India's Alternatives AUM to grow to $247B by 2029

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Synopsis

- Over the past decade, Indian Alternatives industry AUM has more than doubled to USD 136.1 billion as on December 31, 2024. It is expected to achieve strong growth momentum to reach USD 247 billion the end of 2029, backed by growing domestic investor base, enabling regulatory framework, portfolio diversification and attractive risk-return proposition for investors.

- India is underpenetrated with Alternatives AUM accounting for 4% of GDP, as compared to mature global markets with Alternatives AUM at more than 10% of GDP, indicating a strong potential upside.

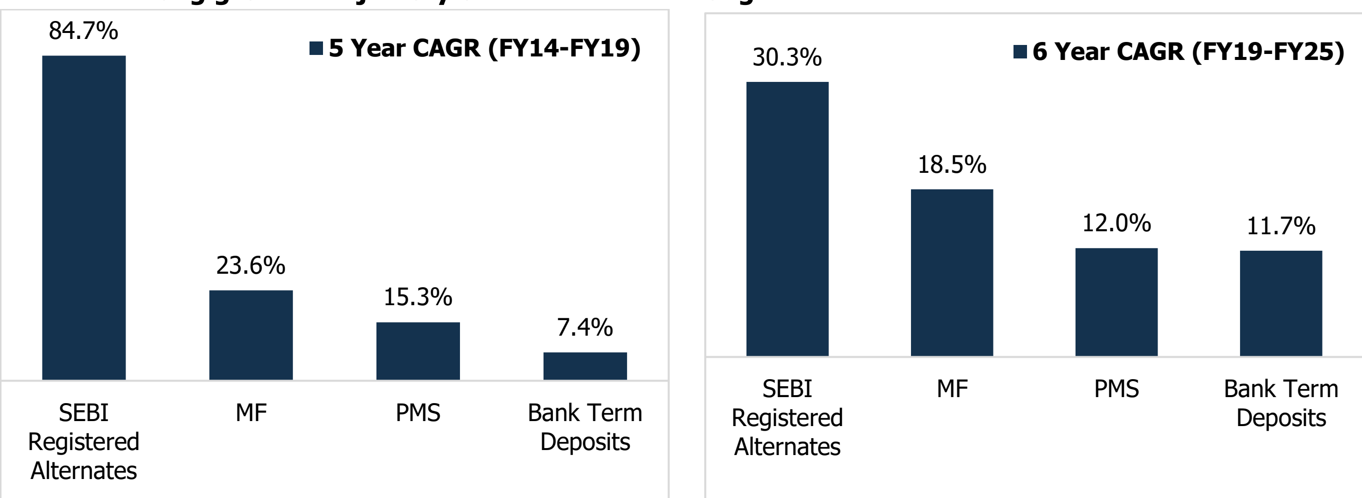
- With healthy economic growth and increasing financialization of assets, India's HNI population is expected to more than double by 2027 as compared to 2022. The rising affluent population and accumulating domestic wealth would support growth in differentiated investment products such as AIFs. Domestic investors capital is gradually diversifying into Alternatives, accounting for 63% of total investor base in FY25.

- "India's alternatives industry is poised for a transformative decade, with Alternates Assets under Management (AUM) expected to nearly double over next five years to USD 247 billion by 2029. The strong growth momentum reflects key structural drivers — India's healthy economic growth, financialization of assets and rapidly growing HNI/UHNI population, enabling regulatory framework, portfolio diversification and increasing investment by domestic institutional investors such as family offices, insurers, and pension funds," **said Tanvi Shah, Senior Director at CareEdge Advisory & Research.**

India's Alternatives Investment: A Decade of Transformation and Opportunity

Over the past decade, India's Alternatives industry has emerged as an attractive investment avenue registering strong growth and rising investor preference over traditional assets.

Chart 1: Strong growth trajectory of Alternatives amongst investment avenues in India

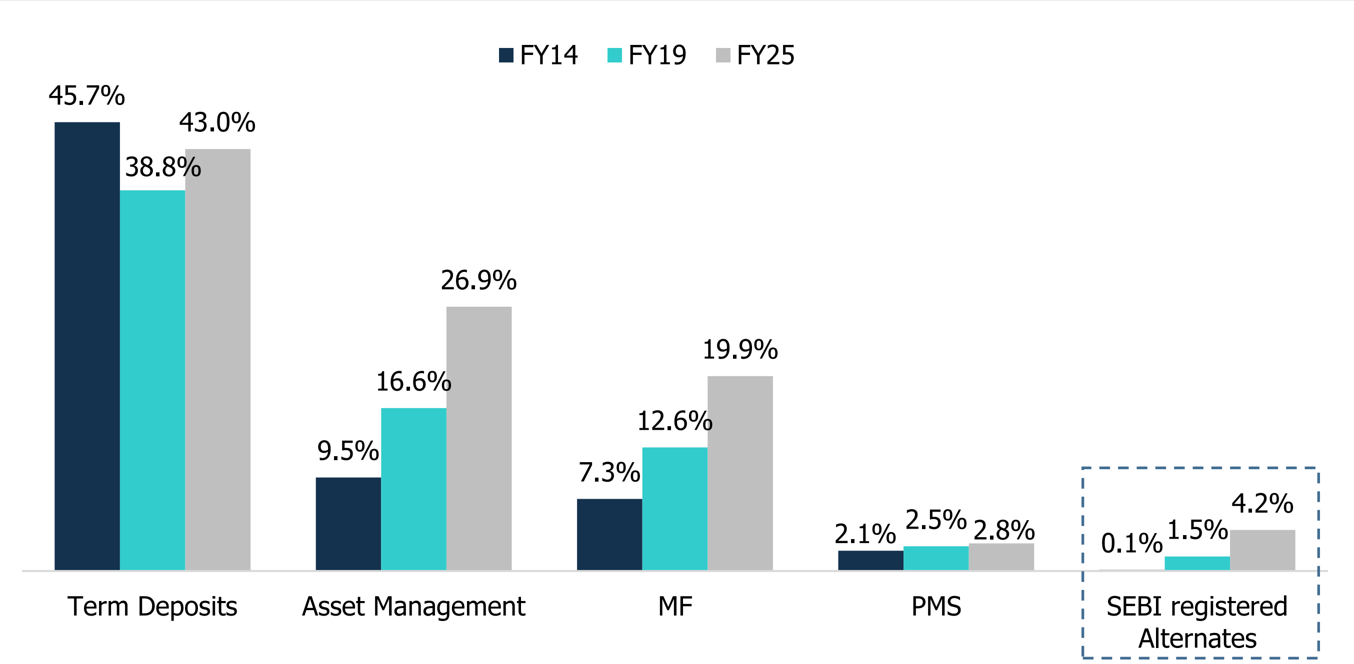


Source: RBI, SEBI, CareEdge Research Note: AuM as of the last day of the month; Asset Management includes Portfolio management services excluding EPFO, Mutual Funds and Alternatives (AIF Commitments + REIT and InvIT funds raised in the respective years).

Low Alternatives Penetration in India indicating good growth potential

India is projected to be the third largest economy globally by the year 2028, making it an attractive opportunity for investors. Despite strong growth, India remains significantly underpenetrated in the Alternatives space. Alternatives AUM currently represents only about 4% of the country's GDP, as compared to over 10% in mature global markets such as the United States, Europe, and parts of Asia. This gap highlights the immense potential for alternative assets to scale in India, especially as the wealth base and capital market depth continue to expand.

Chart 2: SEBI Registered Alternates AUM accounts for only ~4% of GDP (Current Prices)

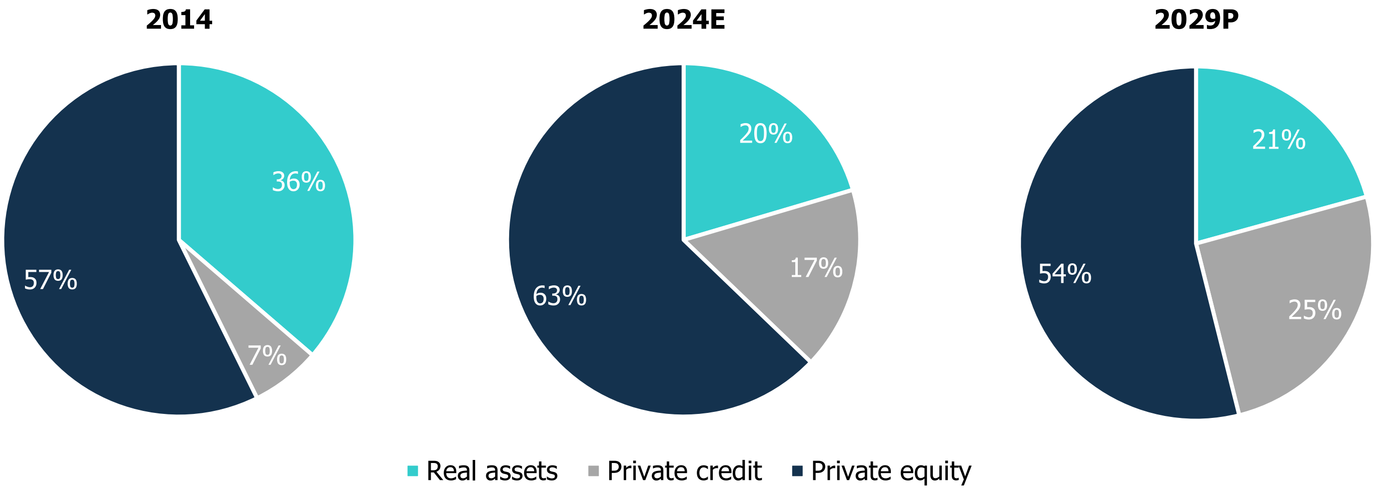


Source: RBI, SEBI, CMIE, CareEdge Research Note: AuM as of the last day of the month; Asset Management includes Portfolio management services (excluding EPFO), Mutual Funds and SEBI registered Alternates (AIF Commitments + REIT and InvIT funds raised in the respective years).

Alternatives Industry: Gaining Ground in a High-Growth Indian economy

As the country moves toward becoming the third-largest global economy by 2028, investment opportunities across sectors have grown substantially, attracting interest from both domestic and global investors. Alternatives industry has more than doubled its AUM to USD 136.1 billion by December 2024 from a modest AUM of USD 58.4 billion in December 2014. This strong growth momentum is expected to continue, with Alternatives industry AUM expected to reach USD 247 billion by 2029. This marks a compounded annual growth rate (CAGR) of over 13%, supported by growing investor base, fundamental shift in investors' preference and risk appetite, institutional investor maturity, and enabling regulatory framework. With increasing focus on infrastructure development, Alternatives Private Credit and Real Assets strategies growth momentum is expected to continue and reach around 46% of India's overall Alternative Investments AUM by 2029 from 37% in 2024.

Chart 3: Split of asset classes in India's Alternatives industry

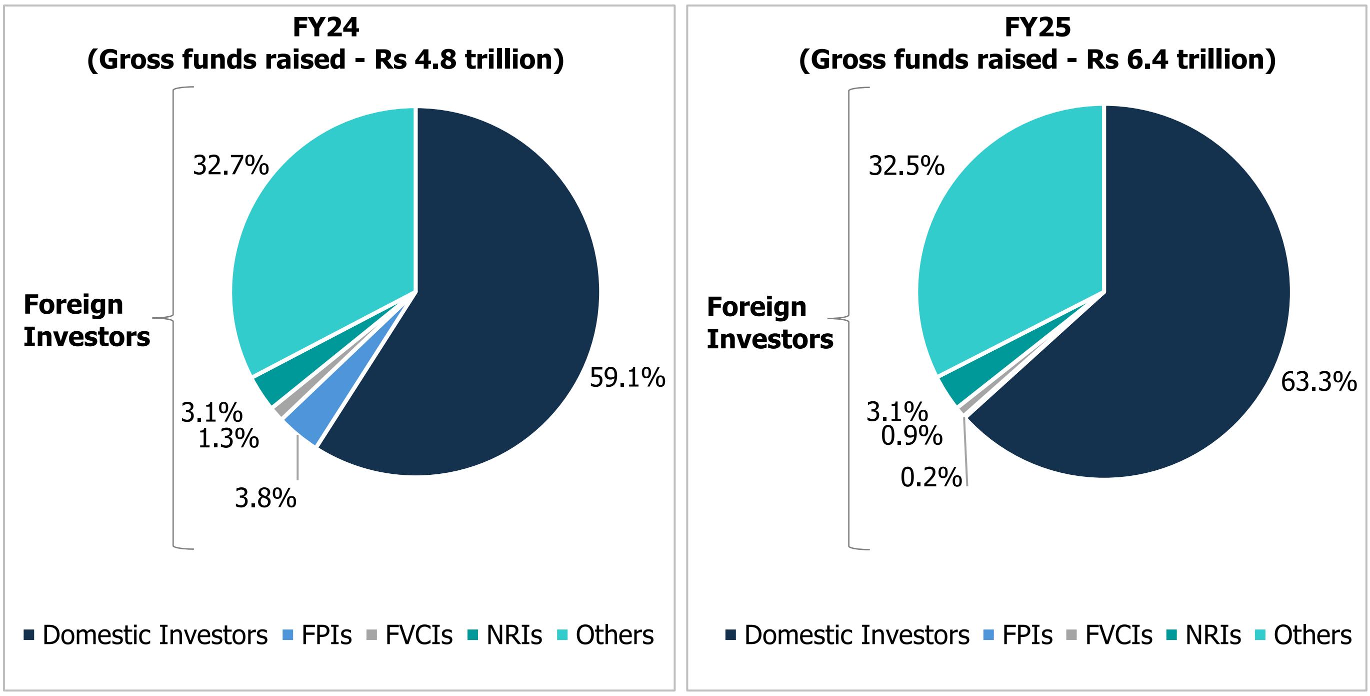


Source: Preqin, CareEdge Research

Domestic investors rising participation in Alternative Investment Funds (AIFs) in India

The share of domestic investors increased from 59.1% in FY24 to 63.3% in FY25, thereby indicating growing confidence of domestic capital in AIFs (absolute value y-o-y growth of 44%). Although share of foreign capital declined from 40.9% to 37.6%, value of foreign investor inflow has increased by 20% y-o-y, reflecting increased FII interest in India.

Chart 4: Increasing participation of domestic investors



Source: SEBI

India's high-net-worth (HNI) and ultra-high-net-worth (UHNI) population has been expanding rapidly, fuelled by economic liberalisation, startup wealth creation, and intergenerational transfers. The HNI base, expected to more than double between 2022 and 2027, is increasingly seeking sophisticated investment options that go beyond traditional instruments like mutual funds or fixed deposits. Alternatives investments are fulfilling this need by offering diversified exposure, tailored strategies, and access to high-growth sectors.

Table 1: Number of millionaires in 2022 and 2027P

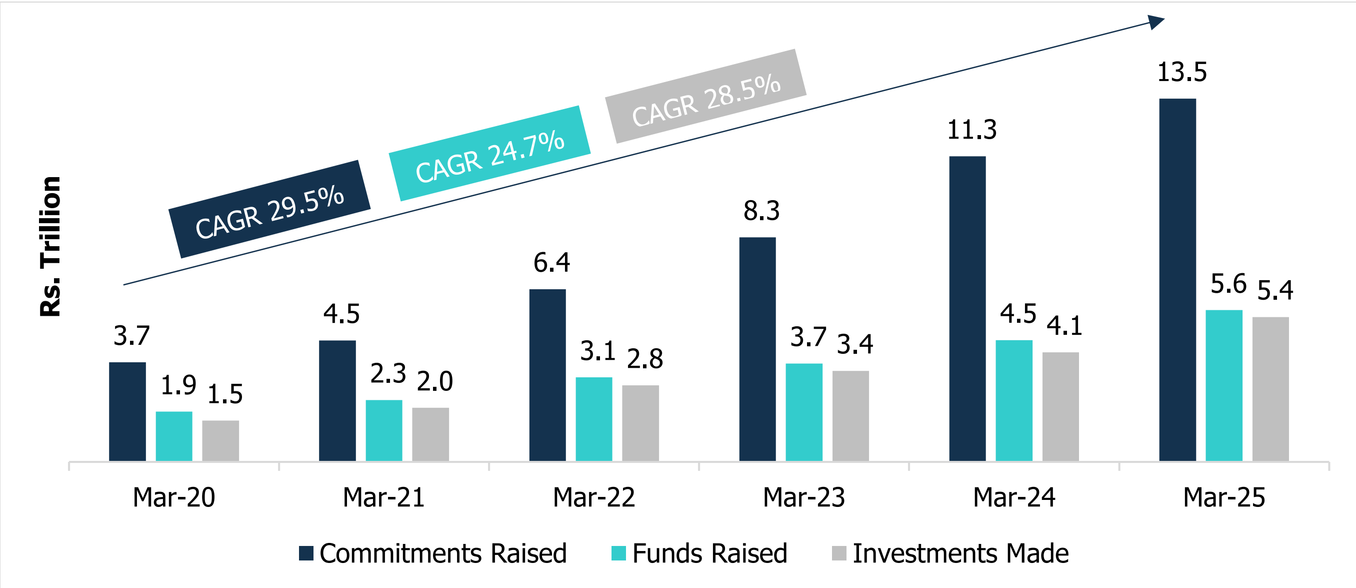
Country	HNI[1] ('000)			UHNI ('000)		
	2022	2027(P)	CAGR (%)	2022	2027(P)	CAGR (%)
United States	25,172	36,885	7.9%	203	253	4.5%
Mainland China	10,388	20,813	14.9%	88	131	8.3%
Germany	3,379	4,970	8.0%	25	30	3.7%
France	3,182	4,500	7.2%	23	27	3.3%
Canada	3,072	4,783	9.3%	24	32	5.9%
UK	2,857	4,243	8.2%	21	26	4.4%
India	797	1,657	15.8%	12	19	9.6%
World	**69,543**	**1,09,099**	**9.4%**	**580**	**745**	**5.1%**

Source – Industry sources, CareEdge Research

Exponential growth in Alternative Investment Funds (AIFs) in India

Over the past decade, Indian Alternatives industry has registered growth of more than 50 times in terms of funds raised on account of various factors - evolution of regulatory framework, increasing participation from family offices, insurance companies, sovereign funds, foreign funds inflow, growing wealth of HNIs and UHNIs, investors' preference for diversification beyond traditional asset classes, sectoral diversification and innovative investment solutions.

Chart 4: Growth trajectory of AIFs in India



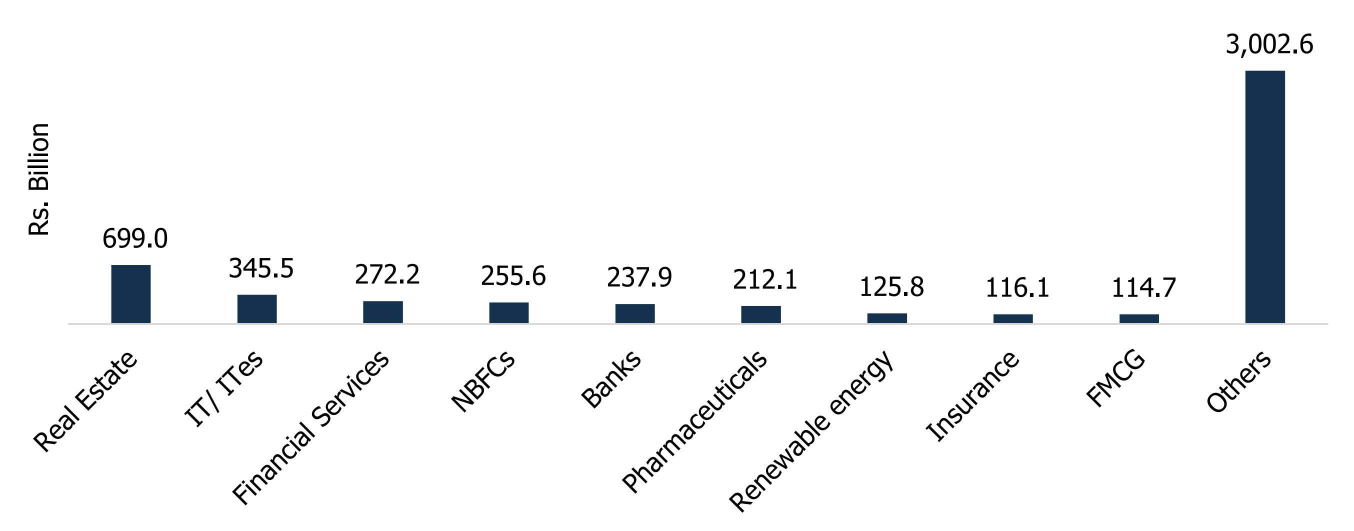
Note: Cumulative net figures; Source: SEBI

[1] A High net-worth individual (HNI) is generally defined as a person with a net worth of $1 million or more, including their primary residence, while Ultra HNI is someone who has a net worth of $ 30 million or more across financial and physical assets. India has one of the world's fastest growing HNI population both in terms of the number of individuals and the wealth levels.

AIF Investment Trends – Key sectors

Based on the category of AIFs, the funds deploy different strategies such as funding growth stage companies, start-ups, equity investments in listed and unlisted companies, debt solutions, hedging strategies, etc. Further, key growth sectors attracting AIF capital include Fintech, Healthtech, Renewable Energy, Financial Services, Real Estate, and IT/ITeS. Investment trends show a healthy mix of legacy sectors like Real Estate and BFSI, alongside future-facing bets in IT, pharmaceutical, and renewable energy.

Chart 5: Sector wise investments by AIFs (as of March 2025)



Source: SEBI

Conclusion

The Indian Alternative Investments industry is on the cusp of a transformative decade. Given strong macroeconomic fundamentals, increasing wealth creation and institutional investor base, AIFs are gaining prominence as investment avenues for portfolio diversification and long-term value creation. India's alternatives industry is poised for a transformative decade, with Alternates Assets under Management (AUM) expected to nearly double over next five years to USD 247 billion by 2029. The strong growth momentum reflects key structural drivers — India's healthy economic growth, financialization of assets and rapidly growing HNI/UHNI population, enabling regulatory framework, portfolio diversification and increasing investment by domestic institutional investors such as family offices, insurers, and pension funds," **said Tanvi Shah, Senior Director at CareEdge Advisory & Research.**

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