



April 2023

# EMPOWERING TIMES



## THINKING ALOUD

Growing the Capital Base

Jay

## PODIUM

Himanshu Kohli  
Co-Founder -  
Client Associates



## WE RECOMMEND

My Train 18 Story

Sudhanshu Mani

Dear Reader,

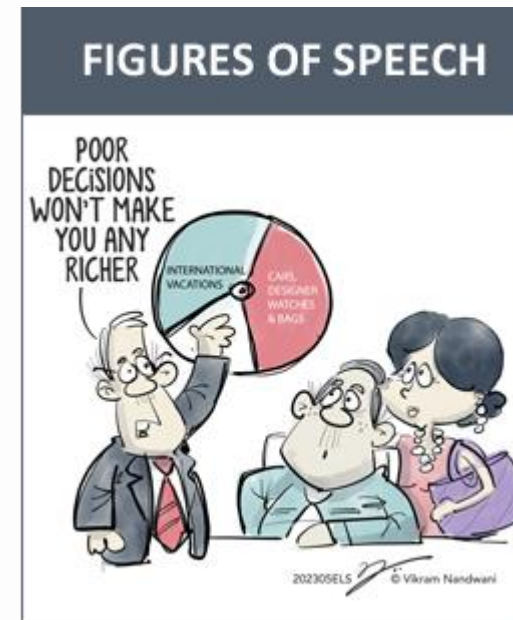
Family offices have become increasingly popular in India over the past decade, largely due to the growing number of wealthy families in the country. These offices provide personalized services and are also becoming more sophisticated in their approach to managing wealth. By managing wealth in a responsible and sustainable way, family offices can help to ensure that wealth is passed down from one generation to the next.

Overall, the growing role of family offices in India is a positive development for the country's economy and society. One of the most significant impact is the potential for family offices to provide a stable source of capital for businesses. Furthermore, family offices are increasingly investing in socially responsible investments, which can have a positive impact on society and the environment.

ET this month examines ***'The Growing role of Family Offices in India.'***

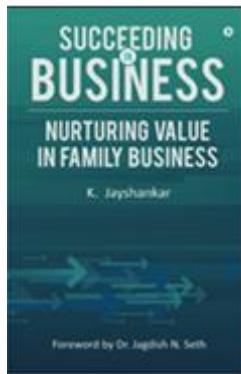
In the **Thinking Aloud** section, **Jay** discusses the rise of family offices in India, and that they should go beyond investment management. On the **Podium**, **Himanshu Kohli**, Co-Founder - Client Associates highlights that the investment industry in India has undergone significant changes over the past two decades, moving from basic financial instruments to more sophisticated and alternative forms of investments. In the **We Recommend** section, we review Sudhanshu Mani's **'My Train 18 Story'** which is an account of the making of India's first indigenous semi-high speed train, Vande Bharat Express.

In **Figures of Speech**, **Vikram's** toon teaches a thing or two about managing wealth!



Please also [Click Here](#) to check out our Special issue of ET, which is a collation of selected themes that were featured over the years highlighting the changing landscape of the business world. This special edition has been well received and can be [Downloaded Here](#) for easy reading and is a collector's item.

As always, we value your opinion, so do let us know how you liked this issue. To read our previous issues, do visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [Twitter](#) & [LinkedIn](#) - where you can join our community to continue the dialogue with us!



**Out Now!**

### **Succeeding in Business: Nurturing Value in Family Business**

*What makes some family businesses grow from strength to strength? How do you ensure that value is created and not destroyed when a business passes hands from one generation to the next in the Indian context? How can old families incorporate new ideas to revitalize themselves? Is there a role for professional management in Indian family business?*

*This book offers answers to the vexatious issues that families face in their growth journey. The pointers provided can be used as a guide for nurturing the business and to leverage the traditional strengths that family businesses possess. As a counsellor and trusted advisor, the author, **K. Jayshankar (Jay)**, has had a ring-side view of how family businesses have functioned. The practical insights drawn from his experience of four decades has been combined with conceptual elements to become a valuable primer for a family that wishes to succeed in the competitive marketplace that is India.*

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## THINKING ALOUD

### Growing the Capital Base

Jay

Financial acumen, it has long been believed, is in acute short supply. While most people in the world spend their life on the treadmill in the pursuit of monetary comfort, there are some privileged enough to have access to vast wealth. Be it through excellence in entrepreneurship or the luck of the draw - being born into a multi-generational cornucopia - there are no guarantees that what you have created or inherited will stay with you for a long period. Unless you have mastered the art of preserving capital.

Enter the money manager. Managing money needs expertise and the wise ones know that in the hands of the specialist, family capital can not only be preserved but can be enhanced. As a money manager commented half in jest, 'I am known as the Rich Man's doctor, as people reach out to me to ensure that they never get into financial trouble.'

While recent global turmoil in the financial market - think Hindenburg, UBS and SVB - may have left a few millionaires in trouble, more often than not the billionaires are left unruffled. After all what's a few billion between friends. It is the newspapers that get into a tizzy counting numbers every day at the end of the trading hour. For those with true riches, the daily paper money chase was left behind a long time ago when they reached the envied ranks of the billionaires' club. And, the numbers are growing in India at a very good clip, at 187, more than triple the number since 2013. The recent Hurun Global Rich List mentioned that India's uber wealthy are spread over

three cities: Mumbai (home to 66), Delhi (39) and Bengaluru (21). Interestingly, India has the third highest number of self-made billionaires, following China and the United States.

The corollary of this growth in the wealthy class is the rise of the Family Offices in India. Estimated to be over 300, managing on an average of over USD 100 million, we are seeing the rise of a new breed of proficient professionals catering to the burgeoning rise of India's wealthy. While the number pales when compared to the United States (reportedly over 7,000), it speaks volumes also about the growing awareness that family wealth needs to be deployed wisely to ensure preservation and growth. Also, the neo-wealthy have emerged from a class of globally aware, well-educated individuals where conscious capitalism has swept away feudal wealth and notions of being born into a perpetually entitled class. Hence, the cautious tale learned from the history of earlier generations is that Lakshmi needs to be honoured and treated well so that she does not become Maya. Ephemeral fortune is the bane of the foolish who took lightly the role and responsibility that wealth creates.

The true spirit of conscious capitalism is deployment of wealth for a higher purpose. The real value of a family office is not that it can invest wisely and multiply the returns on investment - of course, that is a given - but in ensuring that the family's philosophy is reflected in their actions in society. Therefore, a well-run family office goes beyond the obvious tasks of scouting for start-ups to invest in but ensures that persona of the family is visible in their public endeavors. There can be no better examples to illustrate this in our context than the impact that two families have had. First, we have the inspirational exemplar of the multi-generational role that the Tata family has delivered through its Trusts to transform many parts of society in all geographies, both global and Indian. The second, and a more recent one, is the outstanding model that the Premji family is creating through its actions of generating sustainable benefits to society.

It is rather unfortunate that most family offices have yet to realize that they could be a vehicle to channelize philanthropy in a lasting manner. More often than not, as they trace their roots to private wealth management, they continue to speak the language of money. While this is the necessary and primary role, it is not sufficient, and to my mind, speaks poorly of the understanding of the power of the family office. A well-rounded family office leader is a consigliere to the wealthy and shapes the family's thoughts towards a greater purpose than just immediate consumption for the privileged. The ability to imagine a bigger role for the wealthy family, and to

influence the utilization of their fund for larger good, is also a key role. After all, the enlightened wealthy understand Churchill's words that 'we make a living by what we get, but we make a life by what we give.'

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**Podium**

**Himanshu Kohli**

**Co-Founder - Client Associates**



*Himanshu is the Co-founder of Client Associates (CA). He has more than 25 years of experience in the areas of Investment Banking & Private Banking. Prior to setting up CA he worked with Deutsche Bank Private Banking, DSP Merrill Lynch and London Forfaiting Group. Over the years, Himanshu has earned the distinction of pioneering the concept of Family Offices in India and has built one of the finest teams of private bankers which works with some of the most distinguished wealthy families of India. He is specialized in providing complex wealth management solutions for family business owners & entrepreneurs in India. He pioneered the concept of portfolio reallocation, a risk management technique, in the Indian market. Himanshu received the "Outstanding Young Private Banker 2010 as part of the Private Banker International's Global Wealth Awards" by PBI-VRL. He has also received the recognition of "Most Prominent Asian Leader" by Citywealth, UK in 2009. Himanshu has been invited several times to contribute to columns and discussions on financial planning and wealth management by both print & electronic media. He frequently gets quoted by major national news media. He is a member of the Rotary Club of Delhi South-end as well as a member of Entrepreneur Organization (EO), Gurgaon Chapter. Himanshu is an alumnus of Shri Ram College of Commerce (SRCC) where he completed his B.Com (H). He received his Masters degree in Finance & Control (MFC)*

*from University of Delhi. In the year 2008, he was honored with the "Distinguished Alumnus Award" from the Department of Financial Studies, New Delhi.*

**ET: Can you explain what family offices are and how they differ from other types of wealth management firms?**

**HK:** It is a specialist professional office engaged in the business of helping families with substantial wealth in managing, protecting and controlling their overall wealth across financial assets, physical assets as well as strategic assets including wealth locked in business. It can be an in-house specialist team (single family office) or an external team (multi family office) or a combination of both. It involves macro level planning which can include, but not limited to, drawing a holistic financial plan factoring in overall family members / units, their financial needs / aspiration - long term and short term, including succession planning and philanthropic goals.

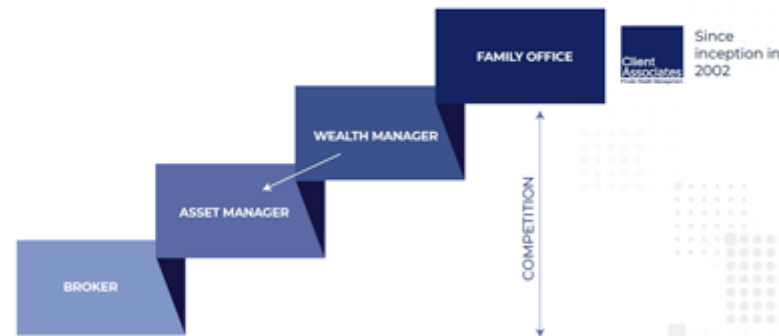
Wealth Management (WM) is a subset of family office and it purely focusses on efficient deployment of surplus within the framework set out by the family office and normally involves solutions encompassing financial assets across classes.

As such, a family office can be positioned as a buy side advisory / solution representing the client. It is a long term relationship of depth that requires extreme level of trustworthiness and hinges on oversight of complete balance sheet and proper capital allocation across buckets. Wealth management is more of a sell side advisory / solution representing asset management companies, is transactional in nature and hinges around product offerings across different asset classes.

A family office normally caters to and is suitable for very large wealthy families while wealth management caters to all segments of society.

If I have to give an analogy: In Soccer, the coach's role, which is more macro, is akin to a family office while the player's role, which is micro in nature, is akin to wealth management.

EVOLUTION OF  
WEALTH PLATFORM  
(1990-2023)



ET: As a pioneer in the industry in India, you have observed many changes. Please share some of the key trends in your industry.

HK: Financialization of Savings



We started in 2002 and at the time, family offices were not even prevalent in India. The investment industry mainly comprised of clients on the demand side and wealth management & asset management companies on the supply side. This ecosystem inherently had a flaw wherein it promoted immense conflict of interest leading to the scope of mis-selling on the supply side. This led to higher allocation of wealth towards mainly physical assets – like property, gold and in a limited way towards financial assets mainly LICs and FDs. Equity markets lacked depth and the mutual fund (MF) industry was still evolving.

Family offices were in the United States since the 19th century and we felt that this was an opportune time to pioneer this concept in India and fill in the much needed gap in the investment eco-system.

As such, in the 1st decade of our presence, particularly 1st half, we saw a very slow shift to more sophisticated instruments in financial assets. Assets continued to be locked in properties, gold and fixed deposits, but a golden run in the equity markets was drawing more investors towards it. MFs were emerging as a preferred route and equity was considered as a preferred asset class. More and more investors started exiting their real estate. However, real estate as a sector had very localised and unorganised players acting as brokers and the transactions lacked transparency as well as many times even lacked authenticity. This led to the emergence of an organised and professional real estate advisory. We also set up our real estate vertical – CARE around this time to provide reliable advisory around this asset class.

As the equity market was shaping up, like all boom and bust tales in history, this was the time for equities to see a hard stop. Come the financial crisis of 2008, world markets saw steep corrections and India of course saw a steep drawdown with the Sensex falling over 60% in a short period of time. This led to a reality check across the investor class and paved the way for a risk management framework in investment decision making. The focus shifted to asset allocation. We also introduced our model portfolio based approach for domestic asset classes and a data driven rebalancing approach for equity investing.

This was also a period where alternates as an asset class started making a way into the Indian investors mindset. At the same time, the resilience of the Indian economy and financial system also meant that India was emerging as a hot destination for global investors. This meant both listed and unlisted equity markets needed more active management and more sophisticated PMS solutions for equity investing. Private equity firms also selectively raised

money from HNIs and family offices. Increasingly high risk investors wanted to go early into this value chain and this led to the emergence of more investment banking firms. This also led us to set up our in-house investment banking desk CAIB in the middle of the last decade.

The increasing depth in the market meant increased complexities as well. India was also seeing families becoming more wealthy and this of course led to the emergence of more wealth management firms, newer family offices and more asset management companies.

I must also say that the pace as well as magnitude of the shift in last 5 years has also been phenomenal, particularly post demonetisation in late 2016, followed by a series of reforms in the Indian economy since then. This has also been a period which has seen the emergence of Alternative Investment Funds (AIFs) as a preferred vehicle for investing across asset classes for sophisticated investors. This has also been a period when more investors started availing the services of family offices given the immense value addition they brought in as the markets became more diverse, more complex and more demanding.

With India now amongst the top 5 economies of the world and headed towards being the 3rd largest in less than a decade with our demographic dividends, the journey of wealth creation is likely to be more exciting. It is not just India attracting foreign capital, but also Indians becoming more global and investing outside India. This has led to more and more MFs offering access to global markets, particularly the United States through the feeder route. We are also seeing an immense number of fintech platforms offering both domestic and overseas access with ease.

One particular shift is that family businesses are becoming professionalised and succession planning is becoming a key discussion point. Families are much more open to discuss these issues and are addressing it much earlier. As such, they are setting up appropriate structures including trusts and AIFs for timely addressing and efficient utilization of corpus. This also led us to formally set up our estate planning desk CAEP desk which provides solutions around succession as well as immigration and also a model portfolio for global investing.

**ET: 'Wealth is only a means to an end', it is said. Yet, philanthropy in India has come under fire for not rising to the levels of the west. In your opinion, is this criticism warranted and has philanthropy in India yet to move away from traditional channels of piety related activities?**

**HK:** While we have seen most of our HNI / UHNI families actively giving back to the society, traditionally Indians have been doing it in a more subtle way. Further, this is a very individualised approach rather than institutionalised approach. So, frankly, in my view, it is not just religious, but actually much more is being done by India's wealthy, but the noise around it has been much less. In fact, most of the families have been working towards the general upliftment of the under-privileged in the society / or the roots they belong to. Covid is an example when the country as a whole got together to serve the society. Within our eco-system, we have seen families setting up NGOs for skill upgradation, catering the under-privileged and contributing in multiple ways. These efforts are beyond the regulatory CSR requirements.

However, I also feel that this space will see a lot of shift in the way philanthropy is being done. I feel more and more professionally run bodies, which are privately sponsored, are emerging. This will ensure minimal leakages and maximum delivery, more reliability and much more transparency.

**ET: Are Family offices only for billionaires? What is your advice to our readers on financial and wealth management?**

**HK:** The need for family offices emanates when:

- Wealth has scale.
- Complexity in management - involves multiple asset classes (and even geography) and risk return frameworks for investing.

The scale will decide the choice between single family office or multiple family office or no family office and complexity will decide the depth of engagement and need for wealth managers to complement family office. A property family office, being a specialised service means a full-fledged set up including CIOs, research analysts, governance board, and accounting and taxation oversight. The set up would entail a reasonable cost to ensure a quality team.

Generally speaking, internationally (specifically in developed world), single family offices are set up by families having investible wealth > USD 1 Bn and multi family offices are required by families with investible wealth of USD 100 – 1,000 Mn. Domestically, we see investors having more than INR 1,000 Cr of liquid wealth and looking to

invest in multi-asset class/ multi-geography opt for single family office. Similarly, investors having INR 100 - 1000 Cr of liquid wealth and looking to invest in multi-asset class/ multi-geography opt for multi family offices.

The cost for managing investments should be within 1% of the wealth and accordingly the scale as well as complexity in billionaires wealth requires them to avail services of a family office.

In the words of the legendary investor Warren Buffet – "Price is what you pay and value is what you get". In my view, it is not just applicable to stocks but an overarching theme applicable to all facets of life. Investors should choose between a wealth manager with / without family office set up depending upon the scale and complexities. For choosing a family office, look at the value they will bring to you which will be a function of the quality of their team. One must also look at the other softer aspects which include transparency in dealing and the lack of conflict of interest in day to day engagements.

**ET: What does your company, Client Associates, offer its clients, and how does it differentiate itself in the industry?**

**HK:** As pioneers of family office in India, we continue to offer the purest form of advisory to our clients. We were inspired by Rockefeller's model and continue to follow it for the last 2 decades by having an open architecture in our approach, blended it with the best practices and hired the best-in-class team to serve our clients who are also best-in-class in what they do.

Our holistic approach as a private CFO to our client revolves around offering wealth management, real estate advisory, investment banking services, estate planning, lending solution, immigration services and insurance advisory - all in-house services as part of our buy side advisory and blend it with external services of asset management - domestic as well as offshore and taxation advisory. As such, we are considered as the preferred one-stop-service provider for all needs around private wealth. The proprietary data led models help our clients achieve their goals in the most optimal ways. We have deep engagements with the families we work. What differentiates us is our strong culture, values and trustworthiness. As such, our brand ambassadors are our clients whose hard earned trust has helped us become not just the largest multi-family offices in India, but also amongst the most admired wealth platforms in India with presence across India and even beyond.

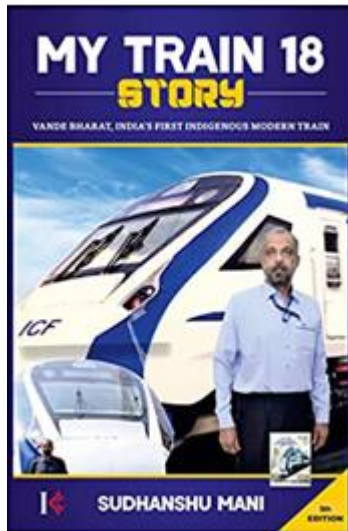
## CA ADVANTAGE A HOLISTIC EXPERIENCE



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## We Recommend

### My Train 18 Story Sudhanshu Mani



The romance of the railways and the allure of the rhythmic beats generated by the speeding wheel of a train as it charges forth to its destination still holds true for many people. **My Train 18 Story** is a book by **Sudhanshu Mani** that takes readers through the journey of creating India's first indigenous high-speed train, the Vande Bharat Express or Train 18.

Before the Vande Bharat Express, Indian Railways operated express trains on the same routes, hauled by diesel or electric locomotives. This led to delays and longer travel times. Enter Train 18 or the Vande Bharat Express, which was designed to provide a faster, efficient, and a comfortable mode of travel for passengers. Launched in early 2019 by the Indian Railways, Train 18 is equipped with modern features, and runs at a speed of up to 160 kmph.

Sudhanshu Mani's book introduces readers to this indigenous train and delves into the technical aspects of the train's design, its aerodynamic shape, propulsion system, and other features. Among many challenges which were overcome by the team's tenacity and perseverance included developing the train's aerodynamic design, creating an energy-efficient propulsion system and technical hurdles such as the train's weight and balance issues. Like many public undertakings, Train 18 was also confronted by the lack of funding and challenging regulatory procedures.

Sudhanshu Mani, a mechanical officer of the Indian Railways, was the mastermind behind the Vande Bharat Express train who was instrumental in ensuring that the train was delivered within a short duration of about 18 months. The author offers his gratitude as he speaks highly about the collaborative teamwork that went into the making of Train 18, including the technicians from the Integral Coach Factory, who worked tirelessly to bring the train to life.

Overall, the book is easy to read and underlines Mani's passion of this engineering feat in India's railway history. The read is well-researched and a testament to the possibilities of indigenous technological innovation. However, readers might lose attention as the author delves into the technical aspects of the train's design and development, with less attention given to the train's impact on India's railway system and society. Mani attempts to explain complex, technical concepts in a way that is easy to understand for readers.

For readers, who don't wish to wade through the book to know the tale, we recommend the author's [TEDx](#) talk on the Train 18 story which has gone viral.

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## THROUGH THE LENS



In-house photographer, **Rupesh Balsara** spots the black-faced laughing thrush - a common omnivorous bird found in the Himalayan foothills of India, and feeds on insects, spiders, fruits, and seeds. It is not threatened and is protected under the Wildlife Protection Act of India, and is popular among birdwatchers due to its unique appearance and behaviour.



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