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NRI Talk | A blended approach—India + global—is becoming the norm in NRI portfolios: Alok Saigal

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Synopsis

While India is seen as a core long-term investment destination by NRIs, countries like UAE & Singapore continue to attract NRI capital for diversification, real estate and global exposure. A blended approach—India + global—is becoming the norm in NRI portfolios.



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Agencies

As **global** markets evolve and India's economic momentum continues to strengthen, Non-Resident Indians (NRIs) are increasingly adopting a balanced investment strategy that spans both geographies.

In this edition of **NRI Talk**, Alok Saigal, President & Head – NuVama Private, shares key insights into how NRIs are moving away from single-market focus and embracing a blended approach—allocating capital across Indian and global assets.

From real estate and **fixed income** to equities and alternatives, NRIs are structuring their portfolios to harness the best of both worlds, reflecting a growing sophistication in **wealth management** and long-term planning. Edited Excerpts –

Q) How are NRIs looking at India as a long term investment destination? And, what are the other hot countries which they invest in?

A) NRIs are increasingly viewing India as a strategic long-term investment hub, driven by strong economic fundamentals, favourable demographics, and digital transformation.

According to the 2024 Knight Frank Wealth Report, over 65% of NRIs surveyed see India as a priority market for wealth allocation over the next decade. Key reasons include:

India's GDP is expected to grow at 6.5–7% over the next five years, one of the fastest among major economies.

Rising trust in India's governance, digital infrastructure (e.g., UPI, Account Aggregator), and regulatory frameworks (SEBI, RBI, IFSCA reforms)

Geopolitical stability over long term & good trade relations with US & other countries, is another major reason for India being an attractive investment destination

Many NRIs are channelling funds into equities, real estate, REITs, AIFs and startup ecosystems with a 10–15 year view, combining emotional ties with economic logic.

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Given initiatives at GIFT City, NRIs are looking at GIFT domiciled funds as preferred investment vehicles for inbound investment in India.

GIFT domiciled funds with underlying listed equities, units of mutual funds, long short funds, performing credit funds and real estate credit funds are being sought after by NRIs from various geographies.

Taking about other geographies, real estate in Dubai is a favourite option. In 2023, Indians were the top foreign investors in Dubai property, contributing over AED 35 billion (~₹80,000 crore).

NRIs see Dubai as a combination of lifestyle & business hub, and a convenient location to fly to and from India.

Singapore's fintech and REIT space is especially appealing to younger NRIs besides other regulated investment products and global banking.

Q) There is big debate on social media about taxation. Help us understand why NRIs In Dubai, Singapore & Mauritius have to pay zero tax on mutual fund gains?

A) India has signed Double Taxation Avoidance Agreements (DTAAs) with countries like the UAE, Singapore, and Mauritius, which help prevent NRIs from being taxed twice on the same income.

In many cases, these agreements, combined with the domestic tax policies of the NRI's resident country (which may not tax capital gains), result in zero tax on mutual fund gains in India.

These treaties are designed to promote cross-border economic activity and make it easier for NRIs to invest in India without facing undue tax burdens.

As a result, India sees a large inflow of foreign capital from these countries, where many Indians live and are already familiar with Indian financial instruments.

To avail of these benefits, NRIs need to meet certain criteria — such as staying in the UAE for at least 183 days in a calendar year — and submit documents like a Tax Residency Certificate and Form 10F to Indian tax authorities.

Not only NRIs, but also foreign nationals from the UAE and Singapore can take advantage of zero tax when a GIFT-domiciled fund invests in units of Indian Mutual Funds.

Furthermore, they benefit from not needing an NRE/NRO account, the ability to invest through their overseas accounts, and exemptions from TDS, TRC certificate requirements, and repatriation limits.

Q) How much money is moving in real estate/REIT/fractional investment? Is the right way?

A) NRIs are steadily shifting from just buying homes for nostalgia to making smarter, income-generating real estate plays in India. According to the Knight Frank Wealth Report 2024, NRI investments in Indian real estate are expected to cross ₹1.2 lakh crore by 2025.

What's interesting is that a growing chunk of this is moving into REITs and fractional ownership platforms—offering rental income, professional management, and lower entry points.

For many NRIs, especially those based in the UAE and Singapore, these structured models are becoming the preferred way to invest, without the hassle of managing property on the ground. It's a more transparent, compliant, and financially savvy approach—especially when blended with a long-term India outlook. Strong demand for infrastructure investment, attractive returns, and favourable government policies have pushed fund mobilization through listed REITs/Invits and Pre REIT/Invits AIFs as well.

Q) What are the big mistakes which NRIs should avoid when making investment in India?

A) NRIs often face a complex mix of emotional and regulatory challenges while investing in India. Several missteps—often unintentional—can significantly impact their returns, compliance status, or long-term goals. Below are the key pitfalls and how to avoid them:

1. Ignoring FEMA & RBI Compliance Rules

Many NRIs invest using regular resident accounts or fail to convert to NRO/NRE accounts. This is a direct violation of FEMA and can result in legal action, account freezes, or penalties. In 2024, over ₹800 crore worth of NRI investments were flagged by RBI during audits due to compliance lapses, according to Business Standard.

2. Overexposing to Real Estate without Rental Yield Focus

While real estate remains a preferred asset class, many NRIs invest purely based on emotional appeal or speculative appreciation. Being in touch with their roots, is one of the key reasons for NRI's to own a piece of land or property in India, without realising the fact that there is minimal alpha generation.

3. Neglecting Double Taxation Agreements (DTAA):

NRIs may end up paying tax twice—once in India and again in their country of residence. With proper documentation like Form 10F and a Tax Residency Certificate, they can reduce or eliminate TDS on interest, dividends, and capital gains. Not using DTAA benefits leads to lower returns and compliance issues—something easily avoided with a little planning.

4. Lack of Financial Advisor or Estate Planning

Most of the NRI's prefer to invest on discretionary basis, without having complete in-depth knowledge of the instruments or asset classes. It's always good to have a sound financial advisor assisting in cross border transactions, who can give a well encompassed view of returns, taxation, market conditions etc.

Also, internationally, it is always a norm to create a trust structure, in order to ring-fence your wealth, and ensure that it is passed on to the rightful heirs, which can be done with the assistance of an estate planning facilitator.

5. Chasing Trendy Asset Classes without Understanding Risk

Whether it's AIFs, pre-IPO startups, or PMS products, some NRIs jump into high-return products without assessing their risk appetite or liquidity needs.

Q) What is the money mindset which NRIs follow. Are there any common attributes?

A) NRIs exhibit distinct financial behaviours shaped by their global exposure, economic background, and cultural ties to India.

Globally Diversified, Emotionally Rooted

NRIs prefer diversified portfolios spread across geographies and asset classes. Yet, a strong emotional connection to India makes them allocate a significant portion of their wealth—up to 20–25%—into Indian markets, especially real estate, equities, and gold.

Long-Term and Goal-Oriented

Most NRIs invest with clear goals: retirement in India, building a legacy for children, or maintaining ties with their homeland. This results in a longer investment horizon, low churn, and disciplined SIPs in equity or hybrid funds.

Digitally Native, Yet Relationship-Led

Being globally mobile, NRIs rely on digital platforms for ease of execution. At the same time, they value relationship managers, especially from firms that understand both local regulations and offshore tax nuances. This hybrid mindset—digital + personal—is becoming a norm.

High Preference for Compliance and Tax Planning

NRIs are highly sensitive to compliance—both in India and abroad. They look for investments that are FEMA-compliant, FATCA-registered, and come with zero tax leakage. For example, NRE FDs, SGBs, and DTAA-friendly instruments are often preferred due to tax advantages.

Q) Which investment options or asset classes are hot favourites of NRIs and why?

A) NRIs are increasingly diversifying their portfolios by blending traditional and modern asset classes.

Equity Mutual Funds & Direct Stocks

NRIs prefer equity-based mutual funds and direct equity investment through the Portfolio Investment Scheme (PIS). The ease of online KYC and a well-regulated mutual fund industry along with the aforementioned tax benefits, have made mutual funds a go-to option.

Fixed Deposits (NRE & FCNR)

Despite being conservative, NRE and FCNR deposits remain a staple. In FY24, NRI deposits in Indian banks crossed \$137 billion, with FCNR (B) deposits seeing a spike due to interest rate differentials and USD-linked returns. The appeal lies in tax-free interest (for NRE FDs) and capital protection.

REITs & Fractional Real Estate

Real Estate Investment Trusts (REITs) and tech-enabled fractional ownership platforms are attracting younger NRIs. These offer exposure to high-value commercial assets without the operational hassle, and with better liquidity and compliance transparency.

Sovereign Gold Bonds (SGBs) & Digital Gold

NRIs love gold for cultural and portfolio reasons, but physical storage is tricky. SGBs, which offer 2.5% annual interest along with gold price appreciation, are gaining preference. Many also use digital gold platforms for convenience and safety.

Alternative Investments – PMS, AIFs, and Startups

HNW NRIs are showing interest in Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs), especially for exposure to unlisted equity, private credit, and pre-IPO startups. They are increasingly investing via syndicates or curated VC platforms.

Q) Which sectors are more preferred when NRIs look to invest in India?

A) NRIs continue to favour sectors that combine high-growth potential with long-term stability. Their top picks are influenced by India's structural growth, digital transformation, and global positioning.

Financial Services & Banking

This is a long-standing favourite due to India's deepening credit markets and consistent reforms. Banks, insurance firms, and fintech companies are seen as strong plays on India's consumption and economic growth.

Technology & Digital Economy

India's booming IT and startup ecosystem makes this sector very attractive. NRIs are drawn to tech-based mutual funds, unlisted equity deals, and startup syndicates. Sectors like SaaS, AI, and digital infrastructure have seen increased foreign-origin participation.

Real Estate & REITs

With prices stabilizing and rental yields improving, the Indian real estate sector—especially in top cities like Bangalore, Hyderabad, and Pune—is drawing NRI capital.

Energy & Infrastructure

With India targeting net zero by 2070, renewable energy is a hot sector. NRIs are increasingly exploring green bonds, ESG funds, and infrastructure-focused ETFs, especially after India's G20 green finance commitments.

Q) What about luxury items – art, cars, watches which of the themes are hot favourites?

A) All of these luxury alternatives are seeing a rising trend across the globe. Primary reason being they have a dual value of being investments as well as status symbols.

Watches have become mainstream over the past few years, as the younger generation looks at them not only as collectibles but also as return generators.

As more and more niche watch players continue to create limited edition and heritage time pieces, they are gaining a significant traction across the UHNI communities as a status symbol as well as an investment option.

Art has also witnessed an upsurge in India and abroad over the past few years. In 2023-24, Indian modern and contemporary art auctions crossed Rs 1,000 crore in sales value, a historic high.

NRIs are increasingly viewing art not just as décor but as a long-term appreciating asset. Each of these sectors reflects the evolving wealth mindset of NRIs—where lifestyle, heritage, and financial return intersect.

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