# How Indian business families are taking charge of managing their personal wealth

– *Kala Vijayraghavan and Sneha Shah*

A quiet revolution seems to be happening in the way Indian business families manage their personal wealth. Increasing number of family businesses are setting up their family offices and taking direct charge of investments in a professional manner. This article discusses the significant changes occurring in the field of wealth management in India that have important implications for other family businesses.

**Next Generation Taking Charge**

The new-generation entrepreneurs and next generation members of business families have taken the lead in taking back investment control from wealth funds or other money managers, who traditionally used to manage the family's wealth. Some of these include Rishabh Mariwala of Marico group, Amit Patni of Patni Computers, Ronnie Screwala, Rohan Murthy and Rishad Premji, who are directly involved in investing through family offices. Many others are following suit.

**Large Investible Funds**

Traditionally, Indian family businesses are known for quick deployment of idle cash. However, presently though many of them are holding large cash balances, they are waiting for attractive investment opportunities. Some of the promoters that have established family offices include those who have recently sold off their businesses at attractive valuations. Others have generated surplus investible funds through restructuring businesses or existing assets. All of them are looking for attractive investment opportunities but having suffered during the global financial crisis of 2008, they do not want to act in haste.

**Investment Diversification**

Indian business families are open to diversify their investment portfolio. They are increasingly making investments in diverse options that include art, precious gems and metals (i.e. gold, silver and platinum), diamonds, private equity, venture funds, privately funded infrastructure projects and other businesses. *"The investment avenues have changed today; there are far too many options in the market. So we are making several investment decisions directly,"* says Harsh Mariwala chairman of Marico group.

**In-House Professional Fund Managers**

Most business families have brought in external talent to manage their family office investments. A team of professional fund managers with relevant capabilities and experience in the field manages their family offices. This ensures that investment decisions are driven by objective systems and processes than by individual preferences.

## Large Businesses Setting-up Private Equity Fund

Some of the families with large investible surplus are also setting up their own private equity or venture fund. They are actively looking for promising new startup ventures and investing in those businesses. Many of them invest in new ventures that are more aligned to the sectors in which they have an expertise. Besides being an investor in the business, some of them are also active in mentoring and advising those startup businesses.

## Growing but Cautious Market

In the last decade, the number of individuals with high net-worth (i.e. between $ 100,000 and $1 million) has doubled in India, i.e. from 1.3 million to 2.6 million (as per Credit Suisse Wealth Management Report). These numbers are bound to grow further in future. However, a large part of their money is likely to be invested through their own funds/offices. A major reason for that is the loss of faith in traditional wealth managers and banks due to losses suffered during global financial crisis. A large number of them felt cheated due to inadequate disclosures and miss selling. Therefore, they now think it is prudent to make direct investments in businesses or investment options that they fully understand.

## Practical Implications

Family businesses need to distinguish between managing business operations and managing personal wealth. They must consolidate their personal and family wealth. If they have large investible corpus, it makes sense to setup a family office or a fund equipped with professional fund managers. They must diversify investment options and be alert and open to opportunities across investment domains.

***Source:*** *The Economic Times, July 23, 2015.*