Industry Report on Capital Markets & Stock Broking

December 2023

Disclaimer

This report is prepared by CARE Analytics and Advisory Private Limited (CareEdge Research). CareEdge Research has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in CareEdge Research's proprietary database, and other sources considered by CareEdge Research as accurate and reliable including the information in public domain. The views and opinions expressed herein do not constitute the opinion of CareEdge Research to buy or invest in this industry, sector or companies operating in this sector or industry and is also not a recommendation to enter into any transaction in this industry or sector in any manner whatsoever.

This report has to be seen in its entirety; the selective review of portions of the report may lead to inaccurate assessments. All forecasts in this report are based on assumptions considered to be reasonable by CareEdge Research; however, the actual outcome may be materially affected by changes in the industry and economic circumstances, which could be different from the projections.

Nothing contained in this report is capable or intended to create any legally binding obligations on the sender or CareEdge Research which accepts no responsibility, whatsoever, for loss or damage from the use of the said information. CareEdge Research is also not responsible for any errors in transmission and specifically states that it, or its Directors, employees, parent company – CARE Ratings Ltd., or its Directors, employees do not have any financial liabilities whatsoever to the subscribers/users of this report. The subscriber/user assumes the entire risk of any use made of this report or data herein. This report is for the information of the authorised recipient in India only and any reproduction of the report or part of it would require explicit written prior approval of CareEdge Research.

CareEdge Research shall reveal the report to the extent necessary and called for by appropriate regulatory agencies, viz., SEBI, RBI, Government authorities, etc., if it is required to do so. By accepting a copy of this Report, the recipient accepts the terms of this Disclaimer, which forms an integral part of this Report.

Table of Contents

List of Charts

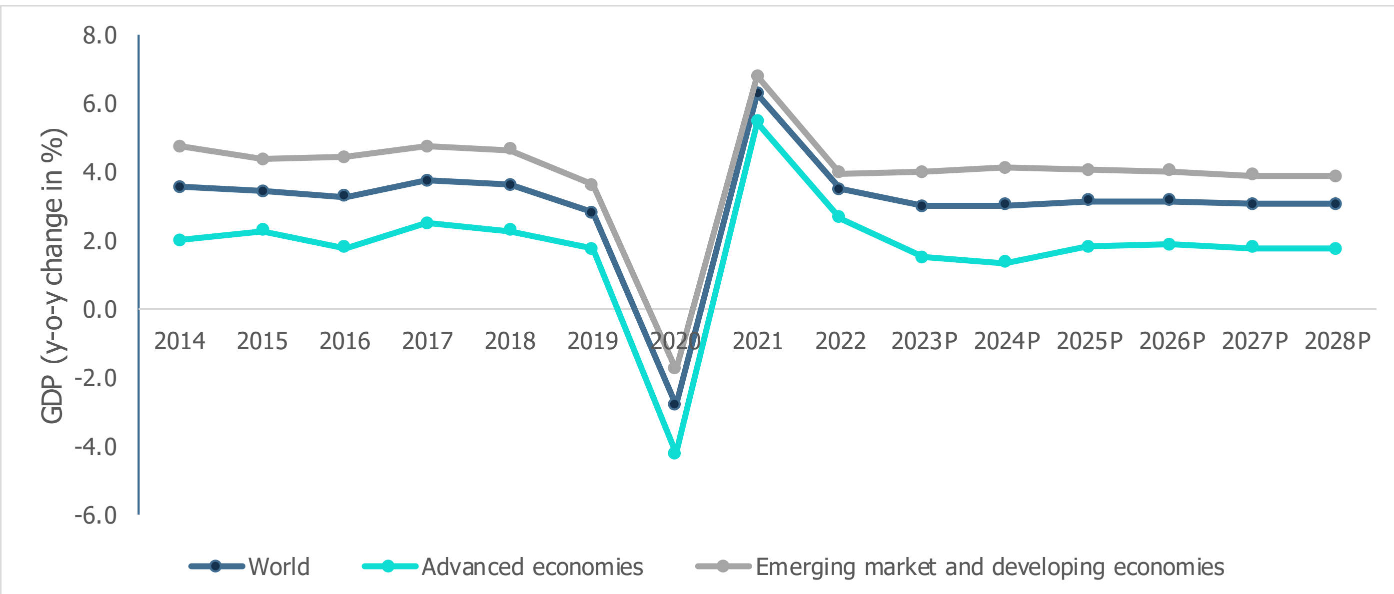
List of Tables

1. Economic Outlook

1.1 Global Economy

As per the International Monetary Fund (IMF)'s World Economic Outlook growth projections released in July 2023, the global economic growth for CY22[1] stood at 3.5% on a year-on-year (y-o-y) basis, down from 6.3% in CY21 due to disruptions resulting from the Russia-Ukraine conflict and higher-than-expected inflation worldwide. On the other hand, the global economic growth for CY23 is projected to slow down further to 3.0%, attributed to compressing global financial conditions, expectant steeper interest rate hikes by major central banks to fight inflation, and spill-over effects from the Russia-Ukraine conflict, with gas supplies from Russia to Europe expected to remain tightened. Whereas growth in CY24 is projected to remain broadly stable at 3.0%, with notable shifts across regions. For the next 5 years, the IMF projects world economic growth in the range of 3.0%-3.2% on a y-o-y basis.

Chart 1: Global Growth Outlook Projections (Real GDP, Y-o-Y change in %)



Notes: E- Estimated, P-Projection
Source: IMF – World Economic Outlook, July 2023 and April 2023

Advanced Economies Group

The major advanced economies registered GDP growth of 2.7% in CY22, down from 5.4% in CY21, which is further projected to decline to 1.5% in CY23. This forecast of low growth reflects increased central bank interest rates to fight inflation and the impact of the Russia-Ukraine war. About 93% of advanced economies are projected to witness declined GDP growth in CY23. In addition, this is further expected to decline to 1.4% in CY24.

One of the major countries from this group is the **United States**. The United States registered GDP growth of 2.1% in CY22 compared to 5.9% in CY21. Whereas, growth for CY23 and CY24 is projected at 1.8% and 1.0%, respectively. This is reflective of declining real disposable incomes and savings impacting consumer demand with higher interest rates taking a toll on spending.

---

[1] CY- Calendar Year

Further, the **Euro Area** registered GDP growth of 3.5% in CY22 compared to 5.3% in CY21. However, the boost from the reopening of the economy after the pandemic appears to be fading. For CY23 and CY24, the growth is projected at 0.9% and 1.5%, respectively. The accelerated pace of rate increases by the Bank of England and the European Central Bank has tightened the financial conditions, resulting in the cooling of demands in the housing sector and beyond.

Emerging Market and Developing Economies Group

For the emerging market and developing economies group, GDP growth stood at 4.0% in CY22, compared to 6.8% in CY21. This growth is further projected at 4.0% in CY23 and 4.1% in CY24. The anticipated improvement in GDP growth in CY24 is attributed to the anticipation of gradual recovery. Whereas about 61% of economies, expected to progress rapidly in CY23, project stable growth. While the remaining economies, including the low-income countries, are expected to progress slower.

Further, in **China**, growth is expected to pick up to 5.2% with the full reopening in CY23 and subsequently moderate in CY24 to 4.5%. Whereas, India's GDP projections for CY23 and CY24 stand at 6.1% and 6.3%, respectively, with resilient domestic demands despite external headwinds.

Table 1: GDP growth trend comparison - India v/s Other Emerging and Developing Economies (Real GDP, Y-o-Y change in %)

	Real GDP (Y-o-Y change in %)										
	2018	2019	2020	2021	2022	2023E	2024P	2025P	2026P	2027P	2028P
India	6.5	3.9	-5.8	9.1	7.2	6.1	6.3	6.2	6.1	6.0	6.0
China	6.8	6.0	2.2	8.4	3.0	5.2	4.5	4.1	4.0	3.6	3.4
Indonesia	5.2	5.0	-2.1	3.7	5.3	5.0	5.0	5.0	5.0	5.0	5.0
Saudi Arabia	2.8	0.8	-4.3	3.9	8.7	1.9	2.8	3.0	3.0	3.0	3.0
Brazil	1.8	1.2	-3.3	5.0	2.9	2.1	1.2	1.9	2.0	2.0	2.0

E- Estimated, P- Projections; Source: IMF, World Economic Outlook Database (July 2023 and April 2023)

The **Indonesian** economy is expected to register growth of 5% both in CY23 and CY24 with a strong recovery in domestic demands, a healthy export performance, policy measures, and normalization in commodity prices. In CY22, **Saudi Arabia** was the fastest-growing economy in this peer set with 8.7% growth. The growth is accredited to robust oil production, non-oil private investments encompassing wholesale and retail trade, construction and transport, and surging private consumption. Saudi Arabia is expected to grow at 1.9% and 2.8% in CY23 and CY24, respectively. On the other hand, **Brazil** is expected to project a moderate economic growth of 2.1% in CY23 due to headwinds of inflation. However, recovery is expected in the medium term with a sound financial system, large cash buffers with the public sector, and adequate international reserves.

Despite the turmoil in the last 2-3 years, India bears good tidings to become a USD 5 trillion economy by CY27. According to the IMF dataset on Gross Domestic Product (GDP) at current prices, the GDP has been estimated to be at USD 3.4 trillion for CY22 and is projected to reach USD 5.2 trillion by CY27. India's expected GDP growth rate for coming years is almost double compared to the world economy.

Besides, India stands out as the fastest-growing economy among the major economies. The country is expected to grow at more than 6% in the period of CY24-CY28, outshining China's growth rate. Accordingly, the Indian economy is paving its way towards becoming the largest economy globally. Currently, it is the third-largest economy globally in terms of Purchasing Power Parity (PPP) with a ~7% share in the global economy, with China [~18%] on the top followed by the United States [~15%].

Purchasing Power Parity is an economic performance indicator denoting the relative price of an average basket of goods and services that a household needs for livelihood in each country. Despite COVID-19's impact, high inflationary and interest rates globally, and the geo-political tensions in Europe, India has been a major contributor to world economic growth.

1.2 Indian Economic Outlook

1.2.1 GDP Growth and Outlook

Resilience to External Shocks remains Critical for Near-Term Outlook

India's GDP grew by 9.1% in FY22 and stood at Rs. 149.3 trillion despite the pandemic and geopolitical Russia-Ukraine spillovers. In Q1FY23, India recorded 13.2% y-o-y growth in GDP, largely attributed to improved performance by the agriculture and services sectors. Following this double-digit growth, Q2FY23 witnessed 6.3% y-o-y growth, while Q3FY23 registered 4.5% y-o-y growth. The slowdown during Q2FY23 and Q3FY23 compared to Q1FY23 can be attributed to the normalization of the base and a contraction in the manufacturing sector's output.

Subsequently, Q4FY23 registered broad-based improvement across sectors compared to Q3FY23 with a growth of 6.1% y-o-y. The investments, as announced in the Union Budget 2022-23 on boosting public infrastructure through enhanced capital expenditure, have augmented growth and encouraged private investment through large multiplier effects in FY23. Supported by fixed investment and higher net exports, GDP for full-year FY23 was valued at Rs. 160.1 trillion registering an increase of 7.2% y-o-y.

Furthermore, in Q1FY24, the economic growth accelerated to 7.8%. The manufacturing sector maintained an encouraging pace of growth, given the favorable demand conditions and lower input prices. The growth was supplemented by a supportive base alongside robust services and construction activities.

GDP Growth Outlook

- During FY24, strong agricultural and allied activity prospects are likely to boost rural demands. However, El Nino is being predicted in the current fiscal which may lead to deficit rainfall in the country and impact agricultural output. However, a rebound in contact-intensive sectors and discretionary spending is expected to support urban consumption.
- Strong credit growth, resilient financial markets, and the government's continual push for capital spending and infrastructure are likely to create a compatible environment for investments.
- External demand is likely to remain subdued with a slowdown in global activities, thereby indicating adverse implications for exports. Additionally, heightened inflationary pressures and resultant policy tightening may pose a risk to the growth potential.

Taking all these factors into consideration, in August 2023, the RBI in its bi-monthly monetary policy meeting estimated a real GDP growth of 6.5% y-o-y for FY24.

Table 2: RBI's GDP Growth Outlook (Y-o-Y %)

FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25

(complete year)					
6.5	8.0	6.5	6.0	5.7	6.6%

Source: Reserve Bank of India

1.2.2 Gross Value Added (GVA)

Gross Value Added (GVA) is the measure of the value of goods and services produced in an economy. GVA gives a picture of supply side whereas GDP represents consumption.

Industry and Services sector leading the recovery charge

• The gap between GDP and GVA growth turned positive in FY22 (after a gap of two years) due to robust tax collections. Of the three major sector heads, the service sector has been the fastest-growing sector in the last 5 years.

• The **agriculture sector** was holding growth momentum till FY18. In FY19, the acreage for the rabi crop was marginally lower than the previous year which affected the agricultural performance. Whereas FY20 witnessed growth on account of improved production. During the pandemic-impacted period of FY21, the agriculture sector was largely insulated as timely and proactive exemptions from COVID-induced lockdowns to the sector facilitated uninterrupted harvesting of rabi crops and sowing of kharif crops. However, supply chain disruptions impacted the flow of agricultural goods leading to high food inflation and adverse initial impact on some major agricultural exports. However, performance remained steady in FY22.

Further, in Q1FY23 and Q2FY23, the agriculture sector recorded a growth of 2.4% and 2.5%, respectively, on a y-o-y basis. Due to uneven rains in the financial year, the production of some major Kharif crops, such as rice and pulses, was adversely impacted thereby impacting the agriculture sector's output. In Q3FY23 and Q4FY23, the sector recorded a growth of 4.7% and 5.5%, respectively, on a y-o-y basis.

Overall, the agriculture sector performed well despite weather-related disruptions, such as uneven monsoon and unseasonal rainfall, impacting yields of some major crops and clocked a growth of 4% y-o-y in FY23, garnering Rs. 22.3 trillion. In Q1FY24, this sector expanded at a slower pace of 3.1% compared to a quarter ago. Going forward, rising bank credit to the sector and increased exports will be the drivers for the agriculture sector. However, a deficient rainfall may impact the reservoir level weighing on prospects of rabi sowing. A downside risk exists in case the intensity of El Nino is significantly strong.

• The **industrial sector** projected a CAGR of 4.7% for the period FY16 to FY19. From March 2020 onwards, the nationwide lockdown due to the pandemic significantly impacted industrial activities. In FY20 and FY21, this sector felt turbulence due to the pandemic and recorded a decline of 1.4% and 0.9%, respectively, on a y-o-y basis. With the opening up of the economy and resumption of industrial activities, it registered 11.6% y-o-y growth in FY22, albeit on a lower base.

The industrial output in Q1FY23 jumped 9.4% on a y-o-y basis. However, in the subsequent quarter, the sector witnessed a sharp contraction of 0.5% due to lower output across the mining, manufacturing, and construction sectors. This was mainly because of the poor performance of the manufacturing sector, which was marred by high input costs. In Q3FY23, the sector grew modestly by 2.3% y-o-y. The growth picked up in Q4FY23 to 6.3% y-o-y owing to a rebound in manufacturing activities and healthy growth in the construction sector. Overall, the industrial sector is estimated to be valued at Rs. 45.2 trillion registering 4.4% growth in FY23.

The industrial sector grew by 5.5% in Q1FY24. The industrial growth was mainly supported by sustained momentum in the manufacturing and construction sectors. Within manufacturing (as captured by IIP numbers), industries such as pharma, non-metallic mineral products, rubber, plastic, metals, etc., witnessed higher production growth during the quarter.

• The **services sector** recorded a CAGR of 7.1% for the period FY16 to FY20, which was led by trade, hotels, transport, communication, and services related to broadcasting, finance, real estate, and professional services. This sector was the hardest hit by the pandemic and registered an 8.2% y-o-y decline in FY21. The easing of restrictions aided a fast rebound in this sector, with 8.8% y-o-y growth witnessed in FY22.

In Q1FY23 and Q2FY23, this sector registered a y-o-y growth of 16.3% and 9.4%, respectively, on a lower base and supported by a revival in contact-intensive industries. Further, the services sector continued to witness buoyant demand and recorded a growth of 6.1% y-o-y in Q3FY23. Supported by robust discretionary demands, Q4FY23 registered 6.9% growth largely driven by the trade, hotel, and transportation industries. Overall, benefitting from the pent-up demand, the service sector was valued at Rs. 20.6 trillion and registered growth of 9.5% y-o-y in FY23.

Whereas in Q1FY24, the services sector growth jumped to 10.3%. Within services, there was a broad-based improvement in growth across different sub-sectors. However, the sharpest jump was seen in financial, real estate, and professional services. Trade, hotels, and transport sub-sectors expanded at a healthy pace gaining from strength in discretionary demand. Accordingly, steady growth in various service sector indicators like air passenger traffic, port cargo traffic, GST collections, and retail credit are expected to support the services sector.

Table 3: Sectoral Growth (Y-o-Y % Growth) - at Constant Prices

At constant Prices	FY18	FY19	FY20 (3RE)	FY21 (2RE)	FY22 (1RE)	FY23 (PE)	Q1FY24
Agriculture, Forestry & Fishing	**6.6**	**2.1**	**6.2**	**4.1**	**3.5**	**4**	**3.5**
Industry	**5.9**	**5.3**	**-1.4**	**-0.9**	**11.6**	**4.4**	**5.5**
Mining & Quarrying	-5.6	-0.8	-3	-8.6	7.1	4.6	5.8
Manufacturing	7.5	5.4	-3	2.9	11.1	1.3	4.7
Electricity, Gas, Water Supply & Other Utility Services	10.6	7.9	2.3	-4.3	9.9	9	2.9
Construction	5.2	6.5	1.6	-5.7	14.8	10	7.9
Services	**6.3**	**7.2**	**6.4**	**-8.2**	**8.8**	**9.5**	**10.3**
Trade, Hotels, Transport, Communication & Broadcasting	10.3	7.2	6	-19.7	13.8	14	9.2
Financial, Real Estate & Professional Services	1.8	7	6.8	2.1	4.7	7.1	12.2
Public Administration, Defence and Other Services	8.3	7.5	6.6	-7.6	9.7	7.2	7.9

At constant Prices	FY18	FY19	FY20 (3RE)	FY21 (2RE)	FY22 (1RE)	FY23 (PE)	Q1FY24
GVA at Basic Price	6.2	5.8	3.9	-4.2	8.8	7	7.8

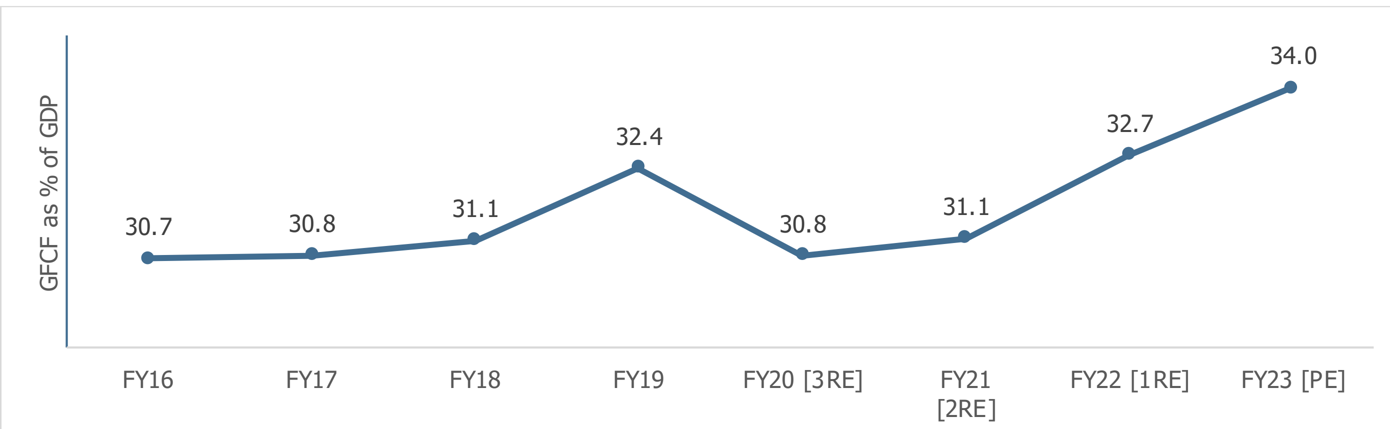
3RE – Third Revised Estimate, 2RE – Second Revised Estimates, 1RE – First Revised Estimates, PE – Provisional Estimate;

Source: MOSPI

1.2.3 Investment Trend in Infrastructure

Gross Fixed Capital Formation (GFCF), which is a measure of the net increase in physical assets, witnessed an improvement in FY22. As a proportion of GDP, it is estimated to be at 32.7%, which is the second-highest level in 7 years (since FY15). In FY23, the ratio of investment (GFCE) to GDP climbed up to its highest in the last decade at 34%, as per the advanced estimate released by the Ministry of Statistics and Programme Implementation (MOSPI).

Chart 2: Gross Fixed Capital Formation (GFCF) as % of GDP (At constant prices):



PE: Provisional Estimates, RE: Revised Estimate; Source: MOSPI

Overall, the support of public investment in infrastructure is likely to gain traction due to initiatives such as Atmanirbhar Bharat, Make in India, and Production-linked Incentive (PLI) scheme announced across various sectors.

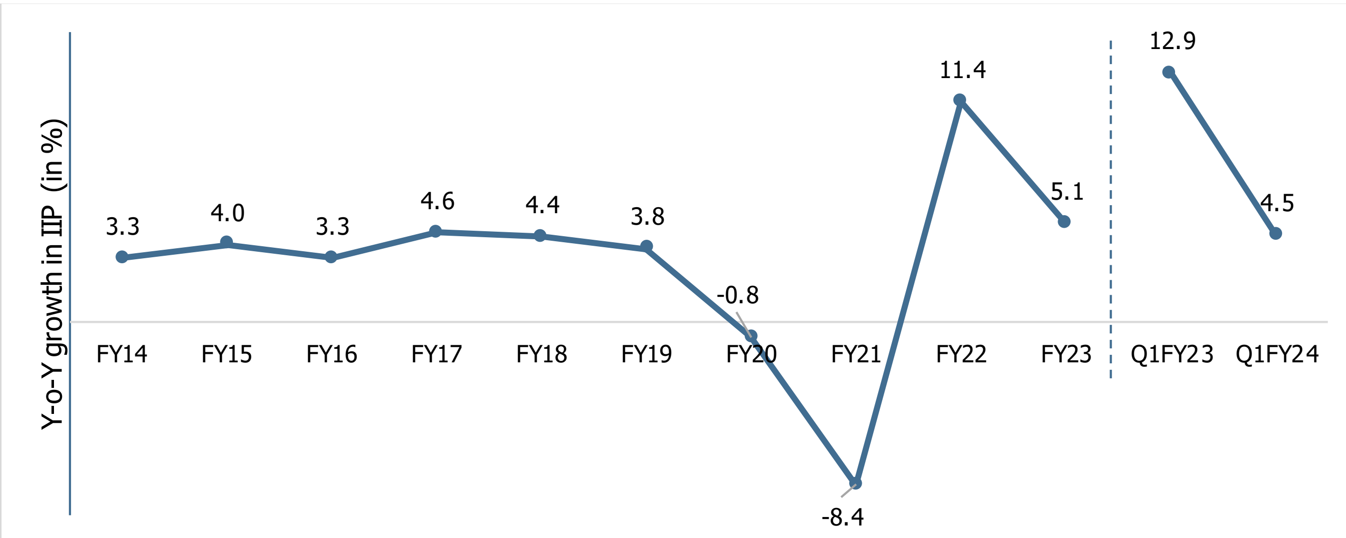
1.2.4 Industrial Growth

Improved Core and Capital Goods Sectors helped IIP Growth Momentum

The Index of Industrial Production (IIP) is an index to track manufacturing activity in an economy. On a cumulative basis, IIP grew by 11.4% y-o-y in FY22 post declining by 0.8% y-o-y and 8.4% y-o-y, respectively, in FY20 and FY21. This high growth was mainly backed by a low base of FY21. FY22 IIP was higher by 2.0% when compared with the pre-pandemic level of FY20, indicating that while economic recovery was underway, it was still at very nascent stages.

During FY23, the industrial output recorded a growth of 5.1% y-o-y supported by a favourable base and a rebound in economic activities. During April 2023 and May 2023, IIP grew by 4.2% y-o-y and 5.3% y-o-y growth, respectively. This growth in April and May 2023 was aided by encouraging performance of the mining and manufacturing sectors. However, in June 2023, the industrial output slowed to 3.7% mainly due to moderation in the manufacturing sector's output. Overall, the industrial output grew by 4.5% in Q1FY24.

Chart 3: Y-o-Y growth in IIP (in %)



Source: MOSPI

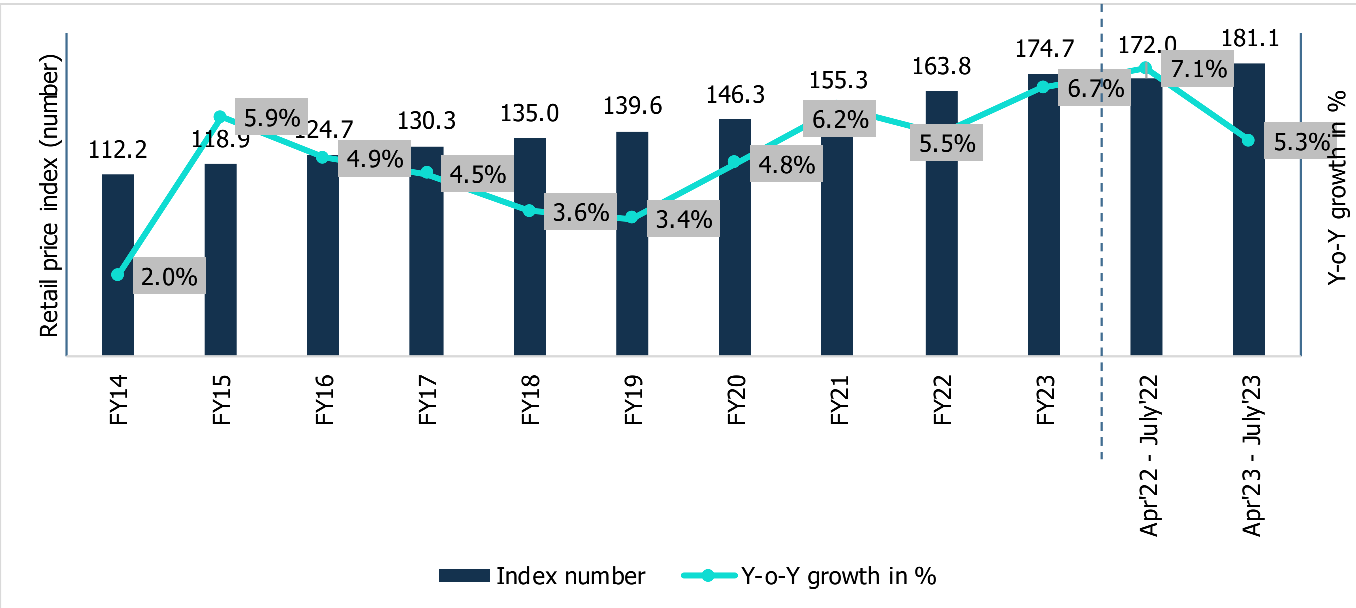
Accordingly, it will be critical to maintain the current growth momentum in the industrial sector. In the environment of global slowdown, maintaining growth in industrial output will depend on the resilience and momentum of domestic demand. Investment demands are also expected to pick up to support segments like capital goods and infrastructure. However, challenges from an uncertain global economic scenario and weak external demand are likely to persist.

1.2.5 Consumer Price Index

India's consumer price index (CPI), which tracks retail price inflation, stood at an average of 5.5% in FY22 which was within RBI's targeted tolerance band of 6%. However, consumer inflation started to upswing from October 2021 onwards and reached a tolerance level of 6% in January 2022. Following this, CPI reached 6.9% in March 2022.

CPI remained elevated at an average of 6.7% in FY23, above the RBI's tolerance level. However, there was some respite toward the end of the fiscal wherein the retail inflation stood at 5.7% in March 2023, tracing back to the RBI's tolerance band. Apart from a favorable base effect, the relief in retail inflation came from a moderation in food inflation.
In the current fiscal FY24, the CPI moderated for two consecutive months to 4.7% in April 2023 and 4.3% in May 2023. This trend snapped in June 2023 with CPI rising to 4.9% and 7.4% in July 2023 largely due to increased food inflation. The CPI has breached the RBI's target range for the first time since February 2023. This marks the highest reading observed since the peak in April 2022 at 7.8%. The notable surge in vegetable prices and elevated inflation in other food categories such as cereals, pulses, spices, and milk have driven this increase. Further, the contribution of food & beverage to the overall inflation has risen significantly to 65%, surpassing their weight in the CPI basket.

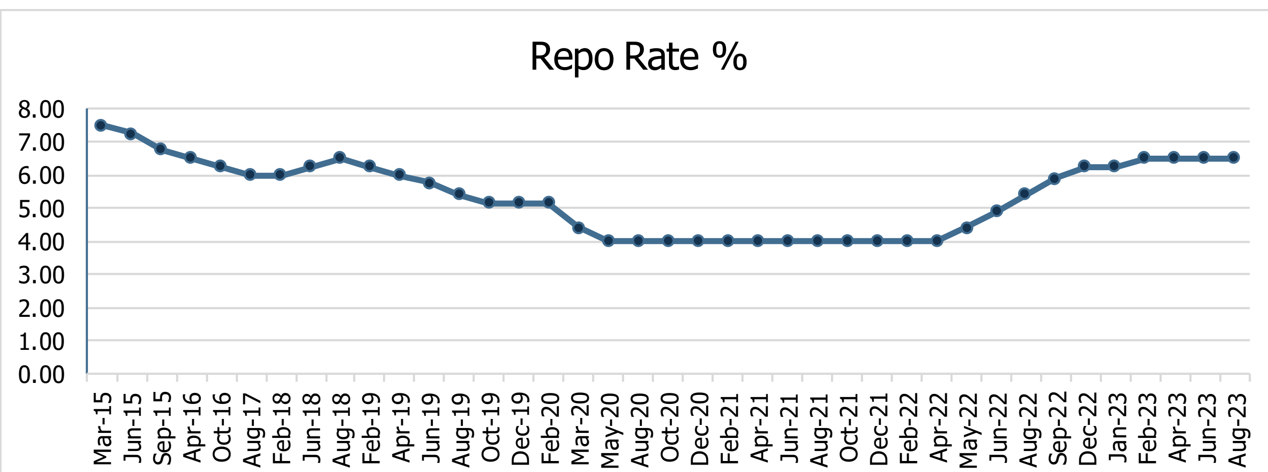
Chart 4: Retail Price Inflation in terms of index numbers and Y-o-Y Growth in %
(Base: 2011-12=100)



Source: MOSPI

The CPI is primarily factored in by RBI while preparing their bi-monthly monetory policy. The RBI has increased the repo rates with the rise in inflation in the past year from 4% in April 2022 to 6.5% in January 2023.

Chart 5: RBI historical Repo Rate



Source: RBI

However, with the inflation easing over the last few months, RBI has kept the repo rate unchanged at 6.5% in the last three meetings of the Monetary Policy Committee. At the bi-monthly meeting held in August 2023, RBI projected inflation at 5.4% for FY24 with inflation during Q2FY24 at 6.2%, Q3FY24 at 5.7%, Q4FY24 at 5.2% and Q1FY25 at 5.2%

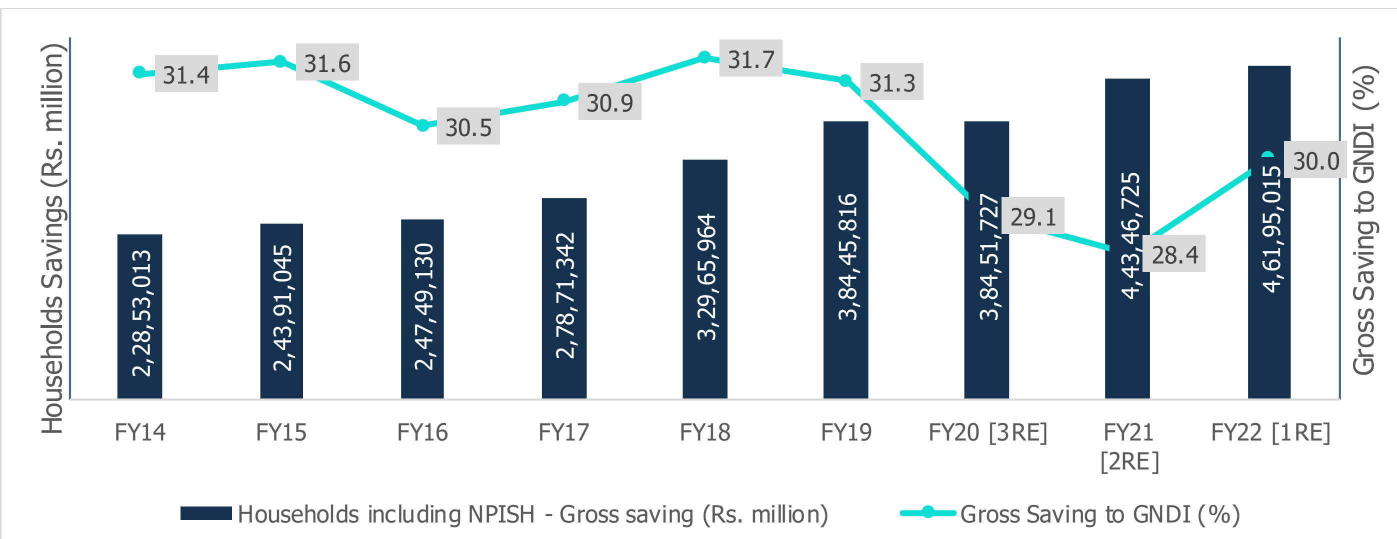
In a meeting held in August 2023, RBI also maintained the liquidity adjustment facility (LAF) corridor by adjusting the standing deposit facility (SDF) rate of 6.25% as the floor and the marginal standing facility (MSF) at the upper end of the band at 6.75%.

Further, the central bank continued to remain focused on the withdrawal of its accommodative stance. With domestic economic activities gaining traction, RBI has shifted gears to prioritize controlling inflation. While RBI has paused on the policy rate front, it has also strongly reiterated its commitment to bringing down inflation close to its medium-term target of 4%. Given the uncertain global environment and lingering risks to inflation, the Central Bank has kept the window open for further monetary policy tightening in the future, if required.

1.2.6 Savings Trend in India

Savings are crucial to economic growth. In FY22, the gross saving to disposable income ratio stood at 30%. The household savings increased sharply in FY21. The growth trajectory was reflected in FY22 as well with about 4.2% y-o-y increase. Consistent efforts toward financial inclusion, increasing digitalisation, rising trend in disposable income, and government initiatives have supported effective channelization of savings.

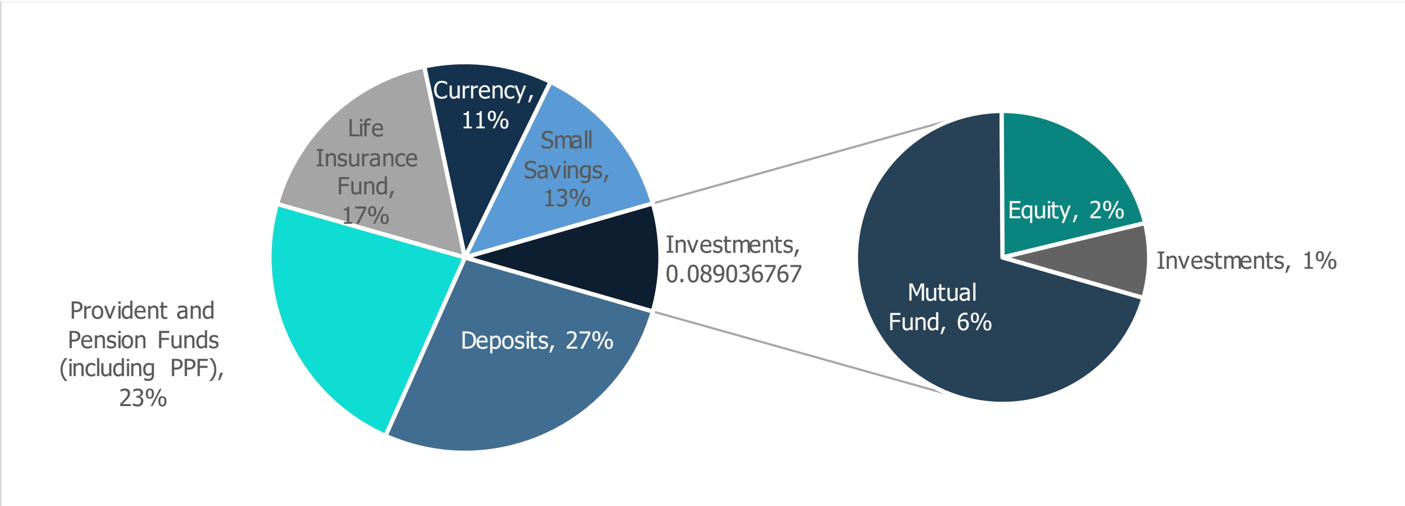
Chart 6: Gross Savings Trend



Note: GNDI – Gross net disposable income; Source: MOSPI

The profile of financial assets across different alternatives during FY22 included major proportion from Deposits (27%), followed by Provident and pension funds (23%), Life Insurance Fund (17%), Small Saving (13%), Currency (11%), and Investments (9%).

Chart 7: Financial Assets of Households in FY22 – By Instruments



Source: RBI

1.2.7 Key Demographic Drivers for Economic Growth

The trajectory of economic growth of India and private consumption is driven by socio-economic factors such as demographics and urbanization.

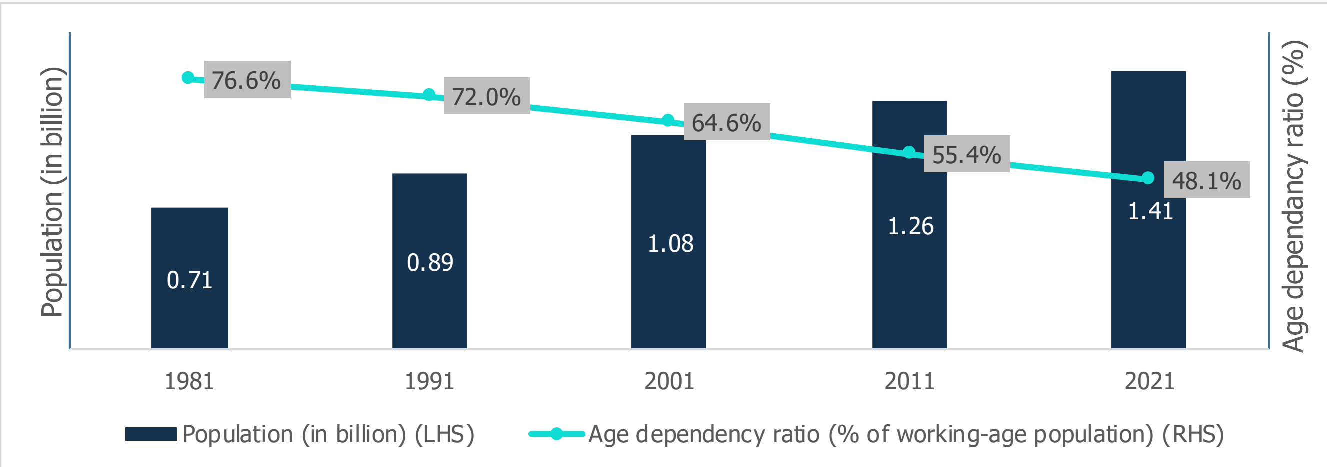
Some of the key demographic drivers are as under:

- **Growing Population and Declining Dependency Ratio**

With 1.41 billion people, India is the second-most populous country in the world, with the population witnessing significant growth in the past few decades.

Age Dependency Ratio is the ratio of dependents to the working age population, i.e., 15 to 64 years, wherein dependents are population younger than 15 and older than 64. This ratio has been on a declining trend. It was as high as 76.6% in 1981, which has reduced to 48.1% in 2021. Declining dependency means the country has an improving share of working-age population generating income, which is a good sign for the economy.

Chart 8: Trend of India Population vis-à-vis dependency ratio

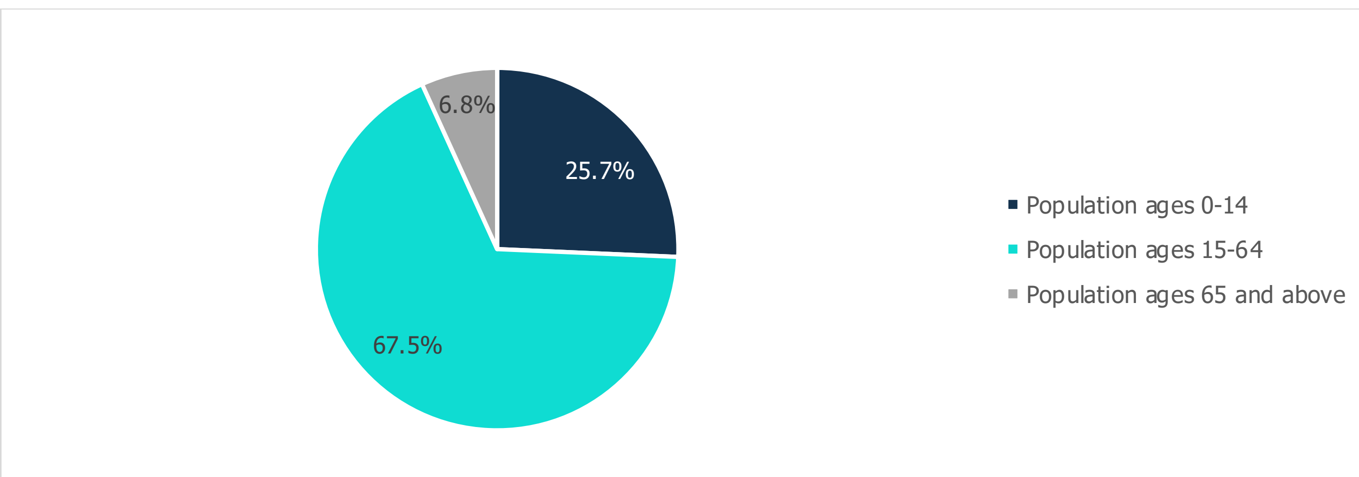


Source: World Bank Database

- **Young Population**

With an average age of 29, India has one of the youngest populations globally. With vast resources of young citizens entering the workforce every year, it is expected to create a 'demographic dividend'. India is home to a fifth of the world's youth demographic and this population advantage will play a critical role in economic growth.

Chart 9: Age-Wise Break Up of Indian population

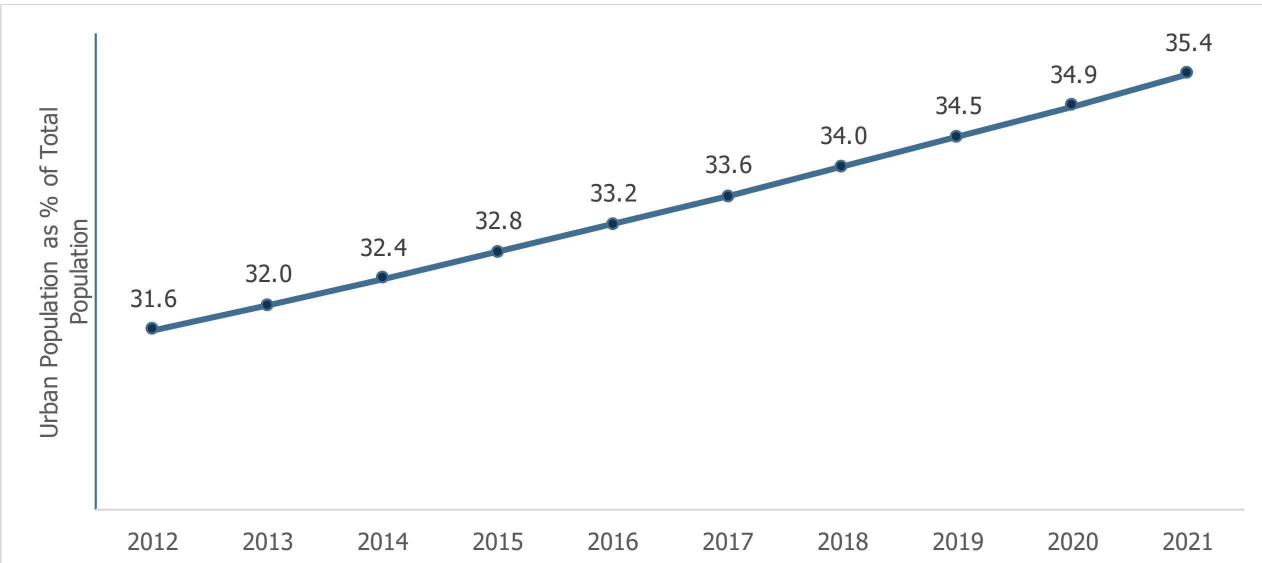


Source: World Bank Database

- **Urbanization**

The urban population is significantly growing in India. The urban population in India is estimated to have increased from 403 million (31.6% of total population) in the year 2012 to 498 million (35.4% of total population) in the year 2021. People living in Tier-2 and Tier-3 cities have greater purchasing power.

Chart 10: Urbanization Trend in India



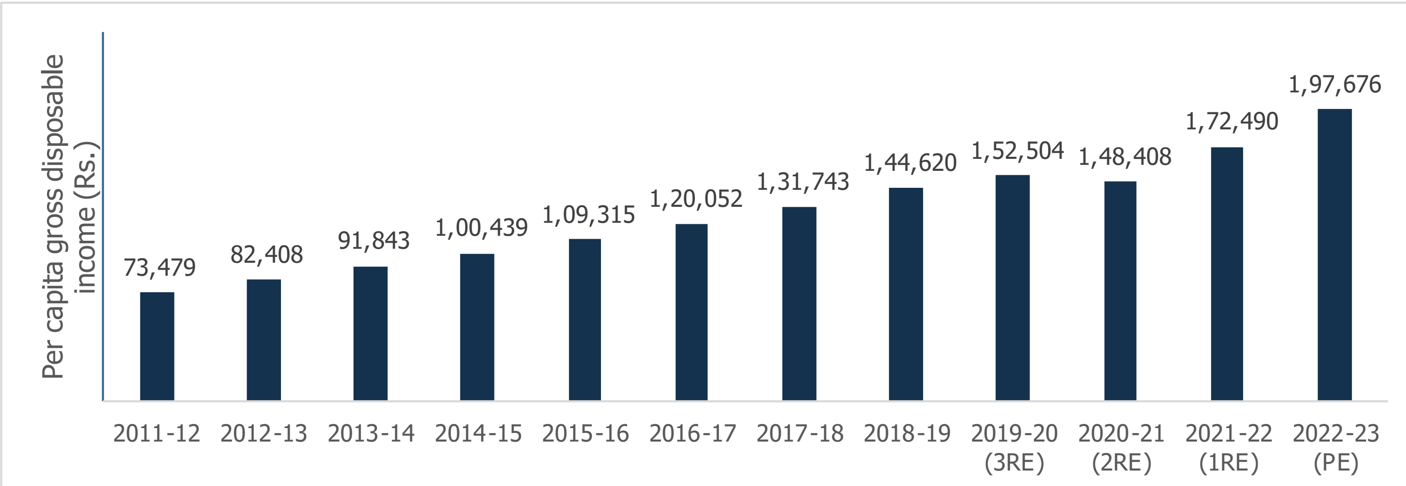
Source: World Bank Database

- **Increasing Per Capita Disposable Income**

Gross National Disposable Income (GNDI) is a measure of the income available to the nation for final consumption and gross savings. Between the period fiscal 2012 to fiscal 2023, per capita GNDI registered a CAGR of 9.4%. More disposable income drives more consumption, thereby driving economic growth.

The chart below depicts the trend of per capita GNDI in the past 12 years:

Chart 11: Trend of Per Capita Gross National Disposable Income



Note: 3RE – Third Revised Estimate, 2RE – Second Revised Estimates, 1RE – First Revised Estimates, PE – Provisional Estimate

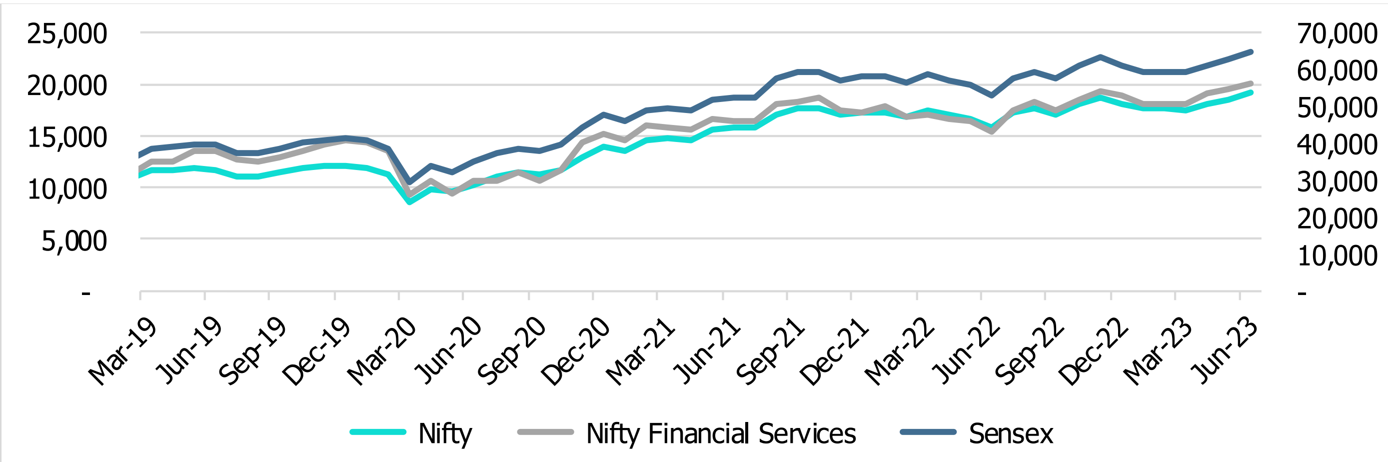
Source: MOSPI

2 Overview Of Indian Capital Market

2.1 Index Movement

The role of capital markets is to act as a platform between buyers and suppliers engaging in the trading of financial securities such as stocks, bonds and various other securities. Capital markets help in the mobilization of resources and allocation of funds. The capital markets aid in providing long-term funds to the corporate sector by channelizing savings and investments between individuals who have capital and entities in need of funds.

Chart 12: Index Movement



Source: NSE, BSE, CareEdge Research

The Indian capital markets have been on a steady growth trajectory since May 2020. The Government's decision to impose a nationwide lockdown impacted the markets and subsequently, both Nifty and Sensex crashed to multi-year lows. However, investors tried to use the temporary weakness in the market to build their portfolios. This, coupled with a sharp cut in bank deposits, drew more investor participation in equities, which resulted in the indices witnessing a return to growth as early as May 2020. Currently, (June '23) the indices are showing an upward growth trend amid the fluctuations in the market caused by anticipation of interest rate hikes by RBI and a rise in inflation.

Table 4: Nifty movement

Date	Nifty Closing	Change (y-o-y)
March 31, 2020	8,597.75	-26.03%
June 30, 2020	10,302.10	-12.61%
March 31, 2021	14,690.70	70.87%
June 30, 2021	15,721.50	52.60%
March 31, 2022	17,464.75	18.88%
June 30, 2022	15,780.30	0.37%
March 31, 2023	17,359.75	-0.60%
June 30, 2023	19,189.05	21.60%

Source: NSE, CareEdge Research

2.2 Snapshot of Indian Capital Market

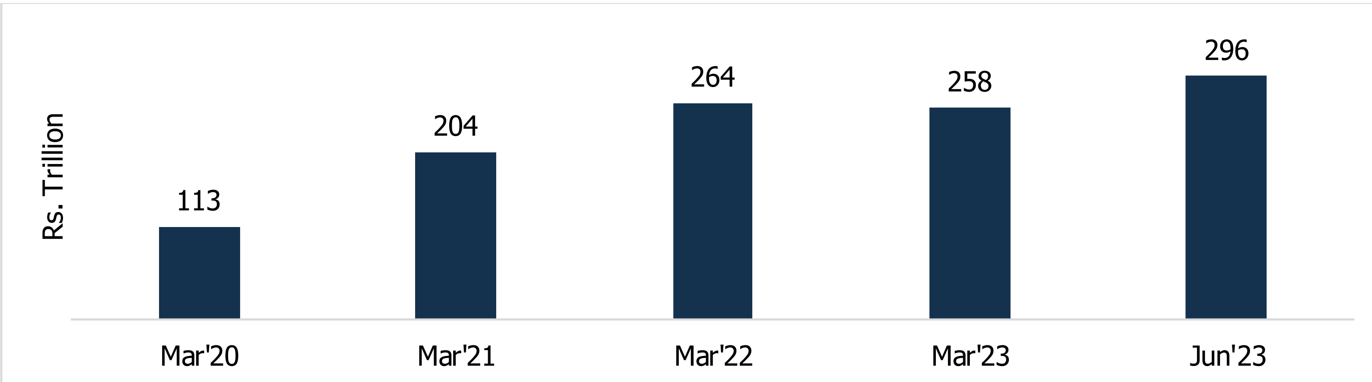
Table 5: Snapshot of Indian Capital Market

Description	Mar-22	Jun-22	Mar-23	Jun-23
Equity Market indices				
Nifty 50	17,465	15,780	17,360	19,189
Sensex	58,569	53,019	58,992	64,719
Nifty Midcap 50	8,184	7,298	8,467	10,127
Nifty Smallcap 100	10,436	8,445	8,995	10,837
BSE Midcap	24,108	21,713	24,066	28,776
BSE Smallcap	28,216	24,786	26,957	32,602
Market Capitalisation (Rs. Trillion)				
BSE	264.1	243.7	258.2	296.5
NSE	261.8	242.0	256.3	294.6
P/E Ratio				
Sensex	25	22	22	23
Nifty 50	22	20	20	22
No of Listed Companies				
BSE	5,350	5,386	5,433	5,409
NSE	2,065	2,096	2,191	2,232
Gross Turnover in Equity Segment (Rs. Billion)				
BSE	1,065	627	770	1,083
NSE	13,849	9,814	10,286	13,090
Gross Turnover in Equity Derivatives Segment (Rs. Billion)				
BSE	52,403	42,675	1,150	20,962
NSE	20,05,433	24,25,609	49,55,572	54,21,916
Gross Turnover in Currency Derivatives Segment (Rs. Billion)				
BSE	7,266	5,100	3,411	2,937
NSE	27,764	21,728	39,418	32,656
MSEI	92	130	283	138
Gross Turnover in Interest Rate Derivatives Segment (Rs. Million)				
BSE	1,07,150	29,300	26,520	0
NSE	25,810	13,520	29,350	19,730

Source: SEBI, CareEdge Research

2.3 Market Capitalization of India and its Historic Trend

Chart 13: Equity Market Capitalization - BSE

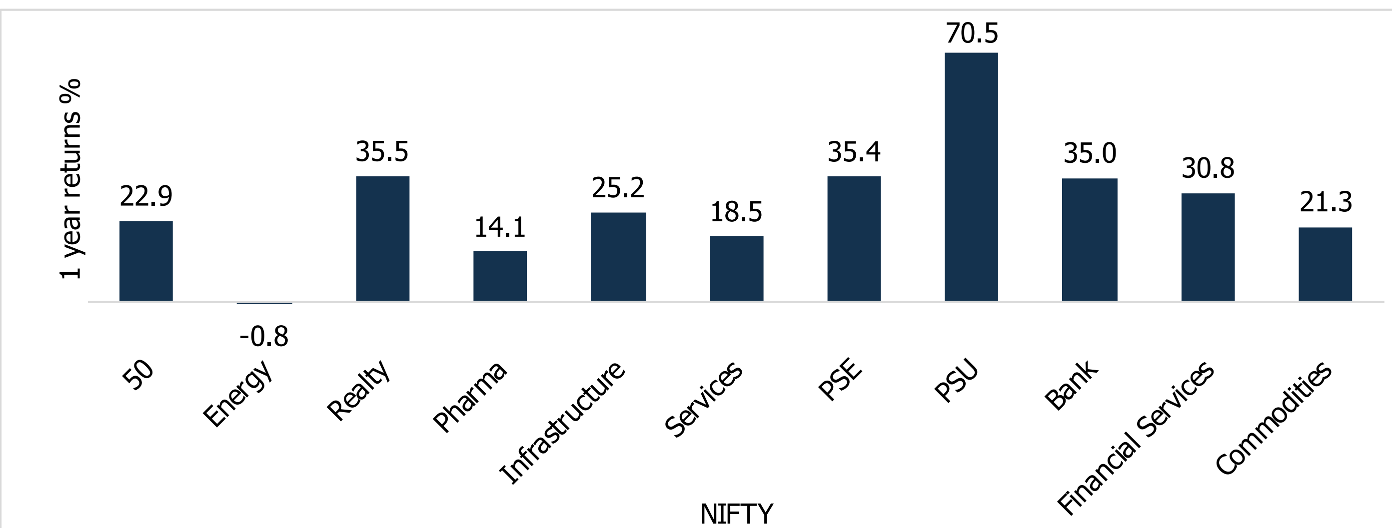


Source: BSE, CareEdge Research

As of Jun, 23, the equity market capitalization was on an upward trajectory. This growth is backed by economic growth and increased participation of the retail segment. Since the valuation of Indian equities is currently high, this encourages inflow of funds by foreign investors.

2.4 Performance of NSE Indices

Chart 14: Yearly returns of NSE indices as of June 2023



Source: NSE, CareEdge Research

The yearly returns of these select NSE indices showed miniscule returns as on June '23. However, the BFSI sector-related indices continued to show high returns. Nifty PSU one-year return was 70.5% was the highest returns among other select indices. While Nifty Realty, Pharma, Services posted positive returns as of June'23.

2.5 Primary Market Trends (Public & Rights Issues)

Table 6: Trends in Primary Market

Particulars	Q1FY23		Q1FY24	
	No. of Issues	Amount (Rs. Billion)	No. of Issues	Amount (Rs. Billion)
I. Public Issues (Debt)	11	25.24	9	25.75
(a) Public Issue (Equity)	32	375.50	17	38.59
(b) FPOs	-	-	-	-
(c)Rights Issues	14	11.95	17	38.59
II. Total Equity Issues (a+b+c)	46	387.45	34	77.17
Grand Total (I+II)	57	412.69	43	102.93

Source: SEBI, CareEdge Research

Notes: 1. Equity public issues also includes issues listed on SME platform.

2. Data of equity is being prepared based on the listing date.

3. The data of Debt is being prepared based on closing date.

2.6 Capital Raised by Listed Companies through Qualified Institutional Placements (QIPs)

Table 7: Capital raised by listed companies through QIPs

Year	Total No. of issues	Amount (Rs. Billion)
FY21	31	787.38
FY22	29	314.40
FY23	11	82.12
Q1FY23	3	10.09
Q1FY24	7	31.50

Source: SEBI, CareEdge Research

Qualified institutional placements are directly linked to markets and the volatility in markets significantly impacts market transactions. During FY23 with rising global headwinds, there was a sharp increase in volatility backed by tightening monetary policy to keep inflation in check. However, the situation has improved during the first quarter of FY24 as compared to FY23, with decreasing inflationary pressures, attractive valuation of stocks, and boost in economic growth.

Table 8: Public Issue and Private Placement of Debt & Equity

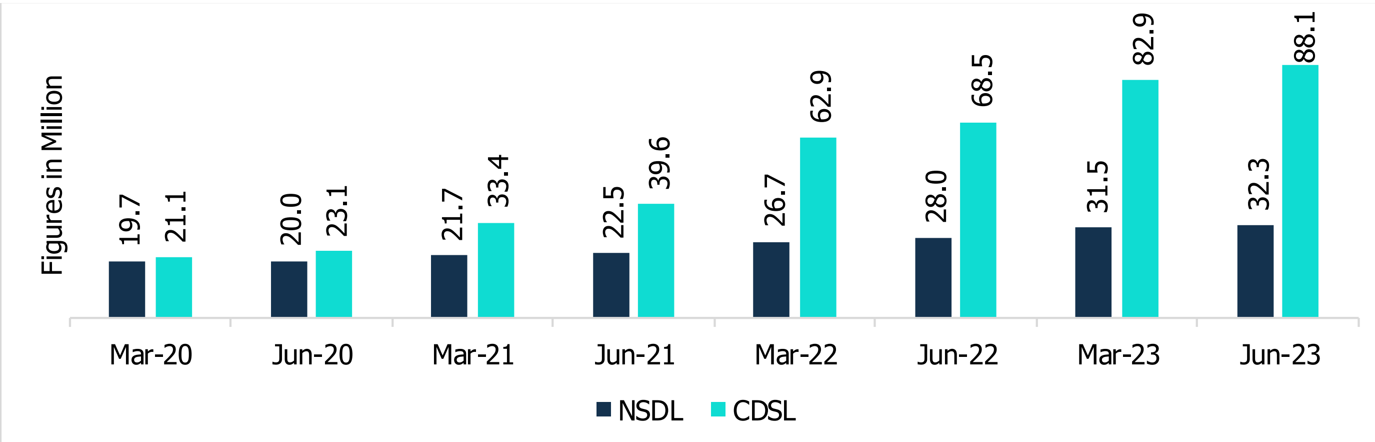
Year	Total No. of issues	Amount (Rs. Billion)
FY21	96	1,207
FY22	192	1,505
FY23	276	752
Q1FY23	57	413
Q1FY24	43	103

Source: SEBI, CareEdge Research

As of March '22, total amount mobilized through public issues and private placement of both debt and equity indicates 25% increase in the amount mobilized and 100% increase in number of issues over March '21. Whereas for FY23, there is positive environment indicated by growth in the number of issues over FY22 however, in value terms they are half of that in March '22.

2.7 Trends in Depository Accounts

Chart 15: Number of Active Client Accounts



Source: NSDL, CDSL, CMIE, CareEdge Research

2.8 Trends in Equity Capital Raised through Public and Rights Issues

Table 9: Equity Capital Raised through Public and Rights Issues

Industry	Q1FY23		Q1FY24	
	No. of issues	Amount (Rs. Million)	No. of issues	Amount (Rs. Million)
Miscellaneous	15	79,960	23	58,500
Finance	3	4,800	3	25,840
Electronic Equipment/ Products	0	0	5	15,610
Healthcare	4	17,000	6	2,140
Engineering	1	170	2	1,000
Cement/ Constructions	4	2,660	2	970
Food processing	2	670	2	720
Roads & Highways	0	0	1	660
Textile	2	980	1	420
Oil & Natural Gas	1	43,000	1	410
Plastic	0	0	1	280
Entertainment	0	0	1	210
Consumer Services	1	70	1	210
Power	0	0	1	210
Info Tech	4	7,800	2	140
Automobiles	0	0	0	0
Banks/FIs	1	490	0	0
Chemical	5	24,200	0	0
Hotels	1	90	0	0
Insurance	1	2,05,570	0	0
Total	**45**	**3,87,460**	**52**	**1,07,330**

Source: SEBI, CareEdge Research

Data of equity is being prepared based on the listing date of the issues.

During Q1FY24, finance sector has been significantly contributing in terms of value of equity capital raised through public and rights issue. While the number of issues is same as Q1FY23, the capital raise is more than five times of the capital raised during Q1FY23. In terms of number of issues, electronics equipment/products and healthcare have seen traction during the first quarter of FY24.

2.9 Trends in Equity Derivatives Market

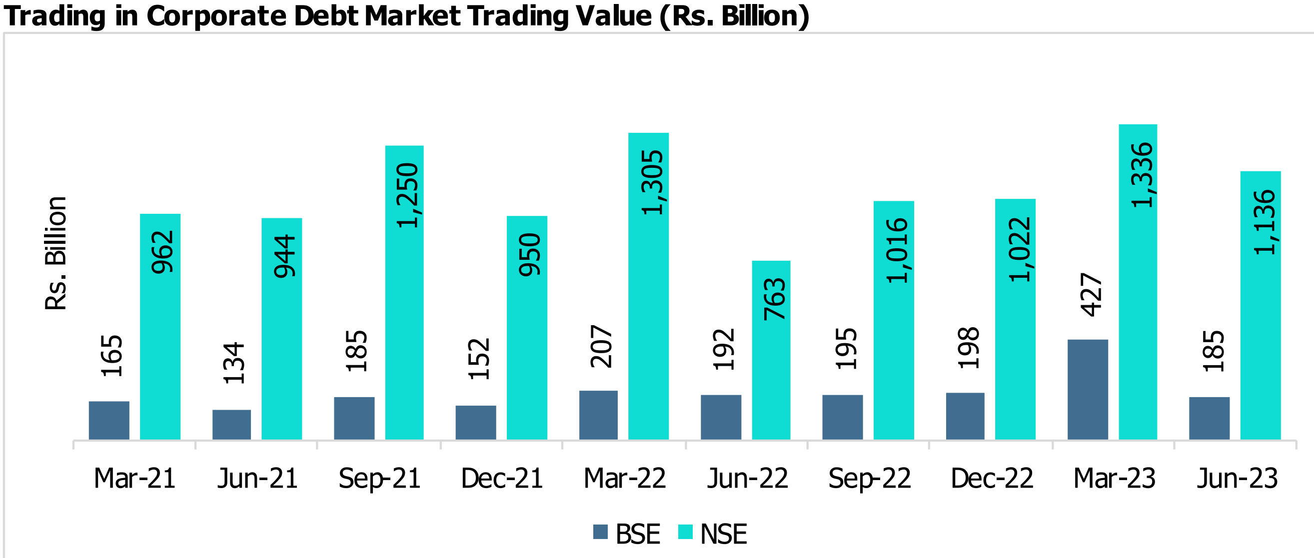
Table 10: Trends in Equity Derivatives Market Turnover (Rs. Billion)

Description	BSE		NSE	
	Q1FY23	Q1FY24	Q1FY23	Q1FY24
(i) Index Futures	0	10	25,743	16,075
(ii) Options on Index				
Put	12,557	10,139	29,72,877	72,97,048
Call	61,880	11,035	34,15,453	75,63,575
(iii) Stock Futures	-	0	48,164	46,361
(iv) Options on Stock				
Put	0	0	40,766	52,590
Call	0	0	93,500	1,11,841
Total	**74,437**	**21,184**	**65,96,504**	**1,50,87,490**

Source: SEBI, CareEdge Research

The aggregate turnover of index option has grown by 130% during Q1FY24 over Q1FY23. While, the turnover of options on stock grew by 22% during Q1FY24 over Q1FY23, the turnover of index futures saw 38% decline during Q1FY24 over Q1FY23.

2.10 Trading in Corporate Debt Market Trading Value (Rs. Billion)



Source: SEBI, CareEdge Research

During Jun'23, BSE registered 27,646 trades of corporate debt with traded value of around Rs. 185 billion, indicating a decline of nearly 4% in traded value over Jun'22. During Jun'23, at NSE, 61,142 trades were registered with a traded value of Rs. 1,136 billion indicating 49% uptick in traded value over same month of previous financial year.

3 Market Making

3.1 Overview

Market Makers are individuals or firms that actively quote two-sided markets in a particular security, providing bids and offers (known as asks) along with the market size of each. They buy and sell securities listed on the SME platforms at defined prices. Many market makers are often brokerage houses that provide trading services for investors in an effort to keep financial markets liquid.

To be a market maker, it is mandatory for these firms/ individuals to have a minimum net worth of Rs. 10 million all the time whether at the time of application or all times when they are acting as a market maker.

As of September 2023, there are 117 market makers registered with the National Stock Exchange (NSE) and 141 registered with the Bombay Stock Exchange (BSE). Once the shares of the SME company are listed, every SME IPO is supposed to have market-making for at least 3 years.

The major benefits of market making include-

- Improvement in the liquidity for the company stocks, resulting in better pricing of shares.
- Uplifts new investors to buy the stocks as market makers offer assured liquidity.
- Better liquidity in the stock helps investors to sell their holdings easily at any point in time.
- Competition among market makers leads to better pricing for investors.
- Promoter holding is not eligible to be offered to the market makers.
- Market makers scrutinize the data about the given stock which helps both investors as well as the company.

Small and Medium Enterprises (SMEs) are the key growth drivers of the Indian economy. Apart from contributing to the GDP, they also provide employment to the large segment of the population, specifically the non-formal sector. SMEs comprise various sectors: capital goods, healthcare, information technology, and consumer goods and services. Of these, consumer goods and services constitute the majority of the share.

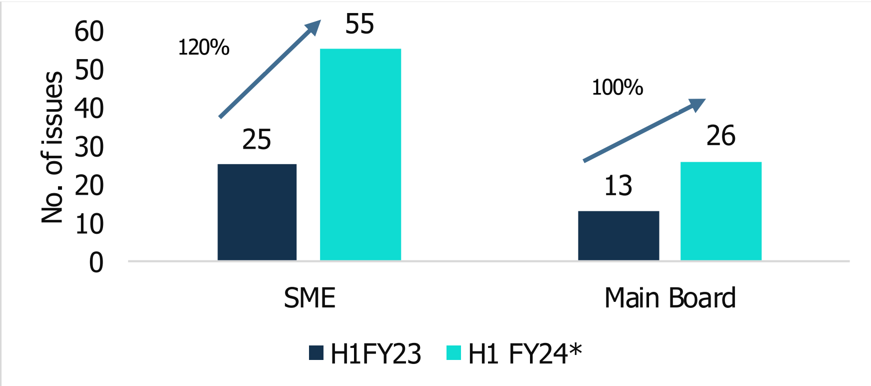
Growing Opportunity for Market Makers on the Indian SME Platform

SMEs require huge capital to expand and diversify their business operations. They often rely on external sources of funding to fulfil these requirements. As of September 26, 2023, there are about 2,78,32,922 MSMEs registered in India out of which nearly 800 are listed on SME exchange.

SMEs can raise funds either through equity or debt. Over the recent years, SMEs listing in the capital markets has seen traction. For instance, during FY23, the SME market witnessed sturdy growth with 125 issues, representing an increase of 79% as compared to 70 issues in FY22. During April-July 2023, the IPO issues of SMEs reached 47 from 29 compared to the corresponding period last year.

With the healthy growth in the Indian economy, number of issues in the SME IPO has shown a remarkable growth of 120% in H1FY24 (as compared to H1FY23). This growth is higher than the no. of issues witnessed in the Main Board IPOs. After the recent stock performance in the SME market, the trend in SME IPO is experiencing significant growth in terms of issues and has the potential for long-term growth.

Chart 16: NSE SME EMERGE vs Main Board IPOs

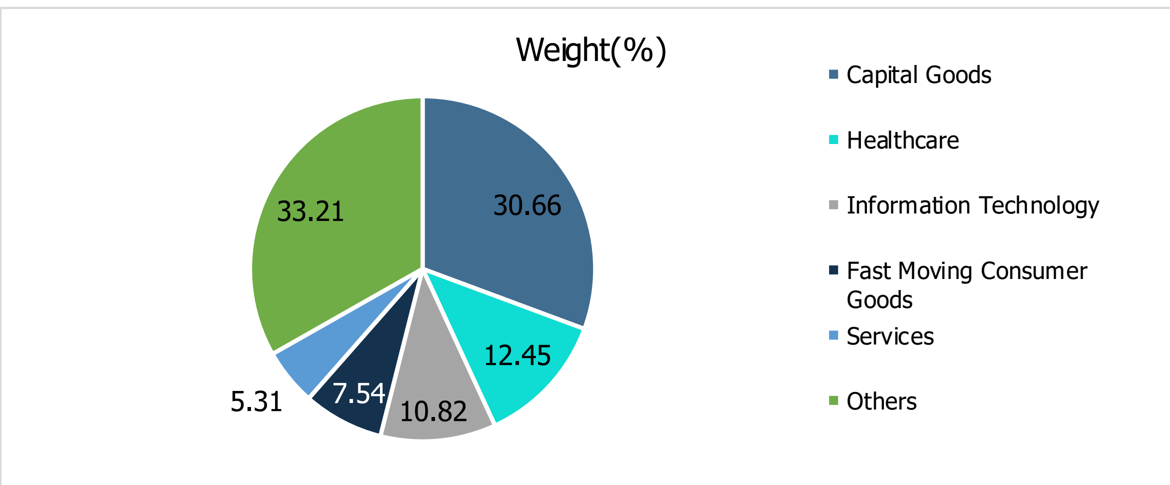


Source: NSE

*Note: H1 FY24 refers to the period from April 01, 2023 – September 25, 2023

CareEdge Research believes that the increasing volume of SME IPOs across various sectors such as manufacturing, construction, hospitality, food processing, packaging, pharmaceuticals, chemicals, etc., is likely to facilitate lucrative opportunities for market makers to increase the flow of money in the economy.

Chart 17: Diversified Sector Representation of NSE Emerge- SME (as on August 31, 2023)

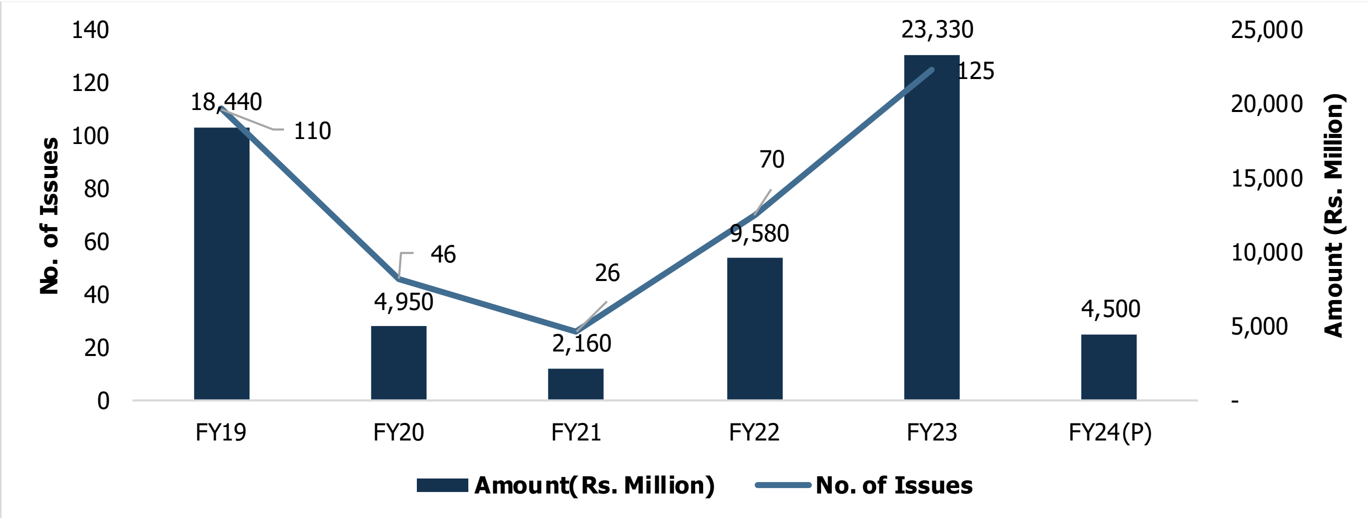


Source: NSE

Rise in No. of Companies for SME IPOs-

SME platform in the country witnessed a remarkable uptrend in the number of companies listed as well as the amount raised in FY23 (when compared to FY22). During FY23, 125 companies got listed in the SME platform, raising Rs. 23,330 million compared to Rs. 9,580 million raised through 70 issues in FY22. The issue amount is expected to hit a figure of around Rs. 45,000 million (approx.) in FY24, supported by rise in number of issues and attractive valuation. Listing gains are another factor that will probably push the SME IPOs as many of the companies have showed the price trend in green.

Chart 18: Resource Mobilisation through SME IPOs

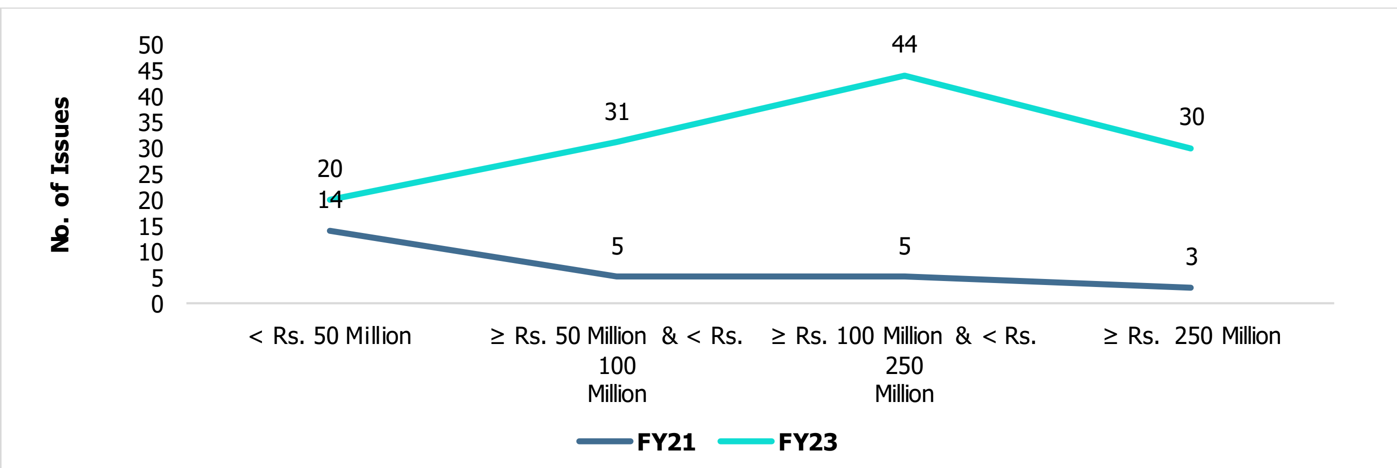


Note: P-Projections

Source: Securities and Exchange Board of India (SEBI), CareEdge Research

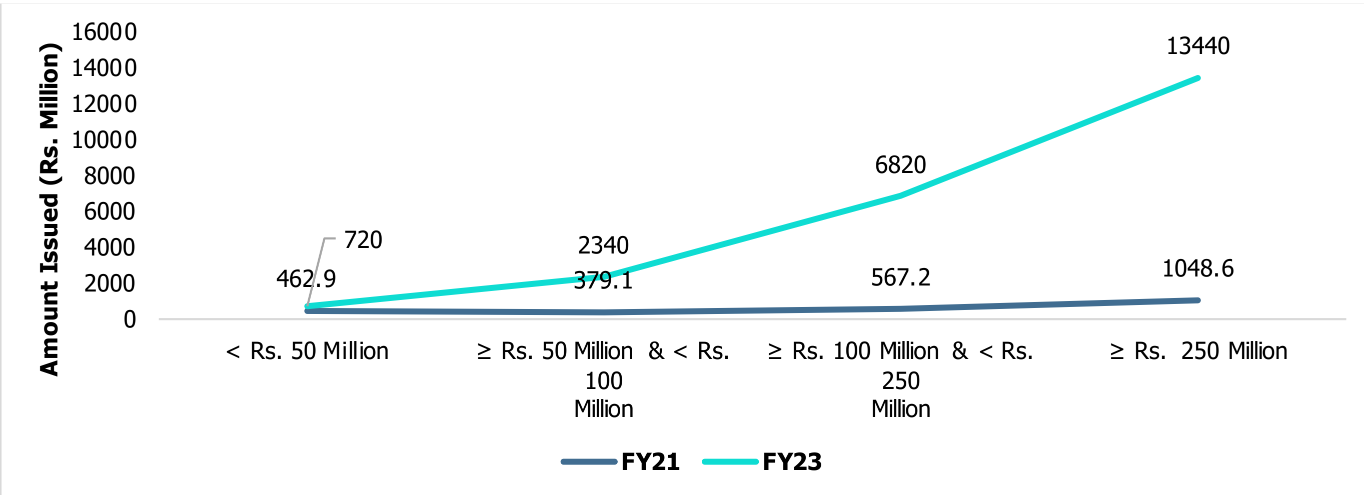
During FY23, out of 125 issues listed on the SME platform, 20 issues were of issue size less than Rs. 50 million, 31 issues were of issue size of Rs. 50 million or more but less than Rs. 100 million, 44 issues were of issue size of Rs. 100 million or more but less than Rs. 250 million and 30 issues were of issue size of Rs. 250 million or more. FY20 and FY21 witnessed lower number of SME issues due to the Covid pandemic. However, the number of issues surged after the reopening of the economic activities.

Chart 19: Size-wise Resource Mobilisation by SME Issuers- No. of Issues (FY21 vs FY23)



Source: SEBI

Chart 20: Size-wise Resource Mobilisation by SME Issuers- Amount issued (FY21 vs FY23)



Source: SEBI

SME IPOs have given opportunities to investors to invest in some emerging and non- conventional business, which hardly may be the case in the Main- Board IPO. Provided, that the SME IPOs are coming to force because of growing startup ecosystem and innovative business models, this asset class is thriving from the rising inflows. Many listed companies on SME exchange witnessed strong financials and better figures for return on assets and asset utilisation than the listed Main- Board companies. Due to these factors, the market has seen huge confidence in the anchor investors and QIBs.

Table 11: Subscription of the listed SME IPOs during H1 FY24*- Largely Oversubscribed

Company name	Listing month	Subscription (times)
Unihealth Consultancy Limited	Sep-23	24.61x
Meson Valves India Limited	Sep-23	270.06x
Jiwanram Sheoduttrai Industries Limited	Sep-23	151.47x
Kahan Packaging Limited	Sep-23	1102.34x
Saroja Pharma Industries India Limited	Sep-23	14.83x
Pramara Promotions Limited	Sep-23	17.14x
Basilic Fly Studio Limited	Sep-23	415.22x
Mono Pharmacare Limited	Sep-23	19.40x
C P S Shapers Limited	Sep-23	301.03x
Sahaj Fashions Limited	Sep-23	11.72x
Sungarner Energies Limited	Aug-23	192.93x
Crop Life Science Limited	Aug-23	7.15x
Bondada Engineering Limited	Aug-23	86.74x
Shoora Designs Limited	Aug-23	132.80x
Shelter Pharma Limited	Aug-23	18.95x
Srivari Spices and Foods Limited	Aug-23	517.95x
Yudiz Solutions Limited	Aug-23	6.41x
Sangani Hospitals Limited	Aug-23	6.17x
Oriana Power Limited	Aug-23	204.04x
Vinsys IT Services Limited	Aug-23	111.56x
Zeal Global Services Limited	Aug-23	3.85x

Company name	Listing month	Subscription (times)
Khazanchi Jewellers Limited	Aug-23	0.93x
Shri Techtex Limited	Aug-23	156.37x
Innovatus Entertainment Networks Limited	Aug-23	159.14x
Yasons Chemex Care Limited	Aug-23	68.76x
Service Care Limited	Jul-23	10.54x
Asarfi Hospital Limited	Jul-23	188.74x
Drone Destination Limited	Jul-23	250.21x
Ahasolar Technologies Limited	Jul-23	50.03x
AccelerateBS India Limited	Jul-23	64.94x
Kaka Industries Limited	Jul-23	384.79x
Alphalogic Industries Limited	Jul-23	8.40x
Tridhya Tech Limited	Jul-23	67.71x
Synoptics Technologies Limited	Jul-23	2.54x
Global Pet Industries Limited	Jul-23	4.14x
Pentagon Rubber Limited	Jul-23	130.70x
Essen Speciality Films Limited	Jul-23	68.07x
Greenchef Appliances Limited	Jul-23	62.63x
Magson Retail and Distribution Limited	Jul-23	7.38x
Veefin Solutions Limited	Jul-23	1.88x
Aatmaj Healthcare Limited	Jun-23	30.27x
Cosmic CRF Limited	Jun-23	0.64x
Vilin Bio Med Limited	Jun-23	4.31x
Cell Point (India) Limited	Jun-23	7.92x
Bizotic Commercial Limited	Jun-23	2.14x
Spectrum Talent Management Limited	Jun-23	13.10x
Urban Enviro Waste Management Limited	Jun-23	220.65x
Sonalis Consumer Products Limited	Jun-23	54.92x
Kore Digital Limited	Jun-23	33.23x
Comrade Appliances Limited	Jun-23	90.87x
CFF Fluid Control Limited	Jun-23	0.65x
Sahana System Limited	Jun-23	12.97x
Infollion Research Services Limited	Jun-23	567.88x
Hemant Surgical Industries Limited	Jun-23	11.94x
Proventus Agrocom Limited	Jun-23	0.74x
Crayons Advertising Limited	Jun-23	169.94x
Vasa Denticity Limited	Jun-23	58.07x
Remus Pharmaceuticals Limited	May-23	49.77x
Krishca Strapping Solutions Limited	May-23	572.56x
Auro Impex & Chemicals Limited	May-23	50.73x
De Neers Tools Limited	May-23	11.88x
Innokaiz India Limited	May-23	NA
Retina Paints Limited	May-23	11.12x
Quicktouch Technologies Limited	May-23	NA
A G Universal Limited	Apr-23	2.54x
Pattech Fitwell Tube Components Limited	Apr-23	2.01x
MOS Utility Limited	Apr-23	16.11x
Sancode Technologies Limited	Apr-23	4.71x

Company name	Listing month	Subscription (times)
Infinium Pharmachem Limited	Apr-23	1.86x
Exhicon Events Media Solutions Limited	Apr-23	2.88x
Sotac Pharmaceuticals Limited	Apr-23	1.30x
Maiden Forgings Limited	Apr-23	1.20x

Source: Industry Sources
*Note: H1 FY24 refers to the period from April 01, 2023 to September 25, 2023
* The above table includes companies that are listed on BSE and NSE

The SME market segment is likely to drive investors' confidence to subscribe and get benefits from the IPO listing. Numerous stocks have been oversubscribed in the market. For example, a number of SME IPOs that were listed at a significant premium over the issue price, such as Meson Valves India Ltd, Oriana Power Ltd, Basilic Fly Studio Ltd, Sungarner Energies Ltd, C P S Shapers Ltd, Asarfi Hospital Ltd, Kaka Industries Ltd, Shoora Designs Ltd, Drone Destination Ltd, Bondada Engineering Ltd, Urban Enviro Waste Management Ltd, Comrade Appliances Ltd, Crayons Advertising Ltd, Pentagon Rubber Ltd, Shri Techtex Ltd, Innovatus Entertainment Networks Ltd etc., attracted notable oversubscription during H1 FY24.

The market has witnessed remarkable subscription of stocks over 500 times which includes Kahan Packaging Ltd, Krishca Strapping Solutions Ltd, Infollion Research Services Ltd and Srivari Spices and Foods Ltd. The active participation by investors is boosting the growth in the SME market.

Further, the listing gains have sparked the interest and readiness among investors to invest in the SME IPOs. The SME market has seen substantial growth, highlighting companies' profitability and development potential. The future prospects appear to be positive, as investors are more comfortable investing in these stocks as a result of the strong listing gains.

The listing gains of SME IPOs were on the higher side in H1 FY24 (April 01, 2023 to September 25, 2023) as compared to H1 FY19. There has been tremendous increase in subscription of the companies during H1 FY24 by investors as a result of high listing gains. As of H1 FY24, there are about 72 SME IPO's and 59 companies showed gain on their listing day. Moreover, 15 companies exhibited more than 90% growth in their listing gains. In addition to that, the gain from the current price of SME stocks is also quite alarming and is capturing interest of the investors to invest in these IPO's.

Table 12: Listing gain/loss of SME IPOs during H1 FY19 & H1 FY24

H1 FY19					H1 FY24*				
Company Name	Listing month	Listing day gain/loss (%)	Current Price at BSE/NSE (Rs.)	Gain/loss (%)	Company Name	Listing month	Listing day gain/loss (%)	Current Price at BSE/NSE (Rs.)	Gain/loss (%)
Ranjeet Mechatronics Ltd	Sep-18	15.4	35	40	Unihealth Consultancy Ltd	Sep-23	0.76	130.35	-1.25
Akg Exim Ltd	Sep-18	3.23	23.8	-23.23	Meson Valves India Ltd	Sep-23	99.46	213.6	109.41
Rajshree Polypack Ltd	Sep-18	-2.83	168.95	40.79	Jiwanram Sheoduttrai Industries Ltd	Sep-23	23.91	24.5	6.52
Synergy Green Industries Ltd	Sep-18	17	191.5	214.71	Kahan Packaging Ltd	Sep-23	99.5	147.87	84.84
Lagnam Spintex Ltd	Sep-18	-5	67.05	63.54	Saroja Pharma Industries India Ltd	Sep-23	-18.75	74.4	-11.43
Sumit Woods Ltd	Sep-18	6.56	35.9	-20.22	Pramara Promotions Ltd	Sep-23	85	99.15	57.38
Add-Shop Promotions Ltd	Sep-18	10.38	36.41	40.04	Basilic Fly Studio Ltd	Sep-23	193.35	311.8	221.44
Marshall Machines Ltd	Sep-18	-6.43	67.85	61.55	Mono Pharmacare Ltd	Sep-23	8.75	31.3	11.79
Supreme Engineering Ltd	Sep-18	2.04	0.95	-64.81	C P S Shapers Ltd	Sep-23	155.41	420.5	127.3
Dangee Dums Ltd	Sep-18	27.5	10.45	41.22	Sahaj Fashions Ltd	Sep-23	1.17	29.7	-1
Aaron Industries Ltd	Sep-18	1.84	233.95	515.66	Sungarner Energies Ltd	Aug-23	216.08	218.7	163.49
Powerful Technologies Ltd	Aug-18	-10.59			Crop Life Science Ltd	Aug-23	2.21	43.55	-16.25
Sungold Media and Entertainment Ltd	Aug-18	-2.9	22.5	125	Bondada Engineering Ltd	Aug-23	99.49	168.95	125.27
Deep Polymers Ltd	Aug-18	2.25	90.19	125.48	Shoora Designs Ltd	Aug-23	99.5	54.9	14.38
Saketh Exim Ltd	Aug-18	0.58	249.1	261.01	Shelter Pharma Ltd	Aug-23	-0.1	43.9	4.52
Ushanti Colour Chem Ltd	Aug-18	12.33	68.5	14.17	Srivari Spices and Foods Ltd	Aug-23	153.69	120	185.71
Ganesh Films India Ltd	Jul-18	2.5	20.55	-74.31	Yudiz Solutions Ltd	Aug-23	9.94	167	1.21
Supershakti Metaliks Ltd	Jul-18	0.4	575	53.33	Sangani Hospitals Ltd	Aug-23	4.63	40	0
Avon Moldplast Ltd	Jul-18	1.27	113.4	122.35	Oriana Power Ltd	Aug-23	168.73	331	180.51
Ambani Organics Ltd	Jul-18	0.98	138.5	109.85	Vinsys IT Services Ltd	Aug-23	70	249.9	95.23
Raw Edge Industrial Solutions Ltd	Jul-18	0.56	50.5	-29.86	Zeal Global Services Ltd	Aug-23	65.19	205	99.03
Rudrabhishek Enterprises Ltd	Jul-18	1.71	188.6	360	Khazanchi Jewellers Ltd	Aug-23	6.71	205.3	46.64

H1 FY19					H1 FY24*				
Company Name	**Listing month**	**Listing day gain/loss (%)**	**Current Price at BSE/NSE (Rs.)**	**Gain/loss (%)**	**Company Name**	**Listing month**	**Listing day gain/loss (%)**	**Current Price at BSE/NSE (Rs.)**	**Gain/loss (%)**
Jakharia Fabric Ltd	Jul-18	0.83	32.1	-82.17	Shri Techtex Ltd	Aug-23	39.67	80.15	31.39
Ganga Forging Ltd	Jul-18	0.95	7.1	238.1	Innovatus Entertainment Networks Ltd	Aug-23	-6.96	35.2	-29.6
Bright Solar Ltd	Jul-18	3.47	5.5	-84.72	Yasons Chemex Care Ltd	Aug-23	-16	29.85	-25.38
Rajnish Wellness Ltd	Jul-18	5.42	11.73	-87.65	Service Care Ltd	Jul-23	0.82	60	-10.45
Accuracy Shipping Ltd	Jun-18	2.5	11	30.95	Asarfi Hospital Ltd	Jul-23	99.5	118.3	127.5
Priti International Ltd	Jun-18	8.33	165.15	120.2	Drone Destination Ltd	Jul-23	57.08	125.15	92.54
ShreeOswal Seeds & Chemicals Ltd	Jun-18	3.85	70.85	1262.5	Ahasolar Technologies Ltd	Jul-23	35.76	326	107.64
Sonam Clock Ltd	Jun-18	2.64	59	63.89	AccelerateBS India Ltd	Jul-23	27.74	241.5	168.33
Palm Jewels Ltd	Jun-18	19.5	14.5	-51.67	Kaka Industries Ltd	Jul-23	99.5	176.3	203.97
Waa Solar Ltd	Jun-18	-4.88	82.05	-49.04	Alphalogic Industries Ltd	Jul-23	0.3	195.7	103.85
Nakoda Group of Industries Ltd	Jun-18	1	45.74	30.69	Tridhya Tech Ltd	Jul-23	5	44.05	4.88
Latteys Industries Ltd	Jun-18	0.3	41.8	216.67	Synoptics Technologies Ltd	Jul-23	-4.6	131.3	-44.6
Debock Sales and Marketing Ltd	Jun-18	1.75	10	-50	Global Pet Industries Ltd	Jul-23	7.76	76.65	56.43
Arihant Institute Ltd	Jun-18	-2.5	1.56	-94.8	Pentagon Rubber Ltd	Jul-23	76.43	120	71.43
Affordable Robotic & Automation Ltd	Jun-18	16.76	674.65	693.71	Essen Speciality Films Ltd	Jul-23	37.38	138.3	29.25
Shree Vasu Logistics Ltd	Jun-18	7.78	176.15	291.44	Greenchef Appliances Ltd	Jul-23	25.52	119.3	37.13
Suumaya Lifestyle Ltd	Jun-18	-0.83	10.75	-40.28	Magson Retail and Distribution Ltd	Jul-23	47.23	81.55	25.46
Sirca Paints India Ltd	May-18	3	390.1	143.81	Veefin Solutions Ltd	Jul-23	10.02	214.55	161.65
Innovators Facade Systems Ltd	May-18	5	229.1	218.19	Aatmaj Healthcare Ltd	Jun-23	-11.33	48.2	-19.67
Megastar Foods Ltd	May-18	3.33	289.7	865.67	Cosmic CRF Ltd	Jun-23	-24	236	-24.84
U. H. Zaveri Ltd	May-18	-28.75	41.72	15.89	Vilin Bio Med Ltd	Jun-23	-5	21.9	-27
Five Core Electronics Ltd	May-18	3.93			Cell Point (India) Ltd	Jun-23	-5	51.65	-48.35

H1 FY19					H1 FY24*				
Company Name	Listing month	Listing day gain/loss (%)	Current Price at BSE/NSE (Rs.)	Gain/loss (%)	Company Name	Listing month	Listing day gain/loss (%)	Current Price at BSE/NSE (Rs.)	Gain/loss (%)
Milestone Furniture Ltd	May-18	-1.22	5.05	-88.78	Bizotic Commercial Ltd	Jun-23	-2.29	63	-64
E2E Networks Ltd	May-18	56.14	261.05	357.98	Spectrum Talent Management Ltd	Jun-23	-14.88	133.7	-22.72
Godha Cabcon & Insulation Ltd	May-18	-6.06	1.4	-57.58	Urban Enviro Waste Management Ltd	Jun-23	48.05	132.65	32.65
SoftTech Engineers Ltd	May-18	-10	176.1	120.13	Sonalis Consumer Products Ltd	Jun-23	33	67.69	125.63
Indo US Bio-Tech Ltd	May-18	13.33	221.25	333.82	Kore Digital Ltd	Jun-23	6.08	325.25	80.69
Akshar Spintex Ltd	May-18	-5	7.29	82.25	Comrade Appliances Ltd	Jun-23	69.17	156.05	188.98
Dhruv Consultancy Services Ltd	May-18	3.8	58.43	8.2	CFF Fluid Control Ltd	Jun-23	11.36	403.25	144.39
Dr Lalchandani Labs Ltd	May-18	-5	27.6	-8	Sahana System Ltd	Jun-23	26.78	251	85.93
Aakash Exploration Services Ltd	Apr-18	1.79	6.35	13.39	Infollion Research Services Ltd	Jun-23	142.13	180.55	120.18
Mahickra Chemicals Ltd	Apr-18	47	82.7	230.8	Hemant Surgical Industries Ltd	Jun-23	99.5	198.9	121
Bombay Super Hybrid Seeds Ltd	Apr-18	5	260.9	4248.33	Proventus Agrocom Ltd	Jun-23	11.81	920	19.33
Garv Industries Ltd	Apr-18	0	37.7	3674	Crayons Advertising Ltd	Jun-23	45.38	149.7	130.31
Penta Gold Ltd	Apr-18	0	8.4	-77.3	Vasa Denticity Ltd	Jun-23	73.09	430	235.94
Power & Instrumentation (Gujarat) Ltd	Apr-18	5.76	41.8	26.67	Remus Pharmaceuticals Ltd	May-23	46.2	4575.2	272.27
Narmada Agrobase Ltd	Apr-18	-0.31	19.45	-39.22	Krishca Strapping Solutions Ltd	May-23	109.07	228.9	323.89
Vera Synthetic Ltd	Apr-18	10.75	52	30	Auro Impex & Chemicals Ltd	May-23	-2.95	67.05	-14.04
S.S. Infrastructure Development Consultants Ltd	Apr-18	7.75	4.8	-88	De Neers Tools Ltd	May-23	78.71	237	134.65
MMP Industries Ltd	Apr-18	6.12	172.65	-8.16	Innokaiz India Ltd	May-23	99.5	137.5	76.28
Soni Soya Products Ltd	Apr-18	0.8			Retina Paints Ltd	May-23	1.67	61	103.33
AVG Logistics Ltd	Apr-18	10.79	301.35	181.64	Quicktouch Technologies Ltd	May-23	0	238.75	291.39
Taylormade Renewables Ltd	Apr-18	8	533.9	1425.43	A G Universal Ltd	Apr-23	0.17	71	18.33
Orissa Bengal Carrier Ltd	Apr-18	11.5	50.37	67.9	Pattech Fitwell Tube Components Ltd	Apr-23	15.2	70	40

H1 FY19					H1 FY24*				
Company Name	Listing month	Listing day gain/loss (%)	Current Price at BSE/NSE (Rs.)	Gain/loss (%)	Company Name	Listing month	Listing day gain/loss (%)	Current Price at BSE/NSE (Rs.)	Gain/loss (%)
Kapston Facilities Management Ltd	Apr-18	0.6	181.35	97.12	MOS Utility Ltd	Apr-23	24.34	92.35	21.51
Lex Nimble Solutions Ltd	Apr-18	-2.89	55.1	-3.33	Sancode Technologies Ltd	Apr-23	29.36	98.14	108.81
Continental Seeds and Chemicals Ltd	Apr-18	-0.96	33.2	27.69	Infinium Pharmachem Ltd	Apr-23	9.48	287.25	112.78
Benara Bearings & Pistons Ltd	Apr-18	-1.67	16.65	-73.57	Exhicon Events Media Solutions Ltd	Apr-23	5	272	325
Yasho Industries Ltd	Apr-18	1.25	1764	1664	Sotac Pharmaceuticals Ltd	Apr-23	8.78	120	8.11
Giriraj Civil Developers Ltd	Apr-18	0.1	1415	1315	Maiden Forgings Ltd	Apr-23	-4.98	110	74.6
Mittal Life Style Ltd	Apr-18	0	12.9	-38.57					

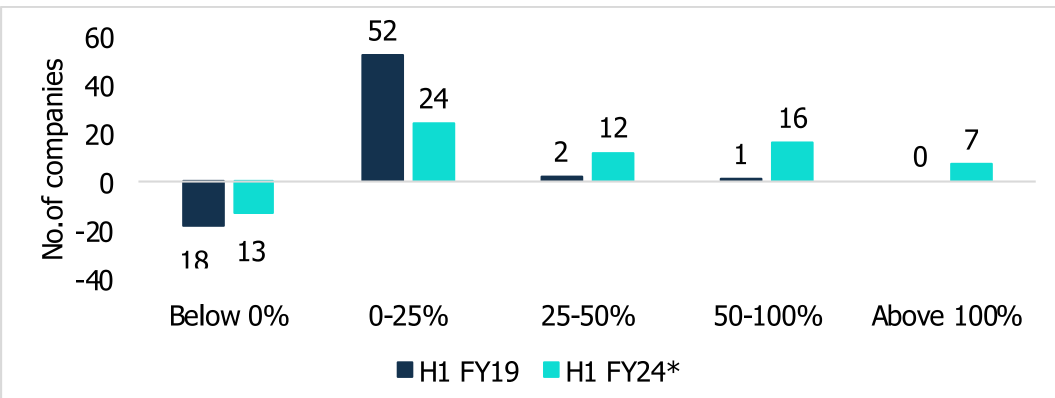
Source: Industry Sources

*Note: H1 FY24 refers to the period from April 01, 2023 to September 25, 2023

Current price is as on September 25, 2023

* The above table includes companies that are listed on BSE and NSE

Chart 21: Listing day returns of SMEs



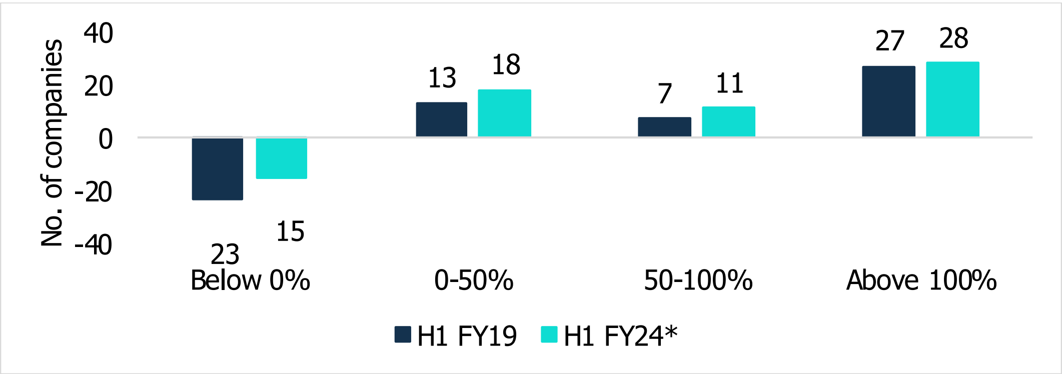
Source: Industry sources, NSE

Note*: H1 FY24 refers to the period from April 01, 2023 to September 25, 2023

From the above chart we can depict that the SME companies showed better listing gains in H1 FY24 as compared to H1 FY19.

- There are about 12 SME companies who have showed positive returns between the range of 25-50% in H1 FY24.
- About 16 SMEs showed positive returns between the range of 50-100% in H1 FY24.
- Lastly, there are about 7 SMEs who showed more than 100% gain on their listing day.

Chart 22: Latest returns vs listing day price of SMEs listed



Source: Industry sources, NSE
Note*: H1 FY24 refers to the period from April 01, 2023 to September 25, 2023
Current market price is as on September 25, 2023

From the above chart we can observe that there has been increase in the no. of SME companies whose gains on current market price were higher during H1 FY24 over H1 FY19.

- There are about 18 SMEs who have shown positive returns between the range of 0-50% during H1 FY24 as compared to 13 companies in H1 FY19.
- About 11 SMEs showed positive returns between the range of 50-100% in H1 FY24.
- About 28 SMEs showed positive returns above 100%.

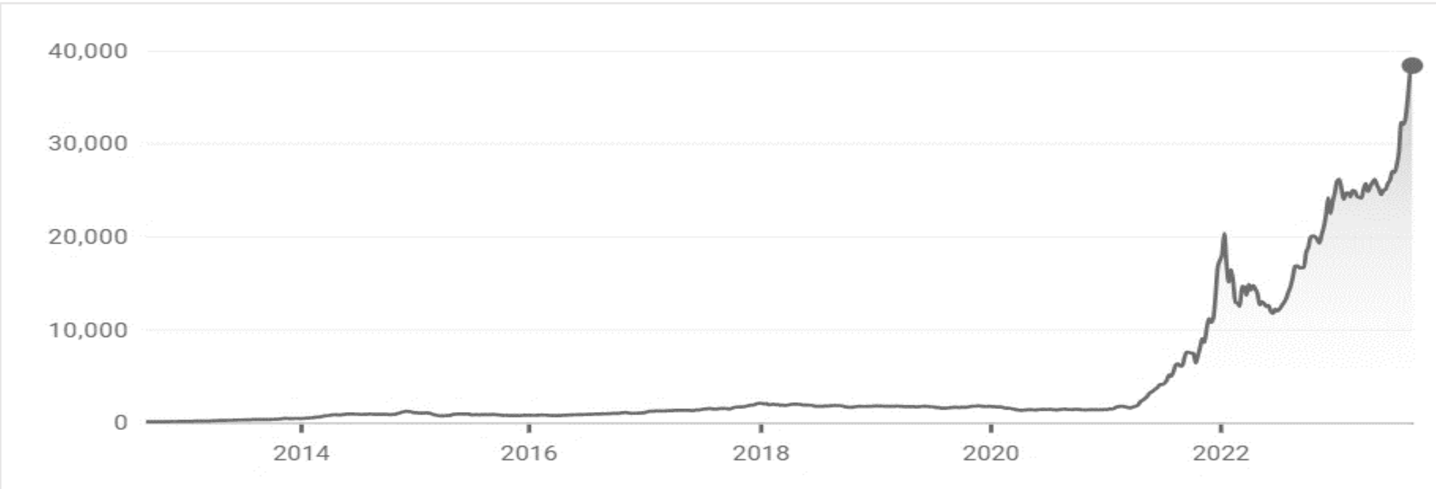
Besides from Indian investors, there is a possibility of flow of investments from foreign investors. Morgan Stanley recently invested in Oriana Power Ltd, which acts a sign for global investors to acknowledge the potential of Indian SMEs. This action is likely to stimulate greater international investment in SME IPOs and will also lead to development in SME market segment which further results in the overall economic growth. This increase in the traction of IPOs provides an opportunity for market makers to execute more deals and facilitate liquidity creation in the capital market.

Moreover, in the medium term, the enhancement in regulations and amendments by SEBI can aid towards the growth and expansion of the SME market. CareEdge Research projects that the momentum in the SME market is likely to see continued growth in the coming months on account of robust demand from new launches of IPOs. Furthermore, the potential surge in the SME market can offer opportunities for market makers to bid attractive quotes to investors for both buying and selling of stocks. Additionally, this can also aid the growth in earning revenue of market makers and can further boost overall wealth in the economy. Accordingly, market makers play a key role in price discovery, thereby providing fair value to other investors. They aid in creation of liquidity, further strengthening the trust of investors and contributing towards the expansion of the SME market.

SME IPO Lisitng Platforms

BSE is the first Exchange in the country to launch BSE SME PLATFORM in 2012 to list Small and Medium Enterprises (SMEs), under the guidelines of the Securities and Exchange Board of India (SEBI). BSE SME IPO Index is the India's first Stock Market Index for SMEs.

Chart 23: BSE SME IPO Index Trend



Source: BSE

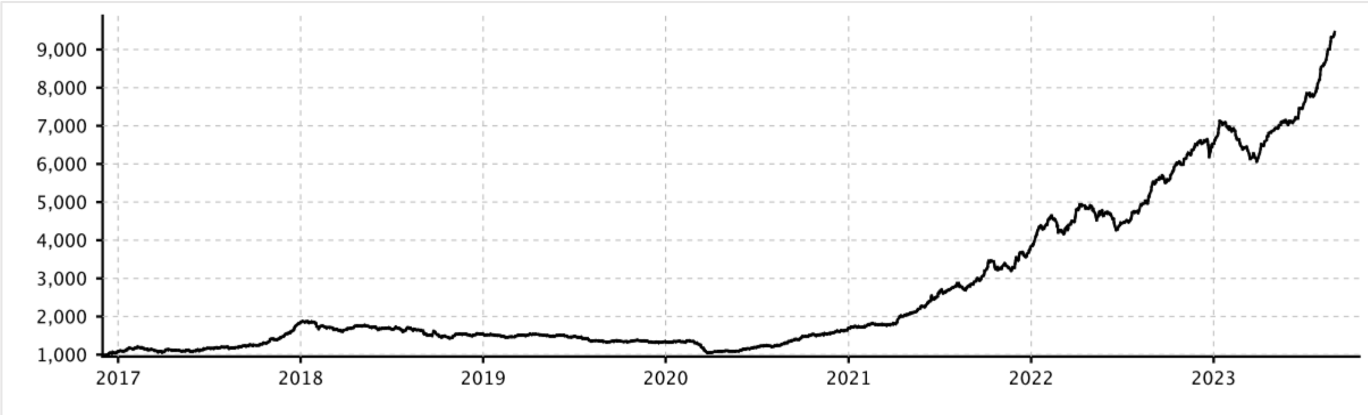
BSE SME Statistics

Performance Indicator	Figures
No. of Companies Listed on SME till Date (As of September 09, 2023)	452
Market Cap of BSE SME Listed Companies (as on September 09, 2023)	Rs. 2,78,980 Million
BSE SME companies migrated to the BSE Main Board in FY23	33
Number of Companies migrated on main board (As of September 09, 2023)	179

Source: BSE

Nifty SME EMERGE, launched in November, 2017, reflects the performance of a portfolio of eligible small and medium enterprises that are listed on NSE EMERGE Platform. The index constituents are weighted based on free float market capitalization. As on March 2023, the index has witnessed price return of 39.49% (since inception) and has raised funds more than Rs. 51,300 million.

Chart 24: NSE SME Emerge Trend



Source: NSE

NSE SME Emerge at a Glance

Performance Indicator	FY21	FY22	FY23
Number of companies listed on SME EMERGE (cumulative)	216	247	309
Number of SMEs listed in FY23 (new listings)	8	31	62
Mobilization of capital through SME IPOs	Rs. 794.7 million	Rs. 5,035.7 million	Rs. 13,302.4 million
Number of Companies migrated on main board	39	33	25

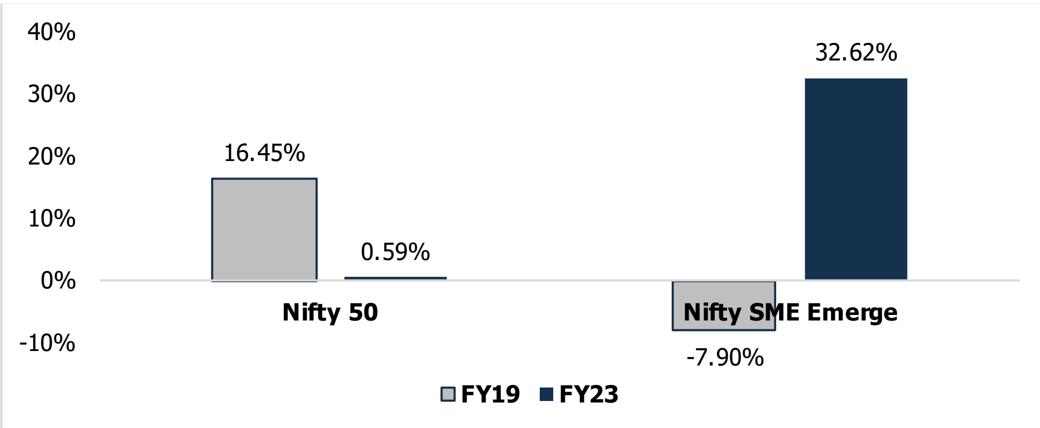
Source: NSE Annual report FY23

Returns on SME Emerge vs Nifty 50

The SME Emerge index in the post- covid era delivered solid return of 32.62% in FY23 as compared to -7.90% in FY19. Post covid-19, the reopening of industrial activities led to attractive valuation and returns.

In comparison to the return of the SME Emerge, the returns from Nifty 50 was significantly lower in FY23 than FY19. FY23 witnessed muted gains for the mainboard companies due to the absence of sustained interest by foreign portfolio investors.

Chart 25: Returns made by Nifty 50 and SME Emerge



Source: NSE

3.2 Performance of SME Companies and their Migration to Main Board

An issuer that has been listed on either BSE or NSE is required to maintain the below eligibility criteria to move to the main board.

A few of the parameters are as follows:

BSE	NSE
1. Market Capitalisation should be a minimum of Rs. 250 million (The Market Capitalization on Weighted Average Price (WAP) of the preceding 20 traded days from the date of submission of application to the Exchange for migration from SME platform to Main Board should be equal to or in excess of Rs. 250 million). 2. The company/its directors/promoters have not been debarred by SEBI. 3. A special resolution is passed in the AGM with at least two-thirds of the shareholders (apart from shareholders) favouring the migration. 4. On the migration of the main board, the company will have to comply with the applicable regulations of SEBI LODR (Listing Obligations and Disclosure Requirements) Regulations 2015. 5. Market Capitalization should be a minimum of Rs. 250 million. 6. The companies have to be mandatorily listed and traded on the SME Platform for a minimum period of two years.	1. The paid-up equity capital of the applicant shall not be less than 100 million and the capitalisation of the applicant's equity shall not be less than 250 million. 2. The total number of public shareholders on the last day of the preceding quarter from the date of application should be at least 1000. 3. The applicant company should have positive cash accruals (Earnings before Interest, Depreciation and Tax) from operations for each of the 3 financial years preceding the migration application and have a positive PAT in the immediate Financial Year of making the migration application to Exchange. 4. The applicant should have been listed on the SME platform of the Exchange for at least 3 years. 5. The net worth of the company should be at least 500 million. 6. The Company should have made disclosures for all material Litigation(s) / dispute(s) / regulatory action(s) to the stock exchanges where its shares are listed in an adequate and timely manner.

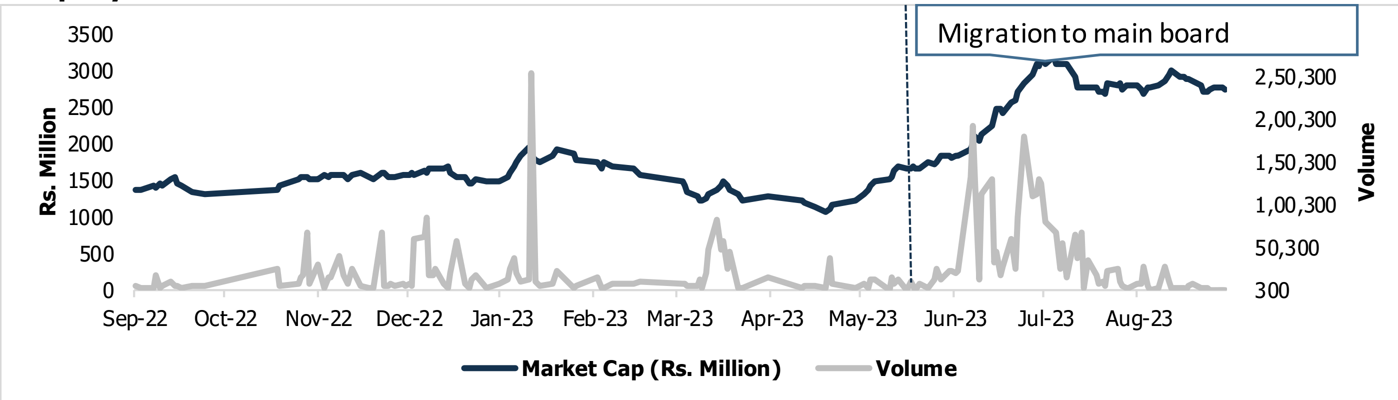
Source: BSE, NSE

Market Capitalization of SME companies (listed on NSE Emerge)- Before and After moving to the Main Board

The charts displayed below show the trend of market capitalization and volume of the companies listed on the SME exchange.

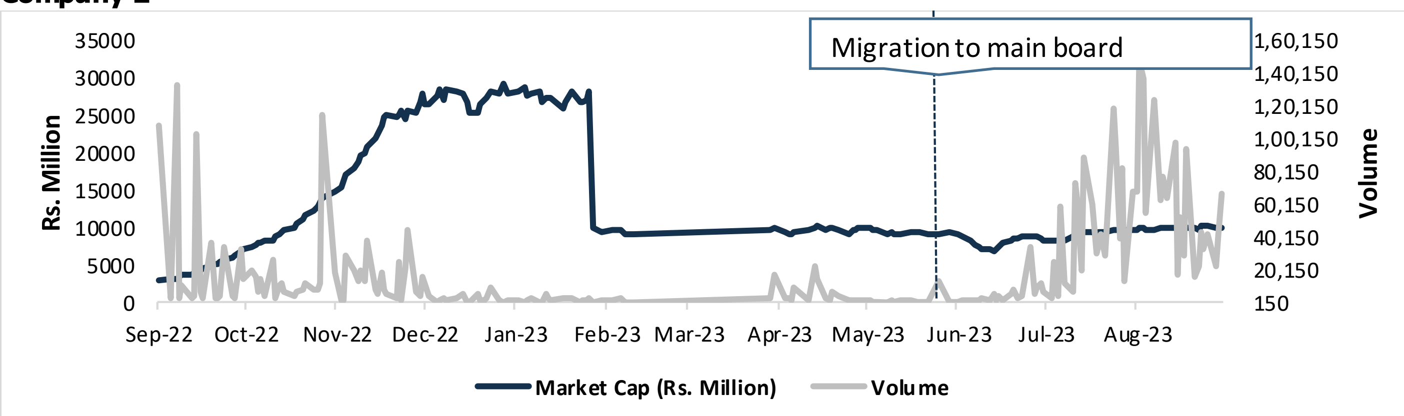
It shows the movement of the stock before and after moving to the main board. Certain companies witnessed good growth in the market cap, while some have shown downside in the value.

Company 1



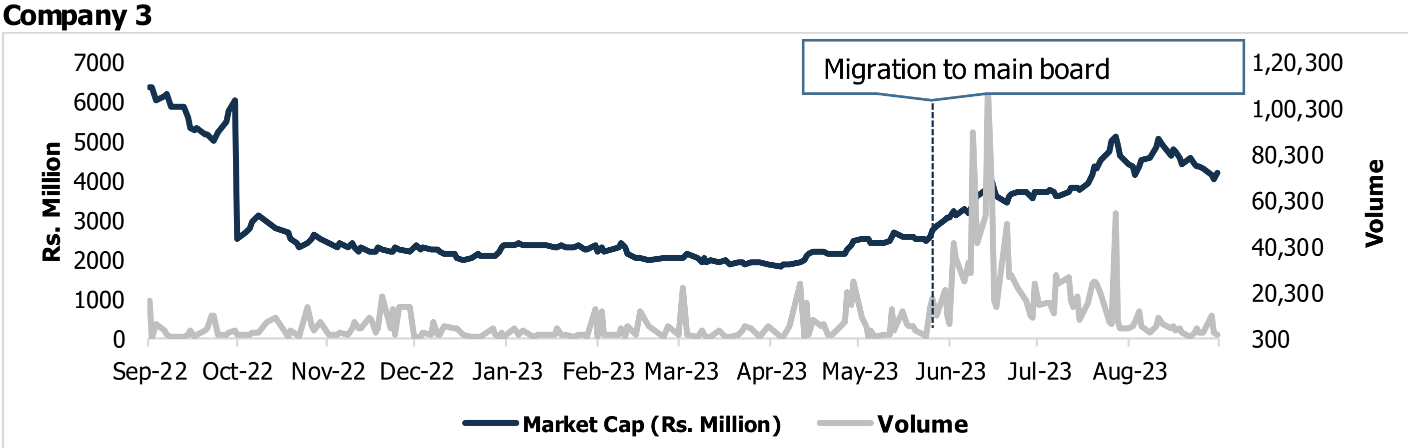
Source: NSE

Company 2



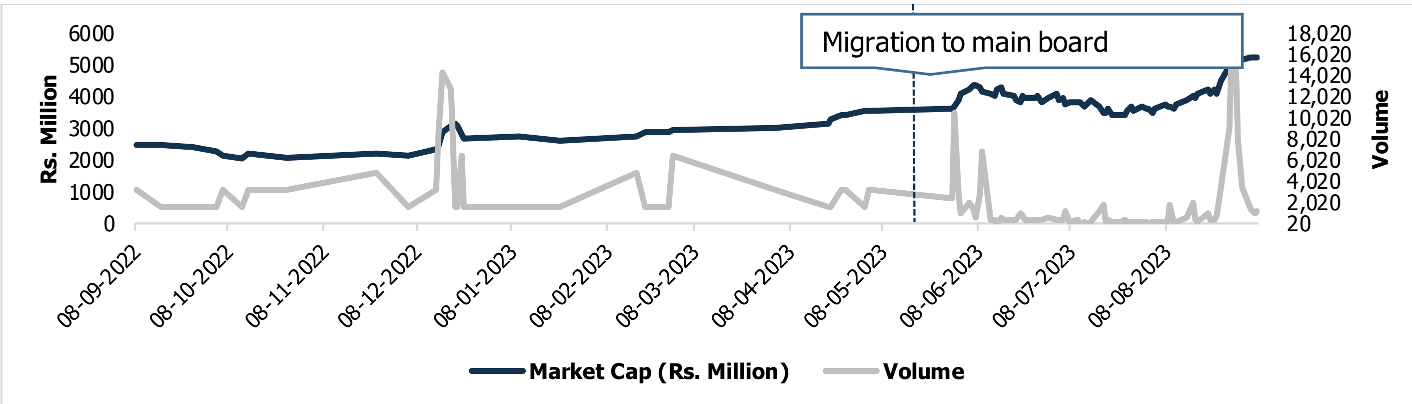
Source: NSE

Company 3



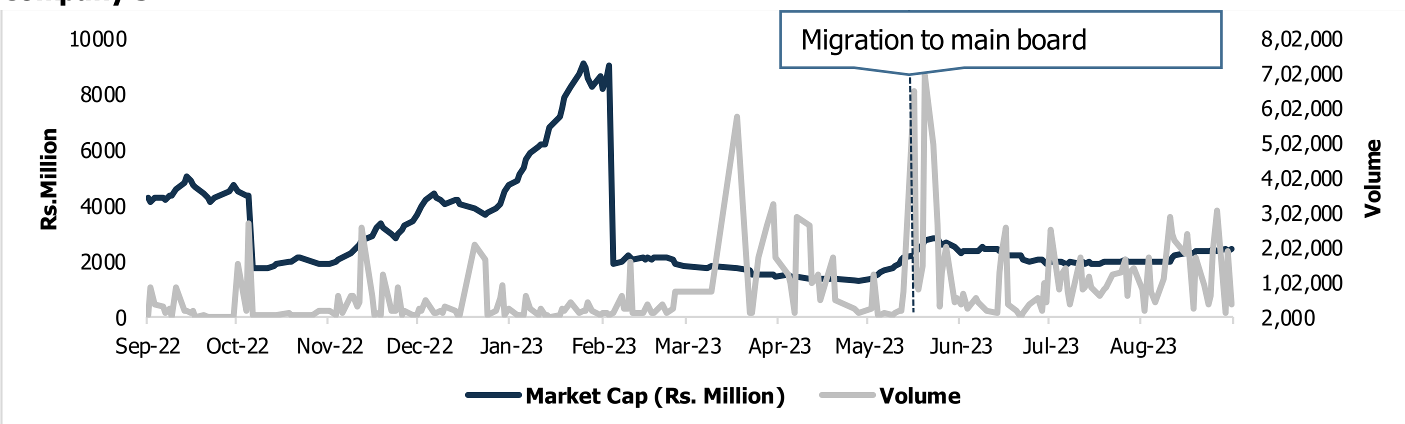
Source: NSE

Company 4



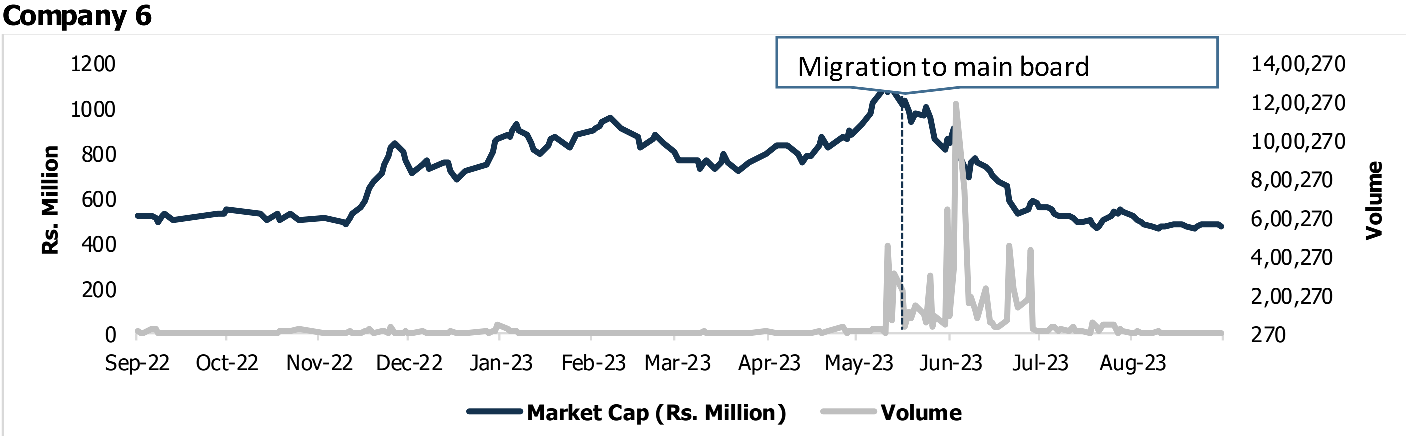
Source: NSE

Company 5



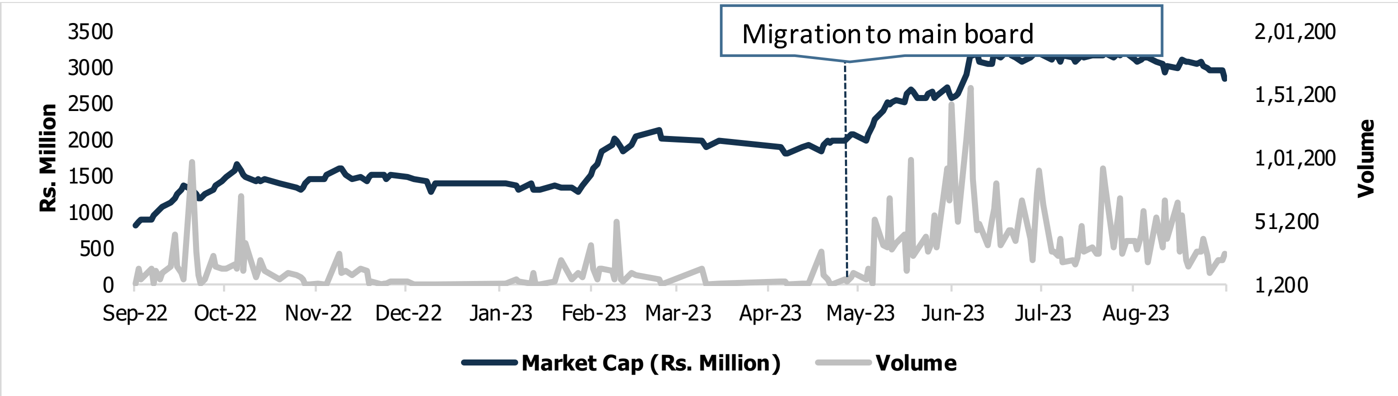
Source: NSE

Company 6



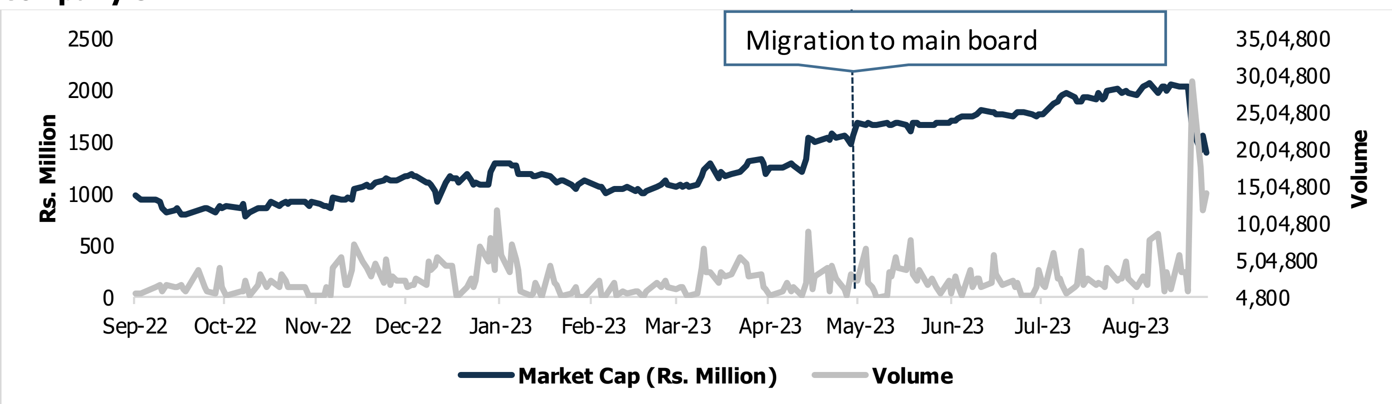
Source: NSE

Company 7



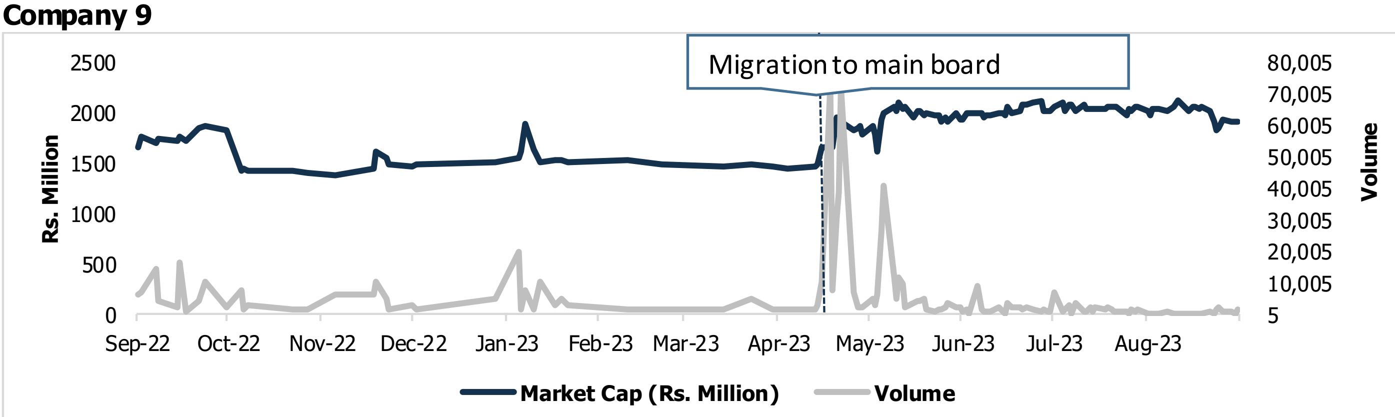
Source: NSE

Company 8



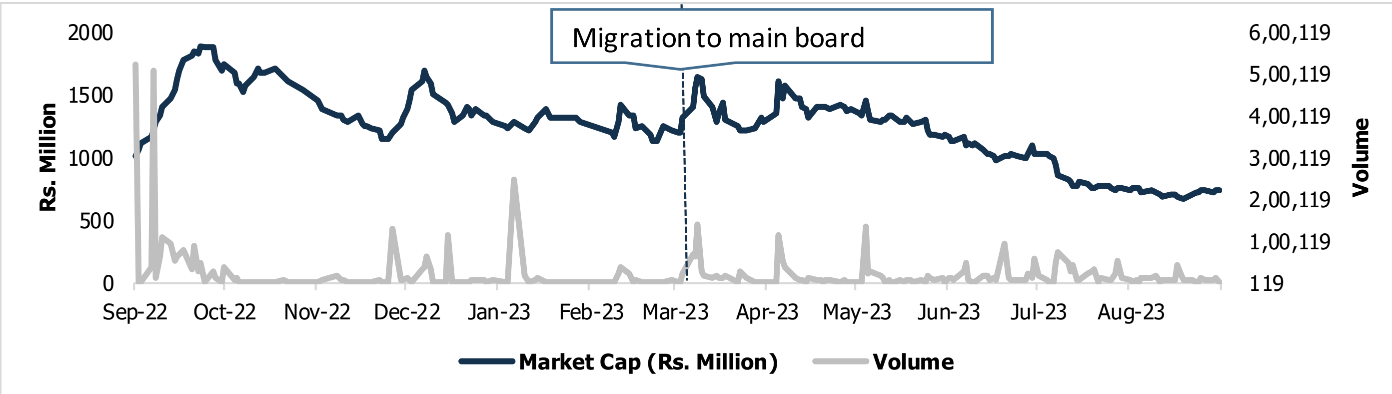
Source: NSE

Company 9



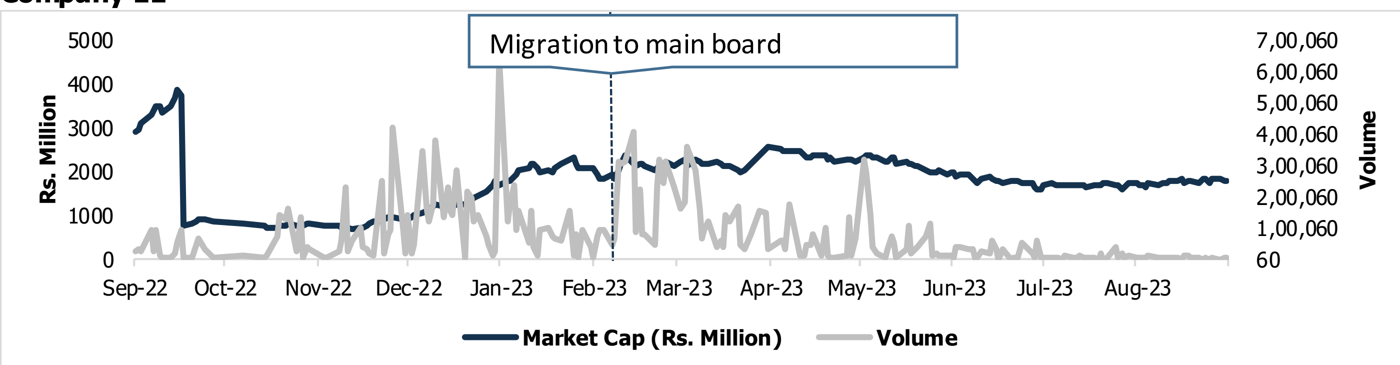
Source: NSE

Company 10



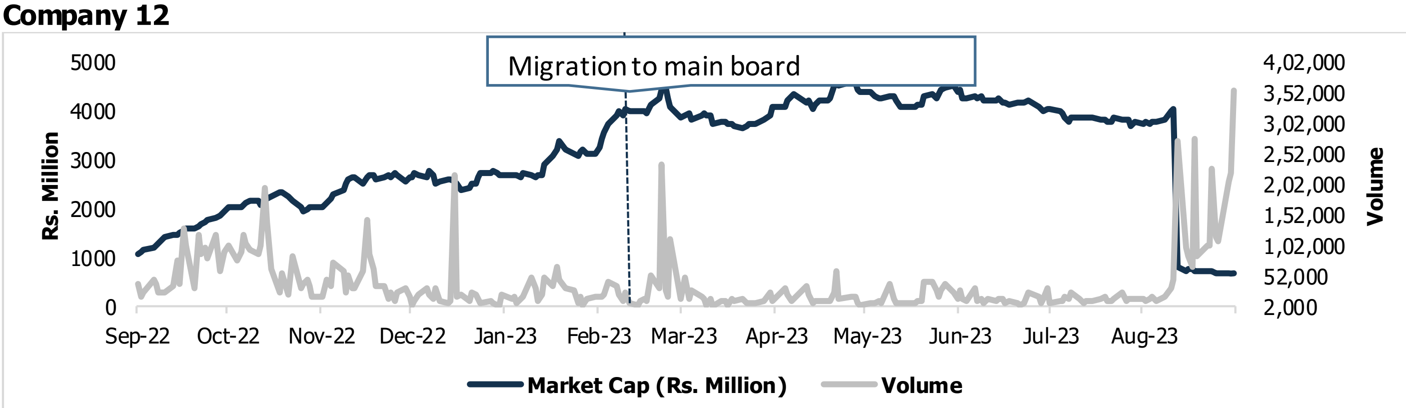
Source: NSE

Company 11



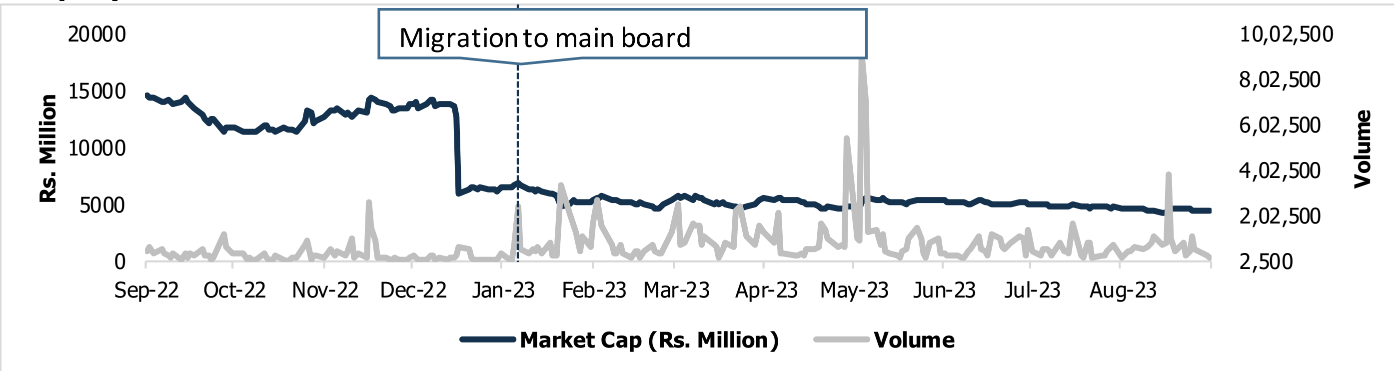
Source: NSE

Company 12



Source: NSE

Company 13



Source: NSE

3.3 Rising interest by anchor investors in SME IPOs

In today's scenario, there is growing interest by anchor investors towards investing in SME companies. They play a huge role in ensuring the good momentum and success of the IPO.

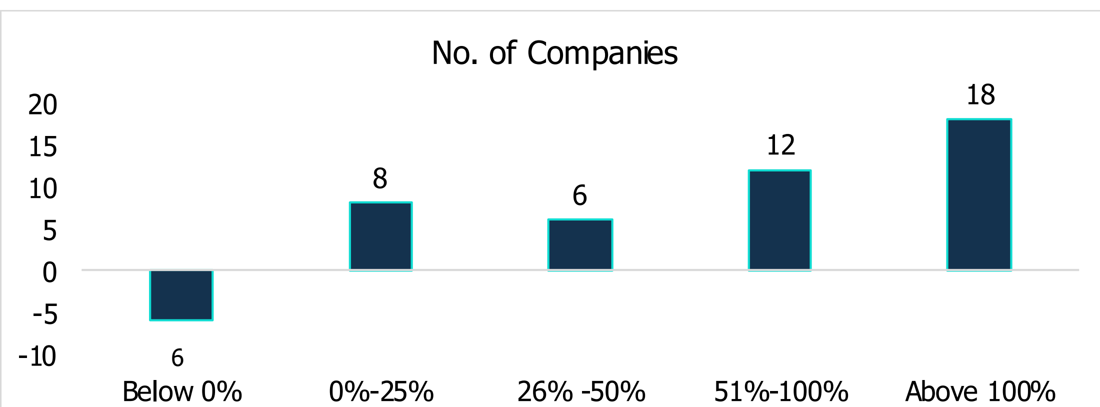
Below is the list of anchor investors invested in SME IPOs during January 2023 - September 2023 period:

Particulars
Tano Investment Opportunities Fund
Quantum-State Investment Fund
Leading Light Fund VCC -The Triumph Fund
Stern Global Fund VCC - Stern Multi Strategy
Vikasa India EIF I Fund - Incube Global Opportunities
Craft Emerging Market Fund PCC- Elite Capital Fund
Craft Emerging Market Fund - Citadel Capital Fund
Forbes EMF
Absolute Returns Scheme
AIDOS India Fund Limited
Acintyo Investment Fund PCC CELL 1
Antara India Evergreen Fund Limited
Ativir Alternative Investment Fund
Minerva Emerging Opportunities Fund Limited
Moneywise Financial Services Private Limited
Bofa Securities Europe SA- ODI
LC Radiance Fund VCC
VPK Global Ventures Fund - VPK Global Ventures Fund - Scheme 1
NAV Capital VCC NAV Capital Emerging Star Fund
Resonance Opportunities Fund
AG Dynamic Funds Limited
Fina Venue Growth Fund
Knightstone Capital LLP
Next Orbit Ventures Fund

Particulars
Neomile Growth Fund - Series I
Meru Investment Fund Pcc - Cell 1
Morgan Stanley Asia (Singapore) Pte
India Ahead Venture Fund
LRSD Securities Private Limited
Minerva Venture Funds
Zinnia Global Fund PCC Blue Jade Investment Fund
Grand Total
Saint Capital Fund
Negen Undiscovered Value Fund
Founders Collective Fund
Zinnia Global Fund PCC - Cell Dewcap Fund
Aegis Investment Fund PCC
Belgrave Investment Fund
Societe Generale – ODI
Vikasa Global Fund PCC - Eubilia Capital Partners Fund 1
India Ahead Venture Fund
India Max Investment Fund Ltd
Rajasthan Global Securities Private Limited
Silver Stallion Limited
Zinnia Investment Advisers Private Limited
Aryabhata Global Assets Funds Icav- Aryabhata India
Maven India Fund
Bengal Finance & Investment Pvt. Ltd.
Elara India Opportunities Fund Limited
Chhattisgarh Investments Limited

Source: Company disclosures

Chart 26: Returns for anchor investors during January 2023 – September 2023 period



Source: NSE, Company disclosures

Note: Based on sample set of 30 SME companies listed on NSE Emerge, as of October 05, 2023

Assuming anchor investors in our sample set continue to remain invested in respective scripts as on October 05, 2023

The investments in SME companies have climbed significantly. Most SME stocks have outperformed in terms of growth and resulted in good returns during the period January 2023 to September 2023.

As of October 05, 2023, about 12 SMEs have shown positive returns between the range of 51%-100% and about 18 companies have shown positive returns above 100%. The growing participation by these investors will support and promote the expansion in SME market.

3.4 Market makers for recently listed SMEs

The following are the list of market makers during the period April 2022 - September 2023

Table 13: Market makers during H1 FY24 & FY23

Name of the market maker	No. of companies
Nikunj Share Brokers Limited	27
Sunflower Broking Private Limited	25
Rikhav Securities Limited	21
Shreni Shares Limited	17
Gretex Share Broking Limited	16
Hem Finlease Private Limited	15
NNM Securities Private Limited	9
Share India Securities Limited	8
Aryaman Capital Markets Limited	7
Hem Securities Limited	7
Econo Broking Private Limited	6
SS Corporate Securities Limited	6
Beeline Broking Limited	5
Pure Broking Private Limited	5
Giriraj Stock Broking Private Limited	4
SMC Global Securities Limited	4
SVCM Securities Private Limited	4
Holani Consultants Private Limited	3
Spread X Securities Private Limited	3
Kantilal Chhaganlal Securities Private Limited	2
Khambatta Securities Limited	2
Prabhat Financial Services Limited	2
Swastika Investmart Limited	2
Ajcon Global Services Limited	1
Alacrity Securities Limited	1
Asnani Stock Broker Private Limited	1
BHH Securities Private Limited	1
Choice Equity Broking Private Limited	1
Nirman Share Brokers Private Limited	1
R.K.Stock Holding Private Limited	1

Name of the market maker	No. of companies
Rainbow Securities Private Limited	1
Sernet Financial Services Private Limited	1

Source: Industry sources

3.5 Market Returns from all listed SMEs till date

Table 14: SME Companies Returns

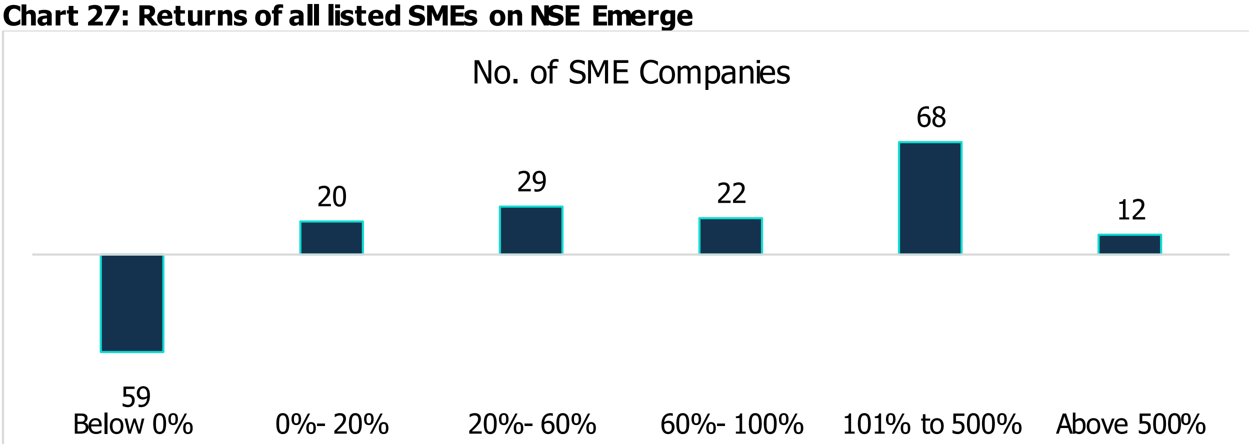
Parameter	No. of SME Companies listed on NSE SME Emerge
Positive return since listing	151
Negative return since listing	59
Total	**210**

Source: NSE, CareEdge Research

*Note: The above data is as per the sample set taken from NSE in September 2023

Since the listing date till October 05, 2023, 51 of the 210 SME enterprises listed on the SME Emerge platform delivered a positive return, while the stock prices of 59 SMEs generated a negative return. As of October 05, 2023, 29 firms had positive returns between the range of 20%-60%, 22 companies had positive returns between the range of 60%-100%, and about 68 companies had positive returns between 101%-500%. Many SME IPOs performed well during this time period. The SMEs' plan to invest in its subsidiary, satisfy working capital needs, pay off some company-secured borrowings, and use the remaining funds for general business increased investor trust.

Chart 27: Returns of all listed SMEs on NSE Emerge



Source: NSE

Note: Returns analyzed from the listing date of the company till October 05, 2023

3.6 SEBI Regulations

SEBI issued various guidelines for market makers. The first set of guidelines was introduced in April 1993 (vide circular No. SMD/SED/93/11362) for the Stock Exchanges of Bombay, Calcutta, Delhi, and Madras. To enhance the integrity, transparency, and efficiency of the operations of the securities market, SEBI came up with certain modifications in the guidelines. The same were issued on Jan 2000, April 2010, and Nov 2012, which stated regulations for market makers for having nationwide trading terminals for SMEs, setting trading platforms for SMEs etc.

The guidelines (issued in Nov 2012) to be followed by the market makers include-

- To make applicable-limits on the upper side for market makers during the making process taking into consideration the issue size in the following manner -

Issue Size	Buy quote exemption threshold (including mandatory initial inventory of 5% of issue size)	Re-entry threshold for buy Quotes (including mandatory initial inventory of 5% of issue size)
Upto Rs. 200 Million	25%	24%
Rs. 200 Million to Rs. 500 Million	20%	19%
Rs. 500 Million to Rs. 800 Million	15%	14%
Above Rs. 800 Million	12%	11%

- While managing inventory during the process of market making, some of the pointers to be abiding by include: exemption from threshold to be applicable for the first three months, two-way quotes to be resumed the moment inventory reaches the prescribed re-entry threshold, and no threshold or exemption on the downside (in the view of market maker obligation).

3.7 Key Growth Drivers –

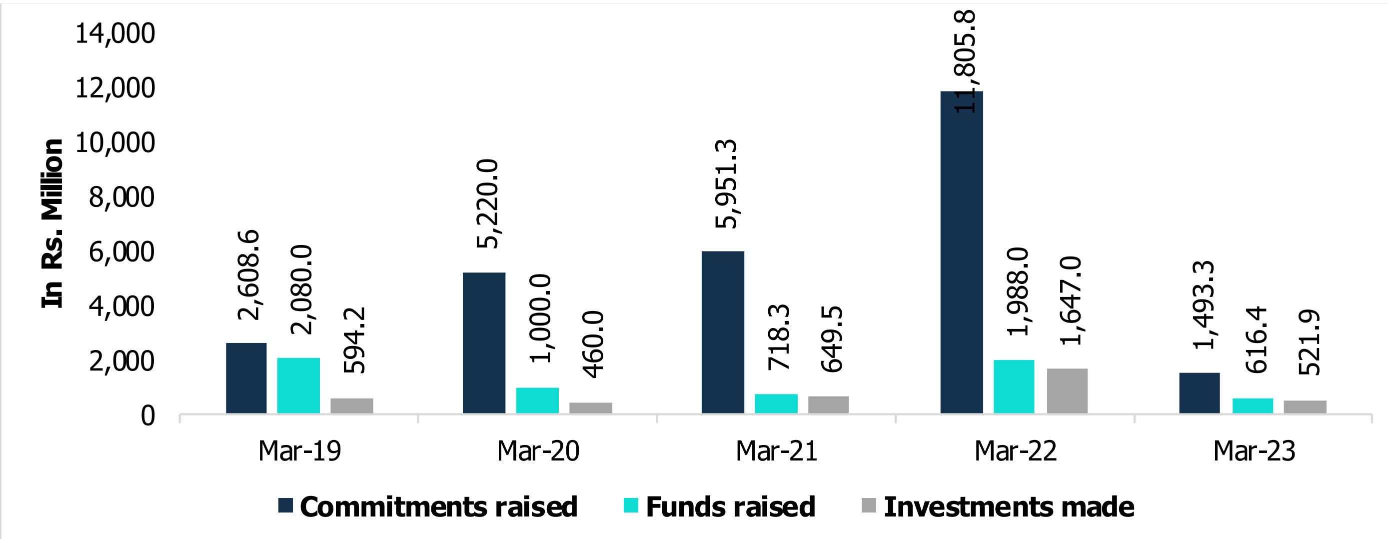
The SME sector is the driving force of the Indian economy and has major potential to drive industrialization across the economy. The sector faces a number of challenges, especially having limited access to finance. With the introduction of the SME platform, companies are now able to raise funds from the public. Since the liquidity in the trades of SMEs is comparatively lower, market makers play a crucial role here. They inject liquidity and determine fair market prices.

Further, the SME platform witnessed a 79% (in FY23, y-o-y basis) rise in the number of IPO issues. The addition of a number of SME issues demonstrates a major ask for the market makers. Further, SEBI being a regulator, ensures extensive reforms to maintain uniformity and healthy competition and to avoid market manipulations, thus, leading to an active involvement of market makers.

- Investment opportunity: There is huge potential for market makers in terms of increasing trading activities, thereby facilitating liquidity in the market. Recently, the demand for investing in SME IPOs has been growing owing to the strong listing gains. Market makers continuously engage in transactions of buying and selling of securities and get benefited from the increasing trading volumes which further leads to increase in revenue for them.

- Investment and wealth opportunity through SME AIF: The trend in SME AIF's have been rising over the years. As of Mar-23, the commitments raised were Rs. 1,493.3 million, the total funds raised were Rs. 616.4 million, and the total investments made were Rs. 521.9 million. It is expected that Government programs like tax benefits for SME AIF investors, rising investor demand, and overall economic growth are anticipated to promote expansion of SME AIFs.

Chart 28: Trend in SME AIFs over past 5 years



Source-SEBI, CareEdge Research

3.8 Key Challenges

With the emerging digital space, the key challenges for the market makers consists of-

- Revamp of operational infrastructure (such as Cloud-based SaaS platforms, more inter-connected systems and greater level of automation) in the post-trade space due to volume increase.
- Contend with regulatory and client demand for faster settlement

4 Wealth Management - India

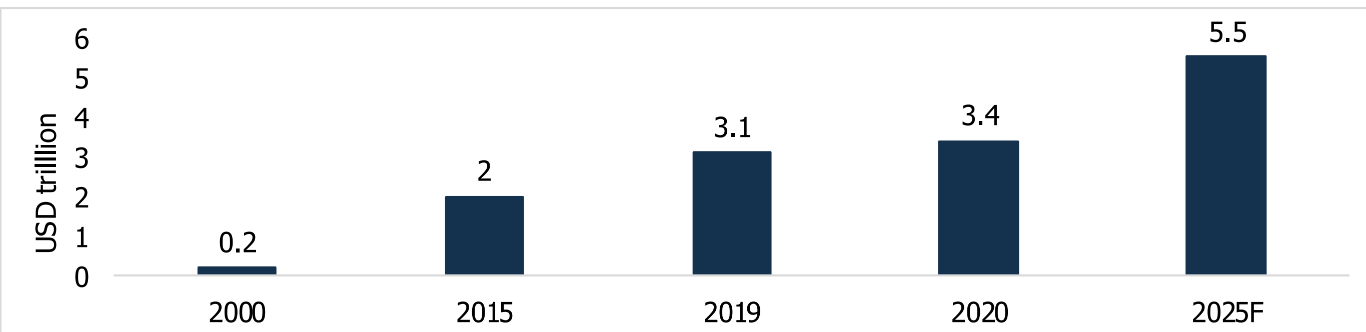
4.1 Industry Overview

Wealth management globally plays a vital role in Corporate Advisory. It is important to have a broad understanding of different businesses to offer consultation to any corporation operating within a specific industry. While advisory services include strategic financial planning, short and long-term investments through different assets, hedge funds, due diligence, mergers and acquisitions (M&A), private equity, etc., risk management is also offered as an advisory service.

Further, wealth management is also extended to corporate employees through corporate employee benefit programmes. Depository and trustee services are tailor made and designed for corporate promoters to provide insightful information on ensuring compliance on fund documentation, regulatory requirements, and scheme particulars. In addition to this, promoter funding assistance plays a vital role in raising funds for business.

Moreover, the wealth management space in India is highly competitive with a large number of domestic players in each segment except the UHNI segment, which is dominated by global players. Changing investor attitudes have led to the financialization of savings with both MF AUM and folios growing at around 19% CAGR.

Chart 29: India's Financial Wealth



Source: Industry Reports, CareEdge Research

Note: Financial wealth includes investments in assets class such as bonds, insurance, stocks and cash and bank deposits

Given India's long-term economic prospects, positive demographics, rising income levels, and current low penetration, the Indian Wealth Management market is on a steady upward trajectory. While India's wealthy individuals are less in comparison with established markets, the country's wealth is expected to expand rapidly in the future. The key factors are the large and young mass affluent segment, an increase in wealth of global Indians', the Indian government's push to regulate illegal channels of funds, and tightening of capital market regulations.

Table 15: Number of Millionaires in 2022 and 2027(P) (Selected Countries)

Country	HNI (Thousand)		UHNI (Thousand)	
	2022	2027(P)	2022	2027(P)
United States	25,172	36,885	203	253
Mainland China	10,388	20,813	88	131
Germany	3,379	4,970	25	30
France	3,182	4,500	23	27
Canada	3,072	4,783	24	32
UK	2,857	4,243	21	26
India	797	1,657	12	19
World	**69,543**	**1,09,099**	**580**	**745**

Source – Industry sources, CareEdge Research

Note: Data are provisional, (P) indicates projected

The demographic difference presents an opportunity to create new products to address the needs of a young population and leverage new technologies, such as social and software-based investing applications, as a key differentiator. The Indian wealth management industry is largely focused on the urban segment, leaving an untapped majority of the Indian population. One of the key factors for advisors is to develop trust with the potential investors where advisors constantly need to build their brand, focus on overcoming trust barriers, invest in technology, and focus on transparency and compliance.

With the increasing number of start-ups, rising income levels, and friendly macro factors with ease of doing business, the young HNI population in India is expected to rise. There is a big opportunity for a wealth management firm to tap into an underpenetrated market with huge upside growth potential for wealth managers.

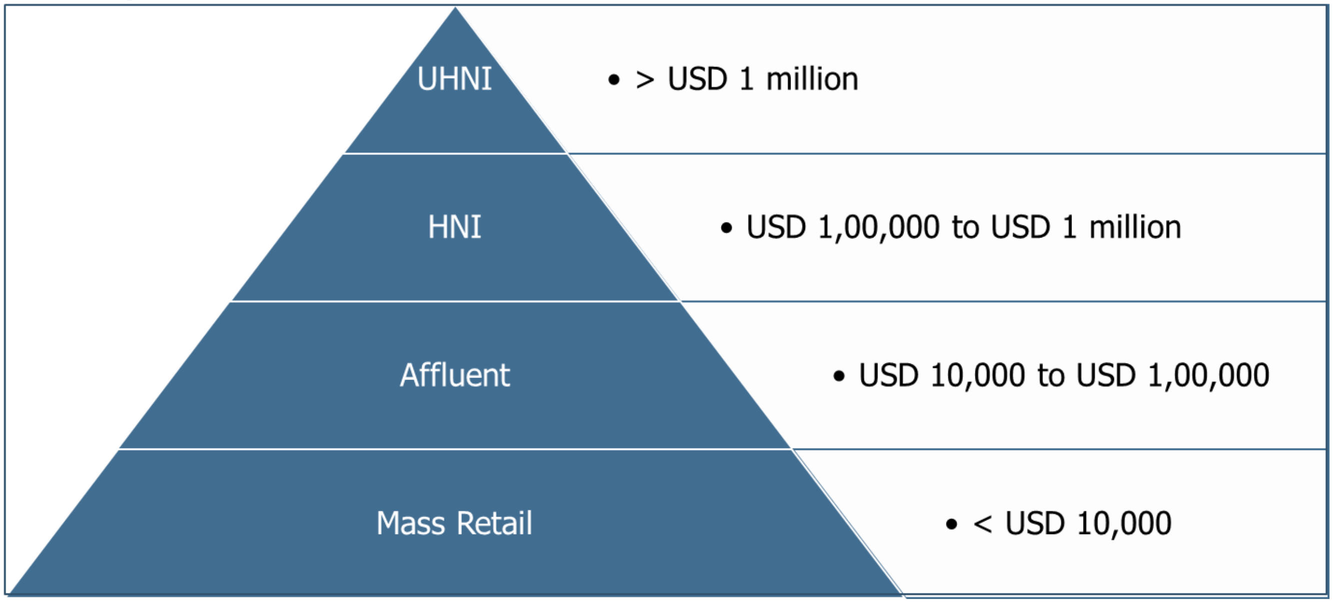
Accordingly, there is a steady growth in the number of client's interest towards:

1. Access to Mutual Funds/ Other Financial Product Distribution
2. Financial Planning (Specific Short Term and Long-Term Goals) Advice
3. Tax Planning Advice
4. Estate Planning Advice
5. Wealth Management Advice

The Indian Wealth Management market is on a sustained path of growth, given India's long-term economic prospects, positive demographics, rising income levels and current low penetration.

Based on the investment corpus available with the individuals, CareEdge Research has grouped individuals into following four categories:

Wealth Pyramid



Source: CareEdge Research

The first three segments of the wealth pyramid namely ultra-high net-worth individuals (UHNI), high net-worth individuals (HNI), and affluent contribute to more than 80% of India's wealth. A large base of low-wealth holders underpins higher tiers occupied by progressively fewer adults. The inequality has also increased due to the rising value of financial assets during COVID-19. Over the years, there has been a significant ramp-up in the affluent segment supported by the emerging economy and expansion of the middle-class population.

4.2 Key Players in the Wealth Management Industry

360 ONE WAM Limited (formerly known as IIFL Wealth Management Limited)

360 ONE WAM Limited (erstwhile IIFL Wealth Management Limited part of the IIFL Group), founded in 2008, is among the largest private wealth management firms in India. The Group mainly acts as a wealth manager and provides financial products distribution, transaction advisory, asset management, portfolio management, lending, credit and investment, and trustee services by mobilising funds and assets of various classes of investors including high-net-worth individuals and ultra-high-net-worth individuals. The consolidated AUM (assets under management include annual recurring revenue assets, transactional or broking revenue assets and custody AUM) of 360 ONE WAM Limited reached Rs. 3.8 trillion as of Jun-23.

Anand Rathi Wealth Limited

Anand Rathi Global Finance Ltd (ARGFL), the NBFC arm of Anand Rathi Group (ARG), is in the business of offering product like SME Lending, Construction Finance, Loans against Securities, such as Equity, Bonds and Mutual Funds and also engaged in treasury activities.

Anand Rathi provides various services such as Wealth Management, Investment Banking, Corporate Finance & Advisory, Brokerage & Distribution of Equities, Commodities, Mutual Funds, Structured Products, Insurance, Corporate Deposits, Bonds, and Loans to Institutions, Corporations, and High Net-Worth individuals and families.

As of 31st December 2022, Anand Rathi Financial Services Ltd (ARFSL) held 92%, whereas Anand Rathi Wealth Services Ltd (ARWSL) held an 8% stake in the company. ARGFL has two wholly-owned subsidiaries, Anand Rathi Advisors Ltd &

Anand Rathi Housing Finance Ltd. As of Jun-23, Anand Rathi Wealth Limited's consolidated AUM reached Rs. 4,34,130 million indicating a year-on-year growth of 31.7% compared to Rs. 3,29,610 million as of Jun-22.

SBI Fund Management

SBI Funds Management Private Limited (SBI FMPL), the investment manager of SBI Mutual Fund is a joint venture between State Bank of India (SBI), India's largest bank and Amundi India Holding (AMUNDI), a leading European asset management company. SBI currently holds a 63% stake in SBI FMPL and the 37% stake is held by AMUNDI through Amundi India Holding. SBI Mutual Fund also benefits from the brand equity of its sponsors, State Bank of India and AMUNDI. The AMC has reported average assets under management (AAUM) for schemes of SBI Mutual Fund as Rs. 7.6 trillion (excluding domestic Fund of Funds) for the quarter ended June 2023.

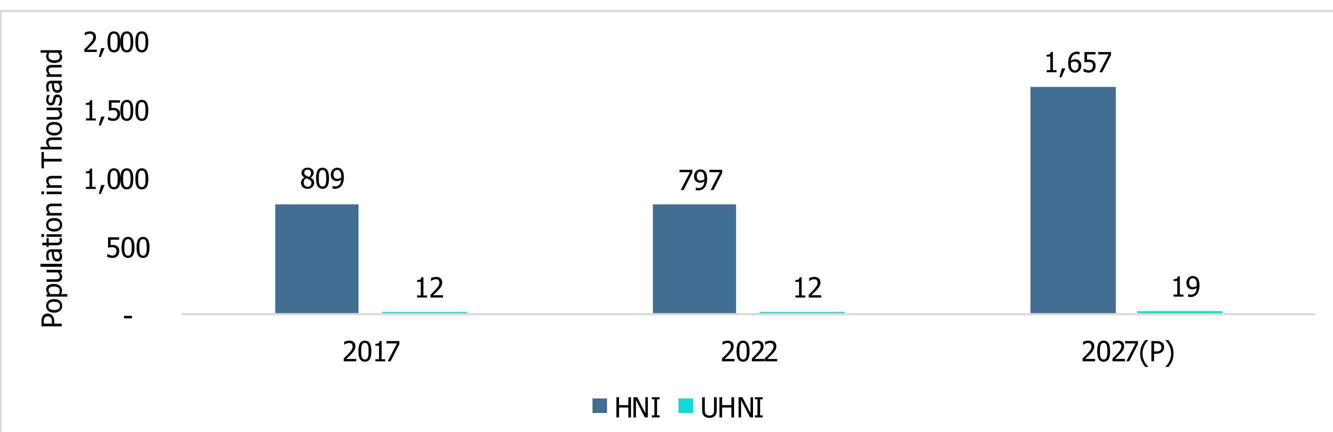
ICICI Prudential Mutual Fund

ICICI Prudential Mutual Fund has been established as a trust under the Indian Trust Act, 1882 by ICICI Bank and Prudential Plc, with ICICI Prudential Trust Limited as the Trustee Company and ICICI Prudential Asset Management Company Limited as the investment manager. ICICI Prudential Asset Management Company Ltd is a joint venture between ICICI Bank (51% holding) (one of the largest private sector banks in India) and Prudential Plc (49% holding) one of United Kingdom's largest players in the financial services sectors. ICICI Prudential Mutual Fund had average assets under management (excluding domestic Fund of Funds) of Rs. 5.3 trillion as of the quarter ended June 2023.

4.3 Size and Growth of HNIs in India

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

Chart 30: HNI and Ultra HNIs Population in India



Source: Industry Sources, CareEdge Research, Data are provisional

Note: P indicates that the data projected

In 2022, the UHNI population grew by around 5% CAGR over 2017. The number of UHNIs in India increased exponentially and reached around 12 thousand in 2022. By 2027, the HNI population is projected to grow at a CAGR of 6.5% over 2022.

In the medium to long term, UHNI, HNI and affluents segments are likely to see tremendous growth against the backdrop of the Indian economic growth, rising affluence, and financialization of assets. India's HNI population is expected to grow more than double by 2027 over 2022, making it one of the world's fastest-growing wealth markets.

4.4 Alternative Investment Fund (AIF)

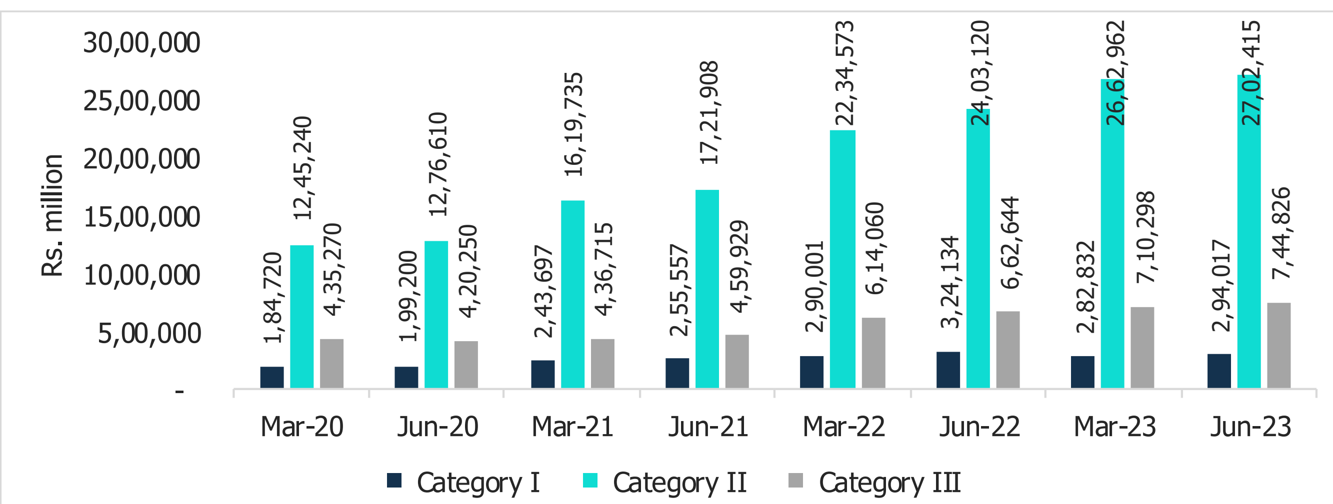
An Alternative Investment Fund (AIF) is a fund established or incorporated in India, a privately pooled investment vehicle collecting funds from sophisticated investors, whether Indian or foreign, for investing in accordance with a defined investment policy for the benefit of its investors. These investments do not belong to any of the traditional or conventional investment categories.

The different categories of funds included under the Alternative Investment Fund are as follows:

CATEGORY I	CATEGORY II	CATEGORY III
• Venture Capital Funds • SME Funds • Social Venture funds • Infrastructure Funds • And other such other funds which may be prescribed under the regulation • "Angel Investment Funds" introduced by SEBI in 2013, under the head of Venture Capital	• Funds which is not included under "Category 1" and "Category 3" • And other funds which are not used for borrowing and only for carrying day-to-day operation • Private Equity Funds and Debt Funds	• Hedge Funds • Funds traded with the intention of making short-term returns • Other open funds which are specified by the Regulation • Other funds provided that no incentives or concessions were given by the Government and Regulations as mentioned

The AIF market in India is at a very nascent stage. Since SEBI regulations came into effect in 2012, the number of AIFs registered in India has grown to 1,148 as of 15th Sep 2023. Aggregate funds raised have increased significantly from Rs 18,96,060 million as of Jun-20 to around Rs. 37,41,258 million as of Jun-23, indicating a CAGR of 25.4% over Jun-20 and around a 10.4% y-o-y growth over Jun-22, indicating rapid growth in demand for alternative investments in India.

Chart 31: Alternative Fund Investment



Source-SEBI, CareEdge Research

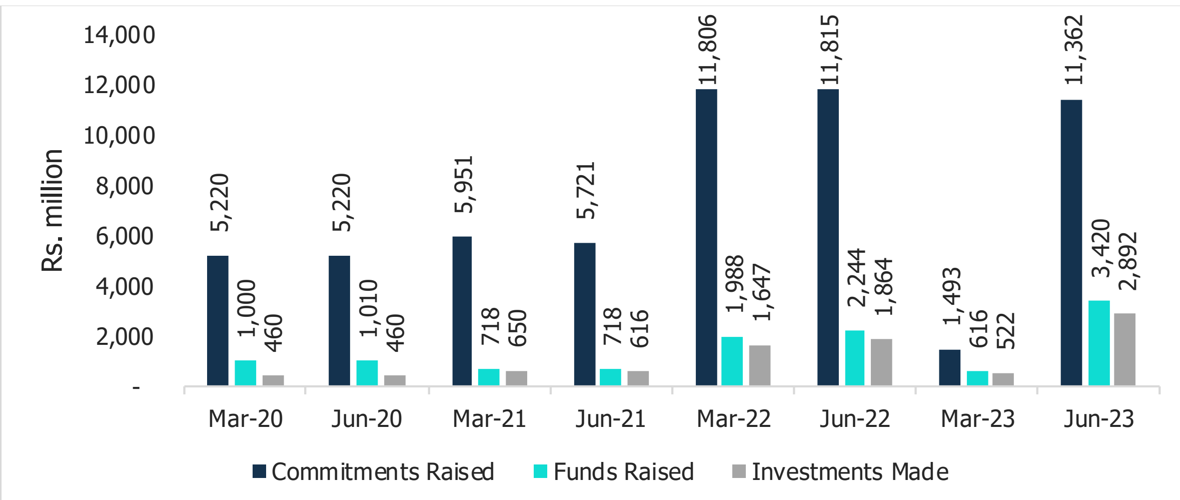
There are various types of funds under Category-1 AIF such as infrastructure funds, social ventures funds, and venture capital funds. SME Fund is another segment that is focused towards funding SMEs. SMEs are businesses with a turnover of less than Rs. 500 million and less than 250 employees.

SMEs rely on NBFCs and other financial institutions to meet their debt capital requirement. However, small and medium enterprises alternative investment fund (SME AIF) helps SMEs to bridge this cap through equity financing. SME AIFs invest in both listed and unlisted small and medium-sized enterprises (SMEs). They can invest in a variety of industries, including manufacturing, technology, healthcare, and services.

As per SEBI regulations SME AIF that fall under Category-1 AIF are funds that have:

- A minimum investment limit of Rs.10 million for investors.
- Invested at least 75% of their assets in SMEs.
- A minimum investment period of 3 years.

Chart 32: Trend in SME AIFs



Source-SEBI, CareEdge Research

Over the years, SME fund has seen good growth. At the end of Jun-23, the commitments raised were Rs. 11,362 million, the total funds raised were Rs. 3,420 million, and the total investments made were Rs. 2,892 million. In the near term, SME AIFs are likely to see continued growth supported by government initiatives such as tax breaks for SME AIF investors, growing demand from investors, and overall economic growth.

4.5 Portfolio Management Services

Portfolio Management Services (PMS) offer a tailor-made investment portfolio managed by professionals to suit the investment objective and needs of the investor. With the support of fund managers, researchers and analysts, an investment portfolio in stocks, fixed income, debt, cash, structured products and other individual securities is carefully constructed to capture long-term value while minimizing potential loss to the client.

The Investment solutions provided by PMS cater to a niche segment of clients. The clients can be Individuals or Institutions entities with high net worth. Depending on the market condition, clients are offered customized products focusing on the objective of delivering consistent long-term performance while controlling risk.

Services under Portfolio Management Services

Discretionary: Services where the choice and the timings of the investment decisions rest solely with the Portfolio Manager are termed as discretionary services.

Non-Discretionary: Services where the investor is responsible for choosing the investment and the time of investment. The role of the portfolio manager is only to suggest investment ideas and execute the trade are termed Non-Discretionary Services.

Advisory: Services where the role of a portfolio manager is only to suggest investment ideas. The investor is responsible to choose the investment and execute his investment decisions.

Table 16: Share of Products under Portfolio Manager Services as of June 2023

Particulars	Discretionary	Non-Discretionary	Advisory**
No. of Clients	1,33,726	3,871	1,703
AUM (Rs. Million)			21,44,260
Listed Equity	26,42,680	2,18,650	
Unlisted Equity	6,330	2,960	
Plain Debt Listed	2,08,99,120	14,47,570	
Plain Debt Unlisted	2,22,080	610	
Structured Debt Listed	13,900	11,580	
Structured Debt Un-Listed	730	300	
Derivative-Equity	2,320	-	
Derivative-Commodity	-	-	
Derivative-Others	-	-	
Mutual Fund	3,02,930	2,22,570	
Others	1,23,190	2,35,050	
Total	**2,42,13,280**	**21,39,290**	**21,44,260**
Grand Total	**2,85,01,820**		

Particulars (in Rs. Million)	Discretionary	Non-Discretionary	Total
EPFO/PF	2,11,53,000	1,29,010	2,12,82,020
Non EPFO/PF	30,60,270	20,10,270	50,70,550

Source: SEBI, CareEdge Research
**Value of Assets for which Advisory Services are being given.

As of June '23, the AUM of the portfolio management industry stood at Rs. 28.5 trillion of which discretionary service category contributed the most followed by non-discretionary services. While the Advisory service contributed to Rs. 2.1 trillion of the total AUM, which is 7.5% of the AUM of portfolio management industry.

There were 1.4 lakh clients in portfolio management industry as of Jun-23. Of these, 96% clients were of discretionary services category 2.8% clients in non-discretionary services category and 1.2% clients availed advisory services of portfolio managers.

4.6 Key transactions in Indian Wealth Management/Asset Management Industry

Date	Target	Investor
Mar-23	NSPIRA Management Services Pvt Ltd	Approval of 2.24% stake by BanyanTree Growth Capital II, LLC
Mar-23	Canara Bank	Russian Joint Venture Commercial Indo Bank LLC (CIBL) acquired 40% stake
Feb-23	HDFC Bank	Acquisition of 9.95% stake by Softcell Technologies Global Pvt Ltd
Feb-23	Sonata Finance Pvt Ltd (SFPL)	Kotak Mahindra Bank Ltd received approval from RBI to acquire 100% stake of SFPL for Rs. 5,370 million
Feb-23	DCB Bank	DSP investment Management Pvt Ltd received an approval to acquire 9.99% stake
Jan-23	Max Financial Services Ltd (MFSL)	Axis Bank Ltd acquired 7% stake in MFSL
Jan-23	Alibaba	Paytm acquired 3.1% stake in China's Alibaba Group Holding
Jan-23	Equitas Small Finance Bank (SFB)	SBI Mutual Funds acquisition of 9.99% stake in Equitas SFB
Dec-22	IDFC AMC	Bandhan-led consortium
Nov-22	L&T Investment Management	HSBC asset management private Ltd acquired for USD 425 million
Aug-22	Wealth Managers (India) Private Ltd	Scripbox, Investment management company acquired the Pune based wealth management company
Jun-22	IIFL Wealth Management	BC Asia Investments X Ltd received approval for acquiring stake up to 24.98%
Feb-22	Ask invest managers	Blackstone acquired majority stake
Jan-22	Ind-Money	Tiger Global, Steadview Capital and Dragoneer Investment Group invested around USD 75 million
Jan-22	Kaleidofin	Dell Foundation led USD 10 million equity infusion
Sep-21	Sanctum Wealth	Xander Group Inc invests Rs. 780 million
Jan-21	Principal Asset Management	Sundaram Asset Management Company (Acquisition Rs.3,380.5 million (US$ 46.78 million)).
Sep-20	Groww Wealth Management	YC Continuity fund & Sequoia India Invested $30 Million

Aug-20	Edelweiss Global Wealth Management limited	PAG agreed to invest Rs. 22,440 million for 51% stake

Source: CareEdge Research

4.7 Key Growth Drivers of Wealth Management Industry

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

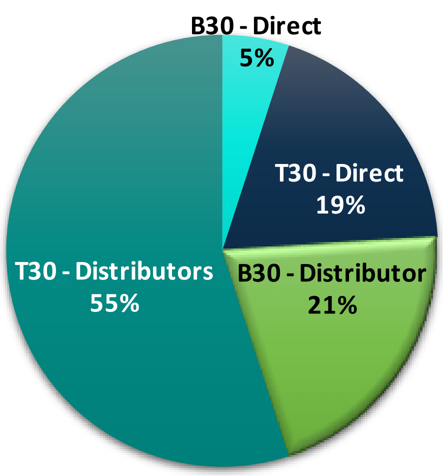
India continues to be underpenetrated with a mutual fund penetration rate (the ratio of period-ending mutual fund AUM to GDP) of around 25% as of Mar-23, as compared to the global average of 70-80%. India accounts for less than 2% of the global mutual fund industry, representing a significant growth opportunity.

Average Assets managed by the Indian mutual fund industry have grown from Rs. 24.6 trillion in March '19 to Rs. 40 trillion as of March '23 projecting around 13% CAGR over assets in March '19. The size of average assets under management indicates that there continues to be a huge untapped potential for mutual funds in India.

There is a lack of healthy participation from investors in B30 (beyond the top 30) locations. Recently, the mutual fund sector witnessed rising activities from B30 locations, especially in the equity segment due to improved distribution and regulatory changes in fee structure. Increasing mobile phone penetration and the rising inclination of wealth managers toward technology to service transparent and systematic products in an efficient manner helps to develop informed customers and enables distributors to penetrate deeper to serve clients across the wealth management space.

Investors – Overall Composition

Chart 33: Investors – Overall Composition – July-23

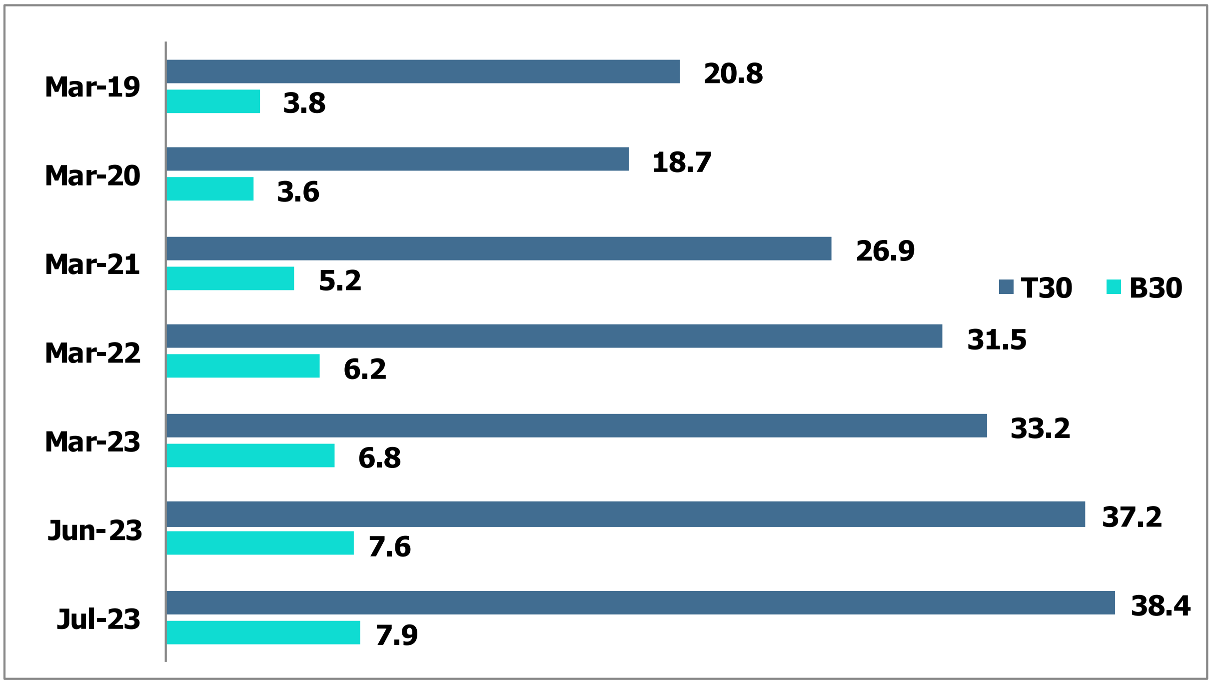


Source-AMFI, CareEdge Research

Individual assets are primarily distributor-driven. Distribution channel accounted for 76% of total mutual fund assets under management (AUM) as of Jul-23, of which 55% belongs to the top 30 cities. Direct investments amount to 24% of individual assets, of which 5% of individual assets were from B30 and 19% of individual assets were from T30.

- **Increase in Retail Participation and Mass Affluent**

Chart 34: Growth in B30 and T30 Assets (Rs. trillion)



Source-AMFI, CareEdge Research

The wealth managed by portfolio managers (including assets under advisory) in India is about Rs. 28.5 trillion as of Jun-23. The increased penetration of wealth management companies into Tier II and III cities will also help to drive the growth, given more than 40% of the UHNIs live in non-Metro cities, where currently wealth is majorly managed by IFAs and Chartered Accountants.

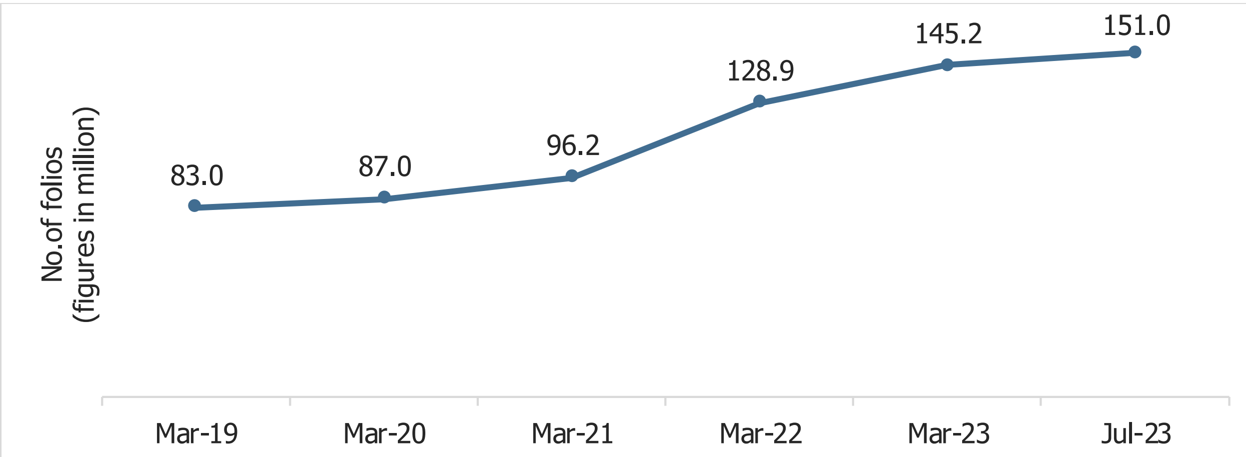
The top five states, Maharashtra, New Delhi, Gujarat, Karnataka, and West Bengal contributed to nearly 70% of the AUM of mutual funds as of Jun-23. Of which, Maharashtra and New Delhi attributed to more than 50% of the AUM. However, with rising income levels and a growing affluent middle class, Retail investors are becoming more inclined towards equities as an investment option over the traditional preference of savings towards physical assets, especially from B30 cities.

Around 17% of the assets of the mutual fund industry came from B30 locations. Assets from B30 locations increased by 4% to Rs.7.9 trillion in Jul-23 on a m-o-m basis and represented an increase of 26% on a y-o-y where the assets from B30 locations stood at Rs. 6.2 trillion in Jul-22.

Investors from B30 locations are attracted towards equity as compared to T30 where the debt portion is higher due to large participation from institutional investors. As of Jul-23, 80% of the assets from B30 locations are in equity schemes as compared to 77% from B30 locations in Jul-22.

- **Increase in Folios**

Chart 35: Increase in Investors Accounts



Source-AMFI, CareEdge Research

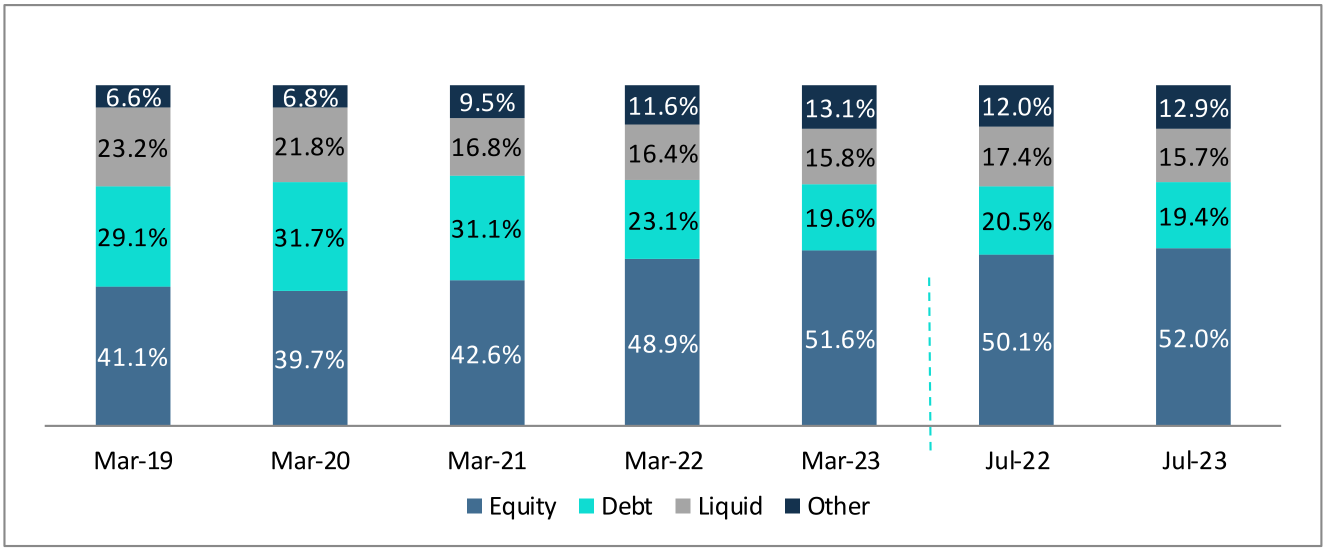
Retail investors' preference is becoming more mature as they get more informed regarding equities potential and risk associated with investing in it. Over the years, there has been an increase in investor accounts, as of Jul-23 investor accounts reached to 151 million from 83 million as of Mar-19. The increasing penetration of mutual funds products is driven by the rising number of folios and participation from mass affluent segments.

Individual investor's component of the total number of folios in the industry has been steadily increasing over the period of years where mass affluent retail investors are spearheading the growth rate. The individual investors hold a relatively higher share of 58% of the industry assets as of Jul-23, compared with 56% in Jul-22.

- **Increasing Share of Equity based Fund in Asset class over the years**

The proportionate share of equity-oriented schemes is 52% of the industry assets as of Jul-23, up from 50.1% in Jul-22. Among other categories, there is significant increase in ETF (Others) market share from 6.6% as of Mar-19 to 13.1% as of Mar-23.

Chart 36: Classification of Asset class



Source-AMFI, CareEdge Research

An uptick in Passive Investing: The shift towards passive investing is increasing as they are cost-effective when compared to actively managed funds. Investors have a wide range of options to choose from the available type of passive investment options in the market such as Alternative Investment Funds (AIFs), Portfolio Management Services (PMS) and Exchange-traded funds (ETFs).

Diversification: Investors understand the need and importance of investing in different asset classes which helps them diversify their portfolio of investments. This diversification also helps in the minimization of risk while earning better returns. As a result, it will lead to potential growth in investment management.

4.8 Key Challenges

- **Lack of Awareness and Financial Literacy:** In India, financial literacy is relatively low and many individuals in the country do not understand the importance of wealth management. They are not aware of the financial products and investing methodology.

- **Competition:** The entry of new-age firms with the latest technology has an edge over the traditional wealth firms. The demand for digital services is growing tremendously. It is important for traditional firms to adapt to the latest technologies available in the market to sustain the competition and retain their client base.

- **Market Volatility:** The financial markets are vulnerable to the volatility in the economy. Wealth advisors need to update themselves continuously on the current affairs and modify investment strategies considering the uncertain events that may impact the investor's portfolio returns.

- **Evolution of FinTech Firms and Rising Cybersecurity Concerns:** The usage of technologically automated services & advisory by wealth management firms are associated with risks such as phishing, cyberattacks, and data breaches. This kind of data leakage will affect the investors' trust and may cause damage to the reputation of the firm. Thus, they should keep a constant check on such threats and ensure there is transparency.

4.9 SWOT Analysis

Strength	Weakness
• Knowledge about various asset classes and financial instruments • Skill and expertise in financial planning and investing strategy • Rise in digital banking services promoting wider client reach • Offer customized services to investors based on their goals, risk preference and return	• High costs involved in providing services • Lack of financial literacy awareness among rural and semi-urban population
Opportunity	**Threat**
• Under penetration and lack of awareness among individuals • Partnering with fintech/wealth tech companies to enhance digitization and cost-effectiveness	• Rising competition from new players • Volatility in the market may affect investor's returns • Increasing traction for robo-advisory services • Rapid increase in AI tools • Issues related to cybersecurity • Uncertainty surrounding the global economy

4.10 Research & Development in the Stock Market

Earlier trading on Indian stock exchanges was conducted in open outcry having no accessibility to information technology for instant matching or recording of trades which was time-consuming. Later, the National Stock Exchange (NSE) introduced a screen-based trading system (SBTS) to provide transparency and efficiency in the execution of transactions.

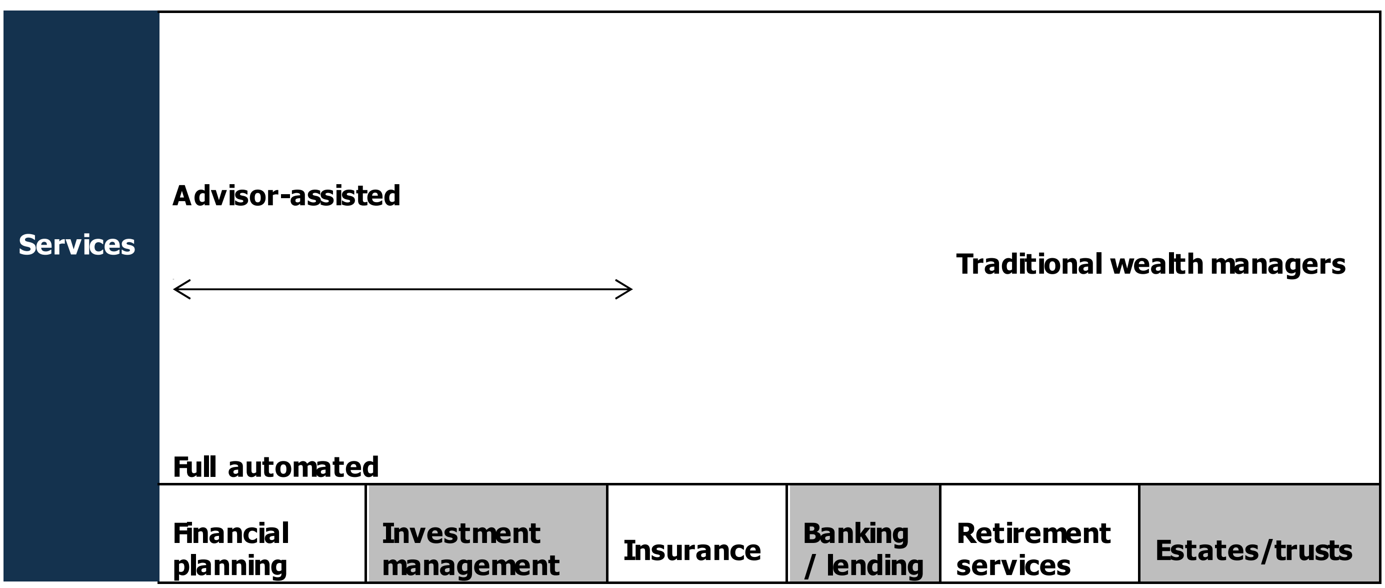
In recent years, there have been few technological developments in the Indian stock market.

- **Opening of accounts through trading Platforms:** The evolution of trading platforms online made it easy for investors to perform trading activities in the market from any place. The advancement in technology allows individuals to open both trading and demat accounts online anytime. It enabled them to buy and sell stocks at their convenience either from home or the workplace. These platforms eliminate the middlemen, i.e., the presence of brokers and reduce the time taken for transactions. Zerodha, Upstox, Groww, 5 Paisa, Angel broking, Sharekhan, etc. are witnessing good traction in the number of new investor folios every year.

- **Development of Trading Applications**: The increasing penetration of smartphones has led to the development of trading applications where investors can trade stocks using their mobile phones. These applications not only allow them to trade but also provides other features such as real-time updates in the market, courses on trading, fundamental & technical analysis reports along with research report on stocks, other relevant research tools, etc. Online trading apps make it easy for investors to track the performance of stocks and help them with real-time alerts.

- **Dematerialization of Securities:** Dematerialization is a way through which we can convert physical securities such as certificates into electronic form. There are multiple risks associated with carrying physical certificates as it can lead to theft, loss, forgery, delay in transfer of certificate etc. Thus, the shift in the form of maintaining securities in demat account led to enhancement in safety, quick and easy transfer of shares and reduction in transaction cost.

- **Emergence of robo-advisors:** Robo-advisors are those advisors who provide financial advice to the investors and help them in managing their portfolios. They use computer algorithms and rely on artificial intelligence in order to understand the investor profile, risk preference and return parameters and recommend suitable investment strategies. These are widely used in wealth management firms due to their cost-effectiveness and wider reach to clients.



The advancement in these technologies is contributing to the improvement in client experience and shaping the industry growth.

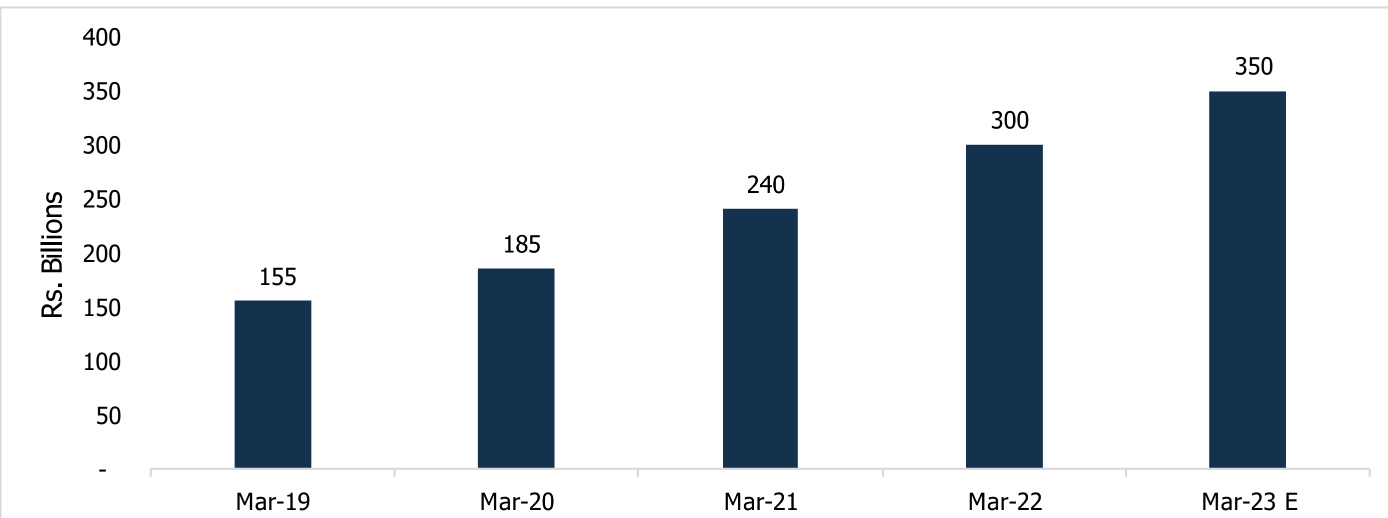
5 Stock Broking

5.1 Introduction to Stock Broking Industry

Indian stock broking industry is the oldest trading industry that has been around even before the establishment of the Bombay Stock Exchange (BSE) in 1875. Despite passing through several changes in the post-liberalization period, the industry has found its way towards sustainable growth. It has undergone developments over several years in terms of yields, products and customer services. In the initial phase, Indian brokers were to be divided into two categories – bank-led brokers and nonbank-led brokers. The majority of these brokerages were full-service brokers with services spanning from providing a platform for trading, settlement services, investment advisory (research), investment banking and wealth management.

With the progress made in the broking sector, the trading process, which used to be cumbersome and expensive, has transformed for the better. Anyone with a mobile device and internet connection can now open a broking account and trade without any human interface. Technology has also significantly brought down the cost of conducting business as players need not open branches or recruit sales personnel. This has helped brokerage firms to remain extremely profitable despite a sharp reduction in fees charged. In the current market scenario, pricing has ceased to be a differentiator with consumers increasingly choosing brokerages based on the quality of their service and conveniences they offer.

Chart 37: Size of Stock Broking Industry - Total Income



Source: CareEdge Research Estimates

The Indian broking industry is very fragmented with a large number of participants. There are over 146 stockbrokers registered with the National Stock Exchange (NSE) as of 31st July 2023. There are 1,295 trading members in the equity segment registered with BSE as of 11th September 2023. Many of them may be propriety desks. Still, a large number of brokers offer trading services to customers. The stock brokerage industry in India managed to earn an income of more than Rs. 300 billion in FY22. CareEdge Research estimates that in FY23 the industry's total income is likely to have reached around Rs. 350 billion.

Further, capital markets-related entities have benefitted in the last few years, as equity markets have given investors healthy returns. Corporations are also tapping into the growth of capital markets by raising capital through equity and debt issuances.

Moreover, with the increasing importance of technology, customers are provided more and more means to access information and make active decisions based on the fast-paced information availability. The systems are ever-evolving and have become quick and robust. In order to stay relevant and increase the market share, many brokers have heavily invested in infrastructure. Their IT systems have transformed from legacy systems to modern-day agile, adaptive and lean architectures. The stock market industry is likely to see further development in terms of market participants as well as the quantum of trade value.

5.2 SERVICES PROVIDED BY STOCK BROKING COMPANIES

1. Broking Services

A broker is an individual or firm that acts as an intermediary between an investor and a securities exchange. Because securities exchanges only accept orders from individuals or firms who are members of that exchange, individual traders and investors need the services of exchange members. Brokers provide that service and are compensated in various ways, either through commissions, fees or through being paid by the exchange itself. Investors trade in equity in the cash-delivery, cash-intraday, futures and options, and indices-derivatives segments through various order types, including market orders, stop-loss orders, and valid-till-cancelled orders.

i) **Products:** The broking business primarily comprises broking services that offer retail clients trading in equities, equity derivatives, commodities and currency derivatives. The products for broking services for clients to trade in are as follows:

- Equities: Stocks listed on BSE and NSE.
- Equity Derivatives: Futures and options related to indices and stocks listed on the Stock Exchanges.
- Currency: Derivatives and futures and options in U.S. Dollars, Euros, British Pounds, and the Japanese Yen.
- Commodities: Commodities futures and options listed on MCX and NCDEX.

ii) **Client Acquisition:** The broking business is anchored by a retail client. Acquisition of clients is done either directly by the broking firm itself or through its exclusive sub-broker network. This may be done through organic leads, paid leads or dedicated sales teams through both online and offline channels.

iii) **Platforms:** Broking services are provided through various web, digital and exe. platforms. Almost all broking companies have their websites on which clients do trading on the stock market. Nowadays, mobile applications have also become a necessary platform for all brokers as people prefer trading in stock through their smartphones.

2. Research Services

Broking companies have a dedicated research team that publishes research reports on a daily, weekly and monthly basis for their clients, to enable them to make informed investment decisions across equity, commodity and currency segments.

3. **Investment Advisory**

   Brokers provide investment advisory services to their retail clients with customized investment recommendations that assist their clients in achieving their investment goals across various investment avenues such as equities, debt, currency, commodities, derivatives, mutual funds and insurance products.

4. **Investor Education**

   The website of various broking companies is a knowledge centre that aims to empower investors, including their clients, with an understanding in respect of trading and investments products.

5. **Other Financial Services:** In addition to broking and advisory services, various brokers also provide the following financial services that enable their clients to achieve their financial goals:

- **Margin Trading Facility:** They provide a margin trading facility to the clients for leveraging their eligible collaterals by funding their requirements on the cash delivery segment of equities. Such funding is subject to exposure against margins that are mandated by the stock exchanges, with the securities forming a part of the collateral for such funding.

- **Distribution:** They undertake the distribution of third-party financial products such as mutual funds, and health and life insurance products, according to their clients' requirements. Such distribution is undertaken through both offline channels and digital platforms.

- **Loans against shares:** Few broking companies, which are registered as NBFC, provide loans against shares to their retail clients.

5.3 Digital Trading Platforms provide Brokerages with Enhanced Scalability

With the domestic brokerage industry evolving, various brokers distinguish themselves from others in terms of their service offering to the customers including lower fees, lower maintenance charges, faster turnaround times for account opening, better security features, faster access to systems, etc.

In addition, the evolution of technology has helped them further penetrate their target customer segment faster. It offers the ease of scalability, which reduces their operating cost per customer and improves their profitability. Facilities supplementing mobile-based trading, such as live TV, advanced research reports, push notifications, enhanced price discovery settings, etc., help enhance the user experience for their customers helping them with better retention.

With the advent of modern platforms, brokers have put in place infrastructure that lowers the variable operating cost per customer considerably due to its scalable nature. The same platforms that cater to existing clientele can scale up to accommodate multiple new users. This helps them price their offerings lower and, in many cases, charge fixed transaction-based fees or even charge no fee for delivery-based transactions.

5.4 Various Services offered to a Diverse Set of Customers

These brokerages further offer services to either individuals or even institutions, which usually perform high-value transactions, requiring higher technical support such as high-frequency data, algorithm implementation, and testing capabilities, co-locations, trade automation, etc., which, with the better infrastructural setup, becomes easier to implement and offer.

Table 17: Key Differences between Institutional and Retail Broking

Parameter	Institutional broking	Retail broking
Number of investors	Low	High
Average ticket size	High	Low to moderate
Brokerage fee	About 20-30 bps lower than retail	Rates depend on volumes and customer's relationship with the broker
Type of trades	Mostly block trades	Small to moderate quantities
Technical support	Requires high technical support, systems like algorithmic trading, co-locations, automation of trades, etc.	Requires low to moderate technical support; some retail investors also engage in facilities such as algorithmic trading, etc.
Industry analysis	Requires high level of industry and company analysis	May or may not require company analysis
Frequency of trades	Low	High to low
Bargaining power with brokerage house	High	Low

Source: Industry Sources, CareEdge Research

5.5 Registered Stock Brokers in India

As of 31st July 2023, there are over 146 stockbrokers registered with National Stock Exchange (NSE). As of 11th September 2023, there are 1,295 trading members are registered with BSE in equity segment.

Table 18: Top 15 stock brokers as of 31st July 2023

Sr. No	Name of Stockbroker	No. of Active Clients	% Market Share
1	ZERODHA BROKING LIMITED	63,24,623	19.8%
2	NEXTBILLION TECHNOLOGY PRIVATE LIMITED	59,88,584	18.8%
3	ANGEL ONE LIMITED	45,54,559	14.3%
4	RKSV SECURITIES INDIA PRIVATE LIMITED	21,45,881	6.7%
5	ICICI SECURITIES LIMITED	20,05,773	6.3%
6	HDFC SECURITIES LTD.	10,16,493	3.2%
7	KOTAK SECURITIES LTD.	9,53,734	3.0%
8	MOTILAL OSWAL FINANCIAL SERVICES LIMITED	7,76,919	2.4%
9	PAYTM MONEY LTD.	6,60,055	2.1%
10	SHAREKHAN LTD.	6,47,062	2.0%
11	SBICAP SECURITIES LIMITED	5,98,237	1.9%
12	5PAISA CAPITAL LIMITED	5,16,236	1.6%
13	IIFL SECURITIES LIMITED	4,43,967	1.4%
14	AXIS SECURITIES LIMITED	3,28,513	1.0%
15	GEOJIT FINANCIAL SERVICES LIMITED	2,32,652	0.7%

Source: NSE, CareEdge Research

5.6 Complaint Ratio of Stockbrokers

Sr. No	Trading Member	Number of active clients	Number of complaints received against trading member	Number of complaints received as against number of active clients (%)
1	ZERODHA BROKING LIMITED	63,24,623	166	0.00
2	NEXTBILLION TECHNOLOGY PRIVATE LIMITED	59,88,584	197	0.00
3	ANGEL ONE LIMITED	45,54,559	283	0.01
4	RKSV SECURITIES INDIA PRIVATE LIMITED	21,45,881	76	0.00
5	ICICI SECURITIES LIMITED	20,05,773	312	0.02
6	HDFC SECURITIES LTD.	10,16,493	68	0.01
7	KOTAK SECURITIES LTD.	9,53,734	150	0.02
8	MOTILAL OSWAL FINANCIAL SERVICES LIMITED	7,76,919	163	0.02
9	PAYTM MONEY LTD.	6,60,055	58	0.01
10	SHAREKHAN LTD.	6,47,062	65	0.01
11	SBICAP SECURITIES LIMITED	5,98,237	86	0.01
12	5PAISA CAPITAL LIMITED	5,16,236	58	0.01
13	IIFL SECURITIES LIMITED	4,43,967	90	0.02
14	AXIS SECURITIES LIMITED	3,28,513	50	0.02
15	GEOJIT FINANCIAL SERVICES LIMITED	2,32,652	9	0.00

Source: NSE, CareEdge Research

As per data published by NSE, majority of the above-mentioned trading members have more than 80% complaint resolving ratio as of 31st July 2023. High complaint resolving ratio indicates that trading members are efficiently redressing the grievances of their clients

5.7 Value-Added Service

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.

While 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 and this has encouraged several broking entities to ramp up their technology investments to survive in the market.

Additionally, stock brokers also guide their clients in making informed decisions by providing research and analysis on different securities, including stocks, bonds, and mutual funds. Stock brokers can also manage investment portfolios on behave of their clients.

5.8 Gaining Share of Internet and Mobile Trading on Account of Convenience

Over the past decade, the penetration of internet trading in the country has grown steadily with an increased number of active registered subscribers. Internet trading volumes have been on the rise since the last decade. According to the annual report of the Securities and Exchange Board of India (SEBI), the share of internet-based trading (IBT) in the equity derivatives segment of NSE was 9.6% as of March '23 from an earlier 10.5% as of March '22. The share of mobile trading in the equity derivatives segment of NSE reached 12.8% as of March '23 from an earlier 9.6% as of March '22.

Key factors aiding this growth are:

- **Growing Mobile Usage and Penetration:** India's broadband subscribers have increased significantly over the past decade. As of 30th June 2023, the total broadband subscribers crossed over 830 million. Of this, nearly 800 million subscribers were wireless/mobile subscribers.

- **Growing Smartphone Usage:** With an ever-growing user base of smartphones, the reach of the internet is also growing significantly. Moreover, with the cheaper availability of data, increasing penetration of smartphone devices, easy information dissemination, growing investor education initiatives from market participants, and access to social media and informative websites, investors are increasingly becoming better equipped to trade and invest in the equity markets.

- **Lower Brokerage Fees:** Retail traders trading online get discounts in brokerage. Full-service brokerages have also adopted internet trading models to become leaner.

- **Flexibility and Convenience**: Internet trading provides significant control over transactions and faster turnaround (within seconds) and reduces latency with the time required for calling a broker and placing the order.

- **Handy Tools:** Multiple tools, such as stock screener, yield calculator, technical indicators, charting tools, etc., are offered to investors.

- **Real-Time Data and News Feed:** Most key brokerages provide subscribers with real-time data and live news feeds. They also provide facilities such as advisors and recommendation reports.

Furthermore, most brokers are now using digital platforms, in addition to their existing physical footprint. It helps them better attract savvy customers who are willing to pay a premium for additional services of higher quality using technology, automation, and value-added services with higher product safety. This helps them garner higher assets from clients and obtain additional revenue through alternative means such as additional fees-based, distribution, and interest income.

5.9 Service Diversification and its Impact on Revenue of Brokerage Firms

Most large players have diversified into related fee-based activities such as mutual fund distribution and capital markets lending to diversified income sources. However, some have amplified their focus on growing their non-capital market credit books. In the long term, their success in the lending business would be dependent on their ability to effectively manage the liability side of their book and risk. There is also a set of non-bank and non-NBFC brokers that exclusively focus on broking and distribution business.

Smaller entities in the equity broking business remain niche players with limited diversification and hence are more vulnerable to market volatility. These entities typically benefit from strong customer relationships. Nevertheless, given the shift in market share towards larger brokerages, they will need to continuously evolve and control their cost structure to be able to manage profitability in the current market environment.

Many large brokers offer several plans to their retail clients (for example, flat brokerage plan vs. variable brokerage plan where traded turnover and brokerage rates are inversely related). Institutional brokerage rates are far lower than the retail rates and mainly depend on the quality of research reports and trade execution capability provided.

The table below is the indicative structure of charges for a variety of trading options:

Table 19: Brokerage Rates of Various Major Brokerages Across Products

Brokers	Delivery	Intraday	Futures	Options	Commodity
Angel One *	0	Rs.20 or 0.25%	Rs.20 or 0.25%	Rs.20 or 0.25%	Rs.20 or 0.25%
Zerodha	0	Rs.20 or 0.03%	Rs.20 or 0.03%	Rs.20 or 0.03%	Rs.20 or 0.03%
Upstox	Rs.20 or 2.5%	Rs.20 or 0.05%	Rs.20 or 0.05%	Rs.20	Rs.21
5 Paisa	Rs.20	Rs.20	Rs.20	Rs.20	Rs.20
Axis Direct	0.50%	0.05%	0.05%	Intraday: Rs.0.01 per lot, Carry Forward: Rs.10 per lot	Rs.50 Per lot
Kotak Securities	0.39%	0.04%	0.04%	Rs.39 per lot	Rs.39 per lot
HDFC Securities	0.50%	0.05%	0.05%	Rs.100 per lot	0.025%

Brokers	Delivery	Intraday	Futures	Options	Commodity
IIFL Securities	0	Rs.20 or 0.05%	Rs.20 or 0.05%	Rs.20 or 0.05%	Rs.20 or 0.05%
Motilal Oswal	0.50%	0.05%	0.05%	Rs.70 per lot	0.05%
Sharekhan	0.50%	0.10%	0.10%	2.5% of Premium or Rs.250	0.10%
ICICI Securities	0.55%	0.03%	0.05%	Rs.95 per lot	Rs.95 per lot

Source: Industry Sources

Note: Angel Broking also provides traditional broking service

5.10 Key growth Drivers

Low Broking Charges and the Advent of Technology-Abundant Players

The entry of discount brokers and foreign banks has led to increased competition in the market. This has led to broking firms lowering their brokerage charges which has made broking cost effective for clients. Low brokerage charges of brokerage firms have primarily driven the number of clients in stock broking firms.

Brokers that have technological infrastructure offer more convenient and quick services like the use of online demat accounts. With the rising mobile and internet penetration of clients, online transactions have increased significantly. This has further eliminated the paperwork and streamlined the process. With the brokerage process becoming quicker and more efficient, the brokerage cost has declined, leading to declined brokerage charges of customers.

Surging Demand for Financial Products

With the increased financial literacy and awareness about bank accounts and financial planning, the demand for financial products has seen a surge as people move away from traditional ways of saving, shifting to saving through financial assets. This shift will also contribute to the stock broking industry growth.

Increase in Trade volumes

Rapid advances in technology have reduced both transaction time and costs. At the same time, brokers have been able to improve their reach and increase penetration by investing in online trading platforms. Technological advancements along with a rapid increase in smartphone penetration have resulted in an increase in the trade volume for the stockbroking business.

1) Futures

Table 20: Business Growth in Futures Segment

Year	Index Futures		Stock Futures	
	No. of contracts	Turnover (Rs. Billion)	No. of contracts	Turnover (Rs. Billion)
Q1FY24	1,65,44,935	16,075	6,59,86,621	46,361
Q1FY23	3,04,11,333	25,743	7,48,67,551	48,164
FY23	10,47,37,382	95,207	28,41,26,341	1,90,723
FY22	9,36,62,982	84,294	26,56,09,687	2,10,389
FY21	12,75,99,626	90,476	25,28,30,922	1,80,984
FY20	9,47,77,881	67,011	25,73,80,338	1,49,196

Source: NSE, CareEdge Research

During 2022-23, the turnover of index futures grew by 13% over 2021-22, while the turnover of stock futures dipped by nearly 9% over 2021-22 reaching around Rs. 190.7 trillion. In terms of quarterly turnover, there has been a 38% decline in Index futures and a 4% decline in stock futures in Q1FY24 over Q1FY23.

2) Options

Table 21: Business Growth in Options Segment

Year	Index Options		Stock Options	
	No. of contracts	Turnover (Rs. Billion)	No. of contracts	Turnover (Rs. Billion)
Q1FY24	15,43,60,65,671	30,302	22,82,48,713	2,238
Q1FY23	7,47,26,34,038	23,074	19,44,25,238	2,221
FY23	40,54,19,32,269	1,09,556	83,49,73,590	9,327
FY22	17,62,33,55,691	58,423	67,75,12,461	10,388
FY21	7,82,40,35,680	26,294	33,03,94,648	5,794
FY20	4,58,66,92,584	10,825	19,83,77,569	2,290

Source: NSE, CareEdge Research

During 2022-23, the turnover of index options grew significantly by nearly 88% y-o-y reaching around Rs. 109.6 trillion while the turnover of stock options declined by around 10% y-o-y reaching around Rs. 9.3 trillion. In terms of quarterly turnover, there has been 31% growth in Index options and around 1% decline in stock futures in Q1FY24 over Q1FY23.

3) Commodity Derivatives

Commodity Derivatives markets are a good source of critical information and indicators of market sentiments. Since commodities are frequently used as input in the production of goods or services, uncertainty and volatility in commodity prices and raw materials make the business environment erratic, unpredictable, and subject to unforeseeable risks.

Table 22: Commodity Derivatives Segment

Year	Commodity Futures	
	No. of contracts	Turnover (Rs. Million)
Q1FY24	48,047	22,368
Q1FY23	67	34
FY23	267	141
FY22	31,059	22,731
FY21	56,083	54,837
FY20	1,45,554	63,623

Source: NSE, CareEdge Research

For the past three financial years, the commodity futures segment saw de-growth on account of muted demand for specific commodities such as copper, soybean, zinc, nickel, aluminium, and others, alongside commodity prices amid inflation and the impact of the ongoing geopolitical tensions in the second half of FY22. This has trend has continued during FY23 as the commodity prices have surged and the uncertainty surrounding the geo-political tensions between countries has significantly impacted the overall stability of the global economy.

During the first quarter of FY24, the commodity futures segment saw a significant surge in the number of contracts and turnover value as compared to the first quarter of the previous year. This growth is supported by moderation in commodity prices of specific commodities such as copper, soybean, and wheat compared to Q1FY23.

4) Currency Future

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.

Table 23: CD Segment

Year	Currency Futures		Currency Options		
	No. of contracts	Turnover (Rs. Million)	No. of contracts	Notional Turnover (Rs. Million)	Premium Turnover (Rs. Million)
Q1FY24	21,28,71,543	1,78,923	89,79,83,993	7,39,586	921
Q1FY23	28,02,45,441	2,19,993	58,43,82,175	4,51,825	774
2022-23	1,24,14,22,291	10,11,566	3,45,61,25,588	27,97,115	4,754
2021-22	90,81,93,503	7,05,692	1,88,36,85,344	14,11,695	2,499
2020-21	73,67,40,585	5,71,782	85,89,51,441	6,38,239	1,476
2019-20	65,42,63,323	4,84,316	67,55,66,231	4,81,395	1,320

Source: NSE, CareEdge Research

5) Interest Rate Futures

An Interest Rate Futures contract is "an agreement to buy or sell a debt instrument at a specified future date at a price that is fixed today." The underlying security for Interest Rate Futures is either a Government Bond or a T-Bill. Exchange-traded Interest Rate Futures on NSE are standardized contracts based on 6-year, 10-year and 13-year Government of India Security (NBF II) and 91-day Government of India Treasury Bill (91D TB). All futures contracts available for trading on the NSE are cash-settled.

Table 24: Interest Rate Derivatives

Year	Volume	Turnover (Rs. Billion)
Q1FY24	3,60,484	73
Q1FY23	3,55,063	66
FY23	13,70,182	263
FY22	13,53,692	264
FY21	48,00,806	974
FY20	1,77,27,915	3,608

Source: NSE, CareEdge Research

The volume of trades in the interest rate derivatives segment had been on a declining trend for three financial years ending FY22, the decline was on account of fluctuations in interest rates that subsequently led to a decline in turnover. During FY23, although the volume of contracts slightly increased, the turnover almost remained flat. However, during Q1FY24, the interest rate derivatives segment saw slight growth in Q1FY24 over Q1FY23, this is mainly on account of RBI’s decision to pause interest rate hikes in order to curb inflationary pressures.

5.11 Major Challenges

Lower Broking Margins

There is tremendous competition for Indian Full-service Brokers from Discount Brokers and Foreign Banks. Discount brokers give a maximum of Rs.20 trade for execution, which puts significant price pressure on full-service brokers. The broking margins are so slim that the companies struggle to meet their fixed costs with any variable volume revenue models in the industry. This puts a lot of pressure on brokers to encourage "churning" or over-trading, which makes retail investors lose money in the long run.

The easiest way for a retail investor to make money is to stay invested in a well-diversified basket of good-quality stocks over a long period. However, foreign banks spoil the party further by bringing a large volume of overseas clients, who trade a large number of Indian shares and move the price up or down at their own whims and fancies.

Lower Retail Investor Participation

The traditional investment preference of Indians in real assets like gold or real estate has not helped the industry as a whole. After several investor awareness sessions are held by brokers/NSE, people are gradually warming up to the idea of equity investing. However, the pace of people adopting financial assets is still low.

The past scams, lack of understanding of volatility, and the cultural obsession with gold land have not helped fellow Indians in taking a meaningful pie of shares. Finally, the unfortunate reality is that foreign investors are harbouring India's growth story (and rising stock market) due to the lack of Indian retail participants.

Increasing Costs and Additional Investments

Stock markets are always evolving. They add newer products and technologies and provide newer opportunities to trade. Brokerages need to invest in newer technologies trading platforms and algorithms continuously or risk-losing trading clients. For example, the addition of commodity or currency segments involves additional expenses for brokers to enable the trading and settlement infrastructure for the new products.

Likewise, the adoption of mobile technologies involves investment in applications and portfolio management systems which further increase costs. Besides, brokers need to pay their staff exchange memberships and other infrastructure in order to make a profit.

5.12 SWOT Analysis

Strength	Weakness
• Growing participation of retail investors • Increasing penetration of digital trading • Robust and strong regulatory framework • Diverse investment products	• High costs in terms of fees and taxes levied on trading profits • High concentration of small and medium investors • Uncertainty surrounding the global economy
Opportunity	**Threat**
• Development of innovative products and services • Financial inclusion • Marketing sustainable investing options	• Rising competition from new players • Volatility in the market may affect investor's returns • Rising cybersecurity risks with growth technological adoption

5.13 Industry Outlook for Stock Broking Industry

Brokerage firms in India have seen the opportunity for hassle-free trading using design and technology to reduce costs for their customers. Low-cost trading, deeper penetration of smartphones, faster internet, and simplification of trading applications will make it possible for an increasing percentage of people across age groups to trade with ease. Technology-based firms in the financial services space have empowered customers with tools and insights for savvier investment decisions.

The Indian stock broking industry is expected to clock healthy growth on an aggregate basis, small-and-mid-sized brokerage companies are expected to face greater operational and funding challenges, which could have a bearing on their performance in terms of growth and profitability. CareEdge Research estimates the total income of the stock broking industry is likely to have reached around Rs. 350 billion in FY23. Also, as per our research, the total income of the stock broking industry is likely to get close to or cross 1,000 billion by 2030.

This growth is likely to be influenced by the ongoing geo-political tensions between Russia-Ukraine, which have impacted various sectors such as the oil, automobile, edible oil, and agriculture sectors apart from the financial market. Further, the rise in interest rates by central banks of various countries to combat inflation is likely to affect investor sentiments, thereby further impacting the growth of the stock market industry.

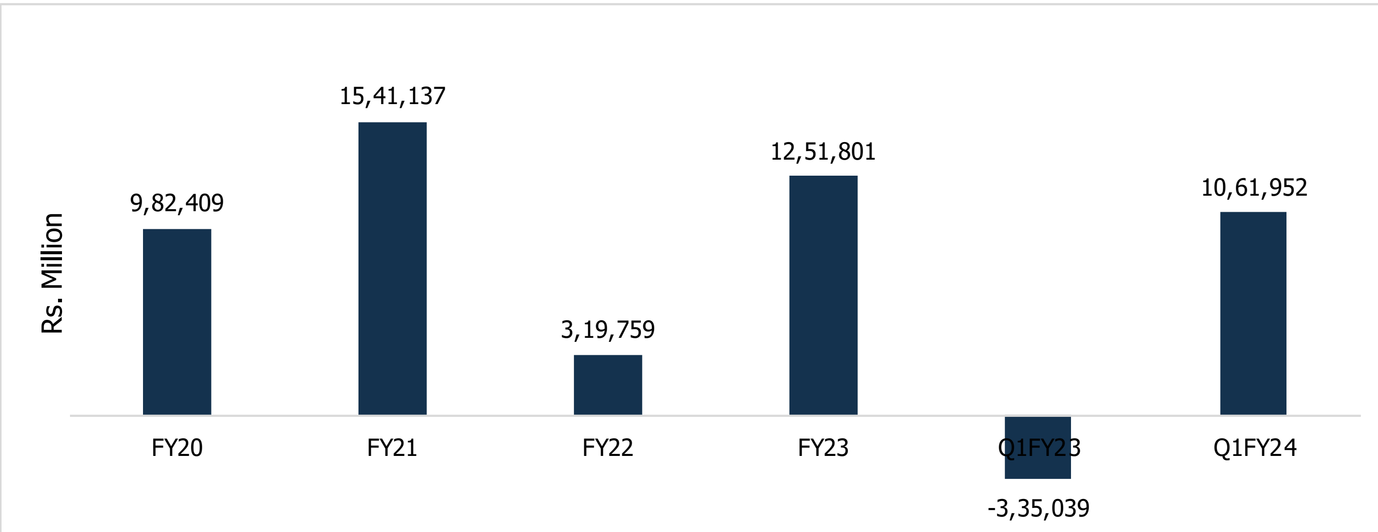
Furthermore, new client additions in the industry are expected to remain healthy supported by the largely untapped market in the retail segment, coupled with favorable demographics, rising financial literacy, and increasing smartphone/internet penetration. The trend of consolidation is expected to continue with smaller broking players ceding market share to more established broking entities.

Moreover, with increased awareness about investing, a shift in attitude towards growing wealth over preserving wealth and advancement in technologies and large trading volumes, the domestic brokerage industry will display good growth in coming years.

6 Institutional Trading

6.1 Size of Institutional Trading

Chart 38: Aggregate Net Investments in Indian Equities by MFs and FIIs



Source: CMIE, CareEdge Research
Note: MFs- Mutual Funds, FIIs-Foreign Institutional Investors

Institutional investors can have a significant impact on financial markets. Institutional investors trade in large volumes which causes sharp movement in the price of securities traded. During FY23, while the net investments of mutual funds were significantly high, the net investments of FIIs were negative indicating no new purchases and high sales of their investments in Indian equities. Overall, the net investment in Indian equities has seen good growth in FY23 and continues to grow in Q1FY24.

6.2 Key Growth Drivers of Institutional Trading

- **Economic Growth:** India is among the fastest-growing economies in the world. With its rapid expansion and growth prospects the country continues to attract domestic institutional investors as well as foreign institutional investors.

- **Favorable Demographics:** India's large, young and growing population, with a median age of 28 years old, represents a significant consumer base and potential investors, who are increasingly looking for ways to save and invest their money. India's demographic dividend and rising middle-class aspirations have contributed to the attractiveness of the Indian market.

- **Regulatory framework:** The Securities and Exchange Board of India (SEBI) have introduced various measures with an aim to enhance market surveillance, provide investor protection, and corporate governance, thereby making India's financial markets more investor-friendly and transparent. The regulatory framework of the financial sector has aided in the creation of a more stable and predictable environment for institutional (domestic and foreign) investors.

- **Foreign Institutional Investors (FIIs)**: India has seen significant inflows of foreign institutional investment, including mutual funds, hedge funds, and pension funds. India's regulatory framework has made it easier for FIIs to participate in Indian markets by way of relaxation of FII regulations and the introduction of the Foreign Portfolio Investment (FPI) route. FIIs can provide substantial capital, global market exposure, and liquidity to Indian markets.

- **Development of Market Infrastructure:** Market infrastructure plays a vital role in meeting the requirements of institutional investors by providing reliable and efficient trading platforms, settlement systems, and trading technology, that attracts institutional capital to India's markets. Development market infrastructure can also lead to increased liquidity and price discovery which can benefit all market participants.

- **Market Liquidity:** Institutional investors often require sizable trading volumes to execute their strategies effectively and high liquidity in the markets aids institutional investors to carry out these trades at a low trading cost. High liquidity in the market enhances the experience of entry and exit for institutional participants.

- **Innovative Investment Products:** India's financial markets are emerging and provide a variety of products to Institutional investors. A wide range of investment products such as equities, bonds, derivatives, and exchange-traded funds (ETFs), provides them with various opportunities to diversify their investments thereby making India's financial markets attractive for investments.

6.3 Key Challenges

- **Demand- Supply Dynamics**: The dealings of institutional traders have a notable influence over the demand and supply of securities. Institutional traders move in hefty positions both long and short thereby constituting a large portion of the transactions in the stock market. Since they buy and sell large amounts of securities, they can greatly influence price dynamics in the market.

- **Market Impact/Risk**: The large trades can have a significant impact on stock prices as the size of Indian market is relatively small as compared to markets on a global scale. Hence, its crucial for institutional traders to be vigilant about how they execute the orders in the market in order to minimize the costs due to market impact.

- **Risk Management Techniques**: Its crucial to adopt and implement certain risk management techniques in such trading environment. Navigation of unique risks associated with the Indian market like currency risks, geopolitical risks, economic downturns, regulatory risks etc. needs to be done by institutional traders which sometimes is a challenge. Therefore, when making investment decisions, the adoption of right strategies and expertise plays a pivotal role.

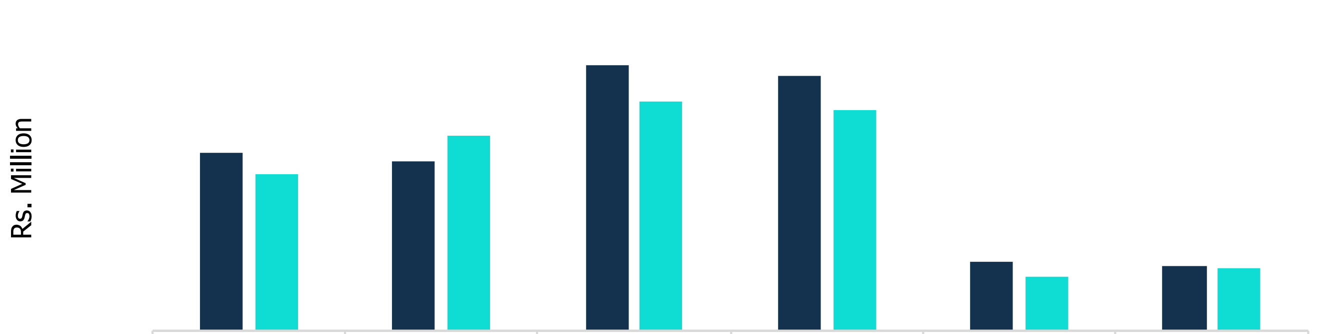
- **Competitive Pressures**: The landscape of institutional trading is highly competitive. With more online platforms along with various facilities venturing in, the gap between the retail and institutional traders is getting narrowed gradually.

6.4 SWOT Analysis

Strength	Weakness
• Capital abundance nature of investment • Expert knowledge of industry • Increased emphasis on quality research and analytics	• Institutional investors can have a significant impact on market prices • Institutional investor strategies and access to non-public information can have ripple effects on the financial system
Opportunity	**Threat**
• Ability to access better technology • Introduction of customized products to meet the evolving needs of investors • Institutional investors can aid in price discovery of securities	• Market concentration by a few large investors can limit market participation of other small investors • Institutional investors can lead to market volatility and systemic risk

6.5 Trend Analysis of Institutional Trading

6.5.1 Investments in Indian Equities by Mutual Funds

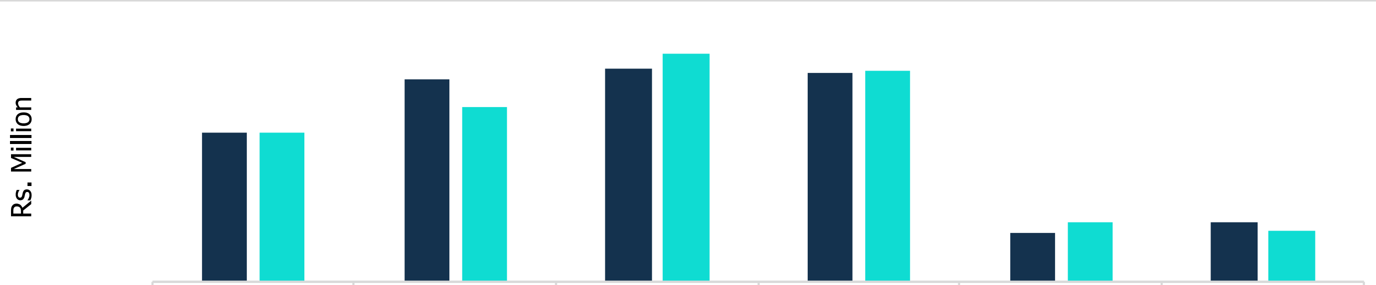


	FY20	FY21	FY22	FY23	Q1FY23	Q1FY24
Purchase	80,36,193	76,46,410	1,20,81,255	1,15,90,711	31,57,991.30	28,99,258.00
Sales	71,15,307	88,45,592	1,03,61,400	1,00,00,992	24,19,632.80	28,63,478.50

Source: CMIE, CareEdge Research

In the financial year 2022, the markets began to recover with the resumption of economic activities and the correction of the market led to a rise in purchases. During FY23, amid geopolitical tensions and hikes in interest rates led to a lack of stability in the financial market and increased market fluctuations, the purchases declined. During the Q1FY24, while the purchases have continued to decline, mutual funds have been selling their investments in Indian equities on account of interest rate hikes that have impacted corporate earnings and uncertainty surrounding inflationary pressures.

6.5.2 Investments in Indian Equities by Foreign Institutional Investors



	FY20	FY21	FY22	FY23	Q1FY23	Q1FY24
Purchase	1,48,91,550	2,00,60,000	2,11,47,709	2,06,85,181	48,70,433	59,16,030
Sales	1,48,30,028	1,73,19,681	2,25,47,805	2,09,85,766	59,46,439	49,67,475

Source: CMIE, CareEdge Research

In FY21, investments in Indian equities by foreign institutional investors were at an all-time high over since 2017 on account of excess liquidity in the global financial system, high valuation of Indian equity markets and rise in global inflation. In FY22, investments in Indian equities by foreign institutional investors declined significantly amid rising expectations of US-fed rates to combat inflation and high volatility in the market led by the ongoing geo-political tensions in the later part of 2021-22. During FY23, investments by foreign institutional investors in Indian equities continued to decline. This decline is mainly on account of currency volatility, rising inflation and fear surrounding the likelihood of global economy slipping into recession.

7 Peer Comparison

7.1 Peer Profile

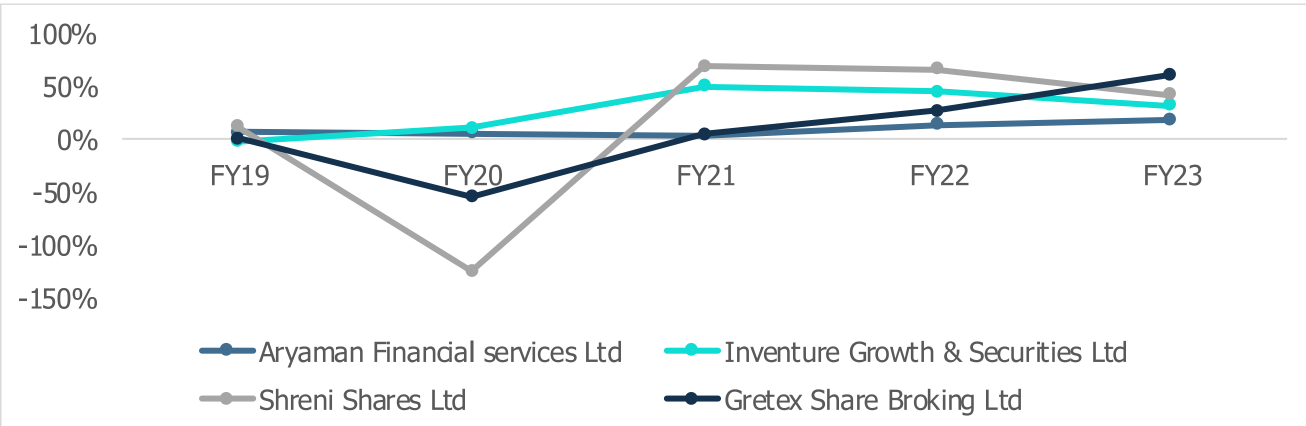
Company Name	About the Company
Gretex Share Broking Ltd	Gretex Share Broking Ltd was incorporated in 2010 and is a SEBI registered market maker and BSE/NSE registered stock broker. The company's changed its name from 'Sherwood Securities Pvt Ltd' to 'Gretex Share Broking Pvt Ltd' w.e.f 01.09.2017 and currently is known by the name 'Gretex Share Broking Ltd' since 04.09.2023.
Aryaman Financial Services Ltd	Aryaman Financial Services Ltd was listed on the BSE platform in 1995. It is a Category-I registered merchant banker with SEBI and provides a number of services like loan syndication, due diligence, equity issue management (IPO, FPO), etc. Aryaman Financial Services Ltd has two subsidiaries, Aryaman Capital Markets Ltd and Escorp Asset Management Ltd.
Inventure Growth & Securities Ltd	Inventure Growth & Securities Ltd was incorporated in 1995 and is engaged in the business of stock, currency and commodity broking. It also provides margin trading facility, depository services and distribution of mutual funds. The company is registered with SEBI under the Stock Brokers and Sub Brokers Regulation 1992. It is also a member of BSE, NSE, MCX, NCDEX and MSEI. The company has six subsidiaries as of date, namely: • Inventure Finance Private Limited • Inventure Commodities Limited • Inventure Wealth Management Limited • Inventure Insurance Broking Private Limited • Inventure Merchant Banker Services Private Limited • Inventure Developers Private Limited
Shreni Shares Ltd	Shreni Shares was originally known as Shreni Shares Pvt Ltd and was incorporated in 2009. The company's name was changed to Shreni Shares Ltd in May 2023. It is involved in providing financial solutions and is a SEBI-registered Category-I merchant banker.

7.2 Financial Overview Peers

- **Operating Profit Margin**

The operating profit, i.e. EBITDA of the companies have been in the range of -125% to 61% between FY19 and FY23. The lowest operating margin was recorded in the year in which Covid -19 pandemic hit the operations of the businesses. The businesses and the markets rebounded after the pandemic and companies have been recording strong operating margins. GSBL has been leading in the peer set by recording an operating margin of 61% in FY23 followed by Shreni Shares Ltd.

Chart 39: Operating margin of Key Players

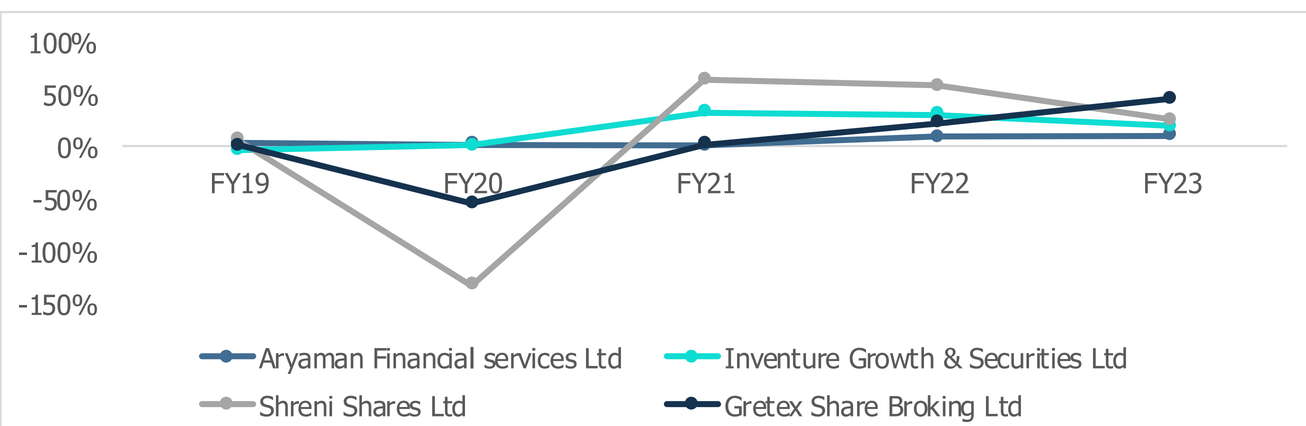


Source: Company reports, CareEdge Research

- **Net Profit Margin**

The net profit margins of the businesses had been under pressure in FY20 due to Covid – 19 pandemic. The financial services businesses were also hit due to decline in the stock broking activities and due to losses across global financial markets. The net profit margins were recorded in negative, at -134% in that year. However, there was a strong rebound in financial services in the following years. GSBL has recorded a led the net profit margin at 45% amongst its peers in FY23.

Chart 40: Net Profit Margin of Key Players

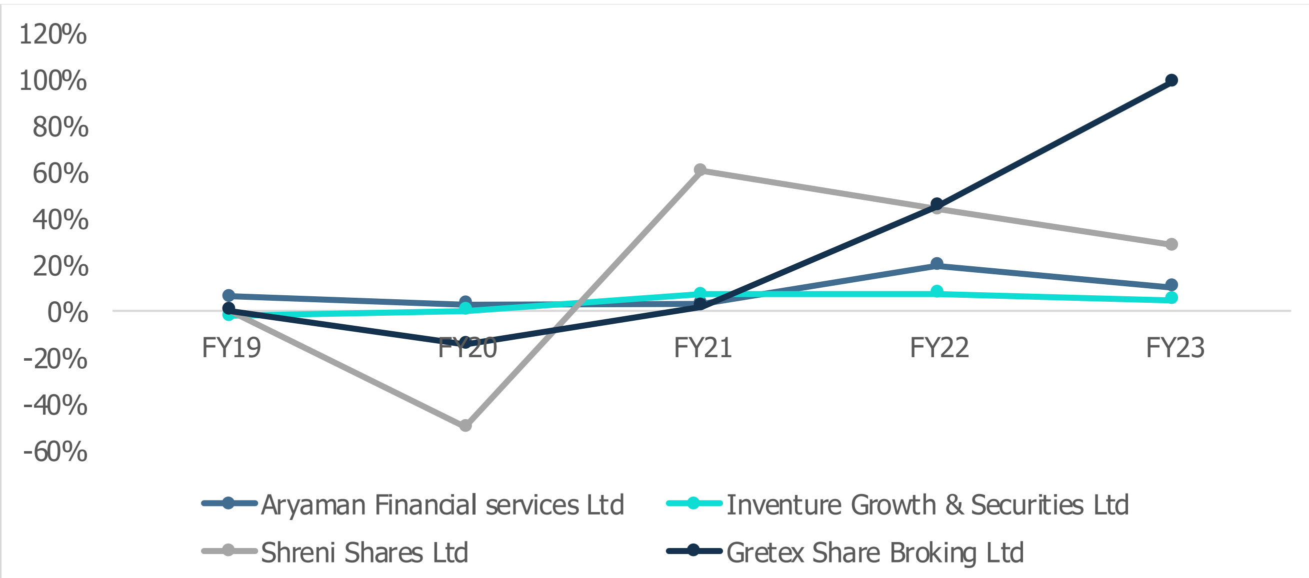


Source: Company reports, CareEdge Research

- **Return on Equity**

The returns to shareholders have been positive in the last three financial years. This is mainly due to increased activity in the financial services sectors led by IPOs, growth in stock broking business.

Chart 41: Return on Equity of key players

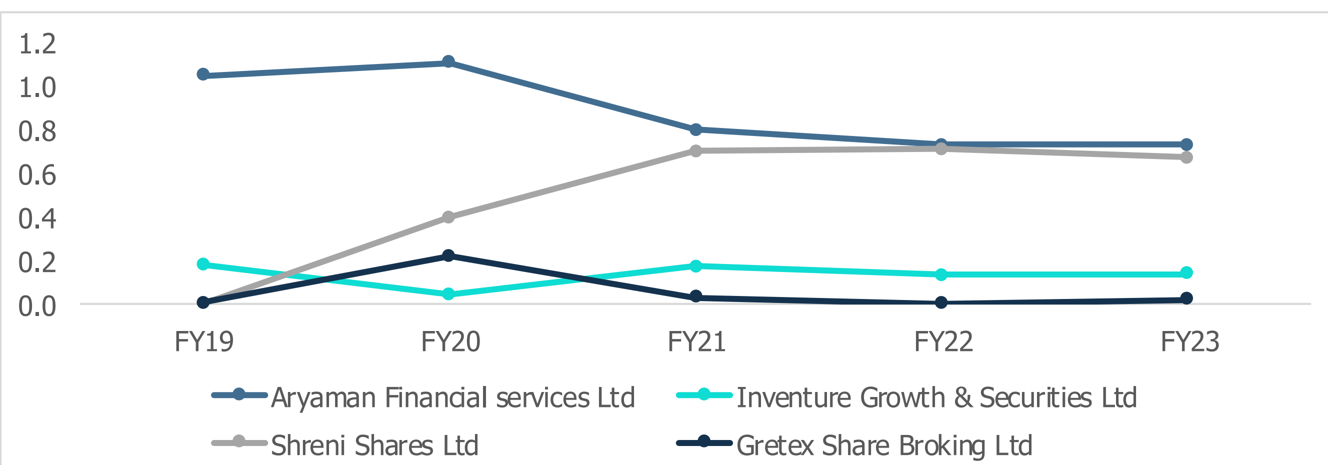


Source: Company reports, CareEdge Research

- **Debt-to-Equity ratio**

The debt-to-equity ratio for the peers has been in the 0.0 to 1.1 range. The debt of the companies is at an optimal range through the years. Since financial services companies are not very asset/machinery-intensive businesses, the lower debt-to-equity ratio range augurs well for them.

Chart 42: Debt-to-Equity ratio of key players



Source: Company reports, CareEdge Research

Table 25: Key financials of players - FY23

Particulars	Aryaman Financial services Ltd	Inventure Growth & Securities Ltd	Shreni Shares Ltd	Gretex Share Broking Ltd
Revenue (Rs. Million)	535.5	488.1	205.4	1026.2
EBITDA (Rs. Million)	96.2	152.4	85.3	622.3
EBITDA margin (%)	18.0%	31.2%	41.5%	60.6%
PAT (Rs. Million)	51.4	92.6	50.6	464.3
PAT margin (%)	9.6%	19.0%	24.6%	45.2%
Total Debt (Rs. Million)	409.3	281	136.1	14.9
Debt to Equity (times)	0.7	0.1	0.7	0.0
Return on Equity (%)	10.5%	4.5%	28.0%	99.0%
Net worth (Rs. Million)	561	2087.7	203.6	700.8

Source: Company disclosures

7.3 About the Company

Gretex Share Broking Ltd ('GSBL') was incorporated in the year 2010. The company was registered as 'Sherwood Securities Pvt Ltd' and changed its name to Gretex Share Broking Pvt Ltd w.e.f 1st September 2017, the company is known as Gretex Share Broking Ltd since September 2023.

The company is a SEBI registered Market maker and a BSE/NSE registered Stock Broker that helps to facilitate buy and sell of securities in the market. GSBL has done Market Making for over 20+ companies as of September 2023 and is one of the top companies in market making in the country.

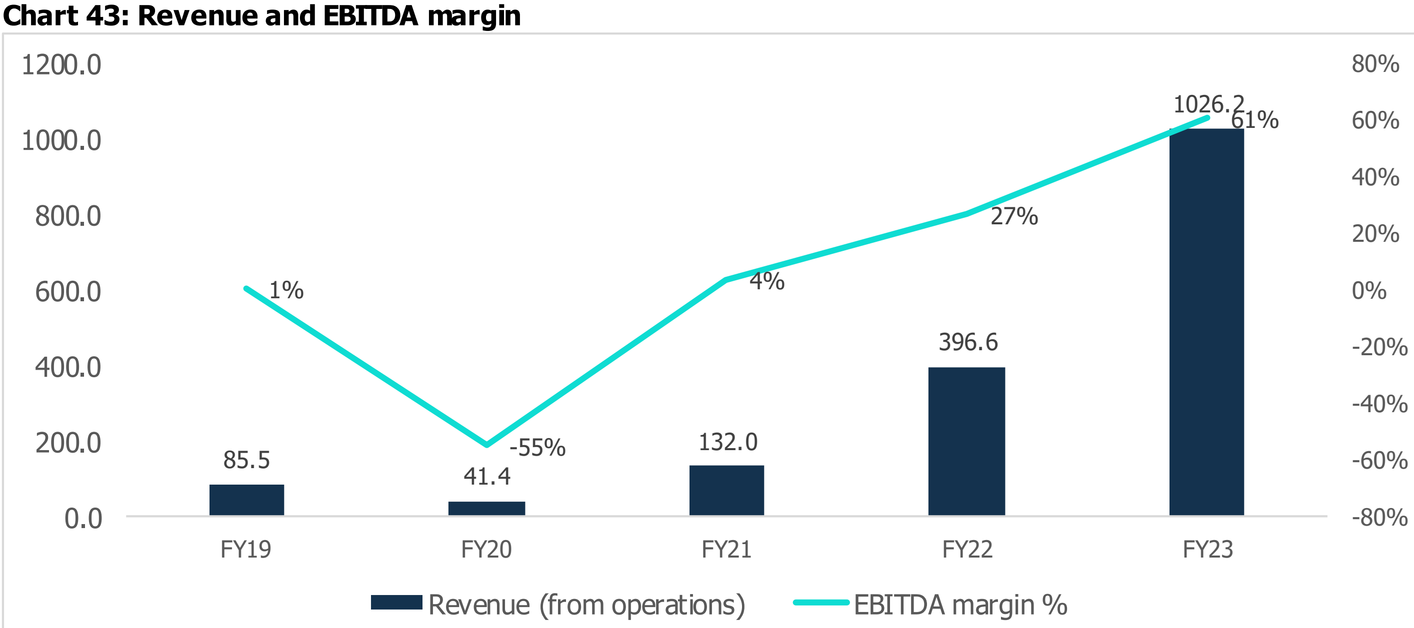
Gretex Share Broking Ltd is a subsidiary company of Gretex Corporate Services Ltd which provides a portfolio of services like Mergers & Acquisition, Valuation, ESOP advisory, etc. It is also a SEBI registered category-I Merchant Banker. Gretex Corporate Services Pvt Ltd holds 64.60% stake in the stock broking company. The company has 1 wholly owned subsidiary – Signageus Value Advisors Private Limited.

Financial Overview:

- **Revenue and Operating Profit**

The revenue graph of GSBL shows a robust growth in the past three financials years. Except witnessing a dip in their revenue in the FY20, the CAGR of revenue is 86% between 2019 and 2023. Over the year's revenue from brokerage and marketing fees for IPO has helped the company to record a positive revenue trend. The EBITDA margin of the company has been moving in parallel with the revenue trend showcasing a positive growth trend in the past three financial years.

Chart 43: Revenue and EBITDA margin

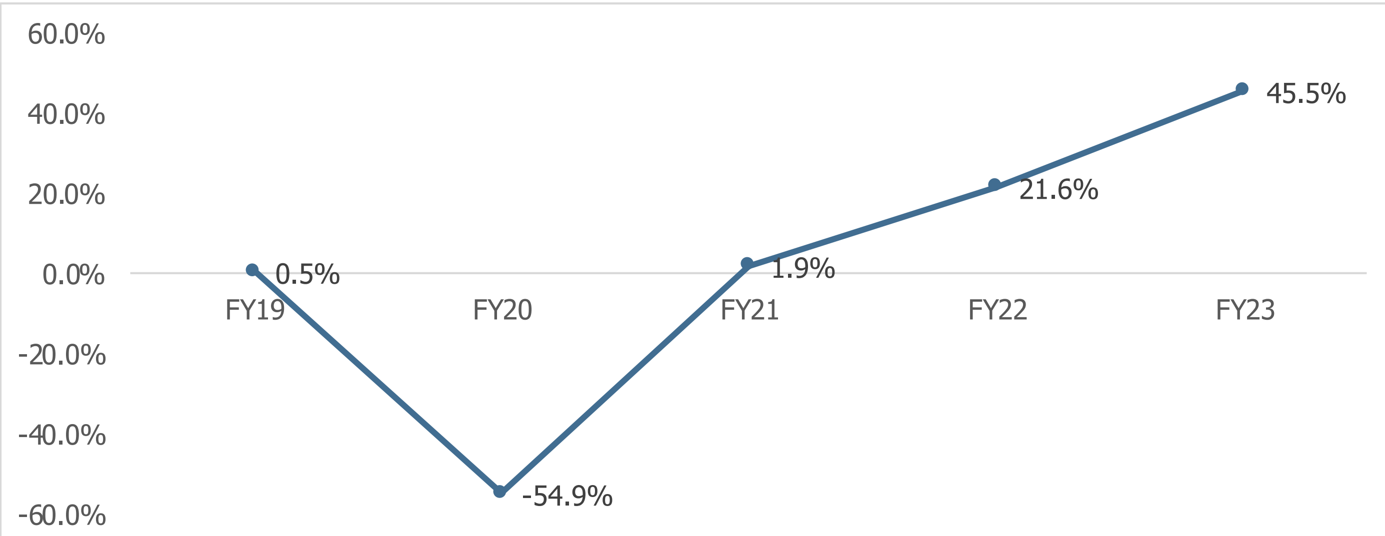


Source: Company reports, CareEdge Research

- **Net Profit Margin**

  The net profit margin of GSBL has increased from 0.5% in the FY19 to 45.5% in the FY23. Except the FY21, the increase in income from operations as well as other income and reduction in finance cost has supported the net profit margin of GSBL to record a positive growth in the last three financial years.

Chart 44: Net profit margin

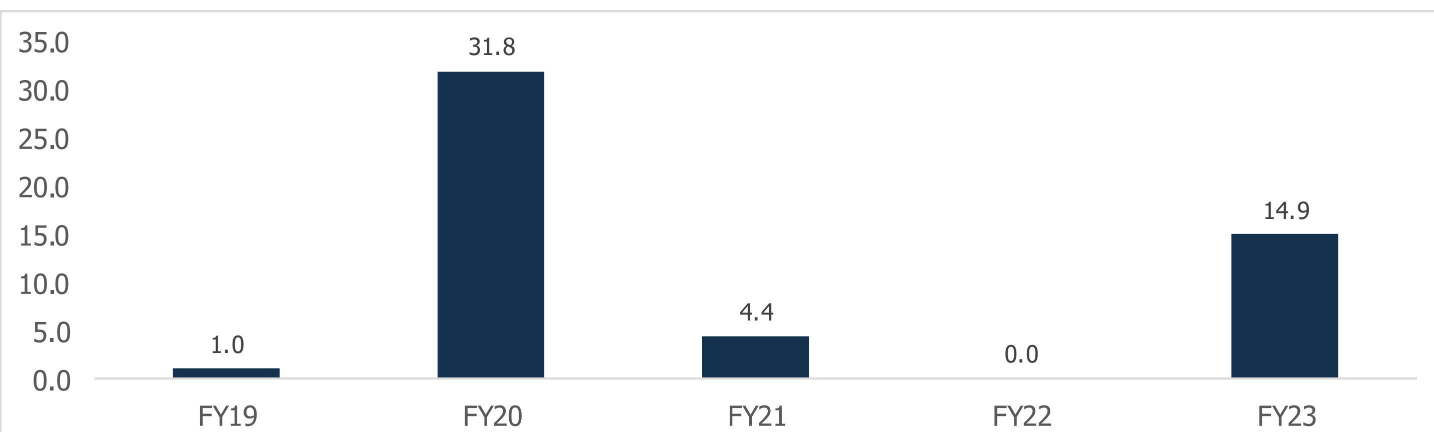


Source: Company reports, CareEdge Research

- **Borrowings and Debt-to-equity**

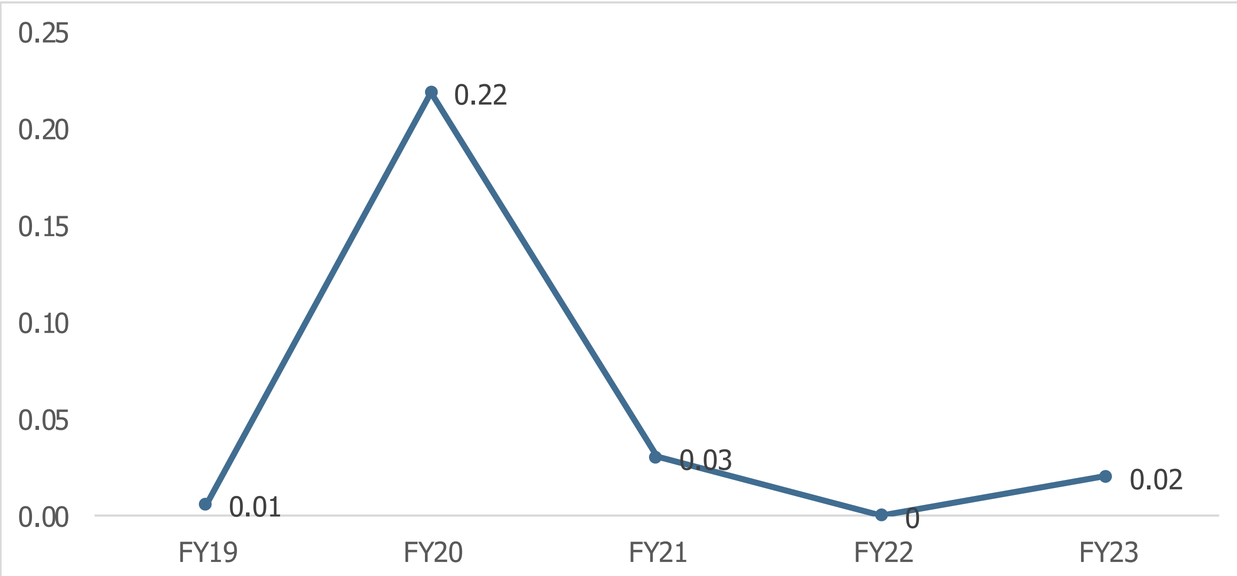
  GSBL only holds short term borrowings as debt. It had no long term or short borrowings in the FY22. As of FY23, the company holds INR 14.9 million of borrowings. The Debt to Equity ratio of the company has been in a comfortable range through the years.

Chart 45: Total debt



Source: Company reports, CareEdge Research

Chart 46: Debt to Equity ratio



Source: Company reports, CareEdge Research

Contact

Tanvi Shah	Director – Advisory & Research	tanvi.shah@careedge.in	022 6837 4470
Vikram Thirani	Director – Business Development	vikram.thirani@careedge.in	022 6837 4434

CARE Analytics and Advisory Private Limited
(Wholly-owned subsidiary of CARE Ratings Ltd.)
Office No. 602, 6th Floor, Rustomjee Aspiree, Off Eastern Express Highway, Sion East, NA, Mumbai, 400022, Maharashtra, India
Phone: +91-22-68374400

Connect :

About:

CareEdge is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE Ratings Ltd, the parent company in the group, is one of the leading credit rating agencies in India. Established in 1993, it has a credible track record of rating companies across multiple sectors and has played a pivotal role in developing the corporate debt market in India.