

Media Release

Kotak Wealth launches 'Top of the Pyramid 2014'

New emerging trends in Ultra HNI lifestyle reflect 'Ready for Change' attitude

Key Findings:

- Number of Ultra High Net Worth Households (UHNHs) increased by 16 per cent to 117,000 in FY 2013-2014 from 100,900 in FY 2012-2013
- Metros dominate the geographic chart for UHNH distribution at 55 per cent and the next top six cities (Bengaluru, Pune, Ahmedabad, Nagpur, Hyderabad and Ludhiana) account for 16 per cent share
- Optimistic economic environment and hope for a stable political environment triggers increase in expenses from 30 per cent in 2012 to 44 per cent in 2013
- Equity and Real Estate investments overtake debt
- 26 per cent of Ultra High Net Worth Individuals (UHNIs) surveyed include Private Equity (PE) investments in their portfolios; Real Estate and IT emerge as top two sectors, and e-commerce is a new favourite on the PE investment block for UHNIs
- Over 60 per cent of the UHNIs surveyed consider philanthropy while planning annual expenditure; education (86 per cent) followed by 'food for poor' (79 per cent) get preference

Mumbai, July 23, 2014: Kotak Wealth Management launched 'Top of the Pyramid 2014' report in Mumbai today. The report, covering the period 2013, encapsulates the 'Ready for Change' mood of India's UHNHs, in the context of emerging changes across the economic, environment and political landscape of the country. The changing winds saw UHNIs become optimistic and confident which is reflected in their Spends - Luxury Travel, Philanthropy and Investments, with avenues like Private Equity being explored widely.

The report estimates a 16 per cent increase in the number of Indian UHNHs to around 117,000 in FY 2013-14, and expects it to triple over the next few years. Consequently, the net worth of UHNHs is projected to surge at an annual compounded rate of 34 per cent from an estimated Rs. 104 trillion (Rs. 104 lakh crore) in FY 2013-14 to Rs. 408 trillion (Rs. 408 lakh crore) by FY 2018-19. Interestingly, close to 45 per cent of current UHNIs are seen residing in non-metro cities and smaller towns.

Mr. C. Jayaram, Joint Managing Director, Kotak Mahindra Bank Limited, said, "This year's report aptly captures the mood and behaviour of the super-rich against the backdrop of all-round emerging optimism in the economy. India's super rich are moving out of their comfort zones to put more monies in the rare and the risky – exotic food, private equity and even space travel. While exclusivity is the

mantra for personal and family expenditures, they are equally interested in giving back to the society. UHNIs are supporting a variety of social causes.”

“HNIs are now warming up to equities as compared to the lull or sideways movement that we saw for last five years. The perceived risk has subsided and it is more to do with the hope that the country sees in structural reforms the new government will deliver. Today, UHNIs are in strong contact with people globally and we realize India is gaining more traction among emerging markets,” adds Mr. Jayaram.

Mr. Murali Balaraman, Partner – Advisory Services, Ernst & Young, added, “Top of the Pyramid 2014 has been prepared with survey results and analysis of more than 150 UHNIs across ten Indian cities and interviews with luxury service providers. The optimism of changing environment is reflected in the aspirations of UHNIs as their spend get more luxurious and investment more exotic. We expect a continued momentum in the positive trend and even further acceleration, with UHNIs being an ever alluring segment.”

The study categorises India’s rich in three segments – Inheritors, Entrepreneurs and Professionals. UHNIs in each of these categories exhibit different behaviour in their spending and also investments. For instance, Inheritors and Entrepreneurs prefer re-investing about 20-25 per cent of income into their primary business whereas Professionals prefer savings and personal investments.

With exclusivity on their mind for non-discretionary spends, UHNIs have been less restraint on this front. A significant increase in spends is seen - growing from 30 per cent of total income in 2012 to 44 per cent in 2013. Spending on Jewellery (16 per cent), Apparel and Accessories (15 per cent), followed by Luxury Travel (14 per cent), indicates family-orientation in expenditure planning.

Luxury travel is now more experience-bound with growing interest in polar expeditions and even space travel. Nearly 50 per cent of ultra HNIs are seen making at least three luxury trips and about 33 per cent spend over Rs. 25 Lakh in a year for leisure. Interestingly, there is a decline in the average number of days per trip and the corresponding rise in the number of trips taken by the ultra-rich.

The report also offers insights into the UHNI segment’s outlook towards the economic environment and rising inclination towards equity as opposed to debt. The allocation to equity has increased from 35 per cent in 2012 to 38 per cent in 2013, with a corresponding reduction in debt investments to about 24 per cent. An emerging trend towards geographic diversification of portfolios is a key learning of the study. Similarly, income statements of UHNIs reflect a growing share of returns from Real Estate in addition to their primary business, followed by equity.

PE investments merit a special mention as investment pattern shows, driven by the increased optimism on the economic front, an increasing risk appetite here. Nearly 26 per cent of UHNIs surveyed have allocated some part of their total investments in PE, with higher returns being the primary driver for the interest. IT, Pharma and Real estate emerged as preferred sectors for PE investments, with over 53 per cent UHNIs preferring exposure to the real estate sector, followed closely by Information Technology (43 per cent) and then Pharma (42 per cent).

The report also reviewed the lifestyle of UHNIs beyond the opulence of villas and luxury of supercars. Over 60 per cent of UHNIs surveyed are engaged in philanthropic and charitable activities, and their commitment is underlined in the pre-planned spends on charity as part of their annual spends. The survey further reveals that education is the most supported cause by UHNIs across the board followed by 'food for poor'. What was also found during the survey was the lack of trust on unknown or smaller NGOs, and thereby the ultra-rich's dependency on established NGOs and need to set-up personal foundations and trusts.

'Top of the Pyramid 2014' is based on in-depth interviews with luxury service providers such as luxury travel companies, luxury watch companies, jewellery companies, Wealth Management relationship managers, and an extensive market research with 150 UHNIs across multiple cities. The report can be downloaded from the Kotak Wealth Management website.

About Kotak Mahindra Group

Established in 1985, the Kotak Mahindra group is one of India's leading financial services conglomerates. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the Group's flagship company, received a banking license from the Reserve Bank of India (RBI). With this, KMFL became the first non-banking finance company in India to become a bank – Kotak Mahindra Bank Limited.

The consolidated balance sheet of Kotak Mahindra group is around Rs. 1.3 lakh crore and the consolidated net worth of the Group stands at Rs. 19,785 crore (approx US\$ 3.3 billion) as on June 30, 2014. The Group offers a wide range of financial services that encompass every sphere of life. From commercial banking, to stock broking, mutual funds, life insurance and investment banking, the Group caters to the diverse financial needs of individuals and the corporate sector. The Group has a wide distribution network through branches and franchisees across India, and international offices in London, New York, Dubai, Abu Dhabi, Mauritius and Singapore. For more information, please visit the company's website at

<http://www.kotak.com/>

About Kotak Wealth Management

Kotak Wealth Management, the Private Banking arm of Kotak Mahindra Bank Ltd., provides financial advice to some of the most distinguished high net worth families in the country. Our client base ranges from entrepreneurs to business families, as well as employed professionals, including over 40 per cent of India's top 100 families (as per the Forbes India Rich List, 2013).

We believe that no single asset class tends to perform consistently over a long period of time 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 offering is customised, based on the client's profile and investment objectives. With in-depth understanding of the client's requirements and of the various asset classes, Kotak offers the widest range of financial solutions.

We offer Family Office Services to Ultra High Net Worth investors—this service provides comprehensive financial solutions that go beyond investments to provide a host of value-added services.

Through Kotak Mahindra Trusteeship Services Limited we offer Estate Planning Services which deals with Succession Planning by creation of private family trusts.

Wealth Manager to feature in the 'Top 25 Private Banks' of the world in the category of 'Best Private Banking Services Overall' by Euromoney Private Banking Survey 2013. It has also featured among the 'Top 5 Family Offices in Asia' three years in a row by Euromoney Private Banking Survey 2012-2014.

For more information, please visit <http://www.wealthmanagement.kotak.com/>

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