



# Safeguarding the Boardroom and Beyond Through Succession Planning

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# Chairperson's Message



Dear Readers,

In business, succession planning secures the organization's future. A company may be profitable today, but without clarity on who will take over tomorrow, its very existence can be put at risk. We have seen countless examples of family-owned enterprises that flourished under the founder but lost direction when leadership changed without a clear roadmap. On the other hand, businesses that plan ahead, groom their successors, and document responsibilities often thrive through generations. **For investors, this makes succession planning not only a governance issue but also a critical investment filter—before investing, one should always ask: does this company have a clear succession strategy for leadership continuity?**

The importance of succession planning extends well beyond boardrooms. In family matters, succession ensures that wealth, property, and responsibilities are transferred fairly and without conflict. The absence of a will or trust often leaves families vulnerable to disputes that can erode both assets and relationships. A thoughtful succession plan, however, protects the family legacy and gives peace of mind to all members.

Sports too provide us with striking lessons. Teams that consciously prepare younger players to take over when veterans retire rarely falter during transition periods. Their culture, strategies, and values remain intact. By contrast, teams that fail to invest in the next line of leaders often face sudden collapse, no matter how strong their past performance was.

The message is clear: **those who plan succession thoughtfully create an easy pathway for transition. Those who neglect it risk destroying what they have built, often in a matter of months.** Change is inevitable; planning for it is optional—but essential.

This edition of our newsletter is dedicated to highlighting the importance of succession planning, both from a business and a personal perspective. I encourage you to reflect on your own circumstances and initiate this conversation, however uncomfortable it may seem. Remember, succession planning is not about anticipating endings—it is about ensuring continuity, growth, and a lasting legacy. **We will also emphasize why every investor must treat succession planning as a dual responsibility: assessing it in their investments and implementing it in their own lives.**

Warm regards,

CA Dr. Rajesh R Khandol



# Benefits of Succession Planning

## Foresight and Awareness

A succession plan forces individuals and businesses to think ahead. Instead of reacting to crises, they prepare for leadership changes, financial needs, and regulatory shifts. This foresight reduces uncertainty and makes transitions seamless. For investors, companies with foresight-driven succession frameworks inspire greater confidence and long-term stability.

## Ring-Fencing Wealth from Business Risks

Many entrepreneurs blur personal and business assets. Without safeguards, business losses or litigation can erode family wealth. Succession planning introduces structures such as trusts and holding companies that protect personal assets from business volatility. Similarly, investors must ring-fence their own wealth from market volatility by planning how their investments and savings will pass on to the next generation.

## Preparing for probable Estate Duty Laws

Though India currently has no estate duty, its reintroduction is a real possibility. With inheritance taxes in mature economies reaching 40%, proactive planning through trusts, insurance, or restructuring can significantly reduce future tax exposure and avoid liquidity crunches. From an investor's standpoint, estate duty could impact both their personal inheritance as well as the companies they invest in—making it doubly important to factor in succession structures.



# Benefits of Succession Planning



## Meeting Family Members' Specific Needs

Each family member's aspirations differ—some want to manage the business, others may prefer financial independence, and some may need lifelong care. Succession planning ensures fair and tailored allocations, reducing resentment and preserving harmony.



## Planning for Marital Discord and Cross-Border Marriages

Divorces and global marriages complicate inheritance. Without planning, disputes can drag families into litigation. Tools such as prenuptial agreements, family trusts, and coordinated cross-border legal strategies protect assets while respecting personal choices.



## Managing Complex Assets

Today's families hold diverse assets—real estate, equities, start-up stakes, overseas properties, and digital assets. Succession planning provides clarity on who manages which asset class and ensures nothing is neglected during generational transitions.



## Preserving Legacy and Reputation

Wealth is temporary, but values and reputation endure. Succession planning codifies family principles into governance frameworks and often integrates philanthropy. This strengthens identity and ensures the family name remains respected across generations.



## Addressing Global Indian Families

With children abroad and assets spread worldwide, families face multiple tax and legal systems. Succession planning creates cross-border structures that ensure compliance, avoid double taxation, and enable smooth transfers.



# Case Study:

## Sona Comstar - A Leadership Vacuum Turns into Family Feud

**Event:** Sudden death of Sunjay Kapur (Chairman of Sona Comstar) in June 2025, left no clear succession plan.

**Board's Response:** Sunjay Kapur, being the sole beneficiary of the family trust, following his death, his wife Priya Sachdev Kapur was rightfully appointed as non-executive director. Investors approved, but family conflict arose.

**Family Conflict:** Sunjay's mother Rani Kapur alleged coercion, denial of access to assets, and questionable board decisions. She demanded a UK probe into her son's death.

**Corporate Fallout:** Allegations spilled into media, prompting reputational risk and uncertainty for shareholders. The company rejected her claims as baseless, but the dispute exposed governance gaps.

⊗ **Financial Impact:** Prior to Sunjay Kapur's death the market capitalization of Sona BLW Precision Forgings Limited was ₹ 32,290 crores however following the rift between the family, as on date of writing this newsletter, it stands at ₹ 26,628 crores which shows a **sharp decline of 17.53%** in the company's total market capitalisation.

**Lesson:** Even well-run listed companies are vulnerable when personal succession plans and intricacies of dissolution of trust are unclear. Formal family charters and ownership frameworks are as important as corporate governance for stability.

**Investor Insight:** The sharp 17.53% drop in market capitalisation after the dispute shows how succession gaps directly affect shareholder value. Investors must evaluate succession readiness as part of due diligence before investing.





# Case Studies:

## Singhania vs Singhania - Raymond's Internal Family Rift

**Background:** In 1998, Madhupati Singhania (elder son of Vijaypat) left for Singapore and signed a Family Agreement renouncing claims to family assets. His brother Gautam Singhania later became MD of Raymond.

**Trigger Point:** Vijaypat transferred his 37.17% Raymond stake (worth ~₹1,041 crore) to Gautam in 2015 to ensure continuity. Madhupati's children challenged this in court, arguing they were minors in 1998 and never legally waived their rights.

**Tensions:** Madhupati alleged humiliation and coercion, while Vijaypat insisted his grandchildren had no claim. Dispute became public, pitting family ties against corporate success.

**Lesson:** Excluding family branches or relying on informal agreements invites disputes years later. Inclusive, enforceable, and transparent governance documents are critical in succession planning.

**Investor Insight:** Prolonged litigation over succession diluted focus on business growth. Investors need to monitor promoter family dynamics closely, as unresolved succession disputes can erode value over time.

## Ambani Brothers - Reliance's Split Due to Absence of a Will

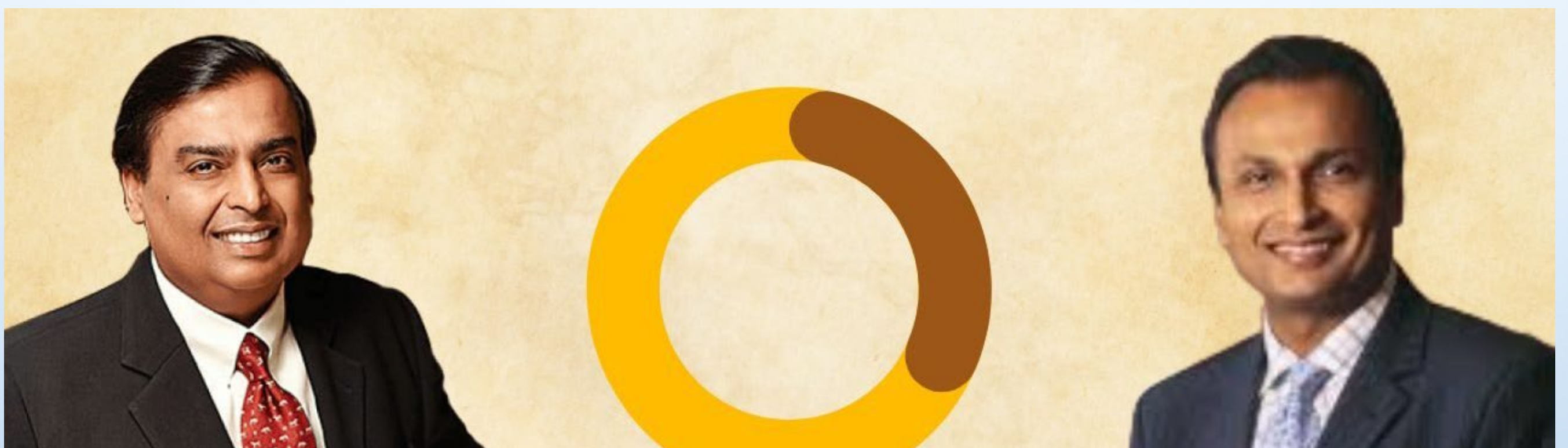
**Crisis Origin:** Dhirubhai Ambani died in 2002 without a will, leaving his sons Mukesh and Anil to battle for control of Reliance.

**Conflict:** Boardroom disputes over authority and financial disclosures soon became public. Mukesh, in an interview with CNBC TV18 openly admitted "ownership issues."

**Resolution:** In 2005, their mother Kokilaben Ambani mediated. Reliance was split—Mukesh got refining, petrochemicals, oil & gas, and textiles; Anil got telecom, entertainment, power, and financial services.

**Aftermath:** Mukesh grew Reliance into India's largest company; Anil's businesses later collapsed, leading to debt and regulatory troubles.

**Lesson:** Lack of a formal succession plan not only fractured India's biggest business family but also caused divergent fortunes. Clear documentation, defined roles, and private dispute-resolution mechanisms are essential.

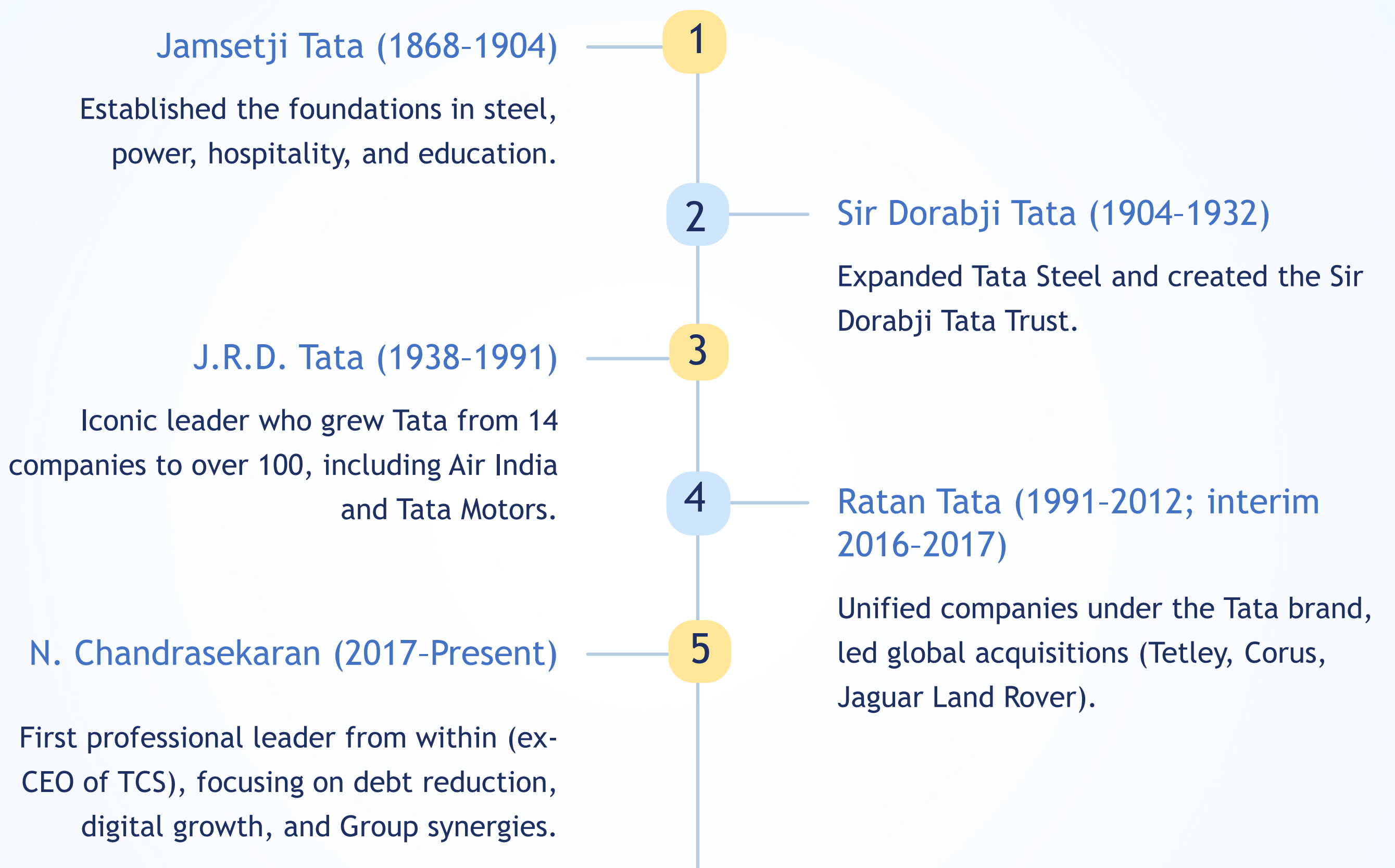




# Case Study: Tata Group – Succession Planning Anchored in Trusts and Values

The Tata Group, founded in 1868 by Jamsetji Tata, is one of India's oldest and most admired conglomerates. Its ability to sustain growth for over 150 years rests on two pillars: seamless leadership succession and a unique ownership model that places values above personal wealth.

## Leadership Succession Across Generations



## The Ownership Model - Trusts as Custodians

Unlike most Indian family businesses, Tata Sons (the holding company) is majority-owned by Tata Trusts (approx. 66%). These trusts, created by the Tata family, reinvest much of their dividend income into philanthropy—education, healthcare, rural development, and research. This structure ensures:

- No family feuds: Leadership is chosen by trustees, not inherited.
- Socialist-capitalist balance: Companies operate as competitive enterprises, but profits are largely deployed for social good.
- Values-driven governance: Leaders are custodians of a vision, not owners of private wealth.

**Investor Insight:** The Tata model proves that strong, trust-based succession planning reduces uncertainty, preserves brand equity, and inspires confidence. For over a century, investors have trusted Tata because leadership may change—but values never do.

# Succession Planning Tools

## Wills

A will is a legal declaration by which a person expresses their wishes for the distribution of assets after death.

### Advantages:

- Simple and cost-effective tool.
- Ensures clarity in asset distribution.
- Can be updated any time during the lifetime.

### Disadvantages:

- Subject to probate, which can be time-consuming and costly.
- May be challenged in court.
- Does not provide solutions for incapacity during lifetime.

## Family Trusts

Assets are transferred to a trust managed by trustees for the benefit of beneficiaries, often family members.

### Advantages:

- Provides long-term asset protection and control.
- Useful in ring-fencing wealth from business risks.
- Can address special needs of family members.
- Helps in avoiding probate.
- Acts as a shield towards estate tax leviable on income from passing of assets in case death of owner of asset.

### Disadvantages:

- Requires careful drafting and compliance with laws.
- May reduce flexibility as assets are controlled by trustees.

## Family Arrangements / Family Settlement Agreements

An understanding between family members (formal or informal) about the division of assets, responsibilities, and roles in business or property.

### Advantages:

- Preserves family harmony and prevents disputes.
- Can be executed without litigation.
- Flexible, as terms are mutually agreed.

### Disadvantages:

- Relies heavily on goodwill and cooperation.
- May not always have legal enforceability if not properly documented.
- Future disputes can arise if not comprehensive.

## Succession through Corporate Structures

Using company structures to hold family businesses or investments, with succession terms built into shareholder agreements.

### Advantages:

- Provides clarity on ownership, voting rights, and control.
- Useful for families with complex businesses or cross-border operations.
- Ensures continuity in management and decision-making.

### Disadvantages:

- Complex to set up and requires ongoing compliance.
- May create conflicts if not aligned with family expectations.
- Involves professional costs for structuring and maintenance.

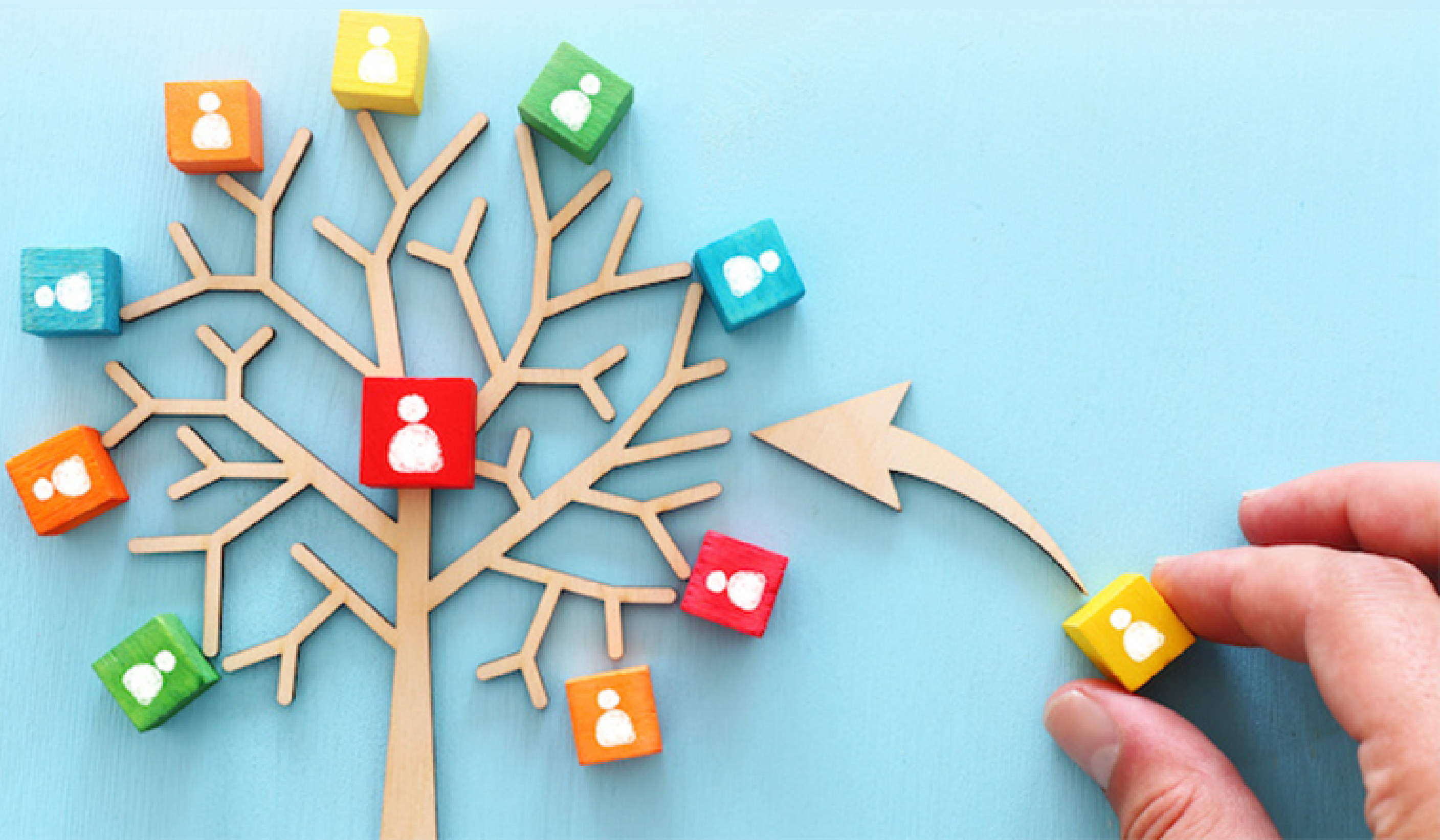


# Conclusion

Succession planning is not merely a concern for large business houses or wealthy families; it is a critical exercise in every aspect of life. From ensuring the smooth transition of leadership in companies, to protecting family harmony, to securing the financial future of small and medium investors, succession tools provide a structured way to safeguard wealth, values, and legacy.

Whether through a simple will, a trust, or a family agreement, planning ahead offers clarity, reduces uncertainty, and minimizes the risk of disputes. In today's dynamic environment, where personal, business, and global complexities are deeply intertwined, succession planning is not just advisable – **it is essential for continuity, stability, and peace of mind.**

- ① **For investors, the message is twofold:**  
assess succession strength in the companies you invest in, and simultaneously design your own personal succession plan. This dual approach not only protects wealth but also ensures stability and continuity at every level.



# Performances



## (1) Equity Market

| Indices        | 01-08-2025 | 31-08-2025 | High      | Low       |
|----------------|------------|------------|-----------|-----------|
| BSE S&P SENSEX | 81,074.41  | 79,809.65  | 82,231.17 | 79,741.76 |
| NIFTY 50       | 24,734.90  | 24,426.85  | 25,153.65 | 24,337.50 |

## (2) Mutual Fund

### AUM Data of Mutual Fund

(INR. In Lakh Crore)

| Particulars                                | AUM As On<br>31-07-2025 | Fresh Fund<br>Mobilize During<br>Aug-25 | Redemption<br>During<br>Aug-25 | AUM As On<br>31-08-2025 |
|--|-------------------------|---|--------------------------------|-------------------------|
| Total AUM of all mutual<br>funds scheme    | 74.40                   | 11.12                                   | 10.59                          | 74.93                   |
| AUM of equity oriented<br>(growth) schemes | 32.76                   | 0.61                                    | 0.28                           | 33.09                   |

Source: Association of Mutual Fund of India (AMFI)

### SIP Contribution

(INR. In Crore)

| Month    | SIP Contribution | SIP AUM   |
|----------|------------------|-----------|
| Aug-2025 | 28,265           | 15,18,368 |



### (3) FII & DII Inflow/Outflow Position – Aug 2025

FII's selling in the month is 0.46 Lakh.

DII's buying in the month is 0.95 Lakh

(INR. In Crore)

| FII /DII   | Gross Purchase | Gross Sale | Net         |
|------------|----------------|------------|-------------|
| <b>FII</b> | 2.68 Lakh      | 3.14 Lakh  | (0.46) Lakh |
| <b>DII</b> | 2.94 Lakh      | 1.99Lakh   | 0.95 Lakh   |

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