



2015

TOP OF THE PYRAMID

INDIA **DECODING THE ULTRA HNI**

THE INDIAN ULTRA HNI

Gliding on Optimism

Foreword



C. Jayaram
Joint Managing Director
 Kotak Mahindra Bank Ltd.

Here we are again with a fresh new edition of our annual survey Top of the Pyramid, by Kotak Wealth Management — the last word on the lifestyles, sentiment, and prevalent trends of the super-rich in India. After being ‘Ready for Change’ last year, the mood among India’s ultra-rich this year is extremely buoyant, reflected in their increased investments and spending — they seem to be ‘Gliding on Optimism’ with much of their positiveness coming from the new government’s confidence-boosting measures and on hopes of a strong economic recovery.

Non-metro cities and towns house a large 44% of India’s ultra HNIs now. This year, we went a step further than our usual survey of the spending and investment patterns of India’s ultra-rich households (₹250 million onwards). In a unique new approach, we also delved into city-specific lifestyle trends of the ultra-rich in Ahmedabad, Chandigarh, and Chennai.

We also trained our lenses on luxury weddings and foreign education, which gave some interesting insights.

We were happy to note that the number of ultra HNIs in India is increasing rapidly, which bodes

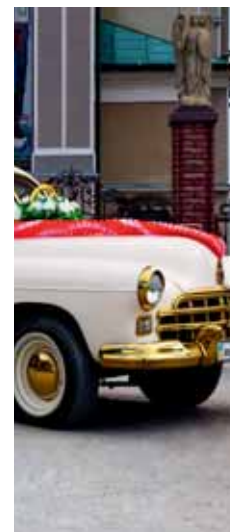
well for the overall economy and specifically for luxury retailers. While India’s ultra-rich increased their spends on luxury goods, they preferred equity as an investment avenue over real estate.

If election was the buzzword of 2014, e-commerce is the buzzword of 2015. First-generation e-commerce entrepreneurs have made quite a mark on the ultra-HNI landscape, and we spoke to a few dynamic ones including Justdial’s VSS Mani, Bharat Matrimony’s Murugavel Janakiraman, CarWale’s Mohit Dubey, and Jabong’s Praveen Sinha. The new generation of entrepreneurs has effectively lowered the average age of ultra HNIs and nearly half of them are now less than 40 years old!

India is in the middle of an enormous transformation with the ultra HNIs at the vanguard. Top of the Pyramid takes you through their fantastic and fascinating journey.

Happy reading!

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About the Report

Top of the Pyramid is Kotak Wealth Management's annual publication that covers the spending, investment, and lifestyle patterns of ultra-high-networth individuals (HNIs). Kotak Wealth Management, the private banking arm of Kotak Mahindra Bank, commissioned professional services firm Ernst & Young LLP (EY) for the report.

EY collaborated with market research firm Feedback Consulting for the survey to study and analyse ultra-HNI trends. For its projections, EY used parameters such as GDP growth, savings and inflation rates, past and projected financial and non-financial asset class allocations, and returns.

The mood in India's last financial year was celebratory with the advent of the new government and the economy clocking a relatively high growth rate. Indian ultra HNIs shared the excitement by increasing their investments into their businesses in anticipation of stronger growth in the coming years. We capture this positive mood in the key theme of this year's edition of Top of the Pyramid — 'Gliding on Optimism'. In keeping with the general good cheer, the number of ultra-high-networth households (HNHs) in India

grew 17% in FY15 and their combined networth is estimated to have increased to ₹128 trillion. Our current edition 'Gliding on Optimism' provides unique insights into the psyche, lifestyles and investments of ultra HNIs and how the market is adapting to cater to their aspirations. While looking at their spending patterns, we have explored ultra HNI behaviour in luxury watches, jewellery and precious stones, and philanthropy. The special focus of this year's edition is luxury weddings, foreign education and real estate investments.

Making of Top of the Pyramid 2015

In this year's report, we have taken last year's discussion about the emergence of cities, beyond Mumbai and Delhi, as ultra HNI hubs one step further by comparing the current lifestyles and investment patterns of ultra HNIs from Ahmedabad, Chandigarh and Chennai.

As the digital world has already become an integral part of ultra HNI's lives, we explored the exciting new world of e-commerce entrepreneurs. In this year's edition of Top of the Pyramid, we spoke to a few bold first-generation e-commerce

As the digital domain has already become an integral part of ultra HNI's lives, we explored the exciting new world of e-commerce entrepreneurs

entrepreneurs who have brought about market disruption and helped shape the e-commerce industry in India.

This edition is a culmination of insights from four main sources:

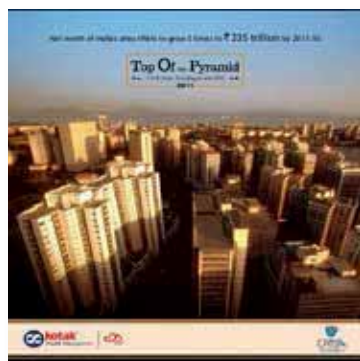
1. A detailed market survey of 225 ultra HNIs by Feedback Consulting: This year the number of our ultra HNI respondents increased by 50%. The survey was conducted between February 2015 and May 2015 as face-to-face interviews in Delhi, Mumbai, Kolkata, Chennai, Pune, Bengaluru, Lucknow, Chandigarh, Coimbatore, Ahmedabad, Hyderabad, and Aurangabad.

2. A series of interviews with luxury service providers such as luxury wedding planners, luxury watch companies, jewellery and precious stones companies, foreign education consultants, real estate consultants, investment management companies, and wealth managers.

3. Secondary research and additional analysis by EY.

4. Hour-long personal interviews with first-generation e-commerce entrepreneurs on their journeys.

EY extensively analysed the results of the survey and validated its conclusions from primary sources including service providers.



2011



2012



2013



2014

This report would not have been possible without the cooperation of all the survey respondents and the interviewees. We thank them for their invaluable support, the time they put at our disposal, and the insights they offered.

About Kotak Group

The Kotak Mahindra Group has come a long way since its early days and now caters to diverse financial needs of both individuals and the corporate sector, nationally as well as internationally. The group offers the understanding, the experience, the infrastructure, and most importantly, the commitment to deliver pragmatic end-to-end solutions that truly work.

Kotak's evolution is a tale of steadfastness and adaptation — the company has consistently pursued opportunities and capitalised on them despite a rapidly changing economic and business landscape.

In the early period of Kotak's journey, one particular day stands out – 21st November 1985. On that day, Mr Uday Kotak identified an opportunity in the bill-discounting market. With

a seed capital of less than US\$80,000 borrowed from family and friends, and a small team of three that has grown to over 41,000 today, he skilfully steered what was initially a bill-discounting startup into a giant financial services conglomerate with assets of US\$19 billion.

In February 2003, Kotak Mahindra Finance, the group's flagship company, became India's first non-banking finance company to receive a banking license from the Reserve Bank of India. This was the foundation of Kotak Mahindra Bank Ltd. (KMBL).

Kotak Group's solutions are technology driven, contemporary, and comprehensive. They span consumer, commercial, corporate, and investment banking, wealth management, retail and institutional equities, asset management and life insurance. The bank is channelising its industry experience and capabilities to cater to its changing customer aspirations.

Effective 1st April 2015, ING Vysya Bank merged with Kotak Mahindra Bank creating a ₹2 trillion institution (consolidated). The merged entity has a significant national footprint, affording

it the capacity and means to serve customers even better.

About Kotak Wealth Management

Kotak Wealth Management is Kotak Mahindra Bank's private banking arm and provides financial advice to some of the most distinguished high networth families in the country. It is one of the oldest and the most respected wealth managers in India with over 15 years of experience. Its client base ranges from entrepreneurs to business families and employed professionals, including over 44% of India's top-100 families (*as per the Forbes India Rich List, 2014*).

We believe that no single asset class tends to perform consistently over a long period and an HNI needs to have access to various asset classes, investment styles, themes, and tenures. With this philosophy, Kotak has built a formidable suite of products and services for this specific audience. Our offerings are customised for the client's profile and investment objectives. With an in-depth understanding of the client's requirements and of various asset classes, Kotak

offers the widest range of financial solutions through a transaction-based investment approach or the asset-advisory approach. Our truly bespoke banking solutions also include one of the most premium credit card propositions offered by invitation to eminent clients.

We also offer 'Family Office Services' to ultra-high-networth investors, providing comprehensive financial solutions that go beyond investments. Through 'Kotak Mahindra Trusteeship Services' we offer estate planning services that deal with succession planning by creating private family trusts.

We have maintained our leadership position due to our in-depth understanding of the client's requirements and the macro environment, and our prowess over various asset classes.

Kotak Wealth Management is voted the Best Private Bank, India, and is the only Indian Wealth Manager to feature in the 'Top 30 Private Banks' of the world in the Euromoney Private Banking Survey 2015. 🌐

Kotak Wealth Management is one of the oldest and the most respected wealth managers in India with over 15 years of experience

Executive Summary

There is a wave of optimism and the ultra HNI mood is positive

The new government boosted business confidence and ended policy paralysis, thereby improving the country's economic prospects. This also improved ultra HNI's sentiment compared to last year, reflected in their higher spends and investments. We expect the number of ultra HNIs to increase by 17% to 137,100 and their wealth to increase by 23% to ₹128 trillion.

This optimism about the new government has led to 62% of ultra HNIs increasing their investments into primary businesses. Most of the spending categories saw an increase — jewellery continues to be the top spending category, accounting for 17% of total ultra HNI spends. Our interviews with ultra HNIs and luxury watch providers revealed that while the ultra-rich still prefer analog watches for most occasions, they are beginning to adopt smart watches as well. We also observed that philanthropy continues to be important with education and healthcare being the most supported causes.

This year's Top of the Pyramid captures the lifestyles of ultra HNIs in Ahmedabad and Chandigarh, and Chennai spots the similarities

and differences in their spending and investment patterns. The rise of e-commerce has had a significant impact on the lifestyles of ultra HNIs and the report gives a glimpse of their digital profiles. Notably, first-generation entrepreneurs of e-commerce companies are the latest entrants into our ultra HNI lists, and we have captured the growth stories of some of their founders.

We have covered grand Indian weddings as a special focus this year, and our analysis suggests that India is the preferred destination for 77% of all luxury weddings, but the trend of weddings at offshore locations is also increasing. Among offshore locations, Thailand, France, Spain, Dubai and Italy are the most favoured. Luxury weddings feature exquisite décors and exotic cuisines — the emerging trend is that of fusion food.

Ultra HNIs preferred foreign education for their children, and we have used this as our second special theme of the report. The focus on foreign education has only increased in the last few decades as it represents holistic development and status among peers. The western appeal is as strong as it was a few decades ago because

The rise of e-commerce has had a significant impact on the lifestyles of ultra HNIs and the report gives a glimpse of their digital profiles

of superior quality, exposure, and safety considerations. While post-graduation is a popular choice for foreign education, there is a growing interest among the ultra-rich to send their children abroad for graduation. After their foreign education is complete, children of entrepreneurs and inheritors tend to join family businesses while children of professionals choose consulting firms.

In the last financial year, the equity markets were on a bull run and the ultra HNIs have increased their allocation towards equities to 45% from 38%. There was a proportionate decrease in their investments into debt and real estate.

The change in debt taxation in 2014 further restricted the inflow. Over 50% of ultra HNIs preferred banking and infrastructure sectors for equity investments, and mid-cap companies have also seen a lot of interest.

Our analysis of private equity (PE) and venture capital (VC) investments this year has shown that technology (IT and e-commerce) is a preferred sector for PE and VC investments, which is in line with the overall buzz for e-commerce companies.

The tangible nature of real estate still makes it an attractive investment, and over 90% of ultra HNIs have exposure to real estate investments in addition to their primary residences. Perceived lower risk than other comparable asset classes in the long run is a big driver of investments in this asset class.

Residential properties are top preferences of 47% of ultra HNIs with growing investments in locations such as Bengaluru and Pune. They also purchase offshore real estate in London, Dubai, and Singapore, either to make second homes in cities they frequent or as holiday homes. Going forward, real estate is expected to be a stable asset class for earning long-term returns.

All in all, there is a wave of optimism and the mood and sentiment of ultra HNIs is positive. Increased spends and investment in equity is a good proxy for the rising buoyancy, and this is expected to get better in the coming years once economic growth picks up.

Gliding on this optimism, we expect ultra HNIs to thrive and keep the luxury market invigorated. ☺

Our analysis of private equity (PE) and venture capital (VC) investments this year has shown that technology (IT and e-commerce) is a preferred sector for both PE and VC investments

Gliding on Optimism!

The buzzing sector of the year was e-commerce, which kept turning heads with huge valuations and high-profile investments

The current financial year has been great for India in terms of economic growth — the GDP growth was better along with faster growth in manufacturing. The new government is widely credited for ending the policy paralysis of the previous few years. India was the best performing equity market in the world until the third quarter of FY15.

India is poised to become a US\$2 trillion economy. The new government's initiatives such as 'Make in India' and 'Jan Dhan Yojana' are opening up new opportunities and becoming the founding stones for achieving the next trillion. The government's confidence-boosting policy measures have helped bring new capital into the country. Growth should accelerate further as the government increases policy measures that support investments.

The new government's reign is reflected in numbers — FY15 GDP growth was 7.3% (provisional) — the highest in the last three years (4.7% in FY14 and 4.5% in FY13). Mirroring this

performance, capital markets have prospered.

Ultra-HNI sentiment has improved significantly over the previous year, reflected in their higher spends and investments. Emergence of high-growth sectors such as e-commerce and logistics are already creating India's new ultra HNIs.

The performance of e-commerce in FY15 bears testimony to the hidden potential of this sector, which was in the limelight almost throughout the year with e-commerce companies receiving high valuations and huge investments. The founders of these companies are the latest entrants in the list of ultra HNIs in the country and are the face for entrepreneurial success.

Strong economic growth in the US coupled with a modest recovery in the European economy were positives, but events such as the conflict in Yemen and Greece's growing debt weighed down the overall mood.

India is poised to become a US\$2 trillion economy. New initiatives such as Make in India and Jan Dhan Yojana are opening up new opportunities

Indian Ultra-High-Networth Households

The current edition of 'Top of the Pyramid' follows the previous editions' methodology. We define an ultra-high-networth household (HNH) as one with a minimum networth of ₹250 million (₹25 crore) mapped over 10 years.

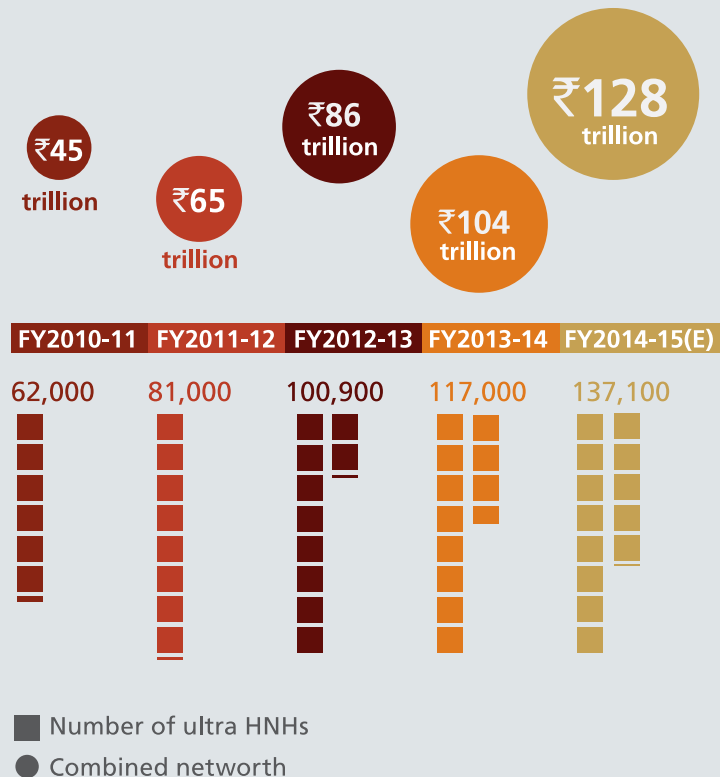
We estimate that the number of ultra HNHs grew to 137,100 in FY15(E) from around 117,000 last year, a growth rate of 17% over one year and a 22% compounded growth over five years. This represents an accumulated networth of ₹128 trillion, which account for 23% growth on last year's wealth and 30% compounded growth over the last five years.

We expect this trend to continue and expect the number of ultra HNHs to increase to 348,000 by FY20(P) with a combined networth of ₹415 trillion, driven by new ultra HNHs from emerging sectors such as e-commerce and new avenues for investments that give higher returns. The government's plans for a more business-friendly approach and structural changes will also propel the growth of ultra HNHs towards our anticipated milestone. ➔

Number of ultra HNHs is estimated to have grown to 137,100 in FY15 with an accumulated networth of ₹128 trillion

Growth of Ultra HNHs in India

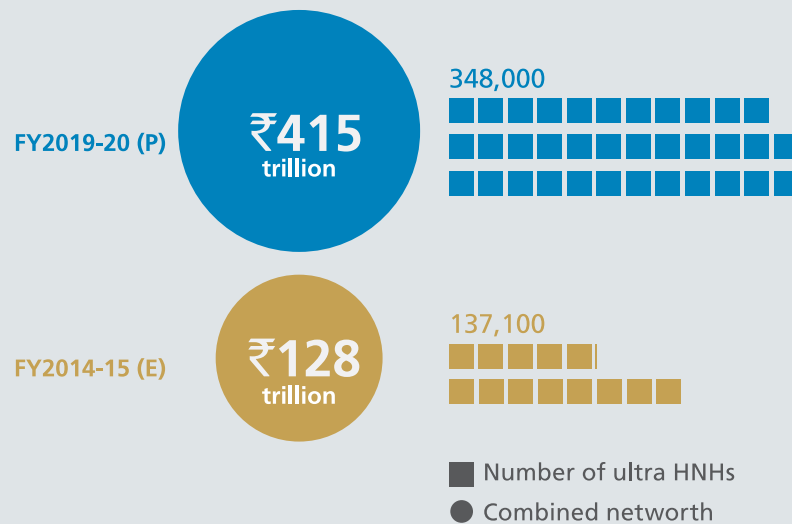
Number of ultra HNHs saw a compounded growth of 22% over the last five years



(E) Estimated
Source: Top of the Pyramid 2015, Kotak Wealth Management

Expected Growth of Ultra HNHs in India

The combined network of ultra HNHs is projected to increase to ₹415 trillion in FY2019-20(P)



(P) Projected; (E) Estimated
Source: Top of the Pyramid 2015, Kotak Wealth Management

An international luxury handbag recently reworked its luxury strategy - it now derives 70% of its new customers from tier-2 and tier-3 cities

Geographically, emerging cities and small towns continue to form a significant proportion of the ultra-HNH population with 44% coming from these non-metro centres.

Metros and large cities in India no longer have monopoly over fashion and luxury. Realising the potential of tier-2, tier-3 and even tier-4 cities and towns, luxury brands are making their presence felt in these areas with quite a bit of success.

As these brands are trying to reach the ultra-rich in non-metro areas, they have realised

that establishing brand credentials and creating awareness are absolutely essential. To popularise their brands, they are using innovative ways to reach their customer base through local partners, exhibitors and brand-connect programs.

For example, after observing that the ultra-rich in non-metros have as much of an appreciation for luxury as the ones in metros, an international luxury handbag brand reworked its strategy and now derives around 70% of its new customers from tier-2 and tier-3 cities. This luxury bag brand sold as much as 10% of their limited-edition merchandise in Indore, in a single event!

Small towns are contributing to as much as 25-30% of a renowned travel company's luxury customer base. As the ultra-rich from non-metros are opening up to luxury brands, it will be positive for the retail industry.

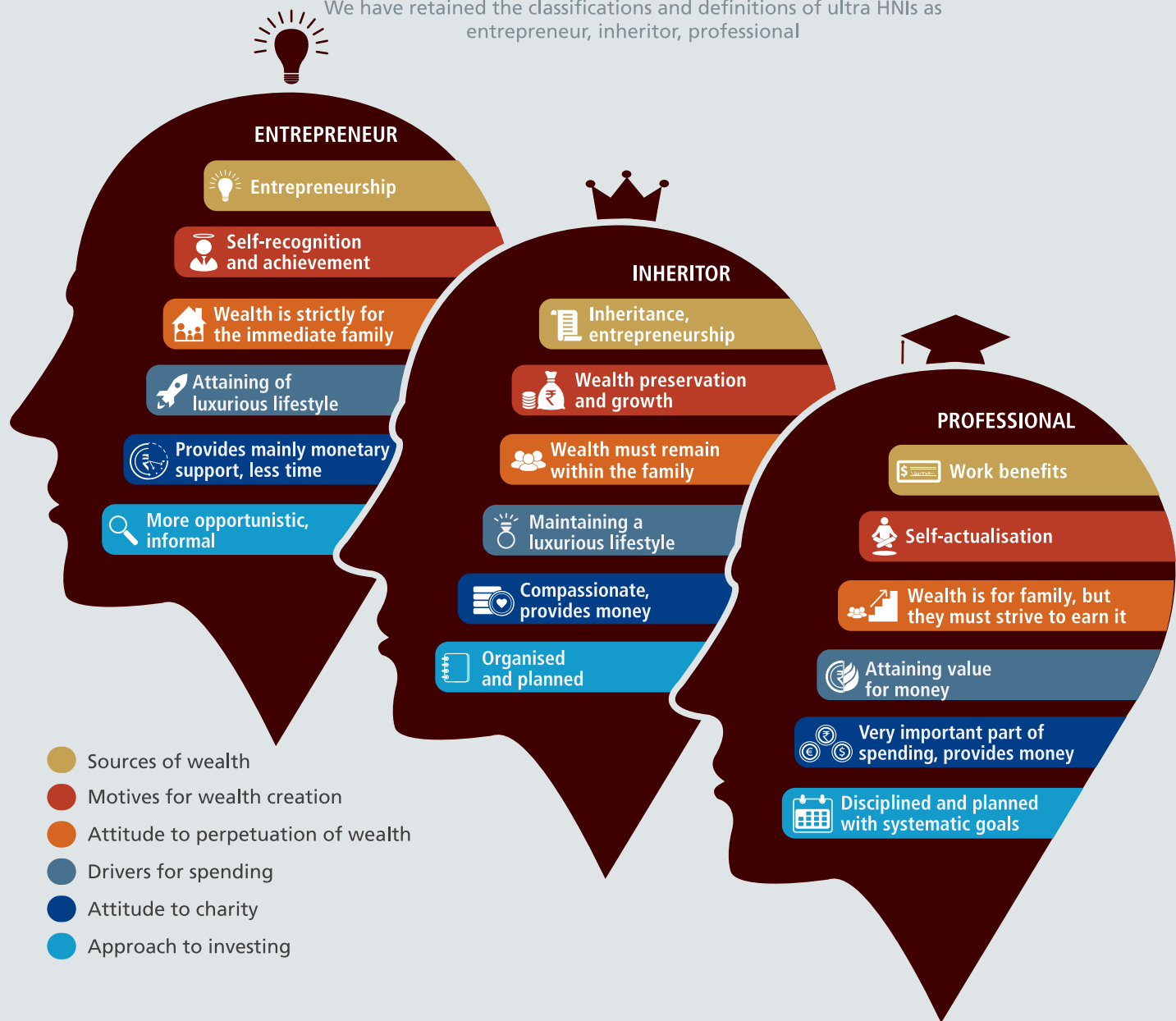
Luxury brands will have to come up with innovative strategies while targeting these ultra HNIs, since their usual methods of targeting customers through mall-based events may not work in smaller towns and cities, where the mall culture is not very prevalent.

In the current edition of Top of the Pyramid, we explore the story of three cities — Ahmedabad, Chandigarh and Chennai.

As always, the subsequent chapters in this edition of Top of the Pyramid will take you through the current lifestyles and investment patterns of ultra HNIs. 🌐

The Key Attributes of Ultra HNIs in the Indian Context

We have retained the classifications and definitions of ultra HNIs as entrepreneur, inheritor, professional



Source: Top of the Pyramid 2015, Kotak Wealth Management



Ahmedabad, Chandigarh, and Chennai

Our study indicates that 44% of ultra HNIs in India are based out of non-metros. These cities are gradually becoming centres of wealth and prosperity and leading brands are rapidly waking up to their immense potential. The tastes and lifestyles of ultra-HNIs from non-metros are transitioning towards those of ultra HNIs based in metros.

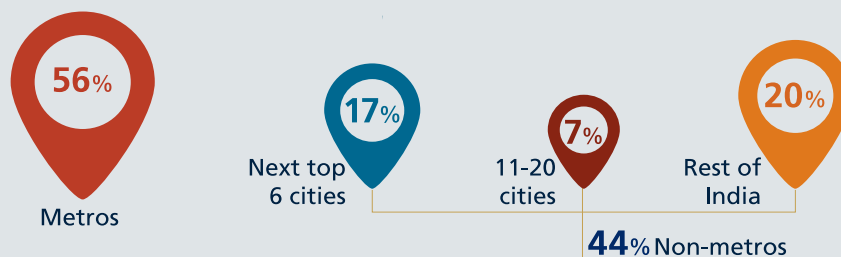
We have tried to take forward this trend of cities, beyond Mumbai and Delhi, as ultra HNI hubs in this year's Top of the Pyramid by comparing the

current lifestyles and investment patterns of ultra HNIs from Chandigarh, Chennai, and Ahmedabad. We chose these cities because:

- Other than Delhi and Mumbai, Chennai and Ahmedabad feature among the wealthiest cities of India in terms of GDP.
- Ranking #1 in the Quality of Life Indices, Chandigarh is known as the 'Wealthiest Town' of India with highest per capita income. It has booming tourism and manufacturing sectors apart from many IT and biotechnology companies.
- In addition to being a major cultural and economic centre, Chennai is also the biggest commercial and industrial centre in South India and is often called the 'Gateway to South India'. Growth in industrialisation has made Chennai home to numerous ultra HNIs.
- Ahmedabad, the textile capital of India (also called 'Manchester of India') has contributed numerous entrepreneurs in textiles, pharmaceuticals, and chemicals.

Spread of Ultra HNIs in India

44% of the ultra HNIs are from emerging cities and small towns



Source: Top of the Pyramid 2015, Kotak Wealth Management

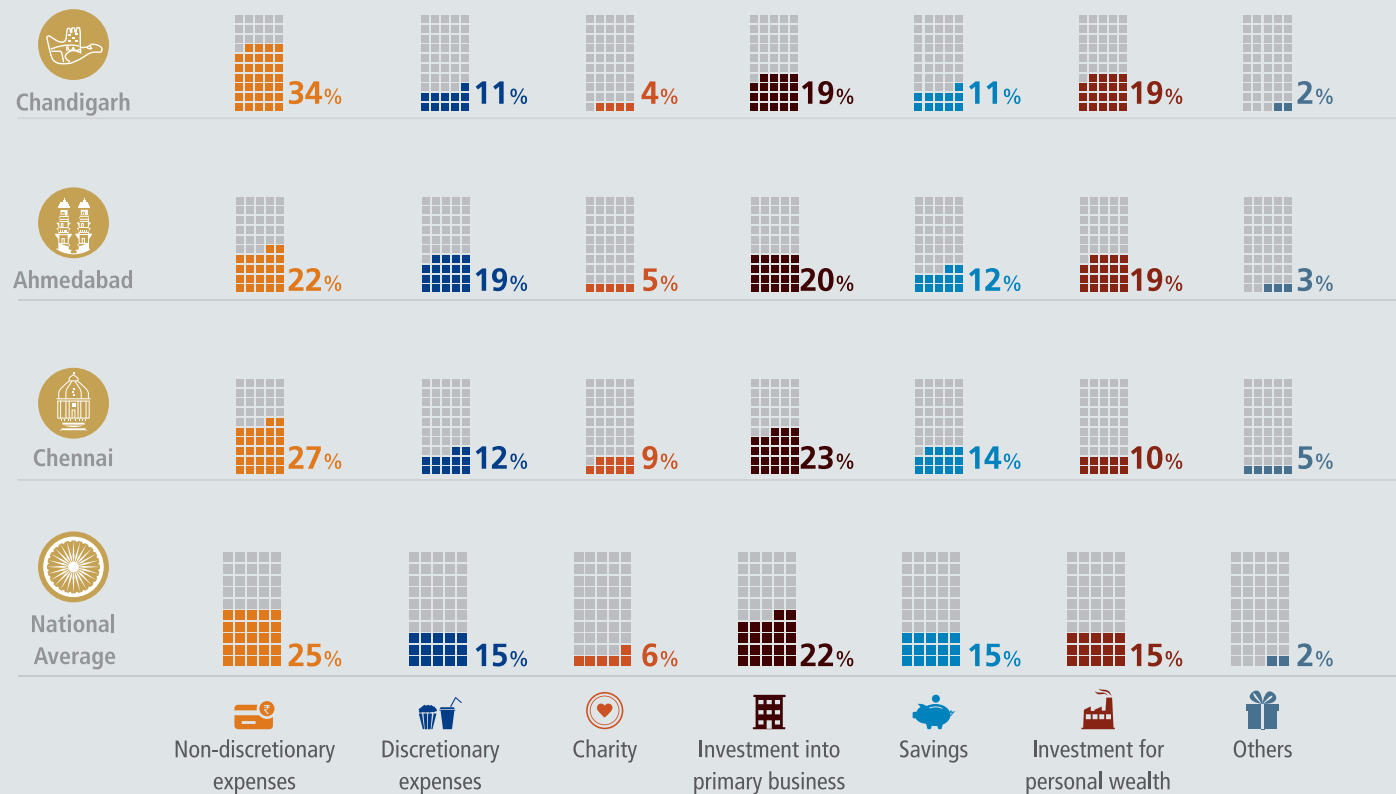
Lifestyle

People from Punjab have always lived life king size and this has not changed — on an average, the ultra-rich in Chandigarh spend 45% of their income on expenses (higher than the national

ultra HNI average of 40%). This partly explains below average personal savings at just 11% of annual income. Ultra HNIs in Chennai, a city that is balancing traditional values and modern trends, »

Allocation of Income by City

While ultra HNIs of Chandigarh have a higher proportion of expenses, those in Ahmedabad prefer primary-business investments and those in Chennai prefer philanthropy



Source: Top of the Pyramid 2015, Kotak Wealth Management

In Chennai, ultra HNIs regularly attend fundraising events and donate generously to support charities that are working towards the betterment of local communities



seem bent towards altruism — they donate an average 9% of their income for charitable causes compared to the national average of 6%. Prominent Chennai businessmen have been allocating funds for building schools and hospitals for thousands of underprivileged people in Tamil Nadu.

Ultra HNIs from Ahmedabad allocate 40% of income towards expenses (in line with our national average), but have a higher share of unplanned expenses compared to the rest of India. Their savings levels were lower (at 12%) than our national average (of 15%), reflecting higher investments into primary businesses and personal investments.

Ultra HNIs of Chandigarh tend to spend extravagantly on clothes and home décor with these spends constituting as much as 40% of their overall spends. Ultra HNIs from Chennai are more

Golf clubs in and around Ahmedabad are becoming weekend getaways for the ultra-rich by attracting them with their experiential gourmet delights

inclined towards passion spends (such as art and vintage spirits) compared to ultra HNIs from other cities. Ultra HNIs of Ahmedabad are strongly inclined towards spending on electronic gadgets and events.

Family takes centre stage for Gujaratis and Marwaris. Brunches and lunches with family and friends is one of their favourite weekend pastimes. The ultra HNIs of Ahmedabad have taken this up a notch by indulging with family and friends at places like golf courses and pools.

Investments

Traditionally, Punjab has been an agrarian economy and this is reflected in Chandigarh's wealth pattern. The ultra-rich here prefer physical assets over financial ones. They are inclined towards real estate investments with an overwhelming 54% of their investments going into this asset class, which has been a good wealth creator for 26% of the ultra HNIs in Chandigarh.

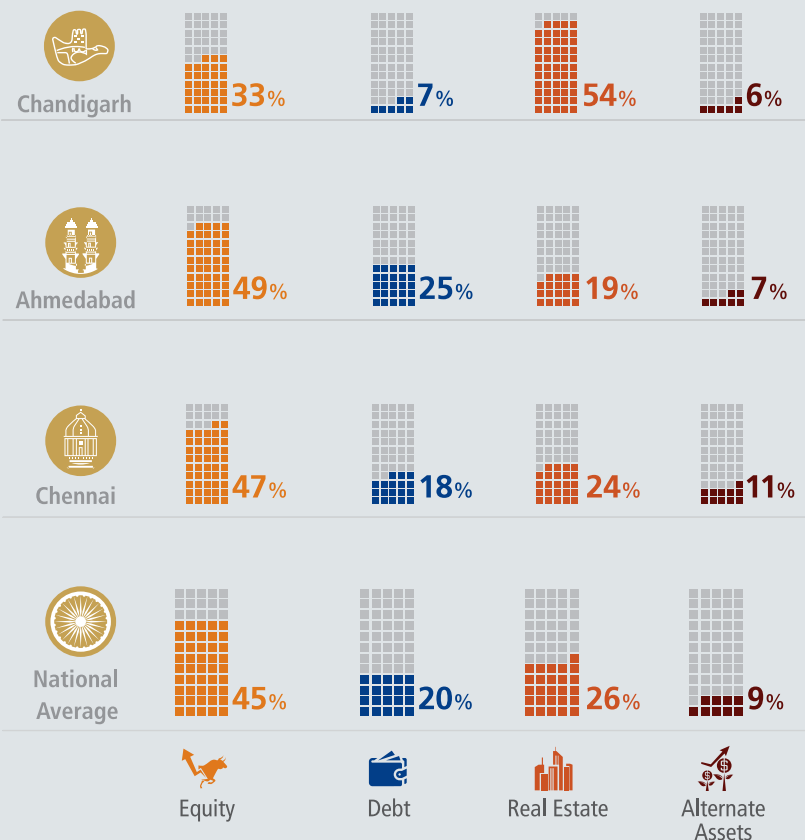
Ultra HNIs of Chennai have a slightly higher inclination for investments in alternate assets such as gold. Over the last decade, Chennai has seen an increase in investments in the hospitality sector, industrial zones, IT parks, and trade and convention centres, which has aided business growth in the city.

Ultra HNIs of Ahmedabad are known for their penchant for financial markets, and the city is home to some of India's biggest brokers and investors. Financial markets are a major source of wealth creation in Ahmedabad with ultra HNIs here preferring equity investments over other assets; the allocation of wealth in financial assets is higher compared to ultra HNIs in other cities.

Ultra HNIs of Ahmedabad define the mood of the financial markets, the ones in Chandigarh define the real estate sentiment, and the ones in Chennai define the commodity market in India. 🔄

Investment Preferences by City

While ultra HNIs of Chandigarh prefer physical assets, those from Ahmedabad opt for financial ones, and ultra HNIs of Chennai go for alternate assets



Source: Top of the Pyramid 2015, Kotak Wealth Management



HOW THE ULTRA HNIs

SPEND

Lifestyles of the ultra-rich

Last financial year, with the change in economic and political sentiment, ultra HNIs have increased their spending across categories, especially their discretionary spending. Our survey revealed that spends and investments into businesses are their top income-allocation categories.

The lifestyle preferences of ultra HNIs remained almost unchanged this year — most of their spending was in jewellery and apparels. Their penchant for exquisite collectibles and exotic holidays was also strong. Philanthropy continues to occupy a significant place in their spending pattern. However, what is fairly new is how steeped e-commerce has become in their daily lives — ultra HNIs can now access their desired luxury brands, even international ones, with just one click, and many have taken quite a shine to e-shopping.

The current section explores the spending patterns and lifestyles of the Indian ultra-rich.

Ultra HNIs Have High Spends Allocation

With lower inflation and interest rates, ultra HNIs have revved up their overall expenditure this year

The emergence of e-commerce has disrupted the lifestyle and spending habits of Indian ultra HNIs

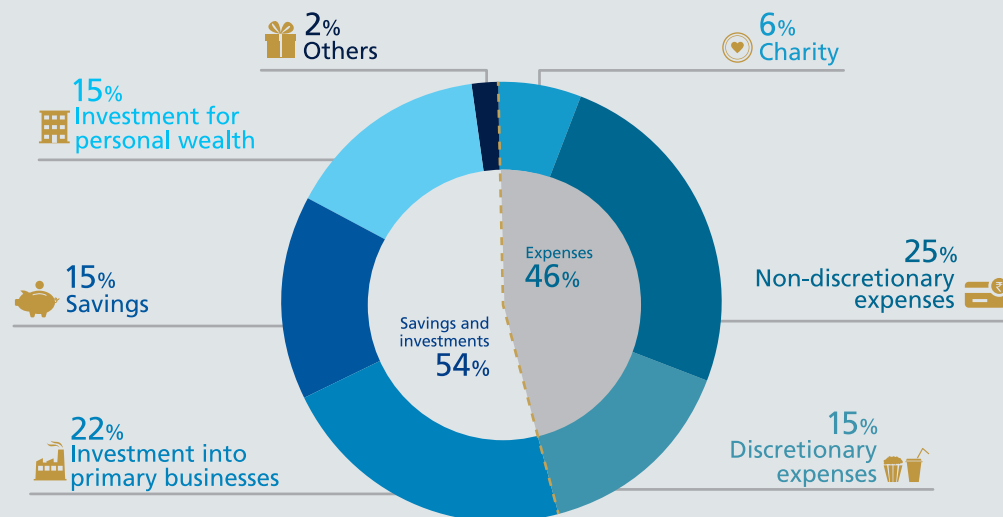
Until a few years ago, shopping was one of the main reasons for ultra HNIs to fly abroad. However, as the luxury market in India grows at breakneck speed—supported by rising disposable incomes, expansion of modern retailing, emergence of e-commerce, and proliferation of luxury brands into non-metros—this is changing. As luxury brands continue to grow in India, ultra HNIs are likely to increase their spends,

by availing themselves of avenues for luxury spending within India.

The emergence of e-commerce has also disrupted the lifestyle and spending habits of Indian ultra HNIs—as they increasingly avail the option of shopping for luxury items through a click of a mouse or from their smartphones, their overall expenditure is likely to see an increase.

Allocation of Income

Spends and investments into primary businesses are top categories for income allocation



Source: Top of the Pyramid 2015, Kotak Wealth Management

Ultra HNIs Increase Investments into Primary Businesses

Indian business houses were quite optimistic about the new government, which has an image of being business friendly, and were glad that political uncertainty was over. Consequently, 62% of our ultra HNI respondents upped their investments into their primary businesses and 45% in personal wealth-expansion instruments. This trend should continue as the economy booms and throws up more opportunities for higher growth.

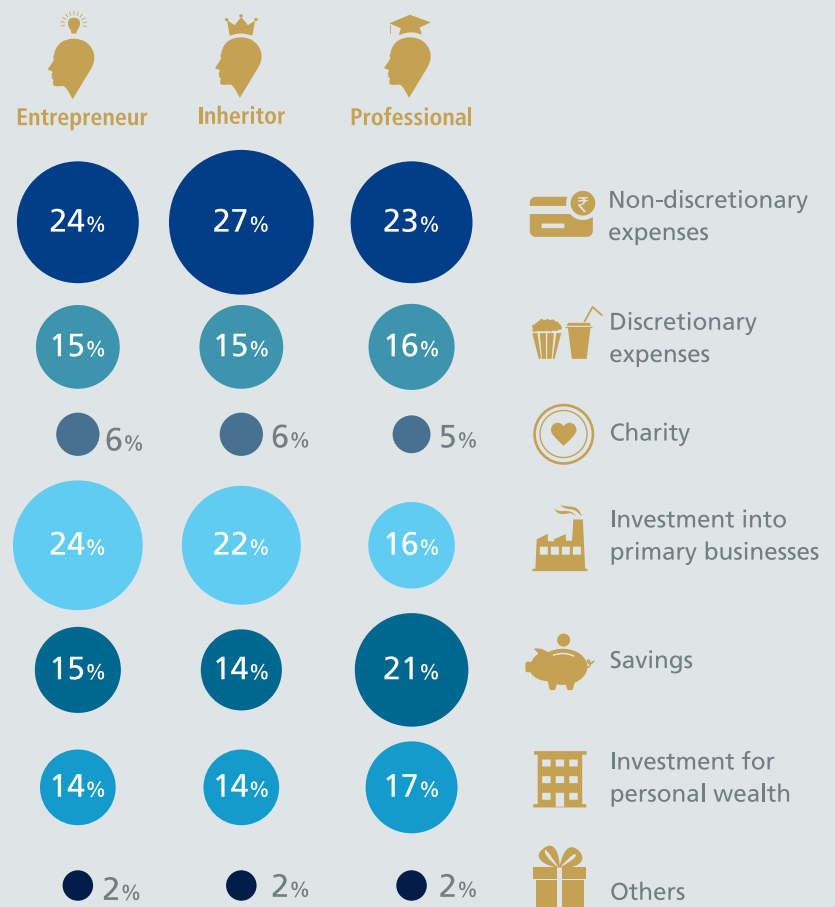
Within ultra HNIs, the difference in their demographic profiles reflects in their lifestyle patterns and priorities. All ultra HNI groups allocated the highest proportion of their income towards non-discretionary expenses. The next major investment category for entrepreneurs and inheritors was their primary businesses while for professionals it was savings.

Professionals tend to have lower non-discretionary expenses and higher discretionary expenses compared to entrepreneurs and inheritors. Probably due to the corporate lifestyle, unplanned and impulse spending as a proportion of total expenses seems to be higher among professionals. »

Within ultra HNIs, the difference in their demographic profiles reflects in their lifestyle patterns and priorities

Allocation of Income by Ultra HNI Categories

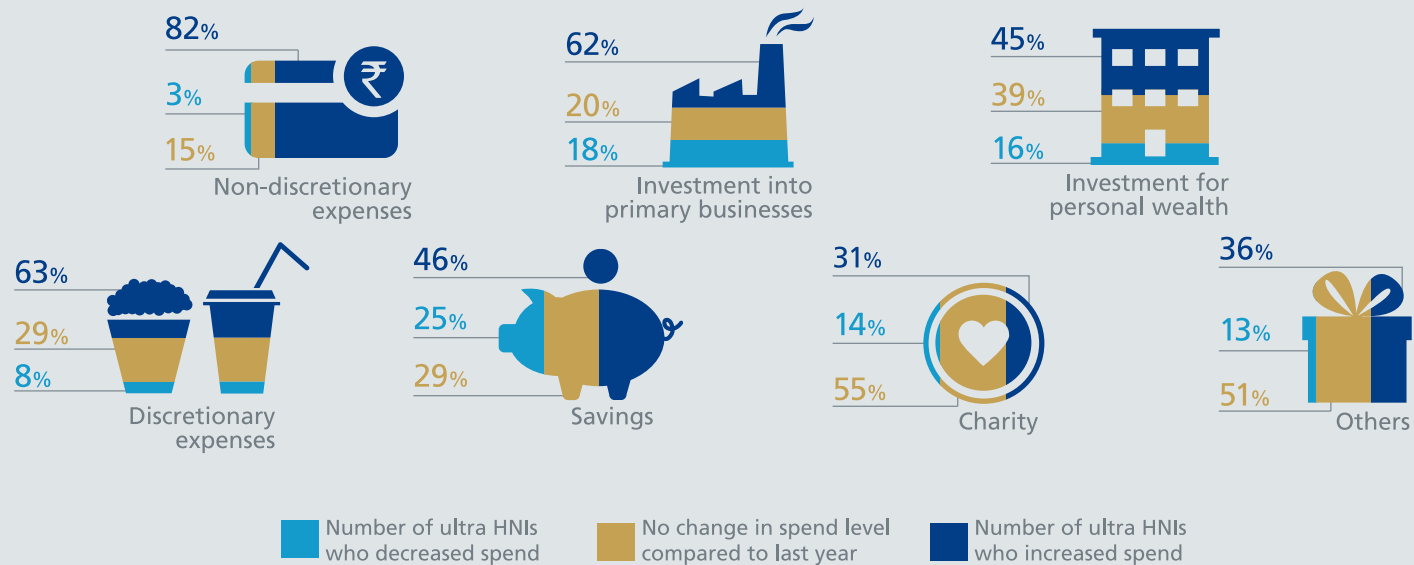
Entrepreneurs and inheritors prefer to spend on primary businesses while professionals prefer savings



Source: Top of the Pyramid 2015, Kotak Wealth Management

Allocation of Income Compared to Last Year

Investments into primary businesses have increased



Source: Top of the Pyramid 2015, Kotak Wealth Management

Every Diwali, a Mumbai-based ultra HNI buys around 300 gold coins, which he then distributes among his top employees

Jewellery Continues to be a Top Spending Category

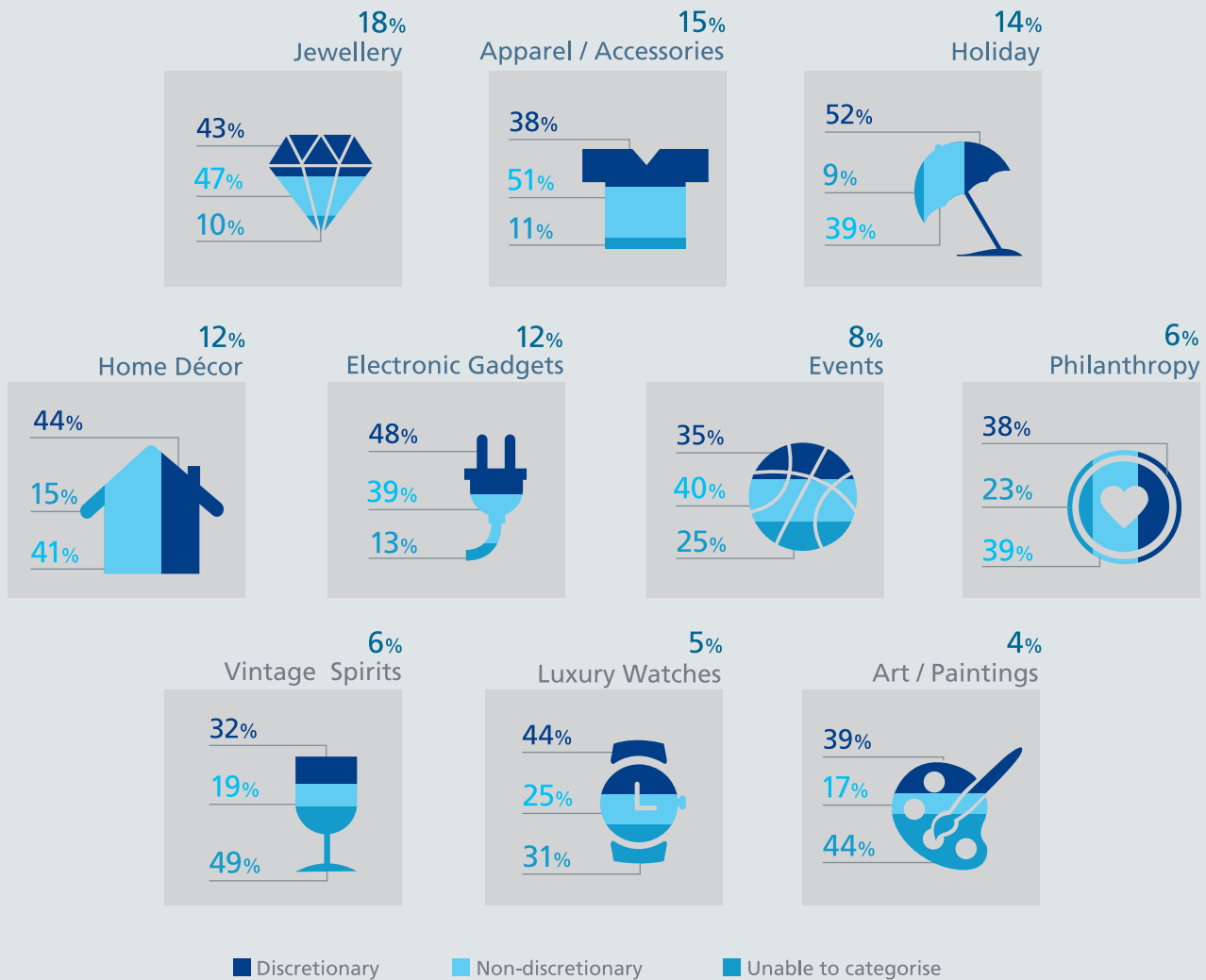
Jewellery and apparel are ultra HNIs' top-spending categories followed by spend on holidays. Family-centric expenses—jewellery, holidays, apparels, automobiles, home décor, and events—continue to dominate, constituting 67% of overall spends. Our survey reveals that a majority of ultra HNIs consider spending on jewellery, apparel, events, and philanthropy as non-discretionary while they view spending on holidays, electronic gadgets, home décor, and luxury watches as discretionary.

Most ultra HNIs could not classify passion investments (such as buying vintage spirits, art, and paintings) as either discretionary or non-discretionary.

While both discretionary and non-discretionary spends among the ultra HNIs were higher than in the previous year, spends on categories such as events, philanthropy, luxury watches, and passion investments did not see much change. »

Areas of Spends as a Percentage of Total Spends

Jewellery and apparels top the list at 18% and 15% of total spending respectively



Source: Top of the Pyramid 2015, Kotak Wealth Management

Staying connected is much easier than it was a decade ago. Ultra HNIs use social networking to manage their connections better

Digitally Acquainted eHNIs

The popular 'six degrees of separation' theory describes that each person in the world is separated from another by a maximum six connections. The advent of the internet and social networking has only brought these connections closer and made the world a smaller place.

Staying connected is much easier than it was a decade ago. Ultra HNIs use social networking to manage their connections better. Our survey revealed that while professionals spend more time in socialising and planning get-togethers, entrepreneurs and inheritors spend time planning events with their social circle that reflect their working styles.

We also observed that entrepreneurs are more inclined towards online shopping than the rest of the group, considering that the proportion of younger entrepreneurs is higher. Our research reveals that most of the ultra-rich use instant messaging, mails, and general social networks as part of their daily routine, but professional networks are relatively less popular in these circles. Professionals use these applications more than others. As smartphones have become de rigueur, the proportion of ultra HNIs moving to mobile platforms and the usage of mobile and internet applications will increase.

Even as the idea of connecting with family and friends through social networks is becoming common, some special social networks are emerging that attract a specific set of users. One such idea that has hit India only recently is that of an 'invite only' social network, open only to select people.

Recently, a Bollywood star announced, at a launch party in India, an exclusive international private travel and lifestyle club, famous among the ultra-rich abroad.

This club is currently active in around 150 cities across the world and hosts more than thousand events annually. The club is a community of ultra-rich people who share their travel experiences with one another. Membership to this exclusive network is through an invitation from an existing member or through an application that is approved by an international committee. Online

An exclusive lifestyle club famous for networking among the ultra-rich abroad was introduced in India by a Bollywood star

As the Indian ultra-rich start exploring these exclusive online social networks, a new world of endless opportunities opens up to them

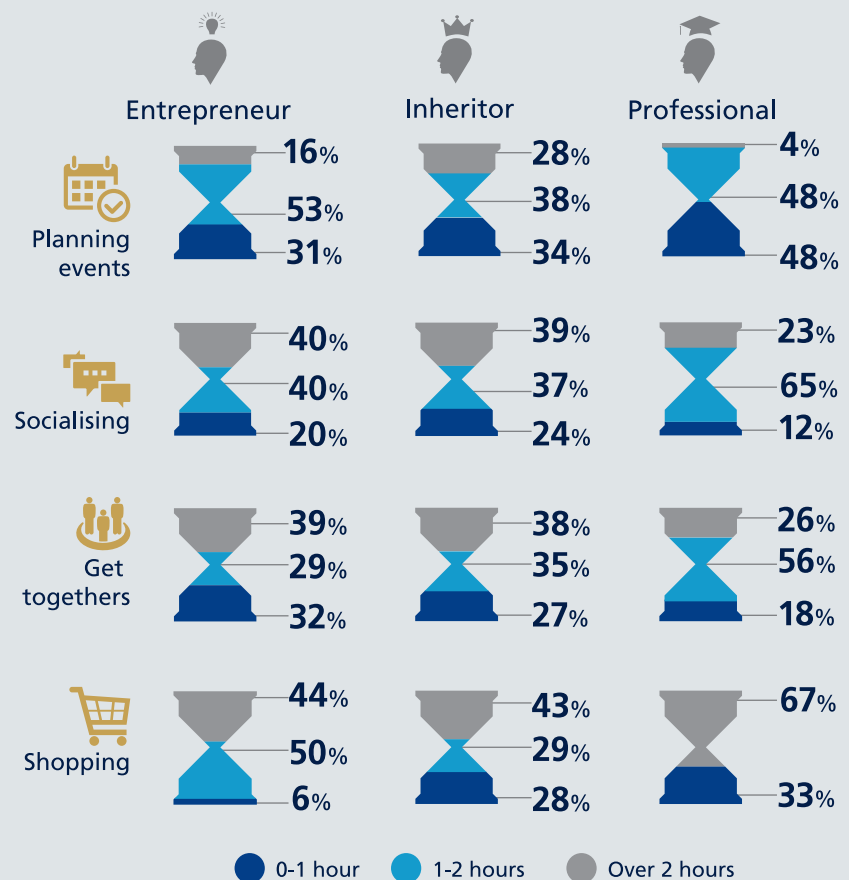
social channels are being used extensively to keep these members connected and for communicating messages about exclusive events.

These special social networks are places where the ultra-rich can socialise with people who they consider their equals or peers and get invited to elite events. As the Indian ultra-rich start exploring these exclusive online social networks, a new world of endless opportunities opens up to them.

In line with this social networking trend, this year, we looked at an emerging segment of ultra HNIs called eHNIs. These are young to middle aged entrepreneurs and inheritors who maintain a work-life balance and are tech-savvy individuals with a high inclination towards social media. They also have higher expenses compared to rest of the ultra HNIs and a significant portion of their income invested into primary businesses. ➡

Time Spent on Online Activities

Online shopping is gaining momentum among ultra HNIs



Average time spent per week

Source: Top of the Pyramid 2015, Kotak Wealth Management

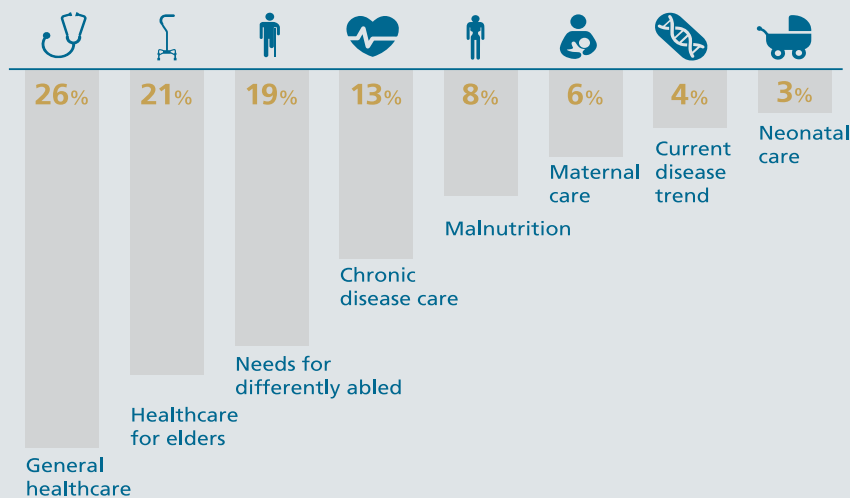
Philanthropy Immensely Important for Ultra HNIs

Philanthropy is an ever-evolving concept and spans the whole gamut—from only providing monetary support to setting up of an ecosystem. Our survey determined that 66% of ultra HNIs give importance to philanthropy.

While ultra HNIs' spending pattern remained largely unplanned, there is an inclination towards specific causes when it comes to philanthropy.

Healthcare

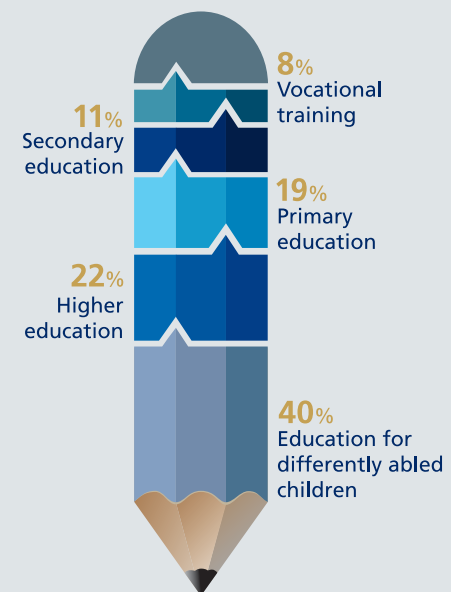
A large number of ultra HNIs support general healthcare



Source: Top of the Pyramid 2015, Kotak Wealth Management

Education

Education for the differently-abled is preferred cause



Source: Top of the Pyramid 2015, Kotak Wealth Management

Last year, support for education, food for poor, and old age homes drew attention from ultra HNIs among other causes. This year, we observed that they also lent support to education of differently abled children, general healthcare, healthcare for elders, needs of the differently abled, and water conservation. ➔

Philanthropic Patterns of Ultra HNIs Towards Environment

Ultra HNIs support water and wildlife conservation

17%
Forest
conservation

30%
Water



14%
Sanitation

14%
Renewable
energy

25%
Wildlife
conservation

Almost 50% of ultra HNIs prefer supporting wildlife and forest conservation efforts

Source: Top of the Pyramid 2015, Kotak Wealth Management

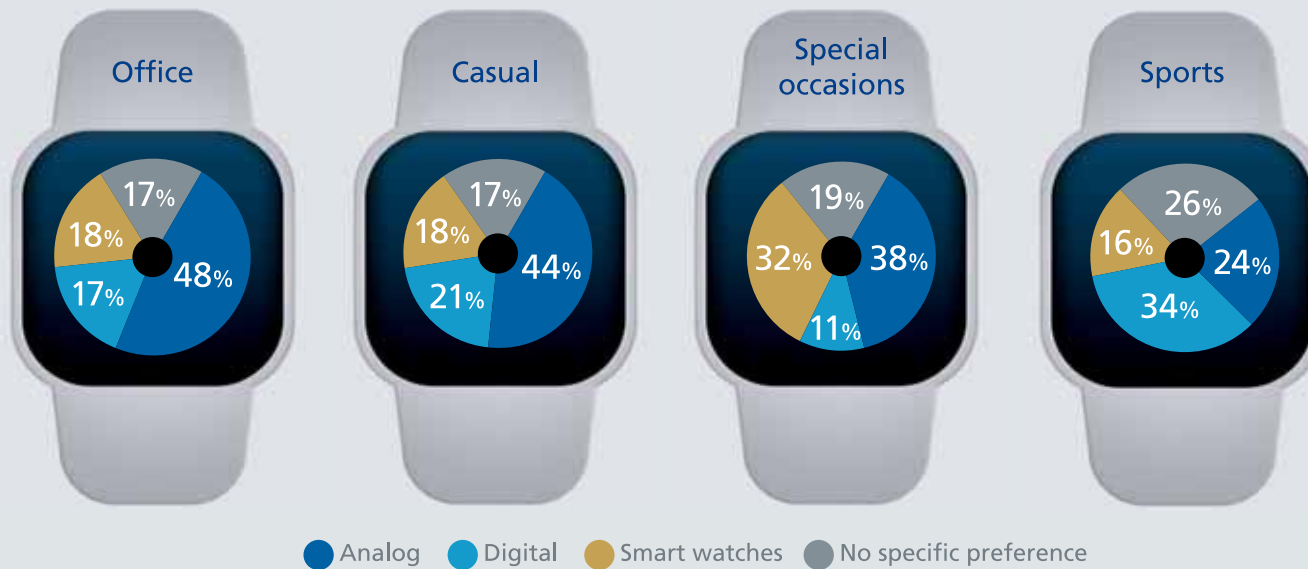
Timelessness of a Timekeeper

Brand name plays an important role in the selection of luxury watches. Our research reveals that the decision of 51% of ultra HNIs while choosing luxury watches is based on the brand, followed by technology.

In ultra HNI purchases, other important factors include the appeal of a Swiss luxury watch brand name and its exclusivity. Premium international luxury watch companies create awareness about the brand and an aura of

Preferences in Watches

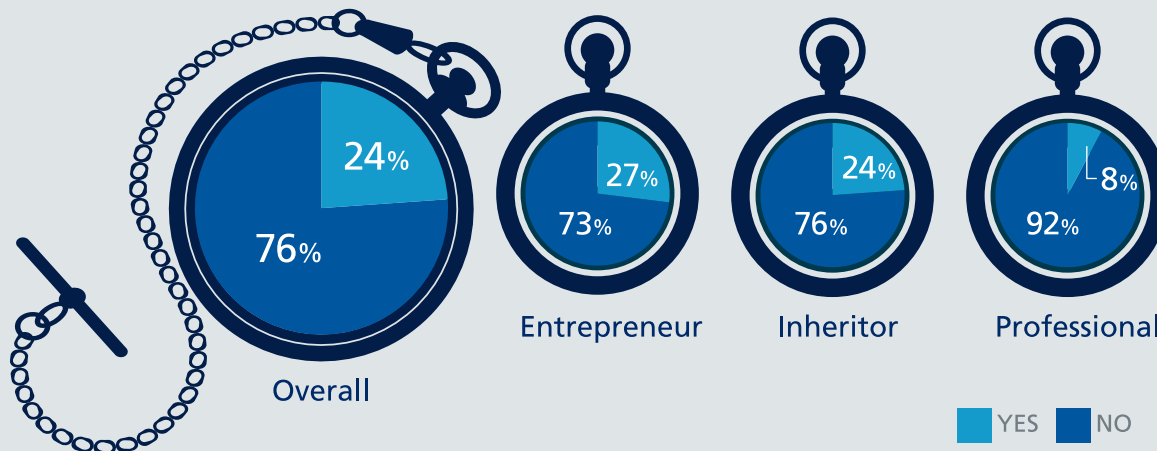
Ultra HNIs still prefer analog watches for most occasions



Source: Top of the Pyramid 2015, Kotak Wealth Management

Watches as Heirloom

27% and 24% of entrepreneurs and inheritors view watches as heirlooms



Source: Top of the Pyramid 2015, Kotak Wealth Management

An Indian luxury watch maker creates watches with coins of historical importance, which can be passed down as heirlooms or collectibles

exclusivity through association with prominent personalities and celebrities.

In addition to the brand, the choice of watches among ultra HNIs depends on the occasion— analog watches remain the first choice for most occasions while for sports, the preference shifts towards digital watches as functionality overtakes elegance. With the recent launch of smart watches by one of the world’s leading technology companies, the trend of smart watches is catching

on among the Indian ultra-rich—the most expensive gold variant of this watch costs as much as ₹10 lakh. These watches are suitable for sports and fitness-related activities.

The idea of a luxury watch being a family legacy is also well appreciated by the Indian ultra-rich with 24% owning these as family heirlooms. The trend is pronounced among entrepreneurs and inheritors. Bespoke handcrafted watches are also gaining ground in Indian markets as collectibles. ➤

All That Glitters is Still Gold

Indian ultra HNIs' love affair with jewellery is not new and ingrained in the culture and it is no surprise that India is the largest consumer of gold in the world. Our research reveals that their interest levels for the yellow metal have not waned. Ultra HNIs' interest in jewellery is for investment purposes and also passion driven—the pleasure of owning, wearing, and collecting jewellery. Not surprisingly, to establish exclusivity, ultra HNIs tend to gravitate towards exquisite craftsmanship in jewellery.

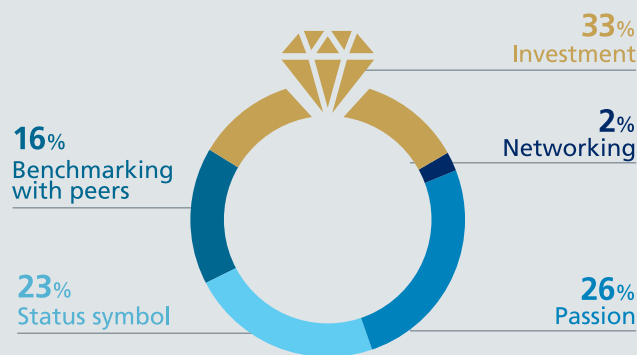
Apart from gold jewellery, 40% of ultra HNIs are also interested in diamonds. Our study reveals that they prefer Indian jewellery brands mainly because of the variety that domestic jewellers offer and also because of the duties on imported jewellery.

Indian ultra HNIs also rely on long-trusted family jewellers. These family jewellers give brands a stiff competition with their trust and relationships created over decades of association; this is an area where the unorganised sector matches the value of brands.

Jewellery is one spend area where purchases are sometimes unplanned and if the piece is unique, the price is not a consideration. An example of this is the wife of an industrialist who was browsing the collection at a bridal exhibition in Mumbai and happened to like an expensive jewellery set. She made the purchase of ₹35 lakh in 30 minutes; the set was delivered to her home the same day!

Factors driving Jewellery Purchases

Investment needs and passion for jewellery drives purchases



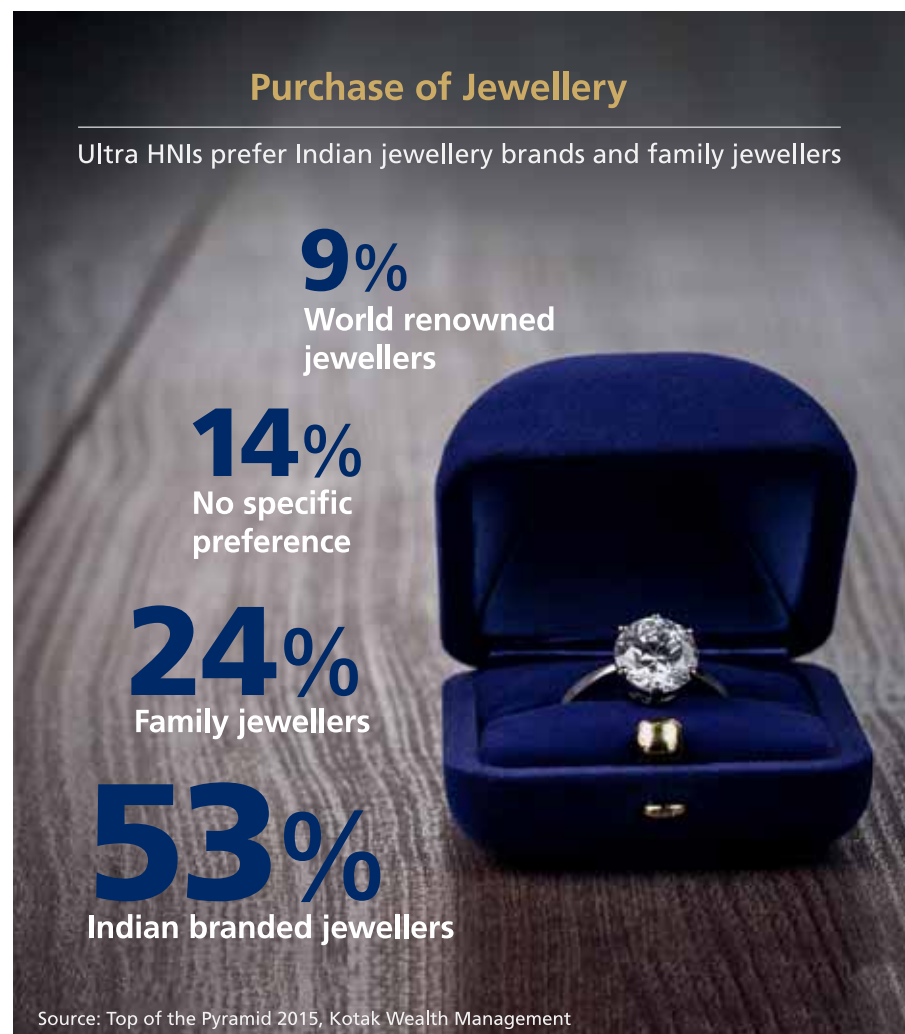
Source: Top of the Pyramid 2015, Kotak Wealth Management

The wife of an industrialist browsing at a bridal exhibition purchased ₹35 lakh worth of jewellery in only 30 minutes

Another emerging trend is buying jewellery from celebrity designers including Bollywood personalities who have an exclusive customer base and collection. These designers mostly offer 'single' (unique) pieces and are drawing a large proportion of the ultra-rich, as it adds to the social status to own such a piece. Because of this high demand, the number of celebrity designers catering mainly to different categories of ultra HNIs has risen significantly.

The trend of men buying gold or jewellery for both personal and business needs is also rising. In fact, men account for 42% of the sales of a top jeweller in India. Gifting jewellery is quite popular among the ultra-rich; for example, an ultra HNI from Surat gifted jewellery and cars worth ₹50 crore to his employees for meeting business targets.

E-commerce is disrupting jewellery purchase behaviour in India. Considering the potential of this sector, traditional boutique jewellers are shoring up their online presence. Noted personalities have also invested in e-commerce jewellery startups. It is expected that e-commerce companies that focus on jewellery will create a space for themselves among traditional brick-and-mortar ones. 🌐





PROFILE

Mohit Dubey

CarWale

“Together, ordinary people can achieve great success”

We met Mohit Dubey, the 38-year old Co-founder and CEO of CarWale.com at his Vashi (Navi Mumbai) office in early July. His true passion for cars is tremendous — he is actually doing something that he truly loves and it shows in his zest for work and life! Mohit is a first-generation entrepreneur who believes that his success comes mainly from the team he has built. “I am rather fortunate to have a wonderful team that worked on a unique business problem — that of simplifying the Indian consumer’s experience of

buying cars, used and new,” he says.

His initial foray into entrepreneurship was also passionate — disturbed by the lack of access to primary healthcare in India, he started a tele-medicine business based out of Bhopal, but it proved too ahead of its times. Mohit and his team decided to move to Mumbai to explore new avenues where a chance encounter led him to build an inventory-management system for a car dealer. Although he and his team did not make much profit from this, the time they spent

CarWale wants to simplify the car-purchase process for every Indian consumer

understanding the world of car trading in India proved invaluable and became the genesis of CarWale.com.

Venture funding in India was very nascent in 2005 and Mohit initially reached out to the HNIs in Bhopal. Eventually he and his team got a chance to present their ideas to Seedfund, which came on board as angel investors.

In his initial meetings with car dealers, he was met with much scepticism. However, Mohit and his team were relentless and today CarWale works with 6000+ car dealers — not only that, dealers are now exploring options to list their inventory and are looking at online transactions to make a sale.

CarWale wants to simplify the process of car purchase for every Indian consumer on three pillars — right information, enabling decisions, and simplifying transactions. It is evolving from a source of credible information/classifieds to actually inspecting cars and enabling services such as test drives and service-centre tie-ups.

Mohit describes the CarWale philosophy as $O + T = S$ — Ordinary people (O) building something together for a long time (T) can achieve great success (S). He is extremely proud that Carwale's success has enabled the company to reward all its stakeholders apart from building a category from scratch.

Other than work, Mohit says he loves supporting first-time entrepreneurs. "I am closely involved with a few startup. My other interests include reading a lot, especially about the auto sector, startups, and management strategies, and spending time with my family, especially my nine-year-old son and talking to him about sports and cars," he says.

Mohit and his family take at least two holidays in a year and his most memorable holiday is Switzerland's Jungfrau. Another memorable holiday he recollects is watching the sunset at Santorini, Greece.

Being an auto enthusiast, he loves driving his BMW X3. "But my true love is my Kindle, which helps me catch up with my reading, especially about startups and investing avenues," he admits with a sheepish grin. He says he would eventually love to own a Mercedes-Benz S-Class and purchase a villa at Parklane London and spend a few months a year there. His main investment remains in CarWale. His financial planning team takes care of his investments.

He leaves us with a piece of advice for entrepreneurs, "an entrepreneur does not have a 'switch on' or 'switch off' button from work so it is essential to build the right team with whom lifelong friendships can be fostered on the basis of mutual respect." 🧠



“An entrepreneur does not have a ‘switch on’ or ‘switch off’ button from work so it is essential to build a right team with whom lifelong friendships can be fostered on the basis of mutual respect”





LUXURY Weddings

A show of strength, power, exquisite taste, and elegance

Known for their colour and zest, weddings in India have always been a big deal. Most Indians tend to put their heart and soul into planning weddings, which are generally high-energy two to four day affairs.

Traditionally, grand weddings were the prerogative of royals, courtiers, landowners, and business families. Weddings were an alliance between royal houses, businesses, or eminent landholding families. The grandeur displayed at these weddings was a reiteration of wealth, power, strength, and discerning taste — this still hasn't changed.

For ultra HNIs today, weddings are not just about the union of two people and their loved ones, they are lifestyle statements. They feature exquisite designer wear, exotic destinations, beautiful décor, lavish spreads, the finest wines and liquors, exclusive events, unparalleled entertainment, and incomparable luxury for their families and friends. It is not just about throwing big bucks at an event, the emphasis is on style, high levels of customisation, and extreme attention to details. In short, an extravagantly good time for all! ➤

At a star-studded celebration in Udaipur, the wedding and sangeet ceremonies saw performances by top Hollywood and Bollywood celebrities

Reiterating Social Status: Key Driver for Opulent Nuptials

For ultra HNIs, luxury weddings are a good way to reiterate social status and reinforce their bonds with peers. To achieve exclusivity, ultra HNIs tend to spend lavishly on these society weddings, occasions, when the hosts are acutely aware of being evaluated and judged by their equals, not just in terms of the money spent, but also, and more importantly, in terms of the elegance and class presented.

A good ambience and amazing food continue to be priorities in luxury weddings. In three out of four weddings, the largest share of expenses is earmarked for renting and outfitting a picturesque destination with outstanding décor and sourcing the finest food and wine from various parts of the world. The trend of inviting national and international celebrities to perform at various functions is also increasing.

Focus Areas at Ultra HNI Weddings

Exquisite cuisine and location are top priorities in luxury weddings



Source: Top of the Pyramid 2015, Kotak Wealth Management

Most ultra HNIs are seasoned and sophisticated globetrotters who have sampled world cuisines. Therefore, at luxury weddings, the food is rarely restricted to Indian cuisine. The ultra-rich want their guests to enjoy a wide variety of global fares served in innovative ways. While traditional Indian food is the bare minimum, fusion food is one of the hottest trends.

Amongst other cuisines, Greek, Japanese, and Italian are the most preferred. There are growing instances of chefs and ingredients being flown-in from around the world to retain the authenticity of the served cuisine. Ultra HNIs also tend to lay extra emphasis on desserts, with the spread ranging from Swiss patisseries to imported exotic fresh fruits.

In a recent celebrity wedding, the bride wanted to incorporate her favourite dishes from around the

world, which led to a very diverse spread — the wedding included dishes from Punjab, Bengal, and Gujarat, which the chef transformed into bite-sized hors d'oeuvres. The dessert bar featured macaroons flown in from France, Swiss chocolate fondues, and custom cupcakes.

Traditionally, the arrival of the bride and the groom at weddings was a significant affair—the groom usually arrived on a white horse with lots of music and dancing, and of course loud crackers. However, with luxury weddings, each couple is looking at glamorous and inventive ways to arrive at their wedding venues in style.

At a wedding in Goa last year, the bride emerged from a lotus on to the beach. Couples have used other unique ways to make a grand entry including arriving in helicopters, speedboats, and even cranes! ➤

A leading industrialist took 30-40 chefs and ingredients from India to Barcelona for his daughter's wedding, to get the taste just right!

At a recent celebrity wedding, the dessert bar featured macaroons flown in from France, Swiss chocolate fondues, and custom cupcakes



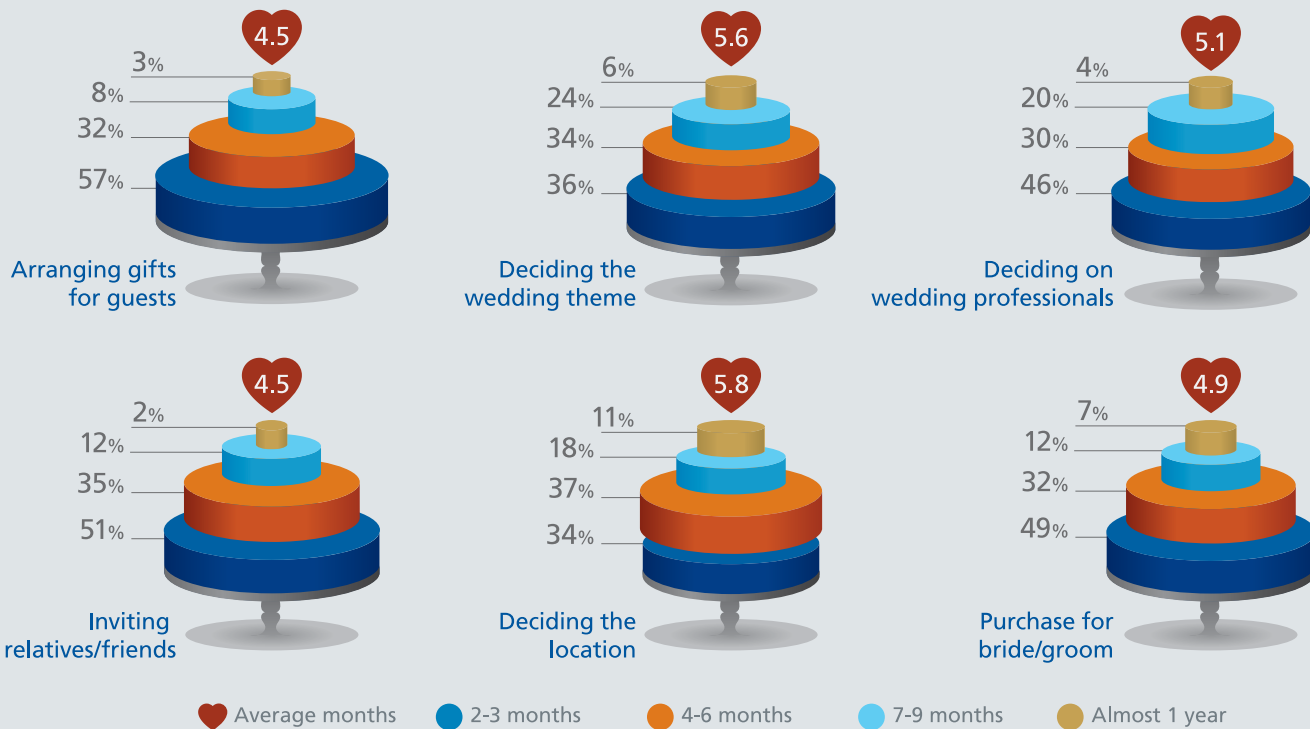
Location and Theme Take the Most Time

For anybody, their wedding is one of the most important life events. Even the most elaborate weddings can be thrown together within a few months. However, a luxury wedding is in a league of its own. On an average, about 5-7 months of

planning goes into executing a luxury wedding. It is a grand event and a number of factors are taken into account to ensure that every aspect of the wedding is carried out smoothly, honouring tradition, and incorporating contemporary trends.

Average Time Taken for Each Wedding Activity

Families tend to spend around half a year in planning opulent weddings



Source: Top of the Pyramid 2015, Kotak Wealth Management

Along with wedding invites, a Delhi businessman sent out monogrammed wallets for men and scarves for women, sourced from international luxury brands, each worth ₹35,000 - ₹80,000

Ultra HNIs spend the maximum amount of time on deciding the wedding location and on the involvement of wedding professionals.

The hardest part of the wedding is the planning, which includes brainstorming ideas, preparing the guest list and invites, deciding on the outfits and décor, and selecting the event management company. Most of all, choosing the person or company that will implement all of these ideas.

A lot of attention is paid to the smallest of details such as finalising and sending out the wedding invitation accompanied by appealing gifts for the guests. The wedding invites are often tasteful handmade cards accompanied by imported chocolates and designer goodies for the guests. These days, it is also imperative to give guests a charming and upscale parting gift.

Ultra HNIs strive to host a wedding in a manner that showcases their individualistic style, class, and personality. Most destination weddings comprise of theme-based functions spanning 2-4 days. Some of the most preferred themes include:

- Mehendi – Rajasthani Mela
- Sangeet – Bollywood
- Wedding – Royal/Victorian/Traditional
- Reception – Western Themed

At Western-themed receptions, buffets are passé. Over the last couple of years, in an attempt to create a fusion of Indian and Western styles, luxury weddings have seen seated dinners with French cuisine and family-style intimate meals. »

Leading luxury brands are increasingly approaching ultra HNIs with proposals for creating special lines for bulk orders, at discounted prices

Preferred Wedding Themes

Traditional and royal are the most preferred themes for ultra HNI weddings



47%
Traditional



40%
Royal



10%
Continental



3%
Colour theme

Source: Top of the Pyramid 2015, Kotak Wealth Management

Ultra HNIs Prefer Destination Weddings

The growing trend among ultra HNIs is to get married with a traditional royal wedding theme in an Indian destination other than one's own city, or even overseas. However, three out of four ultra HNIs prefer India as a wedding destination.

India is an incredibly scenic country with a rich heritage and cultural diversity. Its royal legacy is spread over various regions and has been retained in the form of carefully renovated and preserved palaces and forts, many of which are now luxury hotels. In royal-themed weddings, the bride and groom and all their guests enjoy the regal experience. Jaipur, Jodhpur, Udaipur, and Goa are the most preferred locations for destination luxury weddings within India.

Most ultra HNIs favour luxury weddings and spend large amounts to ensure that the experience is thrilling and modern while retaining rituals and traditions. The average budget for ultra HNI weddings held in a couple's hometown ranges from ₹15-25 crore. On an average, ultra HNIs

invite 500-1000 people for weddings held in the same city. The budget for a destination wedding in India ranges from ₹20-50 crore while an international destination wedding ranges from ₹40-75 crore. About 300-500 guests are invited to a destination wedding, but this number is rising along with an increase in the length of the stay, additional excursions, and a whole host of add-ons.

Gold is still considered an auspicious gift for the bride and is traditionally viewed as a means to pass on wealth from generation to generation. Money spent on clothing and jewellery also significantly increases wedding budgets.

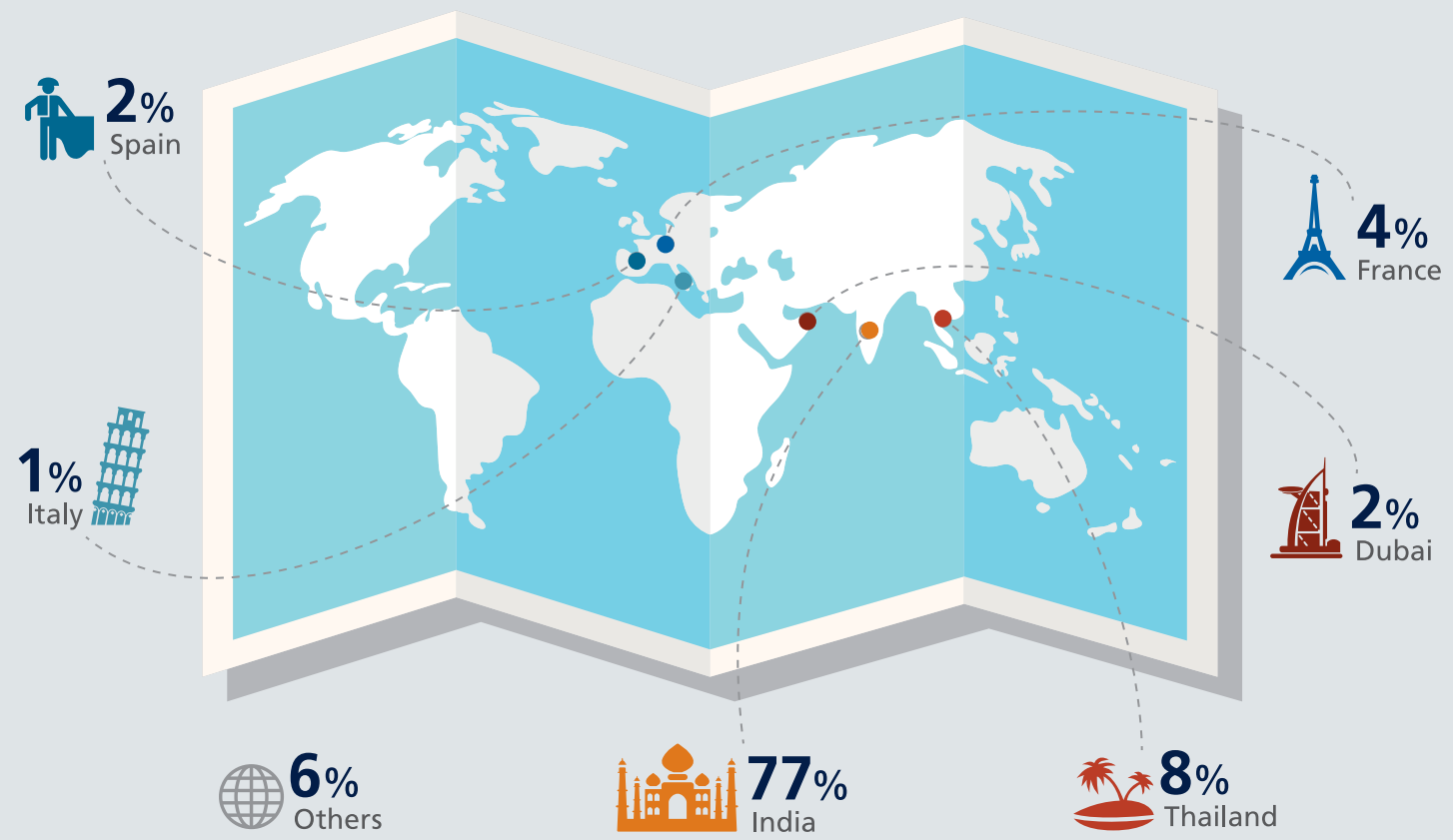
Weddings abroad are preferred by the young ultra HNIs (in the age group <35 years) with Thailand and Dubai being favourite wedding spots. Of late, the search for more exotic locations has widened the net and France, Italy, Spain, and Turkey are becoming highly sought-after international wedding locations. ☺

Last year a prominent builder held his son's wedding at a castle in Chantilly, France. Events included a Moulin Rouge-theme sangeet at *Le Musee du Cheval* and performances by prominent Bollywood singers at a local airport hangar



Preferred Destinations for Ultra HNI Weddings

India is still the top choice for a destination wedding



Others include USA, UK, Australia, Maldives, Austria, Turkey, etc.
Source: Top of the Pyramid 2015, Kotak Wealth Management



PROFILE

Murugavel Janakiraman
Bharat Matrimony

"Start, then keep experimenting"

Mr Janakiraman's vision is to capture the business opportunity in India's rural population along with urban and semi-urban areas

The first word that came to mind when we met Mr Murugavel Janakiraman, Founder and CEO of Matrimony.com, was the clichéd but true 'down to earth'.

"I was the first one in my family to go to college," he told us. "In my life, unintended consequences have produced far better results than intended ones. Sometimes things may not go your way, but we just have to keep putting in our best efforts."

Even today, he believes that education was more of an accident for him. "I wanted to do BSc in chemistry but did not get the course, instead I got admitted for BSc statistics. Later when I was applying for MCA, I found out that students of BSc chemistry were not eligible to apply for the course, whereas BSc statistics students could. If I had not done MCA, perhaps, I would have been working in a chemistry lab. He began his career at Chennai-based Nucleus Software and later

worked as a consultant on software projects in the US for leading companies. In his spare time, he used his programming background to create a community portal to connect Tamil NRIs. The site had a matrimonial section among other things. After a couple of years of running this portal, he identified matrimony as the opportunity area and started it as a 'pay-to-use' business.

In 2000, he came back to India to become a full-fledged entrepreneur and started TamilMatrimony.com. Subsequently, he started language based portals under BharatMatrimony.com to address the pan-India market. By 2006, the portal was already a market leader in the matrimony space and Mr Murugavel started looking at other verticals, but quickly decided to focus on his core strength area of matrimony. "I realised that we cannot be #1 in every vertical and decided to stick to the core verticals of matrimony and property," he says.

Under matrimony.com, Mr Murugavel owns several successful businesses including Bharat Matrimony (the flagship brand and the largest and most trusted matrimony service), Assisted Matrimony (a personalised matchmaking service), Elite Matrimony (service that caters to wealthy individuals and families), and Community Matrimony (300+ portals for various Indian communities across the globe used by Indians looking for a life partner within their community).

Mr Murugavel wants to concentrate on the matrimony space and keep expanding horizontally. He will continue to explore all opportunities in the marriage services space to maintain the leadership position. With increased

mobile connectivity, his vision is to capture the business opportunity in India's rural population along with urban and semi-urban areas.

Mr Murugavel says Sunday's are family days. Exercise and yoga are very integral parts of his life. He loves reading books and believes that many his learnings have come from reading management-strategy books. Spiritually inclined, he says he has benefitted from the teachings of his Guru Mahatria Ra and the yogapractices of Sadhguru Jaggi Vasudev. Mr Murugavel is a staunch philanthropist and believes it is very important to give back to society. His company has taken many initiatives in this direction including — bharatbloodbank.org (promotes blood donation), bharatheyebank.org (promotes eye donation) and AbilityMatrimony among others.

He loves travelling and his choice is usually either a destination of historical importance or something close to nature (mountains or the sea). At the end of every year, he makes an annual trip to historical temples in different parts of India. He wishes to explore Europe in the future and has a special interest in Egypt for its pyramids.

Mr Murugavel has largely reinvested most of his surplus into his primary businesses. In keeping with his entrepreneurial drive, he also tends to make investments in startups. A minor portion of his investments are reserved for equity, debt, and real estate.

He leaves us with this piece of advice for budding entrepreneurs, "If you are not sure of what to do, just start somewhere and keep experimenting". ☺



“I realised that we cannot be #1 in every vertical and decided to stick to the core verticals of matrimony and property”





FOREIGN Education

Going abroad for 'higher studies' has always been a thing to do for India's elite since colonial times when the joys of Oxford and Cambridge opened up to the young princelings and children of landed families. These children returned with the Oxford or Cambridge-educated stamp and then took over the reins of their kingdom or their family businesses.

In today's competitive environment, especially after the 1990s when Indian businesses opened up, the appeal of a foreign education has only increased.

The western appeal is still strong; however, ultra HNIs no longer look at only Oxford and Cambridge. Various universities across the world are among the chosen destinations. While management knowledge, networking, and exposure to a global business environment remain key motivations for sending children abroad, safety and the presence of family also play key roles.

Global business schools have started offering tailored courses for the ultra-rich business families so that their next generation has the right skill-sets to tackle challenges and take their enterprises to a higher level. ➤

Entrepreneurs, Inheritors Prefer Educating Kids Abroad

The needs of today's globalised, dynamic, and competitive corporate world are continuously evolving and becoming increasingly complex. To excel in the current environment, young adults need more than just academic skills. Because of their life experiences as first-generation

entrepreneurs or scions of business houses, ultra HNIs understand and appreciate the complexity of the skill-sets required to hone management abilities.

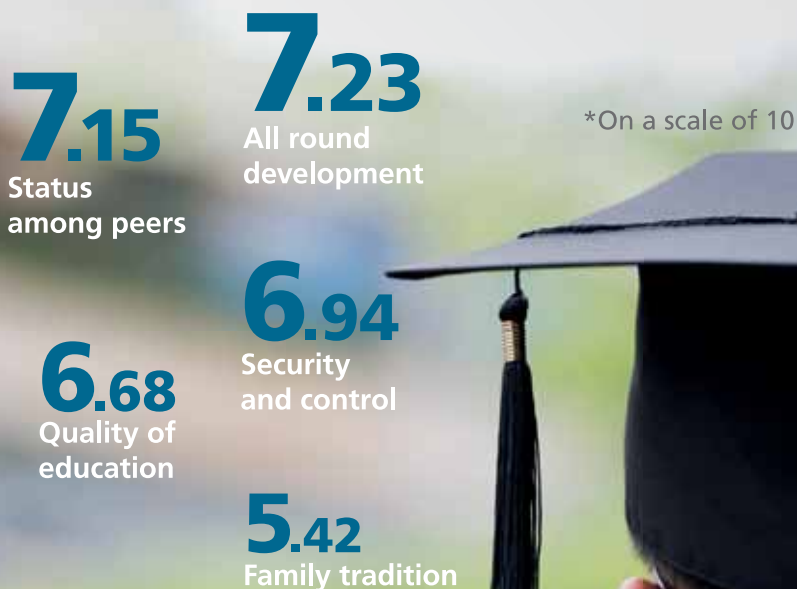
Most of the ultra HNIs send their children abroad for education primarily for the holistic development that foreign education often provides and also because most of their peers do the same.

Our survey revealed that ultra HNIs believe an overseas education provides exposure to the business environment of developed economies, the opportunities that come bundled with an education abroad, and networking with like-minded individuals.

Our study also indicated that ultra HNIs' inclination towards foreign education improves as they get married and have children.

Drivers of Foreign Education

All around development and emphasis that peers place on foreign education are key drivers



Source: Top of the Pyramid 2015, Kotak Wealth Management

Additional motivations for a foreign education include exposure to business environment in developed economies, opportunities arising from education abroad, and networking

Ultra HNIs Prefer Western Countries for their Children’s Education

Among ultra HNIs, western countries including the USA and UK are preferred destinations for foreign education, with 26% and 19% of our respondents saying these countries were their first choices, followed by 8% preferring Australia. While the preference for USA remains almost uniform across ultra HNI groups, professionals tended to prefer UK, Australia, and New Zealand equally.

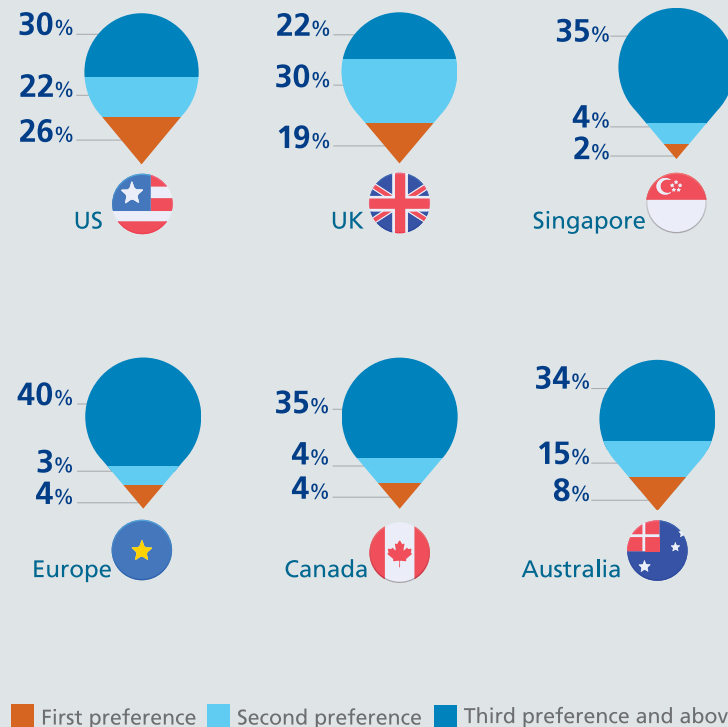
While an overseas education is clearly in vogue, India as the first-choice destination for education was high — 41% of professionals, 29% of entrepreneurs, and 27% of inheritors were inclined towards educating their children in India.

Our study concludes that for ultra HNIs, the quality of education, global exposure, and safety are the key drivers when it comes to choice of country. While they preferred USA and UK as education destinations, primarily due to the distinguished institutes and high quality of education offered, a combination of these factors along with security and exposure drove their choice of other countries.

Not surprisingly, job opportunity was not a major deciding factor while choosing the country for education, as most ultra HNIs expected their progeny to join the family business. »

Country Preference for Education

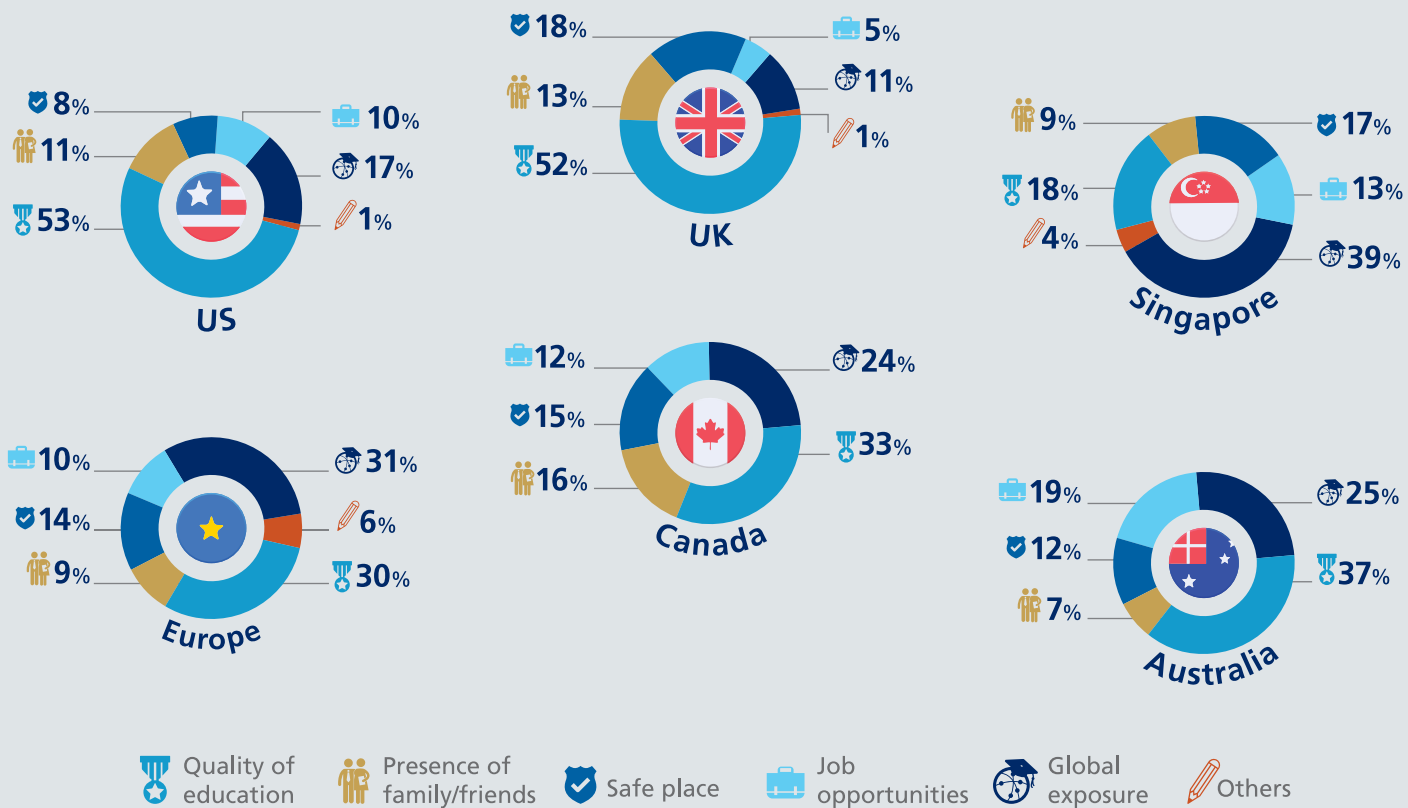
USA and UK are preferred destinations among ultra HNIs for foreign education



Source: Top of the Pyramid 2015, Kotak Wealth Management

Reasons for Location Preference

Education quality, global exposure and safety were key drivers in choosing a country



Source: Top of the Pyramid 2015, Kotak Wealth Management

Academic Spends Dominate, Lifestyle Expenses Flexible

Our survey revealed that education in USA, and UK was the most expensive, with ultra HNIs spending on an average ₹43 lakh, and ₹40 lakh annually in these countries — within the total spends, the proportion of academic expenses was higher.

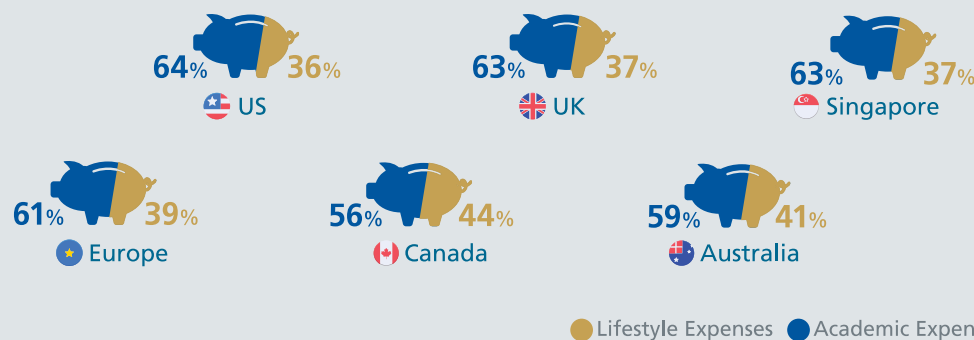
On an average, academic expenses were around 65% of total spends, while the rest were towards lifestyle expenses. Countries such as Australia, and Canada have lower academic expenses, thereby lowering the overall expenses. Entrepreneurs and inheritors tend to spend more on children’s

education abroad compared to professionals — they spent around 35% more.

In keeping with their overall luxury lifestyle, the ultra-rich do not hesitate to splurge on keeping up the same living standards for their children when they are away from home. While they live abroad, the living expenses of ultra HNI children could be up to three times the normal living costs in that particular country. A few ultra HNIs opted to buy apartments for their children for the duration of their academic years after which they rented out the accommodation. »

Academic and Lifestyle Expenses

On an average, 35% of the expenses on children’s education were lifestyle-related



Source: Top of the Pyramid 2015, Kotak Wealth Management

A few ultra HNIs opted to buy apartments for their children during their academic years after which they rented out the accommodation

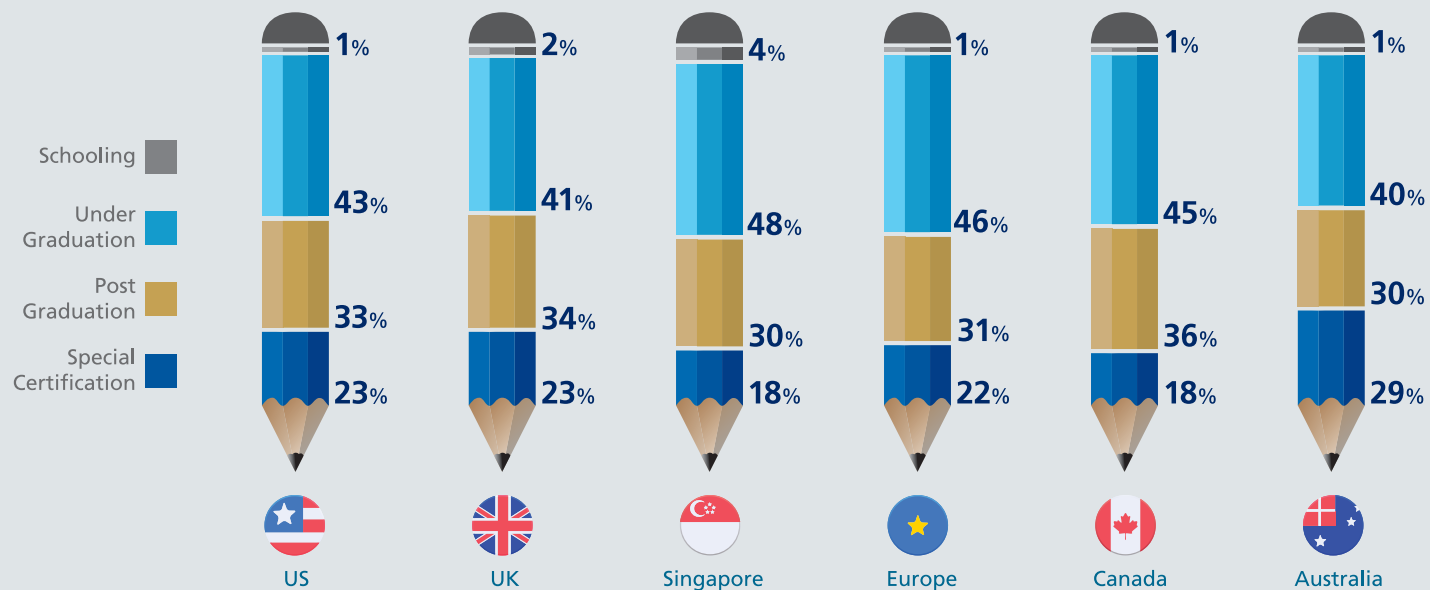
Kids of Entrepreneurs, Inheritors opt for Family Businesses

Ultra HNIs tend to keep their children close in their younger years; only a small proportion of them sent their children to another country for schooling. A large part of their interest in educating their children abroad is reserved for graduation, post-graduation, and special-certification courses.

As many as 30-36% of ultra HNIs' children going abroad choose post-graduation courses; in case of Australia, 30% choose post-graduation while it is 36% in case of Canada. To cater to the specific needs of children of global entrepreneurs and inheritors, many global business schools have started tailor-made programs for running

Course Preferences

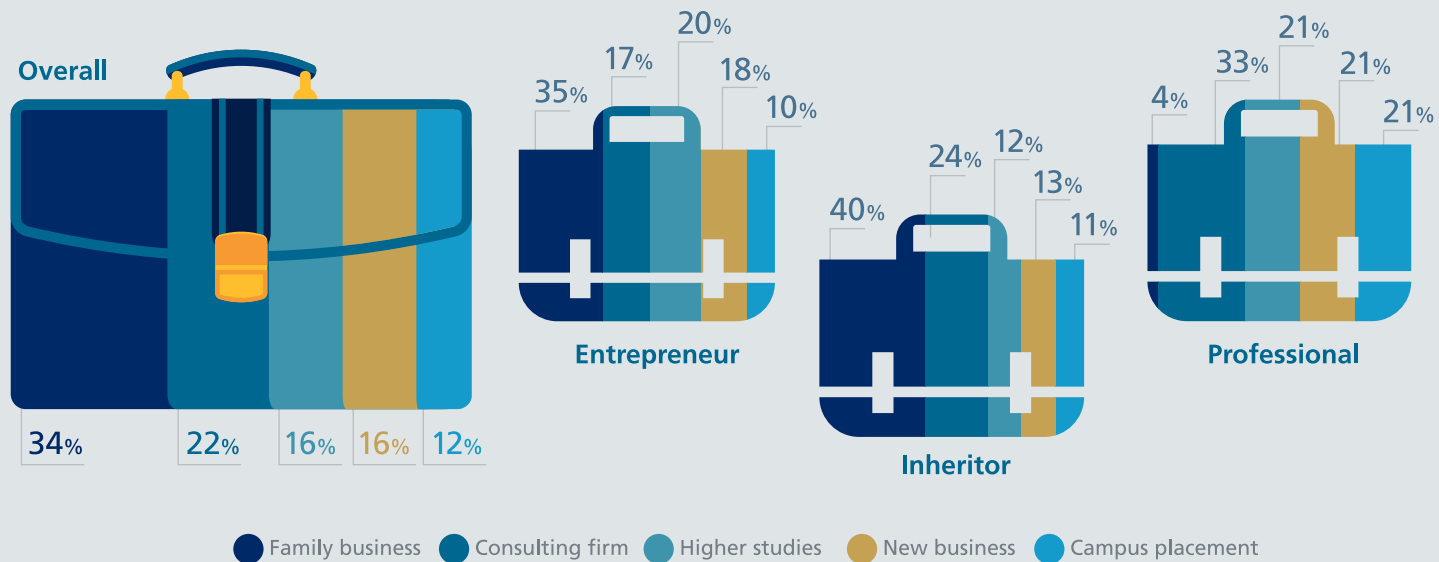
Ultra HNIs favour graduation, post-graduation, and special certification courses



Source: Top of the Pyramid 2015, Kotak Wealth Management

Career Options Preferred by Children of Ultra HNIs

Children of entrepreneurs and inheritors tend to choose family business, children of professionals choose consulting firms



Source: Top of the Pyramid 2015, Kotak Wealth Management

family-managed businesses. These courses provide ample networking opportunities for young adults to take their businesses to the next level with the right collaborations.

Going abroad for post-graduation courses has been popular for some time. However, the newer trend among the ultra-rich is to send their kids abroad for graduation — anywhere between 40% and 48% of our respondents send their children abroad for graduation. Europe, Singapore, and Canada were popular destinations for graduation courses. For ultra HNIs choosing Australia, the proportion going for special certification courses is higher than in any other country.

While the children of entrepreneurs and inheritors preferred joining the family business after completing their education, the popular option among children of professionals was to join a consulting major or a company in their relevant stream.

However, as many as 24% of children of inheritors we surveyed chose to join a consulting major that could eventually help them in managing their family business. Children of entrepreneurs and inheritors did not favour campus placements. Conversely, children of professionals were likely to opt equally between higher studies, starting a new business, and campus placement. 🔄

Most ultra HNIs want to send their young ones abroad for graduation, post-graduation, and special certification courses



PROFILE

VSS Mani

Justdial

Keeping pace with changing reality

Keeping focus, drive, and passion to achieve one's dream is what will make one successful

We met the youthful-looking Founder and Chief Executive of Just Dial, VSS Mani, on a gloomy and rainy afternoon in his office in Mumbai but his charisma quickly brightened our day. Justdial is a company that keeps pace with changing realities of time and is the brainchild of VSS Mani - a man who

relentlessly forged a new backdrop for his venture that is set to make the world more convenient.

It was while working for a directory services firm in 1987 that Mani conceived the idea of starting a search company where one could easily access information by simply dialling a number instead

of painstakingly going through huge volumes. To realise this dream, he incorporated 'Ask Me Services', but the venture proved too ahead of its times, mainly due to low telephone penetration in India. Despite this, Mani's entrepreneurial spirit did not flag and within two years, he returned to his heart's desire and shifted to Mumbai with an unshakeable belief and just ₹50,000 to start.

Mani's heart was set on the now famous number '8888-8888' then owned by the Kandivali telephone exchange in Mumbai. While he waited for his connection to come through, he built a strong database with the help of college students. Once his telephone connection came through, there was no looking back.

Justdial provided customers with a convenient means to access any service, product, or establishment information. People were amazed with the accuracy, relevance, and speed of the service and the company's reputation and reach, grew quickly. What started with a call has now expanded across platforms such as mobile applications, mobile internet, PC internet, voice, and SMS with the influx of high-end technology and exciting features. Mani realised that with constant connectivity and major behavioural shift to PCs and laptops from voice and now to smart phones, users would soon want more out of a search engine. In these evolving times, simply disseminating information will not suffice.

Therefore, he envisioned a platform to make searches more relevant by offering something both actionable and accessible to the user. He launched a new array of services under the avatar 'Search Plus' engine. Today, you can order food, shop online, discover best prices, book a table at your favourite restaurant, order groceries, schedule a laundry pick up, book a doctor's appointment, pay bills, book tickets — all within just a few clicks on Justdial's single platform.

Mani is usually brimming with ideas and enthusiasm and is almost obsessed with the possibilities of technology. He believes that his simple idea became a multi-crore company because of constant innovation. "Justdial succeeded because of constructively disrupting its own model many times," he says. He is happy to run an enterprise that he says is not only financially rewarding but also touches the lives of so many people.

While he confesses to being a workaholic, he makes sure he carves out personal and social time for himself. He loves to travel and his favourite destination, without a doubt, is New York – so much so that he travels to the Big Apple at least once every year. He says, "My journey so far has been possible because of passion and focus coupled with small and continuous improvements on a daily basis." 🌐



“ Justdial succeeded because of constructively disrupting its own model many times ”



HOW THE ULTRA HNIs

INVEST

Ultra HNIs tend to capture the 'investment mood' accurately

Ultra HNIs' investment philosophies have always been closely scrutinised by the investment community. Because of their immense wealth-creating abilities, they are generally lauded as investment gurus and business geniuses. Ultra HNIs are also seen as the trendsetters for investments into new asset classes. They can also be counted on to set the appropriate investment tone, since they are adept at judging the economic state of the country.

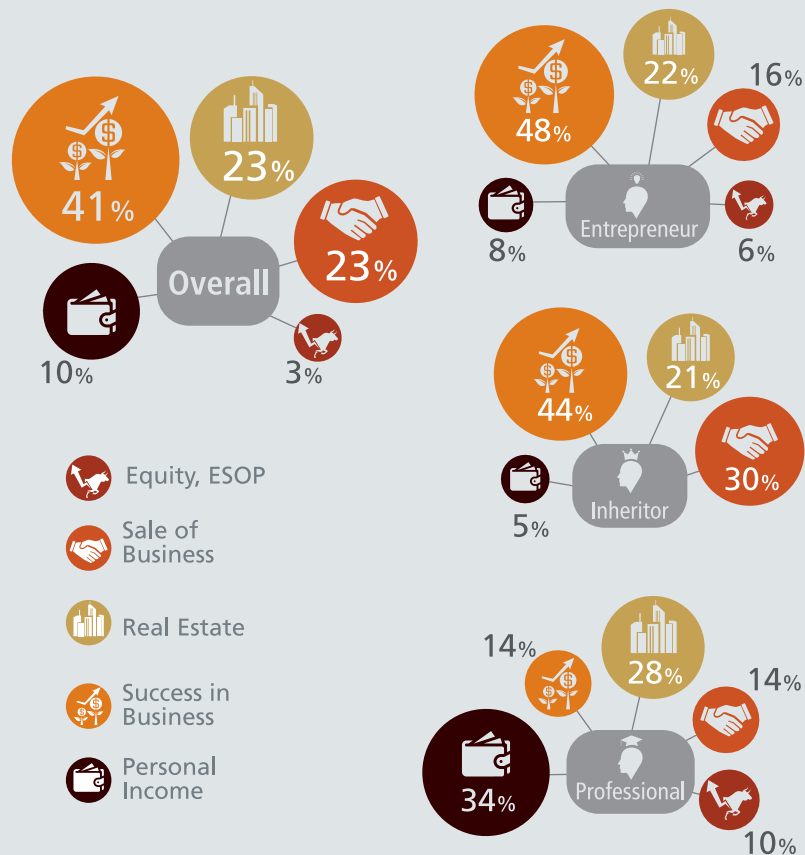
The first year of the new government has seen an upbeat investment environment — Indian equity markets have outperformed most other markets because of increased optimism and hope that the Indian economy will perform well. In line with this trend, ultra HNIs are increasingly favouring equity investments.

This section looks at ultra HNIs' approach towards investments, their investment pattern, and their chosen asset classes.

Business, Real Estate Investments remain Key Wealth Drivers

Sources of Wealth

Success in business, real estate investments drive ultra HNIs' wealth



Source: Top of the Pyramid 2015, Kotak Wealth Management

Entrepreneurs and inheritors continue to reap the benefits of success in primary businesses followed by wealth created from real estate.

Our research shows that nearly 64% of ultra HNIs' wealth comes from these two asset classes. In line with this trend, the new generation of entrepreneurs from the e-commerce sector have accumulated wealth from their primary businesses.

E-commerce entrepreneurs have benefited with increased domestic and foreign capital flows from private equity firms, which in turn have led to exponential increase in the valuation of their companies and their personal wealth.

It is interesting that the proportion of inheritors who have acquired wealth from the sale of businesses is higher compared to the proportion of entrepreneurs.

Improved performance of the corporate sector is reflecting in the rise of average salaries of CXOs. In contrast to entrepreneurs and inheritors, as many as 66% of professionals get most of their wealth from personal income (which includes their salary), and real estate investments. »

Online Portals, Wealth Reports Preferred for Tracking Investments

Ultra HNIs are swiftly moving towards real-time tracking of investments using online investment portals — as many as 74% use these regularly. At the same time, our research also reveals that traditional ways of tracking investments through wealth management reports is still a popular option, with 70% of ultra HNIs using these as well.

Among the 74% of ultra HNIs that choose online investment portals, 31% use them as a primary source of investment tracking. As many as 36% of the ultra HNIs that use wealth management reports said these were their primary choice for tracking investments.

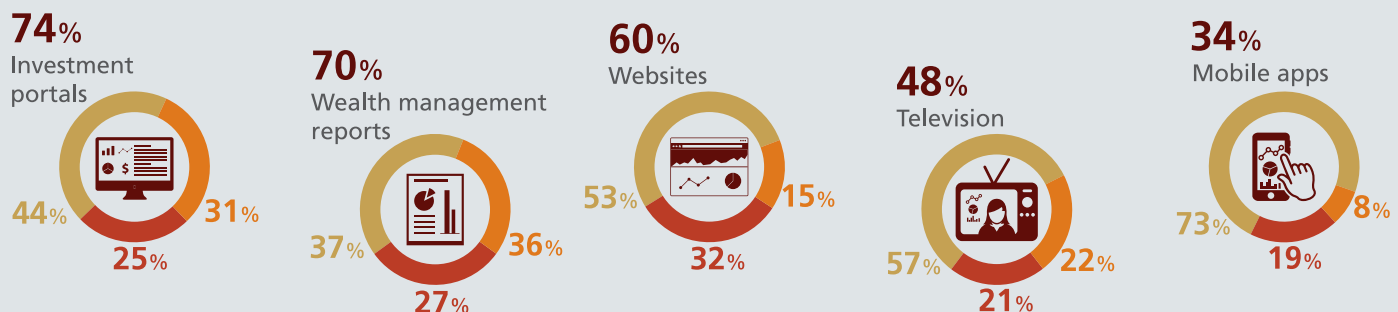
Websites, television, and mobile applications are also popular options for tracking investments, but they largely play a supporting role. As reliance on real-time tracking of information and investments increases, we are likely to see ultra HNIs becoming more proactive in managing their investments.

This represents the changing face of wealth management in the country. The delivery models of financial-services firms are undergoing a sea change today; companies are increasingly moving towards digital platforms and offerings to cater to ultra HNIs' investment needs. ➔

Tracking investments through wealth management reports remains popular

Investment Tracking Preferences

Ultra HNIs prefer investment portals and wealth management reports to track their investments



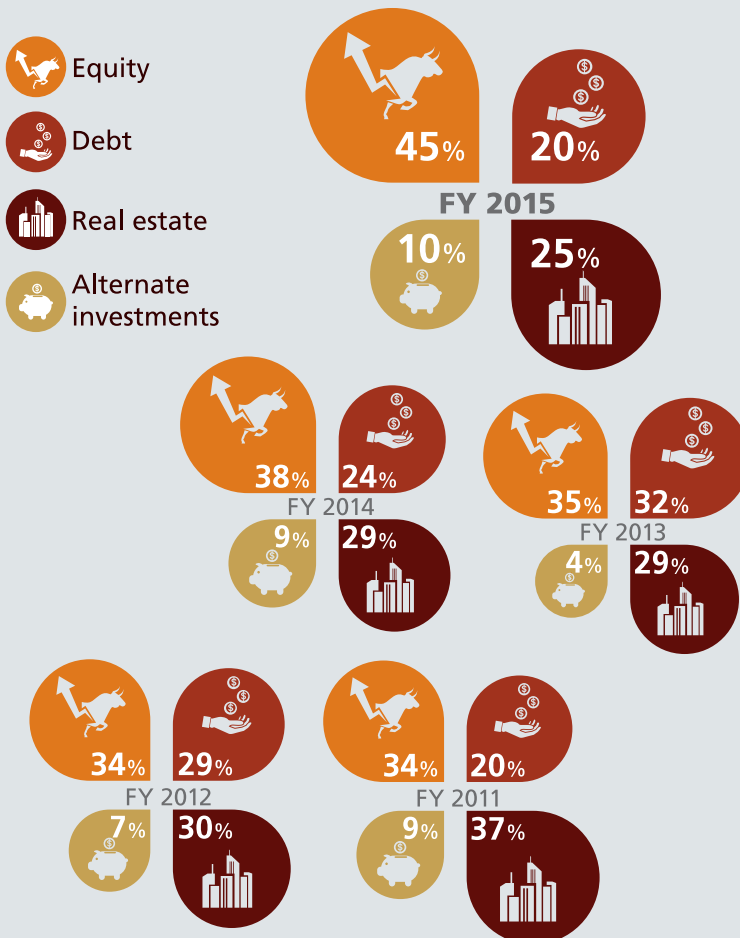
Source: Top of the Pyramid 2015, Kotak Wealth Management

■ First preference ■ Second preference ■ Third preference and above

Equity Exposure Increased, Real Estate Marginally Decreased

Asset Allocation

Ultra HNIs have increased their equity allocation



Source: Top of the Pyramid 2015, Kotak Wealth Management

Over the last year, ultra-HNI investments shifted towards equity markets and the attractiveness of real estate investments has relatively decreased. This is largely due to the improved outlook of returns from the Indian equity market.

The bulls have taken over the bears in the last financial year. Fuelled by confidence-boosting measures and the new government's initiatives, the Indian equity markets have seen an increase — the BSE Sensex gained 25% in FY15 vs. 18% in FY14. Ultra HNIs have taken to the equity market with gusto and increased their exposure in anticipation of a stronger domestic economy.

Real estate has also been a favoured investment asset class for ultra HNIs for some time. However, over the last 1-2 years, there is a trend of decreasing exposure, which is expected to continue for some time, largely due to the market stagnating. Increased attractiveness of equity markets also saw asset allocation moving to equity from debt.

Despite the slowdown in real estate, ultra HNIs are optimistic about the real estate sector; our survey revealed that 68% anticipate an improvement and have a positive outlook. Surprisingly, this is higher than the proportion of ultra HNIs who anticipate investment allocation towards equity.

Banking, Infrastructure Preferred for Equity Investments

Banking and infrastructure sectors have been the favourites of ultra HNIs during FY15 with as many as 55% and 53% preferring them for their equity investments.

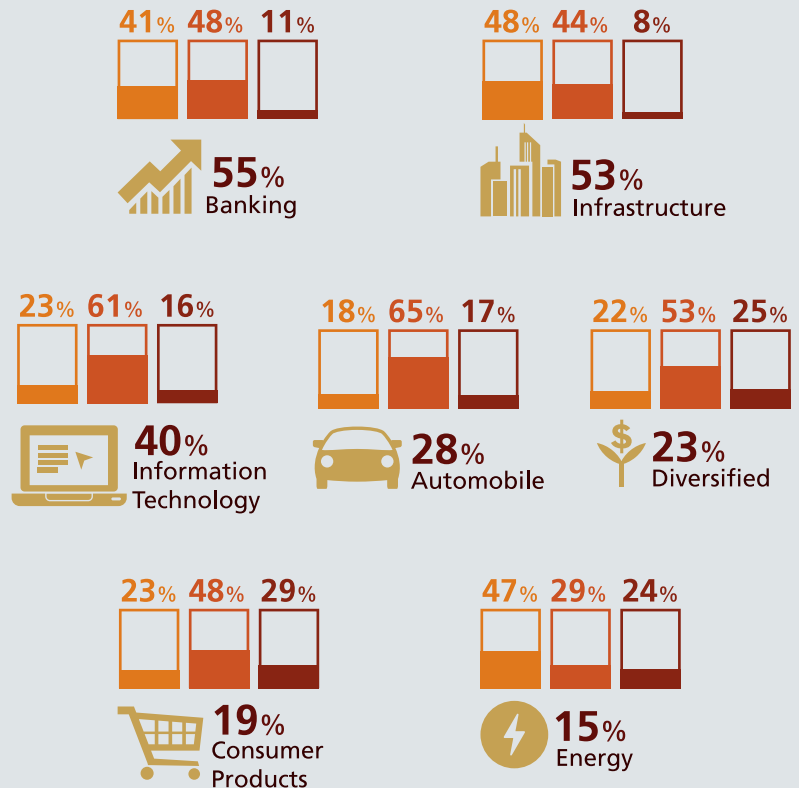
The appeal of the energy sector has decreased with the fall in global oil prices and it is among the least favoured sectors for equity investments among ultra HNIs.

Another story for the financial year was the rise of mid-cap companies, which outperformed large-cap companies. While the BSE Sensex gained 25%, the BSE Mid-cap Index gained almost 50% in FY15. This reflects in ultra HNIs' equity selection with majority of their allocations going towards mid-caps across sectors. While ultra HNIs' preference of taking exposure to equity markets through indirect modes such as mutual funds increased, direct investments remained the most favoured option.

Like all other investment classes, ultra HNIs' expectations of returns from equity investments increased with the increase in tenure — our survey revealed that they expect a return of nearly 5% on short-tenure (up to six months) investments, which increased to 5-15% for longer tenures of up to a year. Expected returns per year from a holding period of five years and beyond were more than 20%. ➔

Preferred Sectors for Equity Investments in FY15

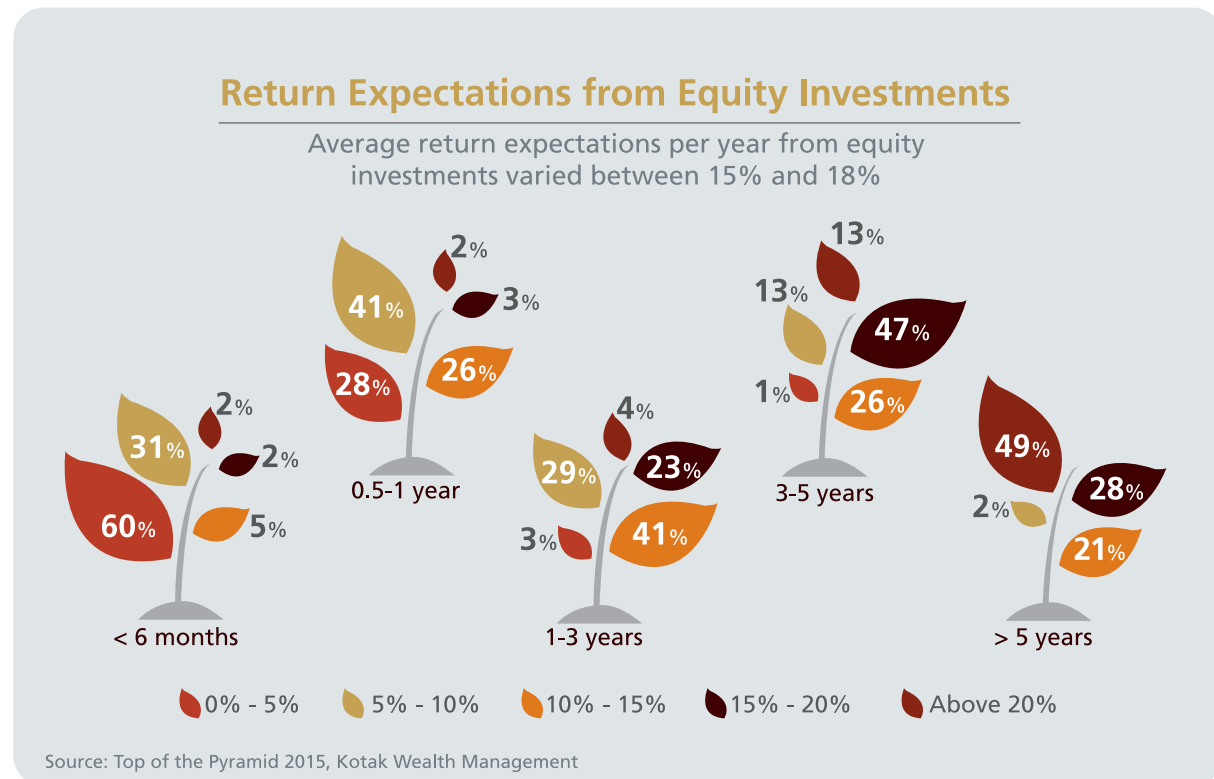
Banking and infrastructure sectors were favourites



Preference for: Large cap stocks Mid cap stocks Small cap stocks

Source: Top of the Pyramid 2015, Kotak Wealth Management

Ultra HNIs' expectations of returns from equity investments increased with the increase in tenure



E-commerce and Real Estate are Preferred Sectors for Venture Capital Investments

The booming Indian e-commerce sector is a good example of entrepreneurs' passion being supported by the enthusiasm of private equity investors and venture capitalists. This has led to the creation of a booming business that has

actually gone on to shake the very foundations of traditional brick-and-mortar businesses and build its own ecosystem in the country. Early stage investors and other ultra HNIs, who have become a part of this ecosystem, have seen good returns

from their investments. In line with this trend, our research revealed that the sentiment of ultra HNIs towards private equity and venture capital investments has improved.

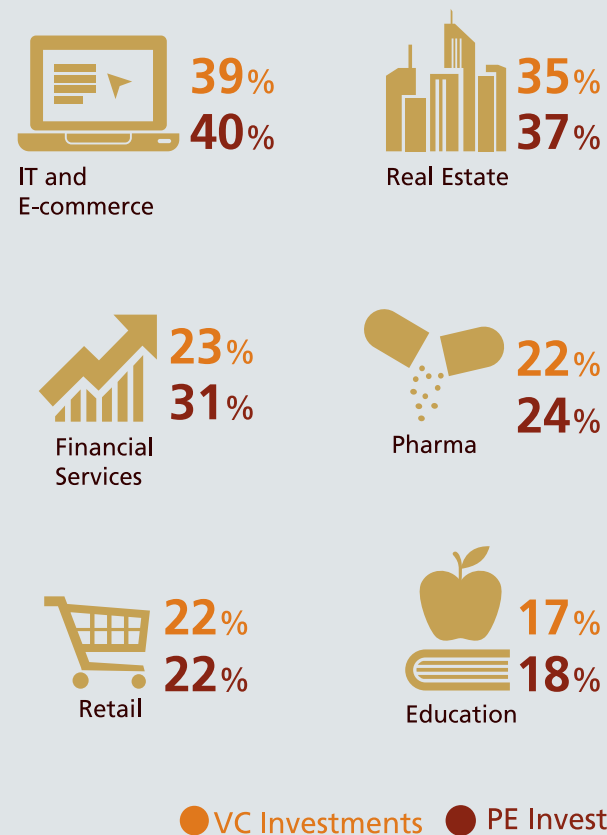
The attraction of an upcoming sector (in this case e-commerce) or a capable team (this sector has been attracting unprecedented talent) generally motivates ultra HNIs to invest in venture capital. Technology (e-commerce and information technology) is the most preferred sector for both PE and VC investments followed by real estate and financial services.

While the equity investments have picked up in the last financial year, there is optimism about the real estate sector among the ultra HNIs. In addition, there is an upsurge in the private equity investments by ultra HNIs this year due to the interest in the e-commerce sector. This investment sentiment is expected to improve further as the economy grows. 🌱

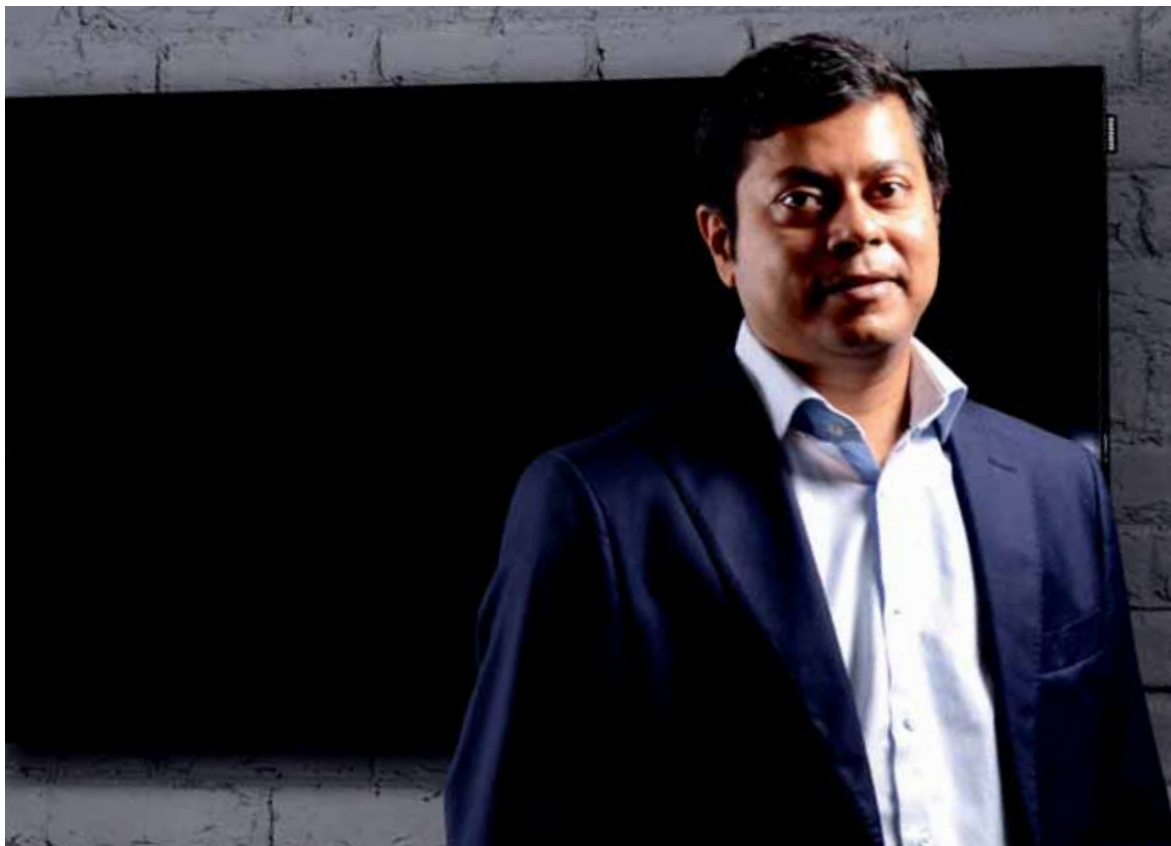
Ultra HNIs have an inclination towards becoming a part of angel-investing groups to identify new investment opportunities

Preferred Sectors for PE and VC Investments

Technology and real estate are preferred sectors for PE and VC Investments



Source: Top of the Pyramid 2015, Kotak Wealth Management



PROFILE

Praveen Sinha

Jabong

“Focus on execution, passion, and a strong team”

We met Mr Praveen Sinha, the very young and very unassuming Founder & Managing Director of the hugely successful fashion portal Jabong.com, on a bright late-June Monday morning in satellite city Gurgaon. We spoke about everything from his early entrepreneurship days to his tastes in travel and we came away awed by the energy that he constantly radiates.

Mr Sinha graduated from the Delhi College of Engineering in 2001 and got placed in Maruti Suzuki soon after. He worked there for almost five years before moving on to pursue his MBA from IIM Calcutta in 2006. He says, “I had always wanted to create something. Pursuing an MBA not only gave me the time to think, it also created great networking opportunities.” While at B-school, he started his first venture, Aquabrim, a

Investing in startups is a passion for Mr Sinha and a lucrative business opportunity

water solution company that is still operational.

At around this time, when he was interning at Microsoft, he met his future wife Shayal Taunk. Incidentally, he recently invested in his wife's company, Anasha Art. Investing in startups is a passion for Mr Sinha and a lucrative business opportunity. He has already invested in several and has a keen eye for successful ones. While he considers these a high-risk proposition, all his investments have delivered great returns so far.

Mr Sinha always believed that e-commerce would become the next big thing in India and that there would be huge demand for fashion apparel. In 2010, he could sense the increasing trend in online commerce and hopped on for what he knew was going to be a journey of a lifetime. He started Jabong in 2011. Today, Jabong.com is a leading online shopping store in India. It is a young and vibrant company that aims to provide good quality branded products and caters to the fashion needs of men, women, and kids across footwear, apparel, jewellery, and accessories.

Mr Sinha does not want to be another general merchandiser and has chosen to specialise in the fashion segment. According to him, fashion in India will always have a local context and that makes catering to this segment exciting and interesting. He is confident that Jabong will see good growth in the coming years. Jabong is going to be part of Global Fashion Group, which he believes will give the company the required muscle to compete in the market and also help it to introduce new brands and own labels.

Mr Sinha believes very strongly in investing in people. He is focused on effective time

management and attributes his success at doing this to his highly effective team – “You should invest time to find the right people, and they in turn will help you manage your time better.”

Despite his obvious focus on work, it is certainly not all work and no play for Mr Sinha. He is an avid traveller and his favourite destinations abroad include almost all European countries, especially Switzerland and Istanbul. Closer to home he loves the serenity of Ladakh and Tibet. In addition to long holidays, Mr Sinha loves to take short and often whimsical weekend breaks.

When we quizzed him on his investments other than startups, he was surprisingly conventional. He invests in real estate and debt and equity mutual funds, where he has a team of advisors to help him.

We come away with his advice for young entrepreneurs – “Three things - focus on execution, (don't keep on thinking. Ideas are important but that is only 5% of what is to be done), have perseverance and passion, and build a strong team and empower them.” ☺

“You should invest time to find the right people, and they in turn will help you manage your time better”







Real Estate INVESTMENTS

Ultra HNI invest heavily in real estate

American author Mark Twain, famous for his astute witticisms, is believed to have once declared, “Buy land, they’re not making it anymore.” Indian ultra HNIs seem to have taken these words to heart and have invested heavily in real estate over the last few decades. In terms of expected returns, they usually view property as a medium to long-term investment. Ultra HNIs tend to buy properties after comprehensive analysis and consultations with the best investment advisors and their contemporaries; therefore, their investments tend to be profitable.

Broadly, all segments of ultra HNIs invest in properties across the globe. The growing trend is to invest in non-metro Indian cities and overseas. To lure ultra HNIs, domestic real estate developers are offering uber-luxury apartments with world-class specifications. »

Over 90% of Ultra HNIs Invest in Real Estate

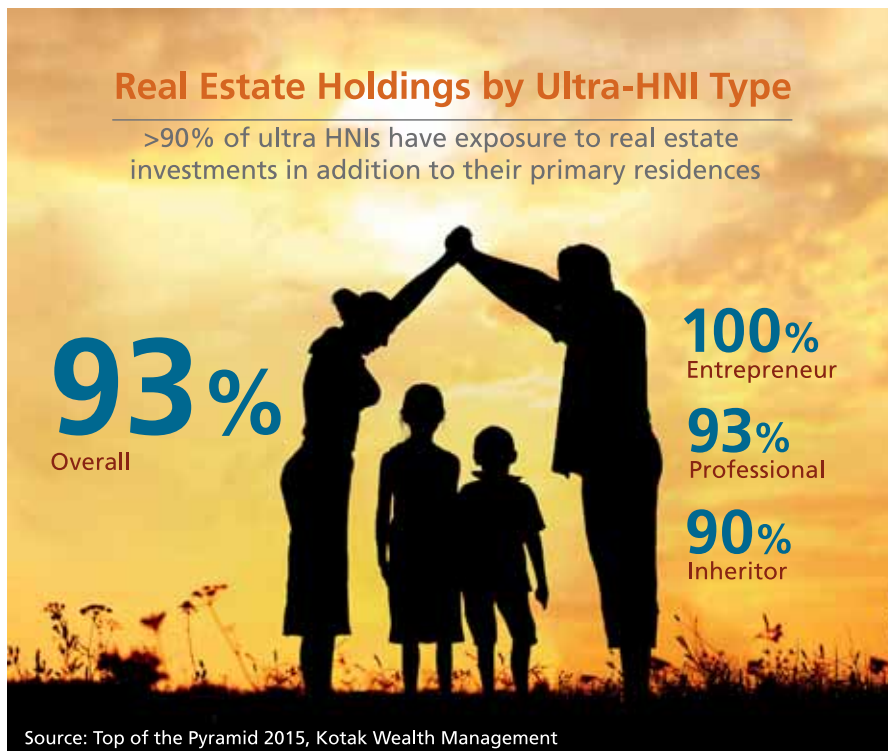
Traditionally, ultra HNIs have been large investors in real estate. They usually consider these assets long-term investments with lower risk than other comparable asset classes. The sharp rise in real estate prices in the last decade has only enhanced the appeal of property as an investment asset. Even with the wide variety of investment products available today, ultra HNIs across each segment

have some form of investment in real estate other than just their primary residences.

To profit from real estate investments, one needs a deep understanding of the complexities within the sector. Ultra HNIs generally tend to get it right because they use a combination of expert investment advice and self-analysis for their real estate investments. Peers' opinions and suggestions also influence their property investment decisions.

Since entrepreneurs generally take calculated investment risks, they are more likely to buy real estate assets. Entrepreneurs that have successful primary ventures prefer to invest profits in real estate for long-term gains. On the other hand, inheritors prefer to distribute their investments across asset classes. Highly qualified professionals who have earned their wealth through years in service industries tend to invest majorly in equity and debt but also try to diversify by investing in real estate.

Indian billionaires own some of the most iconic British stately homes in London



Real Estate Investments Perform Better in the Long Run

There are several reasons why ultra HNIs prefer investing in real estate. The primary motivation is the high returns that these investments yield with relatively lower risk.

The ability to make a down payment, leverage the capital, and thus increase the overall return on investment at a relatively lower risk, is what makes this asset class very appealing. Another factor is that tangible assets, barring natural disasters, usually retain their inherent value over time, even if prices drop in the short term. Most ultra HNI investors look at a 5-10 year time frame for their real estate investments.

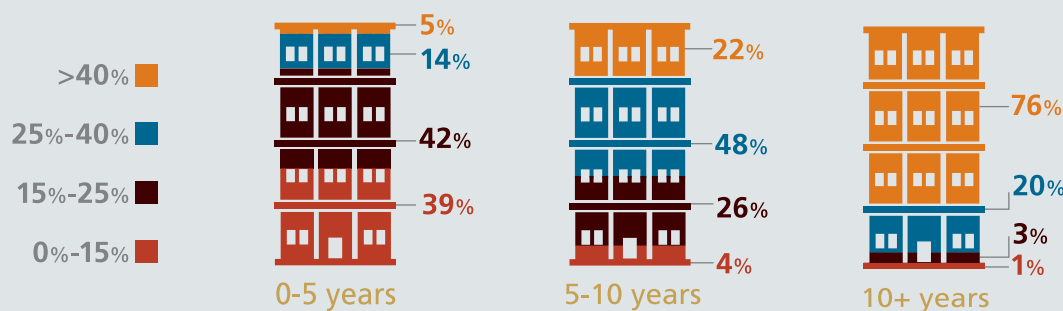
Based on our survey, investors expect to make about a 15-20% annual return in a 3-5 year period. Investments made with a longer horizon of 10 years or more yield a return of at least 40%. There is also a growing trend of ultra HNIs buying entire blocks of apartments and row houses.

Such bulk buying allows them to provide rental accommodation to students and corporate employees since there is a steady demand for such spaces close to educational institutions and corporate hubs. For bulk apartment purchases during the pre-launch period, ultra HNIs expect returns of around 15-30%. ➤

There is a growing trend of ultra HNIs buying entire blocks of apartments and row houses

Time Frame for Investment vs. Expected Returns

Ultra HNIs expect an absolute return of >40% over a 10-year period



Source: Top of the Pyramid 2015, Kotak Wealth Management

Ultra HNIs purchase real estate overseas to make second homes in cities they frequently visit for business or as holiday homes

Owning Overseas Properties is Popular among Ultra HNIs

Luxury housing is emerging as a vibrant and dynamic segment of the Indian real estate sector. There is a growing trend within the younger generation of ultra HNIs to opt for high-value residences in prime locations as opposed to having smaller houses across the city.

As land, property and construction sectors become interwoven because of globalisation of business and financial sectors, overseas property investments are becoming more convenient and lucrative. With the prices of real estate increasing steadily across the globe, international destinations such as London, Dubai, New York, and Singapore have become popular.

Of late, the riverfront Newport area of Jersey City has emerged as a popular real estate investment destination among Indian buyers.

Ultra HNIs usually purchase real estate overseas either to make second homes in cities they frequently visit for business or as holiday homes. In international markets, housing loans are usually available at comparatively lower rates with more transparent regulations for the real estate market — this makes it more attractive for ultra HNIs to opt for investments in real estate abroad.

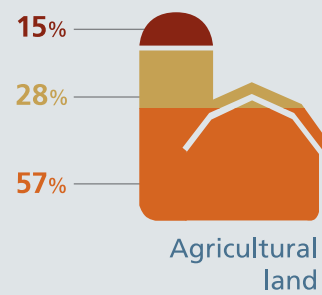
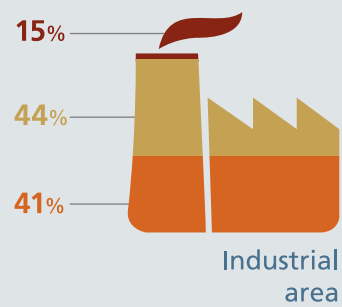
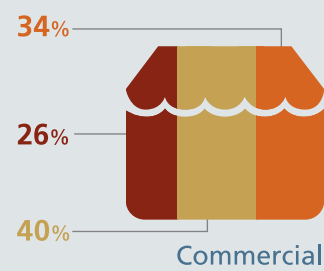
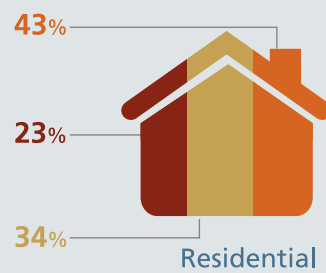
A growing number of ultra HNIs are also purchasing a house in the city where their children pursue higher education. Ultra HNIs buying apartments for their children attending college prefer units with concierge services and often an extra bedroom that enables them to visit for extended periods. After the children graduate, they usually rent out these apartments; this fetches them a steady forex cash flow, which they could use to pay off any loan taken to procure the property. 📍



A famous Bollywood couple recently acquired a holiday home at Sanctuary Falls, Jumeirah Golf Estates (Dubai), for approximately ₹54 crore

Preference for Property Location

Cities such as Bengaluru and Pune are preferred for real estate investments



● Metros ● Non-metros ● Other towns

Source: Top of the Pyramid 2015, Kotak Wealth Management

Ultra HNIs are investing in rapidly growing non-metro locations

Positive economic outlook across the hospitality and retail sectors has been driving investments in commercial real estate

A Rising Preference Towards Commercial Real Estate

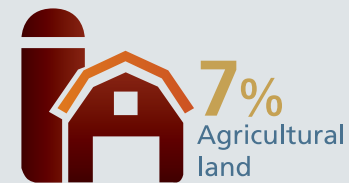
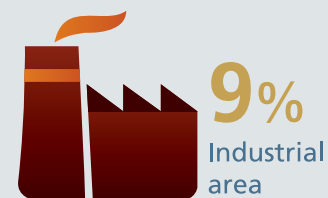
The commercial real estate market comprises of office space, retail outlets and industrial units. Traditionally, ultra HNIs have preferred residential properties over commercial ones.

However, over the past decade or so, the preference has shifted towards commercial

real estate driven by higher rental realisation compared to the residential market. With the increase in the number of startups, more people are living in and running businesses out of rented properties. This presents a good opportunity for ultra HNIs to earn a yield from investing in rental property.

Preference for Type of Property

Ultra HNIs display a growing preference for investing in commercial real estate



Source: Top of the Pyramid 2015, Kotak Wealth Management

A manufacturer of a mid-sized steel company sold his business and invested the proceeds in the hospitality sector at a leading beach destination in India



Another factor driving investments in commercial properties is that they come with greater clarity on tenancy rights.

Among ultra HNIs, there is a rising trend for investments in the hospitality sector in India. In addition, the growth in the retail sector has attracted ultra HNI investments in commercial properties.

Smaller-ticket commercial real estate investments yield relatively lower returns than larger properties costing more than ₹5 crore. These bigger investments typically tend to be 'large floor plates' or an entire building that is leased to big corporate houses. For commercial real estate and industrial area investments, ultra HNIs prefer cities

such as Bengaluru, Ahmedabad, Pune, Nagpur, Ludhiana, and Hyderabad.

Real estate is an information-intensive business. The traditional broker-driven model is undergoing a massive change with the emergence of e-commerce. With technology-based renting solutions (portals, apps) and professional and reputable managers available to market a property, maintaining or renting of these investments does not require a lot of supervision.

A new class of ultra HNIs, most of whom are in their late twenties or early thirties are leveraging such real estate e-commerce platforms to intelligently invest in metros and non-metro cities. 🌐

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