



An Introduction To Succession Planning

Succession Planning Series #01

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Succession planning ?

Succession planning refers to the passing of assets, properties, investments, etc., from the legal owner to the intended beneficiaries.

It is a dynamic process that needs to be planned in order to avoid hardship among the family members / intended beneficiaries at a later point of time.

It is important to plan the succession, both at a family level as well as at a business level.

Issues of unplanned succession

Dying without a legal will/ understanding can lead to disputes among the family members w.r.t distribution of wealth.

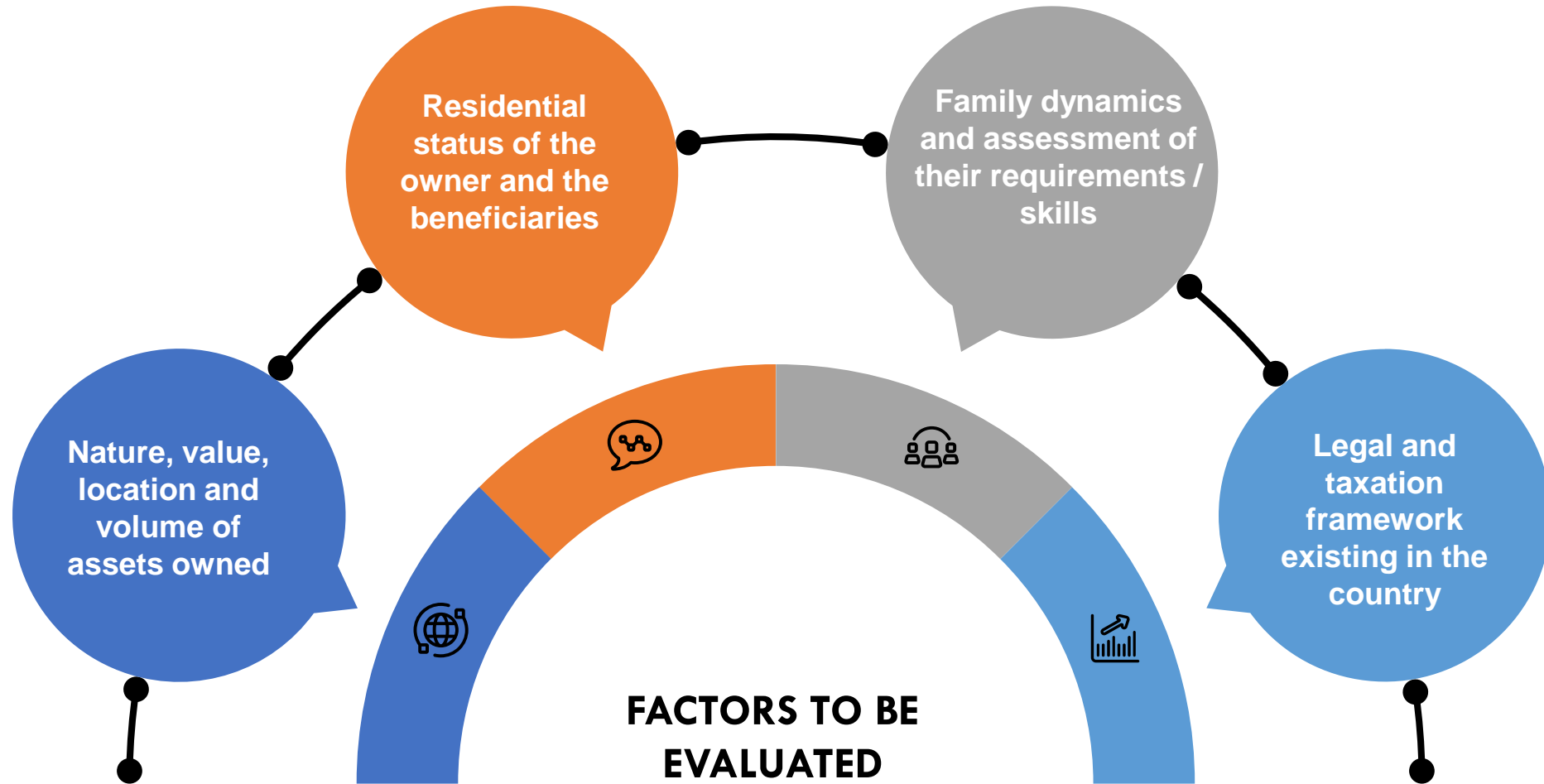
Lack of proper succession planning could lead to long drawn litigations among the family members and in turn would drain the family resources.



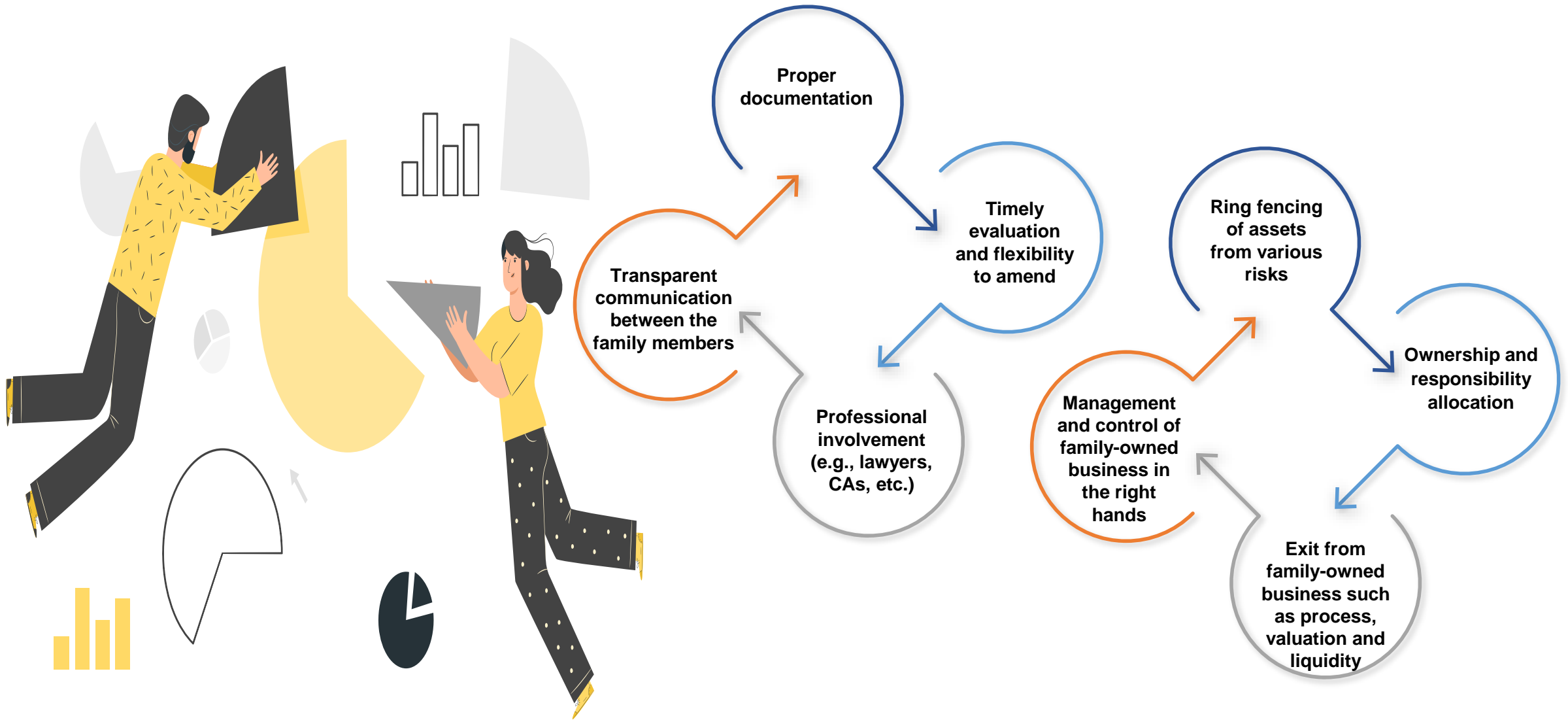
Lack of knowledge about the wealth owned by the deceased makes it difficult for the lawful successor to lay claims on properties of the deceased.

Unprofessional management of wealth by unintended beneficiaries leading to deterioration.

Factors to be evaluated in the process of succession planning



Elements of a good succession plan



Real life case studies

We have summarized a few examples from real life scenarios in the ensuing slides to get a better insight on Succession Planning.



Reliance Group



- **Dhirubhai Ambani** was a well-known business tycoon. He founded Reliance Industries in 1973 which is involved in various sectors across the country, including energy, petrochemicals, textiles, natural resources, retail, and telecommunications.
- He died of a sudden stroke in 2002. The net worth of Reliance Industries at the time of his death was \$2.9 billion. Surprisingly, there was no succession plan made by him.
- Dhirubhai's elder son, Mukesh Ambani, took over as Chairman and Managing Director of Reliance Industries, while younger son Anil Ambani took the role of Vice-Chairman.
- Within a few months of Dhirubhai's death, the Ambani brothers got entangled into a quarrel and soon the same came into public limelight. After 3 years, in 2005, their mother had to step in and resolve their fight after splitting the conglomerate into two different groups.
- Mukesh controlled Reliance Industries and IPCL. Anil controlled Reliance Infocomm, Reliance Energy and Reliance Capital.



Source: <https://www.tharawat-magazine.com/facts/succession-goes-awry-four-famous-examples/> ; https://en.wikipedia.org/wiki/Dhirubhai_Ambani

Hinduja Group

- **Hinduja group** is one of the successful family businesses in India. It was founded by Parmanand Deepchand Hinduja in the year 1914. It is operating in more than 38 countries in the world.
- The group is successfully run by the four brothers, sons of PD Hinduja. All the four brothers wanted the group to stick together and in the year 2014, the brothers signed a letter stating that all the assets will belong to them equally.
- SP Hinduja's (eldest brother) health had been deteriorating for a number of years. The clash begun when SP Hinduja's side of family claimed the sole ownership of Geneva based Hinduja Bank.
- Legal battle started between SP Hinduja and three brothers. SP Hinduja claimed that the above letter had no legal effect in the court.
- Although the claim on bank is a tiny part of the family's overall assets, the case raises broader ownership questions.



Source: https://www.business-standard.com/article/companies/hinduja-family-feud-puts-a-century-old-business-empire-in-jeopardy-121112400149_1.html ; https://en.wikipedia.org/wiki/Hinduja_Group

Prestige Group



- Prestige Estates Projects Limited ('Prestige') is a property development company in India founded by Razack Sattar in 1986. The promoter group, i.e., Mr. Irfan Razac, Rezwan Razack and Noaman Razack along with their respective family held 70% shares in Prestige.
- Pursuant to family arrangement, to create a unified structure of the assets of the families and to prevent future disputes and conflicts between the family members, promoters decided to hold the shares of listed entity, via Family Trust and the Family Trust settles to Master Trust. This provided flexibility to each Family to share the economic benefits as per their respective family terms.
- The settlor, trustees and the ultimate beneficiaries of the Master Trust are the existing promoters of the Prestige group or their immediate relatives.

The succession was planned through a twin trust structure. Stay tuned for further understanding about the said structure.

Source: SEBI/WTM/SR/CFD-DCR/12/03/2017; https://en.wikipedia.org/wiki/Prestige_Group

RPG Group

- The Rama Prasad Goenka Group ('RPG Group'), is an Indian industrial and services conglomerate. The RPG Group comprises over fifteen companies in the areas of infrastructure, tyres, technology, and specialty.
- Some of the companies held by the RPG Group are CEAT Tyres, Zensar Technologies, KEC International, RPG Life Sciences, Harrisons Malayalam, Raychem RPG, etc.
- In the year 2010, Mr. Rama Prasad Goenka divided the group businesses between his sons, Harsh and Sanjiv. Elder brother Harsh got tyre maker Ceat, power engineering firm KEC International, software firm Zensar Technologies, pharma outfit RPG Life Sciences.
- While Sanjiv got power generation and distribution firm CESC, chemicals company Philips carbon Black, the retail business and entertainment firm Saregama India.



Source: <https://timesofindia.indiatimes.com/city/kolkata/rama-prasad-goenka-completes-succession-plan/articleshow/7624569.cms> ; https://en.wikipedia.org/wiki/RPG_Group

Got more
questions?

*Stay tuned to our
Succession Planning Series*

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