CareEdge
ANALYTICS & ADVISORY
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Broking Industry in India

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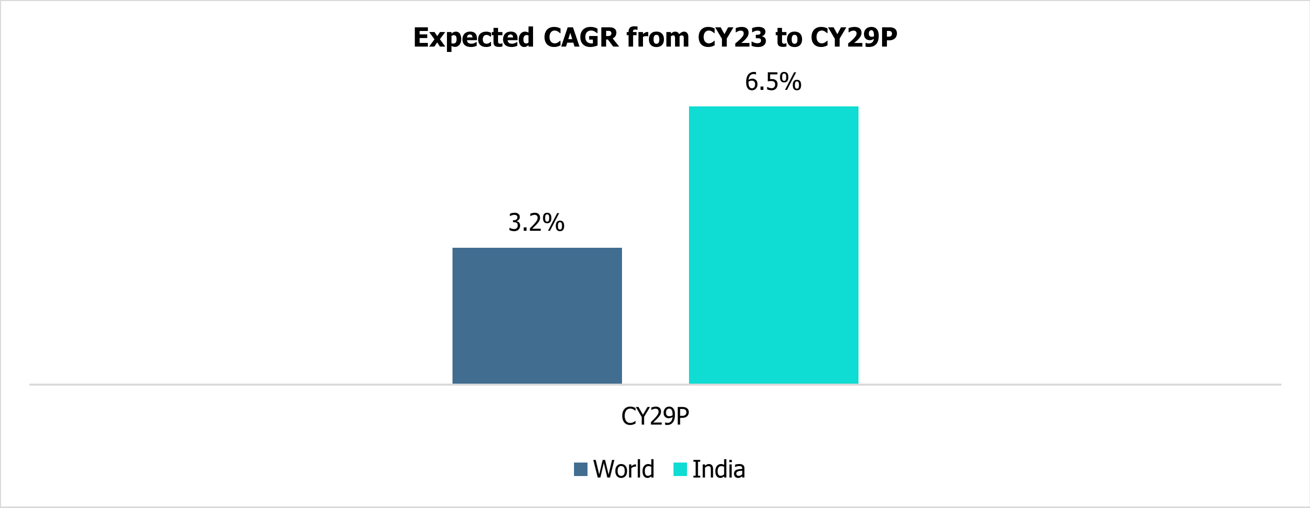
1 Economic Outlook

1.1 India expected to grow at 2x faster than global economic growth

The global economy has encountered significant challenges in recent years, including a pandemic, geopolitical conflicts, and extreme weather, which have disrupted supply chains and triggered energy and food crisis. Global real GDP growth is projected to grow at a CAGR of 3.2% from CY23 to CY29P. Despite these adversities, India's growth has demonstrated resilience, with its GDP growth surpassing that of other G-20 economies.

Chart 1: Global and India Growth Outlook Projections (Real GDP, growth from CY23 to CY29P)



Notes: P-Projection; Source: IMF – World Economic Outlook, October-24, January-25

1.2 India's GDP growth to stay resilient

After clocking a robust growth of 9.2% in FY24, real GDP growth for FY25 is estimated at 6.5%. Further, as per IMF, India's real GDP is projected to have a CAGR of 6.5% from CY23 to CY29. Domestic economic activity remains robust. Stronger performance in the industrial sector, a rise in investment activity, above-average monsoon, an increase in rural demand, high-capacity utilization, solid bank and corporate balance sheets, coupled with the government's focus on infrastructure investment, contribute positively to growth prospects However, while global uncertainties and supply chain challenges pose risks, India's domestic fundamentals and policy measures are expected to provide some support to growth.

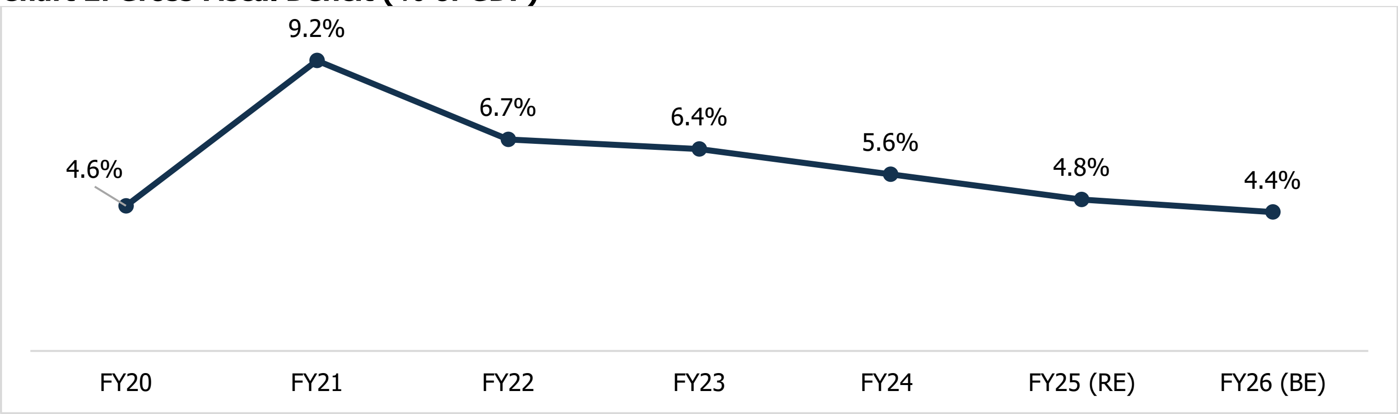
1.3 Union Budget FY25-26

The Union Budget FY25-26 aims to stimulate India's overall economic growth by focusing on key sectors such as agriculture, MSMEs, infrastructure, innovation, and exports. With a substantial increase in capital expenditure (Capex), particularly in areas like rural development, manufacturing, and skill-building, the budget emphasizes long-term economic resilience. Key initiatives include enhanced credit access for MSMEs through customized credit cards and a new Fund of Funds, which could boost demand for financial products and services. The focus on infrastructure development, including the Urban Challenge Fund and regional connectivity projects, is likely to create new investment opportunities. Additionally, tax reforms, such as simplified tax structures and increased exemptions, are likely to raise disposable income, encouraging higher savings and investment. These measures collectively provide financial firms with avenues to expand their offerings and support the growing demand for investment solutions.

1.4 Fiscal Consolidation fostering macroeconomic stability while promoting growth

Between FY20 and FY24, India's fiscal deficit reached a peak of 9.2% of GDP in FY21 from 4.6% in FY20 due to the economic impact of the COVID-19 pandemic, which led to lower tax revenues and increased government spending. The fiscal deficit for FY25 and FY26 is expected to be at 4.8% and 4.4%, respectively, which would be lowest since FY20. Also, the fiscal deficit has been steadily declining since FY21, this has helped in bringing yields on domestic paper lower which further supports in bringing cost of capital lower while crowding in private investments. With a history of twin deficit in India, lower fiscal deficit also aided in keeping checks on external balances thus fostering macroeconomic stability. Further, with a shift in the composition of expenditure from revenue expenditure to capital expenditure has allowed India to allocate more funds towards building infrastructure thus increasing India's potential growth.

Chart 2: Gross Fiscal Deficit (% of GDP)

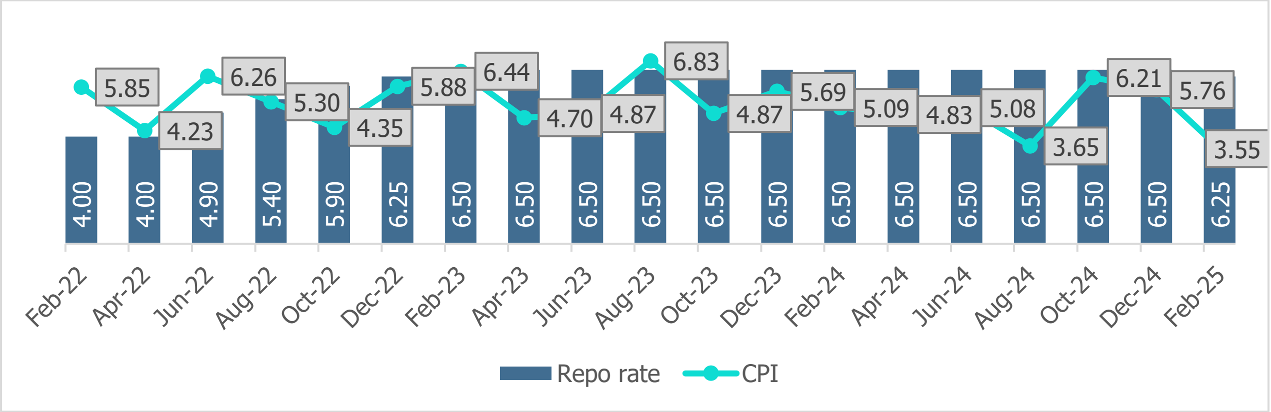


Note: RE-Revised Estimates, BE-Budget Estimates; Source: RBI

1.5 RBI eases repo rate to support growth as inflation aligns with the target

In a shift towards supporting economic growth, the Reserve Bank of India (RBI) has cut the repo rate to 6.25% in its February 2025 Monetary Policy Committee meeting. This move marks a change in the central bank's stance, as inflation has moderated, driven by favourable weather conditions and a decline in commodity prices, particularly crude oil. These developments provide a positive tailwind for the economy, allowing the RBI to focus on boosting growth while maintaining its medium-term inflation target of 4%, with a permissible band of ±2%.

Chart 3: Retail Price Inflation in terms of index and Y-o-Y Growth in % (Base: 2011-12=100) and RBI repo rate (in %)

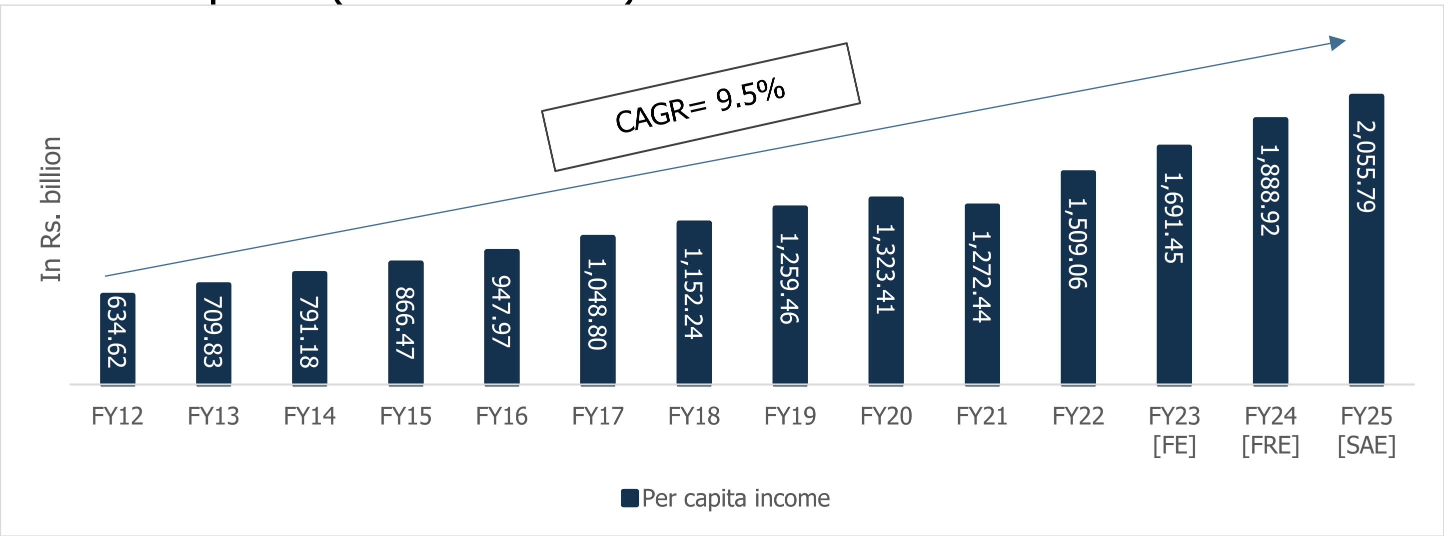


Source: MOSPI

1.6 Increasing per capita income to aid future growth

India's per capita income in current prices has increased nearly 3-fold in the last 13 years, a CAGR growth of 9.5%. The per capita final consumption expenditure has also increased 3-fold with CAGR growth of 15.8% in last 13 years.

Chart 4: Per capita NNI (Net National Income) in India



Note: SAE – Second Advance Estimates, FE – Final Estimate, FRE- First Revised Estimates; Source: MOSPI

1.7 Trends in household's financial savings tilting towards capital markets

Over the past few years, financial savings have undergone a compositional shift with more households diversifying their portfolio and shifting away from traditional instruments such as bank deposits to small savings, provident funds, pension funds and mutual funds. In FY12, bank deposits dominated household financial savings, contributing more than half of it. For FY23, bank deposits constituted only 35% of the households' financial savings.

The increase in formal jobs over the years has led to larger investments by the salaried class in provident and pension fund instruments, which also offer tax and retirement benefits. The share of mutual funds increased to 6.1% of gross savings in FY23 from 0.9% in FY12.

Table 1: Instrument wise flow of Household Financial Savings (in %)

As a % of gross savings	FY12	FY16	FY20	FY21	FY22	FY23
Bank Deposits	56.4%	41.6%	35.6%	39.2%	30.0%	34.7%
Non -banking deposits	1.1%	1.2%	2.4%	1.3%	1.8%	2.3%
Provident and Pension funds	10.3%	19.4%	19.5%	16.2%	21.1%	21.1%
Life insurance funds	21.0%	17.3%	14.2%	18.3%	18.2%	18.2%
Investment in small savings etc.	0.0%	3.6%	11.3%	8.1%	9.2%	8.0%
Currency	11.4%	13.4%	12.2%	12.5%	10.3%	8.0%
Mutual funds	0.9%	1.3%	2.7%	2.1%	6.1%	6.1%
Others	0.8%	1.9%	1.9%	2.3%	3.0%	1.4%
Trade debt, net	0.5%	0.3%	0.2%	0.1%	0.2%	0.3%
Gross financial savings of household (Rs. trillion)	**9.3**	**14.9**	**23.2**	**30.7**	**26.1**	**29.7**

Source: MOSPI

This trend, often referred to as financialization, is reshaping the landscape of domestic savings and investments. Several factors have facilitated this transition towards financial assets. Financial inclusion, digital infrastructure, demonetization, and innovations in financial products have all played an important role. The growth of financial savings has been robust, with retirement savings, insurance, and mutual funds showing an impressive average annual growth rate over the past decade. Additionally, the rising participation of youth in India's capital markets also reflect a significant shift in financial behaviour.

2 Overview of Capital Market in India

2.1 Overview of performance of capital markets in India in the last few years

India's capital markets, including stock, bond, derivative markets, and mutual funds, have significantly influenced the nation's financial system and economic development. Notably, the Bombay Stock Exchange (BSE) Limited is ranked as 6th largest stock exchange and National Stock Exchange of India Limited (NSE) ranked as 7th largest stock exchange in the world by market capitalisation as of Dec'24.

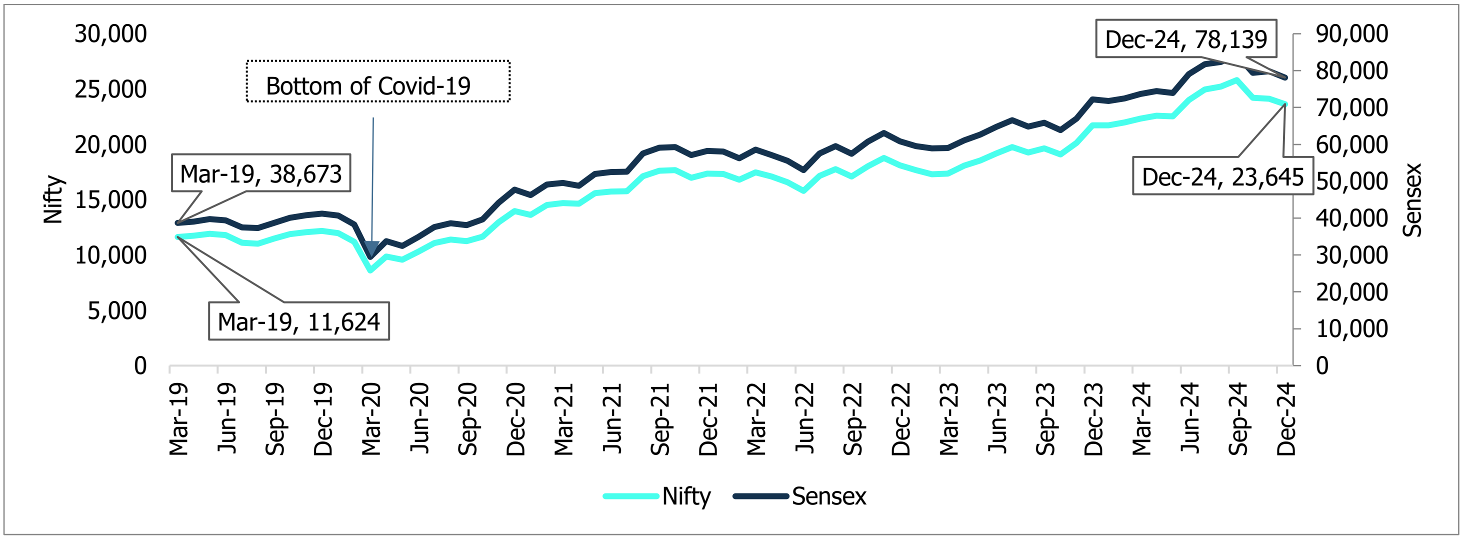
Reforms introduced by the Securities and Exchange Board of India (SEBI) have enhanced transparency, protected investor interests, and boosted market efficiency. The primary market has experienced significant growth especially in the contributions from Initial Public Offerings (IPOs) segment, driven by investor trust, efficiency, and transparency of capital markets. Additional, commodity and currency market have also witnessed remarkable traction.

Sustained earnings growth, favourable demographics, and rising consumer spending have encouraged domestic and international investor participation in India's stock markets, with Foreign Portfolio Investment (FPI) boosting liquidity and valuations leading to Nifty 50 witnessing healthy earning growth over the last two decades as compared to other major economies.

The mutual fund sector has also expanded due to greater financial literacy and digital adoption, with number of folios reaching 225 million as of Dec'24, indicating a CAGR of 21.3% between FY20-9MFY25. Net inflows in mutual funds stood at Rs. 7.5 trillion as of Dec'24, indicating a CAGR of 56.3% between FY20-9MFY25 New instruments, such as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (INVITs), have created additional investment opportunities. Overall, India's capital markets are becoming increasingly dynamic and inclusive through technological advancements, regulatory changes, and a growing investor base. However, capital markets around the world are susceptible to macroeconomic risks and geo-political tensions. In line, India's capital market also witnessed high volatility during COVID-19, general elections, geo-political tensions between Russia-Ukraine, hostilities between Israel and Palestine/Lebanon/Iran.

Indian stock markets on growth trajectory

Chart 5: BSE (Sensex) and NSE (Nifty) performance trends



Source: NSE, BSE, CareEdge Research

From bottom of Covid-19 (Mar’20) till Dec’24, both the BSE Sensex and NSE Nifty indices witnessed significant growth at a CAGR of 22.8% and 23.7% respectively, despite encountering periods of fluctuation. This impressive post-pandemic recovery can be linked to economic rebound, and strong corporate earnings, although there were some setbacks related to inflation and global economic uncertainties. Additionally, a growing interest from investors in capital markets has contributed to this upward trend.

Nifty 50 recorded highest five-year CAGR return

Table 2: CAGR returns of major indices between Mar’19 to Dec’24

Nifty 50	**13.1%**
Nikkei 225	11.6%
DAX	10.0%
Dow Jones	9.0%
BRAZIL IBOVESPA INDEX	4.1%
FTSE 100 Index	2.0%
Shanghai SE composite	1.4%
Hang Seng index	-6.3%

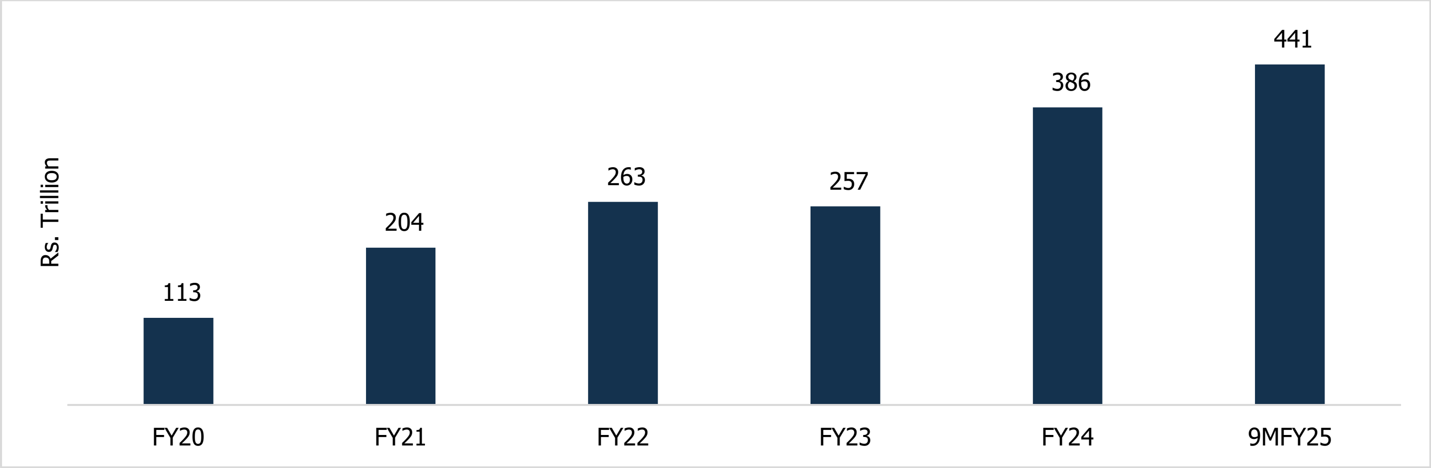
Source: SEBI Bulletin

From Mar’19 to Dec’24, the Nifty 50 delivered the best returns among global indices, rising from 11,623.9 to 23644.8, reflecting a strong ~13% CAGR. This growth was driven by India’s economic expansion, increasing corporate profitability, and growing foreign investor interest in emerging markets. The Nifty 50’s robust performance of last five years (Mar’19 to Mar’24) underscores the resilience and growth potential of the Indian market, outperforming many developed market indices. However, Nifty 50 has started witnessing correction amid uncertainty surrounding US tariffs, federal rate cut, rupee depreciation, FIIs withdrawing from Indian capital markets.

2.2 Trends in Market Capitalization

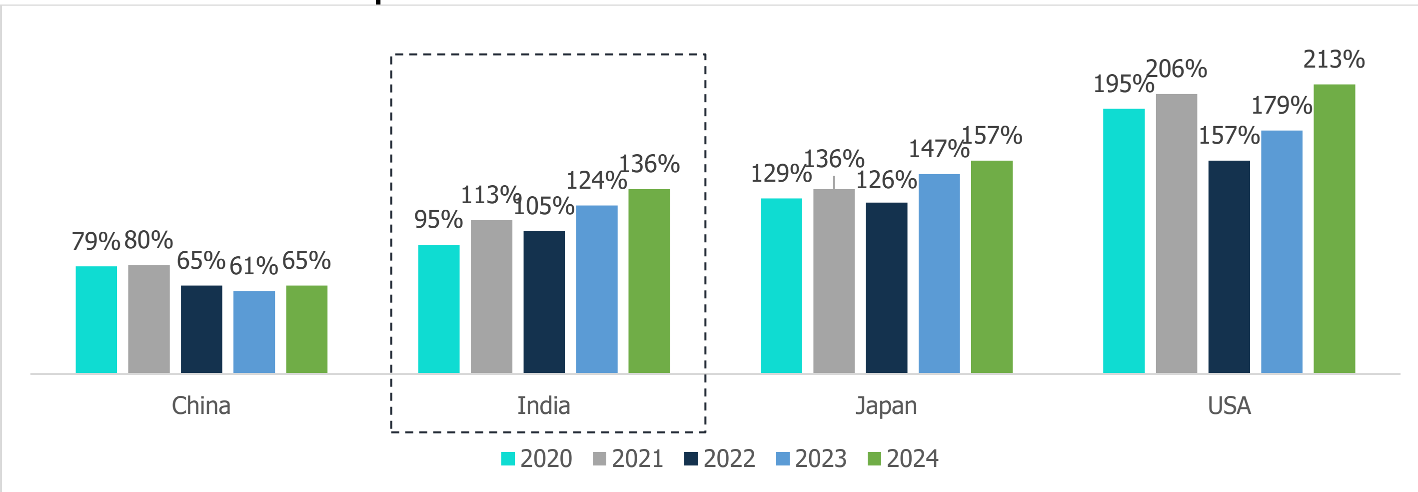
Over the years, India's robust economic growth amid global financial challenges, ample liquidity from the influx of domestic investors post-pandemic, and strong foreign portfolio investor (FPI) inflows have fuelled sharp growth in market capitalization.

Chart 6: Trends in India’s market capitalization listed on NSE



Source: NSE Market Pulse

Chart 7: Trend in Market Capitalization to GDP

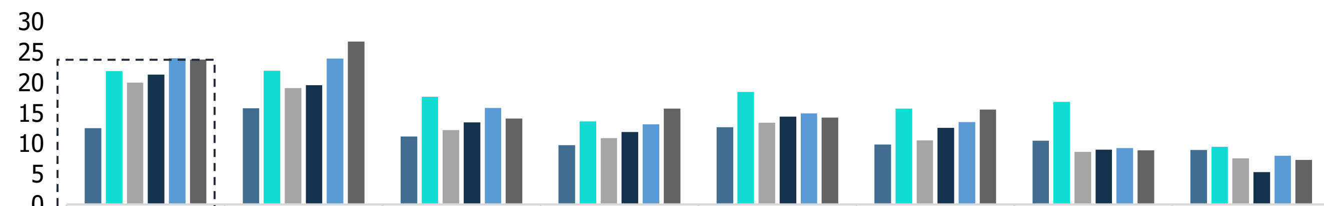


Source: Economic Survey 2024-25 Note: The data has been revised based on the 1st advance estimate of GDP released on 7 January 2025. Projected figures: GDP figures are taken from IMF projections, and market capitalisation is taken as at the end of Q2 of FY25 (i.e., Sep-24 end) for the US, India, Japan, and China market cap figures are as on the end of December 2024. Market capitalisation was taken country-wise as China (Shanghai and Shenzhen Stock Exchange), All India, Japan (Japan Exchange Group Inc.), and USA (NYSE and NASDAQ)

As at end of CY24, in terms of market capitalization to GDP, India ranks favourably among both developed and emerging economies. Post-pandemic economic growth, favourable demographics, rising foreign investment, and strong corporate performance bodes well for India. As one of the fastest-growing major economies, India is expected to remain an attractive investment destination, despite the high market capitalization to GDP ratio. India's GDP growth is likely to be supported by an under-penetrated capital market, increasing investor participation, a growing workforce, the China+1 strategy, and government's focus on economic growth.

2.3 Nifty 50 vs Global Indices

Chart 8: Trends in P/E ratio for major indices



	Nifty 50	Dow Jones	Nikkei 225	FTSE 100 Index	Hang Seng Index	DAX Index	Shanghai SE Composite	Brazil Ibovespa Index
FY20	12.5	15.8	11.2	9.7	12.7	9.8	10.5	8.9
FY21	21.9	21.9	17.7	13.6	18.5	15.7	16.8	9.5
FY22	20.0	19.1	12.2	10.9	13.4	10.5	8.6	7.6
FY23	21.3	19.6	13.5	11.9	14.4	12.6	9.0	5.3
FY24	24.0	24.0	15.8	13.2	15.0	13.5	9.2	8.0
9MFY25	23.8	26.8	14.1	15.7	14.3	15.6	8.9	7.3

FY20 FY21 FY22 FY23 FY24 9MFY25

Source: World PE Ratio, CareEdge Research

In comparison to other global indices, Indian benchmark index (Nifty 50) is trading at a higher PE multiple. This indicates that investors are willing to attribute a premium to the Indian markets owing to the country's promising economic trajectory, robust corporate earnings growth, a large consumer market, and favourable reforms. Notably, as per IMF, India is the fastest growing major economy in the world with real GDP growth rate estimated at CAGR of 6.5% for next 5 years. Further, Nifty 50 has witnessed healthy earning growth over the last two decades, registering EPS growth of almost 14.4% CAGR from FY20 to 9MFY25. Besides, while a high P/E ratio may indicate elevated expectations, they are also a testament to the optimism surrounding India's long-term economic story. However, it should be noted that recent correction phase of the market may have an impact on the PE multiple to some extent.

2.4 Overview of Primary Market Issuances in India

India's primary market has witnessed significant traction from FY20 to 9MFY25, with increased contributions from Initial Public Offerings (IPOs), Follow-On Public Offerings (FPOs) Qualified institutional placements (QIPs)/ Institutional Placement Programmes (IPPs), rights issues, and offer for sale (OFS).

Table 3: Rising trend in primary market issue volumes

Product	FY20	FY21	FY22	FY23	FY24	9MFY25
IPO	60	55	120	164	272	259
FPO	2	2	1	1	1	2
Right Issue	17	21	43	73	67	107
Preferential Issue	284	235	349	454	689	767
QIPs/IPPs	14	31	29	11	61	83
OFS through Exchanges	12	24	20	17	51	44
Total	**389**	**368**	**562**	**720**	**1,141**	**1,262**

Source: SEBI Bulletins

Note: All issues include aggregate volume of main board and SME segment issues

The Indian stock market has experienced bullish trends, largely witnessing upward momentum in stock indices between FY20-FY24. This favourable sentiment, particularly amongst institutional investors, encourages more companies to take advantage of market conditions and go public. Hence, companies are increasingly turning to IPOs to raise capital for expansion, pay off debts, and provide exit to private equity and institutional investors.

Table 4: Rising trend in primary market issues value (in Rs. Billion)

Product	FY20	FY21	FY22	FY23	FY24	9MFY25
IPO	213	310	1,126	548	680	1540
FPO	0	150	0	43	0	182
Right Issue	557	641	263	68	151	169
Preferential Issue	1,749	409	607	838	452	689
QIPs/IPPs	544	787	314	82	690	1263
OFS through Exchanges	145	232	146	127	245	259
Total	**3,208**	**2,529**	**2,456**	**1,706**	**2,218**	**4,101**

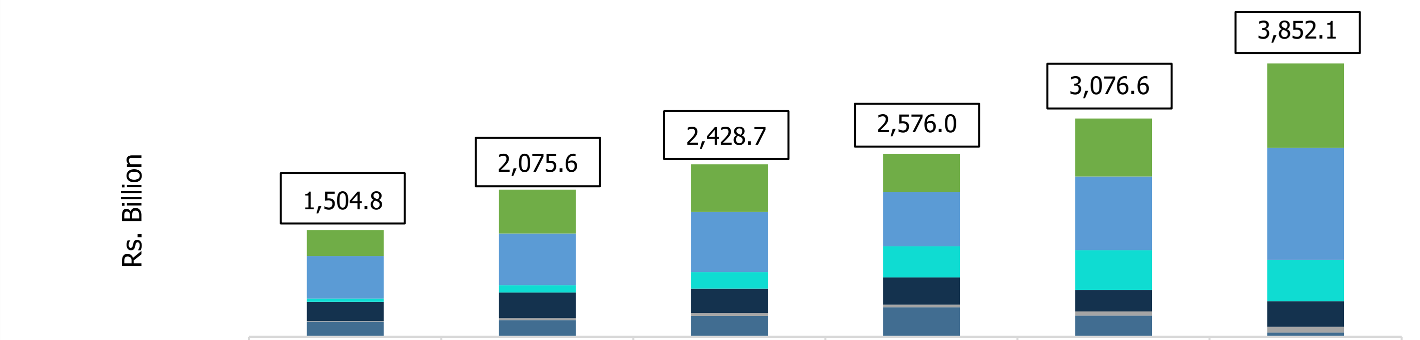
Source: SEBI Bulletin

Raising capital through IPOs has become a key strategy for Indian companies seeking funds for growth, and expansion. From FY20 to 9MFY25, the Indian market saw a notable increase in IPO activity, particularly post-pandemic in 2020-2021, as companies took advantage of favourable market conditions and abundant liquidity.

While the total capital raised (equity) dropped to Rs. 1,706 billion in FY23 from Rs. 2,456 billion in FY22—a 30.5% decline—the number of primary market issuances (equity) increased significantly, rising from 562 in FY22 to 720 in FY23. This trend reflects fewer large-value issuances but a higher volume of smaller transactions, indicating broader participation in fundraising activities at lower deal sizes. Further, during 9MFY25, the total number of primary market issuances (equity) reached 1,262 (1,141 during FY24) and total capital raised from these issuances reached Rs 4,101 billion (Rs 2,218 billion in FY24) reflecting strong market sentiments.

2.5 Trend in NSE Average Daily Turnover

Chart 9: Segment-wise NSE ADTO– By Value



	FY20	FY21	FY22	FY23	FY24	9MFY25
Cash Market	364.3	618.4	668.0	534.3	817.2	1,187.6
Stock Futures	602.2	726.8	848.3	766.0	1,038.5	1,578.8
Index Options	43.7	105.6	235.6	440.0	561.8	581.9
Index Futures	270.3	363.4	339.9	382.4	301.5	363.8
Stock Options	9.3	23.3	41.9	37.5	56.0	80.7
Others*	214.9	238.2	295.0	415.9	301.6	59.4

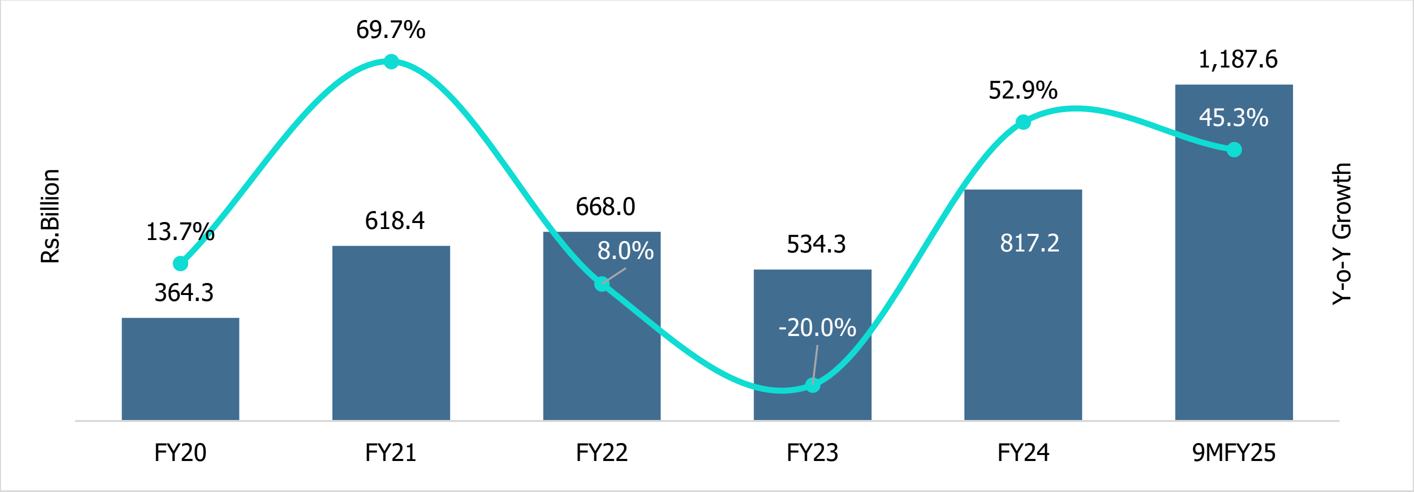
Source: NSE, 9MFY25 (Apr'24-Dec'24)
Note: Options ADTO is derived based on premium turnover, Others include currency derivatives, interest rate derivatives and commodity derivatives

From FY20 to 9MFY25, the average daily turnover across all segments of the NSE grew significantly. The total turnover increased from ~Rs. 1,505 billion in FY20 to ~Rs. 3,852 billion in 9MFY25. This rise is driven primarily by the sharp growth in the cash market, stock futures, and index options segments. While stock options and index futures recorded moderate increases, the cash market surged from ~Rs. 364 billion in FY20 to ~Rs. 1,188 billion in 9MFY25, stock futures increased to ~Rs. 1,579 billion in 9MFY25 from Rs ~602 billion in FY20 and index options rose from Rs. 43.7 billion in FY20 to Rs. 581.9 billion in 9MFY25.

Overall, the growth of ADTO can be attributed to increased retail participation as investors seek to diversify their savings. Furthermore, with rising awareness, deeper penetration in Tier2/3 Cities, rise of brokers, financial planners, and wealth management firms, investors began to utilize their savings for better returns.

2.6 Cash Market Segment ADTO Trends

Chart 10: Trends in average daily turnover in NSE cash market segment



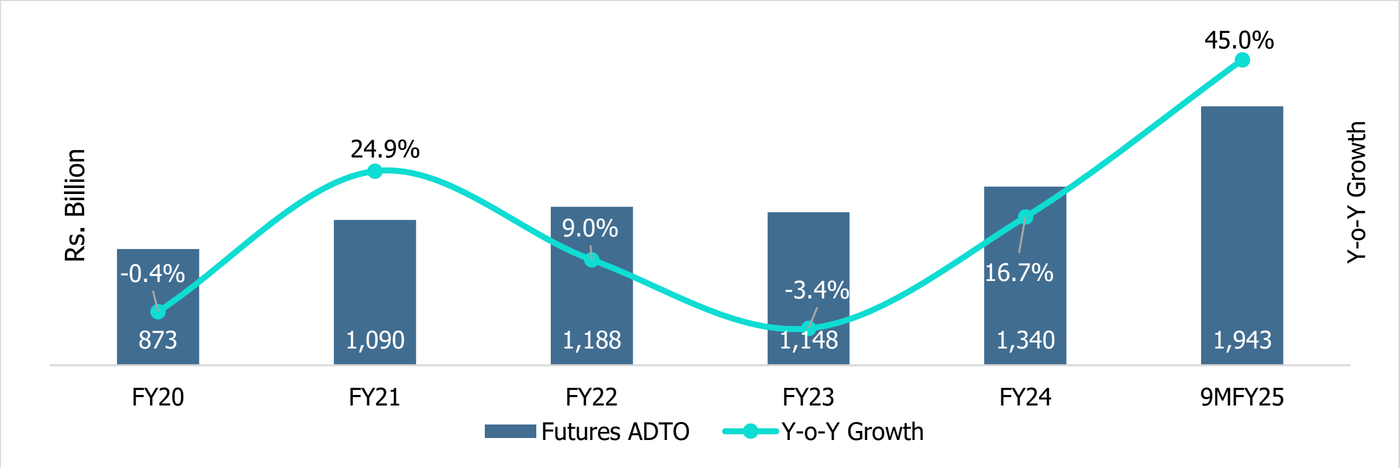
Source: NSE, CareEdge Research
Note: 9MFY25 growth is over FY24

In 9MFY25, ADTO of cash market reached Rs. 1,187.6 billion, a 45.3% increase over FY24 at Rs. 817.2 billion. This growth in cash market can be attributed to rise in retail participants. With the increasing penetration of digital trading platforms and greater financial literacy, retail investors have become key growth drivers of the market. Their involvement supports the diversification of investment sources, making the Indian financial markets more resilient.

2.7 Equity derivative (Futures and Options) ADTO trends

The equity derivatives market in India plays a crucial role in offering investors a range of instruments for managing risk and engaging in speculative activities, increasing the efficiency of the overall market. Investors use diverse strategies such as hedging, arbitrage, and speculative trading to mitigate risks and optimize their returns when investing in the futures and options market. It is regulated by the Securities and Exchange Board of India (SEBI), which ensures that trading practices are fair, transparent, and focused on protecting investors.

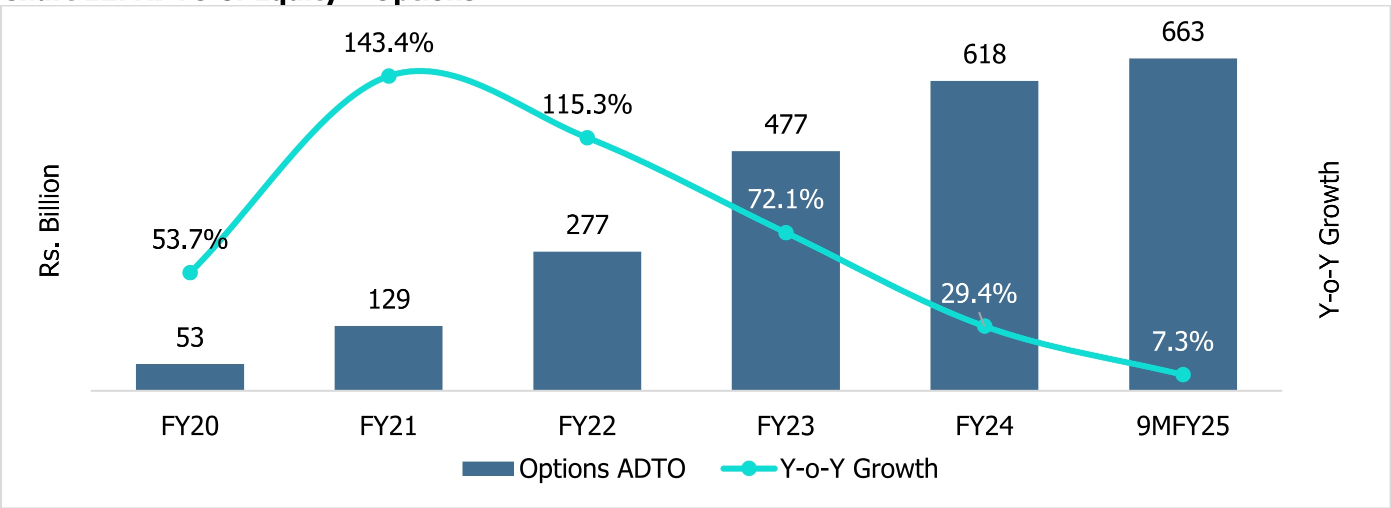
Chart 11: ADTO of Equity -Futures



Source: SEBI, CareEdge Research
Note: 9MFY25 growth is over FY24

In FY24, equity derivative futures ADTO reached Rs. 1,340 billion, a 16.7% increase from FY23. In 9MFY25, ADTO of equity derivative futures reached Rs. 1,943 billion, indicating 45% increase over FY24.

Chart 12: ADTO of Equity – Options



Source: SEBI, CareEdge Research
Note: Turnover includes Premium turnover, 9MFY25 growth is over FY24

The options segment's ADTO reached Rs. 663 billion during 9MFY25, up 12-fold over FY20. The uptick in F&O segment is led by strong retail interest that drives growth, especially in derivatives amid greater accessibility through mobile apps and online resources.

2.8 Trends in volume trades across top cities in India

Mumbai accounts for lion's share of India's trade volumes on NSE

While Mumbai remained the leading city, Ahmedabad showed the most impressive growth, with other cities accounting for smaller shares.

Mumbai consistently dominated participation, especially in NSE, accounting for 63.6% of NSE trading volumes for 9MFY25. Ahmedabad saw significant growth, particularly in NSE, where its share surged from 1.7% in FY20 to 16.9% in 9MFY25. Kolkata, while strong in early years, declined on NSE from 5.2% in FY20 to 1.5% in 9MFY25. Cities like Bengaluru, Hyderabad, and Chennai had minor but fluctuating participation. Notably, proprietary trading hubs like Rajkot and Vadodara saw a steady presence across the years.

Table 5: City-wise share in trading volumes on NSE (%)

City	FY20	FY21	FY22	FY23	FY24	9MFY25
Tier1 Cities						
Mumbai	64.0	67.0	67.6	68.0	66.2	63.6
Ahmedabad	1.7	4.1	9.1	11.2	15.6	16.9
New Delhi	5.9	5.2	0.1	3.7	2.2	2.1
Chennai	0.9	0.6	5.0	0.9	0.9	0.9
Hyderabad	3.1	3.5	0.0	2.5	2.5	2.6
Pune	0.1	0.1	0.3	0.4	0.4	0.4
Kolkata	5.2	4.3	0.2	4.2	1.8	1.5
Bangaluru	3.2	2.0	1.2	0.8	1.9	3.3

City	FY20	FY21	FY22	FY23	FY24	9MFY25
Tier 2 Cities						
Bhubaneswar	0.0	0.0	0.0	0.0	0.0	0.0
Patna	0.0	0.0	0.0	0.0	0.0	0.0
Coimbatore	0.1	0.1	0.5	0.1	0.0	0.0
Guwahati	0.0	0.0	5.4	0.0	0.0	0.0
Indore	0.3	0.4	2.7	0.3	0.1	0.2
Ludhiana	0.1	0.1	0.1	0.1	0.0	0.0
Vadodara	0.2	0.2	0.2	0.1	0.1	0.1
Jaipur	0.3	0.3	0.4	0.2	0.2	0.2
Rajkot	1.1	0.9	0.8	1.0	0.5	0.6
Kanpur	0.1	0.1	0.3	0.3	0.1	0.2
Mangalore	0.0	0.0	0.0	0.0	0.0	0.0
Ernakulam	0.7	0.7	0.7	0.4	0.3	0.3
Others	13.0	10.6	5.6	6.0	7.1	7.4
Total	**100**	**100**	**100**	**100**	**100**	**100**

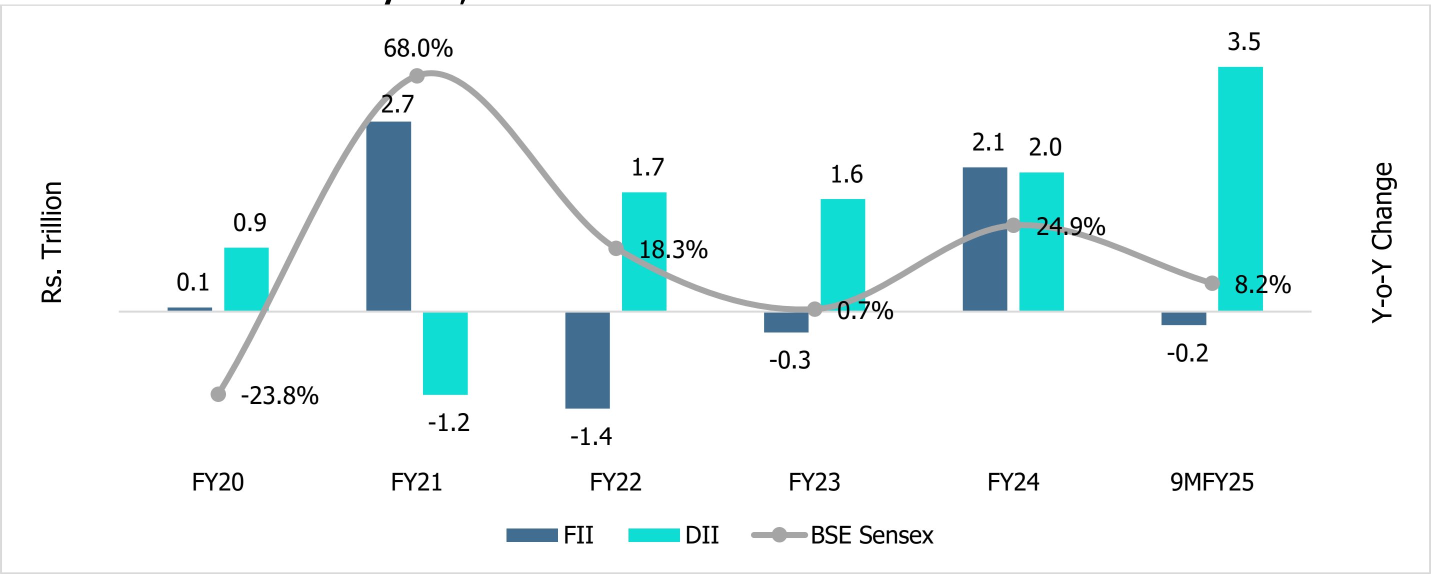
Source: SEBI Bulletin, the turnover is of Cash Segment Only

2.9 Trends in Foreign Institutional Investors (FIIs) & Domestic Institutional Investors (DIIs) inflows and outflows in Indian capital markets

Over the years dominance of FII investments in Indian markets has faded, as DIIs and retail investors have become driving force of the capital markets

In the Indian capital markets, FIIs and DIIs - Mutual funds have displayed different patterns over the past five years. FIIs showed fluctuation, experiencing net inflows in FY20 and FY21, but significant outflows in FY22 caused by worldwide economic uncertainties like inflation, increasing interest rates, and geopolitical tensions. In FY24, FIIs came back to Indian stocks due to better economic conditions.

Chart 13: Net investments by FIIs, DIIs vs trends in BSE Sensex



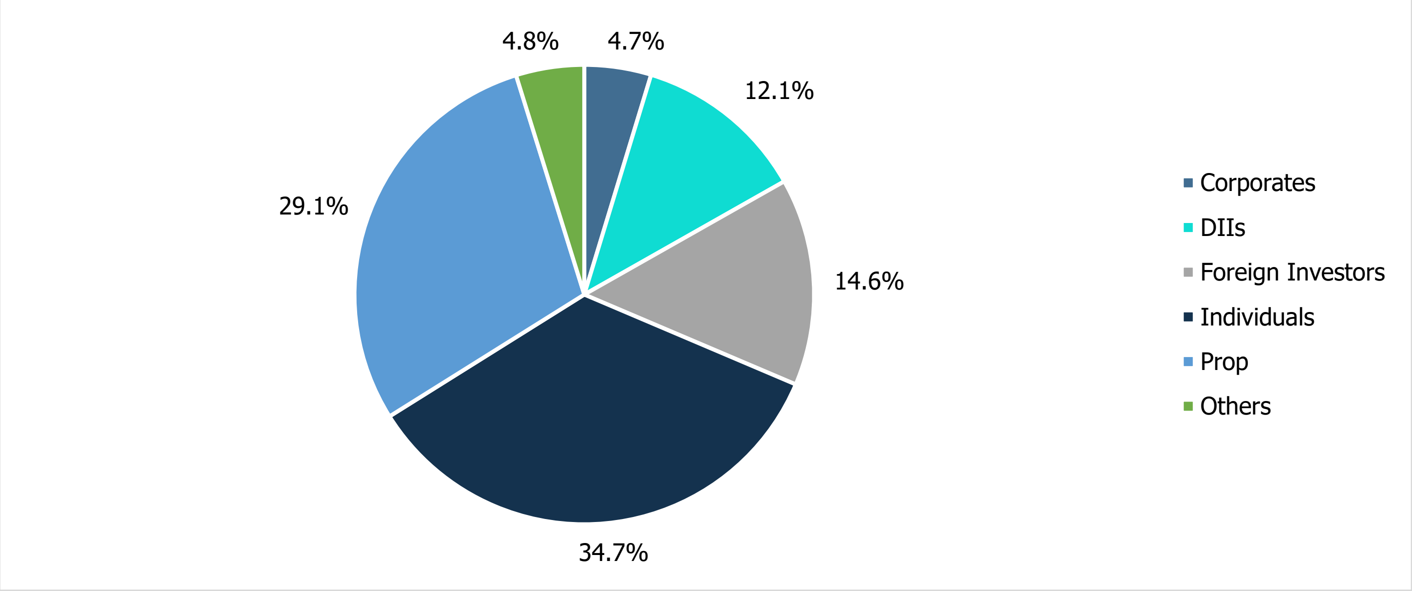
Source: CMIE, CareEdge Research
Notes: Net investments = Purchase – Sales
9MFY25 growth is over FY24.

In FY24, FII investments rebounded, supported by India's market resilience, and strong economic growth. In 9MFY25, FIIs net outflows were Rs. 0.2 trillion. DIIs continued to significantly invest in Indian Equities, indicating growth potential, trust, and efficiency of capital markets with net inflows of DIIs growing to Rs. 3.5 trillion in 9MFY25. The growth in DIIs net investments presents significant opportunities for mutual fund distributors and brokerage houses to expand their reach in the growing market.

2.10 Share of retail participation across market segments

Retail Individuals account for lions share in Cash Market Segment

Chart 14: Share of client participation in Cash Market Segment as of Jan’25 (%)



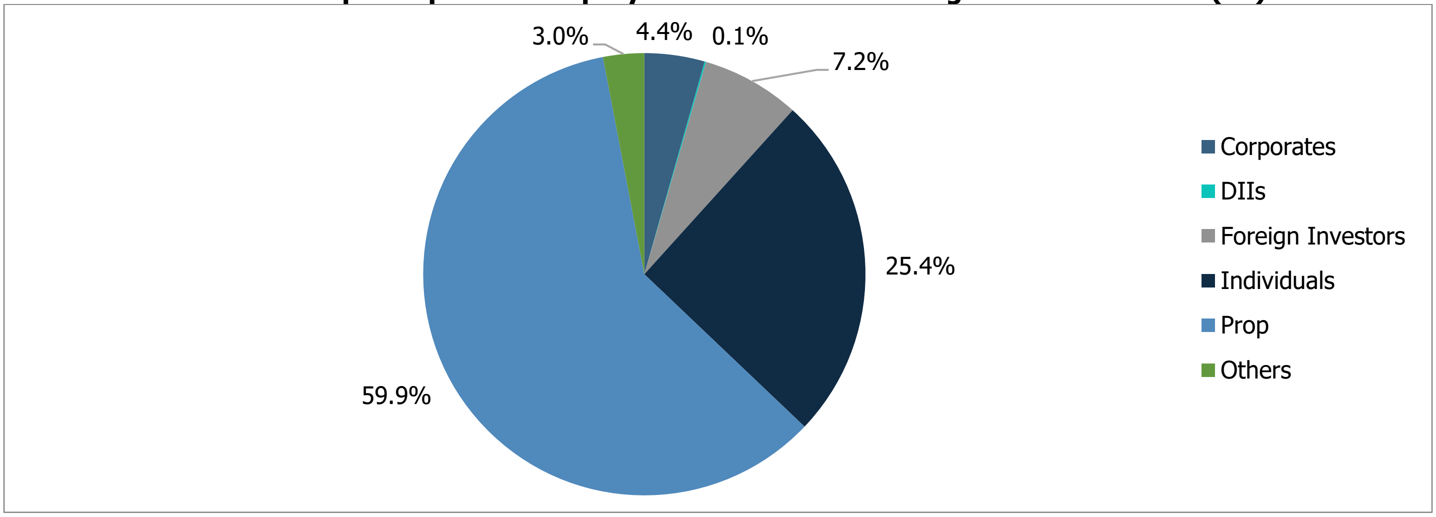
Source: NSE Market Pulse, CareEdge Research

Note: 1. As per NSE pulse, DIIs: Domestic Institutional Investors include Banks, Mutual Funds, Insurance Companies, NBFCs, Domestic VC Funds, AIFs, PMS clients etc., Foreign investors: Foreign Institutional Investors include FPIs, FDIs, Foreign VC Funds, OCB and Foreign Nationals etc., Prop: PRO Trades, Individual investors: individual domestic investors, NRIs, sole proprietorship firms and HUFs, Others: Partnership Firms/LLP, Trust / Society, Depository Receipts and Statutory Bodies, etc. Client categories are based on the information provided by trading members in UCC database. 2. Above data represents share in turnover

As of Jan’25, Individual investors accounts for a major chunk of participation in the cash market segment at over 34.7%, followed by Prop and foreign investors at 29.1% and 14.6%, respectively.

Retail Individuals account for over 25% of equity derivative market segment participants

Chart 15: Share of client participation in Equity Derivatives Market Segment as of Jan'25 (%)

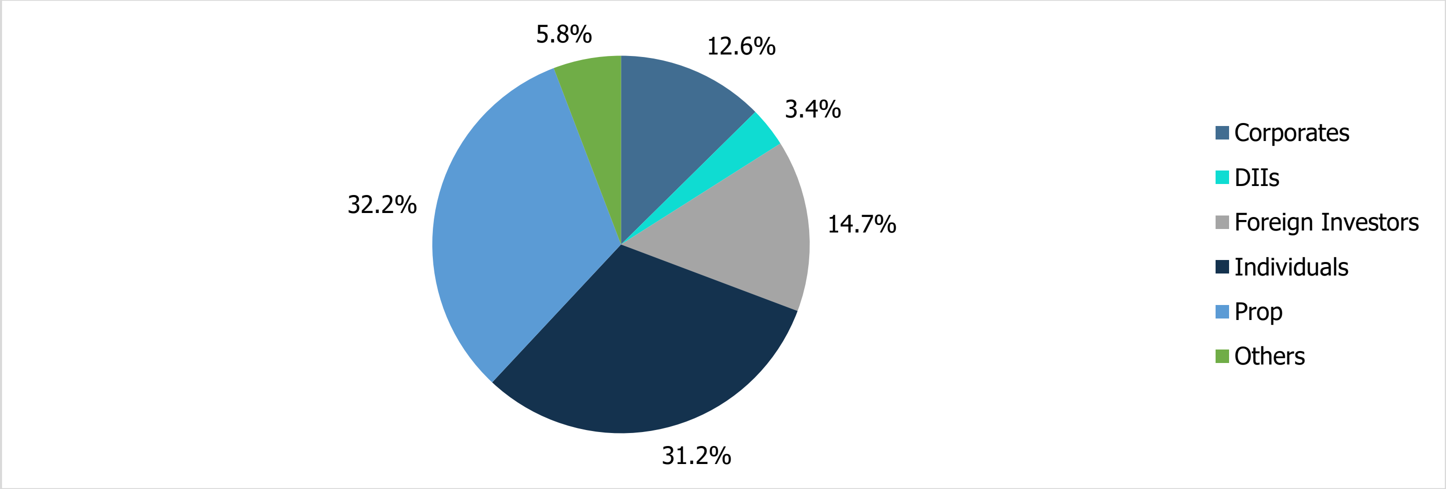


Source: NSE Market Pulse, CareEdge Research
Note: Above data represents share in turnover

As of Jan'25, Prop investors account for ~60% of equity derivative market participants. Individual investors are the second largest equity derivative market participants, accounting for 25% of total market participants in the equity market segment.

Individuals accounted for over 30% of Index Futures market participants

Chart 16: Share of client participation in Index Futures Market Segment as of Jan'25 (%)



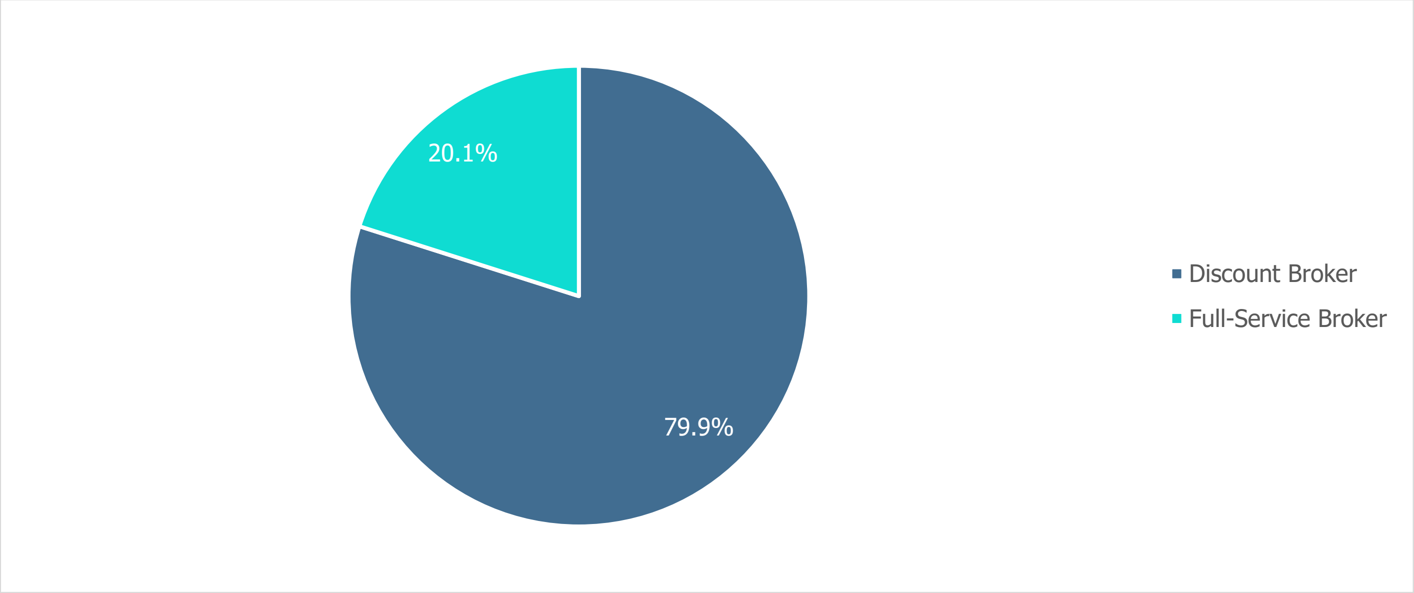
Source: NSE Market Pulse, CareEdge Research

Note: Above data represents share in turnover

Prop and Individual investors combined accounted for over 63% of Index Futures market participants, indicating high interest in future growth prospects of the economy and high retail participation.

Retail Individuals account for over 15% of stock futures market participants

Chart 17: Share of client participation in Stock Futures Market Segment as of Jan'25 (%)

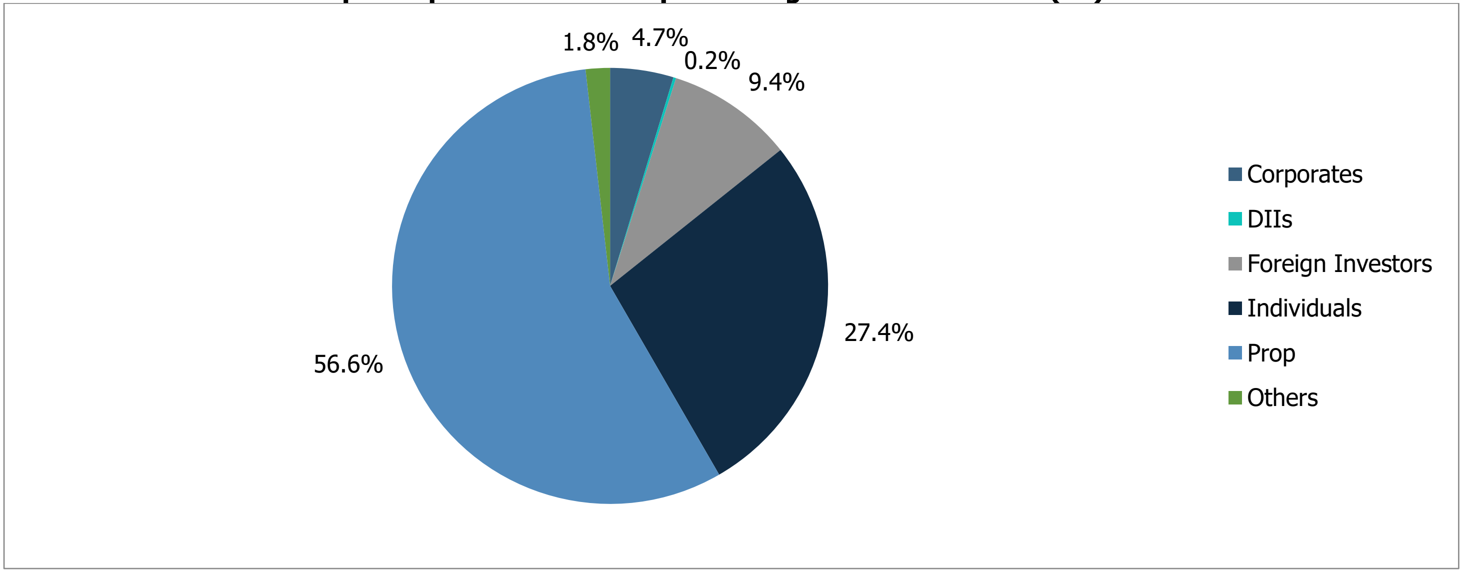


Source: NSE Market Pulse, CareEdge Research
Note: Above data represents share in turnover

As of Jan'25, Prop accounts for largest chunk in stock future segment at 34.8%, followed by foreign investors and individual investors at 28.1% and 15.5% respectively.

Individuals account for more than a quarter of stock option segment participants

Chart 18: Share of client participation in Stock Options Segment as of Jan'25 (%)

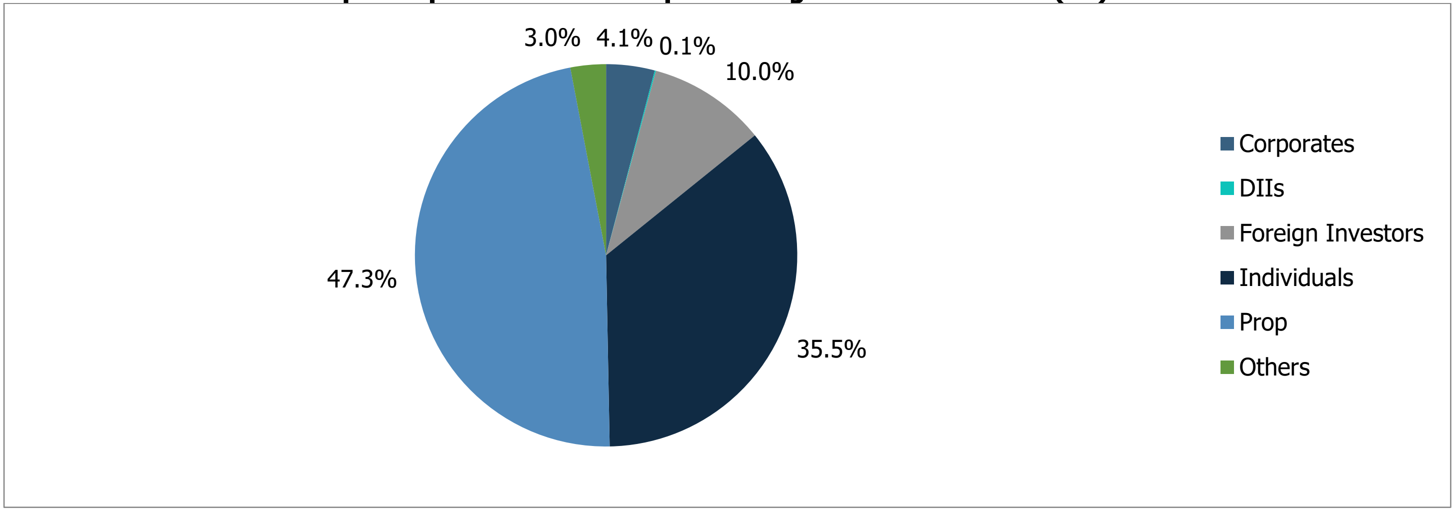


Source: NSE Market Pulse, CareEdge Research
Note: Above data represents share in turnover

Prop and Individual investors are the largest participants in stock options segment, combined accounting for over 84% of market participants within the segment.

Individuals account of over a third of index option segment participants

Chart 19: Share of client participation in Index Options Segment as of Jan’25 (%)



Source: NSE Market Pulse, CareEdge Research
Note: Above data represents share in turnover

Prop and Individual investors combined accounted for over 82.8% of Index options market participants, while FIIs and DIIs combined accounted for a little over 10% of Index options market participants.

2.11 Key Growth Drivers for Capital Market Linked Businesses

The growth drivers for capital market-linked businesses are linked to overall economic growth, as both are interconnected. Here are few key factors driving growth in India's capital markets:

Demographics of India	• India's youthful demographic drives significant capital market growth. As of August 2024, the median age of NSE registered investors stands at 32 years, with 40% under 30. Five years ago, the median age was 38. Over 20% of current investors are females. This young demographic shows a strong inclination towards digital solutions and wealth creation.
Rising Per Capita Income	• India's per capita GDP at current prices is expected to increase by 8.9% y-o-y in FY25 over FY24, prompting an increase in financial investments in stocks, bonds, and mutual funds.
Increasing penetration of Capital Markets	• The rising household savings in India augments the domestic capital pool, thereby enhancing participation in equity and debt markets. Households are diversifying their portfolios and shifting away from traditional instruments such as bank deposits to equities, small savings, provident funds, pension funds and mutual funds.
Increase in Financial Literacy	• Growing financial literacy and awareness encourage more people to invest in equities, supported by increasing incomes and technological advancements.
Digital Payments Boom	• The surge in digital payments facilitates market participation, providing easier access to financial markets for individuals.
Internet Penetration	• Internet penetration in India increased from 36.7% in 2018 to 70.9% in 2023 and is expected to reach 85.9% by 2028. Government initiatives like Digital India and BharatNet contribute to bridging the digital divide between urban and rural areas.
Smartphone Penetration Driving Mobile Trading	• The rise in smartphone usage makes capital markets more accessible through mobile trading platforms, particularly for younger, tech-savvy investors.
Structural and Regulatory Reforms	• India has implemented key reforms, such as faster settlement cycles and SEBI regulations, to improve market efficiency, transparency, and investor protection.

2.12 Key Risks Related to Capital Markets

Capital markets face the following risks that can impact both investors and overall financial system.

- **Market risk** –Market risk is frequently influenced by shifts in economic circumstances, investor attitudes, or geopolitical incidents, which are challenging to foresee and manage. Also, large trades can have a significant impact on stock prices as the size of Indian market is small as compared to markets on a global scale. Hence, it is crucial for institutional traders to be vigilant about how they execute the orders in the market to minimize the costs due to market impact.

- **Credit risk -** Bond investors face losses when issuers default on debt obligations, as seen in the IL&FS crisis.

- **Liquidity risk –** Low liquidity during financial instability forces asset sales at reduced values, affecting market prices.

- **Regulatory Risk –** Policy changes, trade regulations, or political instability disrupt markets, especially globally exposed industries, can have adverse impact on the market.

- **Operational and systemic risks -** Breakdowns, like cyberattacks or fraud disrupt operations, while systemic risks threaten financial system collapse, as seen in the 2008 crisis. Natural disasters or technological disruptions further amplify risks.

The significance of strong risk management plans and diversification is underscored by these risks in guiding investors through uncertainties of the capital markets.

3 Overview of broking industry in India

3.1 Introduction to Broking Industry in India

The broking industry plays a crucial role in the Indian financial markets by acting as an intermediary between buyers and sellers of securities such as stocks, bonds, commodities, and other investment assets. Brokers facilitate the trading of these financial products, ensuring liquidity, efficient price discovery, and proper capital allocation across the markets. India's brokerage industry is highly competitive and particularly crowded. The market features numerous large and small players, resulting in intense competition. Additionally, the brokerage landscape is fragmented, comprising a considerable number of entities registered with SEBI. Over time, the industry has evolved significantly, largely due to technological advancements, with online trading platforms revolutionizing the way trades are executed.

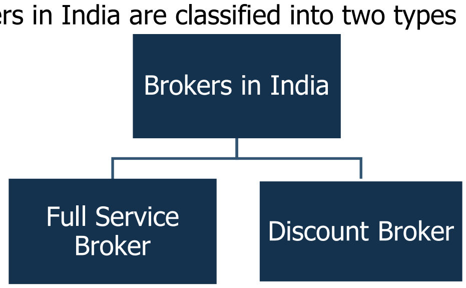
To position themselves better, brokers often offer enhanced graphical user interfaces with modern charting techniques, strategy-building tools to trade in derivatives, offer margin and credit facilities, high-frequency data feed, etc. These modern-day facilities require significant infrastructure and technological capability in which these players have actively invested.

As players have scaled up their technology infrastructure significantly, additional expenses, such as manpower, branches, and costs associated with scaling up in newer geographies, etc., have come down because of the digitalization of their operations. The broking industry is continuously adapting to changing regulations, technological innovations, and evolving investor needs, ensuring that it remains a key player in the financial ecosystem.

3.1.1 Type of Brokers in India

The Indian financial services industry is intensely competitive, and the Broking Business is particularly competitive with a sizeable number of large and small operators.

Brokers in India are classified into two types based on the services they offer:



- **Full-Service Broker**

A full-service broker is a licensed firm offering a wide range of services, which may include, research advisory, investment advisory services, wealth management, mutual fund distribution and Portfolio Management Services (PMS). Additionally, full-service brokers also provide Margin Trade Finance Products. Unlike discount brokers, full-service brokers operate both online and offline, with branch offices and dedicated Relationship Managers (RMs) for customer support. They employ experts that provide in-depth research through a specialized team that conducts technical and fundamental analysis, publishing reports on stocks, companies, and markets. These brokers offer comprehensive investment solutions, such as financial planning, portfolio management, and tax advice. They cater to a broad spectrum of investor needs, making them attractive not only for beginners who require guidance but also for experienced investors seeking advanced tools and insights. Full-service brokers are trusted for their reliability, regulatory compliance, and strong security features, ensuring the protection of clients' funds and personal information. The development of discount broking has made the process of trading more accessible, enabling both retail and institutional investors to trade from anywhere, which has reshaped the industry.

- **Discount Broker**

The shift to online stock trading has given rise to discount brokers in India. These brokers are gaining popularity due to their low, fixed brokerage fees, which apply regardless of trade value. Discount brokers focus on executing orders at reduced costs but do not provide personal consultations, advisory services, research, tax planning, or estate planning for clients.

Full-Service Vs Discount Brokers

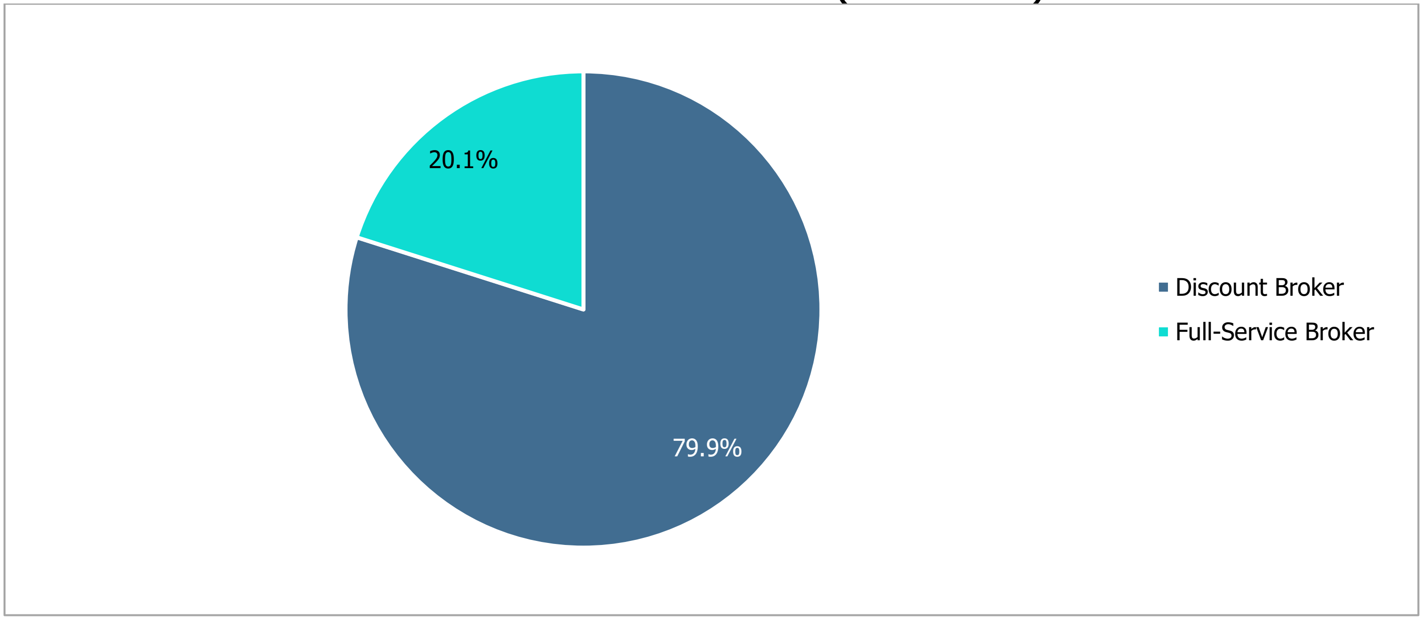
Table 6: Full-Service Vs Discount Brokers

Services	Full - Services Brokers	Discount Brokers
Service Offerings	Offers personalized relationship managers (RMs), market research, portfolio analysis, call and trade facility, and more.	Does not provide a personal dedicated RM, only offers a call and trade facility on a charge basis, and lacks investment advice and research reports, focusing solely on trading
Cost Structure	Charges are based on a percentage of total trade value, typically less than 1% of trade volume	Charges a flat rate or fixed monthly brokerage for unlimited equity trading
AMC	Most accounts incur annual maintenance fees (AMCs)	No or minimal AMC for trading accounts.
Investment Advice	Provides personalized investment advice to their clients with use of their Relationship Mangers	Does not provide investment advice
Local Presence	Has branches in various cities as channel partners or sub-brokers to assist clients	Lacks branches, relying majorly on its own online platform or business development partners
Technology	Offers standardized and advanced technology without customization options	Provides advanced technology with customization options through APIs
Relationship Building	Build relationships through personal Relationship Managers	Focuses solely on trading relations without personal relationship management
Allied services	Offers financial planning, estate planning, or tax preparation services. Full-Service Broker also provides basket of Distribution products like MF, PMS, AIF, Fixed Income distribution etc.	Generally, offers basic trading services and research tools

Source: CareEdge Research

3.1.2 Split between Discount Brokers and Full-Service Brokers

Chart 20: Share of Discount Brokers and Full-Service Brokers (Active Clients)



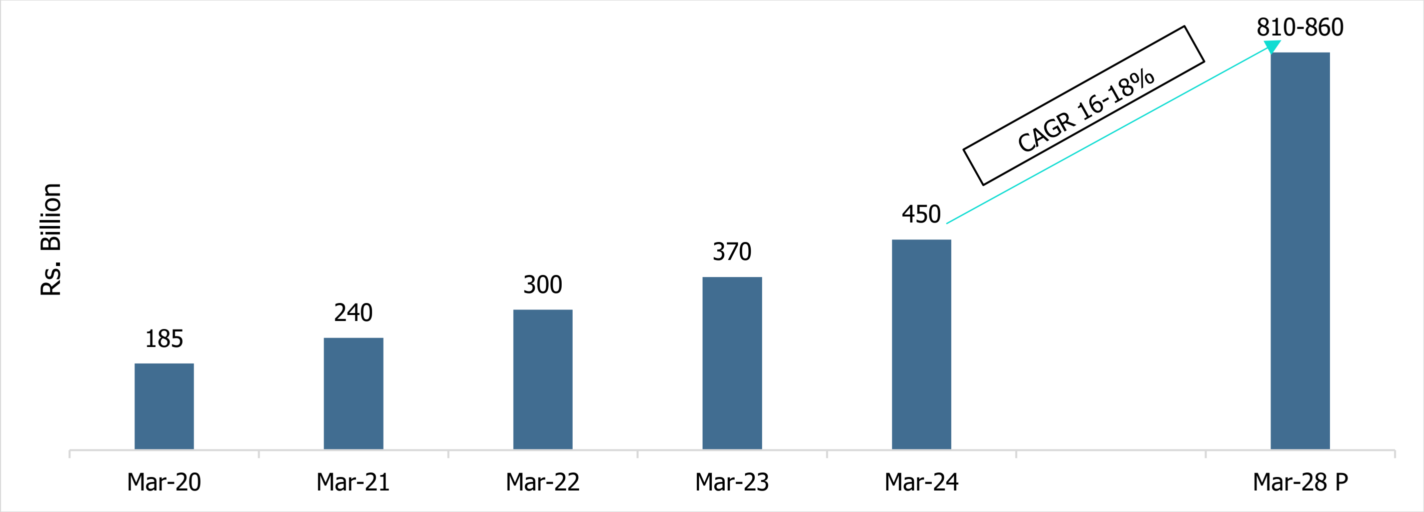
Source: NSE, CareEdge Research

Note: Market Share is a percentage of total active clients as on 31st December 2024

The brokerage market is divided between discount and full-service brokers, each catering to varied client needs. Discount brokers, offer modern trading platforms with low fees, attract a significant share of young and first-time investors, resulting in a higher client base as compared to full-service brokers. Over time, brokers have expanded their offering to include investment advisory, AIF/PMS, and distribution of financial products like mutual funds.

3.2 India's Broking Industry projected to cross Rs. 810 billion by Mar'28

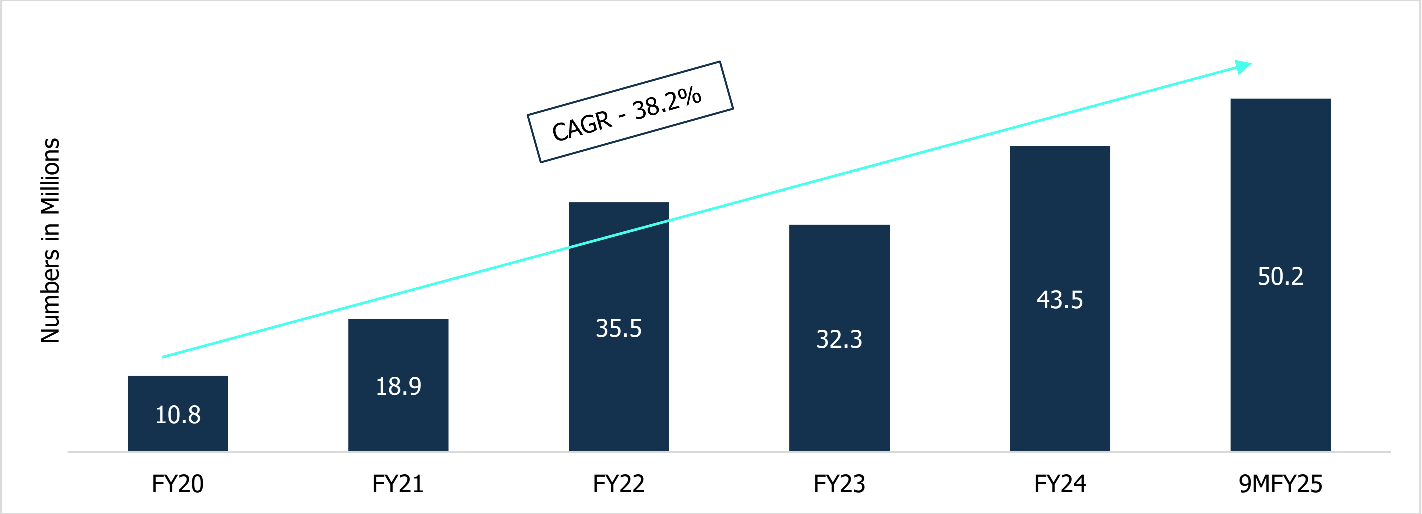
Chart 21: Size of Broking Industry in India



Source: CareEdge Research Estimates

The broking industry in India is estimated to be valued at ~ Rs 450 billion as of FY24 and expected to grow at a CAGR of 16-18% over the next 3-4 years. The increase in financial literacy and reduced cost of investing due to emergence of discount brokers has contributed significantly to this growth. Moreover, these factors are expected to continue leading to healthy growth in the long term.

Chart 22: Number of Total Active Accounts in India (in Million)



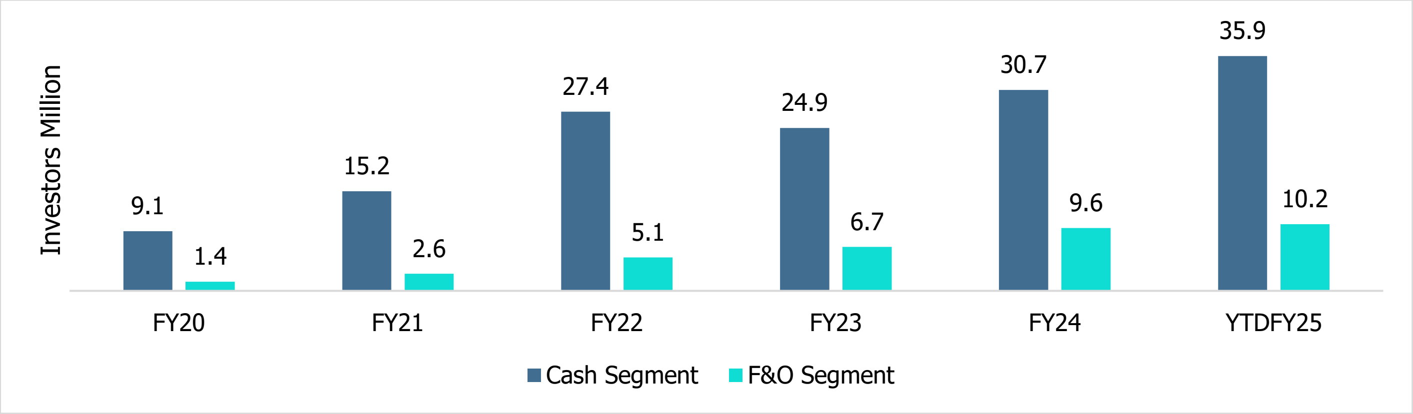
Source: NSE, CareEdge Research

In 9MFY25, NSE active clients witnessed rise in active clients supported by influx of retail investors with active clients reaching 50.2 million. The number of NSE registered active clients increased at a CAGR of 38.2% between FY20-9MFY25, despite the marginal decline in FY23 owing to inactivity of clients onboarded earlier. Key factors driving this surge included enhanced digitalization, the ease of opening accounts, and improving financial literacy, which encouraged greater participation in stock trading. Furthermore, the pandemic highlighted the importance of savings and investments, and coupled with low interest rates, prompted investors to move away from traditional savings options and turn to equity markets in search of higher returns, resulting in a significant increase in stock market investments and maintaining a prominent level of active accounts.

3.3 Share of client concentration in cash & derivative markets

Split in active investors in cash and F&O segment

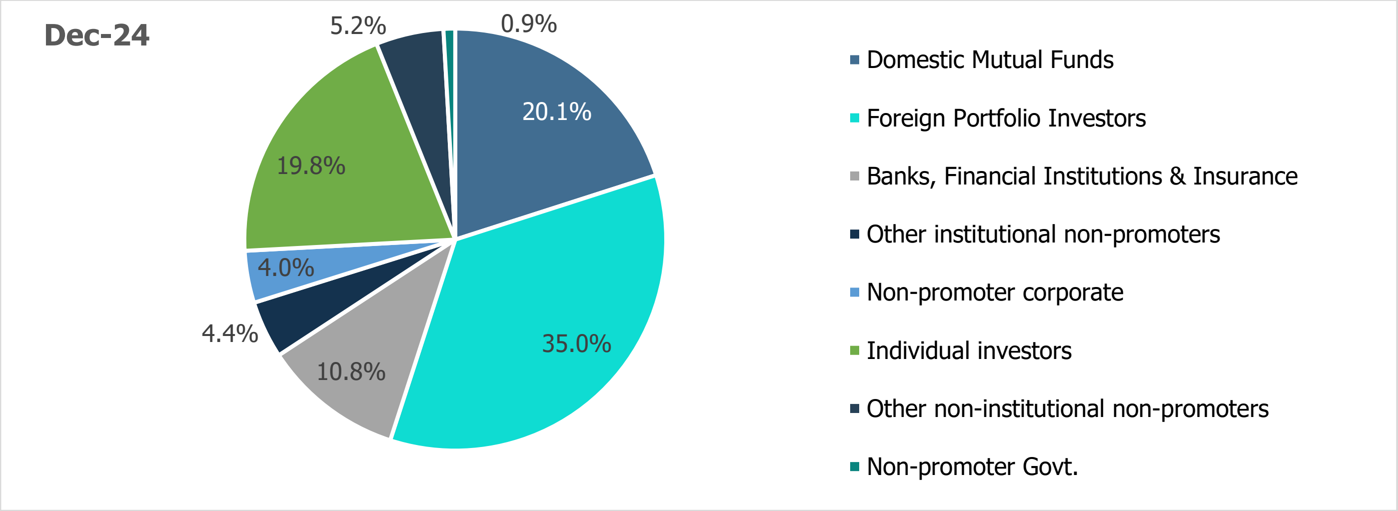
Chart 23: Individual investors' participation in cash and equity derivatives-NSE



Source: NSE, CareEdge Research
Note: YTDFY25 indicates data from April'24-January'25

Between FY20 to YTDFY25 (Apr'24-Jan'25), participation of individual investors in the cash segment grew at a CAGR of 32.9% and has reached 35.9 million as on Jan'25, while participation in the equity derivatives segment surged at a remarkable CAGR of 50.9% and have reached 10.2 million as on Jan'25. This significant growth in derivatives can be attributed to the increasing popularity of trading strategies among retail investors, fuelled by the rise of digital trading platforms that make derivatives trading more accessible. Additionally, heightened market volatility and a growing interest in leveraged trading have encouraged investors to explore equity derivatives for potential higher returns. However, as per SEBI study released on 23rd Sep'24, 9 out of 10 individual traders in the equity futures and options segment continued to incur significant losses. The equity F&O segment is likely to witness strict guidelines for individual investors, which may impact investor participation within the segment.

Chart 24:Ownership pattern by free float market cap (%)



Source: NSE, CareEdge Research

Foreign Portfolio Investors (FPIs) account for 35% of free float market cap as of Dec'24, followed by Domestic Mutual Funds at 20.1%, indicating growing confidence among retail investors in professionally managed investment vehicles.

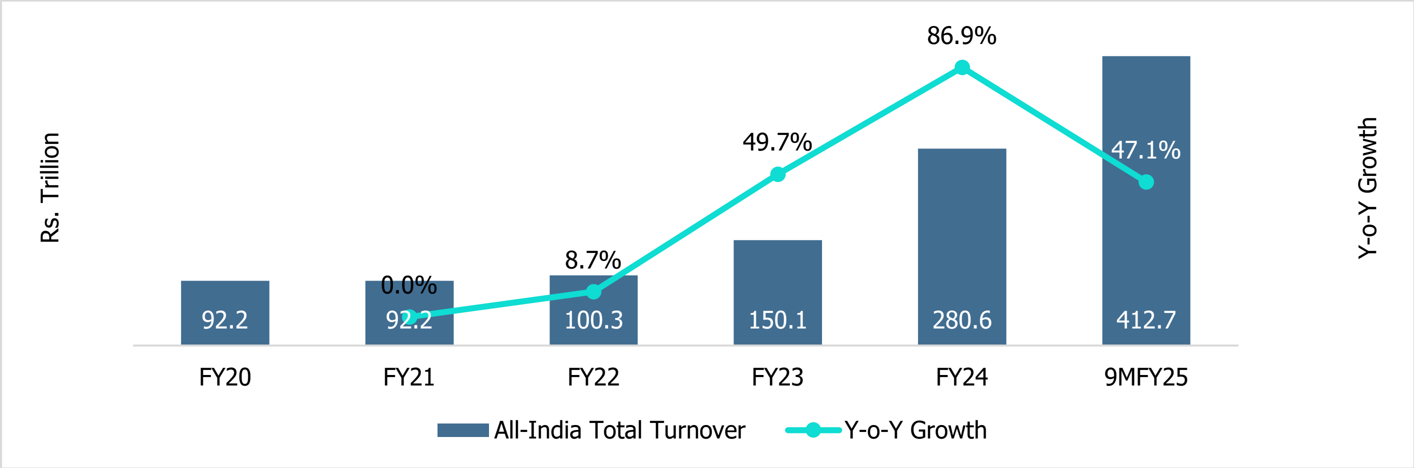
3.4 Trend in commodity and currency broking market (turnover and share of sub-segments)

1) Commodity Derivatives

Commodity derivatives are financial instruments whose value is based on underlying commodities, such as oil, gold, wheat, or natural gas. These derivatives allow investors to profit from price movements in these commodities without owning them.

In terms of percentage share of commodity derivatives turnover among exchanges, MCX has the highest market share of 97.9%, followed by NSE (1.9%) and NCDEX (0.3%) as of 9MFY25.

Chart 25:Total turnover of Commodity Derivatives Market (in Rs. Trillion)



Source: SEBI, CareEdge Research

The Indian financial market has experienced notable fluctuations in turnover across various exchanges in recent years. From FY20 to 9MFY25, the combined turnover for all exchanges has shown impressive growth, with a CAGR of approximately 37.1%. This growth trend highlights the performance of key exchanges, including the BSE, NSE, Multi Commodity Exchange (MCX), and National Commodity and Derivatives Exchange (NCDEX).

The growth of commodity derivatives in India can be attributed to several key factors:

- **Diversification of Investment**: Investors seek diversification beyond traditional equities and fixed income, and commodity derivatives offer exposure to different asset classes.
- **Hedging Opportunities**: Producers and consumers use commodity derivatives to hedge against price volatility, protecting their profit margins and ensuring stable cash flows.
- **Increased Participation**: With greater awareness and participation from retail investors, institutional investors, and corporate players, the market has seen significant growth.
- **Technological Advancements**: Improvements in trading technology and platforms have made it easier for participants to access commodity markets, facilitating higher trading volumes.
- **Rising Demand for Commodities**: Economic growth and urbanization have led to increased demand for various commodities, driving interest in derivatives for speculative and hedging purposes.
- **Global Integration**: As Indian markets become more integrated with global markets, domestic investors gain access to international commodity trends, enhancing trading strategies.

2) Currency Derivatives

A **currency future**, also known as **FX future**, is a futures contract to exchange one currency for another at a specified date in the future at a price (exchange rate) that is fixed on the purchase date. Currency future contracts allow investors to hedge against foreign exchange risk. Currency Derivatives are available on four currency pairs viz. US Dollars (USD), Euro (EUR), Great Britain Pound (GBP) and Japanese Yen (JPY). Cross Currency Futures & Options contracts in EUR-USD, GBP-USD and USD-JPY are also available for trading in the Currency Derivatives segment.

Table 7: CD Segment (NSE)

Year	Currency Futures		Currency Options	
	No. of contracts	Turnover (Rs. Billion)	No. of contracts	Notional Turnover (Rs. Billion)
9MFY25	12,52,76,085	10,566	2,07,03,209	1,730
FY24	85,19,02,719	72,017	3,37,03,18,509	2,79,423
FY23	1,24,14,22,291	1,01,157	3,45,61,25,588	2,79,711
FY22	90,81,93,503	70,569	1,88,36,85,344	1,41,169
FY21	73,67,40,585	57,178	85,89,51,441	63,824
FY20	65,42,63,323	48,432	67,55,66,231	48,139

Source: SEBI, CareEdge Research

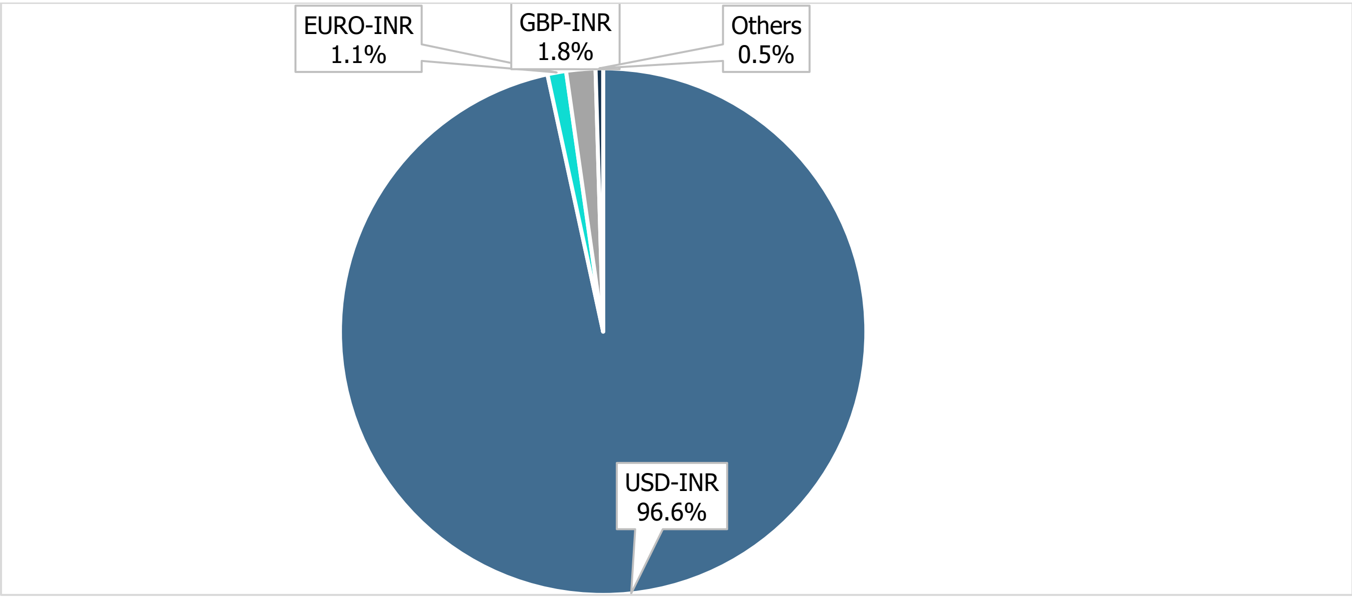
NSE is a market leader in currency derivates segment, with number of contracts (Futures and Options) growing at a CAGR of 33.5% between FY20-FY24.

Table 8: CD Segment (BSE)

Year	Currency Futures		Currency Options	
	No. of contracts	Turnover (Rs. Billion)	No. of contracts	Notional Turnover (Rs. Billion)
9MFY25	46,90,762	393	42,730	4
FY24	26,42,30,072	21,895	1,88,84,615	1,563
FY23	56,46,97,241	45,495	21,56,90,317	17,224
FY22	39,90,57,751	29,887	46,54,22,351	34,658
FY21	27,96,63,049	20,803	41,08,06,585	30,435
FY20	40,09,27,037	28,529	54,35,90,522	38,304

Source: SEBI, CareEdge Research

Chart 26:Market Share of Instruments in Currency Derivatives Segment of NSE based on turnover during 9MFY25



Source: SEBI, CareEdge Research

Overall, the data indicates a strong preference for USD-INR options, while other currency futures struggle to gain traction.

3.5 Changing Trends in the Broking Industry

3.5.1 Increase in share of non-broking Value-added services, and financial planning, Fund based activity

Brokerage firms are diversifying their revenue streams by offering non-broking services such as wealth management, financial advisory, and investment products. Emerging brokerages attract clients with zero-commission trading, while established full-service brokers transform into comprehensive financial service providers, offering a wide range of services such as research, funding options, mutual funds, insurance, and retirement planning. This approach positions them as one-stop solutions for clients.

As of Dec-24, the portfolio management industry managed assets totalling Rs. 37.06 trillion, primarily from discretionary services, with advisory services contributing Rs. 2.96 trillion. This indicates a preference for personalised investment strategies, driven by enhanced financial literacy.

Segments such as margin funding and loans against shares are gaining popularity, reflecting the growing demand for non-broking services, as clients seek holistic comprehensive solutions beyond trading. Brokerages investing in technology and expanding their service offerings are well positioned in a competitive market.

3.5.2 Rising Importance of Relationship Based Broking

Traditionally, broking was focused on transactions, with brokers executing trades and offering minimal guidance. However, as the investment landscape grows more complex and competitive, investors increasingly seek personalized, comprehensive services that align with their individual financial goals and risk preferences. This shift has driven the demand for relationship-based broking, which prioritizes long-term client-broker partnerships.

Furthermore, relationship-based broking is reshaping client engagement, moving from transactional to personalised services. Relationship-based broking prioritizes long-term client-broker partnerships, client trust and satisfaction, which leads to sustainable growth and differentiation from competitors. Additionally, due to the volatile movement in markets and recent correction phase (from October’24 onwards) has increased importance of personalized and comprehensive research and advisory services which are being offered by traditional brokers.

Brokers adopting this approach invest time in understanding clients' aspirations, concerns, and financial situations, enabling them to offer tailored advice. This personalization builds trust and enhances client satisfaction, leading to stronger loyalty. Amid the proliferation of online trading platforms, the human connection offered by relationship-based broking helps distinguishes firms from competitors.

Overall, relationship-based broking is essential for building trust, offering tailored investment strategies, gaining market insights, and standing out in a competitive marketplace. This approach not only enhances client satisfaction but can also lead to sustainable business growth, as long-term relationships often yield higher value compared to one-off transactions. Furthermore, relationship-based broking plays a critical role in the financial services industry, significantly influencing how brokers interact with clients and manage their investments.

3.5.3 Rising Importance of Technology in Trading

The digital/online broking market is expanding, driven by widespread internet access and technological advancements. The internet enables 24/7 trading and broadens access to financial markets, democratizing investment opportunities.

Technological innovations, such as advanced trading algorithms, real-time data analytics, and user-friendly interfaces, enhances trading platforms and attracts a wider range of investors, including beginners. Mergers and acquisitions within the industry foster innovation and consolidation, allowing firms to offer comprehensive services and optimise operations. Investors increasingly prioritise customisation, seeking platforms that provide tailored portfolios and strategies. E-brokerages offering features like automated rebalancing and personalised advice are better equipped to meet these demands. At the same time, firms must implement robust cybersecurity measures to maintain client trust and protect sensitive information against cyber threats, which could harm both reputation and operations.

3.6 The Path Forward: Emerging Trends in Indian Broking

India's capital markets are experiencing increased retail investment and rising managed assets in mutual funds, signalling a positive outlook among investors. The broking industry is expected to see moderate growth over the medium term, driven by economic expansion, rising retail participation, and technological advancements. The industry is likely to attract new clients, particularly from untapped retail markets, favourable demographics, and improved financial literacy. The widespread adoption of smartphones, faster internet, and simplified trading apps will further enable broader participation in trading and investing across various age groups.

Regulatory changes, particularly those from the Securities and Exchange Board of India (SEBI), play a significant role in the industry's growth. SEBI's measures to protect investors and enhance market transparency, such as recent changes to margin trading rules, require brokers to adapt quickly. While these regulations ensure market integrity, they may present challenges for smaller firms struggling with compliance.

Key trends shaping the future of stockbroking include AI-powered tools like algorithmic trading, robo-advisors, chatbots, and virtual assistants. These innovations will personalize investment recommendations and improve user experience, fostering stronger client relationships. India has considerable potential for growth in the broking industry (Chart 27), as only 4-5% of India's population actively participating in stock trading, compared to significantly higher rates in countries like the United States (55%), the United Kingdom (33%), and China (13%).

3.7 Key Growth Drivers for the Indian Broking Industry

- **Favourable Demographics**

India has one of the youngest populations globally, with around 55% population under 35 years of age in 2021. This young demographic is inclined towards digital solutions and wealth creation, with growing interest in investing in capital markets. With a median age of 28, compared to 38 in China and 39 in the US, India's young population presents a long-term growth opportunity for the broking industry as they begin investing early in their careers. This trend is expected to continue, with the median age remaining below 35, maintaining favourable demographics for the country.

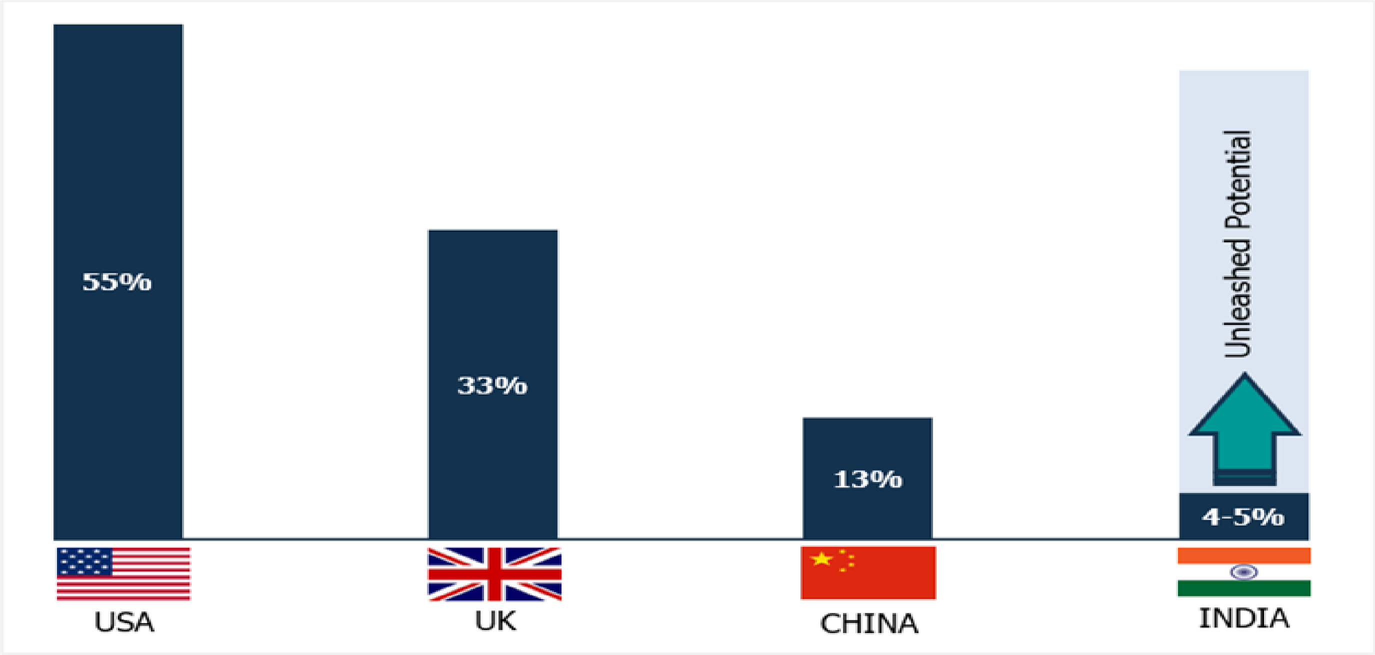
Indicator	2011	2016	2021	2026P	2031P	2036P
Population by broad age- group (000')						
18 years and above	7,62,839	8,51,653	9,38,959	10,16,567	10,85,563	11,48,803
0-14	3,73,893	3,62,202	3,49,990	3,39,222	3,23,258	3,06,374
15-59	7,35,424	8,10,687	8,75,446	9,23,857	9,62,091	9,88,476
60+	1,01,538	1,18,185	1,37,570	1,62,829	1,93,426	2,27,438
Proportion (percent)						
0-14	30.9	28.1	25.7	23.8	21.9	20.1
15-59	60.7	62.8	64.2	64.8	65.1	64.9
60+	8.4	9.2	10.1	11.4	13.1	14.9
Median age (years)	24.92	26.55	28.34	30.27	32.38	34.48

Source: National Health Profile Statistics, CareEdge Research; P: Projected

- **Low Penetration of Capital Markets**

The Indian equity market has historically seen low participation rates compared to developed countries. Near about 4-5% of Indians invest in the stock market, compared to United States (~55%), United Kingdom (~33%) and China (~13%). This leaves significant room for growth as awareness and financial inclusion efforts expand. With increasing digital literacy and initiatives to encourage investments, market penetration is expected to rise significantly in the coming years.

Chart 27: Country-wise percentage of population investing in stock market

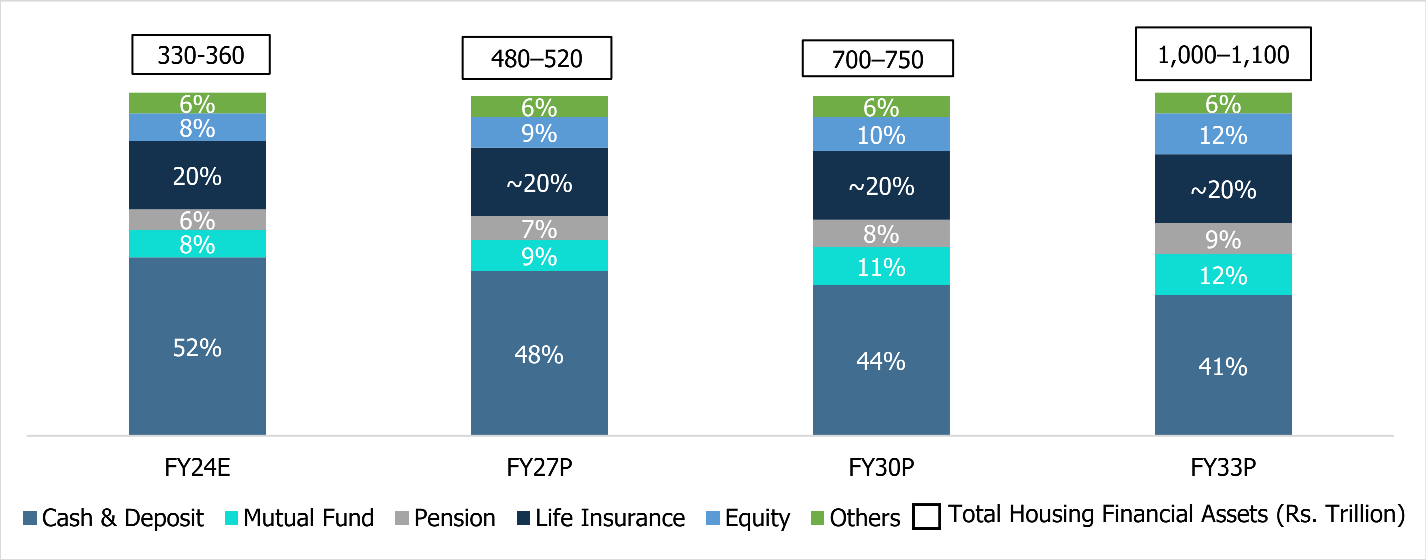


Source: CareEdge Research, figures are approximate

- **Increasing Investment in Shares & Mutual Funds (as % of Savings)**

The proportion of household savings allocated to shares and mutual funds is on the rise. As per NSE analysis, it is estimated to have been at 8% each for Equity and Mutual Funds in FY24E and is expected to rise to reach ~12% until FY33. This shift will be significant given the traditional preference for physical assets like gold and real estate in India. The increased allocation to financial assets reflects changing investment behaviour, driven by higher awareness and attractive returns offered by equities and mutual funds over the long-term period.

Chart 28: Split of Household Financial Savings by asset class



Source: NSE Analysis, RBI, MOSPI Statistics, CareEdge Research; P: Projected

- **Penetration in Tier 2 Cities and Beyond**

India's asset management industry, including mutual funds, PMS, and Alternative Investment Funds (AIFs), has grown by 19% over the past decade (FY14 – FY24) The rise of digital trading platforms has enabled brokerage firms to expand beyond major cities, with over 60% of investments now coming from Tier 2 and Tier 3 cities. This growth is driven by improved internet connectivity, increasing financial literacy, and targeted marketing efforts.

- **Role of Technology and Tech Platforms**

The rise of fintech platforms, algorithmic trading, and AI-driven investment advisory tools has simplified the trading process, attracting younger, tech-savvy investors. Cloud computing, real-time data analytics, and secure digital payments are transforming broker operations, making trading more accessible and cost-effective.

- **Rising Retail Participation**

Retail participation in India's trading markets has surged, fuelled by the growing use of mobile trading platforms and awareness of derivatives as hedging tools. Retail traders' share of derivatives trading volumes has increased dramatically, from 2% in 2018 to 41% in 2023, establishing India as a global leader in derivatives trading. During 9MFY25, the notional turnover of equity derivatives traded reached Rs. 86,607 trillion. Additionally, SEBI's introduction of more derivative products has enhanced market liquidity and depth, creating new revenue opportunities for brokers.

3.8 Key Risks and Challenges

- Regulatory Changes: Evolving SEBI regulations, such as higher margin requirements and stricter compliance standards, increase operational burdens on brokers, particularly smaller ones.

- Revenue Pressures: The move toward uniform transaction fees and the elimination of volume-based discounts could squeeze profit margins, especially for discount brokers.

- Cybersecurity Risks: Increasing digitalization exposes brokers to cyberattacks and data breaches, requiring significant investments in cybersecurity infrastructure.

- Market Volatility: The inherent volatility in the Indian market, particularly in derivatives, poses risks for brokers in managing margins and client liquidity.

- Consolidation Pressure: Rising compliance costs and regulatory changes may drive consolidation, with smaller players struggling to compete with larger firms.

- High Competition: The Indian financial services industry is intensely competitive, and the brokerage business is particularly competitive with a sizeable number of large and small operators. Further, the broking business is extremely fragmented with a large number of entities registered with SEBI. As of December 12, 2024, there are almost 4,895 SEBI registered brokers under the equity segment.

3.9 Regulatory Framework and its potential impact on the Broking Industry

1. **QSB Framework**

Objective & Framework

The Qualified Stock Broker (QSB) framework, introduced by the Securities and Exchange Board of India (SEBI), aims to identify and regulate key brokerage firms that are vital to the market infrastructure. QSBs are selected based on specific thresholds and criteria and are subject to stricter regulatory requirements due to their systemic importance.

The framework evaluates stockbrokers based on four key parameters:

1. Active Clients: The number of active clients maintained by the broker.

2. Total Assets: The total value of assets held by the broker's clients.

3. Trading Volumes: The total trading volume executed by the broker, excluding proprietary trading.

4. End-of-Day Margin Obligations: The margin obligations of the broker's clients at the end of the trading day, excluding proprietary margins.

Each broker's score for these parameters is calculated relative to the overall market, using a proportional method. For example, a broker's score for active clients is based on their share of the total active clients across all brokers, and the same method applies to the other parameters.

The total score for each broker is derived by summing the individual scores across all parameters. The data for scoring is taken as of December 31st of the respective financial year. Exchanges assign scores to brokers based on their relative performance, ensuring transparency, and helping investors make informed decisions.

Potential Impact of Qualified Stock Broker (QSB) framework on the Broking Industry

Increased Investor Protection: QSBs, with stricter risk management and compliance requirements, are better equipped to protect investor assets and reduce the risk of fraud or mismanagement. Higher capital reserve requirements ensure these brokers can absorb market shocks, safeguarding both retail and institutional investors. This added protection is especially important for retail investors, who are more vulnerable to market volatility.

Improved Transparency and Governance: QSBs must adhere to higher governance standards, leading to improved transparency in their operations and decision-making. This includes clearer disclosures of financial health, risks, and conflicts of interest, benefiting all market participants. Enhanced governance practices, such as independent oversight and stringent internal audits, increase corporate accountability, making QSBs more reliable.

Investor Confidence: The enhanced regulations and oversight around QSBs are likely to bolster investor confidence, as clients will have greater assurance in the broker's ability to manage risks and operate transparently.

Rise of Discount Brokers: Emerging discount brokers may seek QSB status as they expand their client base and market share. This could spur further industry innovation, as digital platforms strive to meet regulatory standards while continuing to provide low-cost, tech-driven services**.**

2. **Recent SEBI guidelines on F&O trading**

SEBI has introduced a set of new measures to restructure the equity derivatives trading framework in India:

- **Increased Contract Sizes:** SEBI increased the minimum contract value for derivatives trading from the current range of Rs.0.5 to Rs.1.5 million. This adjustment ensures that investors are exposed to appropriate levels of risk in the derivatives market. SEBI also announced plans to eventually adjust the contract size further, setting the value between Rs 1.5 million and Rs. 2 million in the future.
- **Higher Margin Requirements:** To tackle market volatility on expiry days, SEBI will enforce an additional extreme loss margin (ELM) of 2% on all open short option positions on the day of expiry. This measure is designed to protect investors against extreme market fluctuations, particularly during high-volume trading periods.
- **Reduction of Weekly Expiries:** Starting November 20, 2024, SEBI limits weekly expiries for index derivatives to one per benchmark index per exchange, reducing the total from 18 to six contracts per month. This move aims to reduce speculative trading and manage risks related to uncovered or naked option selling.
- **Removal of Calendar Spread Benefits:** SEBI will eliminate calendar spread benefits for contracts expiring on the same day, a change that seeks to minimize speculative trading, particularly on expiry days. Calendar spreads typically involve offsetting positions across different expiries.
- **Upfront Collection of Premiums:** Effective February 1, 2025, brokers are required to collect option premiums upfront. This change is aimed at discouraging excessive use of intraday leverage and ensuring that investors have sufficient collateral to cover their positions.
- **Intraday Monitoring of Position Limits:** From April 1, 2025, stock exchanges will begin to conduct intraday monitoring of position limits in equity index derivatives. This means that position limits will be tracked and checked multiple times throughout the trading day, preventing traders from exceeding their permissible limits unnoticed.
- **Revision in transaction charges:** Starting October 1, 2024, SEBI introduced a new rule mandating uniform transaction fees for market infrastructure institutions (MIIs), including stock exchanges. This rule could diminish the competitive edge of discount brokers, who typically thrive on high trading volumes and offer low fees. Traditionally, discount brokers charged lower fees to attract high-frequency traders, leveraging their high volumes to maintain profitability. However, with SEBI's new rule enforcing a standardized fee structure across the board, these brokers will lose their ability to offer significantly cheaper rates, reducing their pricing advantage over full-service brokers and potentially impacting their market share.
- **Besides, as per SEBI study released on 23rd Sep'24, 9 out of 10 individual traders in the equity futures and options segment continued to incur significant losses. Way forward the equity F&O segment is likely to witness strict guidelines for individual investors, which may impact investor participation within the segment.**

3. Impact of upcoming regulatory changes on Assisted and Non-Assisted Brokers

Below are some upcoming regulatory changes that could affect both assisted mode brokers (those offering advisory services and personal interaction) and non-assisted mode brokers (digital platforms and discount brokers with minimal human intervention):

- **Stricter Compliance and Reporting Standards**

  - Assisted Brokers (Full-Service Brokers): SEBI's heightened compliance requirements, such as quarterly audits and higher capital ratios, will prompt full-service brokers to invest in regulatory technology and compliance teams. While this will increase operational costs, it will also enhance their credibility, particularly with high-net-worth and institutional clients, boosting trust and loyalty.

  - Non-Assisted Brokers (Digital and Discount Brokers): Non-assisted brokers will need to strengthen cybersecurity and data protection measures, leading to higher tech investments, which may reduce their cost advantage.

- **Fee Structures and Transparency**

- Assisted Brokers: With the move towards uniform transaction fees, assisted brokers may adjust service fees or advisory charges to offset the elimination of volume-based discounts. This will allow them to maintain elevated levels of personalized service, appealing to clients who value tailored advice.

- Non-Assisted Brokers: Operating with thin margins, non-assisted brokers may pass on higher costs to users, potentially reducing their low-cost appeal.

- **Customer Due Diligence (KYC/AML Updates)**

  - Assisted Brokers: Stricter KYC and AML norms will require more robust due diligence, adding operational complexity. However, these measures will strengthen client trust, particularly among high-net-worth individuals who seek personalized services for managing complex portfolios.

  - Non-Assisted Brokers: The automation of real-time KYC and verification will be key, but this will require significant tech upgrades.

- **Derivative and Margin Norms**

  - Assisted Brokers: New margin rules for F&O trading will encourage assisted brokers to advise clients on risk management, reinforcing their advisory role and making them essential for navigating complex derivatives strategies.

  - Non-Assisted Brokers: Retail-focused brokers may see reduced F&O volumes as fewer retail clients will be able to meet the new margin requirements.

4 Overview of Margin Trading Facility (MTF)

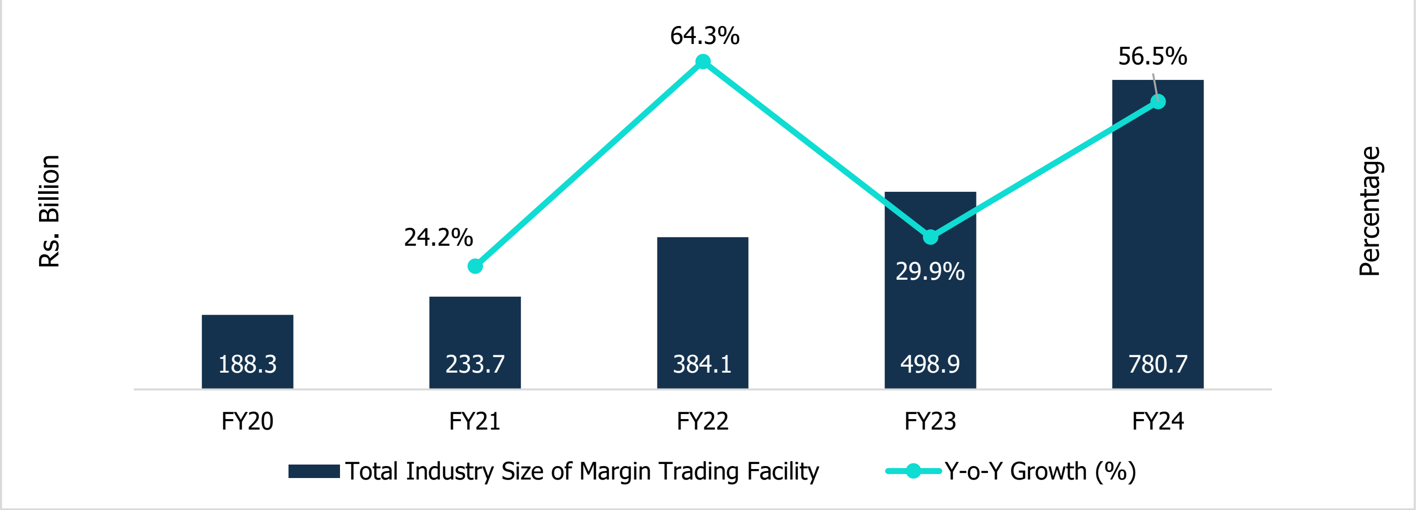
4.1 Margin Trading Funding (MTF) Industry Size

The Margin Trading Facility (MTF) offers increased flexibility as compared to traditional trading methods, primarily because it enhances an investors' purchasing power by allowing them to borrow funds. This enables them to invest in more assets compared to investments through owned capital. Additionally, investors can invest their core capital in long-term investments while using MFT leverage for trading. This approach allows investors to trade without diluting their core capital. The increased investing capacity facilitates greater diversification and the potential for higher returns, even with limited own capital.

In FY24, the MTF market grew significantly, reaching Rs. 780.7 billion, a 56.5% increase over FY23, with a CAGR of 42.7% from FY20 to FY24. This growth is driven by rising investor awareness of MTF's benefits in boosting buying power and potential returns, along with a bullish stock market. Interest income from MTF ranges between 15% to 35% of total revenue for leading players.

Margin Trade Funding industry size grew over four folds between FY20-FY24

Chart 29: Margin Trading Funding (MTF) Industry Size



Source: CareEdge Research Estimates

In Sep'24, SEBI updated its policy thereby allowing cash-collateralized securities as part of the MTF maintenance margin, which is expected to increase participation by simplifying margin requirements and promoting efficiency. Going forward, strong investor interest and supportive regulations are set to boost brokerage revenues and margins through increased margin funding opportunities.

The SEBI initiative is expected to boost participation in margin trading by easing margin requirements and enhancing trading efficiency. This move demonstrates SEBI's commitment to a supportive regulatory framework that fosters market growth and investor engagement. Looking ahead, strong investor interest and favourable regulations are anticipated to drive revenue and margin growth for the brokerage industry, presenting firms with new opportunities from margin funding.

5 Asset Management & Distribution

5.1 Investment advisory services

Investment advisory services enable individuals, businesses, and institutions to manage their investments effectively. These services typically involve evaluating a client's financial goals, risk tolerance, and investment timeline, and managing a customized investment strategy. Over time, brokers have expanded their offerings to include investment advisory, AIF/PMS, and distribution of financial products like mutual funds.

The main elements of investment advisory services include:

Financial Planning: Advisors develop a comprehensive plan to meet financial objectives, such as retirement, education savings, purchasing a home, or estate planning.

Portfolio Management: Advisors create, implement, and monitor an investment portfolio of assets (like stocks, bonds, or mutual funds) that aligns with the client's risk profile and goals.

Investment Selection and Advice: Based on market research and analysis, advisors recommend investments suited to the client's needs and objectives.

Ongoing Reviews and Adjustments: Advisors regularly update clients on portfolio performance and adjust strategies as necessary based on changes in the market or the client's circumstances.

Education and Client Support: Advisors help clients understand financial markets, investment products, and strategies to enable informed decision-making.

Investment advisors can be human professionals, automated robot-advisors (providing algorithm-driven recommendations), or hybrid models combining both approaches. In India, SEBI regulates these services to ensure transparency and protect client interests.

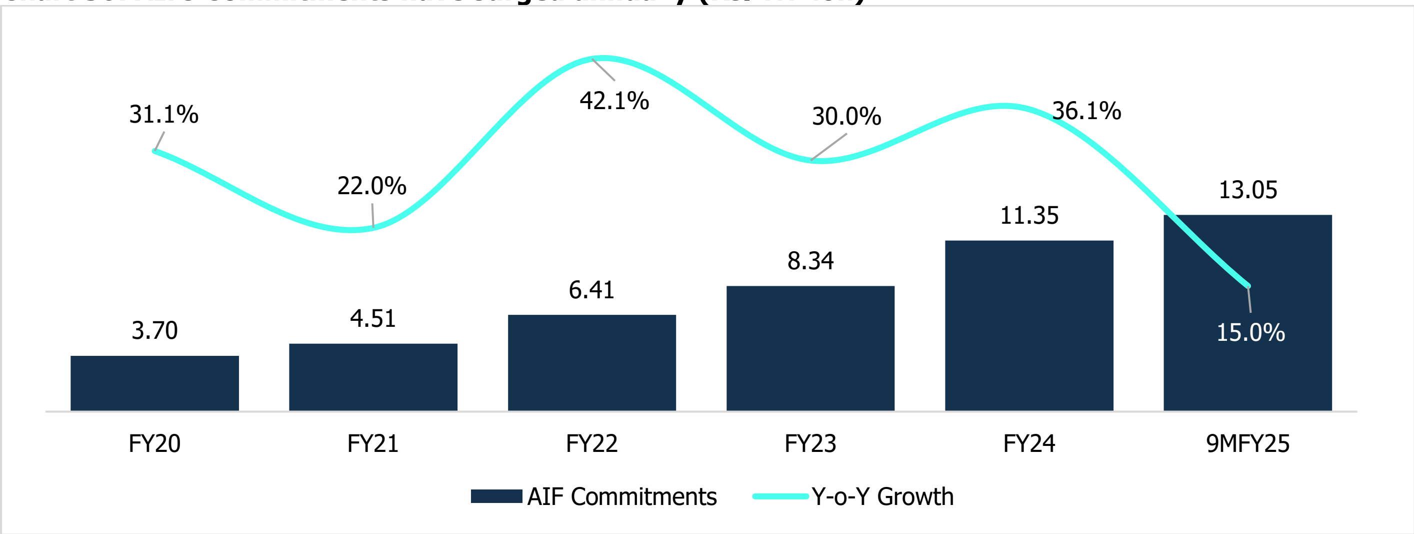
5.2 Alternative Investment Funds

Overview

As per SEBI, Alternative Investment Fund or AIF refers to any fund established or incorporated in India that operates as a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, to invest them in accordance with a defined investment policy for the investors benefit. AIFs does not include funds covered under the SEBI (Mutual Funds) Regulations, 1996, SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of the Board governing fund management activities.

• **Growth of AIFs in India**

Chart 30: AIFs Commitments have surged annually (Rs. Trillion)



Source: SEBI, CareEdge Research

AIFs commitments have grown sharply with the annual growth rate remaining in high double digits. As of Dec'24, AIFs have received commitments worth Rs. 13.05 trillion growing at a CAGR of 30.3% between FY20-9MFY25. Of these commitments received, 40.4% of the funds have been raised and of these funds 96% investments have been made. Category II funds are the highest contributor in terms of commitments for AIF, accounting for ~70% of total commitments, indicating the popularity of private equity funds or debt funds. Followed by Category III and Category I funds accounting for 11.1% and 5.8% share in total commitments respectively, in 9MFY25.

Types of AIFs

Funds can seek registration under three categories – Category I, Category II and Category III.

- **Category I:** Invests in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, social impact funds, infrastructure funds, special situation fund.
- **Category II:** Category II are those funds which do not fall in Category I and III and which does not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in these regulations.
- **Category III:** Category III are those funds which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives.

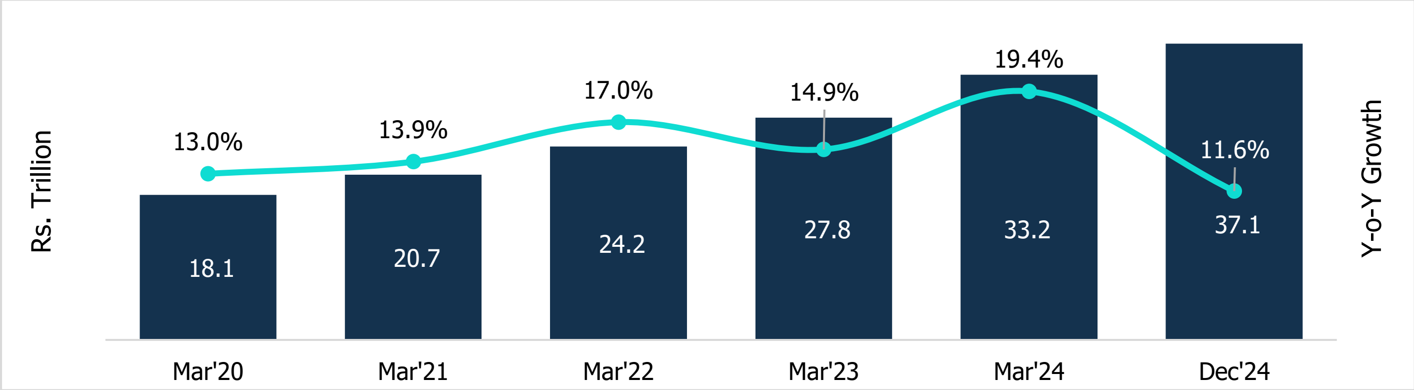
5.3 Portfolio Management Services (PMS)

Overview

PMS is a category of professional financial services governed by the SEBI Portfolio Manager Regulations. A professional portfolio manager offers customised investment solutions to high net-worth individuals (HNIs) who are seeking to invest in instruments such as equity, debt, gold and more. The minimum investment limit for PMS is Rs 5 million. PMS invests on behalf of its clients in separately managed accounts in various securities including listed equities, unlisted equities, fixed income instruments, hybrid, or structured products and others. A PMS can be primarily structured in three ways – Discretionary Portfolio Management, Non-Discretionary Portfolio Management, and Advisory Portfolio.

Portfolio Management Services Grows at a Steady Pace

Chart 31: PMS AUM Grows at a CAGR of 16.2% between Mar'20 to Dec'24



Source: SEBI, CareEdge Research

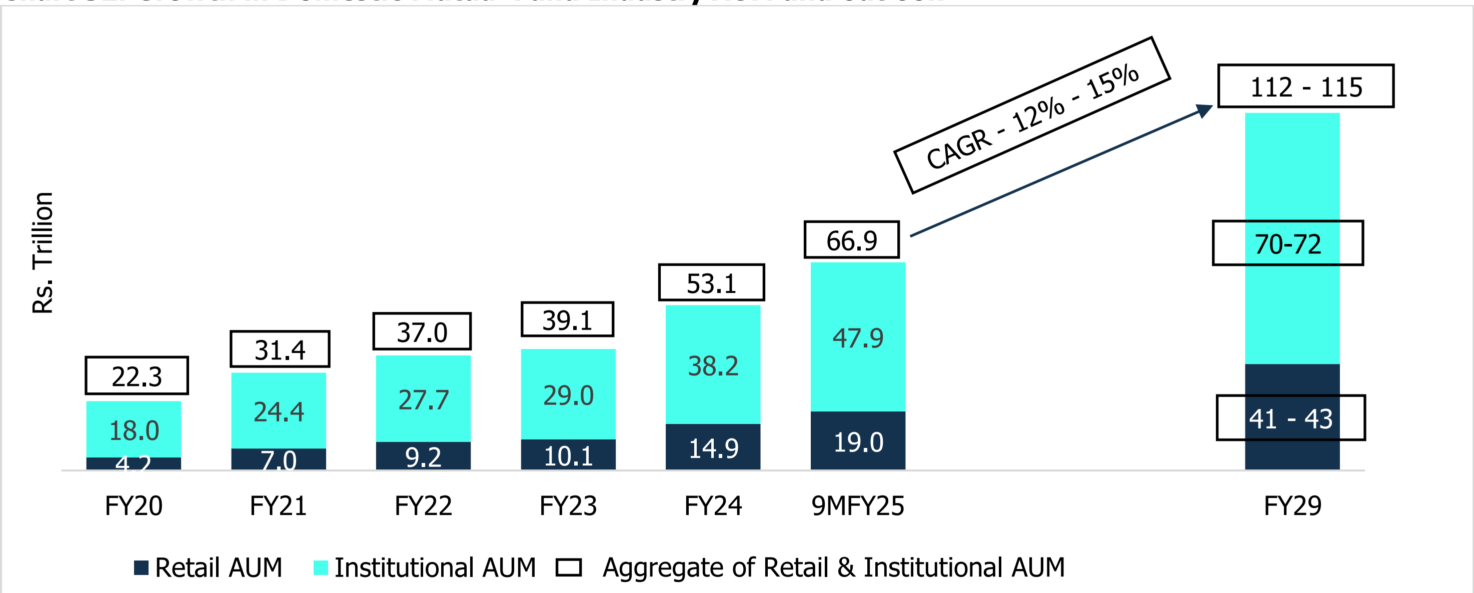
5.4 Domestic Mutual Fund Industry

Overview

A mutual fund is a collective investment vehicle that collects & pools money from several investors and invests the same in equities, bonds, government securities, and money market instruments. The money collected in a mutual fund scheme is invested by professional fund managers in stocks and bonds etc. in line with the scheme's investment objective. The income/gains generated from this collective investment scheme are distributed proportionately amongst the investors, after deducting applicable expenses and levies, by calculating a scheme's "Net Asset Value" or NAV. In return, mutual fund charges a small management fee.

Domestic Mutual Fund Industry Has Grown Rapidly

Chart 32: Growth in Domestic Mutual Fund Industry AUM and outlook



Source: CMIE, CareEdge Research

Note: AUM as of the last day of the month; FY- financial year ended March

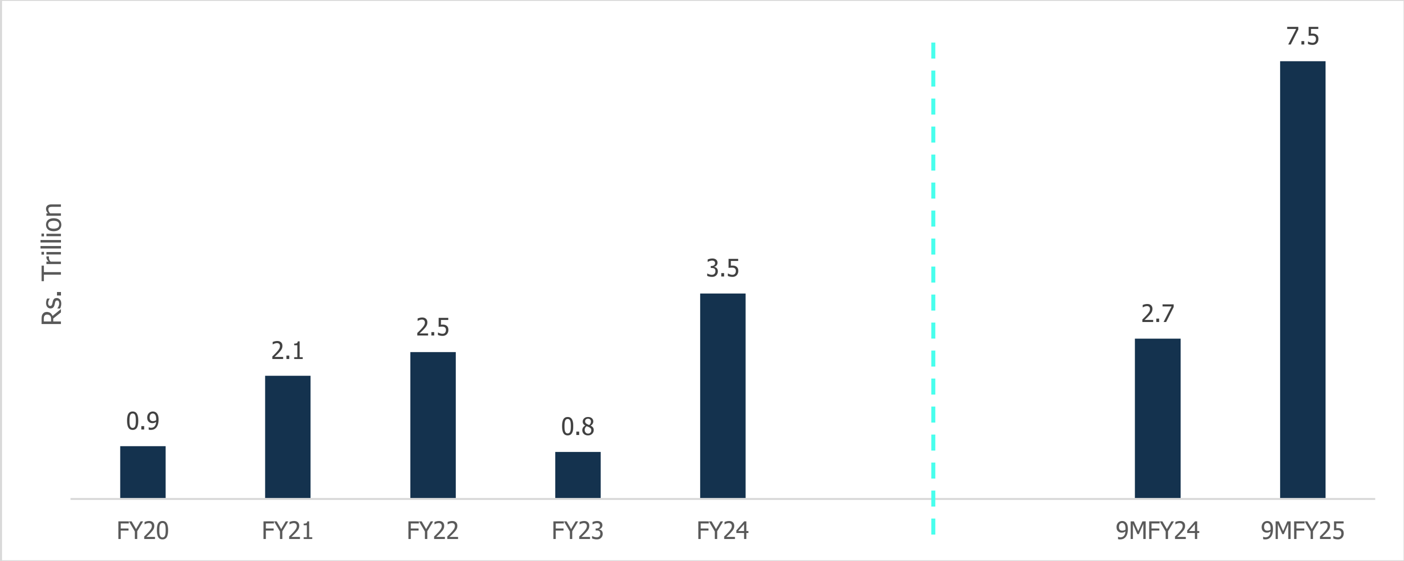
Between FY20 and 9MFY25, retail AUM has grown at a CAGR of 37.2%, reaching Rs. 19.0 trillion as of 9MFY25. This growth in retail AUM reflects an increasing preference for mutual fund investments amongst retail investors. Institutional AUM also grew albeit at a slower pace than retail AUM, at a CAGR of 22.8% between FY20-9MFY25, reaching Rs. 48 trillion. FY24 has been a standout year for the Indian mutual funds industry, with assets under management (AUM) increasing by Rs 14 trillion, reaching a record Rs 53.1 trillion by Mar'24, up from Rs 39.1 trillion in Mar'23. This growth rate of over 35% is the highest since FY21. As of 9MFY25, AUM further rose to Rs 66.9 trillion, demonstrating strong market performance and investor confidence.

The outlook for mutual fund AUM growth remains positive, driven by factors such as rising financial literacy, increased awareness, and a growing preference for mutual funds as a wealth-building tool. The expansion of digital platforms has made mutual fund access more convenient, while government initiatives promoting systematic investment plans (SIPs) and long-term savings support further growth. With India's economy continuing to expand, a rising middle class, and an increased focus on financial planning, mutual funds are expected to see AUM grow at 12-15% annually between 9MFY25 and FY29.

5.5 Mutual Fund Industry Inflows reached Rs. 7.5 trillion as of 9MFY25

Inflows from equity-oriented schemes accounted for 42.9% of mutual fund inflows for 9MFY25, driven by increase in inflows from sectoral/thematic, flexi cap, small cap fund categories. On the other hand, inflows from Debt Oriented schemes accounted for 28.8% of mutual fund inflows, driven by liquid and money market funds. Net inflows for FY24 totalled Rs. 3.5 trillion, up from Rs. 0.8 billion in FY23. Further, Systematic Investment Plan (SIP) adoption continued to grow, with monthly net inflows of Rs. 264.5 billion in Dec'24. For FY24, SIP inflows amounted to Rs. 1.99 trillion, up from Rs 1.56 trillion in FY23. Aggregate inflows in the mutual fund industry as of 9MFY25 reached Rs. 7.5 trillion, indicating significant CAGR of 56% between FY20-9MFY25.

Chart 33: Indian Mutual Fund Industry Inflow



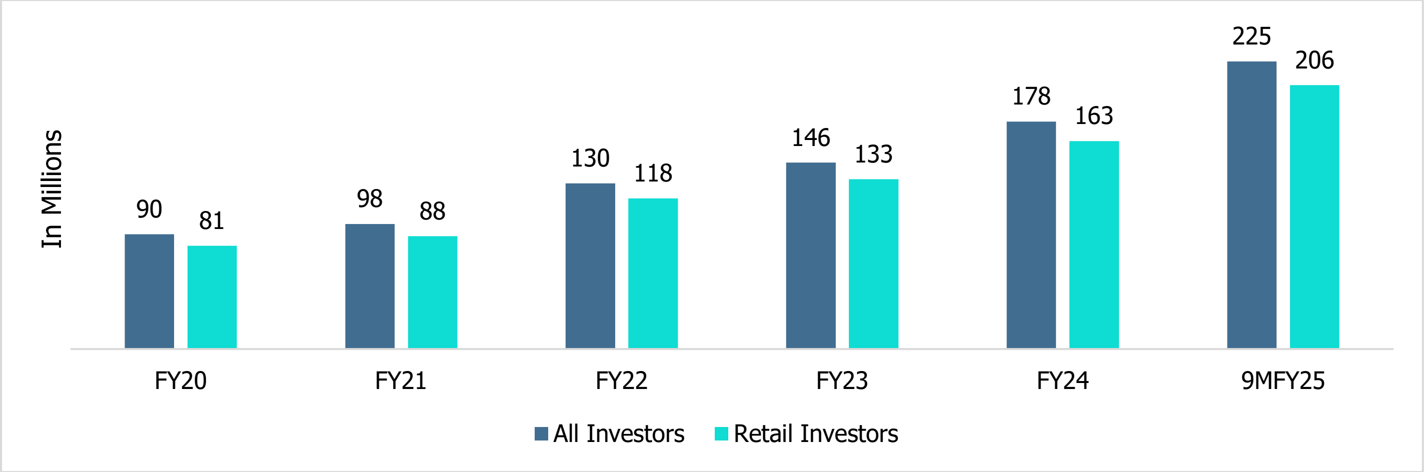
Source: CMIE, CareEdge Research

5.6 Key Trends in Asset Management

Increase in Retail Folio in Mutual Funds

The growth in retail folios in mutual funds reflects a rising trend of individual investors seeking portfolio diversification and long-term financial goals. Retail investors are recognizing the advantages of mutual funds, including professional management and liquidity. Additionally, initiatives promoting SIPs have further spurred participation, leading to substantial growth in retail folios. As of 9MFY25, the total number of folios stood at 225 million, with over 206 million folios under equity, hybrid, and solution-oriented schemes, where retail investments are most prominent.

Chart 34: Indian Mutual Fund number of Folio Basis (Retail)

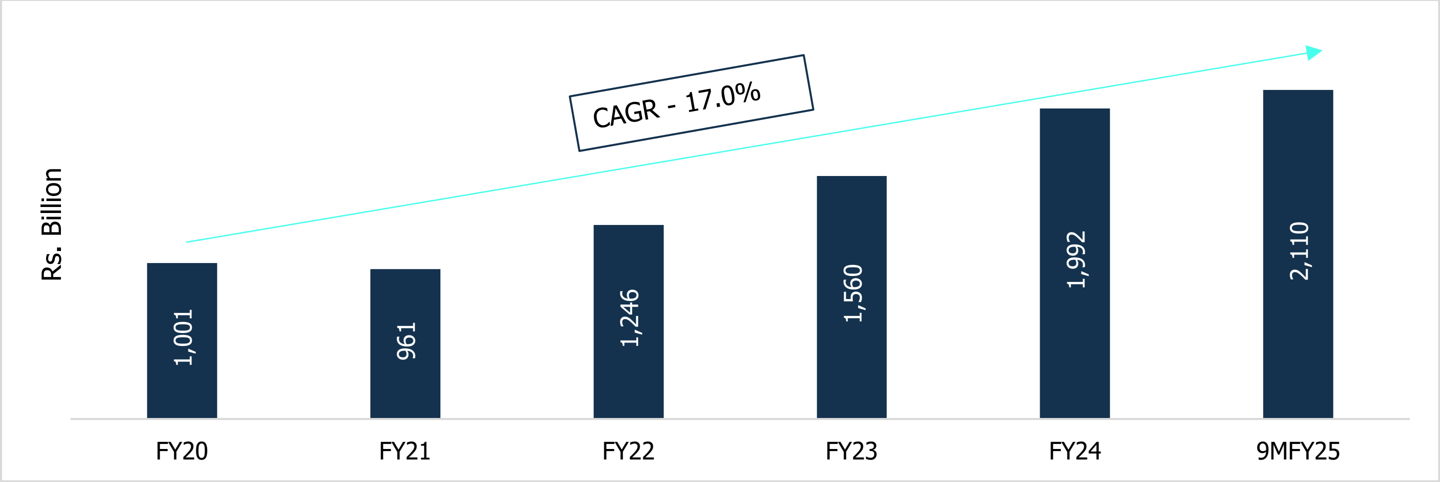


Source: CMIE, CareEdge Research

Increasing contribution towards SIPs

This significant increase is attributed by positive sentiments of retail investors, participating in a disciplined manner through SIPs. Post COVID-19, India's capital markets have experienced influx of retail investor leading to increase in asset allocation towards mutual funds. Mutual Fund outstanding SIPs accounts stood at 103 million accounts and the total contribution through SIPs was Rs. 2,110 billion during 9MFY25.

Chart 35: SIP Contribution



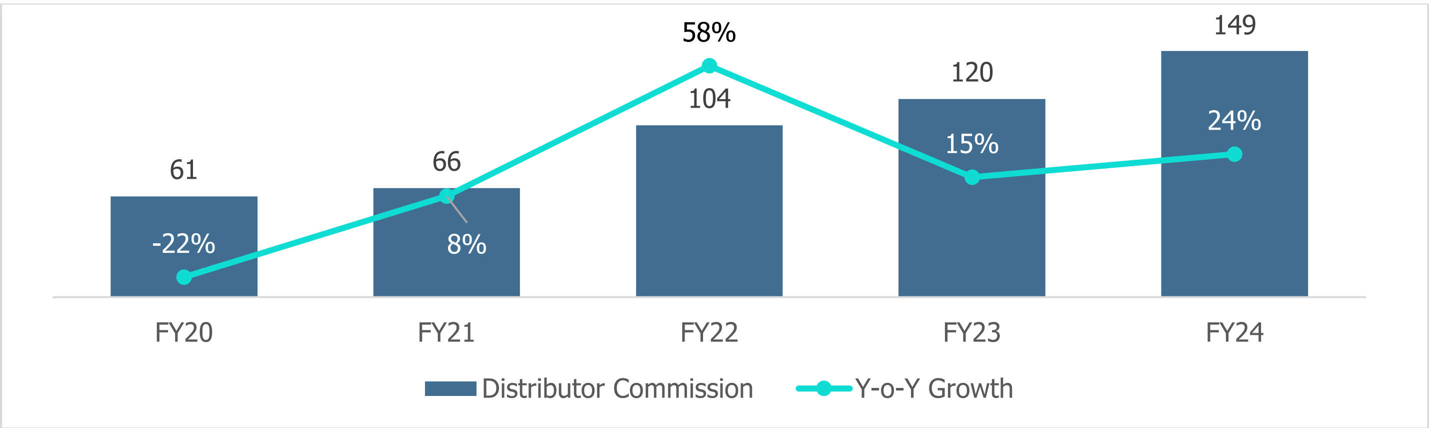
Source: CMIE, CareEdge Research

5.7 Trends in Mutual Fund Distributors Commission

The commissions paid by mutual funds to distributors grew from around Rs. 61 billion in FY20 to around Rs. 149 billion in FY24, indicating a CAGR of around 25%. Increased financial savings, superior returns from mutual funds, greater reliance on distributors and government policies functioned as key catalysts in driving the distribution revenue growth.

In September 2018, SEBI linked expense ratios with asset slabs, to cut the cost of investing. This enforced schemes with higher asset size to charge lower expense ratios. By doing so, SEBI updated accommodated schemes that had become larger over the years. The total expense ratio (TER) includes expenses such as fund management fee and distribution commissions. Consequently, the total MF distributor commission has reduced by 7.1% y-o-y in FY19 and 22.4% y-o-y in FY20. However, with gaining popularity in investment via mutual funds, distributors commission has seen significant growth of 58% y-o-y in FY22 over FY21. For FY23 the commission amounted to Rs. 120 billion indicating a growth of approx. 15% over FY22.

Chart 36: Mutual Fund Distributor Commission



Source-AMFI, CareEdge Research

As the Indian mutual fund industry expands, driven by rising assets under management and a broader investor base, the demand for professional advisory and distribution services is expected to increase. Regulatory changes promoting fee transparency may lead to a shift toward fee-based advisory models, allowing distributors to earn ongoing commissions rather than one-time sales fees. As financial literacy improves, more investors are likely to seek guidance, offering distributors opportunities to build long-term relationships and enhance revenue. Furthermore, with the growth of digital platforms and robo-advisors, traditional distributors providing personalized, value-added services may see increased commissions from managing larger, diversified portfolios.

5.8 Key Growth Drivers for Mutual Fund Distributors

- **Increasing Penetration of Mutual Fund Market in India**

Investor participation in B30 (beyond top 30) locations has historically been low, but recent activity in the mutual fund sector, particularly in the equity segment, has increased due to better distribution and regulatory changes in fee structures. As of December 2024, 74% of total individual investors' assets in mutual funds are distributor-driven, of which 53% are from top 30 cities. Direct investments account for 26% of individual investors' assets, with 6% from B30 and 20% from T30.

- **Digital Transformation**

Digital transformation, through online platforms and mobile applications, has made mutual fund transactions, more efficient, offering seamless services for investors and cost benefits for distributors.

- **Regulatory Support**

Recent regulatory reforms by SEBI have enhanced transparency, investor protection, and market integrity, fostering competition and fair practices in the industry.

- **Strategic Partnerships**

Strategic partnerships with banks, insurance companies, and fintech platforms enable mutual fund distributors to expand their market reach, promote financial literacy, and provide comprehensive financial solutions, supporting sustained growth in the mutual fund sector.

5.9 Regulatory scenario in Mutual Funds and Mutual Funds Distribution

Regulatory framework of Mutual funds:

SEBI regulates mutual funds to ensure transparency and investor protection. Mutual fund houses must register with SEBI, appoint qualified fund managers, and follow guidelines such as diversification, risk management, and disclosures. SEBI also mandates mutual fund distributors (MFDs) to comply with KYC norms, disclose fees and commissions, and meet regulatory standards.

Some of Restriction on Investment made by Mutual Funds are as follows:

- A mutual fund scheme shall not invest more than 10% of its NAV in debt instruments, including money market instruments and non-money market instruments, issued by a single issuer which are rated not below investment grade by an authorised credit rating agency. This limit may be extended to 12% of the NAV of the scheme with the prior approval of the Board of Trustees and Board of Directors of the AMC.
  - Limits on investments in debt instruments from a single issuer.
  - Prohibitions on investing in unlisted debt instruments, except for government securities.
  - Restrictions on investing in other mutual funds under the same AMC.
  - Mandatory delivery of securities for purchases and sales.
  - Restrictions on investments in unlisted securities or private placements by sponsor companies.
  - No mutual fund [scheme] shall make any investment in,
    a. Any unlisted security of an associate or group company of the sponsor; or
    b. Any security issued by way of private placement by an associate or group company of the sponsor; or
    c. The listed securities of group companies of the sponsor, exceeding 25% of the net assets [except for investments by equity-oriented exchange traded funds and index funds and subject to such conditions as may be specified by the Board]
- A mutual fund may invest in the units of REITs and InvITs subject to the following:

a. No mutual fund under all its schemes shall own more than 10% of units issued by a single issuer of REIT and InvIT;
b. A mutual fund scheme shall not invest –
   i. more than 10% of its NAV in the units of REIT and InvIT; and
   ii. more than 5% of its NAV in the units of REIT and InvIT issued by a single issuer.

Regulatory framework of Mutual fund distributor:

As per SEBI regulations, any person/entity who wants to become a Mutual Fund Distributor is required to fulfil the following pre-requisites – 1. pass 'NISM Series V- A: Mutual Fund Distributors Certification Examination' conducted by NISM and 2. register with AMFI and obtain AMFI Registration Number (ARN).

In the above context, a non-individual entity applying for ARN should have at least one employee / sales personnel who has passed the above mentioned NISM examination and register with AMFI & obtained Employee Unique identification Number (EUIN), to be eligible for allotment of the ARN.

At the time of empanelling distributors and during the review process, the AMC must undertake due diligence process of the distributor on several factors including business model, experience, proficiency in business, track record, regulatory record / statutory levies, organizational controls, capacity for customer risk evaluation, ability to customize solutions, and MF scheme evaluation.

The AMC shall also review the compliance and risk management functions of the distributor, such as:

- The criteria used for review of products and the periodicity of reviews.
- Parameters to consider while evaluating risk appetite of clients and the investment categorization.
- Review of transactions, exceptions identification, escalation, and resolution process by internal audit.
- Recruitment, training, certification, and performance review of all personnel engaged in this business.
- Customer on-boarding and relationship management process
- Servicing standards and grievance handling mechanism
- Internal / external audit processes their comments / observations as it relates to MF distribution business.
- Findings of ongoing review from sample survey of investors.

Further, the SEBI has mandated AMCs are required to undertake the due diligence process of the MFDs satisfying one or more of the following four criteria at the time of their empanelment and during the review period:

a. Multiple point presence (More than 20 locations)
b. AUM rose over Rs. 1000 million in the non-institutional category but including HNIs.
c. Commission received of over Rs.10 million annually across industry.
d. Commission received of over Rs.5 million from a single mutual fund.

Mutual fund distributors earn trail commissions based on investments mobilized under regular plans of mutual fund schemes. AMCs follow a full trail commission model, with no upfront commissions or incentives in any form other than trail commissions. These payments are made monthly, based on the AMC's business policy.

In summary, SEBI enforces strict regulations for mutual fund houses, fund managers, and distributors to ensure transparency, investor protection, and compliance with industry standards.

6 Key Threats & Challenges

Lower Broking Margins:

Indian full-service brokers face intense competition from discount brokers and foreign banks. Discount brokers offer low trading fees, which put pressure on full-service brokers with slim margins, making it difficult for them to cover fixed costs. This has led to practices like over-trading, which can result in retail investors losing money.

Increasing Costs and Additional Investments:

The evolving stock market requires continuous investment in modern technologies, platforms, and trading algorithms to retain clients. For instance, expanding into commodities or currency segments requires additional infrastructure costs. Likewise, mobile technologies and portfolio management systems further increase expenses, as brokers also need to cover costs like exchange memberships and operational infrastructure.

Risk Management:

The complexity of India's financial markets makes risk mitigation challenging. During economic uncertainty, reduced investor confidence affects fee-based income, such as advisory services, while market volatility **impacts** asset valuations. To navigate these challenges, brokers must employ sophisticated risk strategies, including hedging and diversification, while providing timely market insights. Despite these efforts, market unpredictability remains a significant challenge.

Increased Competition and Economic Uncertainties:

The rise of online trading platforms is giving stiff competition to mid-size brokers, putting pressure on them to lower their fees, impacting profitability of mid-size brokers. These platforms offer diversified investment options beyond equities, such as mutual funds, ETFs, and robo-advisory services. This appeals to a broad base of investors who prefer diversified, low-risk investments rather than direct equity trading, leading to clients switching brokers. Furthermore, stockbrokers operate in an industry that is sensitive to market volatility and broader economic conditions. Economic downturns, geopolitical events, and other unforeseen crises often lead to fluctuations in trading volumes and investor behaviour, impacting revenue.

Regulatory Challenges:

The regulatory landscape is constantly evolving to safeguard investor interests and maintain transparency. However, the increasing compliance demands often require brokers to adopt advanced systems for data reporting and client disclosures, which raises operational costs. Further, regulations on margin trading and exposure limits, aimed at reducing market volatility, constrain brokers' profitability.

7 Peer Comparison

7.1 Peer Profile

Company Name	About the Company
Anand Rathi Share and Stock Brokers Limited (ARSSBL)	Anand Rathi Shares & Stock Brokers Limited (ARSSBL), established on November 22, 1991, is a multi-faceted financial services provider offering stock broking, research analysis, depository services, mutual fund distribution etc. It is a member of key exchanges such as the National Stock Exchange, BSE, Multi Commodity Exchange, and National Commodity and Derivatives Exchange, serving retail clients and high-net-worth individuals (HNIs) via online, call-and-trade, and offline platforms through over 60 branches. As of Sep'24, Research Analyst team consist of 60 employees.
Geojit Financial Services Limied (GFSL)	GFSL, the flagship company of the Geojit group, was established in 1987. The group provides a wide range of services, including retail broking, depository, equity research, portfolio management, third-party product distribution, and loans against shares. Additionally, the group has formed broking joint ventures in Dubai, Saudi Arabia, Kuwait, and Oman, offering equity broking and related services primarily to non-resident Indians in these regions.
IIFL Capital Service Limited (IIFL CAPS)	IIFL Capital Services Ltd (formerly known as IIFL Securities Ltd) established in 1996 as the broking arm of the IIFL Group, offers retail and institutional equities, commodity and currency broking, financial product distribution, investment banking, financial planning, and wealth management services. As of Mar'24, Research Analyst team consist of 40 employees.
Motilal Oswal Financial Services Limited (MOSFL)	Motilal Oswal Financial Services Ltd, founded in 1987, provides a wide array of financial products and services, including equity investments, futures, and options (F&O), mutual funds, and advisory services. As of Sep'24, Research Analyst team consist of 100 employees.
ICICI Securities Limited (I-Sec)	ICICI Securities Limited specializes in institutional and retail broking, financial product distribution, merchant banking, and advisory services. As of Mar'24, Research Analyst team consist of 30 employees.
Angel One Limited	Angel One Ltd is a diversified financial services company involved in stock, commodity, and currency broking, institutional broking, margin trading, depository services, mutual fund distribution, non-banking financial services, and insurance distribution. As of Mar'24, Research Analyst team consist of 46 employees.

7.2 Active Clients on NSE

Company	Mar 22 ('000)		Mar 23 ('000)		Mar 24 ('000)		Oct 24 ('000)		Growth from Mar'22 to Oct'24 for Active Clients
	Active client	Total client	Active client	Total client	Active client	Total client	Active client	Total client	
Anand Rathi Share and Stockbrokers	105	605	105	670	128	758	146	852	39.9%
Geojit Financial Service	235	1,199	236	1,290	247	1,389	256	1,445	9.2%
IIFL Capital Service	1,133	3,000	481	3,001	444	3,001	460	-	-59.4%
Motilal Oswal Financial Services	897	900	805	5,500	893	7,000	1,005	9,400	12.0%
ICICI Securities	3,031	7,560	2,333	9,100	1,862	9,100	1,934	-	-36.2%
Angel One	3,658	9,200	4,282	13,800	6,303	22,200	7,529	27,500	105.8%

Source: NSE

7.3 Average Revenue Per Client

During Fiscal 2024, Anand Rathi Share and Stock Brokers Limited (ARSSBL) had the highest average revenue per client amongst peer set.

	Average Revenue Per Client (in Rs)			Y-o-Y change (%)	
Company	FY22	FY23	FY24	FY23 vs FY22	FY24 vs FY23
ARSSBL	26,386	26,012	30,922	-1%	19%
Geojit Financial Service Ltd	12,296	8,869	11,486	-28%	30%
IIFL Capital Services Ltd	5,956	15,801	27,063	165%	71%
Motilal Oswal Financial Services Ltd	17,635	20,897	25,393	19%	22%
ICICI Securities Ltd	5,122	5,385	10,082	5%	87%
Angel One Ltd	4,302	4,859	4,628	13%	-5%

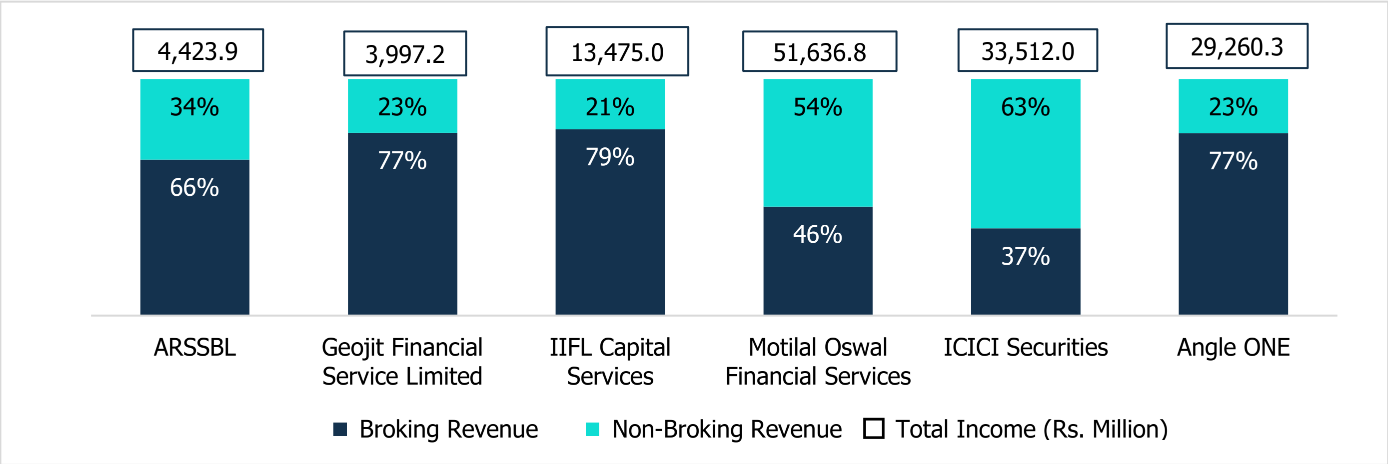
Source: Company disclosures, CareEdge Research
Note: ARPC is calculated as Broking revenue over NSE Active client

7.4 Margin Trading Facility (MTF) Book Size (Rs. In Millions)

Company	FY21	FY22	FY23	FY24
ARSSBL	1,049.35	3,046.62	3,766.38	6,172.93
YoY Growth		*190%*	*24%*	*64%*
Geojit Financial	1,017.84	2,161.58	2,474.91	4,675.53
YoY Growth		*112%*	*14%*	*89%*
IIFL Capital Services	964.36	4,724.24	4,905.86	9,164.28
YoY Growth		*390%*	*4%*	*87%*
Motilal Oswal	7,730.80	8,853.90	13,292.70	34,941.50
YoY Growth		*15%*	*50%*	*163%*
ICICI Securities	23,824.00	54,700.60	58,175.60	1,16,386.80
YoY Growth		*130%*	*6%*	*100%*
Angel one	10,632.76	12,703.62	10,051.84	14,841.23
YoY Growth		*19%*	*-21%*	*48%*

Source: Company disclosures
Note: MTF includes Margin trading facility, Accrued interest on margin trading fund

7.5 Share of Broking and Non-Broking revenue as percentage of Total Income – H1FY25



Source: Company disclosures, CareEdge Research

Note: Broking Income includes Fees and Commission Income

7.6 Total Assets Under Distribution

Company	FY22		FY23		FY24		H1 FY25	
	Mutual Fund	PMS & AIF	Mutual Fund	PMS & AIF	Mutual Fund	PMS & AIF	Mutual Fund	PMS & AIF
ARSSBL	24,440	3,283	26,575	4,997	39,615	9,431	53,806	13,958
Geojit Financial Service Ltd	77,740	3,590	84,600	4,500	1,22,000	9,140	1,58,000	13,010
IIFL Capital Services Ltd	71,400	35,700	68,600	47,040	1,08,000	-	1,56,000	65,520
Motilal Oswal Financial Services Ltd	52,080	53,760	57,510	51,120	-	-	-	-
ICICI Securities Ltd	5,32,000	7,200	5,85,000	14,000	7,18,000	28,600	-	-
Angel One Ltd	17,500	-	21,000	-	49,400	-	-	-

Source: Company disclosures, CareEdge Research

7.7 Key financials of players

Key financials for FY22 (Rs in million)

Particulars	ARSSBL	GFSL	IIFL CAPS	MOSFL	I-Sec	Angel One
Interest Income	930	700	1,794	10,343	7,185	3,653
Fees and Commission Income	3,303	4,166	10,369	26,073	26,546	18,961
Net gain on fair value changes	1	4	0	4,959	589	297
Other Operating Income	0	133	160	1,594	30	0
Revenue from Operation	**4,234**	**5,003**	**12,323**	**42,968**	**34,350**	**22,911**
Other Income	4	8	841	196	35	60
Total Income	**4,238**	**5,011**	**13,164**	**43,164**	**34,385**	**22,971**
EBITDA	1,136	2,314	4,830	21,193	21,855	9,215
EBITDA margin (%)	27%	46%	39%	49%	64%	40%
PAT	508	1,544	3058	13107	13826	6248
PAT margin (%)	12%	31%	23%	30%	40%	27%
Total Debt	2,755	483	6,070	61,515	77,392	12,577
Debt to Equity (times)	1.2	0.1	0.5	1.1	3.2	0.8
Return on Equity (%)	29%	22%	28%	26%	65%	46%
Return on Capital Employed (%)	25%	28%	28%	19%	27%	35%
Return on Assets (%)	4%	12%	6%	8%	13%	10%

Source: Company disclosures, Note: Figures have been rounded off to the nearest integers, Note - H1 FY25 data is not annualised
Note – Interest Income include Interest on Loans - Margin funding, Interest on Delayed payment by customer, Interest income from Investments and bank deposits.

Key financials for FY23 (Rs in million)

Particulars	ARSSBL	GFSL	IIFL CAPS	MOSFL	I-Sec	Angel One
Interest Income	1,312	842	2,025	12,283	10,015	5,195
Fees and Commission Income	3,361	3,435	11,323	27,334	23,237	24,760
Net gain on fair value changes	6	5	0	1,388	889	61
Other Operating Income	0	111	173	767	16	0
Revenue from Operation	**4,678**	**4,393**	**13,521**	**41,771**	**34,158**	**30,016**
Other Income	9	83	183	200	97	195
Total Income	**4,687**	**4,476**	**13,704**	**41,971**	**34,255**	**30,211**
YoY Growth	*11%*	*-11%*	*4%*	*-3%*	*-0.4%*	*32%*
EBITDA	1,151	1,475	4,650	18,765	21,028	12,928
EBITDA margin (%)	25%	34%	34%	45%	62%	43%
PAT	377	1,010	2,498	9,328	11,176	8,900
PAT margin (%)	8%	23%	18%	22%	33%	29%
Total Debt	4,230	775	4,858	1,02,759	92,926	7,840

Particulars	ARSSBL	GFSL	IIFL CAPS	MOSFL	I-Sec	Angel One
Debt to Equity (times)	1.6	0.1	0.4	1.6	3.3	0.4
Return on Equity (%)	15%	13%	20%	16%	42%	48%
Return on Capital Employed (%)	17%	14%	22%	13%	18%	44%
Return on Assets (%)	3%	7%	4%	5%	8%	12%

Source: Company disclosures, Note - Figures have been rounded off to the nearest integers, Note - H1 FY25 data is not annualised
Note – Interest Income include Interest on Loans - Margin funding, Interest on Delayed payment by customer, Interest income from Investments and bank deposits.

Key financials for FY24 (Rs in Million)

Particulars	ARSSBL	GFSL	IIFL CAPS	MOSFL	I-Sec	Angel One
Interest Income	2,151	1,135	3,288	18,947	16,734	7,859
Fees and Commission Income	4,667	4,894	18,132	36,253	32,702	34,792
Net gain on fair value changes	0	11	0	14,651	1,037	66
Other Operating Income	0	102	193	826	20	0
Revenue from Operations	**6,818**	**6,141**	**21,613**	**70,678**	**50,492**	**42,717**
Other Income	15	98	700	628	19	81
Total Income	**6,833**	**6,240**	**22,313**	**71,305**	**50,511**	**42,798**
YoY Growth	*46%*	*39%*	*63%*	*70%*	*48%*	*42%*
EBITDA	2,306	2,280	8,744	40,659	33,715	16,915
EBITDA margin (%)	34%	37%	41%	58%	67%	40%
PAT	773	1,494	5,133	24,456	16,967	11,255
PAT margin (%)	11%	24%	23%	34%	34%	26%
Total Debt	8,792	3,502	11,539	1,37,456	1,66,796	25,353
Debt to Equity (times)	2.2	0.4	0.6	1.6	4.3	0.8
Return on Equity (%)	23%	17%	33%	32%	50%	43%
Return on Capital Employed (%)	21%	19%	32%	20%	20%	39%
Return on Assets (%)	4%	9%	8%	9%	8%	11%

Source: Company disclosures, Note: Figures have been rounded off to the nearest integers, Note - H1 FY25 data is not annualised
Note – Interest Income include Interest on Loans - Margin funding, Interest on Delayed payment by customer, Interest income from Investments and bank deposits.

Key financials for H1 FY25 (Rs in Million)

Particulars	ARSSBL	GFSL	IIFL CAPS	MOSFL	I-Sec	Angel One
Interest Income	1,498	833	2,115	12,538	12,154	6,538
Fees and Commission Income	2,916	3,090	10,609	23,750	20,791	22,576
Net gain on fair value changes	3	3	0	14,867	520	87
Other Operating Income	0	69	128	347	8	0
Revenue from Operation	**4,417**	**3,995**	**12,853**	**51,502**	**33,473**	**29,202**
Other Income	7	2	622	135	39	59
Total Income	**4,424**	**3,997**	**13,475**	**51,637**	**33,512**	**29,260**
EBITDA	1,615	1,697	5,659	32,041	23,011	11,422
EBITDA margin (%)	37%	42%	44%	62%	69%	39%
PAT	637	1,032	3,876	20,054	10,541	7,161
PAT margin (%)	14%	26%	29%	39%	31%	24%
Total Debt	10,649	4,514	10,531	1,55,385	2,20,341	31,136
Debt to Equity (times)	2.3	0.5	0.5	1.4	5.0	0.6
Return on Equity (%)	15%	11%	19%	20%	25%	17%
Return on Capital Employed (%)	11%	11%	17%	13%	9%	16%
Return on Assets (%)	2%	5%	4%	6%	4%	5%

Source: Company disclosures, Note: Figures have been rounded off to the nearest integers, Note - H1 FY25 data is not annualised
Note – Interest Income include Interest on Loans - Margin funding, Interest on Delayed payment by customer, Interest income from Investments and bank deposits.

Note for Peer Competitive Analysis

- All figures are on Consolidated basis
- EBITDA = Profit Before Tax+Depreciation+Finance Cost (Excluding other income)
- Capital Employed = Total Debt+Total Equity
- EBITDA Margin = EBITDA/Total Revenue from Operation
- PAT Margin = PAT/Total Income
- Debt Equity Ratio = Total Debt/Total Equity
- Return on Equity = PAT/Average of Total Equity
- Return on Capital Employed = EBIT (Excluding other income)/Average of Capital Employed
- Return on Assets = PAT/Average of Total Assets

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About:

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