THE SCANNER

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Ka ching!
A time for wealth management in India

India is entering an unprecedented era of wealth creation—fuelled by a combination of strong policy tailwinds, rising economic momentum, and a maturing investor mindset. This shift is creating a structural opportunity for wealth management and advisory firms, both in scale and scope.

It is estimated that the demand for wealth management services in India, in terms of Assets Under Management (AUM), stood at **~$1.1 trillion in FY24**. This is expected to grow at **15% CAGR,** reaching **~$2.3 trillion by FY29**[1]. Despite this surge, only ~15% of the country's wealth is currently under professional management—compared to **~75% in developed markets**—highlighting the significant runway that lies ahead.

The opportunity isn't just about more wealth—it's about changing wealth. New-age investors are younger, more financially aware, and actively seeking personalised solutions that go beyond vanilla offerings. Three structural forces are converging to shape this inflection point:

1. Rising affluence and shifting investor profiles
2. Ongoing financialisation of household savings
3. The growing adoption of alternative investments like AIFs

The Three Primary Tethers

Expanding Wealth and the Wealthy

India is witnessing a rapid increase in both, the total pool of wealth and the number of wealthy individuals. Between FY20 and FY24, individuals earning over INR 50 million increased at a **CAGR of ~15.4%**, while those with an income of more than INR 100 million grew at a **CAGR of 17.1%**. According to recent estimates, India is now home to **85,698 HNWIs**, placing it fourth globally behind the US, China, and Japan. This number is expected to rise to **93,753 by 2028**[2].

The contours of the wealthy are also evolving. The affluent class is no longer limited to legacy wealth holders. Today's wealthy include young entrepreneurs, second and third generation inheritors, and professionals with concentrated equity ownership–each with unique and often complex financial needs. This calls for nuanced advice, curated portfolios, and relationship-driven advisory.

Financialisation of Savings

India's households are steadily increasing their exposure to financial assets. This increase in share of household assets invested in Equities and Mutual Funds is precipitating the need for a more formalised approach to the management of financial assets. The percentage of household assets allocated to Equities grew from **~2.2% in FY13** to **~6.9% in FY24**[3]. Mutual Funds are also gaining traction – their share in household savings rose from 7.6% in FY21 to 8.4% in FY23[4].

Yet, relative to global benchmarks, penetration remains modest. As of 2024, mutual fund AUM in India stood at **18.2% of GDP**, compared to over **50%** in developed markets such as the US, UK, Germany and Japan[5]. This gap presents a long-term structural opportunity for formal financial advisory and product-led wealth management.

[1] https://www.deloitte.com/content/dam/assets-zone1/in/en/docs/industries/financial-services/2024/in-fs-wealth-management-pov-final-noexp.pdf
[2] https://i.emlfiles4.com/cmpdoc/0/4/8/5/2/1/files/137556_the-wealth-report_2025.pdf?utm_campaign=2596101_Wealth%20Report%2025%20-%20Triggered%20Email%20-%20PC&utm_medium=Email%20Marketing&utm_source=Dotmailer&dm_i=2P3K,1JN5X,9RDTZ5,68464,1
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[5] https://www.amfiindia.com/Themes/Theme1/downloads/AMFIFactbook%202024.pdf

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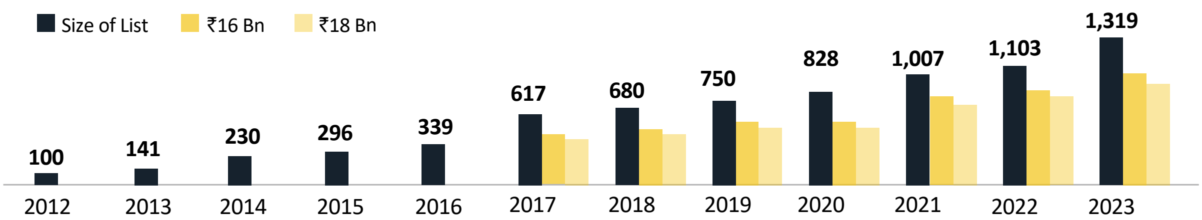
Growing interest in Alternative Investment Funds (AIFs)

As wealth grows and investors' needs become more nuanced, the demand for curated and diverse investment solutions increases. AIFs are emerging as a popular choice among HNIs and UHNIs seeking diversification, tax efficiency, and tailored strategies. Commitments raised by AIFs in India have grown at a **30% CAGR** over the last five years (December 2019 - December 2024), underlining their increasing relevance in investor portfolios.

These three tethers will continue to support India's wealth management landscape and act as tailwinds for industry growth.

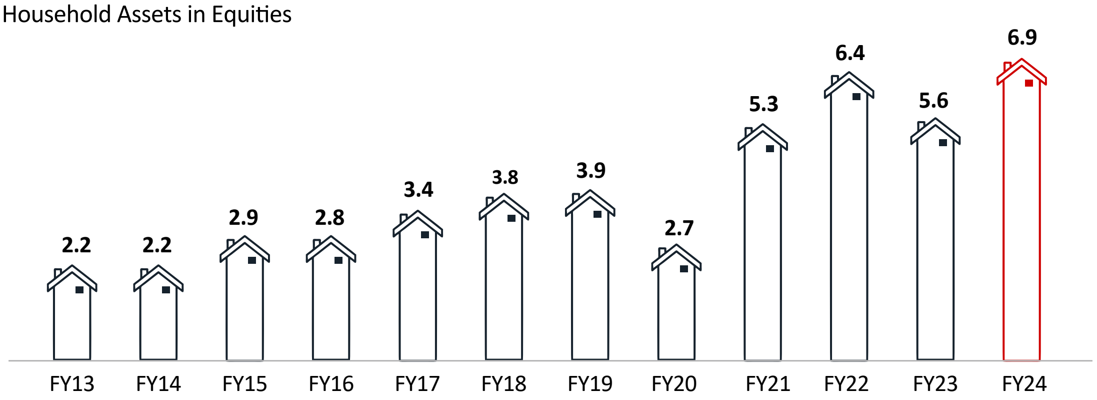
In charts

Exhibit: Number of UHNIs on Hurun Rich List 2023 (>₹10bn)



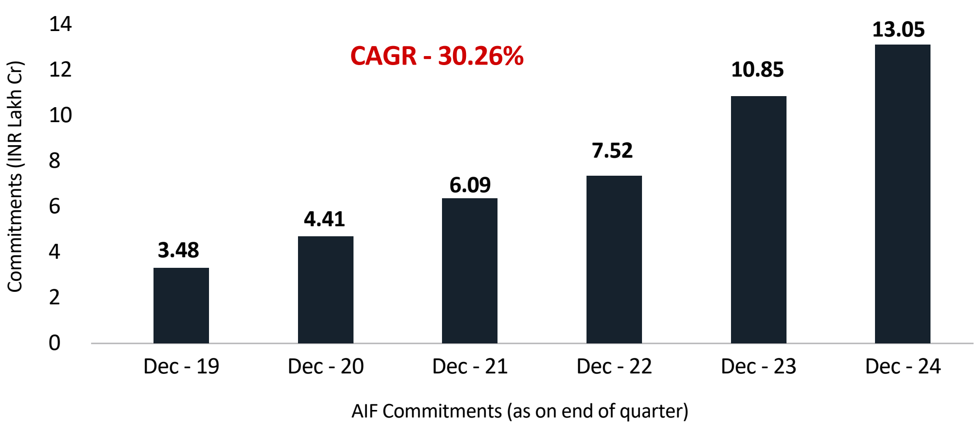
Source: 360 ONE Wealth Hurun India Rich List 2023, Jefferies

Exhibit: Share of Household Assets in Equities



Source: BSE India

Exhibit: Growth in the AIF Industry



Source: SEBI

Q&A

Vikas Biyani

Associate Director, Client Advisory

What are the key parameters that one must assess while evaluating a wealth management firm?

Some of the key parameters to assess while evaluating wealth management firms include:

- **ARR (Annual Recurring Revenue):** ARR acts as an annuity income for a wealth management firm and provides earnings visibility to the company. A higher proportion of ARR is beneficial, as it reduces the volatility in earnings typically associated with capital market-linked businesses

- **Client Attrition:** The rate at which clients shift to competitor firms, and the resulting loss of AUM, is a critical factor in assessing a wealth management firm's stability. Lower attrition and AUM loss, when benchmarked against peers, reflect stronger client stickiness. This is where the firm's and its personnel's fiduciary responsibility plays a pivotal role in sustaining long-term trust.

- **Client Vintage:** In relation to the above, a portfolio with strong vintage, i.e., clients who have been with the firm for at least 5 years, indicates high retention and low attrition.

- **Cost Efficiency:** This is an important indicator as it is imperative that firms, in a bid to garner a larger market share, should not compromise on cost and quality.

- **Revenue Streams/Composition:** The distinct/unrelated segments (especially the non-transactional ones) that constitute the composite revenue structure of the business have a significant impact on margins, revenue volatility, capital market dependency, etc.

What are the challenges you see to the growth of the wealth management industry?

While the outlook for the wealth management industry remains positive, there are several challenges—beyond capital market dependencies—that warrant attention. These include:

- **Rising Competition:** The industry, though still at a relatively early stage, stands at the cusp of a meaningful and sustained growth phase. As it evolves, competitive intensity is expected to increase. A growing number of new entrants are joining the market alongside established incumbents. In addition, traditional banks continue to strengthen their private wealth desks, offering capital markets solutions to their banking clients.

- **Regulatory Risks:** Regulatory developments can significantly influence the industry. These include changes to the Total Expense Ratio (TER) for Asset Management Companies (AMCs), revisions in trail commission structures, alterations in minimum investment thresholds for PMS/AIFs, and shifts in taxation policies—all of which could materially impact business models and margins.

- **Personnel Attrition:** Firms in this space rely heavily on senior leadership and relationship managers to drive and sustain client relationships. High attrition, particularly at the senior level, may lead to the loss of clients and corresponding AUM, thereby affecting business continuity and growth.

How do the various firms in the industry look from a valuation perspective?

Given the sector's inherent linkage to capital markets—both for ARR and, more significantly, for TBR (Transaction-Based Revenues)—valuations tend to be more volatile and less predictable. Over the past six months, many peers in this sector have witnessed increased stock price volatility and are trading closer to their last 5-year average P/E multiples. However, these multiples should be evaluated in the context of each firm's individual growth trajectory, treasury book investments, and exposure to adjacent businesses such as broking, custody services, investment banking, AMC etc.

Statutory Disclosure and Disclaimer:

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