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The Indian family office playbook

June 2025

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Julius Baer

India is on the cusp of an unprecedented intergenerational wealth transfer, with an estimated US$1.5 trillion[1] expected to change hands over the next decade. This significant shift is being driven by a wave of liquidity events, including business listings, mergers, and private equity-led exits, as more founder-led businesses mature and unlock value.

It is against this backdrop that we are pleased to present this joint playbook with EY, offering a timely perspective on the changing contours of the Indian family office. As more families formalize their wealth structures, the role of the family office is expanding, from investment management and governance to succession, sustainability, and globalization.

Growth assets are a clear priority, with many family offices allocating significantly to them. Private equity and venture capital are also widely favored, with many allocating up to 10% of their portfolios, and a quarter going beyond 20%.

Succession strategies are becoming more nuanced, and the complexity of investing is driving greater demand for professional advice and tailored structures. Cross-border allocations are on the rise, supported by digital platforms and global networks. GIFT City is emerging as a preferred jurisdiction, and there is increasing interest in impact investing to align wealth with long-term purpose.

We hope the playbook and its insights serve as a valuable resource for UHNIs, advisors and industry professionals navigating this journey.

Umang Papneja

CEO,
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A great transformation is taking place in how Indians are managing and protecting as well as growing their capital. This is reflected in the number of family offices increasing from 45 to around 300 between 2018 and 2024[2]. The increase coincides with the growing number of ultra high net worth individuals (UHNIs), with surveys revealing that more than 13,000 families in India have wealth above US$30 million.

This is a period of expansion for family offices but also a period of operations becoming increasingly intricate as the scope of responsibilities becomes wider, going beyond wealth preservation and succession planning to governance, strategic diversification and venture growth.

India's economic growth is creating investment opportunities and the fact that many of the family offices are set up by entrepreneurs is defining family offices' role as proactive investors, especially in more sophisticated instruments, including alternative investments. New avenues such as GIFT City are facilitating access to international financial markets. Professionalization can be a crucial factor in creating long-term value and preserving wealth through strategic diversification.

We are very grateful to all who participated in and supported this initiative, sharing their views. This playbook offers an in-depth view of the evolving roles, investment choices and challenges that family offices in India face. Emerging trends reaffirm the foresight, agility and innovation that define modern family offices.

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1 https://www.business-standard.com/industry/news/india-family-businesses-succession-heirs-hsbc-asia-125052000867_1.html

2 https://www.ibef.org/news/family-offices-in-india-rise-from-45-to-300-in-6-years-handle-us-30-billion-in-aum#:~:text=Family%20offices%20surged%20from%2045,%2C%20succession%20planning%2C%20and%20philanthropy.

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summary

Today's family offices are a reflection of the times. As the number of UHNIs increases, there is rising demand for establishing family offices. The new avatar of family office has led to a wave of pioneering, risk-embracing first-generation entrepreneurs channeling investments into new-age sectors such as renewable energy and automotives and via their family offices, often based on their background or views of the sector.

Trends in the spotlight

- Wealth preservation remains a primary goal for family offices but wealth creation, succession planning, governance and compliance are also of high priority.
- Growth assets are among the top choices, attracting more than half of the allocation for a large section of family offices.
- As the number of UHNIs increases, many first-generation, risk-tolerant entrepreneurs are investing in innovative sectors through family offices.
- Instruments and asset classes such as angel investing, alternative investment funds (AIFs), private credit, and PE/VCs provide high returns as well as diversification and a way into new growth sectors.
- Approach to succession planning and wealth management is becoming more nuanced.
- Complexities of investing, technology adoption, compliance and governance are expanding the role of professional advice and customized operating structures.

Modern family offices serve as hubs that oversee investment strategies, succession planning, wealth management, governance, and also training of the next generation of leaders. The evolving financial landscape and integrating values-based investing principles often determine the roadmap.

Traditional preferences for stocks, bonds, and cash have expanded to include geographically spread real estate, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), private equity (PE), private credit and venture capital (VC), art, etc.

Indian economy itself offers vibrant opportunities. Along with the appeal of public equity, sophisticated investment avenues are in high demand as they offer customization, ability to spot new opportunities and the potential for higher returns.

Family offices are taking on higher risk but also seek diversification and wealth preservation. This playbook takes a close look at the dynamic nature of family offices in India, their roles, investment choices and some of the challenges they face.

A new era for
Indian family offices

Chapter 1

Family offices are evolving fast. The expansion is reflected not only in the number of family offices in India, which have surged from 45 in 2018 to nearly 300 in 2024[3], but also their composition and purpose. The dynamic, multifaceted institutions invest actively, diversify across sectors and geographies, taking advantage of both domestic and global markets. Adopting advanced technologies, Indian family offices are shaping the future of wealth management in India.

The new-age family offices are very different from their earlier avatars. While the concept of family office first emerged in Europe during the 19th century, but it was in the US that it blossomed. One of the earliest examples is the Rockefeller family, which established Rockefeller Family & Associates in New York in 1882 to manage their substantial wealth. The success of Rockefeller's family office set a precedent that other wealthy families around the world followed.

In India, the idea of family offices took shape more visibly after economic liberalization in 1991, when rapid economic growth led to substantial wealth accumulation among industrialists, entrepreneurs, and business families. Traditionally, wealthy Indian families managed assets informally through trusted advisors, but as their wealth grew, they recognized the need for a formalized structure.

Today, Indian family offices manage diverse portfolios that include public and private equity, real estate, and venture capital, among others. They also oversee wealth preservation, business continuity across generations and philanthropic initiatives. This chapter highlights some of the fundamental aspects, such as key functions, structure, different stages a family office may go through and points to consider before deciding on a family office structure.

The number of family offices in India has grown from

45
In 2018

to

300
in 2024

These dynamic entities invest actively, diversify across sectors and geographies, and adopt advanced technologies, shaping the future of wealth management.

Key reasons for creating a family office

- **Formalizing governance**
  Structured governance to enable clear decision-making for long- term sustainability
- **Preserving family legacy and facilitating succession planning**
  Uphold family values and vision across generations for smooth transition of leadership, control and assets
- **Comprehensive wealth management**
  To consolidate investment, tax, estate, and legal services; streamline financial management
- **Confidentiality and personalized services**
  Safeguard personal and financial information within a private, controlled environment. Enable philanthropy, education planning, and governance, aligned to long-term objectives
- **Optimizing resources**
  Reduce costs and enhance efficiency through better access to investments and services
- **Customizing investment strategies**
  Tailor investment strategies based on risk appetite, goals, and preferences, including global and alternative assets

3 https://www.ibef.org/news/family-offices-in-india-rise-from-45-to-300-in-6-years-handle-us-30-billion-in-aum

The formation of a family office typically occurs during key moments in a family's wealth journey, like sale of a business or receiving a large inheritance. While there is no fixed threshold, many in the industry believe US$100 million in investable assets is required to establish a dedicated family office, as this amount allows for the economies of scale needed for efficient resource allocation. Till such time this threshold is met and even after that, wealthy families can discover significant benefits of engaging with multi-family office service provider.

There are various reasons that can prompt families to set up a family office. In a recent Julius Baer-EY (JB-EY) study of more than 25 niche family offices in India, the leading reasons to emerge included:

Preserving value of assets

Scale and complexity of wealth and asset holdings

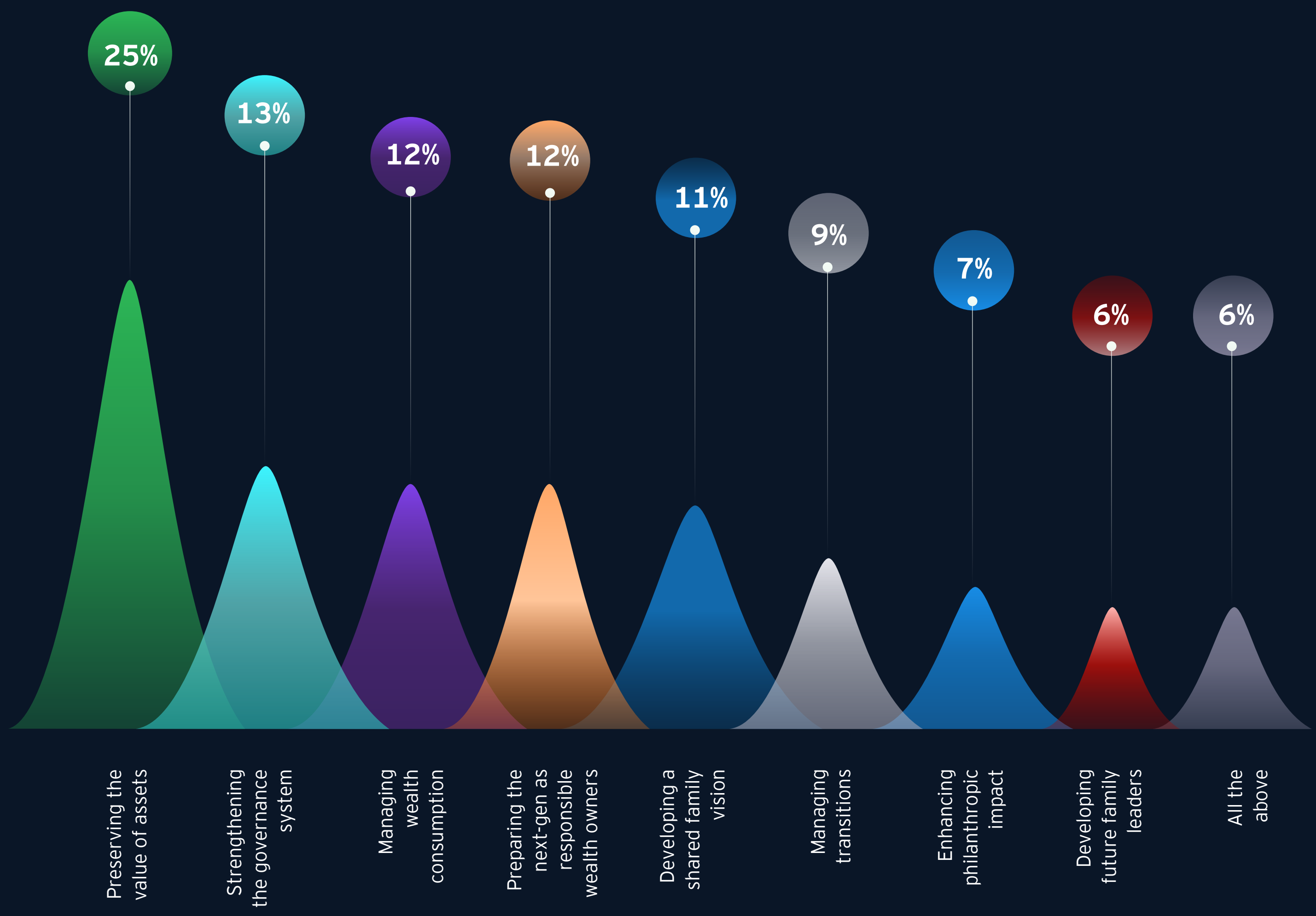
Strengthening governance

Delineation of family's financial affairs from family business and managing family branches/generations and family dynamics

Improved succession planning

Need for legacy succession and managing wealth consumption

Reasons for setting up a family office (multiple choice)



Source: JB-EY family office study

Key functions of family offices

Family offices play a crucial role in managing wealth and ensuring long-term financial stability and legacy preservation. They oversee diversified investment portfolios, efficiently allocating assets across traditional and alternative investments like private equity and real estate. Additionally, they develop risk management strategies to protect against market fluctuations and unique family challenges.

Administrative support includes handling record keeping, performance reporting, and tax filing. Family offices also focus on estate planning, structuring assets for smooth, tax-efficient transfers between generations, often utilizing trusts. They design philanthropic initiatives aligned with family values, encompassing direct donations and impact-focused investments. Lastly, they safeguard the family legacy by securing critical documents, such as wills and financial records, using encrypted digital vaults or cloud solutions to ensure controlled access and minimize the risk of loss or damage.

Types of **family offices**

Due to greater demand for family offices along with higher complexity of transactions, various types of family offices have emerged. While the lines between different formats can be blurred, each format offers distinctive features. The choice is dependent on the family's requirements.



Features	Single family office	Multi-family office	Virtual family office
Ownership	Owned by one family	Serves multiple families	Outsourced, often digital
Focus	Custom-tailored to one family's needs	Broader, shared focus	Flexible, cost-effective
Control	High	Shared among families	Limited, outsourced control
Staffing	Mostly in-house professionals	Shared professionals	Minimal, often outsourced
Privacy	High level of privacy	Fiduciary responsibility of the family office	Varies by provider
Services offered	Comprehensive	Broad but less tailored	Limited
Scalability	Limited	High	Low, digital setup only
Complexity	High	Moderate	Low
Technology infrastructure	Varies	Standardized	Heavy digital dependence

Structuring a family office

Setting up a family office requires careful planning to align with the family's vision and regulatory needs. Among the initial steps is defining the purpose and goals, which could include wealth preservation, investment management, philanthropy, estate planning, and more. This clarity is essential as it guides the structure and the type of services the family office should include. For instance, for personalized service and full control, an in-house single-family office model is more suitable, while outsourcing to a multi-family office can give access to shared resources and professional management at a lower cost.

Selecting the appropriate legal entity, such as a trust, private company, or LLP, is crucial for tax efficiency and asset protection. Establishing governance structures enables transparency as roles and decision-making processes get defined. Similarly, creating an investment policy statement (IPS) would outline investment goals and risk tolerance, while risk management processes can safeguard assets against market fluctuations. Building a skilled team and implementing technology for financial reporting and compliance are vital, alongside adhering to Indian regulations on wealth management and anti-money laundering laws.

For enhanced clarity and transparency, key roles can also be defined. The Family Office Head usually oversees the management and operations, coordinates resources, engages external advisors, and manages the daily functions. Acting as the central contact, the Head unifies office functions, providing leadership for a cohesive wealth management approach. The Investment Committee, which may comprise experienced professionals, family members, and occasionally external advisors, guides decisions on the family's assets. Meeting regularly, the committee reviews the portfolio, assesses risks, and makes key decisions on asset allocation, investment choices, and performance targets to align with the family's risk tolerance and objectives.

Different stages of a family office

Family and operating business

Initial set-up	Expansion phase	Fully scaled
▪ Families where primary focus is the operating business	▪ Families where capital pool has grown to be larger than potential operating business ▪ Discussion on priorities- philanthropy, new business, strategic investments, etc. ▪ Family Council expands decision making authority	▪ Family is out of operating business as a result of stake sale and/or complete exit ▪ Family priorities are clear ▪ Family office has to sustain lifestyle for current and future generations

Decision making and activities

Initial set-up	Expansion phase	Fully scaled
▪ Single decision maker, typically patriarch/ Chairperson of group ▪ Non-core activities outsourced	▪ Key activities insourced ▪ Inter-generational/wealth transfer structures set up ▪ Family Council with Governance Charter set up ▪ Specialized personnel hired	▪ Runs like an operating business ▪ Family Council-driven ▪ Majority activities insourced

Similar to most companies, family offices also usually separate the leadership, management and execution roles between the family office head and investment committee.

Considerations before deciding on a family office structure

To achieve the intended goals, a family office should be able to balance structure and flexibility for efficient governance while adapting to evolving needs and market conditions. Some of the key aspects to consider in terms of costs, control levels, scalability, and complexity of financial needs are:

Cost and financial viability

Setting up a family office, especially a single-family office, requires substantial investment in staffing, infrastructure, and compliance. Families should assess whether the potential benefits outweigh the costs.

Level of control, customization and flexibility

Families that want maximum control and tailored services may prefer a single-family office, while multi-family offices offer professional management with less customization. Families expecting growth may need scalable setups.

Complexity of family's financial and investment needs

For complex investment needs, involving multiple asset classes and jurisdictions, there is a need for multiple skill sets and relationships. In such cases, particularly if the pool is large, creating a relationship between the single family office and multi-family office broadens capabilities.

Generational needs and succession planning

Consider whether the family office is designed to serve multiple generations and the ways it can support wealth transfer. A structured governance and succession plan is essential to preserve family legacy across generations.

Scalability and flexibility

Families expecting growth in wealth, or the addition of new family members may require a scalable setup.

Regulatory and tax implications

Understand the tax implications and regulatory framework for family offices in India, including capital gains, income tax, and wealth transfer laws. Selecting the right legal structure can optimize tax efficiency.

Philanthropy and social impact goals

Determine capability to actively engage in impact investing or support charitable initiatives. As family offices increasingly take a structured view of philanthropy, some take a traditional approach giving annual donations to multiple charities, with the impact spread across causes. Structures to weave this aspect into the overall wealth management objective should be thought through.

Family offices in India are experiencing significant growth. This surge is attributed to a shift towards a more structured and professional approach to investment management and succession planning among wealthy families. Family offices are expected to evolve fast, especially in terms of globalization, technology, professionalization, regulations, cybersecurity, governance and sustainability.

Crafting new-age investment strategies:

Alternative assets and global opportunities

Chapter 2

Beyond their conventional roles of safeguarding and stewarding capital, contemporary family offices are architecting forward-facing investment frameworks, balancing risk and returns. Several family offices are pioneering collaborations with foreign counterparts, thereby broadening their networks and unlocking access to a more diverse array of investment prospects. At the same time, Indian family offices are progressively exploring and capitalizing on novel investment channels within the Indian market.

New-age family offices

are increasingly catering to first-generation entrepreneurs and investors who are typically more risk-tolerant, and interested in emerging sectors, eager to invest in innovative business models.

Many of the new-age family offices are emerging to serve the needs of first-generation entrepreneurs and investors. These individuals are often young, possess a higher tolerance for risk, and in-depth understanding of some of the emerging sectors, demonstrating a readiness to allocate capital to innovative business models. The majority of the family offices in our study have allocated over one-fourth of their portfolios to this asset class, with more than half investing over 50%.

Navigating an increasingly complex and volatile global landscape, family offices in India require sophisticated, tailored wealth management strategies to address the unique needs of tech-savvy, younger entrepreneurs and legacy industrialists alike. The era of one-size-fits-all investment is over. Bespoke solutions are needed for UHNIs to protect and grow their assets, which calls for more innovative, personalized and agile wealth management approaches. Let us take a closer look at some of the asset classes and approaches suitable for new-age family offices.

More takers for alternative assets

Indian family offices are expanding their focus beyond traditional assets, increasing investments in portfolio management services (PMS) and alternative investment funds (AIF).

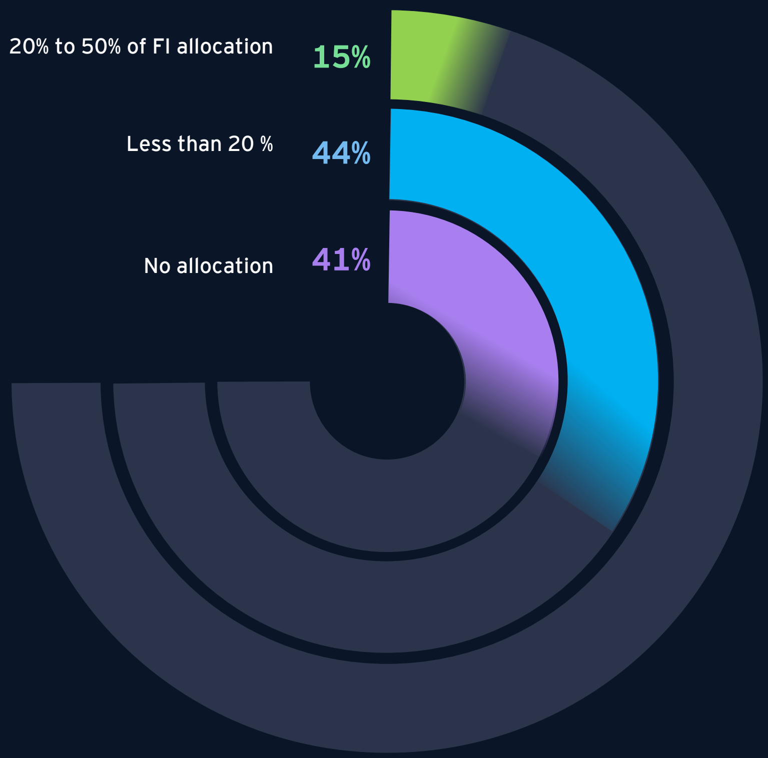
Assets managed by the Indian alternative investment industry, comprising PMS and AIFs, is expected to cross

INR100 lakh crore by 2030[4]

The appeal of these sophisticated investment options is on the rise as they offer tailored strategies and potential for higher returns.

Recent changes make AIFs even more attractive. One, SEBI has eased investment norms for Category II AIFs, the largest segment, to allow them to invest in listed debt securities with a credit rating of 'A' or below[5]. Two, according to Budget 2025 announcement, sale of securities by AIFs will be taxed as capital gains, rather than business income, reducing the compliance burden. The change was prompted by the fact that Category I and Category II AIFs focus their investments on infrastructure and similar sectors.

Incremental commitment to high-yield debt AIFs, post the change in fixed income (FI) taxation



Source: JB-EY family office study

Mutual funds and alternate equity strategies

In the Indian market, the technical distinction between equity mutual funds and alternate equity investment managers, particularly boutique or specialist firms, are significant and underscore their complementary roles within a sophisticated portfolio.

4 PMS, AIF assets to surpass Rs 100-lakh crore mark by 2030: PMS Bazaar

5 SEBI | Consultation Paper on review of Regulation 17 (a) of SEBI (AIF) Regulations, 2012, with the objective of Ease of Doing Business Click here to provide your comments

Equity mutual funds largely operate within a framework for broad investor participation, characterized by standardized investment objectives, diversified portfolios, and strict adherence to regulatory guidelines regarding asset allocation and risk management (such as, diversification limits, limits on single-stock exposure and sector concentrations). This structure, while providing stability and accessibility, can limit flexibility and the potential for concentrated alpha generation. Data from the Association of Mutual Funds in India (AMFI)[6] indicates that equity mutual funds in India manage over INR40 lakh crore in equity and hybrid equity assets.

Alternate equity investment managers, on the other hand, operate with greater flexibility. Often smaller and specialized, these firms can adopt concentrated investment approaches focusing on niche sectors, specific investment styles (for example, value, growth), or unique market opportunities. Relevant guidelines for PMS or AIFs apply.

Advantages of a mixed portfolio

Equity mutual funds and alternate equity investments have distinct features. A mixed portfolio gives access to opportunities into specific market segments along with the stability of broader equity markets.

Data from SEBI reports and industry research indicates that PMS and AIFs, while managing a smaller portion of the overall equity market compared to mutual funds, have demonstrated the potential for higher alpha generation in specific market segments. For example, boutique managers focusing on emerging sectors and themes like micro-cap or digital inclusion have shown the ability to outperform broad market indices during periods of sectoral growth. Their ability to conduct in-depth research and take concentrated positions also allows them to capitalize on specific market inefficiencies.

The empirical data highlights the complementary nature of these investment vehicles. Mutual funds provide the bedrock of a diversified equity portfolio, while alternate equity managers enhance the potential for alpha generation and targeted exposure. For example, a portfolio might utilize large-cap index funds for core equity exposure, while allocating a portion to a boutique manager specializing in mid-cap technology stocks. Furthermore, investors can utilize tactical direct equity allocations to capitalize on short-term opportunities that neither mutual funds nor specialist managers can effectively capture.

6 https://www.amfiindia.com/Themes/Theme1/downloads/AMFIMonthlyNote_January2025.pdf

Long-short funds

Long-short funds or strategies are an investment methodology used across asset classes that seek to profit from both rising and declining asset prices.

Globally, approximately **15%** of assets are allocated to alternatives, of which long-short funds garner the lion's share, about

US$5 trillion[7]

Why a long-short investment strategy?

●●●

Typically, investors buy equity shares, hold them for a period, and expect to sell at a profit which is known as a long-only investment strategy. In a short strategy, an investor sells the equity shares, intending to buy them back later at a lower price, thereby making returns from the decline in share prices.

Traditional long-only strategies, offered by most mutual funds, PMS, and insurance companies, are well-known. In normal market conditions, investors with higher risk appetite are likely to achieve their financial goals. However, these strategies are also prone to negative returns and volatility. Long-short funds can deviate from the normal risk-return curve and generate higher risk-adjusted returns.

The aim is to take advantage of mispricing, overvaluation and euphoria in the markets to make investment returns by shorting a stock. The introduction of AIFs by SEBI in 2012-13[8] marked the entry of long-short strategies in India. While the category is relatively smaller, it is gaining prominence and receiving due attention with the introduction of different strategies in the last few years.

Key advantages of a long-short strategy are:

01

Risk management

Balancing long and short positions reduces market exposure, while hedging techniques protect portfolios during downturns.

02

Potential for higher returns

These strategies capitalize on rising and falling markets, enhancing returns while protecting against downside risks.

03

Portfolio diversification

These strategies usually have low co-relation to markets, be it debt or equity.

04

Adapting to market conditions

Whether the market is bullish, bearish, or sideways, these strategies can be adjusted to take advantage of prevailing trends.

Long-short strategies provide a compelling case for investors, given the advantages mentioned above. However, it is crucial to evaluate the risk-return profile of each strategy and determine which aligns best with the investor's objectives and risk tolerance before investing.

7 barclayhedge.com

8 SEBI | Consultation Paper on review of Regulation 17 (a) of SEBI (AIF) Regulations, 2012, with the objective of Ease of Doing Business Click here to provide your comments

Real assets: REITs, InvITs, sector yield funds and real asset-focused funds

For family offices and UHNIs, investing in real assets is an essential tool for portfolio diversification, wealth preservation, and long-term stable returns. Real asset funds or investment trusts pool capital and build in operational capabilities. The portfolio of underlying assets provides access to real asset cash flows without the complexities of direct ownership. Real assets also serve as a hedge against inflation, offer predictable cash flows, and provide potential for long-term price appreciation.

As infrastructure investments evolve, investors can now choose from a plethora of investment options as per return profiles, risk appetites and investment horizons.

Rise of InvITs and REITs in India

A combination of factors is driving growth of InvITs and REITs, including infrastructure push, National Infrastructure Pipeline, investor interest, institutional investment, and office space demand, especially from sectors such as IT, BFSI, and Global Capability Centers (GCCs).

To expand the scope of REITs in India, which is one of the fastest growing markets in Asia-Pacific[9], SEBI has introduced Small and Medium REITs[10], with a minimum asset value threshold being **INR50 crore** to **INR500 crore**. These are expected to increase market participation, improve liquidity, and boost real estate development in Tier-1 and Tier-2 cities.

As on 31 March 2024, the AUM of InvITs in India stood at

INR5.39 lakh crore.

29% growth from March 2023, with telecom and roads being the two largest sectors[11].

Infrastructure and real estate investment trusts (InvITs and REITs)

The instruments are becoming increasingly popular with investors who seek to invest in a fixed income like product with stable long-term returns. Given the de-risked nature of the product coupled with financialization of the infrastructure and real estate segments, it is also becoming an interesting play for institutional players who can deliver incremental returns over developers. The prevalent types of InvITs and REITs are:

Public and private InvITs: Public InvITs attract investors seeking steady, inflation-hedged income. These listed entities pool funds for assets like toll roads, renewable energy projects and power transmission lines. They provide a low-volatility alternative to dividend stocks. Private InvITs invest in similar projects but are exclusively available to institutional investors.

REITs: These trusts allow investors to gain exposure to real estate without directly owning physical properties. REITs own and manage income-generating properties like office buildings, malls, and warehouses. They generate returns like InvITs, with part of the return earned through capital appreciation, with a substantial portion coming through periodic distributions. REITs may also be public or private.

Real asset focused funds: Another pool of capital that has emerged is private equity funds focused on real assets. In some instances, these funds focus on real asset sectors. Energy Transition Funds, for example, focus on green mobility, renewable energy, energy efficiency and industrial decarbonization, offering equity-like returns with strong growth potential. These funds typically realize a large majority of their returns through capital appreciation.

Yield funds with sectoral focus: Yield funds pool capital from experienced investors to invest in projects like roads, renewable energy, power transmission and commercial real estate. They aim for periodic distributions and capital appreciation, offering returns comparable to listed equities, underpinned by long-term concessions or contracts and real assets.

9 https://www.cushmanwakefield.com/en/insights/asia-reit-market-insight

10 https://www.sebi.gov.in/legal/regulations/mar-2024/securities-and-exchange-board-of-india-real-estate-investment-trusts-amendment-regulations-2024_82138.html

11 https://www.careratings.com/uploads/newsfiles/1743076759_Road%20Sector_CareEdge%20Report%20-%20March%202025.pdf

Private credit market

Private credit as an asset class has existed in the US since the early 1990s. European markets adopted it in the early 2000s and a few years back, Asian markets also saw the rise of private credit as an asset class. In fact, one of the world's most heralded asset managers, Howard Marks, is a specialist in private credit. The asset class has blossomed to be among the fastest growing asset classes globally[6] in the last decade as regulations on banks have tightened world over. The size and scale of the private credit market is currently approximately US$2 trillion[12] and private credit fund managers' AUM is expected to grow to US$3 trillion by 2028[13].

The quest for regular income and attractive returns with downside protection is attracting the world's largest investors, including pension funds and insurance companies. In the last decade, the US equity markets delivered 8% to 9% CAGR returns[14,15] whereas the median private credit fund delivered 10% CAGR returns[16,17].

The private credit market in India is still small, accounting for only

1% to 1.5%

of all wholesale credit given in India.

India is also seeing an uptick in private credit as an asset class. As the country moves towards a US$10 trillion economy mark with increased industrialization, the demand for private credit is expected to rise steadily, presenting multi-decadal opportunities. The market is underpenetrated, with private credit accounting for only 1% to 1.5% of all wholesale credit given in India[18]. A 2024 EY study on private credit in India shows that private credit is clearly on the radar of family offices.

6 https://www.amfiindia.com/Themes/Theme1/downloads/AMFIMonthlyNote_January2025.pdf

12 https://www.imf.org/en/Blogs/Articles/2024/04/08/fast-growing-USD2-trillion-private-credit-market-warrants-closer-watch

13 https://www.moodys.com/web/en/us/insights/credit-risk/outlooks/private-credit-2025.html

14 https://www.sofi.com/learn/content/average-stock-market-return/?utm_source=chatgpt.com

15 https://www.investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp?utm_source=chatgpt.com

16 Examining the Case for Private Credit - Verus

17 Private Credit Unveiled: Opportunities, Risks, & Why We Steer Clear - Gresham Partners

18 India Total Loans | 1998 - 2025 | Economic Indicators | CEIC

A confluence of factors is leading to the growth of private credit in India:

01 **Maturing ecosystem**

Regulatory oversight by SEBI and a clear framework for AIFs are directing savings into private credit. Larger family offices globally and now in India also have 15% to 25% of their portfolios in alternative funds, of which 25% to 30% goes into private credit solutions[19, 20].

02 **Lenders in stronger position**

The 2016 Bankruptcy Code has empowered lenders. Promoters can now lose control of their companies to lenders.

03 **Asset managers are preferred vehicles**

There are regulatory restrictions on banks and other financial institutions in India from funding certain types of wholesale structured transactions, for example, a promoter requiring money for an acquisition or for an inter-se family settlement. In some cases, banks may lack the speed or flexibility that private lenders can offer. This has acted as a catalyst for asset managers who can be suppliers of this patient flexible capital.

Private credit as an asset class can provide attractive returns with regular cash flows. Returns are not correlated to equity markets and have beaten inflation attractively with significant downside protection. These characteristics make it an ideal fit for family offices.

Private credit **solutions**

As India's economy grows, private credit is expected to become a significant asset class. Family offices are already embracing it rapidly, seeing the benefit of stable returns, downside protection as well as diversification.

Three broad categories of private credit solutions:

Core credit portfolios	Performing credit portfolios and funds	High-yield special situation credit portfolios and funds
These are portfolios of listed-rated debentures of companies. With an average holding period of 6 to 15 months, this sub-class offers low to moderate returns with regular quarterly coupon payouts. Till a few years back, mutual funds channelized some of these funds, however, with increased regulations on credit, the mutual fund industry is transitioning to AIFs and PMS.	Portfolio of secured debentures and lending to larger companies with very good operating metrics, for the purpose of growth capital, working capital, elongating existing loan tenures, acquisition finance and sometimes as a bridge to equity or monetization events. These are large investment opportunities and, typically, these funds would be shorter duration of three to four years with lock-in structures, giving investors the opportunity to earn moderate to high returns per annum with regular monthly or quarterly coupons. Investors can add stable returns to their portfolio during volatile markets with this sub-class since it involves lending to large companies with significant equity cushion and short duration loans with tangible security. Such a portfolio can potentially beat large-cap equity fund returns across cycles, without exposing clients to point risk of buying at elevated levels.	This sub-class comprises a portfolio of secured debentures, lending to companies to solve a special situation. It typically involves bridge financing in situations such as one-time settlements, last-mile financing, loan tenure elongation, etc. The incremental capital provided enhances the borrower's or promoter's equity value. The lender gets access to security and cash flows and, typically, gets repaid within a short period of two to three years. Special situation credit funds are usually of medium-term duration with four to six years economic life. Lock-in structures give a chance to make higher returns on a post-cost pre-tax basis. These funds offer returns comparable to mid-caps across cycle, while limiting mark to market volatility as each transaction is backed by collateral and structured to deliver regular cash flows.

19 https://www.business-standard.com/finance/personal-finance/how-do-indian-family-offices-invest-money-decoding-their-asset-allocation-124082900103_1.html

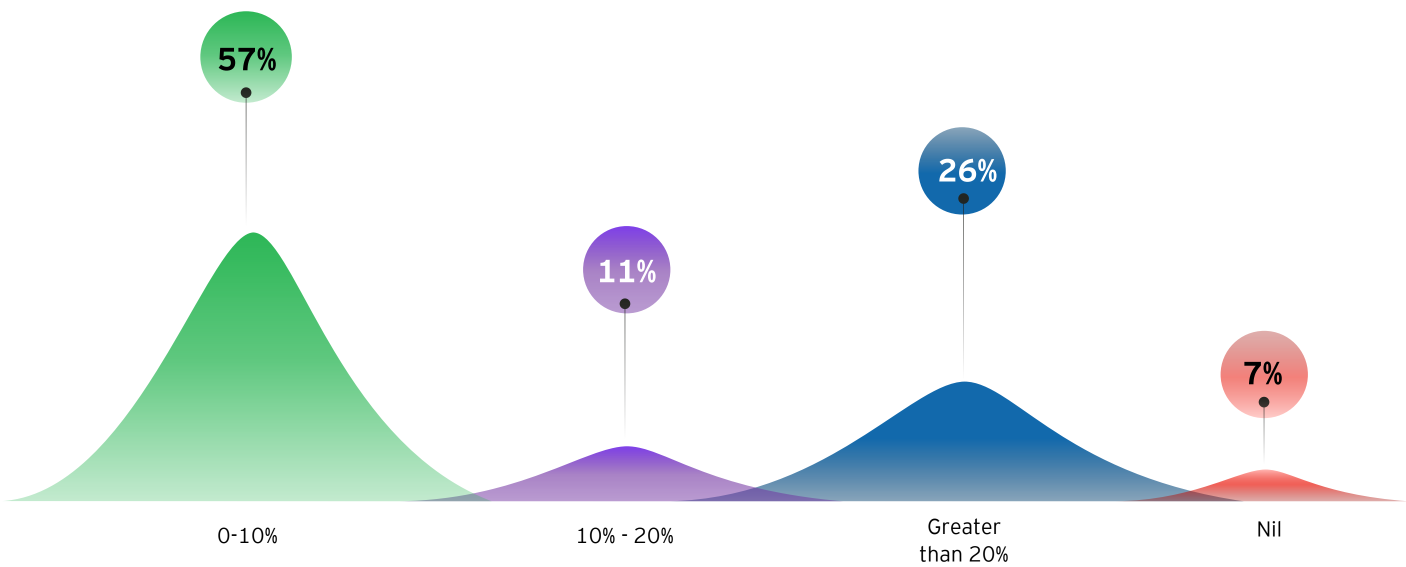
20 Neo internal analysis

Private equity-venture capital

Private investments, encompassing PE (particularly in start-ups) and VC, are gaining favor among family offices eager to leverage the high-growth potential within India. PE/VC investment value increased by 5% y-o-y in 2024, based on buyout investments, particularly in the infrastructure, technology, and financial services sectors, as detailed in the Private Equity and Venture Capital Trendbook 2025[21]. The number of deals experienced a 54% y-o-y growth[8].

Family offices that participated in our study also indicate a high preference for PE/VCs. More than half have allocated up to 10% of their portfolio in PE/VCs, while about one-fourth have a higher allocation of more than 20%. A majority, approximately 75%, have made fresh allocations.

Current allocation of family offices to PE/VCs



Source: JB-EY family office study

PE/VC exposure to a portfolio is becoming an imperative for all sophisticated investors. Being uncorrelated to public markets, it offers a significant advantage to public market swings thereby diversifying beta, adding stability to a portfolio and improving overall portfolio risk-adjusted returns.

Tailwinds for the PE/VC space in India make a strong case for participation[22]

01 Provides exposure to emerging industries and transformative technologies, serving as a hedge against risks associated with mature companies or business models vulnerable to disruption. Historical data suggest that VC returns have shown limited correlation with other asset classes, and some studies even highlight an inverse relationship between overall PE and global equity markets.

02 Investing in multiple funds that focus on different deal stages can help mitigate risk, create potential for diversified return sources and varied cash flow profiles.

03 Deal activity has shifted towards traditional sectors like Banking, Financial Services, and Insurance (BFSI) and consumer/retail, surpassing that of tech-focused sectors like consumer tech and SaaS. This reflects a growing interest in industries with strong growth fundamentals.

04 For digital business models, profitability remains a key focus for businesses alongside revenue growth, and high-quality investee companies have been showing robust performance and improved profits.

05 Successful venture-backed IPOs are establishing a model for prioritizing long-term sustainability, inspiring other startups to adopt a similar approach as they gear up for entry into public markets.

8 SEBI | Consultation Paper on review of Regulation 17 (a) of SEBI (AIF) Regulations, 2012, with the objective of Ease of Doing Business Click here to provide your comments

21 https://www.ey.com/content/dam/ey-unified-site/ey-com/en-in/insights/private-equity/documents/ey-private-equity-and-venture-capital-trendbook-2025-v1.pdf

22 Bain & Co, India Venture Capital Report 2025

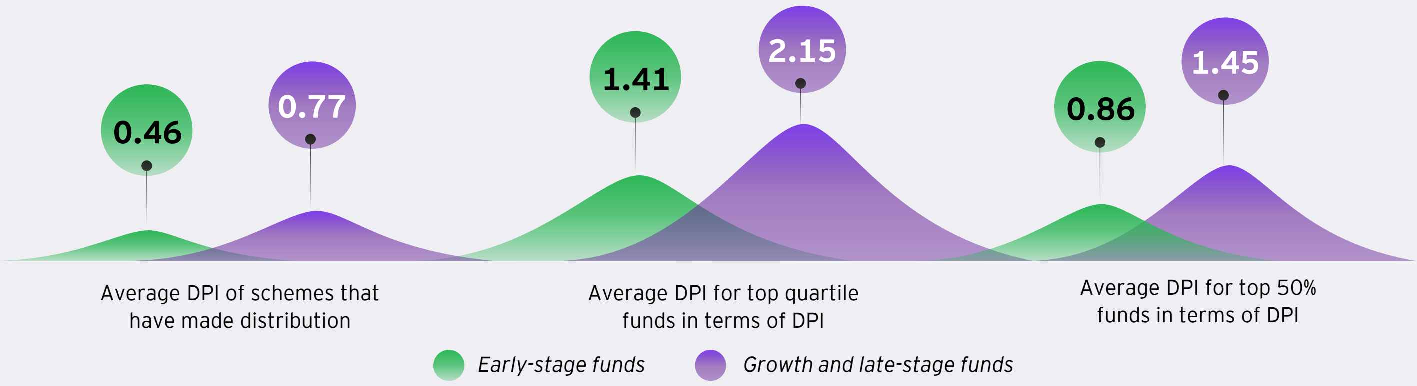
The case for **growth and late-stage funds**

In PE funds, growth and late-stage funds have offered better realized returns than early-stage funds:

- Faster liquidity, which can be re-harvested or distributed depending on the strategy
- Elimination of mortality risk with well-established companies poised for public market exits, which helps generate a better Multiple on Invested Capital (MOIC) and shows investors Distributed to Paid-In Capital (DPI; a measure of the total capital that a PE fund has returned thus far to investors).

Companies with well-established Product Market Fit (PMF) moving towards profitability helps investors exit via secondaries and M&A opportunities or listing.

Distribution trends: Growth and late-stage funds vs early-stage funds

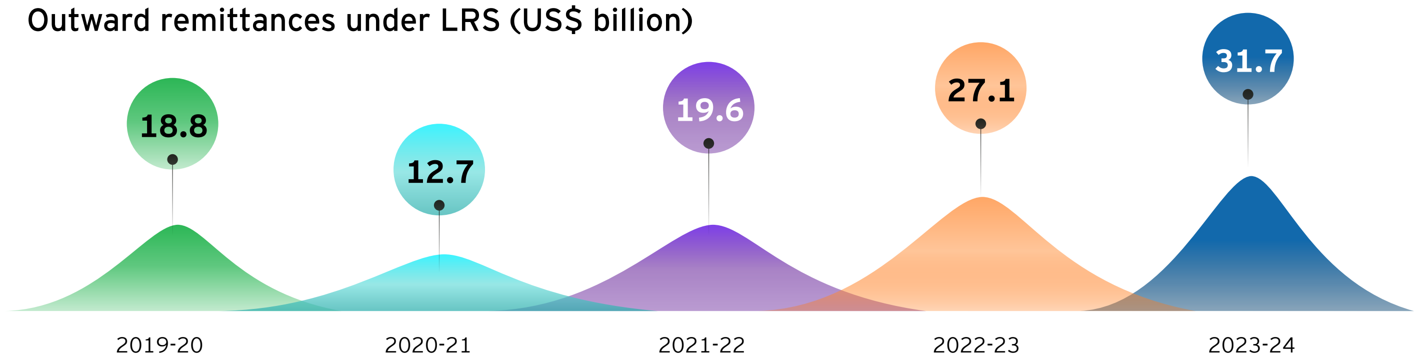


Source: CRISIL Intelligence as on 31 March 2024
1) Values as on the end of each benchmarking cycle
2) Schemes as per criteria benchmark considered from vintages FY14 to FY21. Schemes that have completed at least one year since their first close as on the end of each benchmarking cycle have been considered.
3) Returns are in INR terms and refer to post-expense, pre-carry, pre-tax values;
4) Carried interest (performance fee/carry) will have an impact on the returns of the funds and hence alpha over the public market index

The growing foreign investment basket

Indian family offices are accelerating their growth and broadening their portfolios across various industries and regions by leveraging regulatory frameworks to proactively engage with investment prospects on a global scale. While real estate remains a popular choice, often as an early investment, equity and debt investments are climbing the charts. According to December 2024 RBI data, outward remittances under Liberalised Remittance Scheme (LRS) were nearly US$22.82 billion in the April-December period of 2024-25 (FY25) and US$24.80 billion in the same period in FY24.

Outward remittances under LRS (US$ billion)



Source: RBI (https://rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=23107)

Family offices, traditionally localized and often family-centered, are increasingly becoming global entities as UHNIs and their families diversify investments and operations across geographies. The trend toward globalization presents new opportunities and challenges.

Key drivers of globalization include global wealth dispersion as families often reside or invest across multiple countries, necessitating a global presence to manage assets effectively and adhere to diverse regulatory requirements. Moreover, with globalization, family offices can access broader investment opportunities, such as private equity in the US, real estate in Europe, and venture capital in Asia. Such diversification can mitigate regional risks while capitalizing on international growth. Globalization also enables access to a wider talent pool and professionals who understand the nuances of international markets.

Primary routes available in India

The choice of route depends on the family office's objectives, investment size, and need for global presence versus cost efficiency.

	Liberalised Remittance Scheme (LRS)	Offshore Family Office	GIFT City AIFs (outbound)
Definition	Allows Indian residents to remit up to US$250,000 per financial year per individual for international investments	Establishes a family office in foreign jurisdictions like Singapore, Mauritius, or Dubai	Enables pooling of capital through AIF structures based in GIFT City for global deployment
Key features	Simpler route for international investments Limited to US$250,000 per individual annually	Offers a dedicated offshore structure	▪ Based in India's IFSC; provides simplified access to global investments ▪ India-centric compliance
Tax efficiency	No special tax benefits: Global income taxable in India subject to DTAA[20] benefits	As per jurisdiction	Competitive tax regime
Cost of operation	Minimal set-up costs	As per local incorporation costs, operational expenses, and compliance with foreign laws	Lower set-up and operational costs relative to offshore jurisdictions; government incentives available (tax, operational, and infrastructure incentives)
Ease of setting up	Straightforward process under RBI guidelines	Process requires legal expertise in the chosen jurisdiction	Relatively streamlined due to consolidated framework under the IFSCA
Investment scope	Limited to the remittance cap of US$250,000 per person per year	Broad, as offshore family offices can access global markets without remittance limits	Broad, additional limits beyond LRS available in some cases
Regulatory environment	Governed by RBI's LRS framework; restrictions on speculative or leveraged investments	Jurisdiction-specific regulations; may face regulatory complexities for Indian families	Governed by IFSCA; designed to facilitate global deployment and regulatory ease
Flexibility	Limited by the annual cap, requiring multiple family members to contribute for large investments	High flexibility in fund deployment and structuring	High flexibility with wide investment choices
Reputation and global presence	Low; investments are personal in nature	Enhances global presence and sophistication of family wealth management	Emerging as a competitive alternative to offshore platforms, with growing institutional interest
When is it useful?	For smaller families seeking straightforward diversification; ideal for limited international exposure and low-cost entry into global markets	▪ For large family offices with significant capital to invest globally ▪ When access to established global financial ecosystems is a priority	Ideal for families seeking a cost-efficient, tax-advantaged, India-based structure for global investments

DTAA: Double Taxation Avoidance Agreement; IFSCA: International Financial Services Centres Authority

Owing to a confluence of local and international factors, including fluctuating interest rates, and supply chain dynamics, India has maintained a prominent position in the investment arena for over 10 years. The number of UHNIs has been steadily rising in tandem with the economic growth, the wealth created and the success of innovation-based entrepreneurship. Currently, India is home to approximately 13,000 families with wealth exceeding US$30 million[23]. However, this figure is projected to surge, reaching 19,000 by 2028, as per forecasts by Knight Frank. As wealth increases, family offices are becoming a sought-after structure for the ultra-wealthy population, as they seek to grow and preserve their wealth while adopting new practices to take advantage of emerging opportunities.

23 https://content.knightfrank.com/resources/knightfrank.com/wealthreport/the-wealth-report-2024.pdf

New perspectives of

governance, succession planning and wealth management

Chapter 3

As family office operations become more complex, there is an increasing demand for succession planning and wealth management, which include long-term focus, liquidity, compliance requirements, taxation, governance framework, diversified investments and more .

Future trends in family offices

As Indian family offices transform, six key trends are expected to shape their future:

01

Growth of cross-border investments

As global opportunities continue to expand and families become more global, Indian family offices are likely to increase their allocations to international assets, leveraging technology, professional networks, and specialized investment vehicles.

02

Increased adoption of GIFT City

GIFT City is expected to attract more family offices as the regulatory framework evolves and awareness grows. The development of robust financial infrastructure may further enhance its appeal.

03

Digital transformation

Technology can play a crucial role in simplifying operations, managing global portfolios, and accessing international markets efficiently.

04

Focus on ESG and impact investing

Indian family offices may align their strategies with global trends by emphasizing sustainable and impact-oriented investments, building both financial returns and reputational value.

05

Sophistication of governance and succession planning

As family offices globalize, they may need to enhance governance structures and succession plans to enable seamless operations and intergenerational wealth transfer across jurisdictions.

06

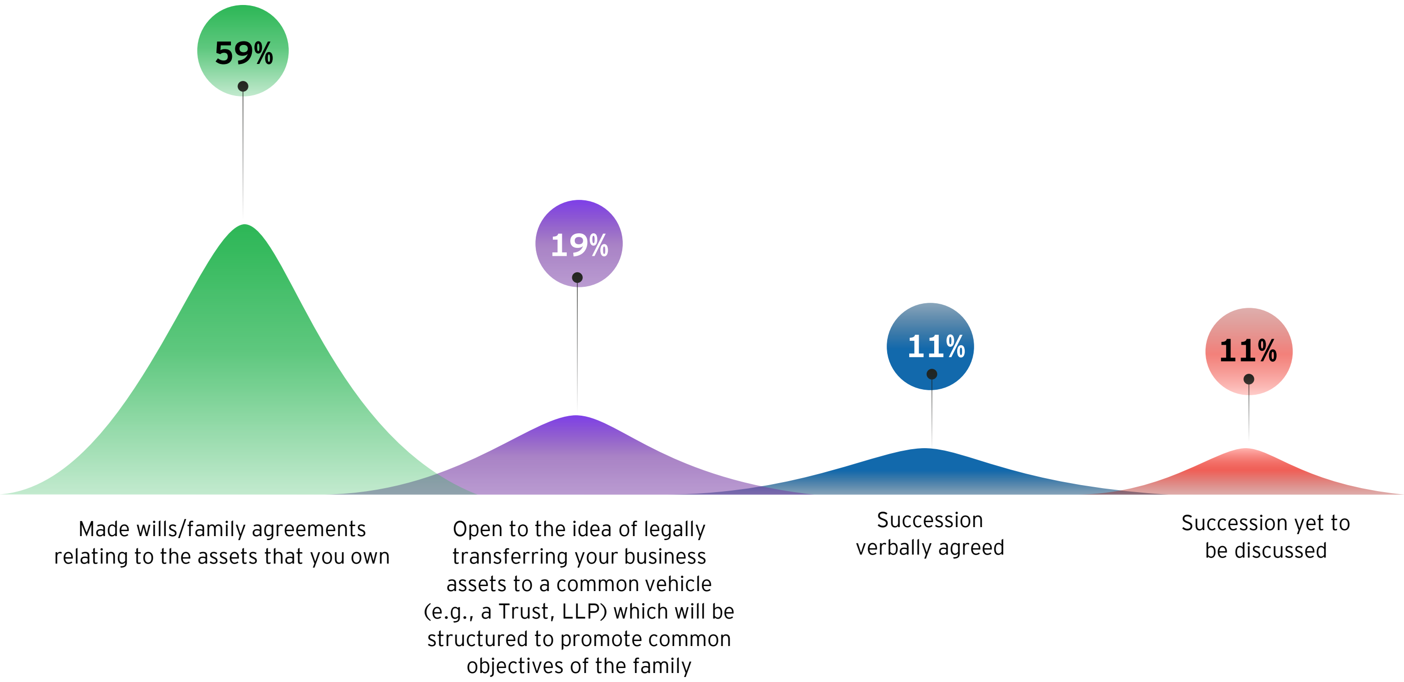
Hybrid family offices

As size and complexity increases, single family offices are seeing the benefit of ‘working’ with niche or multi-family offices to access unique opportunities.

Approach to succession planning

Succession planning is a crucial and sensitive part of family office management. It is primarily divided into 'Business Succession', which requires a balance between preserving the founder's legacy and embracing the next generation's vision, and 'Wealth Succession', which involves personal assets. A successful transition thoughtfully transfers control and trust, empowering new leadership while staying true to family values.

Succession planning approach



Source: JB-EY family office study

The approach to succession planning is evolving in India. For example, business succession in India often faces obstacles such as limited communication, intra-family conflicts, and reluctance from senior generations to delegate authority, which can hinder smooth transfer of leadership. However, with the significant growth of family offices in India, there is much greater awareness of the need to implement a gradual succession plan rather than to leave everything to will. The need for a clear handover path during this transition is especially urgent in India.

For smooth business succession, family offices are implementing a range of strategies:

Evaluating legal structures to avoid conflicts and enable ease of transmissions

Family offices are evaluating legal structures that are tax-efficient from both the Indian and global perspectives as businesses expand globally. These structures need to be cost-efficient and flexible, considering changes in family dynamics that can occur due to birth, death, or changes in residency, and also regulatory changes.

Among the most popular structures is a Private Family Trust. In addition to tax efficiency, cost-efficiency and flexibility, the advantages include:

- Ease of transmission of shares or business to the next generation
- Avoidance of the tedious process of probate and conflict
- Segregation of ownership and management
- Continuation of ownership in case of an untimely demise of a promoter
- Ring-fencing of assets

Family offices are not only helping families evaluate this structure but are also addressing concerns related to business, such as:

- For trustee, choosing the right trustee, defining the role, determining voting rights with respect to business shares
- Deciding whether the share of beneficiaries in the trust should be pre-defined or left at the discretion of the trustees
- For listed business shares, adhering to regulators' rules and limitations

Another aspect of strategy involves constitutional documents of business such as Articles of Association and Shareholder's Agreement, which determine aspects such as allowance or restriction of transferability of shares within family or outside family and voting requirements to amend the documents' clauses. Disconnect between the legal structure and such documents can lead to conflicts wherein the documents may have an upper hand.

> Family offices evaluate and establish flexible legal structures, enabling regulatory compliance, putting in place crucial documents such as Shareholder's Agreements, defining roles such as trustee, and facilitating transmission of shares.

Identifying the next generation of leaders

Family offices help set up support mechanisms for the next generation leaders. The strategies to make the next generation gain experience include them working in a different organization and mentorship programs. By gradually involving younger members in family business decisions, the family office facilitates their learning, growth, and integration of fresh perspectives, ensuring a smoother leadership transition while minimizing risks.

Setting up effective governance structure

Governance is a guidance and management structure that aligns ownership and business management. A Family Constitution, for example, defines governance structures for managing assets and businesses, leadership and management succession, voting, share ownership, exit, communication, social activities, etc. Onboarding the right advisors or consultants to put together the document based on the best practices worldwide can lead to an effective and comprehensive approach.

Documentation of the process gives a powerful signal to all stakeholders regarding the importance of governance and succession. However, to remain relevant, the Family Constitution should be updated and reviewed regularly. Setting up formal channels of communication also facilitates dispute resolution and leadership transitions.

Role of Family Constitution

A Family Constitution can be an effective governance structure as it enables:

01

Overall view

Establishes governance structures that reflect consensus view

02

Management

Defines structures for managing assets and businesses, leadership, voting, share ownership, exits, etc.

03

Process significance

Documents the process, signaling the significance of governance to stakeholders

04

Communication

Sets up formal channels of communication, which facilitates succession, leadership transitions, dispute resolution, and also operational decision-making

Establishing family governance structures is gaining traction also as families seek to make collective decisions about their wealth management. There can be several approaches:

a. **Structural preference**
Trust-based continuity

b. **Management involvement**
Hands-on approach

c. **Operational delegation**
In this strategic yet removed participation, operational responsibilities are delegated to a Chief Investment Officer (CIO) while the family maintains strategic oversight. This model allows family members to engage in high-level strategic decisions or specific investment opportunities without being involved in the day-to-day management of the family office.

d. **Institutionalization**
Formalizing investment philosophies allows the family office to operate with a level of professionalism and structure akin to institutional investment entities, focusing on sustainability and long-term strategic alignment.

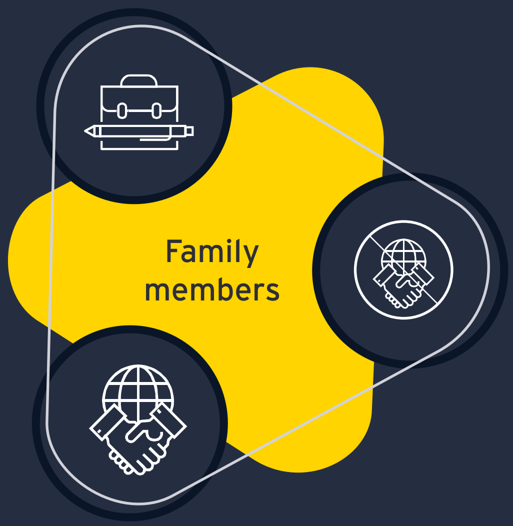
Business continuity planning

Business succession can be a personal, emotional and complex decision to make in terms of making a choice and enabling a smooth transition. Choosing the next generation of leaders is a challenge that many families face because each family is unique and there are no set standards. Family offices establish robust business continuity plans, ensuring clear responsibilities, response to unforeseen events, and seamless operations. They facilitate communication and contingency planning, helping family enterprises remain resilient, adaptable, and sustainable, while succession planning mitigates risks and builds clear communication.

> In the evolving landscape of wealth management, family offices in India are increasingly focusing on comprehensive strategies that encompass wealth preservation, wealth transfer, estate planning, and inter-generational wealth planning.

Opening lines of communication

Communication among family members can have various complexities. Family offices facilitate or establish different formal channels that, in addition to routine updates, enable communication among family members.



Timely intervention

Helps address concerns promptly, preventing deviations and differences

Inclusive decision-making

All family members can share views

Forum for family

Concerns and demands of family members who may not be a part of the business can be heard and discussed

Preparation of next generation

Helps understand successors' aspirations and readiness, assess skillsets and identify gaps, and align with the family vision

Approach to wealth management

As discussed in previous chapters, family offices' portfolios continue to evolve to include equity and equivalent growth assets as a sizable part. In many cases, traditional sectors such as real estate and fixed income assets have been overtaken by high-growth and more liquid options. Investments are diversified into high-growth sectors such as technology, pharmaceuticals, financials, consumer and retail, healthcare, renewable energy, automotives and FMCG. Many family offices are actively investing in innovative startups, particularly in sectors like fintech, healthtech, and edtech, reflecting a shift from traditional investments towards higher-risk, higher-reward opportunities.

One of the main responsibilities of a family office, along with growing wealth, is wealth preservation, and various strategies can be used to fulfil this responsibility.

Wealth preservation strategies:

A Family Constitution can be an effective governance structure as it enables:

Risk management and insurance

Family offices are recognizing the importance of comprehensive insurance coverage to protect against unforeseen events that could impact financial stability. This includes health, life, and property insurance. Many family offices are employing dedicated risk management professionals who assess potential threats to wealth and implement strategies to mitigate these risks.

Wealth transfer and estate planning

Comprehensive estate plans are key to wealth succession, which essentially give control over assets even after the demise of a family member (who may or may not be the head of the family or business), the business leader or head of family, thus avoiding conflicts. Different structures used to enable wealth succession include:

a. Wills

This gives an individual the ability to dictate the distribution of personal wealth, make their own choices regarding their assets and decide on heirs to receive the inheritance.

b. Trusts

This structure helps avoid some of the challenges that wealth succession through wills can pose. Trusts are set up for different objectives such as ring fencing, smooth intergenerational transfer, and estate duty. For example, a trust can be revocable, irrevocable, discretionary, specific, or have other features. A different strategy would be required if the beneficiaries are of different nationality or residency.

c. Family Agreement and Family Settlement

Such structures often help avoid potential disputes. While they do not have any legal backing, Courts have accepted them as valid documents. The recent realignment of the more-than-a-century-old Godrej conglomerate into two groups is a prime example wherein Family Settlement was adopted as the preferred mode of business division.

d. Limited Liability Partnerships (LLPs), Registered Partnership Firm

These are commonly used to secure wealth for future generations and are increasingly being used to set up entities abroad to explore investments and businesses globally.

Setting up wealth succession structures that meet the family's requirements can be complex. Many family offices, therefore, hire a dedicated team to address the different aspects of investment, trusts, tax planning, and estate planning to create a robust framework that safeguards the legacy for future generations.

Wills and Family Agreements are often the preferred way for succession planning, as our family office study also shows. However, the idea of having business assets in a common vehicle that promotes common objectives of the family is slowly gaining ground, in the survey, 19% respondents have chosen this route.

Inter-generational wealth planning

Financial education of heirs is a crucial component of inter-generational wealth planning. It includes making informed financial choices and establishing long-term financial stability. Many are investing in financial education programs and courses that broadly focus on:

- Analyzing financial statements
- Understanding investment principles, especially asset allocation, diversification, debt management, etc.
- Gaining hands-on experience by working with family offices, philanthropic organizations, management firms, etc.
- Training in skills such as public speaking and conflict resolution within family

A proactive approach and informed stewardship enables a family's legacy to endure. As per requirements, family offices can partner with professionals to guide families and the next generation in their long-term goals.

Rise of impact investing

Family offices are allocating portions of their investable assets towards initiatives that generate positive social outcomes alongside financial returns. This shift reflects a broader desire to blend financial gains with societal benefits, moving away from traditional philanthropic models. For instance, families involved in sectors like textiles or jewelry have supported local artisans through targeted impact investments, while many support women-led entrepreneurship[24]. Many acknowledge the real-world implications of climate change and are actively evaluating solutions to sustainability issues, indicating a strategic alignment of investment with global environmental concerns.

There is also a generational shift in philanthropic focus, with younger members of UHNI Indian families expanding their attention to issues like gender equality, climate change, and social inequity, alongside traditional areas like education and healthcare.

The evolution of new-age family offices is helping articulate the family's vision by developing governance, communication, and a support mechanism for training the next generation who shall be responsible for taking forward the legacy. They also help in segregating business and personal wealth and setting up strategies to ring fence the wealth, taking into consideration both legal and flexibility aspects. Overall, family offices of today play a multi-faceted role in both wealth management and wealth preservation.

24 https://www.moneycontrol.com/news/business/markets/creating-an-impact-indian-family-offices-up-the-game-on-impact-investing-12822501.html

Securing the future:

Cybersecurity and tech innovation in family offices

Chapter 4

India's family offices earlier relied on manual processes and extensive paper trails. However, modernization and adoption of emerging technologies have become essential to remain competitive in an increasingly digital world. With a tech-savvy generation of wealth inheritors stepping in, a stronger push for technological capabilities can be expected.

As family offices in India expand, they are primarily leveraging emerging technologies to enhance portfolio management and boost operational efficiency through complex financial management, which includes being able to scale up, ensuring data accuracy, compliance, and real-time visibility. Thus, emerging technologies such as advanced analytics, AI and Generative AI (GenAI), and secure cloud platforms are becoming integral to decision-making processes, driving streamlined, data-informed operations and automating workflows.

As Indian family offices gradually adopt various technologies, their focus majorly revolves around

- Platform adoption for wealth management
- Exploratory use of GenAI
- Cybersecurity

SaaS platforms

Many family offices are transitioning from traditional tools to sophisticated SaaS (Software-as-a-Service) platforms which enable investment portfolio management, transaction processing, investment reporting and document processing while focusing on security which is crucial for family offices. Adopting a single, comprehensive platform could transform their processes, leading to significant reduction in time spent on routine tasks. SaaS platforms with API integrations across asset classes, real-time market data, transparency, collaboration tools, and a single source of truth for wealth management are poised to transform technology adoption in family offices.

AI tools and data-driven platforms for decision-making

Many family offices are implementing AI and machine learning algorithms to analyze market trends, identify investment opportunities, and manage risks. As these technologies, which help in optimizing investment strategies and enhancing operational efficiency, are data-driven, family offices are leveraging advanced analytics platforms to identifying market trends, evaluate potential opportunities and measure performance[25].

Exploratory use of GenAI

Some companies are introducing GenAI-powered virtual assistants that simplify access to complex, vast data on investments, transactions, and more. While adoption of these advanced solutions is still in its early stages in India, the potential for this technology is significant and poised for rapid growth, especially in terms of the flexibility and autonomous execution that Agentic AI offers.

Cybersecurity

Cybersecurity is crucial for family offices as they handle sensitive financial and personal data. According to the Wharton GFA benchmarking report, only 20% of family offices describe their enterprise data cybersecurity as resilient, while 50% believe that a data breach would be at least somewhat costly[26]. Many family offices are working towards building a cyber incident response plan and training employees as well as family members in cybersecurity. There is a need to focus more on data security and other risk management protocols, underscoring the urgent need for robust cybersecurity measures[27]. Leading family offices are seizing the benefits of new technologies while becoming more diligent and sophisticated in managing these risks.

Thus, embracing advanced analytics, AI, secure SaaS platforms, and robust cybersecurity measures can equip Indian family offices to meet the expectations of the next-generation wealth holders and stay resilient in the face of emerging challenges. By prioritizing technological transformation, family offices can stay competitive, operate efficiently, and position themselves for sustainable growth.

25 https://www.campdenfb.com/article/the-evolving-landscape-of-indian-family-offices

26 https://www.ey.com/en_us/insights/family-enterprise/how-family-offices-can-maximize-the-upside-of-tech-and-minimize

27 https://www.priwexus.com/wp-content/uploads/2023/12/Family-Office-Benchmarking-Study-Report_2023.pdf

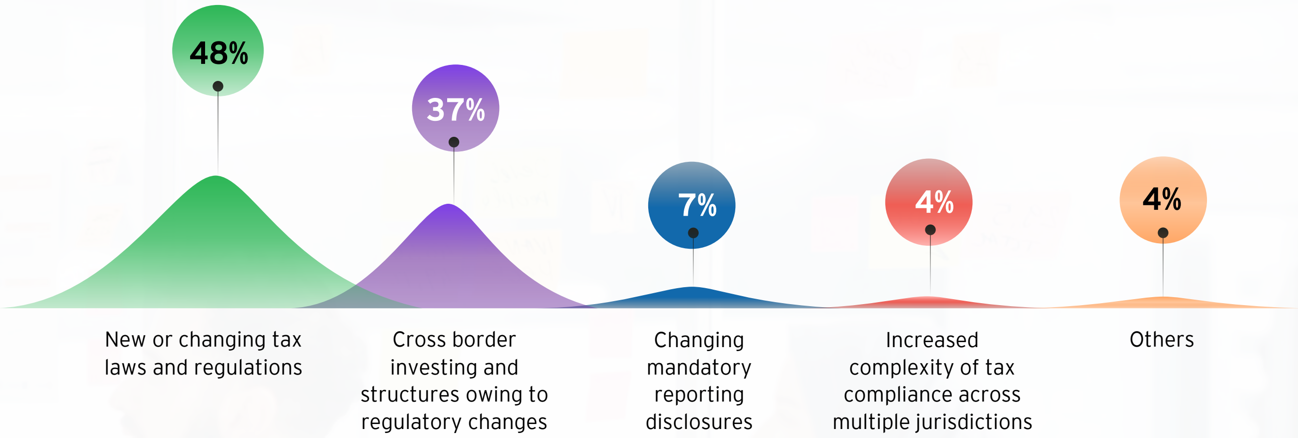
Unlocking potential under
evolving regulatory environment

Chapter 5

India's dynamic business landscape, particularly its active startup ecosystem, has been pivotal in driving the nation's economic expansion. This growth has unlocked substantial wealth-creation opportunities for family-owned businesses and new-age entrepreneurs alike, driving a notable increase in the establishment of family offices across the country.

Family offices diversify across sectors and geographies to manage risk and seek growth in foreign markets. Regulations regarding foreign investments are complex and investments are spread across jurisdictions. In some sectors, the laws are evolving, and family offices need to strategize for all possible scenarios. Family offices, therefore, often depend on professionals for due diligence and analysis.

Regulatory issues that family offices are most concerned about



Source: JB-EY family office study

The rapid growth of family offices in India underscores a strong need for supportive policies. Within India's regulatory landscape, the key requirements include compliance with various laws set forth by regulatory bodies:

- Income tax compliance: Obligations under the Income-tax Act, 1961, to manage tax compliances and liabilities.
- Foreign exchange management: Adherence to the Foreign Exchange Management Act (FEMA) for foreign investments, currency exchange, and remittance regulations.
- Anti-Money Laundering compliance: Compliance with the Prevention of Money Laundering Act, 2002, to enable transparency and prevent illicit activities.

As regulations evolve, GIFT city holds the potential to emerge as a hub for global and domestic investors. The government's continued efforts to position GIFT City as a leading financial center are expected to bring greater clarity and ease in regulatory processes over time. Recent developments have already enabled the formation and management of investment vehicles under the International Financial Services Centres Authority (IFSCA) framework, offering a tax efficient and globally competitive platform for asset managers and investors. The GIFT City is expected to deepen India's integration with global financial markets. For investors, it presents an emerging platform for international diversification, tax efficiency and access to sophisticated investment structures.

To invest in the domestic equity market, particularly private equity and venture capital, family offices have to adhere to SEBI's Alternative Investment Fund (AIF) guidelines.

Tax efficiency strategies

Tax laws in India significantly influence the investment decisions of family offices, shaping their strategies and asset allocations. According to JB-EY family office study, 48% of respondents identified new or changing tax laws and regulations as one of their top regulatory concerns, while 37% highlighted cross-border investing and structures due to regulatory changes.

Awareness of risks and tax implications allow family offices to make informed investment decisions, understand the risks associated, navigate tax landscape to comply with regulations, and maximize investment returns based on tax incentives and optimized structures.

Some of the tax strategies that Indian family offices use include adopting a suitable corporate structure and strategic asset allocation.

STRAIGHT TALK

What family offices say

Pranabh Mody

Managing Director,
Eragon Ventures Ltd

Pranabh Mody is a prominent figure in India's pharmaceutical industry, known for his extensive tenure at J.B. Chemicals & Pharmaceuticals. Under his leadership, the company expanded its global footprint and diversified its product portfolio, establishing itself as a significant player in pharmaceutical industry. He has been actively involved in various business ventures. He serves as the Managing Director of Eragon Ventures and is on the board of Sasken Technologies.

Motivation to establish a family office

Pranabh's family wealth journey took a significant turn when they sold their stake in the company to a US-based private equity arm, creating the need for a structured approach to wealth preservation and long-term financial planning. With growing financial complexity, the family recognized the importance of transitioning to a more organized structure. In 2020, they established a family office to manage their wealth independently from the day-to-day operations of the business entity, allowing for better oversight, governance and strategic decision-making.

The transition from informal wealth management to a structured family office was driven by the need for greater control, seamless succession planning, and the increasing complexity of managing a substantial corpus. In 2020, the family engaged advisors to formalize their investment structure. Today, they are fully involved in managing their investments.

Investment philosophy and goals

The family prioritized wealth preservation while maintaining a well-balanced portfolio. With a clear objective of sustaining and growing their wealth prudently, they aimed for a diversified asset allocation.

Outcome and impact

By transitioning to a family office structure, the Mody family has streamlined financial operations, covering everything from accounting and reporting to regulatory compliance. The family office also ventured into alternative investments, including gold, silver, REITs, and private equity, broadening their asset base for enhanced diversification.

The tangible benefits include portfolio growth and intergenerational wealth planning, while the intangible gains—family harmony, governance, and legacy preservation—have been equally invaluable.

Pranabh emphasizes that the foundation of this journey has been trust and utmost transparency. Over the years, the relationship has evolved from being financial advisors to strategic partners, ensuring that their wealth remains resilient across generations.

Our transition to a family office was a crucial decision, and our wealth manager worked as a partner who understood our needs deeply. The trust built over years and the structured guidance we received made this shift seamless. We now have a long-term strategy that not only preserves but grows our wealth for future generations. Our wealth managers have played an instrumental role in guiding us on financial strategy, ensuring a methodical shift in growth assets, aligning with our risk appetite and long-term vision. Beyond investments, they have also assisted us with succession planning—creating trusts and wills and investments under the LRS route. We are also exploring options with them for setting up a family office abroad to expand our global footprint.

Manan Patel

Family Office Head,
VINI Investments

Manan Patel has been at the helm of the family office, overseeing wealth and investment decisions. He has played a key role in structuring and formalizing the family's financial strategy. The family, under the leadership and guidance of Darshanbhai Patel, has been a key innovator and player in the OTC pharma space. Post his exit from Paras Pharma, where he launched brands like Dermi Cool, Krack Cream, Livon and Volini, Darshanbhai Patel established Vini Cosmetics and introduced the FOGG deodorant brand, which took the market by storm.

The family's primary source of wealth stems from stake sale to a US-based private equity arm, leading to a substantial corpus that required careful planning and a strategic approach to wealth preservation and growth.

Darshanbhai Patel remains actively involved in the business, playing a pivotal role in driving its growth and strategic direction. Meanwhile, Manan oversees the family office.

Motivation to establish a family office

With a sizable corpus at their disposal, the family recognized the need for a structured and institutionalized approach to financial management. A key driver behind this transition was the desire to clearly segregate business operations from family investments, ensuring that personal wealth was managed independently and with the required focus.

Investment philosophy and goals

The Patel family's financial strategy has been anchored in capital protection, ensuring their wealth remains resilient while growing in a risk-adjusted manner. While the family office and investment philosophy have evolved over the years and so has the risk profile. The portfolio was primarily skewed towards fixed income till 2017, Manan has been instrumental in steering the portfolio towards a growth orientation and taking the overall exposure to 30% into equities. With his experience and understanding of investment management, he laid out a clear Investment Policy Statement and established a strategic asset allocation which serves as the overall guiding principle.

The initial foray into equities was marked with cautious steps into passive or index funds. Over a period, the equity exposure has expanded to include stocks and selective fund managers with a conscious approach of avoiding overlaps. Fixed income serves as the bedrock of stability and there is a clear stance to avoid risk within this category by staying away from unrated and credit risk.

'Growth with an eye on preservation' is the motto of the family office.

Outcome and impact

The establishment of a dedicated family office has provided clear focus and greater control over investments along with streamlining financial operations. The long-term association with professional advisors is based on transparency and proactiveness. The family values bespoke, high-touch services, ensuring that their wealth is managed with utmost care and professionalism.

Managing family wealth comes with its own set of challenges, from investment decisions to regulatory complexities. Partnering with a trusted advisor has been crucial in ensuring that our financial strategy remains structured and resilient. One of the key aspects of engaging with professional wealth managers is expanding our portfolio beyond traditional equity and debt assets. We have also sought their guidance in defining risk control parameters as risk management is our number one priority. Furthermore, as part of our broader financial planning, our wealth managers have assisted us on trust formation and estate planning, ensuring seamless inter-generational wealth transfer and alignment with our long-term vision. They have also assisted for planning investments through LRS route to diversify our investments in different geographies. Their expertise and proactive approach have given us confidence that our wealth is being managed with discipline and foresight.

Future outlook

From old roots to **new routes**

Family offices have become pivotal in bringing structure, governance, and discipline to how UHNIs view their wealth in terms of investments, management and the creation and preservation of a lasting legacy. They have evolved to address the dynamic needs of wealth generation, preservation, and succession planning, with a keen focus on alternative assets and international diversification. The scope of responsibilities extends to implementing robust governance frameworks and succession plans, leveraging legal instruments to facilitate smooth generational wealth transfers.

Reflecting the changing global economy, investment strategies now extend to high-growth sectors and startups. In parallel, there is an emphasis on societal impact and philanthropy, particularly in areas like climate change and social equity. Education for heirs and governance structures are crafted to reflect family values and investment philosophies, while technology plays a crucial role in modernizing operations and enhancing data-driven decision-making.

Indian family offices are proactively deploying diversified strategies to manage wealth effectively, secure growth, and uphold their legacy through innovation and strict adherence to regulatory standards. The future of family offices looks promising as they continue to adapt and lead in wealth stewardship, setting a benchmark for disciplined investment and decision-making processes that will shape their legacies for generations to come.

The challenge lies in harnessing opportunities while maintaining a steadfast commitment to the family's wealth preservation and growth objectives. A holistic approach to fulfilling the myriad responsibilities of a family office, which include strategy, legacy, growth, technology, succession, and more, will enable sustainable, responsible growth.

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