial Assets are gaining a larger share of Total individual wealth in last 3 years. We expect this to continue in coming years.

3. India showed a much faster growth rate of 20% in HNI population as compared to 9.5% globally. HNI population in India increased to 2,63,000 as compared to 2,19,000 in preceding year.

4. The proportion of Direct equity in Individual Financial Assets has increased to 20.72% and has overtaken Fixed Deposit & Bonds which have 17.81% share in FY18 to become the most preferred asset class. This is a complete reversal of trend in 2 years as compared to FY16 where Fixed Deposit & Bonds had a share of 20.69%.

5. Direct equity posted an increase in the individual wealth of 30.32% in FY18 and the high growth is likely to continue. Sensex may treble from the present levels by 2025. Indian equity market is expected to become 5th largest in the world.

6. Mutual funds grew by 34.50% in FY18 and the proportion of Equity in Mutual Funds zoomed to 67.90% this year. Participation from domestic investors has seen a consistent rise throughout the year due to increase in systematic investment plans backed by strong equity market performance.

7. Unlisted Equity grew by 36.83% in FY18, this has been one of the favourite asset classes amongst HNIs with higher risk appetite and for those who wish to leverage on the entrepreneurial spirit of India.

8. When compared globally, where the proportion of wealth in Real Estate has increased by 2.8%, in India there has been a clear shift towards Equity.

9. By FY23 total individual wealth is expected to grow at a CAGR of 14.19% to reach 762 lakh crore. Financial assets are expected to reach ₹ 518 lakh crore at CAGR of 16.99% and Physical Assets will grow at 9.34% CAGR to reach ₹ 244 crore.

10. The share of Financial Assets in total individual wealth is expected to increase to 68% in FY23 while that of Physical Assets will be reduced to 32%.

SECTION 2

ECONOMIC OUTLOOK

Global growth is probably going to ease in coming years, mainly on the back of US and China slowing down. The core inflation among the major economies in the world is going to inch higher though headline inflation may see a drop. Against this scenario we anticipate that the Fed will hike rates on just three more occasions in this cycle with a target of around~3%, and start rolling back the rates by 2020 as the US economy moderates; The ECB is estimated to keep the rates on hold for coming few quarters while Japan may continue till 2020.The major headwinds for the global economy will be a rise of the trade protectionism among the major economies , while Italy may play truant in the Euro debt crisis and the deprecation of currencies among the emerging economies.

The US macros at present is on a stronger footing with unemployment at multi year lows, attainment of inflation target of ~2% together with corporate profitability being on an upswing which is supported by tax cuts. We foresee the economy to moderate around the mid 2020 with the inflation objectives achieved, job growth stable and the Fed looking for stable rates or cuts. Tariff imposition by the US on different economies may be short lived and won't uplift the GDP much.

The growth in Euro zone appears to be tepid and may continue for coming few quarters as exports, capex growth appears muted. Wage growth though on a pickup, but attaining the target inflation rate in the economy would take some time. Thus tightening of the macro economic scenario together with the growing Italian crisis may incite another euro-zone crisis. The Brexit issue is still lingering and shadowing the economic scenario in UK. Once Brexit happens; growth in GDP and business environment becomes a certainty. The strength in sterling does indicate that a consensus for the Brexit is in pipeline and may also lead the central bank of England to raise rates going forward in 2019.

Japanese economy is gaining pace but we foresee no policy change in 2019.The Chinese economy may slow down in coming quarters but with the change in stance of the policy makers we see that a liquidity concerns will ebb in near future and with loosening of the monetary policy and GDP growth~5% is expected for the CY 2019. Recent currency depreciation has supported the export growth, but with the trade war fears on the backdrop, economic growth beyond 5% still carries a question mark.

On the domestic front we have witnessed a growth of 8.2% in Q2, which going forward we anticipate to remain strong ahead of the general election which is expected by next June. The higher rural wages and hikes in MSP prices will boost rural consumption; coupled with higher capacity utilisation rates in the economy should help it maintain the growth around ~7.8% level for the coming quarters, though growth may slow down significantly in the latter half of 2019 as focus may shift towards fiscal tightening and further rate hikes. The sharp depreciation of the rupee in the current fiscal year coupled with a rise in crude oil prices had allowed the current account deficit (CAD) to widen. Our assumption is that crude prices will remain below the $75 per barrel mark while the rupee will stabilise around the 71 mark vis-à-vis US$ in 2019. On the inflation front the Indian economy may hold on to the Centrals bank target of 4% level in 2019 as the effect of recent two consecutive rate hikes may continue for coming two quarters. Post the general election in 2019 we may see the structural reforms to continue incase the incumbent government is again sworn in. Going forward we estimate that India will grow at a rapid pace and will outshine its emerging peers in 2019.

SECTION 3

GLOBAL INDIVIDUAL WEALTH

The year 2017 has been a satisfying year for Global private financial wealth industry both in terms of growth and generation of returns. The overall growth of global private financial wealth has continued its momentum, registering sixth consecutive year of gains, the HNI wealth segment grew by 10.6%, making 2017 the second-fastest year of HNI growth since 2011 and the growth continues as Global HNI Wealth crosses the US$70 trillion mark

Table 6: Global Individual Wealth in Key Asset Classes

Key Assets	FY 18 Proportion %	FY 17 Proportion %
Equity	30.9	31.1
Debt (including cash)	43.0	45.3
Alternative Assets	9.4	9.7
Real Estate	16.8	14.0
Total	**100.0**	**100.0**

The prominent growth driver has been the population of Multi Millionaires (US$ 5M+). This class witnessed the maximum growth of 20% for the period 2012 - 2017 and is projected to grow by 43% in the period 2017-2022. Geographically, Asia Pacific contributed the most i.e. 41.4% increase in global HNI financial growth, North America being 27.4% of global increase in HNI financial wealth and Europe's HNI growth noted at 16.3%.

Along with the traditional asset classes, Cryptocurrencies gained global attention in 2017. Cryptocurrency investments reached an all-time high, with total market capitalization peaking in January 2018. HNIs are cautiously interested in holding cryptocurrencies, with 29% globally having a high degree of interest, and 26.9% saying they are somewhat interested.

SECTION 4

INDIVIDUAL WEALTH IN INDIA

Individual wealth in India is calculated by considering only wealth held by individuals and HNIs across various asset classes. Wealth held by government and institutional investments is excluded from the report.

We have considered the following assets as part of this report:

FINANCIAL ASSETS

- Fixed Deposits & Bonds
- Direct Equity
- Insurance
- Saving Deposits
- Cash
- Provident Fund
- Mutual Funds
- NRI Deposits
- Unlisted Equity
- Small Saving
- Current Deposits
- Pension Funds
- Alternative Investments
- International assets
- Sukanya Samriddhi scheme

PHYSICAL ASSETS

- Gold
- Real Estate
- Diamond
- Silver
- Platinum
- Others Gems and jewellery

India was the fastest-growing market globally in 2017 with a 20.4% in HNI population reaching 2,63,000 in FY17.

In FY18 the individual wealth in India grew to ₹ 392.44 lakh crore; a rise of 14.02% on Y-O-Y basis , against a growth of 10.91% in FY17(₹ 344.18 lakh crore). Financial assets continued to maintain the lead in FY18 with a 17.42% growth rate and Physical assets grew by 9.24%. Financial assets had 60.22% share in overall individual wealth base in FY18. Proportion of Financial asset in overall individual asset is gradually indicating a shift in preference for investments and saving. Strong economic outlook, better market performance due to conducive environment for corporate sector, NPA resolution etc has led to strong growth in Direct equity and related asset classes. Meanwhile, the share of physical assets in overall individual wealth reduced to 39.78% in FY18 as compared to 41.52% in FY17.

Table 7: Total Individual Wealth in India

Category	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY18 %	Proportion FY17 %
Financial Assets	2,36,34,730	2,01,28,861	17.42	60.22	58.48
Physical Assets	1,56,10,118	1,42,89,371	9.24	39.78	41.52
TOTAL	**3,92,44,848**	**3,44,18,233**	**14.02**	**100.00**	**100.00**

SECTION 5

INDIVIDUAL WEALTH IN FINANCIAL ASSETS

The stable macroeconomic scenario in India, improved corporate profitability and landmark reforms like GST, RERA implementation and Insolvency and Bankruptcy Code coupled with ease of doing business in India and laying down of superior infrastructure had reposed faith of individual investors in the Indian economy. The effect of the positives can be visualised in the fact that a large proportion of household savings has started flowing into the financial assets than before. Individual wealth in financial assets witnessed an increase of 17.42%, and grew to ₹236 lakh crore in FY18 compared to ₹201 lakh crore in FY17. Around 73.2% of the assets held by individuals were held in direct equity, fixed deposits, insurance, saving bank deposits and cash in FY18. Direct Equity and Fixed Deposits have been the favourable asset classes followed by Insurance.

5.1:Direct Equity

The benchmark Index (Nifty50), which in last two years rose from the 6800 to 10500 level is a reflection of the splendid stock market performance in India. The shock of GST and demonetisation is passé as the Indian economy remained resilient and the stock market performed well in the midst of volatility. The performance of the domestic equity market was well supported by the Global market, and with the global economic growth showing signs of improvement it had a positive rub off effect on India too.

Fy18 was mixed in terms of performance and corporate results. The earnings multiples shot up on expectations, though the corporate earnings lagged behind, thus giving a sense for stretched valuations for the market. Announcements like bank recapitalization, Insolvency and Bankruptcy Code and GST implementation together with strong macros and inflation remaining soft coupled with a normal monsoon rendered equity as the favourite asset class among the investors. **In FY18, individual wealth in direct equity zoomed 30.32% to a massive ₹ 48.97 lakh crore**, making it the most preferred financial asset class among individual investors in India overtaking Fixed Deposits & Bonds.

Table 8: Composition of Direct Equity holding based on Investor class

Category	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	% of Market Cap	Y-O-Y % Change
Promoters	69,62,292	54,68,791	48.94	27.31
Institution	57,35,970	52,52,369	40.32	9.21
Retail	15,26,735	12,57,261	10.73	21.43
Total	**1,42,24,997**	**1,19,78,421**	**100.00**	**18.76**

Table 9: Break-up of Individual Investments in Direct Equity

Individual Investments	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Promoter individual	33,70,839	25,00,994	34.78
Retail individual	15,26,735	12,57,261	21.43
Total	**48,97,574**	**37,58,255**	**30.32**

Going forward we foresee the earnings growth to remain strong in the H2FY19, though higher P/E multiples still remains a concern which will ebb slowly as the earnings growth starts picking up. Bouts of volatility both domestic and global will play its part, but we feel that the domestic fundamentals will remain intact. The general election in India scheduled in mid 2019 and may add its share of volatility to the domestic market. Karvy Private Wealth research team projects that equity will outperform other asset classes in the coming seven years time period, and the benchmark index (Sensex) will possibly treble by 2025 i.e in simple words, equity investors may be able to treble their wealth in seven years, growth rate (CAGR) of ~ 18% in coming years

5.2:Fixed deposits & Bonds

Liquidity surplus after demonetization played well for the fixed income market in India for FY18. The domestic bond market was going strong on the back of high liquidity, low inflation, lower crude prices, and twin deficits being under control which dramatically changed in H1FY19 as the table turned. Globally yield started moving northward, crude prices bottomed out, and a hawkish FED started withdrawing QE simultaneously going for rate hikes which had a negative effect on the emerging market currencies and the bond yield. FII/FPIs were net buyers in the debt market to the tune of INR 1,19,036 cr in FY18. Going forward we foresee stability returning in the bond market, two simultaneous rate hikes by RBI already discounted for in the yield curve and in FY19, the yield may gyrate between 7.70-8.00%. Thus we can assume that interest in the asset class will return as the macros stabilize in India.

The debt/fixed income segment comprises fixed deposits (both bank and corporate); deposits with NBFCs and RNBCs (Residuary Non-banking Companies) and bonds & debentures.

Table 10: Break-up of assets held in fixed deposits and bonds

Category	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Bank Fixed Deposits	40,64,745	37,92,737	7.17
NBFC & RNBC Deposits	33,455	32,176	3.98
Corporate Deposits	3,229	1,596	102.33
Bonds & Debentures	1,08,316	82,743	30.91
Total	**42,09,745**	**39,09,252**	**7.69**

The wealth held by individuals in India in bank fixed deposits & bonds grew at 7.69% in FY18 to reach ₹42.09 lakh crore.

Bank Fixed Deposits

The banks in India offer fixed income solutions to the investors in the form of bank fixed deposits which helps in balancing between liquidity, tenure and returns. The bank deposits are opted by HNIs/UHNIs, retails investors alike who look forward for a stable return in a defined period. On the aftermath of demonetization, increased flow in the bank fixed deposits was observed which tapered down in the current Fiscal as investors opted for other avenues like MFs and corporate bonds which were available at attractive yields and favorable tax structure when compared with bank fixed deposits

The wealth held by individuals in India in bank fixed deposits grew at a 7.17% in FY18 to reach ₹40.64 lakh crore.

NBFC & RNBC Deposit

A Non Banking Financial Company (NBFC) is mainly engaged in the business of loans and advances and works similar to a bank but with an advantage of relaxed norms e.g it does not have to maintain reserve ratios like CRR, SLR etc which provides it with an additional leverage over the banks. The growth in NBFCs had been stupendous, though last fiscal did not turn out to be in similar lines. Though the rates offered by the NBFCs are higher than the Scheduled Commercial Banks, still we saw Deposits garnered by the non-banking finance companies (NBFCs) grew by only 4% to ₹31,905[5] crore in FY18. The recent liquidity crunch in the NBFC domain mainly on the back of asset liability (ALM) mismatch had made them out of favour for the market participants.

Residuary Non Banking Finance Company (RNBC) is a class of NBFC whose principal business is to receive deposits, under any scheme or arrangement or in any other manner and not being investment. RNBCs are seeing a decline in total deposits in last decade. In FY18, total deposits of RNBCs declined by 0.13% to ₹1,550[6] cr.

Total individual wealth in NBFC & RNBC deposits stood at ₹ 33,455 crore for FY18 growing by 3.98% only on a Y-O-Y basis.

Table 11: Composition of assets in NBFCs and RNBCs

Category	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
NBFC	31,905	30,624	4.18
RNBC	1,550	1,552	(0.13)
Total	**33,455**	**32,176**	**3.98**

Corporate Fixed Deposits

Investments in corporate fixed deposits have an edge on the interest rate component when compared with bank FDs, which makes it lucrative for the investors to invest in it. Periodic interest payments unlike bank FDs and compulsory ratings for the corporate FDs make it an easy choice for the investors, while investing and adhering to the risk return matrix. In contrary to bank FDs, Corporate FDs do not come with any insurance on the deposits, and some defaults in the past by various companies have lead to a declining trend of corporate deposits in India.

The individual wealth in corporate fixed deposits was ₹3,229 crore in FY18.

Bonds & Debentures

The Bond market in India had a tectonic shift in the recent times as more issuer's started tapping the market because of a general drying of funds from the SCBs due to higher NPA problems. The Government focuses on the corporate bond market and a slew of measures to deepen it bored well for the fixed income market. In his budget speech , Mr Arun Jaitley mentioned that rules will be amended to mandate large companies to issue bonds to finance one-fourth of the financing needs and also permission may be granted for investing in bonds graded 'A' as investment grade, as against 'AA' at present. A recent report by Crisil states that corporate bonds account for ~30% of outstanding system credit in fiscal 2018, compared with ~21% in fiscal 2013 and forms ~16% of GDP. The lower interest rate cycle in the last Fiscal,

Source :5, 6 - RBI

coupled with the effect of demonetisation saw liquidity flowing in the fixed income space. The fixed income market in India is highly skewed towards government securities (G-Secs) while the corporate bond market is structurally constituted of top-rated financial and public sector issuances. In FY18, corporate bonds issuances dipped a little by 6% to ₹ 29,284 crore during the period while PSU bonds witnessed a growth of 53.18% to INR 79,032 cr during the same period.

Table 12: Individual Wealth in Bonds & Debentures

Type	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Corporate Bonds	29,284	31,150	-5.99
PSU Bonds	79,032	51,593	53.18
Total	**1,08,316**	**82,743**	**30.91**

The individual wealth in corporate fixed deposits amounted to ₹108,316 crore in FY18 a rise of 30.91% when compared to FY17.

5.3:Insurance

Twenty Four Life insurance companies encompass the Life insurance industry of India. Gross Life insurance premiums written in India reached ₹ 4.58 trillion (US$ 71.1 billion)[7] in FY18. Overall insurance penetration (premiums as % of GDP) in India reached 3.69 per cent in 2017 from 2.71[8] per cent in 2001.

The bright future of the sector is undeniable, as several regulatory changes bought in will lead to increased penetration and engagement with customers. Favourable demographics with increased awareness among the young insurable population, rising middle class population and increased penetration in the hinterland of the country will support the growth of the insurance industry. The overall insurance industry is expected to reach US$ 280 billion by 2020[9].

Employees' Deposit Linked Insurance Scheme (EDLI)

The Employees' Deposit Linked Insurance (EDLI) is an insurance cover for the life of the employees who are covered under the EPFO ACT. The life insurance cover is provided to the employee in case there is the death of the employee during the service period and the money is paid to the beneficiary. Though the insurance cover works like a group insurance, but the amount of cover is determined on the salary of the employee. However, it is unlike the provident fund scheme where both employers and employees directly make a contribution. Instead, in the EDLI, 0.5% of salary/ wages are deposited into the scheme by the employer with a maximum cap of INR 75. Claim amount under the EDLI Scheme is 30 times the salary. Salary is calculated as (D.A. + Basic Salary).The maximum sum assured under the EDLI scheme has been increased to ₹ 6 lakh in September 2015.

Total individual wealth in EDLI in India was at ₹ 22,861 crore which was an increase of 10.93% over FY17.

Source : 7,8,9 - IBEF

Table 13: Individual Wealth in Insurance

Type	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Life Insurance	33,13,048	29,80,622	11.15
EDLI	22,861	20,608	10.93
Total	**33,35,909**	**30,01,230**	**11.15**

Insurance forms 3rd largest asset class with 14.11% share in total individual financial assets. In overall individual wealth it holds 8.5% share.

In FY18, the individual wealth in insurance has grown 11.15% to ₹ 33.35[10] lakh crore

5.4:Saving Bank Deposits

Banking and financial services are the backbone of any economy and saving deposit is the first step that any individual makes while starting or undertaking any banking transactions. It is the most basic financial instruments available for the common man to access money. The Pradhan Mantri Jan Dhan Yojana (PMJDY) and subsequent announcement of demonetization, saw a surge in money flowing into the savings deposits and FY17 saw an increase of 7.34% in the banking system to ₹ 28.84 lakh crore. The sudden spurt in savings deposits has moderated this fiscal year, but we expect ~12% growth rate to continue in coming times. The real annual disposable household income in rural India is forecasted to grow ~3.6% CAGR for the coming 10 years, thus rising incomes will require the need for banking operations which will eventually drive the savings deposit growth.

Total individual wealth in saving bank deposits increased by 7.39% in the banking system to ₹ 30.96 lakh crore in FY18.

5.5:Cash

Demonetization and focus of the Government towards a cashless economy had redefined the way individuals transact business in India. Though the ban was intended to shift India into the digital economy, improve tax revenues and crack down on corruption, cash continues to play a strong role in the India economy. The total currency in circulation, has doubled to over ₹19.3 lakh crore from a low of ₹ 8.9 lakh crore during the demonetization period.

Total value of currency notes in circulation is ₹17.60[11] lakh crore, an overall increase of 31.79% as compared to the previous year.

Figure 3

Cash Circulation in India (In ₹ Lakh Crores)

Source: 10 - Life Insurance Council; 11 - RBI

5.6:Provident Fund

The provident fund is among the primary means of saving for retirement and a prime tax-saving option too, especially for the salaried class. This asset class has three components — the Employee Provident Fund (EPF), Public Provident Fund (PPF) held with banks and PPF held with post offices.

The Employees Provident Fund (EPF) scheme covers every establishment in which 20 or more persons are employed, though certain organisations can also be covered if explicitly mentioned under the act. The EPF scheme involves contribution by the employer and employee both which earns interest and a lump sum amount is paid during retirement. Partial withdrawal facility under certain circumstances is also applicable. It is to be noted that out of the employers contribution 8.33% is diverted to Employees' Pension Scheme and the remaining is deployed in EPF scheme. EPF is attractive from a long-term perspective as the compounded return at the time of retirement is exempt from tax. Contributions to the EPF scheme usually begin between the ages of 20-25 when one starts working in an organization employing more than 20 people. This gives the employee an opportunity to save at least for 35-40 years till he/she retires at the age of 58 or 60.

Total wealth held by individuals under EPF stood at ₹ 9.96 lakh crore in FY18, a growth of around 10.39% over the corresponding financial year.

Table 14: Individual Wealth in Provident Fund

Composition of PF	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
EPF	9,96,359	9,02,567	10.39
PPF with banks	3,85,367	3,37,778	14.09
PPF with post	66,515	63,970	3.98
Total	**14,48,241**	**13,04,316**	**11.03**

Together, individual wealth in Provident funds grew by 11.03% Y-O-Y to ₹ 14.48 lakh crore in FY18.

The Public provident fund (PPF) is small savings schemes highly popular in India which adds up as a tax savings instrument too. The scheme is fully guaranteed by the central government, and the most notable feature is that the balance in PPF is not subject to attachment under any order or decree of court. Any individual or HUF can open a PPF account with a minimum yearly deposit of ₹ 500 and a maximum of INR 1.5 lacs in a financial year. The PPF account generally matures in 15 years although loan facility on the accumulated amount is permitted after a stipulated period is allowed and even after completion of 15 years the account can be extended by blocks of 5 years each.

In FY18, individual wealth in PPF with banks has seen a growth of 14.09% to reach ₹ 3.85 lakh crore, while total individual wealth held in PPF with post offices rose 3.98% to ₹ 66,515 crore

5.7:Mutual Funds

The HNIs/UHNIs as well as the retail investors chose mutual fund route as the most favored for investments in financial assets. The mutual fund industry in India added around 3.2 million new investors to the kitty in FY18. The easiest way to participate in the Indian growth story is taking the mutual fund route, which have been well identified by both the foreign and the domestic players. The growing population of millennials in India, higher income levels have led to increased household savings is making their way to the financial assets through the MF route. Focused campaigns by industry bodies like Association of Mutual Funds in India (AMFI) and various investor education camps by many asset management companies helped ensure that MFs become the preferred investment vehicle for majority of the investors. The asset under management (AUM) growth of the industry had been stupendous in FY18; Individual wealth grew by 3 lakh crores growing by ~35% on a YoY basis. SIP accounts stood at 2.05cr an increase of 70 lakhs account for FY18.

Table 15: Individual Wealth in Mutual Funds[12]

Type	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change	Proportion %
Equity	7,92,989	5,39,539	46.98	67.90
Debt	3,74,965	3,28,856	14.02	32.10
Total	**11,67,954**	**8,68,395**	**34.50**	**100.00**

Total individual wealth in mutual funds in India in FY18 was at ₹11.68 lakh crore which is an increase of 34.50% over the previous year.

5.8:Unlisted Equity

For raising funds, generally a company would approach the public in general and offer its shares for subscription through the stock exchange. On subscription of the shares the company would subsequently get included in the stock exchanges for buying and selling and the process is known as listing of shares. On listing we generally see the value unlocking for many fundamentally strong companies. Listing of shares ensures Liquidity, greater availability and transparent valuations of the shares.

Unlisted Shares are the shares which are not enrolled with any Stock Exchange. These shares are generally privately placed between the buyers and sellers and traded in the OTC markets. As entrepreneurship in India is on a rise, companies which are profitable in nature, have huge businesses will start tapping the general public for funds in near future for further expansion. Thus huge potential exists for unlisted shares and value waiting to be unlocked if the business gets listed. Favourable political and economic factors are encouraging many companies to go public which may lead to unlocking value of these assets and give remarkable returns over 3-5 years time.

To summarise, selective investment into private equity, unlisted shares, and pre IPO stocks can be worthwhile and may yield significant returns, yet investors ought to be completely educated on the valuation, operational, liquidity and value-based dangers associated while dealing with unlisted shares.

Source : 12 AMFI

Table 16: Individual wealth in Unlisted Equity

Asset Class	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Unlisted Equity	9,55,930	6,98,620	36.83

The individual wealth in unlisted equity has increased to ₹ 9.56 lakh crore in FY18 from ₹6.99 lakh crore in FY17 a growth rate of 36.83%

5.9:NRI Deposits

With the recent sharp depreciation in rupee we observed repatriation of NRI money back to India, thus ensuring a steady rise in NRE, FCNR and NRO deposits.

NRE (Non-Resident External) is a bank account in which NRI's can deposit income generated from external sources in Indian Rupee or one can deposit only foreign currency in this account, which gets converted into INR at the time of deposit. It is an Indian Rupee denominated account. Therefore, you may repatriate the money in this account (plus interest earned) any time and the interest is not taxable.

An NRO (Non Resident Ordinary) account, on the other hand, functions as a savings or current account held in India for the NRIs to manage their income earned in India such as rent, dividends, or pension. It is a good way for account holders to deposit and manage their accumulated rupee funds conveniently through NRO account. Once you deposit the money to the NRO account, the foreign currency is automatically converted to INR.

FCNR deposits (Foreign Currency Non-Repatriable) is a Fixed Deposit Foreign Currency account and not a savings account. Deposits in this account can be made in any of the major currencies like US Dollar, UK Pound, Canadian Dollar, Deutsche Mark, Japanese Yen and Euro. Interest income of this account is not taxable in India. This account has the facility of a power of attorney; thus, the holder can operate the account in India.

Table 17: Individual wealth in NRI Deposits[13]

Scheme	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
NRE-(RA)	5,84,610	5,39,150	8.43
FCNR-(B)	1,43,266	1,36,075	5.28
NRO	91,849	81,974	12.05
TOTAL	**8,19,725**	**7,57,200**	**8.26**

In FY18, individual wealth in NRI deposits increase by 8.26% to ₹ 8.19 lakh crore.

5.10:Small Savings

Small Savings Schemes are financial saving avenues available to the general public, administered by the Government of India or specific public financial institutions. The Small Savings Schemes ensure government backing and safety of the principle invested. The interest rates on these schemes are revised

Source : 13 - RBI

every quarter to ensure that the returns from the schemes are in sync with the market. The small saving schemes are broadly administered by Post Offices. The small savings schemes allow participation of the general public and channelize the huge household savings of the vast Indian population.

Table 18: Individual Wealth in Small Savings scheme

Schemes	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Post Office Savings Bank Account	1,81,027	1,79,491	0.86
Post Office Monthly Investment Scheme	1,11,503	99,851	11.67
Post Office Time Deposit Account	1,08,263	92,064	17.60
Post Office Recurring Deposit Account	99,750	79,658	25.22
NSC issues	92,128	84,453	9.09
Kisan Vikas Patra	86,416	87,065	(0.75)
Senior Citizen Savings Scheme	42,392	29,453	43.93
Other Certificates and Deposits	11,205	11,419	(1.87)
National Savings Scheme 87,92	2,772	3,253	(14.79)
Indira Vikas Patra	1,104	886	24.60
Total	**7,36,560**	**6,67,593**	**10.33**

Wealth held by individuals in small savings has increased to ₹ 7.36 lakh crore in FY18, up nearly 10.33% against ₹ 6.67 lakh crore recorded in the previous fiscal.

Senior Citizen Savings and Post Office Recurring Deposits grew the maximum by 43.93% and 25.22% respectively

5.11:Pension Fund

Pension Funds provide financial security measures and stability during old age when people don't have a regular source of income. Retirement plan ensures that people live with pride and without compromising on their banner of living during advancing years. Pension scheme gives an opportunity to invest and accumulate savings and get money as regular income through annuity plan post retirement. With the life expectancy in India on a rise due to better health and sanitization conditions will result in increased post-retirement years. Thus, rising cost of living, pompousness and life expectancy make retirement planning essential. To provide social security to more citizens few of the mainstream pension schemes, of which the youngest is the Atal Pension Yojana are mentioned below:

Table 19: Individual Wealth in Pension Schemes

Schemes	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Employee Pension Scheme	3,69,359	3,00,669	22.85
National Pension Scheme[14]	2,30,761	1,72,673	33.64
Atal Pension Yojana[15]	3,818	1,885	102.54
Total	**6,03,937**	**4,75,227**	**27.08**

The total individual wealth in pension funds has increased by 27.08% to ₹6.04 Lakh crore in FY18

Employee Pension Scheme (EPS)

The Employee Pension Scheme (EPS) was introduced in the year of 1995 to cater to the employee of the organized sector. The system is applicable to all employees who are covered under the Employee Provident Fund (EPF) Scheme. Employee covered under this scheme will receive pension on a permanent basis. The Employee Pension Scheme or EPS is clubbed with the Employee Provident Fund (EPF). The employee pension under Employee Pension Outline is calculated for two categories, one is for those who joined prior to 15th November 1995 and one for those joining post this date. Contributions to the EPS are generated by diverting 8.33% from the monthly employer's share of provident fund contributions with addition of 1.16% of an employee's monthly wages from government.

The individual wealth held in Employee Pension Scheme stood at ₹ 3.69 lakh crore in FY18 an increase of around 22.85% on YoY basis.

National Pension Scheme (NPS)

The National pension scheme (NPS) was introduced in 2004 for all Government employees and subsequently extended to all citizens in 2009. It is government backed pension scheme in which a subscriber can contribute throughout his working life and post retirement can withdraw a part of it and remaining corpus can be utilised to buy an annuity for regular income post retirement. The apex body which overlooks the functioning of NPS is known as PFRDA (Pension Fund Regulatory and Development Authority).

Two accounts types for subscribers:

Tier I Account: This is a non-withdrawable account meant for savings for retirement. There is additional tax benefit of ₹ 50,000 for investment under this category.
Tier II Account: This is simply a voluntary savings facility. The subscriber is free to withdraw savings

Source: 14, 15 - NPS Trust

from this account whenever subscriber wishes. No tax benefit is available on this account.

Total Individual wealth in NPS stood at ₹ 2.30 lakh crore in FY18, showing a growth of 33.64% over the previous year.

Atal Pension Yojana (APY)

With the goal in mind to help the unorganized section of the Indian society, the Government of India presented the "Atal Pension Yojana" in June, 2015. The Atal Pension Yojana is managed by the PFRDA (Pension Fund Regulatory and Development Authority) under the National Pension System (NPS). The plan was propelled to support people from the weaker section of the society so that they can be a part of the pension scheme. With a regular contribution during the working life they can have an annuity post retirement. The plan saw a huge support as the government would also co-contribute 50% of the total contribution or ₹ 1,000 per annum, whichever is lower, to each eligible subscriber for 5 years. It is essential that, to receive the Government's contribution, the Atal Pension Yojana subscriber has to make regular monthly contributions during the entire period. Only then, government will credit 50% of the monthly contribution paid to the subscriber's account. The Atal Pension Yojana plan can be opted by people who are self-employed as well as people who are working in the private organizations. Under the scheme arrangement, the subscriber will start receiving fixed pensions after the age of 60, depending on his earlier contribution and tenure.

The individual wealth in Atal Pension Yojana stood at ₹3,818 crores in FY18, a growth of ~102% over the previous year

5.12: Currents Deposits

Current account is the preferred liquid asset class and enjoys various flexibilities. The slowest pace of the aggregate deposit growth in last five years has been observed among the scheduled commercial banks in FY18. The primary reason that can be attributed to the fall in current account deposits is the low interest rate scenario existing during the last fiscal year prompted the investors to move money to other assets like mutual funds, which saw a huge inflow in FY18.The second reason is the record inflow post demonitisation created a higher base in FY17 thus resulting in FY18 numbers looking comparatively lower, though when compared with FY16 numbers it looks in line with our estimates.

The Wealth held in current account deposits increased to ₹4.3 lakh crore in FY18 with a growth rate of 4.30% when compared with the earlier year.

5.13: Alternative Investments

An alternative Investments is an investment that does not conform to the traditional asset classes such as Direct Equity, Bond or Certificates. These are more exotic investment options designed to meet the need of HNIs/UHNIs & family office who wants diversify their profile. These are generally high ticket size and offer higher rate of return as compared to traditional asset class.

Under this category, assets such as private equity fund, hedge funds, infrastructure funds, and venture capital funds saw individual wealth growing between the range of 30% to 67% in FY18.

Table 20: Individual Wealth held in Alternative Assets

Asset Class	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY 18 %
Structured Products	38,541	28,322	36.08	31.06
High Yield Debt	27,336	21,592	26.60	22.03
Private Equity Funds	23,445	16,287	43.95	18.90
Real Estate Funds	12,473	10,266	21.50	10.05
Hedge Funds	8,811	6,362	38.49	7.10
Sovereign Gold Bonds	6,960	5,259	32.34	5.61
Gold ETF	2,798	2,963	(5.57)	2.26
Infrastructure Funds	1,147	830	38.16	0.92
Venture Capital Funds	1,510	1,080	39.86	1.22
InvIT Funds	1,052	-	-	0.85
Total	**1,24,073**	**92,963**	**33.46%**	**100.00**

Structured Products

Structured Products are typically a hybrid instrument customized as per investor's preference, with predefined features like tenure, participation rate and capital protection etc and whose payoff is generally related to a particular asset class return like a debt or equity. The general configuration for a structured product is a fusion between fixed income instruments, an equity underlying and derivative strategy linked to the equity underlying. Structured products are generally favored by those investors who prefer capital protection and lower risk, or want to have an extra leverage on an existing position. Recent Volatility in the market has shifted the preference of investors towards structured products

The individual wealth in structured products has increased by 36.08% to ₹38,541 crore in FY18 from ₹28,322crore recorded in previous fiscal.

High Yield Debt

As the name indicates, High yield debt is a debt instrument which tends to provide a higher yield as compared to other similar bonds available. These are instrument with low credit rating, issued by organizations that do not qualify for "investment-grade" ratings and hence are at comparatively higher risk of default as compared to investment grade paper. To compensate for the high risk of default, yields typically are high. High yield debt securities are generally issued and capital-intensive firms with high debt ratios.

A lot of HNIs/UHNIs who have a higher risk-taking capacity invest regularly in high yield debt instruments, to get a higher fixed income.

A lot of HNIs/UHNIs who have a higher risk-taking capacity invest regularly in high yield debt instruments, to get a higher fixed income.

Individual wealth in High Yield Debt has risen by 26.60% y-o-y in FY18 to ₹ 27,336 Cr from ₹ 21,592 Cr in FY17.

Private Equity Funds

Any investment made into a non public company is termed as Private Equity. Mostly large institutional funds, Pension funds and Family Offices started investing into private companies before they came to public markets in search of high returns. They wanted to base their investments purely on fundamentals and avoid mark to market volatility in their portfolios. Private Equity funds in India operate under AIF guidelines. These funds are mostly in Lockin format. Category I are Venture Capital and Early stage Investment Funds. Category II Private Equity funds are pass through. Category III can leverage and invest into all markets and derivatives and are taxed at fund level. These funds divert into various themes starting from early stage, Venture Capital, Private Equity, Pre-IPO or even private investment into public enterprises. Some AIFs might be debt oriented but those are not private equity funds by normenclature

Individual wealth in Private Equity Funds has risen by 43.95% y-o-y in FY18 to ₹ 23,445 Cr from ₹ 16,287 Cr in FY18.

Real Estate Funds

Real Estate funds pool assets from investors to deploy in real estate projects like commercial property, residential property, developed or under-developed properties in pursuit of capital appreciation. The funds are regulated by Securities and Exchange Board of India (SEBI) and benefit the investors by allowing exposure to multiple projects under development in different geographies and professional expertise to manage funds on their behalf.

The individual wealth in Real Estate funds has increased by 21.50% to ₹12,473 crore in FY18 from ₹10,266 crore recorded in previous fiscal.

Hedge Funds

As described by SEBI, Hedge funds, including fund of funds are private investment partnerships, funds or pools that may invest and trade in many different markets, strategies and instruments (including securities, non-securities and derivatives) and are NOT subject to the same regulatory requirements as mutual funds.

In more simple terms, a hedge fund is a type of alternative investment which uses pooled funds and employs various strategies to earn the profit. A portfolio can be a mixture of various asset classes like equities, debt, forex & derivatives. With many asset classes and different strategies involved, these funds need aggressive management.

Individual wealth held in Hedge funds was at ₹8,811 crore in FY18, a rise of 38.49% against ₹6,362 crore recorded in previous fiscal.

Sovereign Gold Bonds (SGB)

SGBs are government bonds, issued by RBI on behalf of Indian Government. Denominated in grams of gold, they are considered as substitutes for holding gold in its physical form. Investors buying SGBs receive the market value of gold at the time of maturity and also periodic interest as per terms of bond. SGBs eliminate the associated storage risks and storage costs.The risk associated with this kind of security is in form of capital loss if the market price of gold declines at the time of redemption.

Individual wealth in Sovereign Gold Bonds has grown to ₹ 6,960[16] crore in FY18 against ₹ 5,259 crore in FY17

Gold ETFs

Gold Exchange Traded Fund (ETF) is a cocktail of stock trade and investment in physical form of gold. By investing in Gold ETF, an investor will not have ownership over any physical form of gold however he or she can gain exposure to the performance, or price movements, of gold. In laymen's terms it's a fund whose shares are traded on an exchange and the value of the shares is derived of gold. They are traded on NSE & BSE, making buy & sell easy. **However, Individual wealth in Gold ETFs continues to fall even in FY18 to ₹ 2,798 [17]crore, as Sovereign Gold Bonds which also offer additionally a periodic interest, finds more flavor with investors.**

Infrastructure Funds

Infrastructure funds generally provide the opportunity to a common investor to invest in public infrastructure, such as airports, Metro projects etc. Infrastrucuture Debt Funds (IDFs) are investment vehicles which can be sponsored by commercial banks and NBFCs in India in which domestic/offshore institutional investors, specially insurance and pension funds can invest through units and bonds issued by the IDFs. IDFs would essentially act as vehicles for refinancing existing debt of infrastructure companies, thereby creating fresh headroom for banks to lend to fresh infrastructure projects.

The individual wealth in infrastructure funds rose by 38.16 % to ₹ 1,140 crore in FY18 from about ₹ 830 crores

Venture Capital Funds

Venture capital can be considered as a subset of private equity and can be referred to equity investments made for the launch, early development, or expansion of a business. It has a particular emphasis on entrepreneurial undertakings rather than on mature businesses and hence are considered a bit as riskier capital investments. In fact, in most of the literature on private equity and venture capital, these two concepts are used interchangeably. Venture capital funding in India bounced back last year after a slowdown. This year reflected a steady increase as compared to previous year.

Individual wealth in Venture Capital Funds increased to ₹1,510 crore in FY18, a rise of 39.86% over FY17.

Source : 16 - RBI; 17 - AMFI

InvIT Funds

Infrastructure Investment Trusts (InvITs) are mutual fund like institutions designed to pool small sums of money from a number of investors to invest in assets that give cash flow over a period of time. Part of this cash flow would be distributed as dividend back to investors. InvITs invest in infrastructure projects such as roads or highways take some time to generate steady cash flows. Meanwhile, the infrastructure company has to pay interest to banks for the loans taken by it. An InvITs essentially gives the company the leeway to fulfil its debt obligations quickly. InvITs are regulated by the securities market regulator in India- Securities and Exchange Board of India (SEBI).

InvIT are suitable for HNI, Institutional and Non-Institutional investors like pension funds, foreign portfolio investors, mutual funds, banks and insurance firms as minimum ticket size required is ₹10 Lakh. InvITs are listed on exchanges just like stocks — through IPOs.

It has no long-term capital gains taxes, however If an investor exits an InvIT before three years, a short-term capital gains tax of 15 per cent is applicable

Individual wealth accumulated in InvIT's in FY18 is ₹1,052 Crores[18]

5.14: International Assets

The rapidly changing global investment scenario and the advent of improved technology together with transparent tax laws have made international investments easier. Investments in Global markets through mutual funds, Exchange Traded Funds (ETFs), direct equities and even in real estate helps to diversify the portfolio and also act as a portfolio hedge with respect to untoward domestic events. As performance of asset classes in the case of international investments is typically country specific, so while diversifying the portfolio, one can get an exposure to both developed economies like US/ European nations as well as emerging markets like Brazil and Philippines. As per specification under the Liberalised Remittance Scheme (LRS) of the Reserve Bank of India, resident individuals are allowed to remit up to $250,000 in a financial year to acquire and hold immovable property, shares, debt instruments, or any other asset, outside India. Along with the country specific risk , currency risk (depreciation of INR vis-a-vis invested country) aids the performance of international investments. In recent times the sharp depreciation of INR to USD had made international investment in US stocks profitable (better performance of the US stock market added to the performance). These individuals are looking to diversify their portfolio in search of stable returns. Investing

Source : 18 - SEBI

in international assets helps reducing the impact of downturn of a specific economy and thus improves returns on portfolios. Furthermore, availability of international products has increased dramatically with globalization of equity markets, enabling an average investor to take advantage of these products at a reasonable price.

Table 21: Individual Wealth in International Assets

Category	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Equity/Debt[19]	17,798	14,878	19.63
Fund of Funds[20]	1,112	1,401	(20.61)
Deposits[21]	7,116	4,403	61.61
Total	**26,027**	**20,682**	**25.84**

There has been an overall increase to ₹ 26,027 crore, an increase of 26% y-o-y in wealth held by individuals into international assets in FY18.

5.15 Sukanya Samriddhi Scheme

Prime Minister Narendra Modi under the Beti bachao beto padhao yojna, launched the girl child prosperity scheme on 22nd January 2015 known as the Sukanya Samriddhi Yojana (SSY). The scheme had been well accepted by the general public, which helps the parents and guardians of a girl child to provide for her education and financial security. It is a government backed scheme which in current scenario gives an interest of 8.5% together with tax benefit under section 80C. The schemen offers higher interest rate as compared to other small savings schemes such as PPF, KVP with a limit of INR 1, 50,000 in a year. The account can be opened in any India Post office or branch of authorised commercial banks. A minimum of INR 250 is required to open the account by the parent/guardian between the birth of a girl child and the time she attains 10 years of age. One account can be opened for one girl child, while a maximum of two accounts for each of their children (exception allowed for twins and triplets). The account is transferable in nature to anywhere in India and online contribution is also allowed. Deposits in the SSY account can be made till the completion of 15 years from the date of opening , and generally matures at the end of 21 years. Normal preclosure can be done for the girls child marriage provided she had attained the age of 18 , while added advantage of partial withdrawal is also present.

Wealth held by individuals in Sukanya Samriddhi Scheme was ₹ 21,602 crore in FY18, an increase of 56.26% over previous year.

Source: 19,21 - RBI; 20 - AMFI

SECTION 6

INDIVIDUAL WEALTH IN PHYSICAL ASSETS

Individuals in India have always been fond of gold and real estate. Over 92.19% of physical household savings are in the form of property and gold. This year wealth in physical assets grew by 9.23% to ₹156.10 lakh crore against a growth rate of 8.03% in FY17. Major growth driver in physical assets were other gems and jewellery (24.61%) and Real estate (10.35%) giving more than 10% growth rate on Y-O-Y basis.

Table 22: Classification of Individual Wealth in India in Physical Assets

Category	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
Gold	74,51,305	68,45,167	8.85
Real Estate	69,56,802	63,04,188	10.35
Diamond	8,38,142	7,98,240	5.00
Silver	2,24,276	2,28,916	(2.03)
Platinum	7,683	6,998	9.78
Other Gems and jewellery	1,31,911	1,05,862	24.61
Total	**1,56,10,118**	**1,42,89,371**	**9.24**

6.1:Gold

The yellow metal upholds its reputation of being the universal medium of exchange which works as an alternate currency, coupled with the feature of relative stability when compared with other asset classes in the face of market volatility. Easy liquidity of gold prompts individuals to invest in gold, along with a tag for being a safe haven asset class together with a hedge against inflation increases its attractiveness. India adds up to 27% of global jewelery demand and is the second highest consumer of gold in the world. A plethora of reasons can be attributed to the huge demand for gold among the Indians. Owning the precious metal is considered auspicious and Indians hold it for high emotional values. Festivals like Diwali, Dhanteras and in weddings, the people in India spend a major portion of the money to buy gold. Demand for gold in the form of small coins as corporate gifting and as rewards for exemplary performance adds to further demand. The increasing income level among the middle class in India together with an increase in population is a major driver for gold demand in the country. The significant rise in rural purchasing power supported by the growth in farmers' income will boost the demand for the precious metal in near future.

Positive Changes for the Gold Industry

The Bureau of Indian Standards (BIS) which revised the gold hallmarking standards in India from January 2018 ensures that gold jewellery carries the BIS mark which distinctly mentions the purity in carat, units and jewelers identification mark. Going forward, The Gold Monetisation scheme is surely to reduce India's reliance on gold imports. GST rolled out in 2017 favored the Gold and jewellery industry which levies 3 per cent Goods and Services Tax (GST) on gold, gold jewellery, silver jewellery and processed diamonds and 0.25 per cent on rough diamonds. Announcement by the Government on establishing gold spot exchange will help India in participating in the determination of gold prices in the international markets.

Pricing outlook

The gold prices are correlated with the US dollar movement. Strengthening US dollar makes gold more expensive for buyers in other currencies. The rise in the bond yields across the globe in last fiscal year duly increased the opportunity cost of holding gold (it doesn't pay interest/dividend) which instinctively saw movement of money away from the asset class, thus triggering a fall in the gold prices. Stronger US dollar, expectation of further hikes in the US interest rates and a large sell off in the SPDR Gold ETFs together with robust equity market performance globally had put the yellow metal under pressure. Our estimation shows that gold prices might have bottomed out and going forward a robust rally in gold prices cannot be denied. Economic uncertainty looming around, trade war worries rocking the market and the volatility in the equity market may lead to renewed interest towards buying of the yellow metal which may get further support from by buying in India and China consumers due to the relatively low prices.

Total wealth held by individuals in gold was ₹ 74.51 lakh crore with a growth of 8.85% as compared to 4% last year.

6.2:Real Estate

The House Price Index (HPI) grew by 6.7% year on year (YoY), slowing down from a peak of 10.45% YoY growth last year. This resulted in an annual housing inflation of 7.5% in 2017-18 (FY2018), lowest in over six years. The 7.5% inflation is way below the annual average inflation during 2011-17 (12.8%).The real estate sector in India was impacted by the subsequent implementation of GST and Real Estate (Regulation and Development) Act (RERA) post demonetization resulting in the continued moderation in the housing inflation in the last two years. In terms of average annual progress, the annual inflation in housing has fallen from close to 24%[22] in FY2012 to around 7.5% in

The growth of houses in the rural areas of India has been 2.19% compared to 3.82% in the urban areas. Rapid urbanization in the country is pushing the growth of real estate in these regions. The Government of India along with the governments of the respective states has taken several initiatives to encourage the development in the sector. The Smart City Project, where there is a plan to build 100 smart cities, is a major boost to all the real estate players who have survived the bad market sentiments post GST and RERA implementations. Below are some of the other major Government Initiatives:

Source : 22 - Knight Frank

- Under the Pradhan Mantri Awas Yojana (PMAY) Urban, 6,028,608 houses have been sanctioned up to September 2018.
- In February 2018, creation of National Urban Housing Fund was approved with an outlay of ₹ 60,000 crore.
- Under the Pradhan Mantri Awas Yojana (PMAY) Urban 1,427,486 houses have been sanctioned in 2017-18. In March 2018, construction of additional 3,21,567 affordable houses was sanctioned under the scheme.

The way forward for the real estate industry is quite bright in the long run. The Securities and Exchange Board of India (SEBI) has given its approval for the Real Estate Investment Trust (REIT) platform which will help in allowing all kinds of investors to invest in the Indian real estate market like equity investment in the stock market. It would create an opportunity worth ₹ 1.25 trillion in the Indian market over the coming years which have bearded the brunt of lack of liquidity in the near past. The recent government reform in this sector and the growing flow of FDI into Indian real estate is encouraging increased transparency. One of the most visible changes has been the shift from family owned businesses to that of professionally managed ones. The developers are using innovative methods for sourcing raw materials, manpower and are hiring qualified professionals in areas like project management, architecture and engineering. This has sound of the recovery bugle for the Real Estate sector with the following factors playing a very important role in the recovery and we predict the sector will grow by 12.8% YoY taking the HPI to 10.8% in 2023:

- Customer sentiments towards the developer are favourable due to implementation of RERA which gives them the confidence of getting what they invested in on time
- Realistic Pricing – no unnecessary increase in pricing by developers
- Due to affordable housing, demand and supply matching
- Government initiatives for housing for all – Pradhan Mantri Awas Yojana
- Home loan rate on a downward trend after demonetization reducing the cost of borrowing for the customers
- A weaker rupee, 12-15% depreciation allows NRIs to enter at a clear discount compared to the domestic resident counterparts
- Liquidity provided to the developers via NBFC funding, REITs and FDI in the Real Estate Sector.

Table 23: Individual Wealth in Real Estate

Region	FY 18 Amount (₹ Crore)	FY 17 Amount (₹ Crore)	Y-O-Y % Change
India	69,52,007	62,99,989	10.35
International	4,795	4,199	14.20
Total	**69,56,802**	**63,04,188**	**10.35**

Total wealth held by individual in Real Estate was ₹ 69.56 lakh crore with a growth of 10.35% in FY18

6.3:Diamond

Global consumer demand for diamond jewellery reached $83bn in FY2017, growing at a CAGR of 4% from $62 bn[23] in FY2010 driven by sustained growth in the US and increased demand in China. However

Source: 23 - Care Ratings

However demand for diamond jewellery in other main markets such as India witnessed a decline. The CY2018 global outlook is positive primarily due to consumer sentiment and a sustained marketing and brand building investment by the diamond companies. In India, inflation, higher interest rates and a weakening rupee could negatively impact consumer demand. We expect only larger organised retailer chains to grow at the expense of the smaller unorganised retailers.

In FY2017, the global rough diamond production increased by 14% to 164 million carats. Russia remained the largest country both in carat as well as value terms. De Beers Group with a 34% share continued to remain the largest supplier of rough diamonds, followed by ALROSA and Rio Tinto. According to De Beers, the total diamond production in FY2018 is expected to reduce marginally as compared to FY2017.

Individual wealth in diamonds in India has increased by 4.92% at ₹ 8.37 lakh crore in FY18.

6.4:Silver

Precious metal like silver has been the choice of the masses in India due to its affordability and easy liquidity. A good monsoon and better agriculture output had generally related to increase in demand for silver among the Indians. Being an agriculture based economy and rural masses having restricted know how of the investment avenues, money generally flows in buying silver or other precious metals. India is one of the biggest contributors to the global demand in silver and any alterations in demand in India have a significant impact on the prices of silver

According to the World Silver Survey 2018, India's share of silver demand for jewellery and silverware in world market increased from 14.7 per cent in 2008 to 39.2 per cent in 2017. With the growth coming in jewelry fabrication a significant rise in volume and bulk purchase in silver is noted in the last fiscal.

Silver demand from jewellery, silverware, coins and medallion retailers who prefer a more transparent business model rose to quite a large extent in India after GST implementation. In 2018 it is expected that silver demand from jewellery fabricators to remain strong, pushing imports to approximately 180 Moz[24].

Individual wealth held in silver in India stood at 2.24 lakh crore in FY18 which has reduced by 2% over the previous year.

Source: 24 - World Silver Survey 2018

6.5:Platinum

Platinum is a rare metal and is particularly known for its catalytic properties and highly used in electronics and auto manufacturing industry for being ductile, malleable and highly recyclable. Gold/Silver is generally preferred as a store house of wealth while platinum is specifically an industry precious metal. On an average 45 % of platinum is used in automotive industry, around 30% in jewellery while remaining in manufacturing specifically medical equipments. The recent fall in price of platinum as the cost of mining in South Africa had inched higher had put the industry in trouble

.

Platinum sales are expected to increase by as much as 30 per cent in 2018 with their prices 36 per cent cheaper than gold and a growing preference for the metal among millennials. Sales of the noble metal in India rose 21[25] per cent in 2017, while gold witnessed lesser growth.

India has become the growth engine for platinum Jewellery globally, according to a report by Platinum Guild International. This could be attributed to robust global economy and low platinum prices, together with an increasing preference for platinum among younger consumers.

Individual wealth in platinum in India was at ₹ 7,683 crore in FY18 as increase of 9.78%

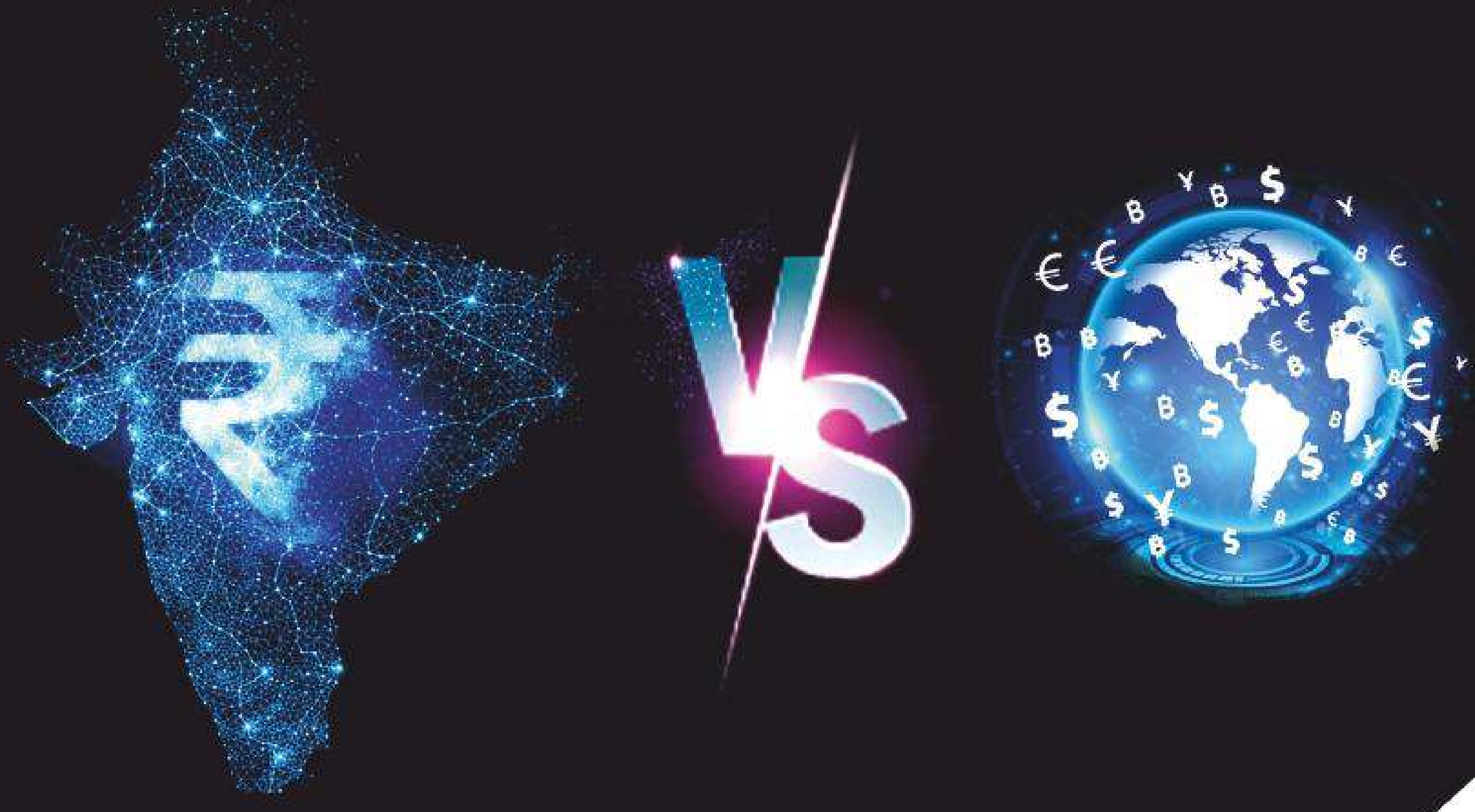
6.6:Other Gems & Jewellery

The Gems and Jewellery sector is an indispensable part of today's Indian economy. Contributing approximately 7 percent towards the country's GDP it is amongst the fastest growing sectors. It is home to around 300,000 players and contributes 29 percent to the global jewellery consumption. It captures the market size of about US$ 60 billion (as recorded in 2017) and is projected to reach $100-110 billion by 2021-2022[26]

With the Indian government permitting 100% FDI in the sector and increased per capita income of global consumers, the sector reflects a tremendous potential for further growth.

Total individual wealth in Other Gems and Jewellery has been estimated to be ₹ 1.31 lakh crore in FY18, a growth of about 24.61% as compared to the previous year.

Source : 25 -Platinum Guild International Report 2018; 26- Business Standard



SECTION 7

INDIVIDUAL WEALTH INDIA V/S WORLD

As compared to global counterparts, India's allocation of wealth in equity is only 19.02 % as compared to 30.90% globally. However it is important to note that this year the share of equity in total individual wealth has increased by almost 3% in India. This is majorly due higher returns by market, strong economic outlook and positive inflow in financial asset such as direct equity, mutual fund & insurance etc.

The share of Alternate asset category which comprises of gold, structured products, venture capital/ private equity funds and real estate funds stands at 22.55% as against global standard of 9.4%. This is majorly due to India's love for gold in every household. In FY18 proportion of gold itself was 19% in total individual wealth in India.

Debt (including cash) forms 40.70% of total wealth in India in FY18, similar to global standards of 43% in FY18. The share of Debt has shrinked by almost 2% globally.

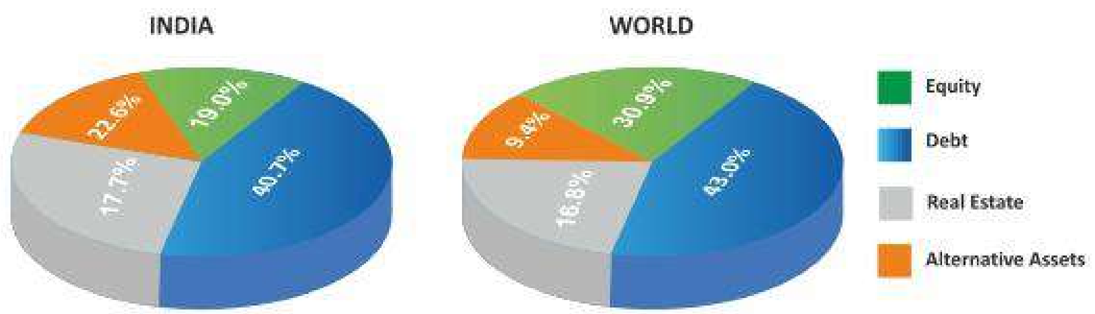
In Real estate the share in individual wealth in India has declined marginally by 17.73% but globally it has increased by almost 2% to touch 16.8%.

The table below gives a comparative view of Indian individuals' investment share against their global Counter parts.

Table 24: Individual Wealth - India versus World

Key Assets	FY18 Proportion (%)		FY17 Proportion (%)	
	India	Global[27]	India	Global[28]
Equity	19.02	30.90	16.99	31.10
Debt (including cash)	40.70	43.00	41.56	45.30
Alternative Assets(including gold)	22.55	9.40	23.82	9.70
Real Estate	17.73	16.80	17.63	14.00
Total	**100.00**	**100.00**	**100.00**	**100.00**

Figure 4: Composition of individual wealth in India Vs Global



Gradually the share of equity in total individual wealth will increase as we see India's growing inclination towards financial asset classes. This will lead to the Indian proportion being aligned to the global proportion slowly and steadily in the next decade.

Source : 27, 28 - World Wealth Report 2018, Capegemini

SECTION 8

EXCLUSIVE NOTES

8.1:Sensex at 1,00,000 by 2025?

In 2003 Sensex at 20.000 seemed unrealistic, however it did cross that the figure in 2008. While the Sensex corrected during the crisis it recovered later and sustained firmly above 20,000 levels. Similarly while Sensex at 1,00,000 by 2025 may seem unrealistic today, there are multiple reasons for stirring positive momentum in the next 5 to 7 years.

Fundamentals – Economy & Earnings

India has a strong present and future internal consumption demand; the hypothesis for the same is the demographics, where almost 70% of our population is below 35 years of age and as they move up in life cycle their income levels will surge. This will help boost consumption demand for various goods and services. This will have positive effect on the FMCG and manufacturing sectors. The Manufacturing sector today has excess capacity and any increase in capacity utilization will not require capital expenditure, which in turn will result in increase in earnings. This will help the Indian economy to grow above 7-8% levels. The Financial sector is the backbone of any economy and in recent past it has been reeling under pressure on account of NPA issues and the recent NBFC crisis. However, the Indian Bankruptcy Code (IBC) and the NCLT time bound process for resolution have already helped resolve NPA issues to the tune of ₹ 3 lakh crore. Also the measures being taken to boost liquidity for the NBFC segment will resolve the present situation soon. The credit off take will also be sound in coming times as the demand increases and this will result in high earnings for banks and the financial services sector. As the growth and development scales to new heights, our interest rates will stabilize at lower levels along with the inflation in the long term and this will further help improve corporate earnings across sectors.

There is thus a strong case of high earnings growth upwards of 18-20 % in the coming years. During the period CY03-CY07, Sensex jumped six times from 3,240 to a level of 20,286, portraying the strength and potential of the Indian equity market where the EPS growth was ~27%. Post 2008, the sensex has moved up from 12000 to 35000 till date, which is almost 3 times in a slow growth environment. We can compare the present situation to the period 2003/2007 with higher expected EPS growth rates for the next 7 years and there seems to be a high probability of the Sensex may treble from the present levels by 2025 backed by PE multiples higher than the recent history.

PE Rerating

World trade had been slowing down post the 2008 crisis and the recent disruptions have helped the decoupling theory. Certain countries will tend to outperform others and in such a scenario, the Indian economy stands out on account of strong internal consumption, which insulates it a large extent from external problems. Also, the Indian markets have witnessed a lot of liquidity from domestic investors and institutions which have worked as a cushion against FII/ FPI exits. This increase in liquidity helps build confidence of foreign investors as markets mature further, the increased liquidity will result in a Price to Earnings rerating for Investors looking to invest into India. The high growth rate of GDP will help in overall development of Indian markets at a broader level. We have already witnessed such a P/E rerating in India in the past decade. We expect the markets to trade at an average multiple of 23 times forward earnings by 2025.The average long term returns for Sensex have been upwards of 14% CAGR. If we break this up into certain interim periods it throws out interesting analysis. The Sensex returns from 2002 till 2018 has been 15.30% CAGR. But within that period, the returns between 2003 and 2007 were 43.07% CAGR and from 2009 to 2013 it was 4.93%. The Sensex returns from 2009 to 2018 have been 8.53% CAGR. Indian equity markets are yet to witness a sustained bull run to catch up with average returns for a decade now. There is thus a strong case for a such fast growth in the coming years, which will pull back the equity market returns towards the long term average. The average CAGR required from here to 2025 for Sensex to treble is 15.62% which is just marginally above the long term average. However, as per mean reversion the CAGR for Sensex will have to be much higher than 15.62% as it moves up towards long term average.

Based on the parameters mentioned above, we have strong belief to conclude that, there is a strong possibility of Sensex to possibly treble by 2025. But as we know man proposes and God disposes. Anything can happen. At the same time, a sustained bull run seems to be impending; statistics and economics suggest so.

8.2:Trends In Real Estate

India is one of the fastest growing major economies globally. On this backdrop of a rising economy and concurrent income growth, the real estate sector has witnessed good growth over the two decades, with government policies & consumption demand providing the necessary boost. Last year, India's real estate sector saw two major reforms come into force -the Real Estate Regulatory Authority (RERA) and the Goods and Services Tax (GST). While a landmark tax such as the GST is expected to have far-reaching implications for sectors across the economy, its impact on real estate would have mixed reactions. The complete impact on construction costs is likely to unfold over the coming quarters. However, aligning with the 'Housing for All by 2022' vision, projects launched under the Pradhan Mantri Awas Yojna (PMAY) have been kept out of the purview of the GST.

The investor sentiment in real estate is getting increasingly positive for both domestic and international players, all of whom are looking to grab a slice of this growth story pie. Investors from across the globe – from North America and Europe to APAC and the Middle East, are finding the Indian real estate sector appealing mainly due to the relatively higher returns and stability on offer. Investors prefer the secure income streams of Grade A commercial properties. Apart from financials, the other key considerations are the product quality, the additional features, the quality of tenants, the lease tenures, etc. Properties with these characteristics have witnessed strong leasing activity and would outperform the market, commanding a valuation premium.

The recent policy reforms by the government will help to improve the sentiments in the real estate sector. With an objective of bringing in more transparency into the overall Indian real estate industry, the Government has proposed a string of regulations under RERA, which is expected to result into a paradigm shift with strong emphasis on safeguarding buyer's interest and boosting buyer's confidence.

India offers limited high quality investment opportunities when compared to developed markets and the number of developers having a portfolio of ready commercial properties is even smaller. This substantially limits the available investment opportunities for completed and good rent yielding properties. Consequently, it would not be surprising if the capital rates compress substantially with the market witnessing yields outperforming other international investment avenues like Singapore & Hong Kong.

The Q3 and Q4 of FY19 should sound the recovery bugle for the Real Estate sector due to the following factors:

Customer sentiments towards the developer are favourable due to implementation of RERA, which gives them the confidence of getting what they invested in, on time. Some of the positive factors are:

- Realistic Pricing – no unnecessary increase in pricing by developers
- Government initiatives for housing for all – Pradhan Mantri Aawas Yogana
- Due to affordable housing under Pradhan Mantri Aawas Yogana, there is a boost in demand
- Home loan rates are expected to be on a downward trend reducing the cost of borrowing for the customers.
- A weaker rupee, after the recent depreciation allowing NRIs to enter at a clear discount compared to the domestic resident counterparts.

The following are few emerging opportunities of investment in real estate sector.

Affordable housing

The current buzzword in the investors is affording housing. This has received a further boost by the Pradhan Mantri Aawas Yogana (PMAY). This sector is expected to revive the residential market where we can expect a return of approx 8% to 12% per annum. There are many domestic as well as international funds that have invested or have shown interest in affordable housing market of India. This has seen an increase in number of launches of Affordable housing projects.

Commercial Properties

The curve for commercial properties is on the rise. The 90s and the 2000 decade saw the evolution of residential properties as the preferred investment destination but now commercial properties has regained the center stage. We are seeing markets like Hyderabad and Bengaluru where there is limited quality supply for excess demand of commercial spaces.

Warehousing

Warehousing and logistics have emerged as one of the biggest growth areas in recent times. There have been investments worth ₹ 1,25,000 crore[29] through private equity investments in warehousing space since 2014. 10% off private equity investments in 2017 were in warehousing. This share is expected to grow further, claiming a larger share of investment. India's logistics and warehousing sector is rapidly transitioning through a revolutionary phase and would offer attractive returns on investment opportunities in select geographies with the rapid growth of eCommerce in India.

Student Housing

Globally, we have seen Student Housing advancing up the growth curve swiftly and in the process become a part of mainstream real estate asset class across quite a few geographies. India however, has a lot to catch-up with, given that we are only making a start now. Currently, India has approximately 34 million[30] students in the higher education space, which is more than double the size of the advanced and large student housing markets in the West. Given the lack of enough high quality supply, unmet demand for student housing is very high in India. Not to mention the attractive returns investors make to the tune of almost 12% per annum.

Source : 29 - Economic Times ; 30 - Indian Express

Co-working Spaces

This concept is a super-hit idea amongst the new start-ups, freelancers, SMEs, etc who get a Grade A office park with sophisticated infrastructure with limited finances. The rich networking environment and the prominent business address give such SMEs a cutting edge in enhancing the business opportunities that they get.

Going ahead the real estate industry will see a lot of consolidation in the short to medium term with mergers & acquisitions becoming more common. Transparency will get a further boost with the provisions of the Real Estate Regulation Act being enforced with all its might. With a limited stock of assets available for acquisitions, investment flows will naturally get directed to development and construction activities.

8.3:International Investments

Diversification v/s home country bias

We always say “don't put all your eggs in one basket” but are we really doing that? We have witnessed strong growth in financial assets of Indian individual and High Net worth Individuals. However the investment into the international market currently has just been 0.1% of this.

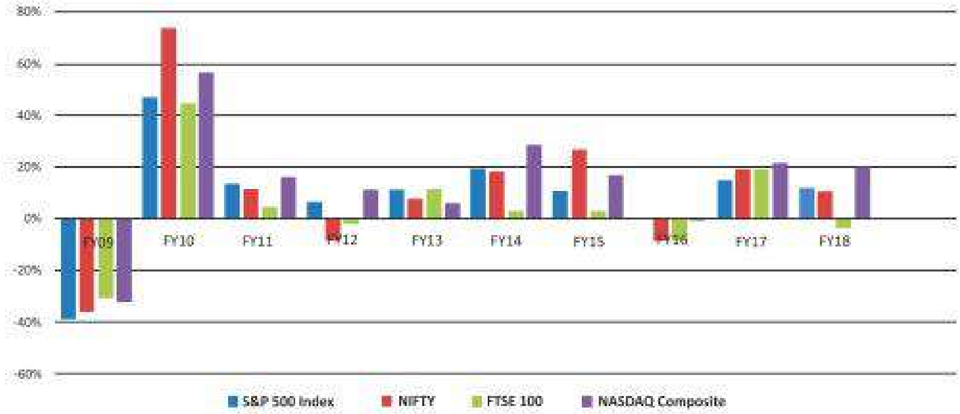
In investing, people often display a “home-country bias”. We tend to believe in and root for the things that we know best. While this may be human nature, home-country bias limits an investor's universe of available opportunities. Moreover, it may not be sensible given the nature of today's global markets.

Diversification is one of the vital principles of investing. The idea is that different kinds of investments in different geographies generally don't do badly at once. When some geographies may do badly, others would perform better. Professional investors have a whole hypothesis about which types of investments are likely to move together and which move in opposite directions, but common sense works well too. Diversification reduces portfolio risk and can be achieved by spreading investments across asset classes, industries, companies and geographies. Since the home bias leads to geographically concentrated under-diversified portfolios, it exposes investors to large quantities of country-specific risk; which can originate from political, social, economic events.

Also, India being an emerging country we have seen that our currency tends to depreciate in the longer term period to be competitive in the export market, which further increases the need for hedging our portfolio against this. Another factor is that we are increasingly seeing Indians moving outside India for

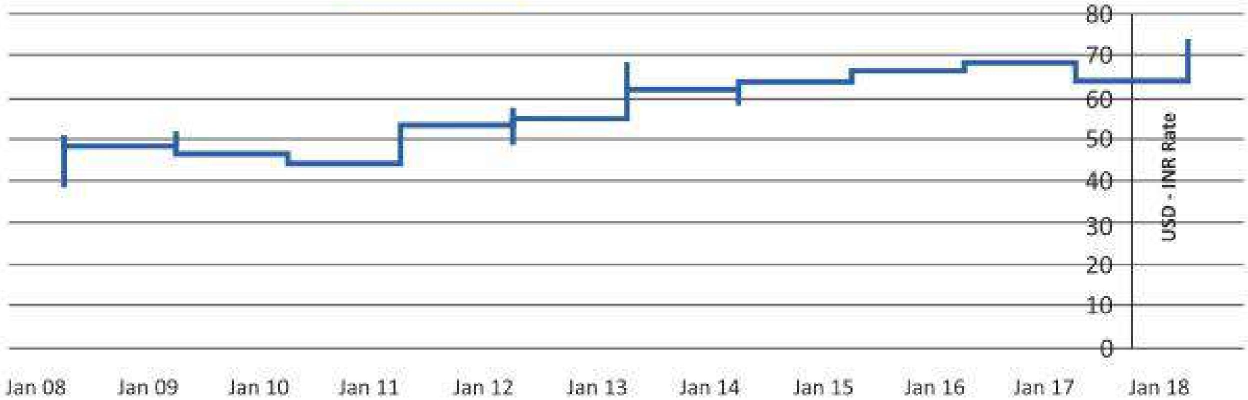
Figure 5

Performance of major Market Index across the world



higher education and also buying properties overseas besides financially supporting their family abroad. These are some of the key reasons that creating a dollar kitty works well for domestic investors. Many HNIs are looking to diversify their investments overseas due to the falling rupee. The chart below shows how INR has lost its value against USD.

Figure 6 USD – INR Rates movement



How can we do investment in the overseas market?

The Reserve Bank of India allows Indian individuals to remit up to US$2,50,000 per financial year outside India under the Liberalised Remittance Scheme (LRS). The money can be used for investment in many instruments like overseas mutual funds, direct equity market abroad, overseas realty market. Besides these simple products, Real Estate Investment Trusts (REITs), and investment in alternative assets are also popular among HNIs. We can also invest into ETFs listed in Indian browsers and alternatively one could also invest in domestic MF focussing on International investments that work as a feeder for international funds.

Of course, international investing comes with its own challenges and risks like currency risk, liquidity risk, and higher cost of investing. But, given the high home bias among Indian investors, a cautious portfolio allocation (around 10-15%) to international investments would definitely improve the risk-return profile of their portfolios and protect them from suffering losses due to India specific challenges.

Facebook, Amazon, Apple, Google and Microsoft have become common names in India and we all use their applicatons. Alongwith using their products, we can participate in their corporate growth story.

US equities have had a very strong performance this year, spurred by gathering economic momentum and

accommodative monetary & taxation policy. We believe that there are quite a few reasons to be optimistic on US Equities, the reduced taxes and increased spending have been the game changer for the economy. The amount of money that's coming in the economy, not only from tax cuts but also because of the spending, is having a significant impact and is likely to continue in 2019 and 2020. The US jobs market is healthy, companies are spending more money, industrial production is high, wages are rising and retail sales are picking up. They all point to the U.S. economy continuing to grow this year and probably beyond.
Investors of mature markets seek to tap the growth component of emerging markets to bolster their portfolio. While investors of countries, such as India, should also consider the stability that a developed economy brings to their plate, especially during volatile times.

8.4: Philanthropy - Giving for a cause

Taking part in generosity itself is a noteworthy action, paying little heed to the quantum, nature and approach of charity. However, given the size and extent of India's challenges and demography, the requirement for philanthropists and NGOs to follow a specific "Giving" strategy has gained importance in recent times. Individuals, HNIs/UHNIs involved in the act of philanthropy, understand that participating in the process of social change is challenging. The question that comes to the mind is, where to start, which activity to choose, what will be the impact of the activity.

On interaction with Dasra, a strategic philanthropic organization answers the above question in a simple manner. It states that the full potential of philanthropic activity can be realized when the following four factors are kept in mind and followed. The first step is to understand the philosophy behind the philanthropic activity; i.e. to adopt not just a "today forward" but also a "future back" mindset by defining a clear philanthropic vision. The anticipated change for undertaking the philanthropic activity follows the vision. Contribution of funds is not the sole motto, but to act as a trusted co-worker by utilizing relevant skills, sharing findings and getting involved with other stakeholders, is the third pillar to success.
I

At last, every altruist will chart his own course for his giving in a way that resounds with his qualities and previous experiences.

Interaction with the donors highlights that around 40% want to remain attached with the philanthropic activities for a period of more than 3 years and majority would love to remain involved for more than 5 years. 80% of the philanthropic activities are undertaken by Family Business owners and self employed entrepreneurs with an average contribution of US$ 15,000 to US$ 75,000 p.a. 80% of the interviewed donors are engaged in activities that go beyond cheque writing- a trend which reflects the maturity and immense promise of philanthropy in India. The primary activities where active participation of the HNIs are witnessed is Education followed by the caring of the girl child, orphans, medicines and hospitals. The other philanthropic activities remain basic hygiene clothing and sanitation system. Looking at the trends, we can envisage that more and more HNIs/UHNIs will part with their wealth towards social causes through well chalked out plans and proper channels with an end goal in mind. HNIs have realised the fact that for sustenance of wealth creation in India and for creation of an environment for inclusive growth, wealth has to be beneficial to society at large, and not just to the wealthy themselves.

About Dasra

Dasra, meaning "enlightened giving" in Sanskrit, is a pioneering strategic philanthropic organisation that aims to transform India into a place where more than a billion people thrive with dignity and equity. Since its inception in 1999, Dasra has accelerated social change by driving collaborative action through powerful partnerships among a trust-based network of stakeholders (corporations, foundations, families, non-profits, socially responsible businesses, government and media).

SECTION 9

FUTURE OF INDIA'S INDIVIDUAL WEALTH

India is going through an attitude shift in terms of wealth allocation moving towards financial assets and higher yielding assets. Traditionally we have been a risk averse nation which lead us to invest a major portion of our savings in unproductive assets like Gold or low-yielding bank fixed deposits or traditional life insurance policies.

As per IMF forecast the Indian economy is expected to grow in the range of 7.3% to 7.7% between FY19 to FY23 which makes India the fastest growing economy within its emerging peers. Post the general election in 2019, we may see the structural reforms to continue incase the incumbent government is again sworn in. Going forward we estimate that India will grow at a rapid pace which eventually will lead to a substantial increase in overall individual wealth.

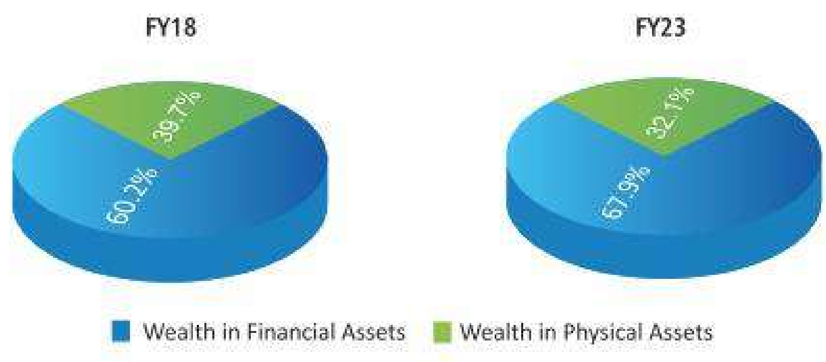
Individual wealth in India is expected to grow at a handsome CAGR of 14.19% till FY23 and is likely to nearly double to ₹762 lakh crore by FY23.

In the next five years, financial assets will witness a 16.99% CAGR as compared to 9.34% CAGR in physical assets. As far as individual contribution is concerned, financial assets will form almost 67.98% of the total individual assets pie by FY23 while physical assets will reduce to 32.02% of the total individual wealth.

Table 25: Individual Wealth Forecast

Category	FY 18 Amount (₹ Crore)	FY 23 Amount (₹ Crore)	CAGR %	Proportion FY18 %	Proportion FY23 %
Financial Assets	2,36,34,730	5,17,88,943	16.99	60.22	67.98
Physical Assets	1,56,10,118	2,43,89,513	9.34	39.78	32.02
Total	**3,92,44,848**	**7,61,78,455**	**14.19**	**100.00**	**100.00**

Figure 7 Breakup of Financial and Physical Assets in FY18 and FY23



Projected Financial Wealth –Asset class wise distribution in FY23

Individual wealth in financial assets is expected to grow at a CAGR of 17% in next 5 years and will more than double to ₹517.89 lakh crore as compared to the existing wealth of ₹236.34 lakh crore. Direct Equity is expected to lead by a huge margin, almost double the wealth held in Fixed Deposits & Bonds

Table 26: Projected Financial Wealth – Asset Class wise distribution in FY23

Asset Class	FY 18 Amount (₹ Crore)	FY 23 Amount (₹ Crore)	CAGR %	Proportion FY23 %
Direct Equity	48,97,574	1,45,98,460	24.41	28.19
Fixed Deposits & Bonds	42,09,745	77,91,584	13.39	15.24
Insurance	33,35,909	71,43,878	16.45	13.79
Savings deposits	30,96,806	51,47,532	10.70	9.94
Provident Fund	14,48,241	29,42,179	15.23	5.68
Cash	17,59,712	29,30,043	10.74	5.66
Mutual funds	11,67,954	30,34,491	21.04	5.86
Unlisted Shares	9,55,930	29,55,186	25.32	5.71
NRI Deposits	8,19,725	14,61,706	12.26	2.82
Small Savings	7,36,560	14,50,651	14.52	2.80
Pension Funds	6,03,937	12,11,711	15.94	2.34
Current Deposits	4,30,935	5,98,617	6.79	1.16
Alternate Assets	1,24,073	3,17,680	20.69	0.61
International Assets	26,027	61,43,7	18.74	0.12
Sukanya Samriddhi	21,602	43,787	15.18	0.08
Total	**2,36,34,730**	**5,17,88,943**	**16.99**	**100.00**

Projected Physical Wealth – Asset class-wise distribution in FY23

Individual wealth in physical assets is expected to grow at a CAGR of 9.34% in next 5 years to reach ₹243.89 lakh crore as compared to the existing wealth in physical assets of ₹156.10 lakh crore. A gradual shift is seen and Real Estate is expected to become the clear leader as compared to gold.

Table 27: Projected Physical Wealth – Asset Class-Wise distribution in FY23

Asset Class	FY 18 Amount (₹ Crore)	FY 23 Amount (₹ Crore)	CAGR %	Proportion %
Real Estate	69,56,802	1,22,50,597	11.98	50.23
Gold	74,51,305	97,16,882	5.45	39.84
Diamond	8,38,412	14,03,638	10.86	5.76
Other Gems & Jewellery	1,31,911	6,51,412	37.63	2.67
Silver	2,24,276	3,48,037	9.19	1.43
Platinum	7,683	18,947	19.79	0.08
Total	**1,56,10,118**	**2,43,89,513**	**9.34**	**100.00**

SECTION10

KEY TRENDS

- Total wealth held by Individuals in India has grown by 14.02% to ₹ 392 lakh crore. Individual wealth in Financial Assets grew by 17.42%, while that in Physical Assets grew by 9.24%.
- Financial Assets have continued to show higher double digit wealth growth rate and now constitute 60.22% of total individual wealth in India. Financial Assets are gaining a larger share of Total individual wealth in last 3 years. We expect this to continue in coming years.
- India showed a much faster growth rate of 20% in HNI population as compared to 9.5% globally. HNI population in India increased to 2,63,000 as compared to 2,19,000 in preceding year.
- The proportion of Direct equity in Individual Financial Assets has increased to 20.72% and has overtaken Fixed Deposit & Bonds which have 17.81% share in FY18 to become the most preferred asset class. This is a complete reversal of trend in 2 years as compared to FY16 where Fixed Deposit & Bonds had a share of 20.69%.
- Direct equity posted an increase in the individual wealth of 30.32% in FY18 and the high growth is likely to continue. Sensex may treble from the present levels by 2025. Indian equity market is expected to become 5th largest in the world.
- Mutual funds grew by 34.50% in FY18 and the proportion of Equity in Mutual Funds zoomed to 67.90% this year. Participation from domestic investors has seen a consistent rise throughout the year due to increase in systematic investment plans backed by strong equity market performance.
- Unlisted Equity grew by 36.83% in FY18, this has been one of the favourite asset classes amongst HNIs with higher risk appetite and for those who wish to leverage on the entrepreneurial spirit of India.
- When compared globally, where the proportion of wealth in Real Estate has increased by 2.8%, in India there has been a clear shift towards Equity.
- By FY23 total individual wealth is expected to grow at a CAGR of 14.19% to reach 762 lakh crore. Financial assets are expected to reach ₹ 518 lakh crore at CAGR of 16.99% and Physical Assets will grow at 9.34% CAGR to reach ₹ 244 crore.
- The share of Financial Assets in total individual wealth is expected to increase to 68% in FY23 while that of Physical Assets will be reduced to 32%.

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 Group enjoys leadership positions and competitive advantage in most business segments. A highly diversified enterprise has over 28,000 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.

Varun Saxena

Sabyasachi Mukherjee

Sheetal Kubadia

Chetan Deherkar

Neha Upadhyay

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Karvy Private Wealth (A division of Karvy Stock Broking Limited) operates from within India and is subject to Indian regulations and has office at 702, Hallmark Business plaza, Sant Dnyaneshwar Marg, Bandra (East), off Bandra Kurla Complex, Mumbai 400 051 .

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