Research Report on Broking Industry in India

September 2026

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1 Economic Outlook

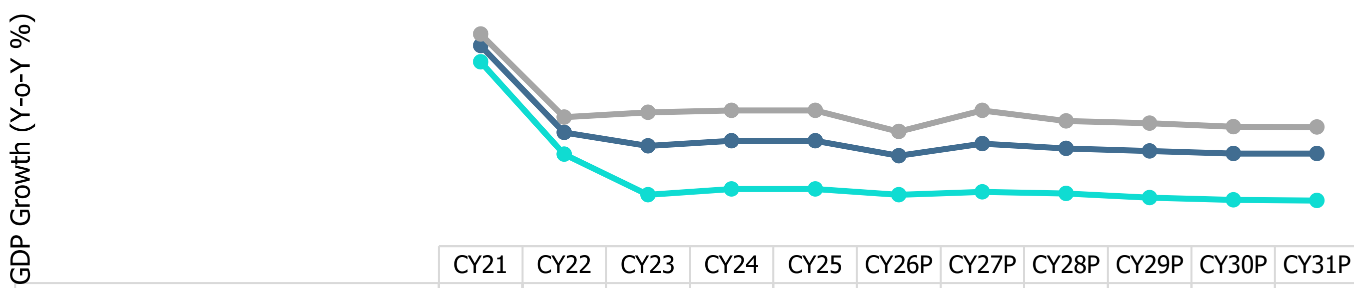
1.1 Trends in global economy

Global Economic Growth Expected to Sustain at ~3% in Near Term

Global economic growth is projected to moderate to around 3.0% in 2026, reflecting the impact of geopolitical tensions in energy and trade flows. The ongoing Middle East conflict poses downside risks with prolonged disruptions, potentially reducing growth further to 2.5%, or lower.

However, supportive factors such as continued investment momentum and policy support are helping offset some of these pressures.

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



	CY21	CY22	CY23	CY24	CY25	CY26P	CY27P	CY28P	CY29P	CY30P	CY31P
World	6.7%	3.8%	3.3%	3.5%	3.5%	3.0%	3.4%	3.2%	3.2%	3.1%	3.1%
Advanced Economies	6.1%	3.1%	1.7%	1.9%	1.9%	1.7%	1.8%	1.7%	1.6%	1.5%	1.5%
Emerging Market and Developing Economies	7.0%	4.3%	4.4%	4.5%	4.5%	3.8%	4.5%	4.2%	4.1%	4.0%	4.0%

Source: IMF – World Economic Outlook, April 2026 and July 2026; Note: P-Projections. Advanced Economies: Euro Area, Major Advanced Economies (G7), Other Advanced Economies (Advanced Economies excluding G7 and Euro Area), European Union, ASEAN-5; Emerging Market and Developing Economies: Emerging and Developing Asia, Emerging and Developing Europe, Latin America and the Caribbean, Middle East and Central Asia, Sub-Saharan Africa.

1.2 GDP growth rates of key developed and emerging economies

Table 1: GDP growth trend comparison - India v/s Other Economies

	Real GDP (Y-o-Y Change in %)										
	CY21	CY22	CY23	CY24	CY25	CY26P	CY27P	CY28P	CY29P	CY30P	CY31P
India	9.7	7.6	7.2	7.1	7.7	6.4	6.7	6.5	6.5	6.5	6.5
China	8.6	3.1	5.4	5.0	5.0	4.6	4.1	4.0	3.7	3.4	3.3
Indonesia	3.7	5.3	5.1	5.0	5.1	5.0	5.1	5.2	5.2	5.2	5.2
Saudi Arabia	6.5	12.0	0.5	2.6	4.6	1.7	5.5	3.7	3.5	3.5	3.6
Middle East and Central Asia	4.7	6.4	2.6	3.1	3.7	0.7	6.5	4.0	4.0	3.8	3.8
Latin America	7.5	4.3	2.3	2.4	2.4	2.4	2.7	2.9	2.9	2.8	2.6
Brazil	4.8	3.0	3.2	3.4	2.3	2.4	2.2	2.4	2.5	2.5	2.5
Euro Area	6.4	3.6	0.4	1.0	1.4	0.9	1.2	1.4	1.2	1.1	1.1
United States	6.2	2.5	2.9	2.8	2.1	2.3	2.2	2.1	1.9	1.8	1.8

Source: IMF- World Economic Outlook Database (April 2026, July 2026)

Note: E-Estimate, P- Projections E-Estimated; India's fiscal year (FY) aligns with the IMF's calendar year (CY). For instance, FY24 corresponds to CY23.

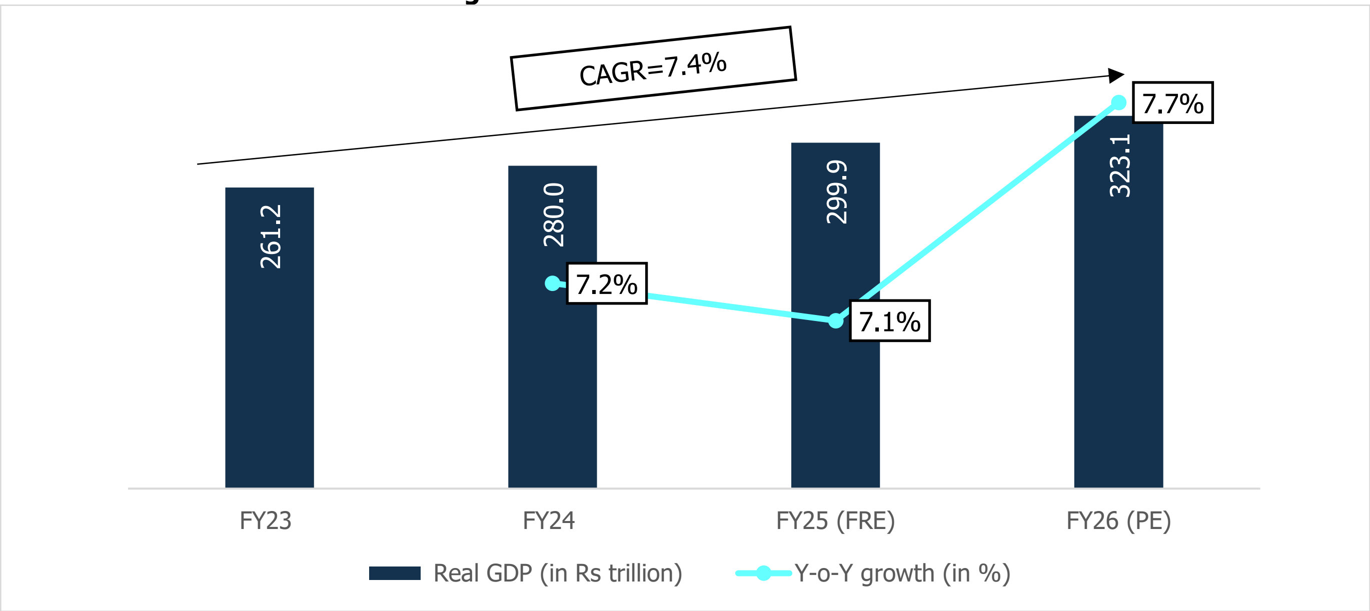
1.3 India Economic Outlook

Resilience to External Shocks Remains Critical for Near Term Outlook

The Indian economy continues to show rapid growth. As per provisional estimates, GDP in FY26 is expected to have grown by 7.7%, supported by strong domestic consumption, investment, manufacturing and services activity. The economy showed resilience while the global economic environment remains challenging due to geopolitical tensions, trade-policy uncertainty and financial vulnerabilities.

For FY25, first revised estimates show a growth of 7.1% (Rs 299.9 trillion), led by robust performance in manufacturing, construction and financial services. Consumer spending rose by 7.7%, and government spending increased by 5.5%, both contributing to the overall growth. In FY23, the real GDP stood at Rs 261.2 trillion and registered Y-o-Y growth of 7.2% in FY24 (Rs 280.0 trillion).

Chart 2: Trend in Indian Real GDP growth rate



Source: MOSPI; Note: PE – Provisional Estimates, FRE- First Revised Estimates. Note: The trend for FY23-FY26 is based on new series base year 2022-23.

1.4 Macroeconomic outlook (August 2026)

GDP Growth Outlook

FY27 GDP Outlook: The Reserve Bank of India (RBI) projects real GDP growth at 6.7% for 2026–27, supported by sustained momentum in the services sector, strong reservoir levels aiding the agricultural sector, and private consumption expected to remain uplifted by discretionary spending.

However, elevated energy and other commodity prices, cost pressures, as well as the travel disruptions in the Strait of Hormuz are likely to affect growth this year. However, the government is working towards minimising the impact of the supply chain disruptions towards critical sectors to ensure limited interruptions.

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

FY27P (Complete Year)	Q1FY27P	Q2FY27P	Q3FY27P	Q4FY27P	Q1FY28P
6.7%	7.0%	6.4%	6.5%	6.8%	7.3%

FY27P (Complete Year)	Q1FY27P	Q2FY27P	Q3FY27P	Q4FY27P	Q1FY28P
6.70%	7.00%	6.40%	6.50%	6.80%	7.30%

Source: Reserve Bank of India; Note: P-Projected

1.5 Key structural reforms: long term positives for the Indian economy

- **Foreign Direct Investment (FDI)**

FDI is a critical non-debt financial resource for India's economic growth, contributing long-term capital and technological expertise. Post-liberalization, FDI inflows have risen consistently, positioning India among the top global recipients with cumulative inflows surpassing USD 1.14 trillion by December 2025. As of March'26, India's forex reserves stood at USD 691.1 billion, contributing to more than 90% of its external debt of USD 762.8 billion (as at Mar-26). The non-conventional energy sector, which includes renewable energy, attracted USD24.9 billion in cumulative FDI between April 2000 and March 2026, reflecting continued foreign investor interest in India's clean energy transition.

- **Make in India**

Launched in 2014, the Make in India initiative aimed to transform India into a global manufacturing hub. The country emerged as the world's second-largest mobile phone manufacturer, with domestic production rising from 26% in FY15 to 99.2% by Mar'25 (from Rs 4.2 lakh crore in FY24 to Rs 5.5 lakh crore in FY25), and the number of units increasing from 2 to over 300 units. The initiative has also supported the expansion of defence manufacturing, with indigenous defence production reaching a record Rs 1.78 lakh crore in FY26, up 15.6% YoY. Defence exports increased to a record Rs 38,424 crore in FY26, with Indian defence products now exported to over 80 countries, reflecting growing domestic capabilities and global competitiveness.

- **Privatization**

India's privatization and asset monetization strategies have significantly enhanced operational efficiency, attracted private sector capital, and generated funds for infrastructure. The 2021 policy shift towards privatizing PSEs in non-core sectors was a structural move aimed at reducing government footprint while strengthening strategic sectors. Proceeds from disinvestment have supported various public welfare and infrastructure programs.

- **Direct Benefit Transfer (DBT)**

Introduced in 2013, the DBT scheme has transformed welfare delivery by leveraging digital infrastructure to transfer benefits directly into beneficiaries' bank or postal accounts. This mechanism has led to estimated cumulative savings/benefits of Rs 5.14 lakh crore up to March 2025, through the removal of duplicate/fake beneficiaries and plugging of leakages.

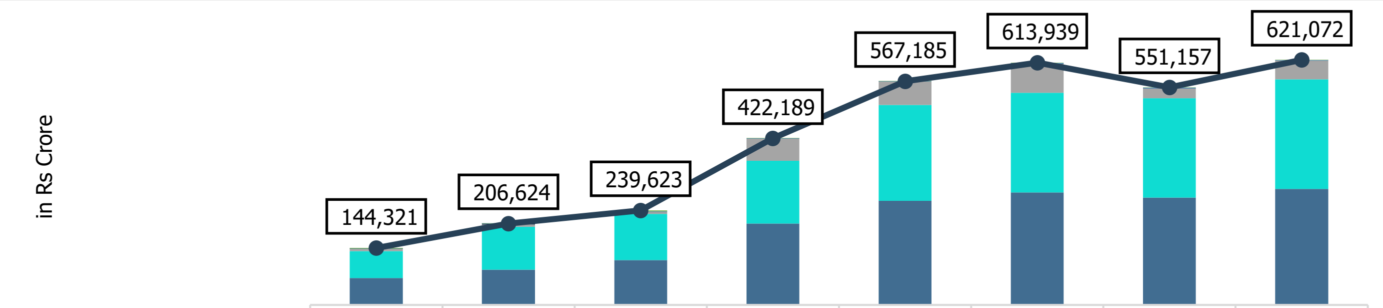
- **JAM Trinity**

The Jan Dhan–Aadhaar–Mobile (JAM) Trinity underpins digital governance in India. It has enabled seamless, real-time delivery of subsidies through DBT, minimized fraud via Aadhaar-based authentication, and promoted financial inclusion. By bringing millions into the banking ecosystem, JAM has enhanced access to credit, facilitated digital payments, and accelerated the transition towards a cashless economy.

- **Union Budget 2025-26**

With the growing population, the long-term need for robust infrastructure is necessary for economic development. This generates the need for massive investments in the development and modernisation of infrastructure facilities, which will not only cater to the growing demand but will also ensure competitiveness in the global market.

Chart 3: Budgetary outlay towards infrastructure



	FY20	FY21	FY22	FY23	FY24	FY25 (A)	FY26 (R)	FY27 (B)
Power	1,615	370	2,827	23	125	1,122	584	361
Ports	259	169	614	678	1,149	1,339	1,199	1,200
Oil & Gas	572	2,313	347	40	41	341	1,407	238
Telecom	5,660	5,254	5,254	56,205	59,380	73,846	23,916	47,275
Railways	67,842	109,324	117,271	159,256	242,579	251,947	252,000	277,830
Roads and Highways	68,374	89,195	113,312	205,986	263,912	285,344	272,051	294,167
Total	144,321	206,624	239,623	422,189	567,185	613,939	551,157	621,072

Roads and Highways Railways Telecom Oil & Gas Ports Power Total

Source: Union Budget FY27 document; Note: A- Actual, R- Revised, B- Budgeted

Some of the key government infrastructure schemes include:

- **Infrastructure financing and asset monetisation (Budget 2026-27)**
    - **Infrastructure Risk Guarantee Fund** announced to strengthen private developer confidence by addressing construction-phase risk.
    - **Dedicated REITs for CPSE Assets** announced to accelerate recycling and monetisation of significant CPSE real estate assets, supporting capital redeployment into infrastructure.
    - **Public Capex Push** continues, with higher Central Government capital expenditure for FY 2026-27 to sustain infrastructure-led growth.
- **Urban Infrastructure and City Development (Budget 2026-27)**
    - **City Economic Regions (CER)** introduced to support competitive, region-based urban infrastructure and economic agglomerations (Tier II and Tier III focus), with multi-year funding support.

- **Urban Rejuvenation Mission (including AMRUT and Smart Cities)** continues as the principal umbrella for water supply, sewerage and urban infrastructure investments, with FY 2026-27 allocations provided in the Budget documents.

PMAY-Urban 2.0 remains the primary affordable housing programme for urban areas, with FY27 allocations provided in the Budget documents.

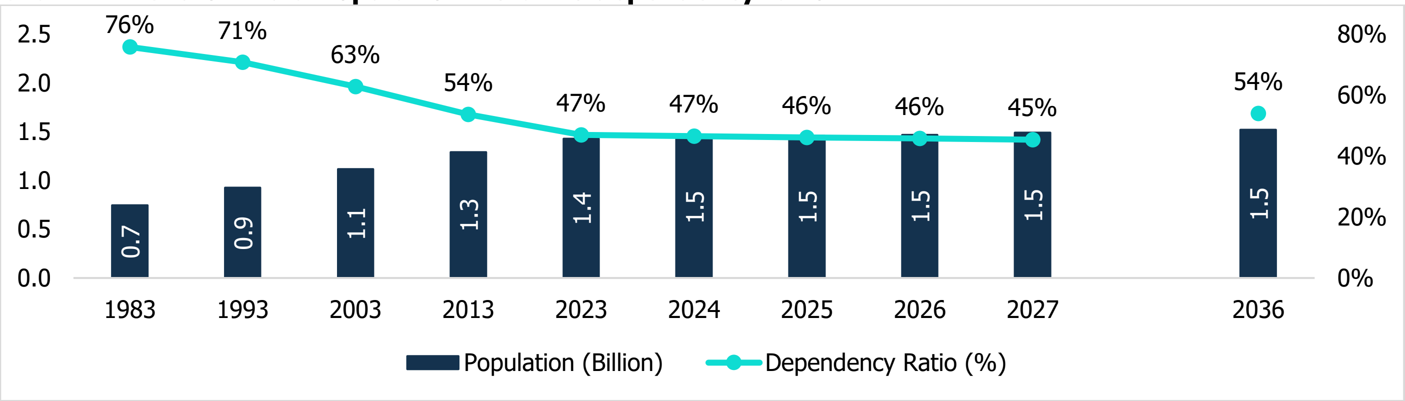
1.6 Key growth drivers for India

1.6.1 Favourable Demographics

The trajectory of economic growth of India and private consumption is driven by socio-economic factors such as demographics and urbanization. According to the world bank, India's population in 2022 surpassed 1.42 billion slightly higher than China's population 1.41 billion and became the most populous country in the world.

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% in 1983, which has reduced to 47% in 2023. Declining dependency means the country has an improving share of working-age population generating income, which is a good sign for the economy.

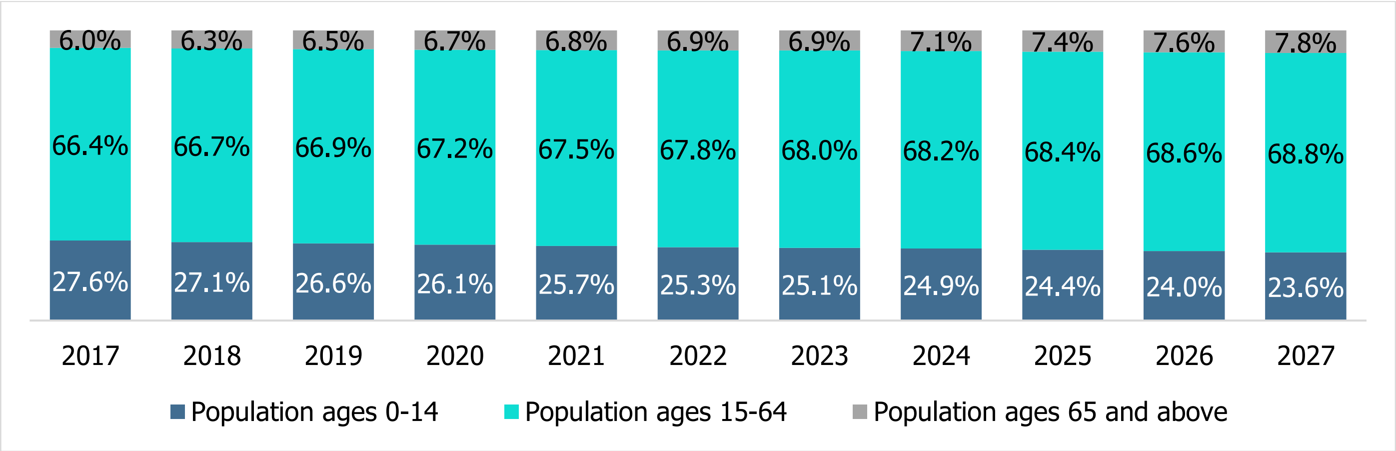
Chart 4: Trend of India Population vis-à-vis dependency ratio



Source: World Bank Database

Despite a projected rise in the dependency ratio to 54% by 2036, India's young and growing workforce, especially in newly urbanised towns, will continue to drive income growth and consumer demand. This presents strong opportunities for sectors like consumer electronics, transportation, and railways. Rising employment, urbanisation, and government investment in rural development and digital infrastructure will further boost demand, while increased tech adoption supports long-term consumption growth across both urban and rural markets.

Chart 5: Age-Wise Break Up of Indian population

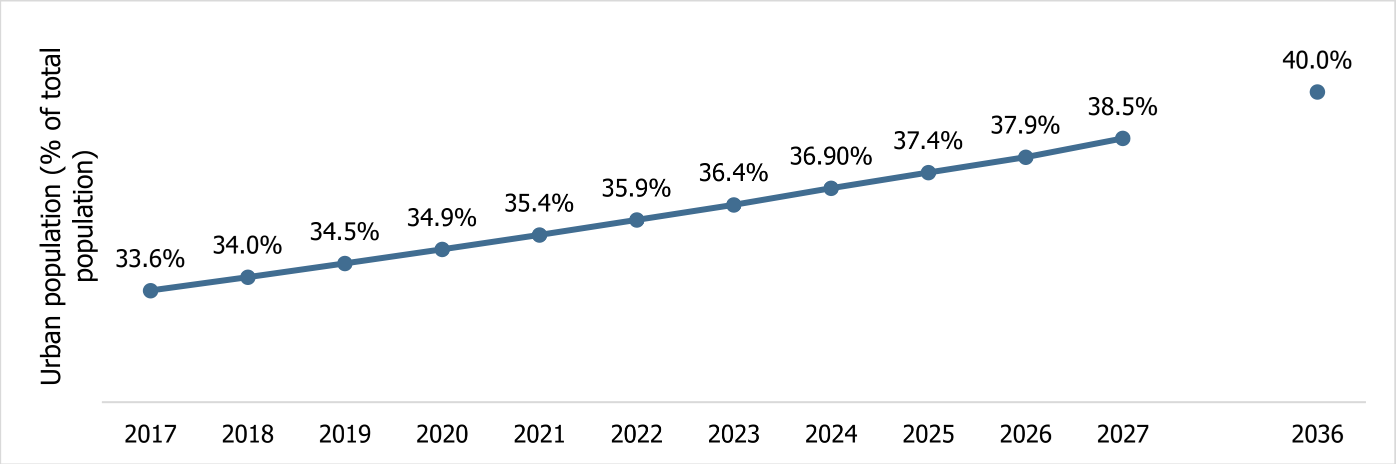


Source: World Bank Database

1.6.2 Urbanisation: Largest population, Large demographic dividend with high share of young population

The urban population is significantly growing in India. The urban population in India is estimated to have increased from 41.3 crore (32% of total population) in 2013 to 51.95 crore (36.4% of total population) in the year 2023. India is undergoing a significant urban transformation, with the urban population projected to rise to 40% by 2036. This shift is driven by factors such as improved living standards, increased employment opportunities in urban areas, and government initiatives aimed at urban development. This rapid urbanisation might necessitate substantial investments in infrastructure, housing, and transportation.

Chart 6: Urbanisation Trend in India



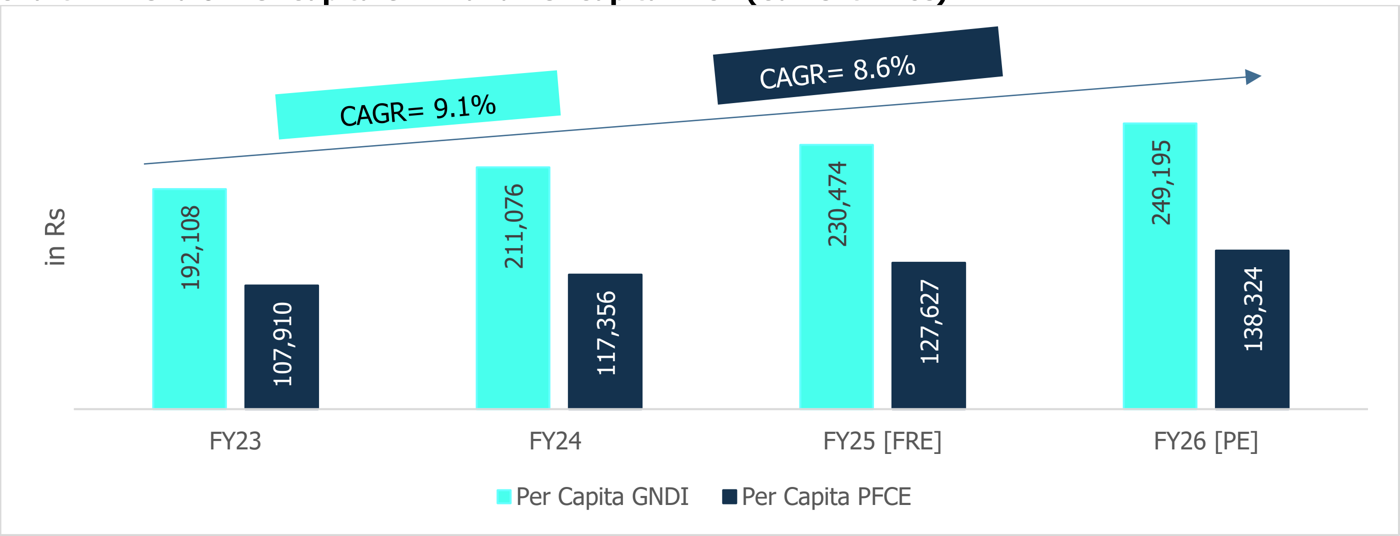
Source: World Bank Database

1.6.3 Increasing per capita GDP

Gross National Disposable Income (GNDI) is a measure of the income available to the nation for final consumption and gross savings. Between the period FY23 and FY26, per capita GNDI at current prices registered a CAGR of 9.1%. More disposable income drives more consumption, thereby driving economic growth.

With an increase in disposable income, there has been a gradual change in the country's consumer spending behaviour. Per capita Private Final Consumption Expenditure (PFCE), which is a measure of consumer spending, has also shown significant growth from FY23 to FY26 at a CAGR of 8.6%.

Chart 7: Trend of Per Capita GNDI and Per Capita PFCE (Current Price)



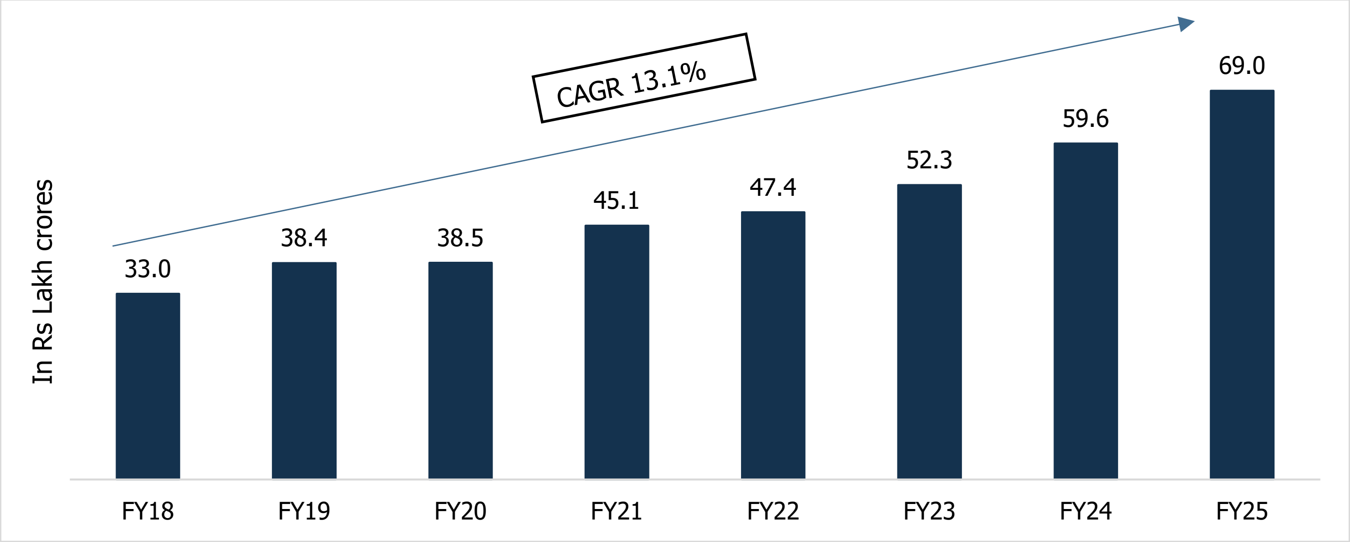
Source: MOSPI; Note: FRE – First Revised Estimates, PE- Provisional Estimates;
The trend for FY23-FY26 is based on new series base year 2022-23

1.6.4 Household savings

Household savings are of the household sector, measured as the excess of income over consumption and invested in financial assets and physical assets. Household savings in India have grown at a 13.1% CAGR since FY18, reaching Rs 59.6 trillion in FY25, a 15.7% Y-o-Y increase. A shift toward physical assets, particularly housing and gold/silver ornaments, reflects a preference for tangible investments amid high inflation and slow growth in monetary assets. Savings in the form of gold and silver ornaments (% of Household sector savings) were reported at 3.2% in FY25.

This increasing trend towards physical assets is occurring alongside a rise in household leverage, with borrowing, especially for housing, automobiles, and personal consumption, pushing household financial liabilities to a six-year high. Mutual funds and life insurance also grew, with a 23.1% and 7.2% Y-o-Y increase, respectively, while investment in equities and capital market instruments rose as they offer higher returns than bank deposits.

Chart 8: Household Savings (at Current Prices)



Source: MOSPI

In recent years, India has witnessed growth in household savings and shift of savings from physical assets like real estate to financial instruments. This trend, often referred to as financialization, is reshaping the landscape of domestic savings and investments. Several factors have facilitated this transition towards financial assets.

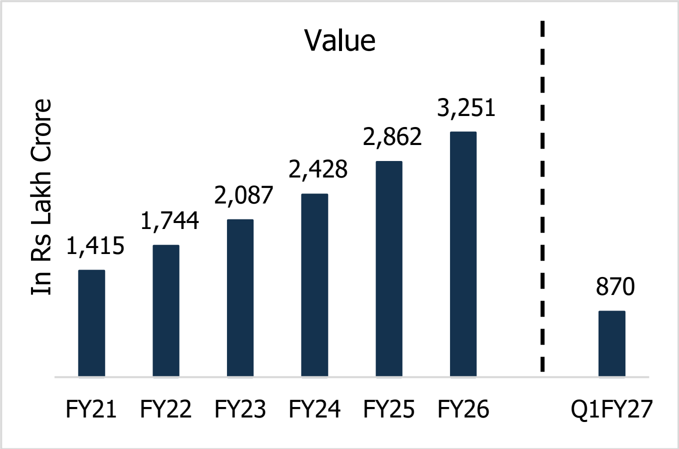
The increased financialization aids in infrastructure development and economic stability, as it helps fund capital expenditure (capex) cycles without exacerbating the current account deficit (CAD) or heightening external vulnerabilities.

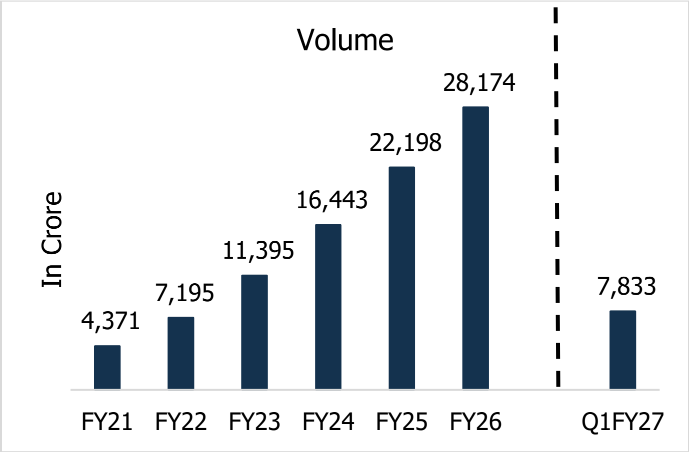
Furthermore, financial inclusion efforts, enhanced digital infrastructure, the demonetization initiative, and innovations in financial products have all played a role in financialization. The growth of financial savings has been robust, with retirement savings, insurance, and mutual funds showing an impressive average annual growth rate over the past decade. Additionally, the rising participation of youth in India's capital markets also reflect a significant shift in financial behaviour.

1.6.5 Digitalization

Digital payments in India grew in volume from 4,371 crores in FY21 to 28,174 crores in FY26 at a CAGR of 45.2%. Digital payments in value grew from Rs 1,415 lakh crores in FY21 to Rs 3,251 lakh crores in FY26 at a CAGR of 18.1%. As of Q1FY27, the digital payments is Rs 870 lakh crores in value and 7,833 in volume in Q1FY27

Chart 9: Digital payment transactions by value and volume



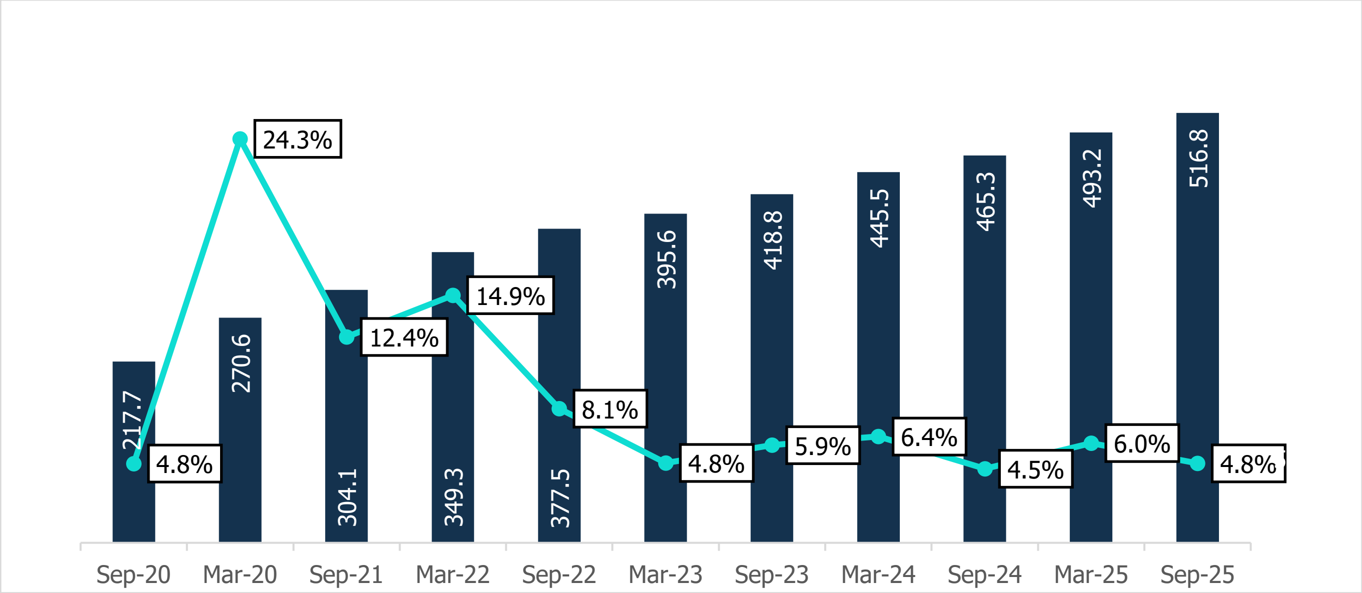


Source: RBI

India's digital transformation is driven by factors like expanding broadband, affordable data, and government initiatives. The launch of UPI revolutionized payments in turn enhancing financial inclusion. With over 647 banks integrated and more than 35 crore unique users, UPI has become the country's largest digital payment network BHIM further advanced cashless transactions, while platforms like COWIN showcased digital infrastructure's role in public health. Furthermore, DigiLocker improved paperless governance by securely storing documents and FASTag automated toll payments, supporting the cashless economy.

The Digital India initiative, launched in 2015, focuses on digital infrastructure, governance, and empowerment, making services more accessible and promoting financial inclusion. Additionally, this initiative has also made stock market and mutual fund investments more accessible, efficient, and transparent for a wider audience. As of September 2025, the RBI's Digital Payments Index (DPI) reached 516.77, reflecting a 4.8% growth, driven by advancements in payment performance and infrastructure.

Chart 10: Digital Payment Index



Source: RBI

1.6.6 Financial awareness and literacy

Financial literacy is crucial for fostering economic stability and prosperity, particularly in a rapidly developing nation like India. As urbanization and economic growth accelerate, understanding financial concepts such as risk diversification, compound interest, savings discipline, and credit management becomes increasingly important. Despite recent advancements in technology and media coverage, there is great potential for improving India's financial literacy rate, which could lead to positive outcomes for individuals and strengthen the broader economy.

The Indian government and various regulators are implementing financial literacy courses, workshops, and schemes aimed at enhancing financial awareness. Promoting financial education is vital for empowering individuals, reducing financial vulnerabilities, and fostering economic resilience.

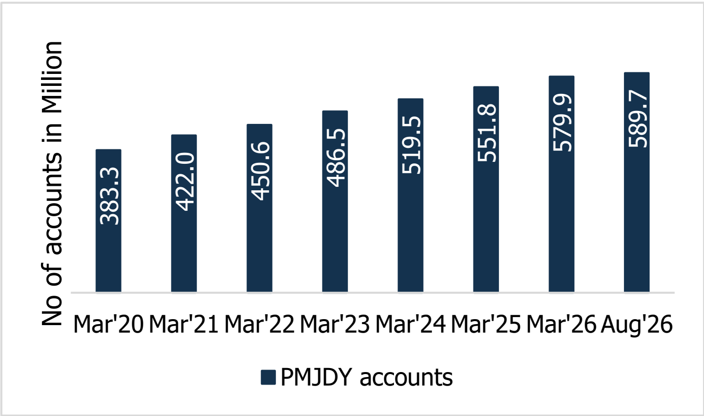
- **National Centre for Financial Education (NCFE)**: promoted by the Financial Literacy and Education Initiative (FLEI) of the government, aims to enhance financial literacy across India through various educational programs and initiatives.
- **Financial Literacy Centre (FLC):** FLCs, set up by commercial banks at the district level, conduct monthly camps to promote financial literacy in rural communities.

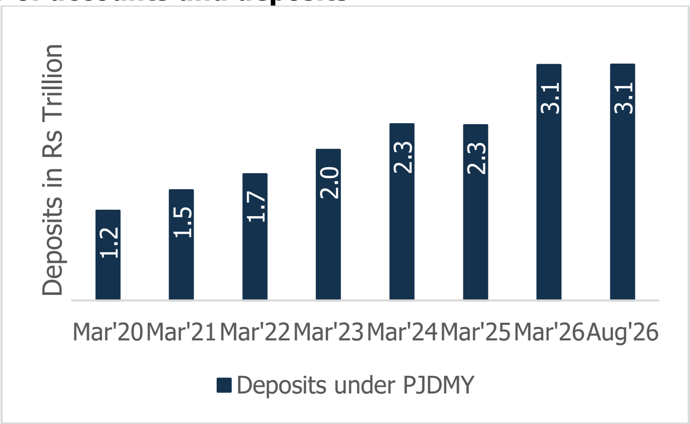
RBI Kehta Hai Initiative & PFRDA's 'Pension Sanchay' website: The RBI’s financial literacy campaign uses multiple media to educate the public on banking services, digital banking, and CBDC, while PFRDA’s Annuity Literacy Program helps subscribers understand retirement annuity options.

1.6.7 Growing financial inclusion in India

The number of accounts opened through Pradhan Mantri Jan Dhan Yojana (PMJDY) grew at a CAGR of 8.6% between Mar 20 and Mar 26, reflecting steady growth and improving financial inclusion. Notably, the deposit amount in PMJDY accounts grew at a CAGR of 21.3% over the same period, indicating strong and consistent growth in funds.

Chart 11: Pradhan Mantri Jan Dhan Yojayana number of accounts and deposits





Source: PMJDY

2 Overview of Capital Market in India

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

India's capital markets, including stock, bond, derivative markets, and mutual funds, have significantly influenced the nation's financial system and economic development. Notably, the Bombay Stock Exchange (BSE) Limited is ranked as 6th largest stock exchange and National Stock Exchange of India Limited (NSE) ranked as 7th largest stock exchange in the world by market capitalisation as of Jun'25.

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

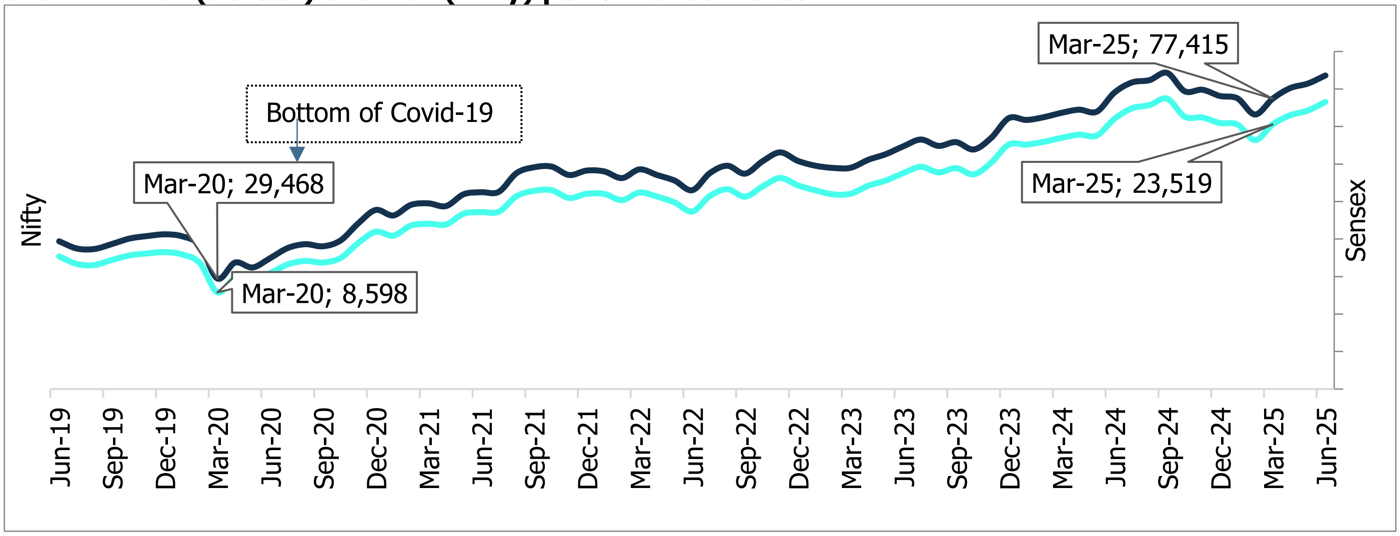
Favourable macroeconomic fundamentals—including sustained corporate earnings growth, a young demographic profile, and rising consumer expenditure—have bolstered investor participation, both domestic and international. Foreign Portfolio Investments (FPIs) have enhanced market liquidity and valuations, with the Nifty 50 registering healthy earnings growth over the past two decades, outperforming several major global indices.

The mutual fund sector has also expanded due to greater financial literacy and digital adoption, with number of folios reaching 24.1 crore as of Jun'25, indicating a CAGR of 20.7% between FY20-Q1FY26. Net inflows in mutual funds stood at Rs 3.6 lakh crore as of Jun'25. New instruments, such as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (INVITs), have created additional investment opportunities.

Overall, India's capital markets are becoming increasingly dynamic and inclusive through technological advancements, regulatory changes, and a growing investor base. However, capital markets around the world are susceptible to macroeconomic risks and geo-political tensions. Episodes such as the COVID-19 pandemic, general elections, and international conflicts have led to heightened volatility, emphasising the need for robust risk management frameworks and policy consistency.

Indian stock markets on growth trajectory

Chart 12: BSE (Sensex) and NSE (Nifty) performance trends



Source: NSE, BSE, CareEdge Research

From bottom of Covid-19 (Mar’20) till Jun’25, both the BSE Sensex and NSE Nifty indices witnessed significant growth at a CAGR of 21.9% and 23.0% respectively, despite encountering periods of fluctuation. This impressive post-pandemic recovery can be linked to economic rebound, and strong corporate earnings, although there were some setbacks related to inflation and global economic uncertainties. Additionally, a growing interest from investors in capital markets has contributed to this upward trend.

Nifty 50 recorded highest five-year CAGR return

Table 3: CAGR returns of major indices between Mar’20 to Jun’25

Indices	CAGR return
Nifty 50	**23.0%**
DAX	18.2%
BRAZIL IBOVESPA INDEX	13.0%
Shanghai SE composite	4.4%
Hang Seng index	0.7%
Nikkei 225	15.6%
FTSE 100 Index	8.6%
Dow Jones	13.8%

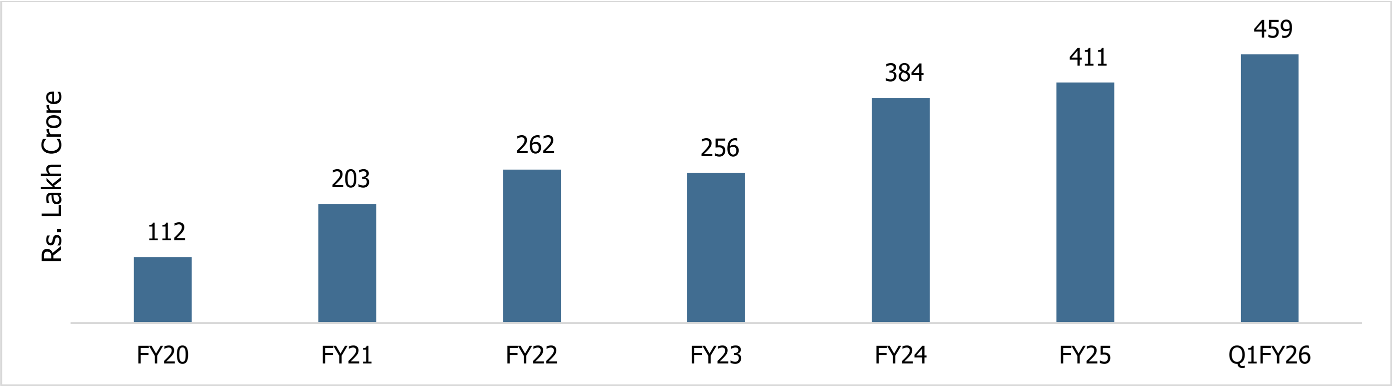
Source: SEBI Bulletin

From Mar’20 to Jun’25, the Nifty 50 delivered the best returns among global indices, rising from 8,598 to 25,518, reflecting a strong 23% CAGR. This growth has been largely driven by India’s economic expansion, increasing corporate profitability, and growing foreign investor interest in emerging markets. The Nifty 50’s robust performance of last five years (Mar’20 to Jun’25) underscores the resilience and growth potential of the Indian market, outperforming many developed market indices. However, Nifty 50 has been witnessing volatility amid uncertainty surrounding US tariffs, geopolitical uncertainties, and FIIs withdrawing from Indian capital markets.

2.2 Trends in Market Capitalization

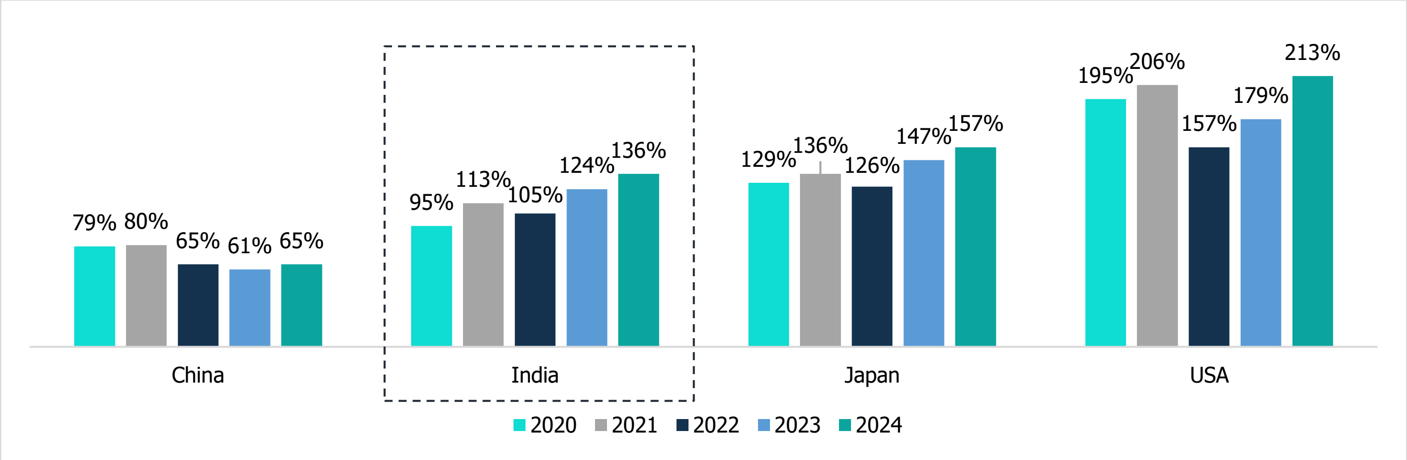
Over the years, India's robust economic growth amid global financial challenges, ample liquidity from the influx of domestic investors post-pandemic, and strong foreign portfolio investor (FPI) inflows have fuelled sharp growth in market capitalization.

Chart 13: Trends in India’s market capitalization listed on NSE



Source: NSE Market Pulse

Chart 14: Trend in Market Capitalization to GDP

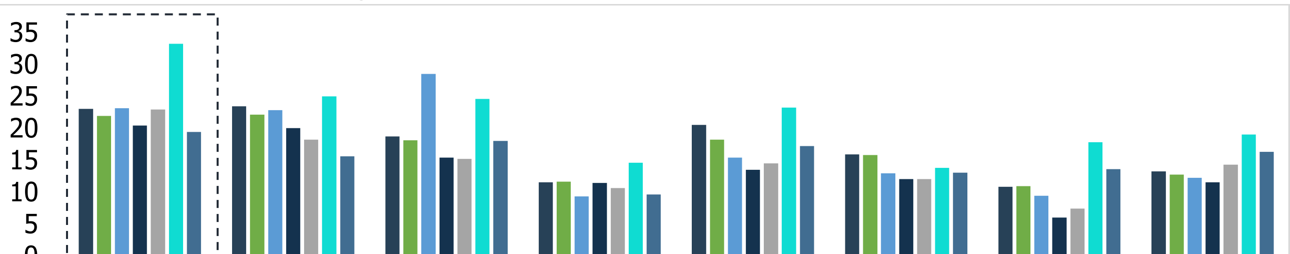


Source: Economic Survey 2024-25 Note: The data has been revised based on the 1st advance estimate of GDP released on 7 January 2025. Projected figures: GDP figures are taken from IMF projections, and market capitalisation is taken as at the end of Q2 of FY25 (i.e., Sep-24 end) for the US, India, Japan,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

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

2.3 Overview of performance of capital markets in India vs other major economies

Chart 15: Trend in P/E ratio for major indices



	India	US	Japan	Hong Kong	Germany	China	Brazil	UK
Jun'25	23.0	23.4	18.7	11.5	20.5	15.9	10.8	13.2
Mar'25	21.9	22.1	18.1	11.6	18.2	15.8	10.9	12.7
Mar'24	23.1	22.8	28.5	9.3	15.4	12.9	9.4	12.2
Mar'23	20.4	20	15.4	11.4	13.5	12	6	11.5
Mar'22	22.9	18.2	15.2	10.6	14.5	12	7.4	14.3
Mar'21	33.2	25	24.6	14.6	23.2	13.8	17.8	19
Mar'20	19.4	15.6	18	9.6	17.2	13	13.6	16.3

Source: SEBI bulletin

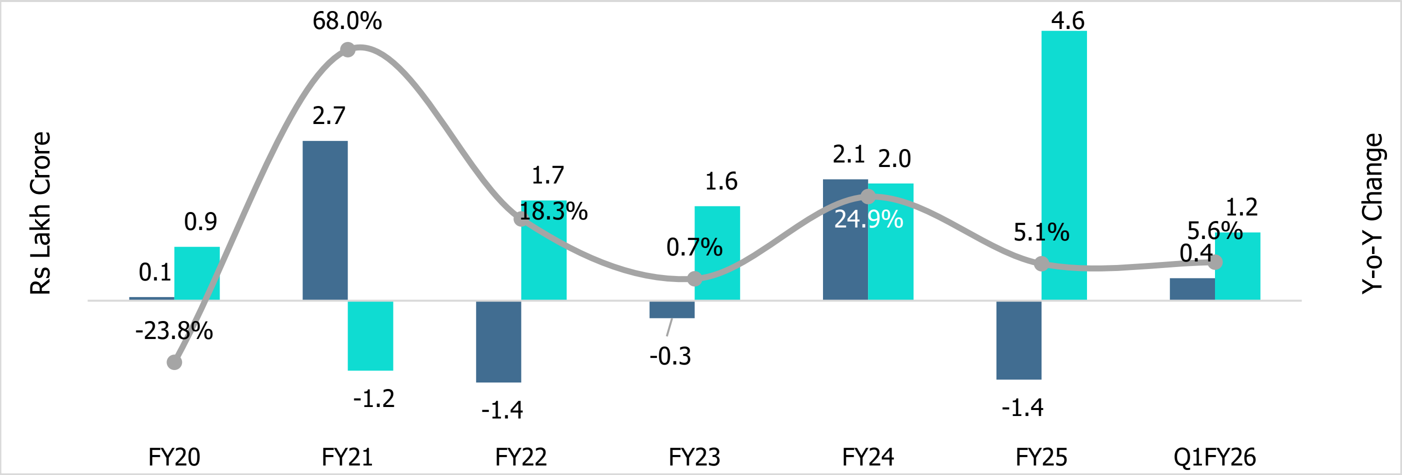
In comparison to other global indices, Indian benchmark index (Nifty 50) is trading at a higher PE multiple. This indicates that investors are willing to attribute a premium to the Indian markets owing to the country's promising economic trajectory, robust corporate earnings growth, a large consumer market, and favourable reforms. Notably, as per IMF, India is the fastest growing major economy in the world with real GDP growth rate estimated at CAGR of 6.4% for next 5 years. Further, Nifty 50 has witnessed healthy earning growth over the last two decades, registering EPS growth of almost 19% CAGR from FY20 to FY25. While a high P/E ratio may indicate elevated expectations, they are also a testament to the optimism surrounding India's long-term economic story. However, it should be noted that recent correction phase of the market may have an impact on the PE multiple to some extent.

2.4 Trend in Foreign Institutional Investors (FIIs) & Domestic Institutional Investors (DIIs) investments in Indian capital markets

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

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

Chart 16: Net investments by FIIs, DIIs vs trends in BSE Sensex



Source: CMIE, CareEdge Research

Note: Net investments = Purchase – Sales; Figures have been round-off to the nearest integer

In FY25, FIIs net outflows were Rs. 1.4 lakh crore, while DIIs continued to significantly invest in Indian Equities, indicating growth potential, trust, and efficiency of capital markets with their net inflows growing to Rs. 4.6 lakh crore in FY25. The growth in DIIs net investments presents significant opportunities for mutual fund distributors and brokerage houses to expand their reach in the growing market.

2.5 Overview of Primary Market Issuances in India

India's primary market has witnessed significant traction from FY20 to FY25, with increased contributions from Initial Public Offerings (IPOs), Follow-On Public Offerings (FPOs) Qualified institutional placements (QIPs)/ Institutional Placement Programmes (IPPs), rights issues, and offer for sale (OFS).

Table 4: Rising trend in primary market issue volumes

Product	FY22	FY23	FY24	FY25	Q1FY25	Q1FY26
IPO	120	164	272	320	74	45
FPO	1	1	1	2	1	0
Right Issue	43	73	67	142	36	28
Preferential Issue	349	454	689	988	282	324
QIPs/IPPs	29	11	61	91	19	10
OFS through Exchanges	20	17	51	26	6	9
Total	**562**	**720**	**1,141**	**1,569**	**418**	**416**

Source: SEBI Bulletin

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

The Indian stock market has experienced bullish trends, largely witnessing upward momentum in stock indices between FY22-FY25. This favourable sentiment, particularly amongst institutional investors, encourages more companies to take advantage of market conditions and go public. Hence, companies are increasingly turning to IPOs to raise capital for expansion, pay off debts, and provide exit to private equity and institutional investors.

Table 5: Rising trend in primary market issues value (in Rs. Crores)

Product	FY22	FY23	FY24	FY25	Q1FY25	Q1FY26
IPO	112,552	54,772	67,955	172,328	18,381	15,464
FPO	15	4,300	27	18,150	18,000	-
Right Issue	26,327	6,751	15,110	19,712	4,849	7,594
Preferential Issue	60,697	83,832	45,155	84,084	39,691	51,943
QIPs/IPPs	31,441	8,212	68,971	135,597	17,287	16,210
OFS through Exchanges	14,557	12,693	24,535	30,798	325	8,325
Total	**245,588**	**170,560**	**221,754**	**460,668**	**98,533**	**99,536**

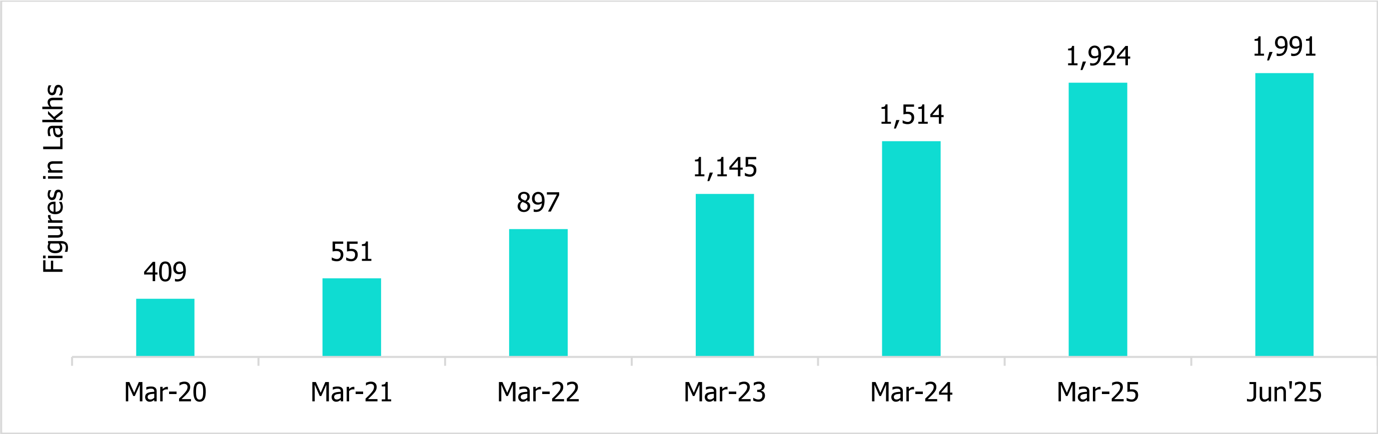
Source: SEBI Bulletin

Raising capital through IPOs has become a key strategy for Indian companies seeking funds for growth, and expansion. Between FY22 to FY25, the Indian market saw a notable increase in IPO activity, particularly post-pandemic in 2020-2021, as companies took advantage of favourable market conditions and abundant liquidity.

While the total capital raised (equity) grew over 2x to Rs. 4,60,668 crore in FY25 from Rs. 2,21,754 crore in FY24 and the number of primary market issuances (equity) increased significantly to 1,569 in FY25 from 1,141 issuances a year ago. This trend reflects fewer large-value issuances but a higher volume of smaller transactions, indicating broader participation in fundraising activities at lower deal sizes. Further, during Q1FY26, the total number of primary market issuances (equity) reached 416 (418 during Q1FY25) and total capital raised from these issuances reached Rs 99,536 crore (Rs 98,533 crore in Q1FY25).

2.6 Trend in number of demat accounts in India

Chart 17: Investor Accounts



Source: SEBI Bulletin

Retail investors' preference is becoming more mature as they get more informed regarding potential of capital markets and risk associated with investing in it. This increasing awareness has led to significant growth in retail participation, with investor accounts registered with NSDL and CDSL reaching 1991 lakhs as of Jun'25.

2.7 Trend in NSE Average Daily Turnover

Chart 18: Segment-wise NSE ADTO– By Value (Rs. Crores)

	FY20	FY21	FY22	FY23	FY24	FY25	Q1FY25	Q1FY26
Stock Futures	**60,222**	**72,684**	**84,834**	**76,596**	**103,849**	**150,752**	**168,621**	**132,662**
Y-o-Y growth		20.7%	16.7%	-9.7%	35.6%	45.2%		
Cash Market	**36,432**	**61,839**	**66,799**	**53,434**	**81,721**	**112,963**	**122,842**	**108,542**
Y-o-Y growth		69.7%	8.0%	-20.0%	52.9%	38.2%		
Index Options	**4,371**	**10,560**	**23,558**	**43,998**	**56,177**	**54,516**	**63,209**	**47,836**
Y-o-Y growth		141.6%	123.1%	86.8%	27.7%	-3.0%		
Index Futures	**27,034**	**36,336**	**33,989**	**38,236**	**30,151**	**35,149**	**40,722**	**35,768**
Y-o-Y growth		34.4%	-6.5%	12.5%	-21.1%	16.6%		
Stock Options	**925**	**2,327**	**4,189**	**3,746**	**5,602**	**7,933**	**8,753**	**7,677**
Y-o-Y growth		151.6%	80.0%	-10.6%	49.5%	41.6%		
Others*	**21,495**	**23,819**	**29,504**	**41,590**	**30,156**	**5,805**	**7,702**	**3,549**
Y-o-Y growth		10.8%	23.9%	41.0%	-27.5%	-80.7%		
Total	**150,479**	**207,565**	**242,873**	**257,600**	**307,656**	**367,118**	**411,849**	**336,034**

Source: NSE

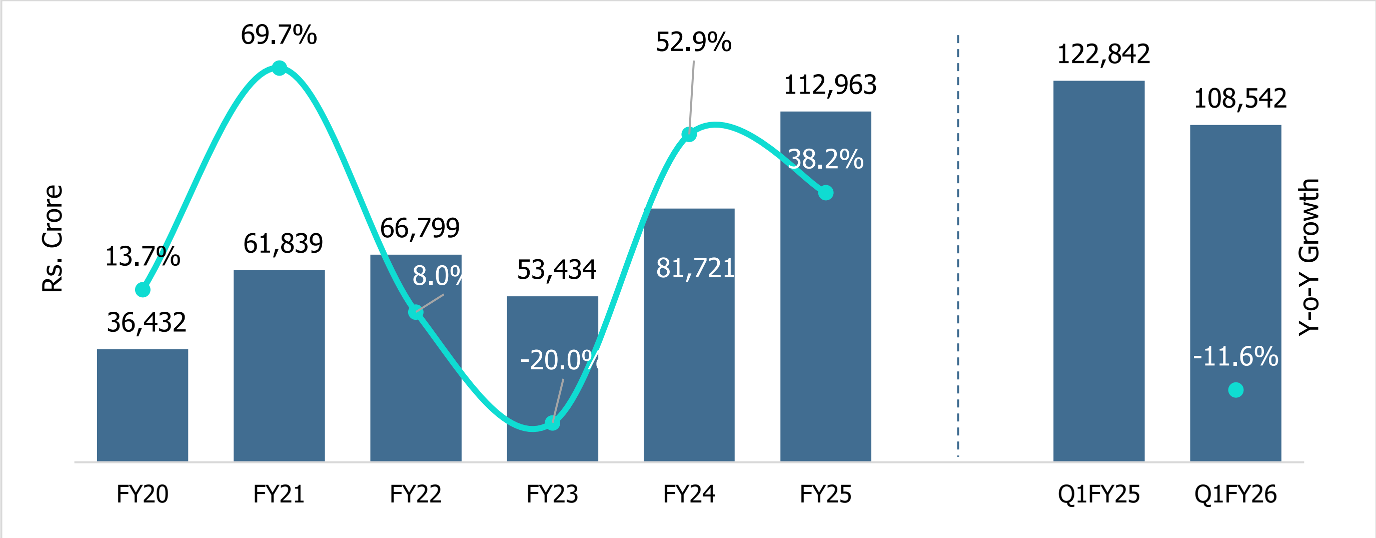
Note: Options ADTO is derived based on premium turnover, Others include currency derivatives, interest rate derivatives and commodity derivatives

From FY20 to Q1FY26, the average daily turnover across all segments of the NSE grew significantly. The total turnover increased from ~Rs. 1,50,679 crore in FY20 to ~Rs 3,67,118 crore in FY25. This rise is driven primarily by the sharp growth in the cash market, stock futures, and index options segments. While stock options and index futures recorded moderate increases, the cash market surged from ~Rs. 36,432 crore in FY20 to ~Rs. 1,12,963 crore in FY25, stock futures increased to Rs. 1,50,752 crore in FY25 from Rs 60,222 crore in FY20 and index options rose from Rs. 4,371 crore in FY20 to Rs. 54,516 crore in FY25. The ADTO has declined a bit in Q1FY26 on account of increased volatility in the market.

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

2.8 Cash Market Segment ADTO Trends

Chart 19: Trends in average daily turnover in NSE cash market segment



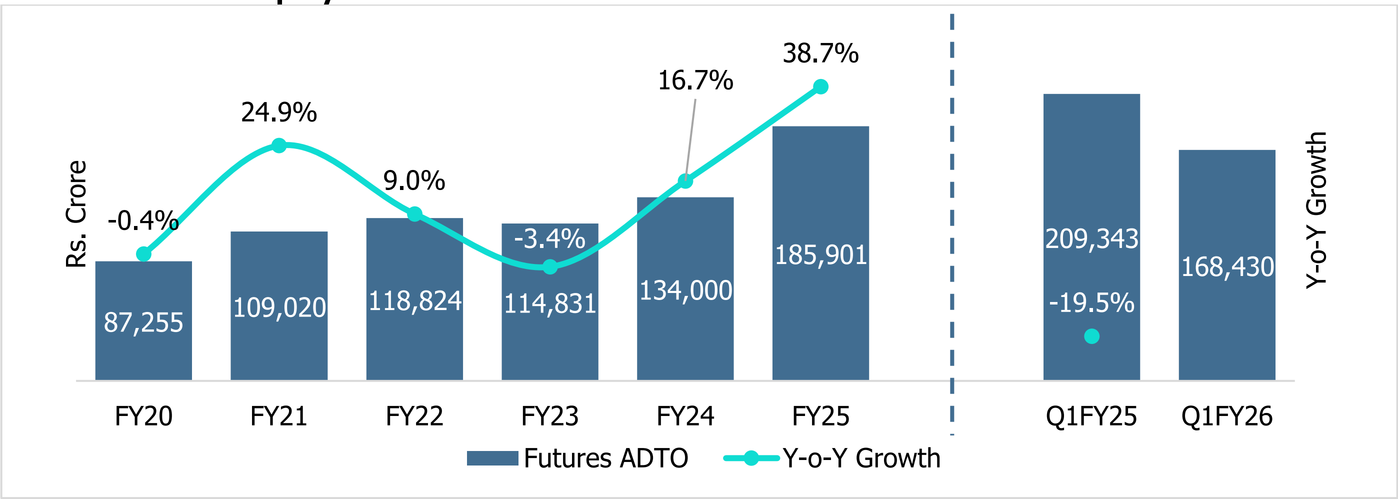
Source: NSE, CareEdge Research

In FY25, ADTO of cash market reached Rs 1,12,963 crore, a 38.2% increase over FY24 at Rs. 81,721 crore. This growth in cash market can be attributed to rise in retail participants. With the increasing penetration of digital trading platforms and greater financial literacy, retail investors have become key growth drivers of the market. Their involvement supports the diversification of investment sources, making the Indian financial markets more resilient. In Q1FY26 ADTO of cash market declined to Rs. 1,08,542 crore from Rs.1,22,842 crore in Q1FY25, a 11.6% decrease over Q1FY25.

2.9 Equity derivative (Futures and Options) ADTO trends

India's equity derivatives market plays a crucial role in offering investors a range of instruments for managing risk and engaging in speculative activities, increasing the efficiency of the overall market. Investors use diverse strategies such as hedging, arbitrage, and speculative trading to mitigate risks and optimize their returns when investing in the futures and options market. The market operates under the regulatory oversight of SEBI, which enforces a robust framework to ensure fairness, transparency, and investor protection. By enabling risk transfer and price discovery, the equity derivatives segment significantly contributes to the overall depth and stability of India's capital markets.

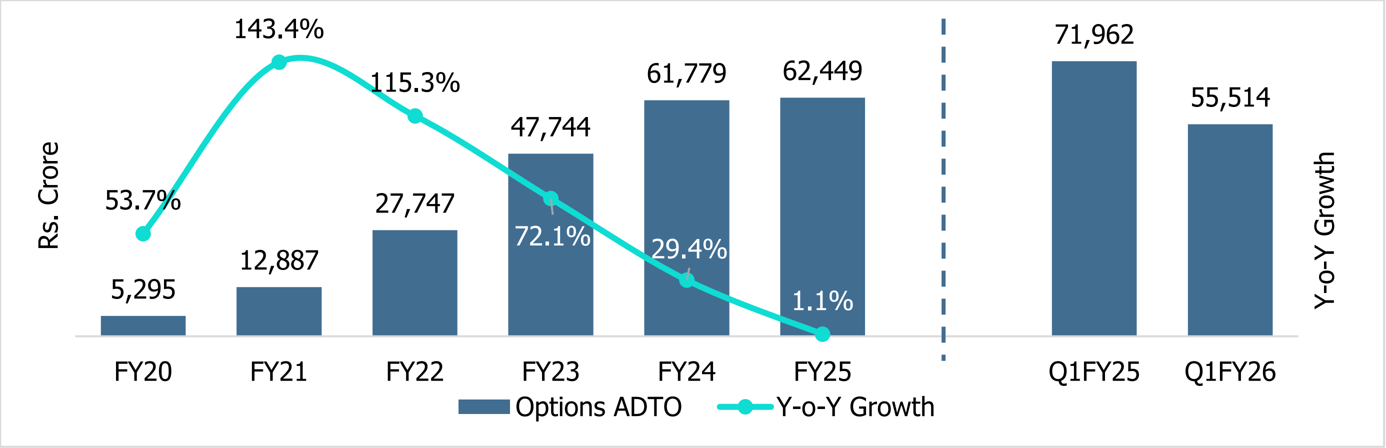
Chart 20: ADTO of Equity -Futures



Source: NSE, CareEdge Research

In FY25, equity derivative futures ADTO reached Rs 1,85,901 crore, a 38.7% increase from FY24. In Q1FY26, ADTO of equity derivative futures reached Rs 1,68,430 crore, indicating decline of 19.5% over Q1FY25.

Chart 21: ADTO of Equity – Options



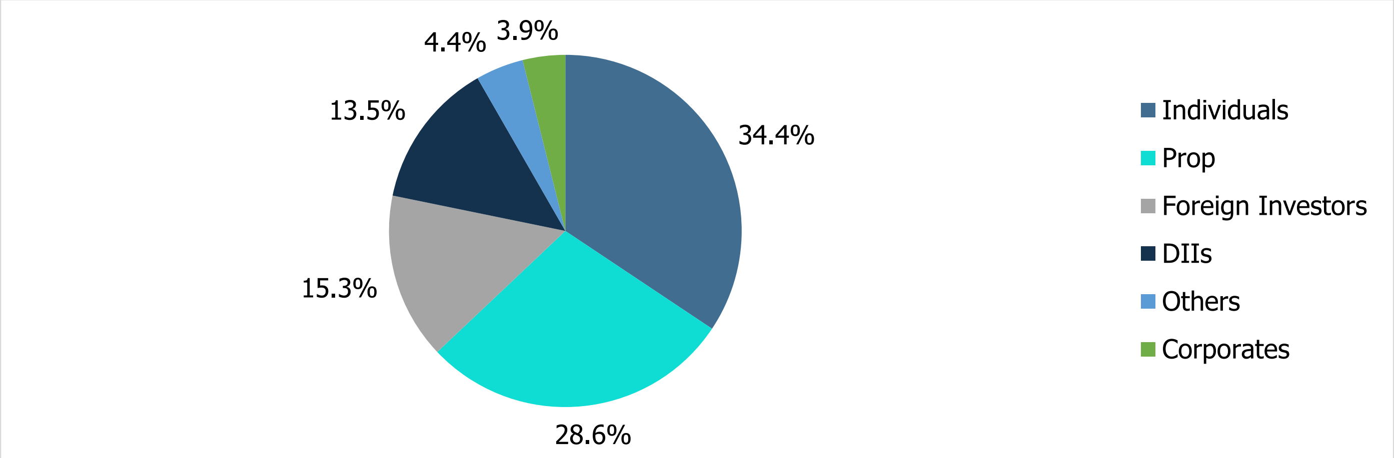
Source: NSE, CareEdge Research
Note: Turnover includes Premium turnover

The options segment's ADTO reached Rs. 62,449 crore during FY25, up 11.7x over FY20. The uptick in F&O segment is led by strong retail interest that drives growth, especially in derivatives amid greater accessibility through mobile apps and online resources. During Q1FY26, the option segment's ADTO reached Rs 55,514 crore, indicating a ~23% decline over same quarter of the previous year. This decline can be attributed to changes in SEBI's evolving F&O framework that aims to safeguard retail investors from risky derivatives.

2.10 Share of retail participation across market segments

Retail Individuals account for lions share in Cash Market Segment

Chart 22: Share of client participation in Cash Market Segment as of Jun'25 (%)



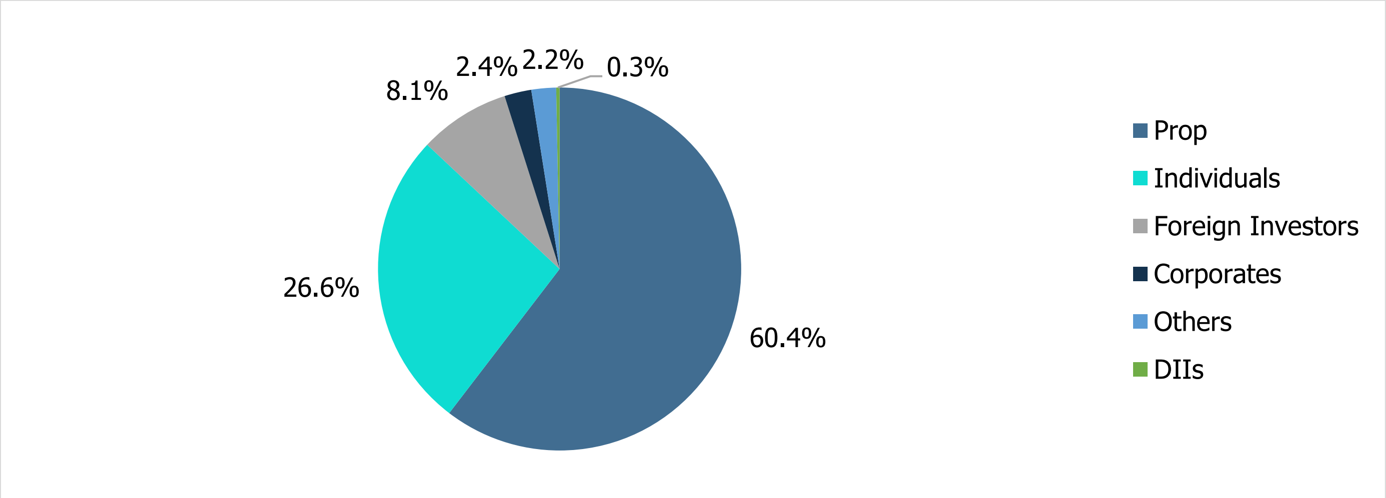
Source: NSE Market Pulse, CareEdge Research

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

As of Jun,'25, Individual investors accounts for a major chunk of participation in the cash market segment at over 34.4%, followed by Prop and foreign investors at 28.6% and 15.3%, respectively.

Retail Individuals account for over 26.6% of equity derivative market segment participants

Chart 23: Share of client participation in Equity Derivatives Market Segment as of Jun'25 (%)



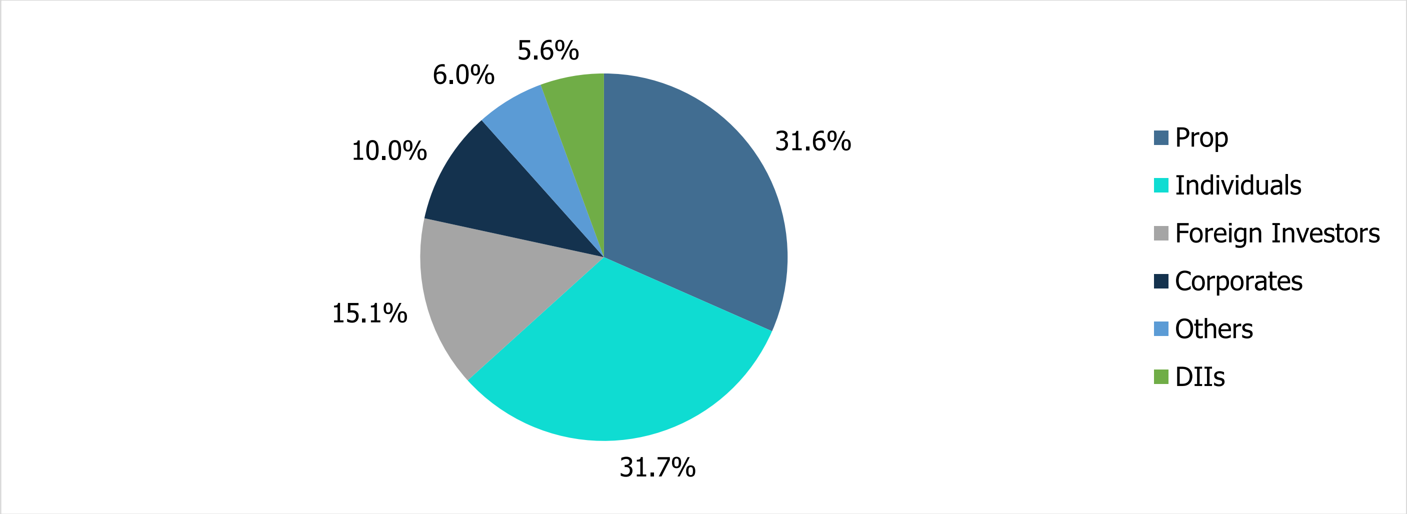
Source: NSE Market Pulse, CareEdge Research

Note: Above data represents share in notional turnover

As of Jun’25, Prop investors account for ~60% of equity derivative market participants. Individual investors are the second largest equity derivative market participants, accounting for 26.6% of total market participants in the equity market segment.

Individuals accounted for over 30% of Index Futures market participants

Chart 24: Share of client participation in Index Futures Market Segment as of Jun’25 (%)

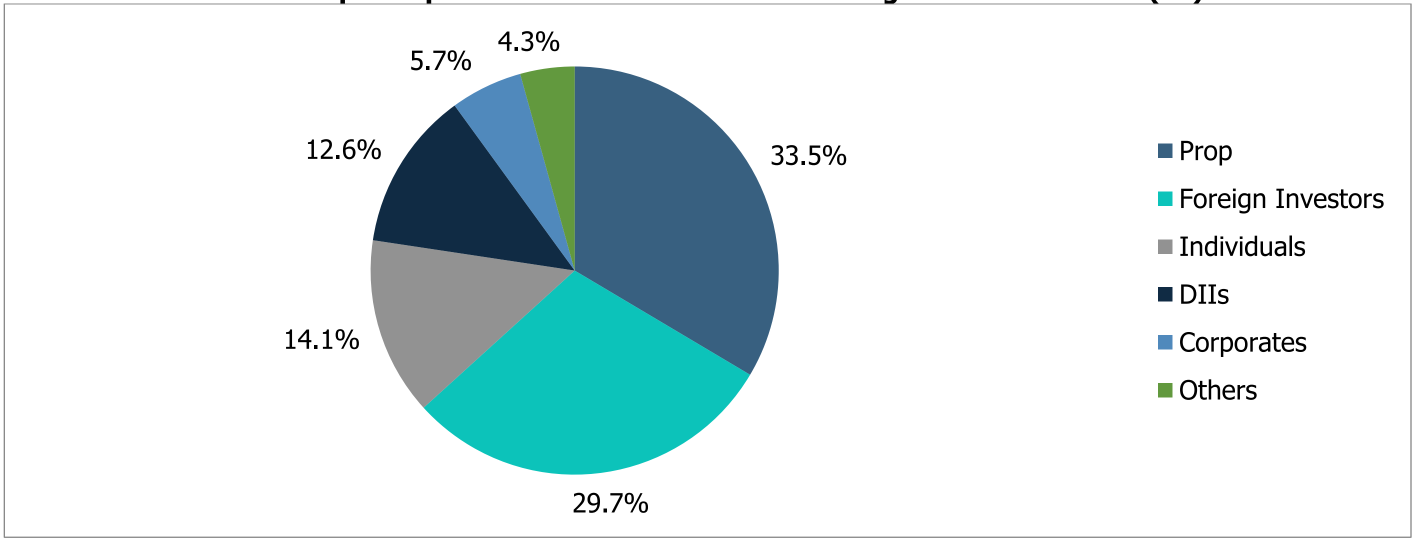


Source: NSE Market Pulse, CareEdge Research
Note: Above data represents share in turnover

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

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

Chart 25: Share of client participation in Stock Futures Market Segment as of Jun’25 (%)

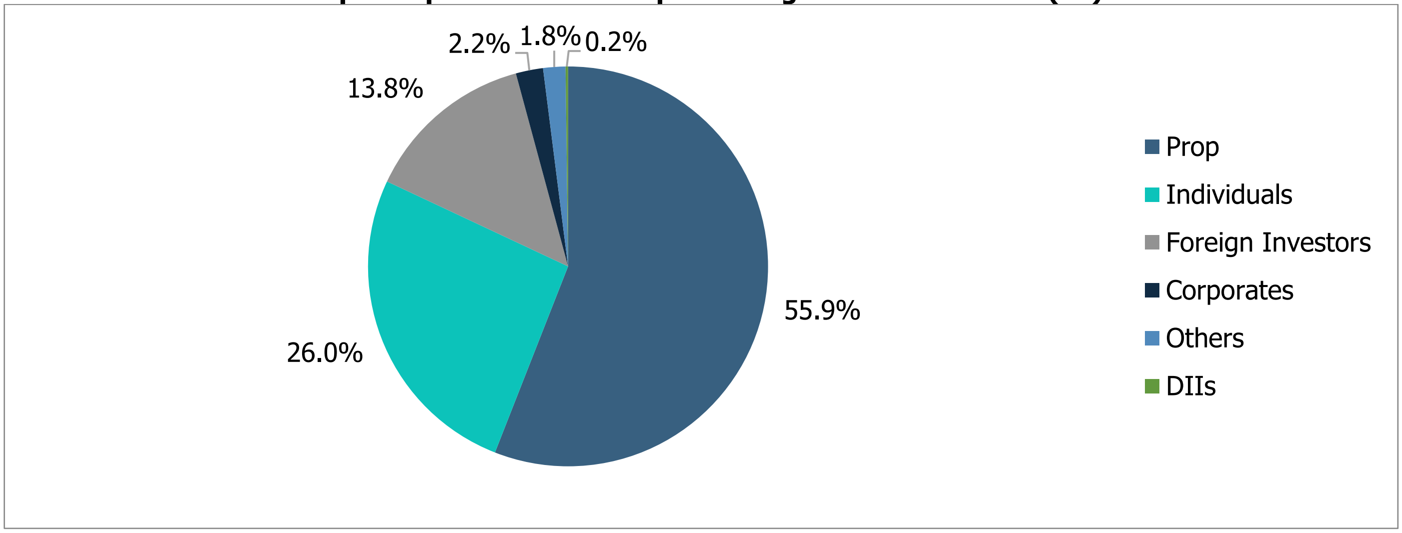


Source: NSE Market Pulse, CareEdge Research
Note: Above data represents share in turnover

As of Jun'25, Prop accounts for largest chunk in stock future segment at 33.5%, followed by foreign investors and individual investors at 29.7% and 14.1% respectively.

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

Chart 26: Share of client participation in Stock Options Segment as of Jun'25 (%)

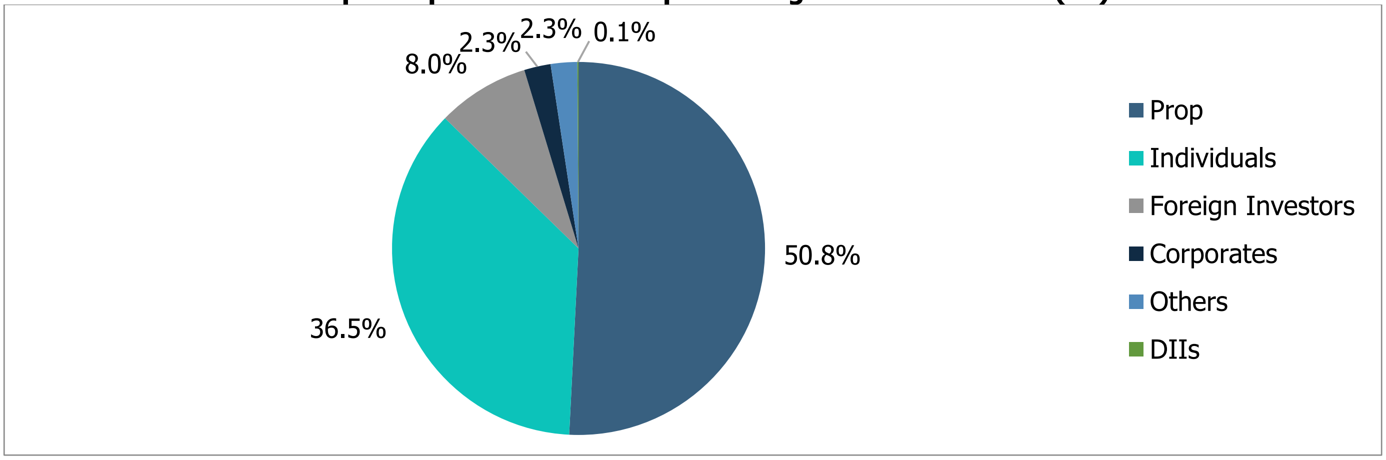


Source: NSE Market Pulse, CareEdge Research
Note: Above data represents share in turnover

Prop and Individual investors are the largest participants in stock options segment, combined accounting for over 80% of market participants within the segment.

Individuals account of over a third of index option segment participant

Chart 27: Share of client participation in Index Options Segment as of Jun'25 (%)



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

Prop and Individual investors combined accounted for over 87% of Index options market participants, while FIIs and DIIs combined accounted for a little over 10% of Index options market participants.

2.11 Trends in volume trades across top cities in India

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

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

Mumbai consistently dominated participation, especially in NSE, accounting for 63.0% of NSE trading volumes for Q1FY26. Ahmedabad saw significant growth, particularly in NSE, where its share surged from 1.7% in FY20 to 16.8% in Q1FY26. Kolkata, while strong in early years, declined on NSE from 5.2% in FY20 to 1.3% in Q1FY26. Cities like Bengaluru, Hyderabad, and Chennai had minor but fluctuating participation. Notably, proprietary trading hubs like Rajkot and Vadodara saw a steady presence across the years.

Table 6: City-wise share in trading volumes on NSE (%)

City	FY20	FY21	FY22	FY23	FY24	FY25	Q1FY25	Q1FY26
Tier 1 Cities								
Mumbai	64	67	67.6	68	66.2	63.4	64.1	63.0
Ahmedabad	1.7	4.1	9.1	11.2	15.6	17.1	16.3	16.8
New Delhi	5.9	5.2	0.1	3.7	2.2	2.0	2.2	1.6
Chennai	0.9	0.6	5	0.9	0.9	0.8	1.1	0.3
Hyderabad	3.1	3.5	0	2.5	2.5	2.5	2.8	2.5
Pune	0.1	0.1	0.3	0.4	0.4	0.4	0.4	0.4
Kolkata	5.2	4.3	0.2	4.2	1.8	1.4	1.6	1.3
Bangaluru	3.2	2	1.2	0.8	1.9	3.7	2.3	5.2
Tier 2 Cities								
Bhubaneswar	0	0	0	0	0	0.0	0.0	0.0
Patna	0	0	0	0	0	0.0	0.0	0.0
Coimbatore	0.1	0.1	0.5	0.1	0	0.0	0.1	0.0
Guwahati	0	0	5.4	0	0	0.0	0.0	0.0
Indore	0.3	0.4	2.7	0.3	0.1	0.2	2.8	0.1
Ludhiana	0.1	0.1	0.1	0.1	0	0.0	0.0	0.0
Vadodara	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Jaipur	0.3	0.3	0.4	0.2	0.2	0.2	0.2	0.1
Rajkot	1.1	0.9	0.8	1	0.5	0.5	0.5	0.4
Kanpur	0.1	0.1	0.3	0.3	0.1	0.1	0.2	0.1
Mangalore	0	0	0	0	0	0.0	0.0	0.0
Ernakulam	0.7	0.7	0.7	0.4	0.3	0.3	0.3	0.3
Others	13	10.6	5.6	6	7.1	7.4	7.7	7.7
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

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

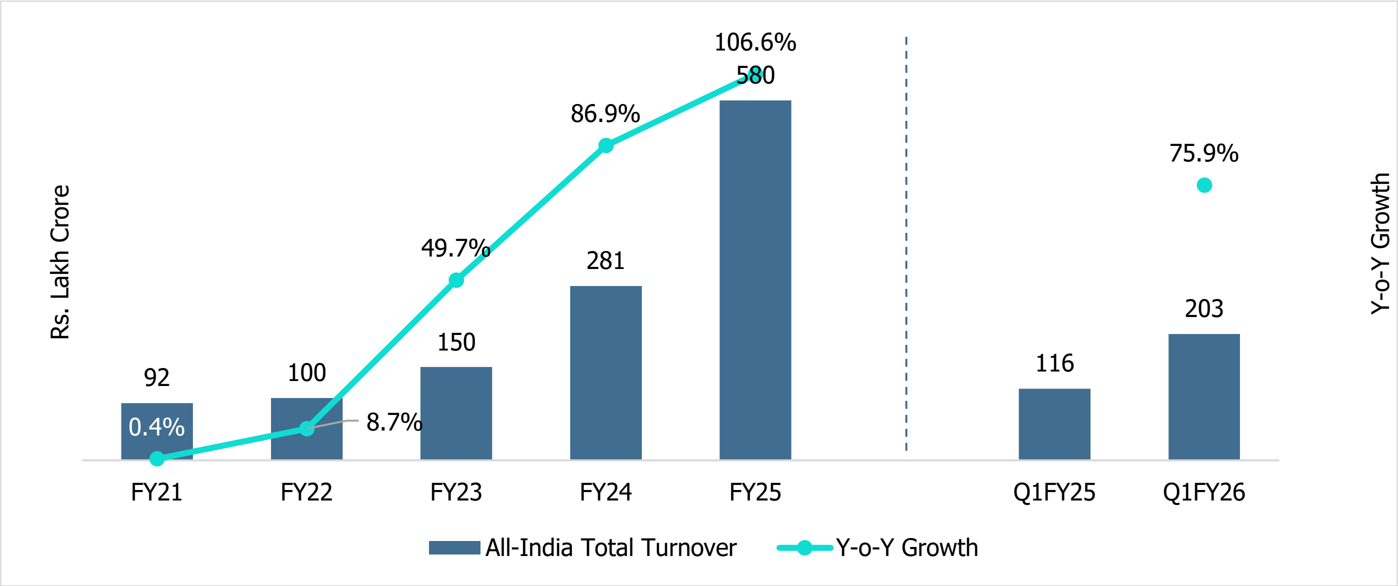
Mumbai continued to lead in terms of trading volume, followed by Ahmedabad has shown strong growth, rising from 1.7 in FY20 to 17.1 in FY25, driven by urbanisation and industrial expansion. Vadodara has remained stable around 0.1–0.2, contributing modestly. Ahmedabad is emerging as Gujarat's primary growth hub, supported by urbanisation and business development. Vadodara's future growth is likely to depend on strategic initiatives to enhance its industrial and economic base.

2.12 Trend in commodity derivatives

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

In terms of percentage share of commodity derivatives turnover among exchanges, MCX has the highest market share of 97.5%, followed by NSE (2.3%) and NCDEX (0.3%) as of FY25.

Chart 28: Total turnover of Commodity Derivatives Market (in Rs. Lakh crore)



Source: SEBI, CareEdge Research

The Indian financial market has experienced notable fluctuations in turnover across various exchanges in recent years. From FY20 to FY25, the combined turnover for all exchanges has shown impressive growth, with a CAGR of approximately 44.5% and Q-o-Q growth of 75.9% from Rs 116 lakh crore in Q1FY25 to Rs 203 lakh crore in Q1FY26. This growth trend highlights the performance of key exchanges, including the BSE, NSE, Multi Commodity Exchange (MCX), and National Commodity and Derivatives Exchange (NCDEX).

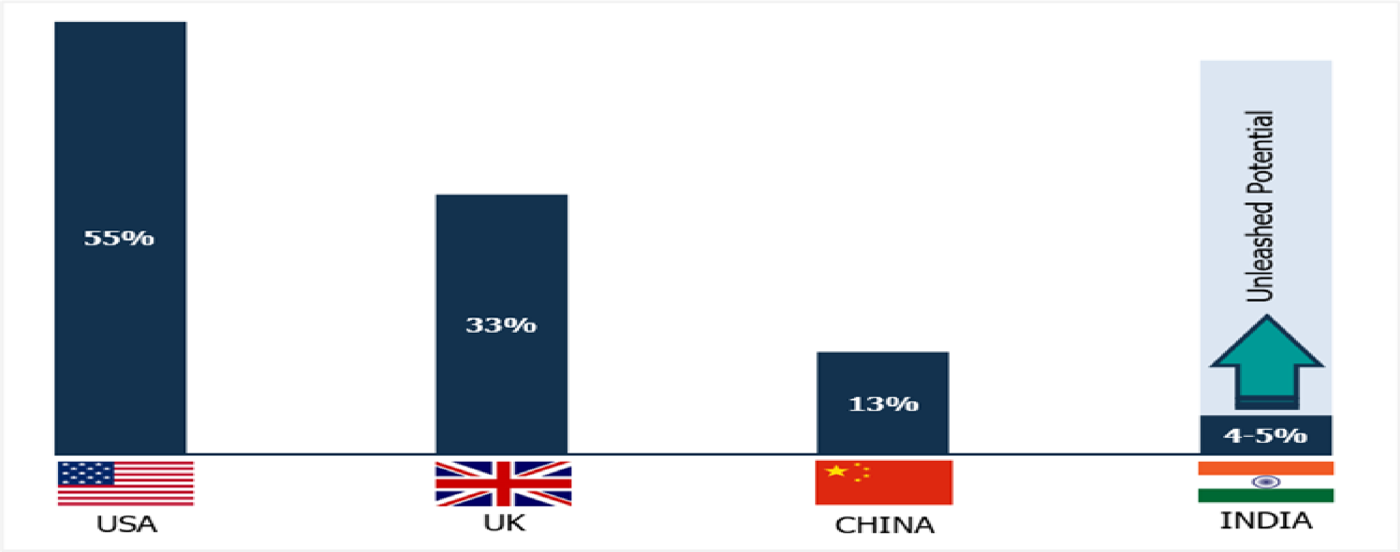
The growth of commodity derivatives in India can be attributed to several key factors:

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

2.13 Country wise percentage of population investing in stock market

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

Chart 29: Country-wise percentage of population investing in stock market



Source: CareEdge Research, figures are approximate

2.14 Key Growth Drivers for Capital Market Linked Businesses

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

Demographics of India	• India's youthful demographic drives significant capital market growth. As of June 2025, the median age of NSE registered investors stands at 33 years, with 39% under 30. As of Mar-20, the median age was 38. This young demographic shows a strong inclination towards digital solutions and wealth creation.
Rising Per Capita Income	• India's per capita GDP at current prices is expected to increase by 8.8% y-o-y in FY25 over FY24, prompting an increase in financial investments in stocks, bonds, and mutual funds.
Increasing penetration of Capital Markets	• The rising household savings in India augments the domestic capital pool, thereby enhancing participation in equity and debt markets. Households are diversifying their portfolios and shifting away from traditional instruments such as bank deposits to equities, small savings, provident funds, pension funds and mutual funds.
Increase in Financial Literacy	• Growing financial literacy and awareness encourage more people to invest in equities, supported by increasing incomes and technological advancements.
Digital Payments Boom	• The surge in digital payments facilitates market participation, providing easier access to financial markets for individuals.
Internet Penetration	• Internet penetration in India increased from 54.2% in 2019 to 68.9% in 2024 and is expected to reach 85%-86% by 2028. Government initiatives like Digital India and BharatNet contribute to bridging the digital divide between urban and rural areas.
Smartphone Penetration Driving Mobile Trading	• The rise in smartphone usage makes capital markets more accessible through mobile trading platforms, particularly for younger, tech-savvy investors.
Structural and Regulatory Reforms	• India has implemented key reforms, such as faster settlement cycles and SEBI regulations, to improve market efficiency, transparency, and investor protection.

2.15 Key Risks Related to Capital Markets

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

• **Market risk** –Market risk is frequently influenced by shifts in economic circumstances, investor attitudes, or geopolitical incidents, which are challenging to foresee and manage. Also, large trades can have a significant impact on stock prices as the size of Indian market is small as compared to markets on a global scale. Hence, it is crucial for institutional traders to be vigilant about how they execute the orders in the market to minimize the costs due to market impact.
• **Credit risk -** Bond investors face losses when issuers default on debt obligations, as seen in the IL&FS crisis.
• **Liquidity risk –** Low liquidity during financial instability forces asset sales at reduced values, affecting market prices.
• **Regulatory Risk –** Policy changes, trade regulations, or political instability disrupt markets, especially globally exposed industries, can have adverse impact on the market.
• **Operational and systemic risks -** Breakdowns, like cyberattacks or fraud disrupt operations, while systemic risks threaten financial system collapse, as seen in the 2008 crisis. Natural disasters or technological disruptions further amplify risks.

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

3 Overview of broking industry in India

3.1 Introduction to Broking Industry in India

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

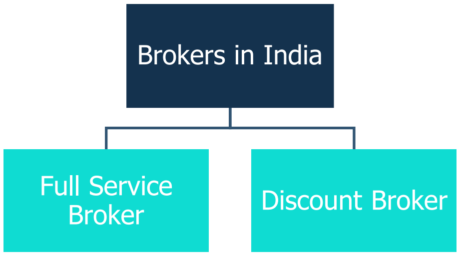
To strengthen their market positioning, brokers often offer enhanced graphical user interfaces with modern charting techniques, strategy-building tools to trade in derivatives, offer margin and credit facilities, high-frequency data feed, etc. These modern-day facilities require significant infrastructure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

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

3.2 Type of Brokers in India

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

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



- **Full-Service Broker**

Full-service brokers are licensed intermediaries offering a wide range of services, including investment advisory, wealth management, mutual fund distribution, Portfolio Management Services (PMS), and Margin Trade Financing (MTF). Operating both online and offline, they provide personalised support through branch networks and Relationship Managers (RMs). These brokers deliver in-depth research via dedicated teams, offering insights through technical and fundamental analysis. They cater to diverse investor needs—supporting beginners with guidance and offering advanced tools to experienced clients. Known for regulatory compliance, strong security, and comprehensive services, full-service brokers remain key players in the evolving financial landscape, even as discount brokers have expanded access to low-cost, digital trading.

- **Discount Broker**

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

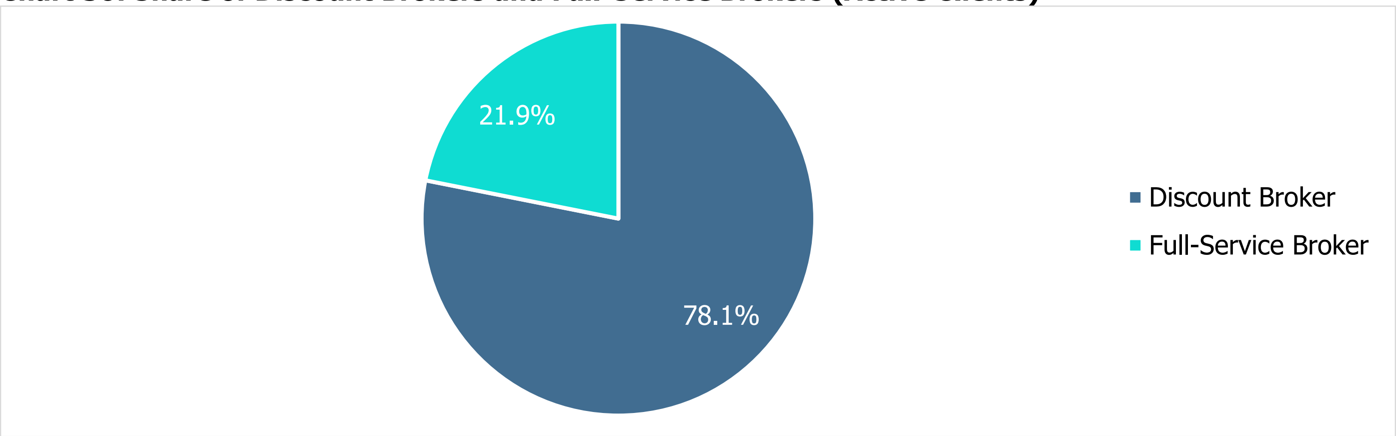
Table 7: Full-Service Vs Discount Brokers

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

Source: CareEdge Research

3.3 Split between Discount Brokers and Full-Service Brokers

Chart 30: Share of Discount Brokers and Full-Service Brokers (Active Clients)



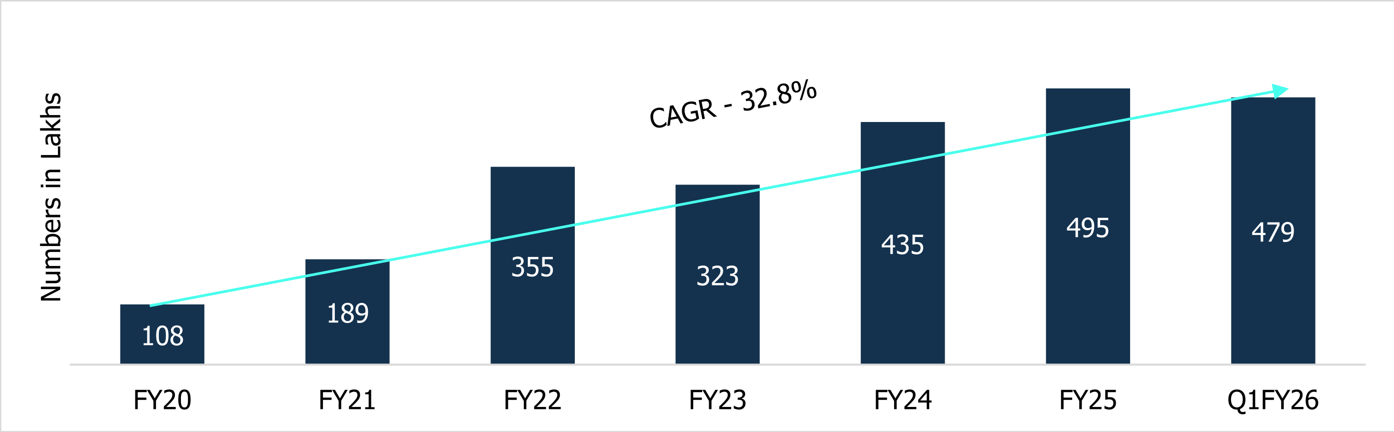
Source: NSE, CareEdge Research

Note: Market Share (of top 25 brokers) a percentage of total active clients as on 30st June 2025

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

3.4 Number of active client accounts in India

Chart 31: Number of Total Active Accounts in India



Source: NSE, CareEdge Research

In Q1FY26, NSE active clients witnessed rise in active clients supported by influx of retail investors with active clients reaching 479 lakhs. The number of NSE registered active clients increased at a CAGR of 32.8% between FY20-Q1FY26, despite the marginal decline in FY23 owing to inactivity of clients onboarded in earlier years. Key factors driving this surge included enhanced digitalization, the ease of opening accounts, and improving financial literacy, which encouraged greater participation in stock trading. Furthermore, the pandemic highlighted the importance of savings and investments, and coupled with low interest rates, prompted investors to move away from traditional savings options and turn to equity markets in search of higher returns, resulting in a significant increase in stock market investments and maintaining a prominent level of active accounts.

Chart 32: State-wise Share of Total NSE Registered Investors

State	FY20	FY21	FY22	FY23	FY24	FY25	FY26TD
Maharashtra	19.2%	19.5%	18.8%	18.2%	17.2%	16.3%	16.2%
Uttar Pradesh	7.4%	7.8%	8.9%	9.9%	10.8%	11.4%	11.5%
Gujarat	12.2%	11.4%	9.9%	9.3%	8.9%	8.8%	8.7%
West Bengal	6.4%	5.9%	5.5%	5.5%	5.7%	5.9%	5.9%
Rajasthan	4.3%	4.7%	5.4%	5.5%	5.6%	5.7%	5.7%
Others	50.4%	50.8%	51.5%	51.7%	51.8%	51.9%	52.1%

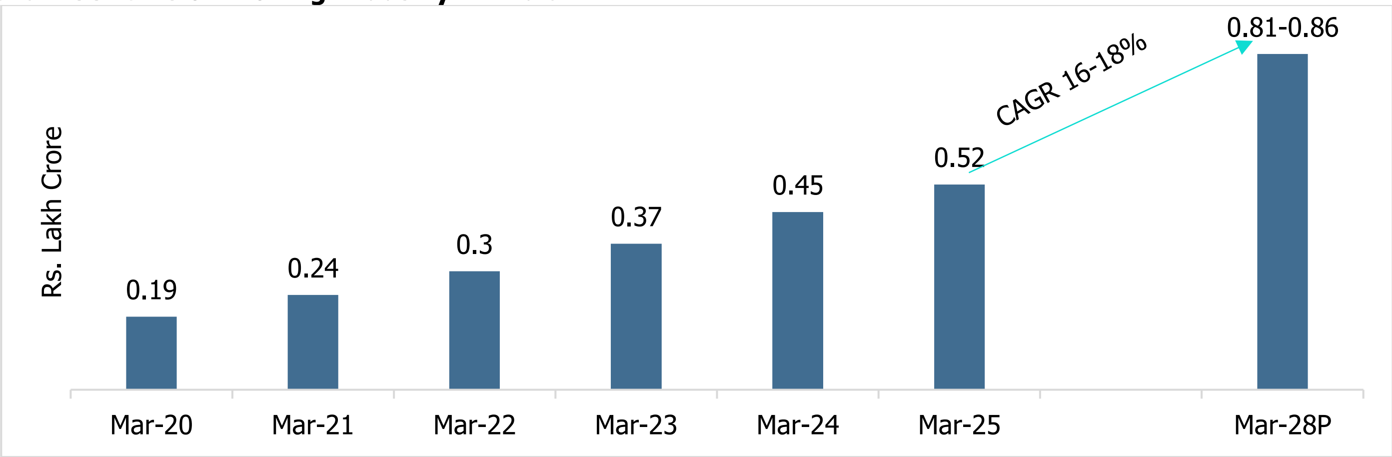
Source: NSE, CareEdge Research

Maharashtra continues to hold the largest share of registered investors, though it has declined steadily from 19.2% in FY20 to 16.2% in Q1FY26. Uttar Pradesh has shown consistent growth, rising from 7.4% to 11.5% over the same period, indicating increasing retail participation from the state.

Although Gujarat's share in total registered investors has declined from 12.2% in FY20 to 8.7% in Q1FY26, this trend can be seen as an opportunity rather than a setback. The state still remains among the top contributors, consistently holding a significant share, which reflects a solid base of retail investors. while West Bengal, Rajasthan, and other states have either remained stable or shown slight increases. The "Others" category has steadily increased, reaching 52.1% in Q1FY26, reflecting broader geographical diversification in investor registration across India.

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

Chart 33: Size of Broking Industry in India



Source: CareEdge Research Estimates

The broking industry in India is estimated to be valued at ~ Rs 0.52 lakh crore as of FY25 and expected to grow at a CAGR of 16-18% over the next 2-3 years. The increase in financial literacy and reduced cost of investing due to emergence of discount brokers has contributed significantly to this growth. Moreover, these factors are expected to continue leading to healthy growth in the long term.

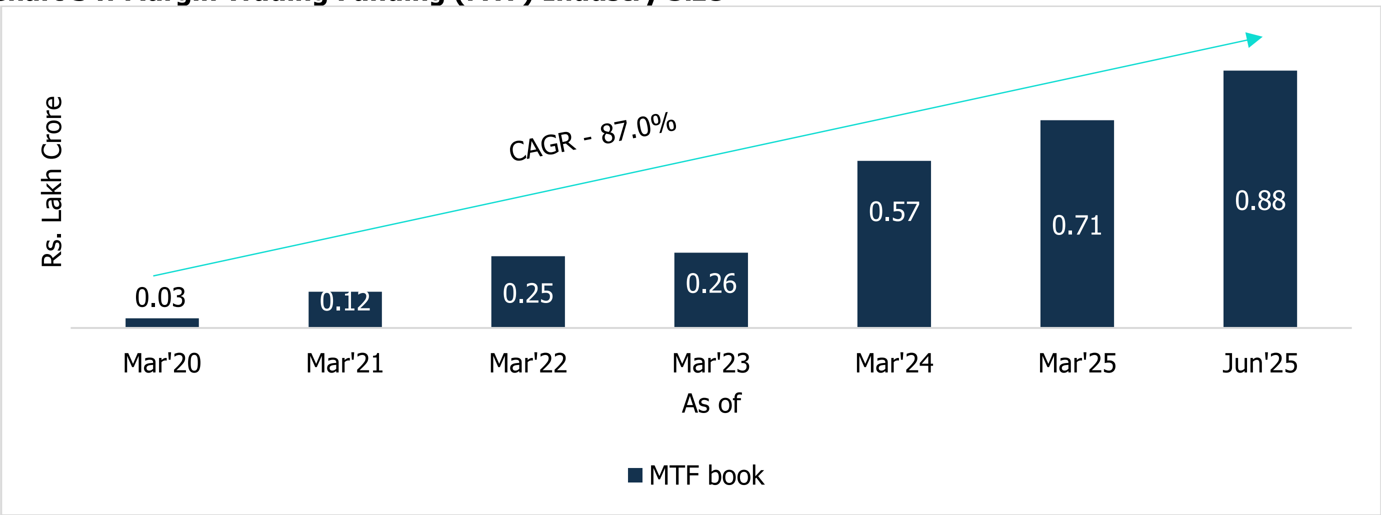
3.6 Margin Trading Funding (MTF) Industry Size

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

In Jun’25, the MTF book grew significantly, reaching Rs. 0.88 lakh crore, a 23.7% increase over Mar’25, the MTF book grew at a CAGR of 87% from last trading day of Mar’20 to last trading day of Jun’25. This growth is driven by rising investor awareness of MTF's benefits in boosting buying power and potential returns, along with a bullish stock market. Interest income from MTF ranges between 15% to 35% of total revenue for leading players.

MTF industry size grew at a CAGR of 87% between Mar’20-Jun’25

Chart 34: Margin Trading Funding (MTF) Industry Size



Source: NSE, BSE

Note: Figures have been round-off to the nearest integer

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

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

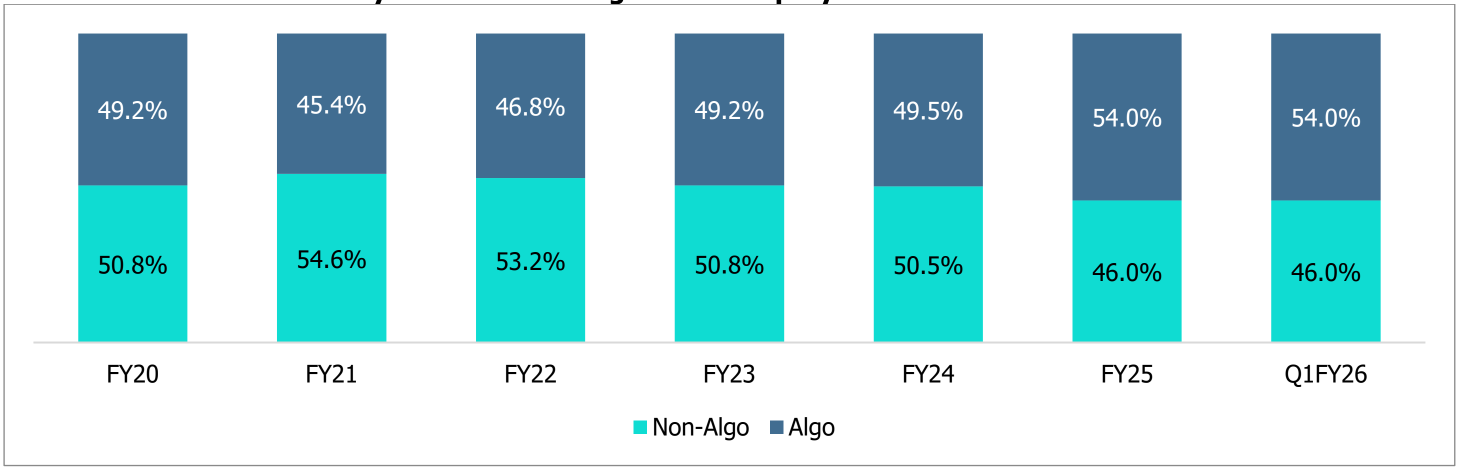
3.7 The Surge of Algorithmic Trading in India’s Capital Markets

Algorithmic trading, also known as algo trading, refers to the use of computer programs and pre-defined instructions (algorithms) to execute trading strategies automatically. These instructions are based on various factors such as timing, price, quantity, or complex mathematical models. Unlike traditional manual trading, algo trading allows for high-speed, high-frequency, and emotionless execution of trades across markets and instruments.

In India, the rise of algorithmic trading has been notable since SEBI introduced direct market access in 2008, followed by the rollout of co-location services and smart order routing. Initially limited to institutional players like foreign portfolio investors, mutual funds, and proprietary desks, the adoption has now expanded to retail investors due to the increasing availability of APIs and low-latency platforms from brokers and fintech providers.

API trading allows traders to connect directly with a broker's system to automate order execution through algorithms and models, ensuring speed, efficiency, and instant reaction to market signals. It is widely adopted in algorithmic and high-frequency trading by institutions and advanced retail investors. For brokers, offering APIs attracts high-volume traders, boosts transaction revenues, enhances client relations, and enables integration with fintech ecosystems, opening ancillary income streams. Strategically, API trading reflects the digitisation of markets, with adoption expected to rise as data-driven strategies and regulatory support expand retail algo participation, positioning brokers as technology partners in the evolving trading landscape.

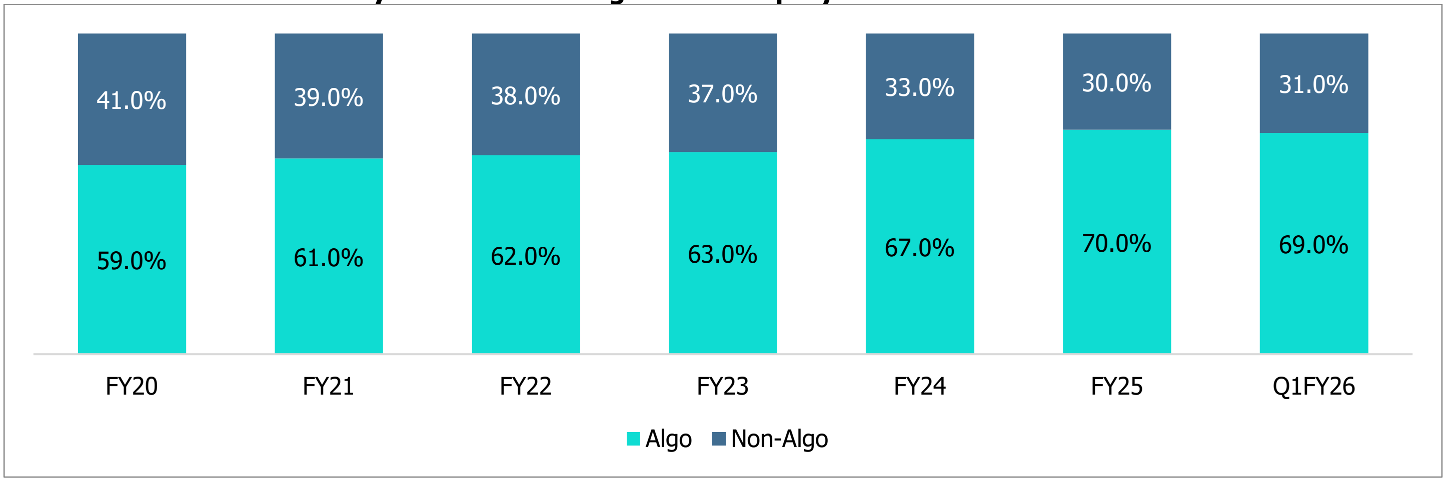
Chart 35: Annual trend by modes of trading in NSE's equity cash market turnover



Source: NSE, CareEdge Research

The share of algorithmic trading has seen a consistent upward trend, growing from 49.2% in FY20 to 54.0% in Q1FY26. This shift reflects increasing retail and institutional adoption of API-driven platforms and automated strategies. In FY25, algo trading surpassed non-algo activity for the first time, indicating a structural change in the way equity transactions are executed in the cash segment.

Chart 36: Annual trend by modes of trading in NSE's equity derivatives market turnover



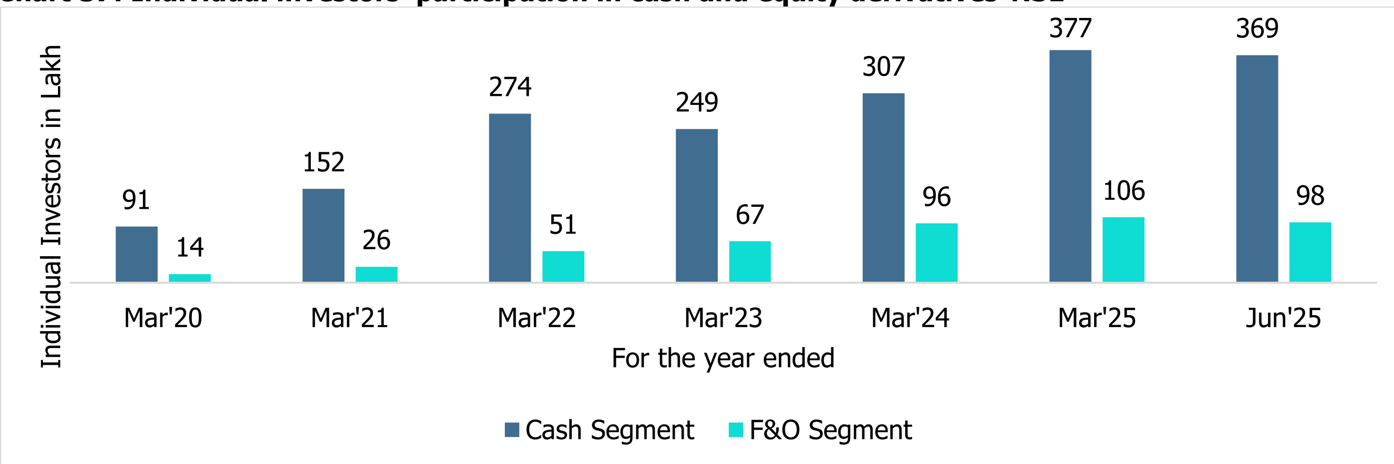
Source: NSE, CareEdge Research

As of Q1FY26, algorithmic trading accounted for 69% of NSE's equity derivatives market turnover, indicating a structural shift in trading behaviour.

3.8 Share of client concentration in cash & derivative markets

Split in active investors in cash and F&O segment

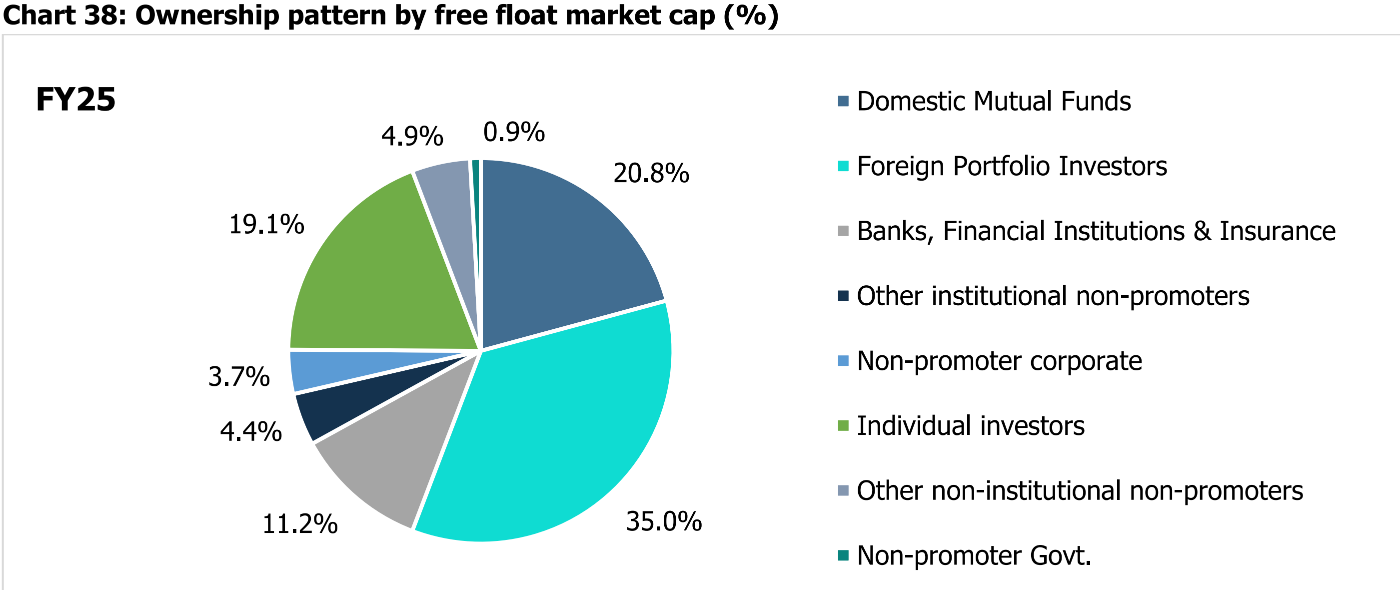
Chart 37: Individual investors' participation in cash and equity derivatives-NSE



Source: NSE, CareEdge Research

Between Mar'20-Mar'25, participation of individual investors in the cash segment grew at a CAGR of 32.9% and has reached 377 lakhs as on Mar'25, while participation in the equity derivatives segment surged at a remarkable CAGR of 49.9% and have reached 106 lakhs as on Mar'25. This significant growth in derivatives can be attributed to the increasing popularity of trading strategies among retail investors, fuelled by the rise of digital trading platforms that make derivatives trading more accessible. Additionally, heightened market volatility and a growing interest in leveraged trading have encouraged investors to explore equity derivatives for potential higher returns. However, as per SEBI study released on 07th July 2025, 91% of individual traders incurred net loss in Equity Derivatives Segment (EDS) in FY25. This has come after the equity F&O segment witnessed strict guidelines for individual investors, which impacted the investor participation within the segment.

Chart 38: Ownership pattern by free float market cap (%)



Source: NSE, CareEdge Research

Foreign Portfolio Investors (FPIs) account for 35% of free float market cap as of Mar'25, followed by Domestic Mutual Funds at 20.8%, indicating growing confidence among retail investors in professionally managed investment vehicles.

3.9 GIFT City role in broking

Gujarat International Finance Tec-City (GIFT City) is India's first and only International Financial Services Centre (IFSC), envisioned to position the country as a competitive global financial hub. Designed as a vertical smart city to optimise land usage, GIFT City spans a total area of 886 acres—comprising a 261-acre Multi-Service Special Economic Zone (SEZ) and an adjoining 625-acre Domestic Tariff Area (DTA). This strategic bifurcation enables seamless integration of both global-facing and domestic operations. With world-class infrastructure, tax and regulatory incentives, and ease of doing business, GIFT City has increasingly emerged as a preferred destination for global institutions seeking to establish cross-border financial operations. Its strategic location, policy support, and innovation focus position it as a critical enabler in India's ambition to be a global financial powerhouse.

With regulatory bodies like the International Financial Services Centres Authority (IFSCA) implementing progressive norms and initiatives such as GIFT IFSC Stock Exchanges and aircraft/ship leasing ecosystems, brokers play a pivotal role in the operational and strategic framework acting as key conduit for offshore fund flows, global listings, and cross-border financial services. Registered brokers at GIFT City provide access to international financial markets, enabling investors to trade in a variety of instruments, including foreign equities, derivatives, and debt securities. They also support non-resident investors, such as NRIs and foreign portfolio investors, by offering services aligned with global compliance standards.
Additionally, brokers in GIFT City enjoy a 100% income tax exemption on business income for any 10 consecutive years out of a 15-year period, as per Income Tax Act, 1961. They are also exempt from Securities Transaction Tax (STT), Commodities Transaction Tax (CTT), and stamp duty on transactions conducted on IFSC exchanges. Furthermore, there is no GST on services received by IFSC units or provided to offshore clients. This makes GIFT City an attractive destination for brokers seeking to expand their international operations while benefiting from a favourable regulatory and tax environment.

3.10 Changing Trends in the Broking Industry

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

Brokerage firms are actively diversifying their revenue streams by expanding into non-broking services such as wealth management, financial advisory, and investment products. Emerging brokerages are attracting clients through zero-commission trading, while established full-service brokers transform into comprehensive financial service providers., These firms now offer an extensive suite of services, including equity research, funding solutions, mutual funds, insurance, and retirement planning, thereby positioning themselves as one-stop financial solutions for their clients.

As of Jun-25, the portfolio management industry managed assets totalling ~Rs. 39.3 lakh crore, primarily from discretionary services, with advisory services contributing over Rs 3.0 lakh crore. This indicates a preference for personalised investment strategies, driven by enhanced financial literacy.

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

3.10.2 Rising Importance of Relationship Based Broking

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

Relationship-based broking is redefining client engagement by moving beyond transactional interactions towards a more customised service model. It focuses on cultivating trust, enhancing client satisfaction, and fostering enduring relationships—factors that drive sustainable growth and create meaningful differentiation in a crowded market. The recent market correction, beginning in October 2024, and ongoing volatility have further amplified the demand for bespoke research and advisory services—areas where traditional brokers continue to hold a competitive edge. By adopting a relationship-driven approach, brokers are investing time in understanding their clients' aspirations, concerns, and financial circumstances. This deeper engagement enables the provision of tailored advice, thereby strengthening trust and improving client retention.

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

Overall, relationship-based broking is essential for building trust, offering tailored investment strategies, gaining market insights, and standing out in a competitive marketplace. This approach enhances client satisfaction but can also lead to sustainable business growth, as long-term relationships often yield higher value compared to one-off transactions. Furthermore, relationship-based broking plays a critical role in the financial services industry, significantly influencing how brokers interact with clients and manage their investments.

3.10.3 Rising Importance of Technology in Trading

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

The rise of app-based trading has significantly contributed to the expansion of the digital broking market. Mobile applications offer seamless access to trading platforms, allowing users to execute trades, monitor markets, and manage portfolios in real time from their smartphones. With intuitive designs and personalised notifications, these apps attract tech-savvy investors and new entrants alike, making financial markets more accessible.

Furthermore, technological innovations, such as advanced trading algorithms, real-time data analytics, and user-friendly interfaces, enhance trading platforms and attract a wider range of investors, including beginners. Mergers and acquisitions within the industry foster innovation and consolidation, allowing firms to offer comprehensive services and optimise operations. Investors increasingly prioritise customisation, seeking platforms that provide tailored portfolios and strategies.

E-brokerages offering features like automated rebalancing and personalised advice are better equipped to meet these demands. At the same time, firms need to implement robust cybersecurity measures to maintain client trust and protect sensitive information against cyber threats, which could harm both reputation and operations.

3.11 The Path Forward: Emerging Trends in Indian Broking

India's capital markets are witnessing a rise in retail investment and an increase in assets under management in mutual funds, reflecting a positive investor outlook. The broking industry is expected to register moderate growth over the medium term, supported by economic expansion, growing retail participation, and continued technological advancement. The industry is likely to attract new clients, particularly from underpenetrated retail segments, driven by favourable demographics and improved financial literacy. The widespread use of smartphones, faster internet connectivity, and user-friendly trading applications will further facilitate broader participation in trading and investing across diverse age groups. Regulatory developments, particularly those introduced by the Securities and Exchange Board of India (SEBI), significantly influence the industry's trajectory. SEBI's initiatives aimed at safeguarding investors and enhancing market transparency—such as recent revisions to margin trading norms—require brokers to adapt swiftly. While these reforms strengthen market integrity, they may pose compliance challenges for smaller firms.

Key trends shaping the future of stockbroking include AI-powered tools like algorithmic trading, robo-advisors, chatbots, and virtual assistants. These innovations will personalize investment recommendations and improve user experience, fostering stronger client relationships. India has considerable potential for growth in the broking industry (Chart **39**38), as only 4-5% of India's population actively participating in stock trading, compared to significantly higher rates in countries like the United States (55%), the United Kingdom (33%), and China (13%).

3.12 Retail and HNI broking in India

India's broking landscape is undergoing a structural transformation, led by a generational shift in retail investor behaviour and digital adoption. The younger, tech-native investor cohort is increasingly prioritising accessibility, low costs, and convenience over traditional relationship-based broking. Retail investors, particularly in Tier 2 and Tier 3 cities, are gravitating towards mobile-first platforms offered by brokers, which provide ease of onboarding and direct market access with minimal human intervention. Conversely, HNIs remain relationship-driven, with a clear preference for research-backed advisory, portfolio-level insights, and integrated offerings such as wealth management, PMS, and lending solutions are services typically anchored within full-service broker models.

The regulatory environment has become a key pivot point for broking business models. Recent directives by SEBI to standardise pass-through charges and restrict misaligned incentives in the F&O space are aimed at promoting market integrity but pose near-term headwinds to broker profitability especially for firms that relied heavily on high-frequency retail trades. This is particularly true for discount brokers that monetised through transaction-linked revenues. Full-service brokers, though relatively insulated due to diversified revenue streams, are not immune to margin compression. There is a growing emphasis on compliance, risk-based profiling, and suitability frameworks, which may constrain aggressive customer acquisition but improve long-term sustainability and client trust.

The competitive landscape is being reshaped by the aggressive market share gains of discount brokers, which are commoditising core broking services and forcing full-service firms to reassess their positioning. In response, full-service brokers are adopting a dual strategy: expanding premium advisory for affluent clients while launching digital arms to engage cost-sensitive investors. As zero-brokerage models erode traditional revenue streams, brokers are increasingly monetising through ancillary offerings like research subscriptions, asset distribution, and lending solutions.

3.13 Key Growth Drivers for the Indian Broking Industry

- **Favourable Demographics**

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

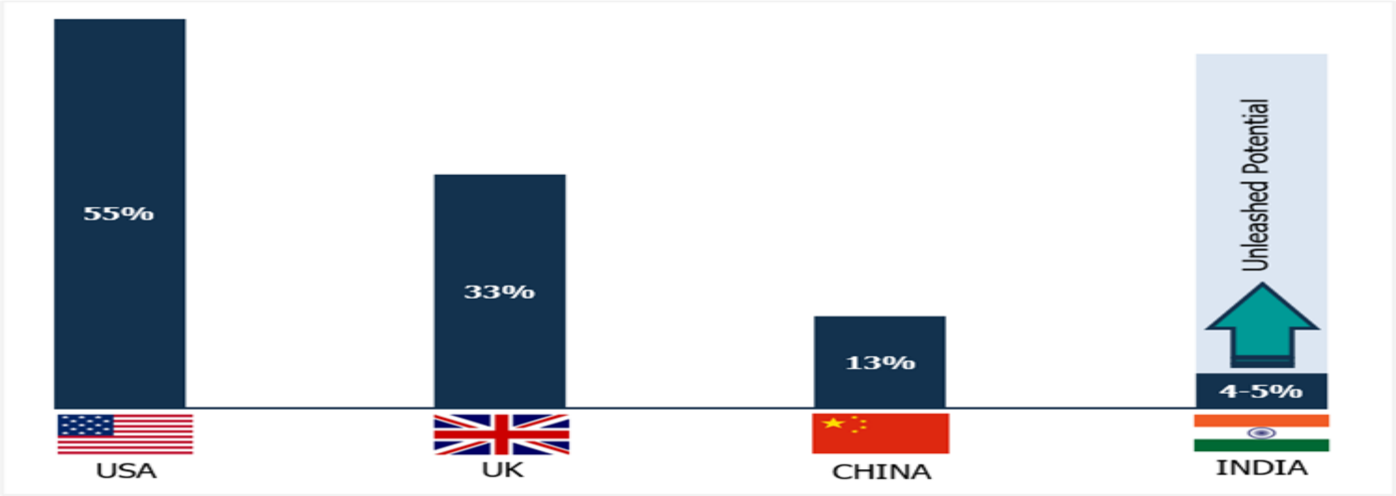
Indicator	2011	2016	2021	2026P	2031P	2036P
Population by broad age- group (000’)						
18 years and above	7,62,839	8,51,653	9,38,959	10,16,567	10,85,563	11,48,803
0-14	3,73,893	3,62,202	3,49,990	3,39,222	3,23,258	3,06,374
15-59	7,35,424	8,10,687	8,75,446	9,23,857	9,62,091	9,88,476
60+	1,01,538	1,18,185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

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

- **Low Penetration of Capital Markets**

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

Chart 39: Country-wise percentage of population investing in stock market

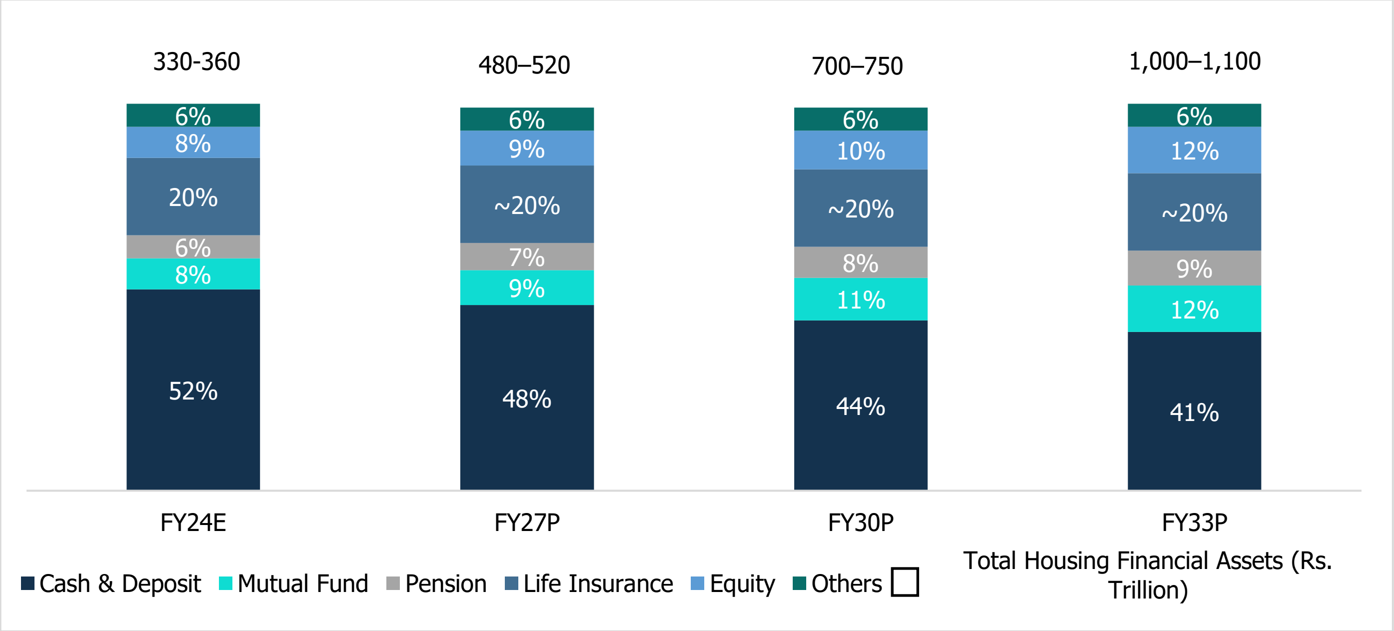


Source: CareEdge Research, figures are approximate

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

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

Chart 40: Split of Household Financial Savings by asset class



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

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

India's asset management industry, including mutual funds, PMS, and Alternative Investment Funds (AIFs), has grown by over 20% in the past decade (FY15 – FY25) The rise of digital trading platforms has enabled brokerage firms to expand beyond major cities, with over 60% of investments now coming from Tier 2 and Tier 3 cities. This growth is driven by improved internet connectivity, increasing financial literacy, and targeted marketing efforts.

- **Role of Technology and Tech Platforms**

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

- **Rising Retail Participation**

Retail participation in India's trading markets has surged, fuelled by the growing use of mobile trading platforms and awareness of derivatives as hedging tools. Retail traders' share of derivatives trading volumes has increased dramatically, from 2% in 2018 to 41% in 2023, establishing India as a global leader in derivatives trading. During FY25, the notional turnover of equity derivatives traded on NSE reached Rs. 78,359 lakh crore. Additionally, SEBI's introduction of more derivative products has enhanced market liquidity and depth, creating new revenue opportunities for brokers.

3.14 Key Risks and Challenges

Challenge Area	Details
Regulatory Changes	Evolving SEBI regulations—such as higher margin requirements and stricter compliance norms—are increasing operational burdens, particularly for smaller brokerage firms.
Revenue Pressures	The shift toward uniform transaction fees and the removal of volume-based discounts is expected to compress profit margins, especially for discount brokers.
Cybersecurity Risks	Growing digitalization has heightened exposure to cyber threats and data breaches, necessitating substantial investments in cybersecurity infrastructure.
Market Volatility	The inherent volatility in Indian capital markets—especially in the derivatives segment—poses challenges for brokers in managing margins and ensuring client liquidity.
Consolidation Pressure	Rising regulatory and compliance costs may lead to market consolidation, with smaller brokers struggling to compete with larger, well-capitalised players.
Intense Competition	The Indian financial services sector is highly competitive and fragmented. As of September 03, 2025, nearly 4,900 brokers are registered with SEBI under the equity segment.

3.15 Key Strengths and Weaknesses

Strengths	Weaknesses
Technology and Innovation: Adoption of advanced platforms, algorithmic trading, and real-time data improves efficiency and user experience.	High Competition: Numerous players offering similar services lead to price wars, thinner margins, and low differentiation.
Financial Advisory & Research Services: Full-service brokers provide valuable insights and advice, increasing client loyalty. Rapid Growth of Retail Investors: Increase in retail participation driven by literacy, accessibility, and policy support.	Lack of Awareness in Rural Areas: Limited understanding of capital markets in rural/semi-urban regions restricts market penetration. Cybersecurity Risks: Increased digital exposure heightens risk of cyber threats, affecting investor confidence.

3.16 Regulatory Framework and its potential impact on the Broking Industry

1. QSB Framework

Objective & Framework

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

The framework evaluates stockbrokers based on four key parameters:

1. Active Clients: The number of active clients maintained by the broker.
2. Total Assets: The total value of assets held by the broker’s clients.
3. Trading Volumes: The total trading volume executed by the broker, excluding proprietary trading.
4. End-of-Day Margin Obligations: The margin obligations of the broker's clients at the end of the trading day, excluding proprietary margins.

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

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

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

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

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

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

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

2. Recent SEBI guidelines on F&O trading

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

Regulatory Measure	Objective / Impact
SEBI increased the minimum contract value for derivatives trading from the current range of Rs. 0.5 to Rs. 15 lakh. This adjustment ensures that investors are exposed to appropriate levels of risk in the derivatives market. SEBI also announced plans to eventually adjust the contract size further, setting the value between Rs 15 lakh and Rs. 20 lakh in the future.	To ensure investors maintain appropriate exposure to risk in the derivatives segment.
To tackle market volatility on expiry days, starting November 2024, SEBI has enforced an additional extreme loss margin (ELM) of 2% on all open short option positions on the day of expiry. This measure is designed to protect investors against extreme market fluctuations, particularly during high-volume trading periods.	To protect investors from sharp market fluctuations during volatile trading sessions.
Starting November 20, 2024, SEBI has limited weekly expiries for index derivatives to one per benchmark index per exchange, reducing the total from 18 to 6 contracts per month. This move aims to reduce speculative trading and manage risks related to uncovered or naked option selling.	To reduce speculative trading and manage risks from uncovered option selling.

Regulatory Measure	Objective / Impact
Removal of Calendar Spread Benefits Calendar spread margin benefits removed for contracts expiring on the same day.	To discourage speculative expiry-day trading and strengthen market discipline.
Starting February 2025, SEBI has eliminated calendar spread benefits for contracts of the same underlying assets but with different expiring dates, a change that seeks to minimize speculative trading, particularly on expiry days.	To curb excessive intraday leverage and ensure investors have adequate collateral.
From April 1, 2025, stock exchanges have begun to conduct intraday monitoring of position limits in equity index derivatives. This means that position limits will be tracked and checked multiple times throughout the trading day, preventing traders from exceeding their permissible limits unnoticed.	To prevent unnoticed breaches of regulatory limits and enhance compliance.
Starting October 1, 2024, SEBI introduced a new rule mandating uniform transaction fee for market infrastructure institutions (MIIs), including stock exchanges. This rule could diminish the competitive edge of discount brokers, who typically thrive on high trading volumes and offer low fees. Traditionally, discount brokers charged lower fees to attract high-frequency traders, leveraging their high volumes to maintain profitability. However, with SEBI's new rule enforcing a standardized fee structure across the board, these brokers will lose their ability to offer significantly cheaper rates, reducing their pricing advantage over full-service brokers and potentially impacting their market share.	To level the playing field, potentially affecting the pricing advantage of discount brokers.
As per SEBI study released on 07th July'25, 9 out of 10 individual traders in the equity futures and options segment continued to incur significant losses. Way forward the equity F&O segment is likely to witness strict guidelines for individual investors, which may impact investor participation within the segment.	To protect retail investors and potentially limit their participation in high-risk F&O trading.

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

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

- **Stricter Compliance and Reporting Standards**

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

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

- **Fee Structures and Transparency**

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

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

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

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

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

- **Derivative and Margin Norms**

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

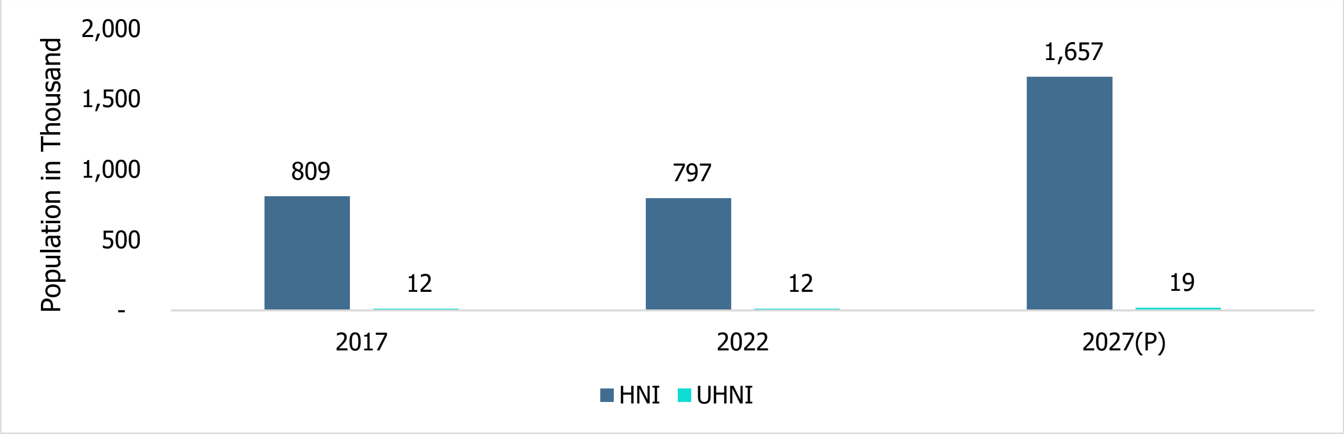
Non-Assisted Brokers: Non-assisted brokers (discount brokers) are largely dependent on F&O transactions for their broking revenue as most of them offer zero or minimal brokerage for equity delivery transactions. Due to changes and restrictions in derivative contracts, margin norms, etc. retail-focused brokers may see reduced F&O volumes as fewer retail clients will be able to meet the new margin requirements. Further, fewer expiry days will also lead to reduced F&O volumes and therefore is expected to have negative impact on the revenue of non-assisted brokers (discount brokers).

4 Asset Management & Distribution

4.1 Size and Growth of HNIs in India

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 41: HNII 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, HNI population is projected to grow at a CAGR of 6.5% over 2022.

In the medium to long term, UHNI, HNI and affluents segment are likely to see tremendous growth on the back of growth in Indian economic, 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.

4.2 Investment advisory services

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

The main elements of investment advisory services include:

- **Financial Planning**: Advisors develop a comprehensive plan to meet financial objectives, such as retirement, education savings, purchasing a home, or estate planning.
- **Portfolio Management**: Advisors create, implement, and monitor an investment portfolio of assets (like stocks, bonds, or mutual funds) that aligns with the client's risk profile and goals.
- **Investment Selection and Advice**: Based on market research and analysis, advisors recommend investments suited to the client's needs and objectives.
- **Ongoing Reviews and Adjustments**: Advisors regularly update clients on portfolio performance and adjust strategies as necessary based on changes in the market or the client's circumstances.

- **Education and Client Support**: Advisors help clients understand financial markets, investment products, and strategies to enable informed decision-making.
- **Foreign Investing Through Indian Brokers**: With the expansion of investment advisory services, brokers now support foreign investing through structures like the Foreign Portfolio Investor (FPI) framework. They assist global clients including individuals, foreign institutions, etc in accessing India's equity, debt, derivatives, and alternative markets while ensuring compliance with SEBI and RBI regulations. Services include onboarding, KYC, tax planning, reporting, portfolio construction, risk management, and currency hedging. Despite challenges like currency fluctuations, taxation, and compliance requirements, advisory support helps investors navigate these complexities. With liberalised norms and growing global allocations to emerging markets, Indian brokers play a crucial role in enabling foreign participation in India's capital markets.

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

4.3 Alternative Investment Funds

Overview

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

Types of AIFs

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

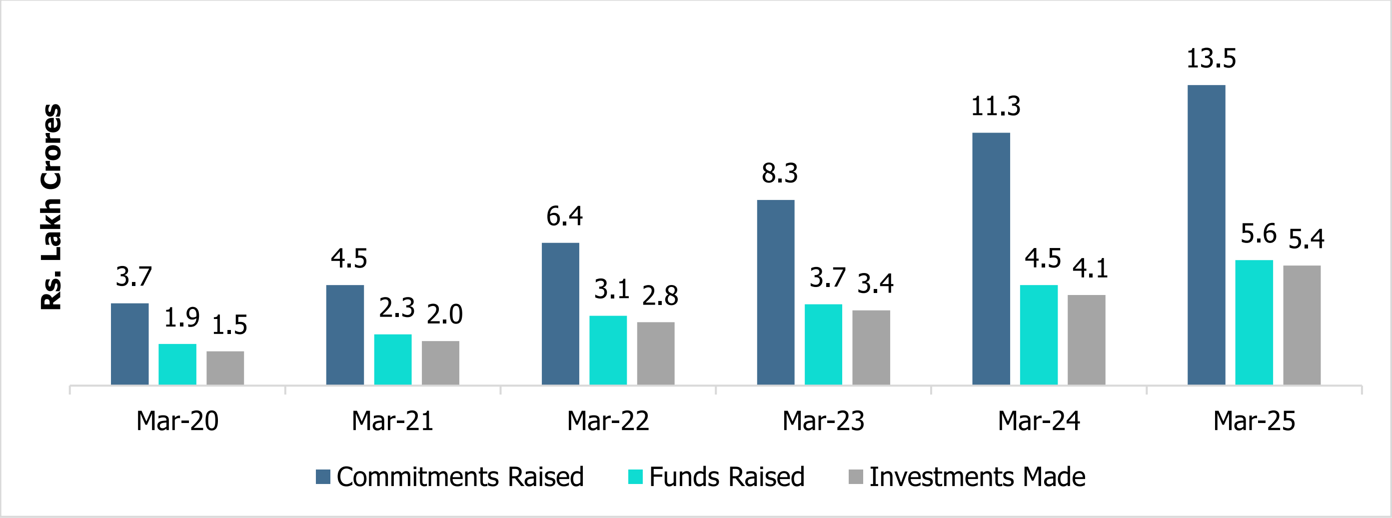
- **Category I:** Invests in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, social impact funds, infrastructure funds, special situation fund.

- **Category II:** Category II are those funds which do not fall in Category I and III and which does not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in these regulations.

- **Category III:** Category III are those funds which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives.

Growth of AIFs in India

Chart 42: AIFs Commitments have surged annually (Rs. Lakh crore)



Source: SEBI, CareEdge Research

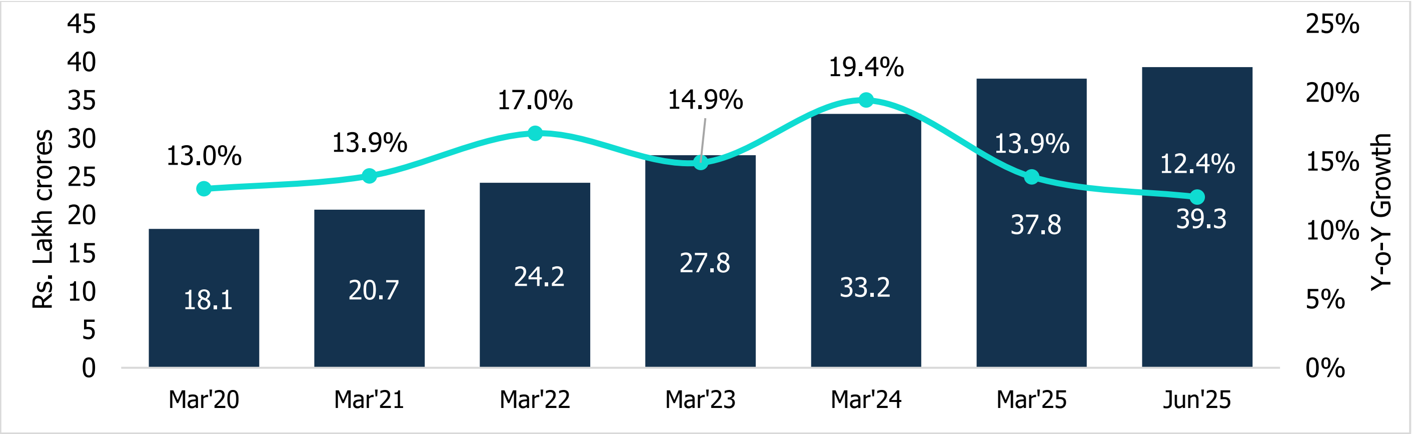
AIFs commitments have grown sharply with the annual growth rate remaining in high double digits. As of Mar'25, AIFs have received commitments worth Rs. 13.5 lakh crore growing at a CAGR of 29.5% between FY20-FY25. Of these commitments received, ~42% of the funds have been raised and of these funds ~96% investments have been made. Category II funds are the highest contributor in terms of commitments for AIF, accounting for over 76% of total commitments, indicating the popularity of private equity funds or debt funds. Followed by Category III and Category I funds accounting for 17% and 6.6% share in total commitments respectively, in FY25.

4.4 Portfolio Management Services (PMS)

PMS is a category of professional financial services governed by the SEBI Portfolio Manager Regulations. A professional portfolio manager offers customised investment solutions to high net-worth individuals (HNIs) who are seeking to invest in instruments such as equity, debt, gold and more. The minimum investment limit for PMS is Rs 50 lakh. PMS invests on behalf of its clients in separately managed accounts in various securities including listed equities, unlisted equities, fixed income instruments, hybrid, or structured products and others. A PMS can be primarily structured in three ways – Discretionary Portfolio Management, Non-Discretionary Portfolio Management, and Advisory Portfolio.

Portfolio Management Services Grows at a Steady Pace

Chart 43: PMS AUM Grows at a CAGR of 15.8% between Mar'20 to Jun'25



Source: SEBI, CareEdge Research

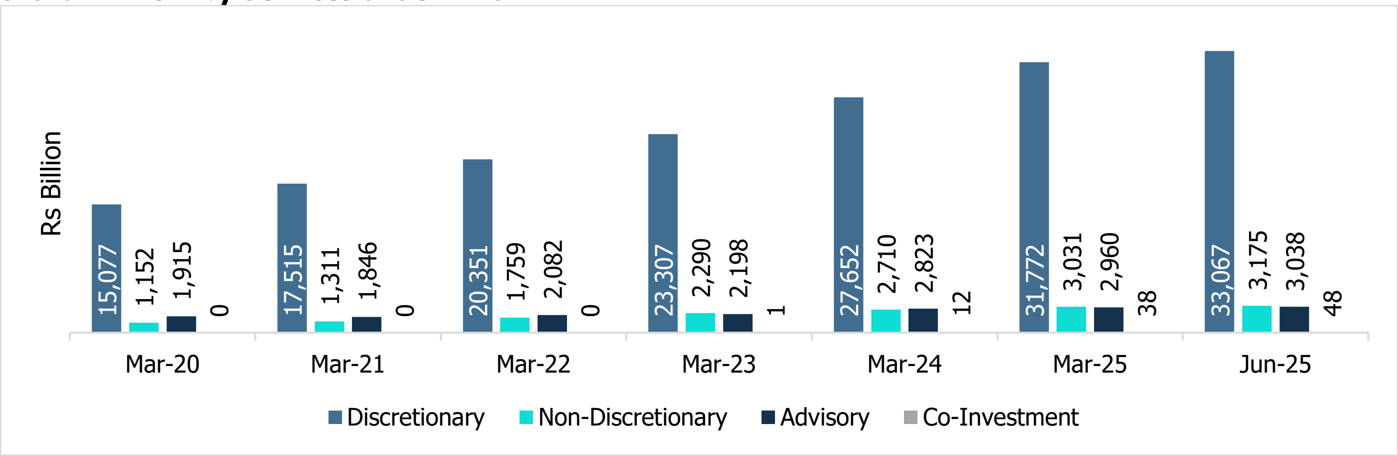
Services under Portfolio Management Services

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

Non-Discretionary: Services where the Investor is responsible to choose the investment and the time of investment. While the role of portfolio manager is only to suggest the investment ideas and execute the trade are termed as Non-Discretionary Services.

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

Chart 44: AUM by Services under PMS



Source: SEBI, CareEdge Research

As of Jun'25, the AUM of the portfolio management industry reached nearly Rs. 39 lakh crore of which discretionary service category contributed the most (~84.1%) followed by non-discretionary services (~8.1%). While the Advisory service contributed to around Rs. 3 lakh crore of the total AUM which is 7.7% of the AUM of portfolio management industry.

There were over 1.95 lakh clients in portfolio management industry as of Jun'25. Of these, ~96% clients were of discretionary services category 3.3% clients in non-discretionary services category, and 0.6% clients availed advisory services of portfolio managers.

4.5 Securities Lending and Borrowing (SLBM)

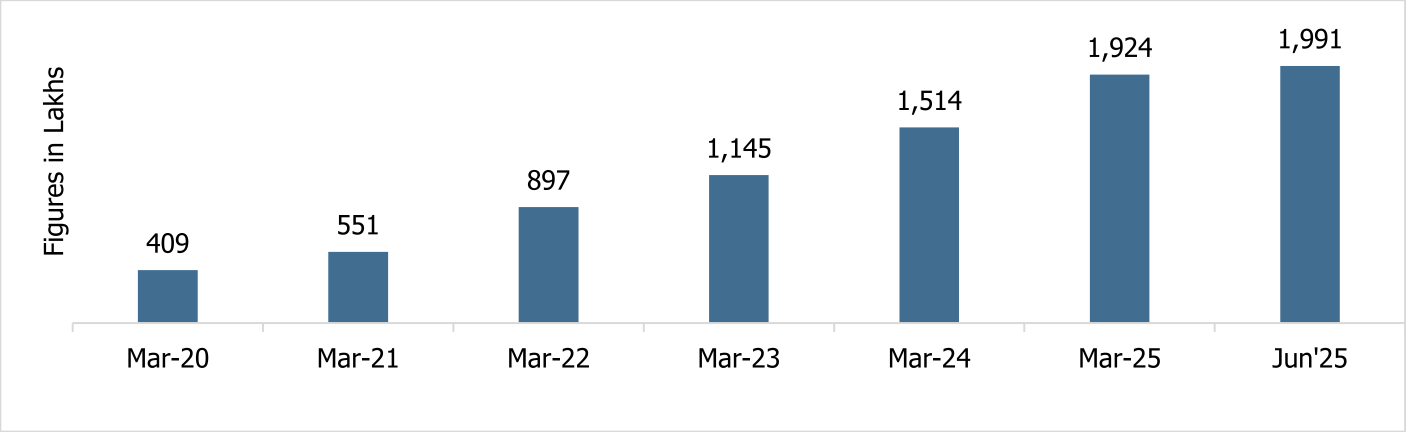
Securities Lending and Borrowing Mechanism (SLBM) is an established market framework that facilitates the temporary transfer of securities between two market participants (a lender and a borrower) through an approved intermediary such as a recognised stock exchange or clearing corporation. Under this structure, while institutional investors like mutual funds, insurance companies, and pension funds are major participants to lend securities from their portfolio. Retail investors can also lend securities from their demat accounts, thereby broadening access to this mechanism and creating additional income opportunities. Borrowers typically trading entities or individuals, for a predefined period and at an agreed fee. The mechanism provides a regulated, efficient, and secure process for such transactions, allowing participants to generate short term gains, with easy and quick settlement.

4.6 Distribution Services (Depository Services, FD, Bonds)

Depository Services

Depository services facilitate the electronic holding and transfer of securities, eliminating the need for physical certificates. They ensure secure, efficient, and transparent transactions while supporting faster settlement cycles. Brokers offering depository services act as intermediaries between investors and the depository, helping clients open and manage demat accounts. They enable electronic transactions, ensure compliance with regulatory requirements, and assist with account maintenance and security.

Chart 45: Investor Accounts



Source: SEBI Bulletin, CareEdge Research

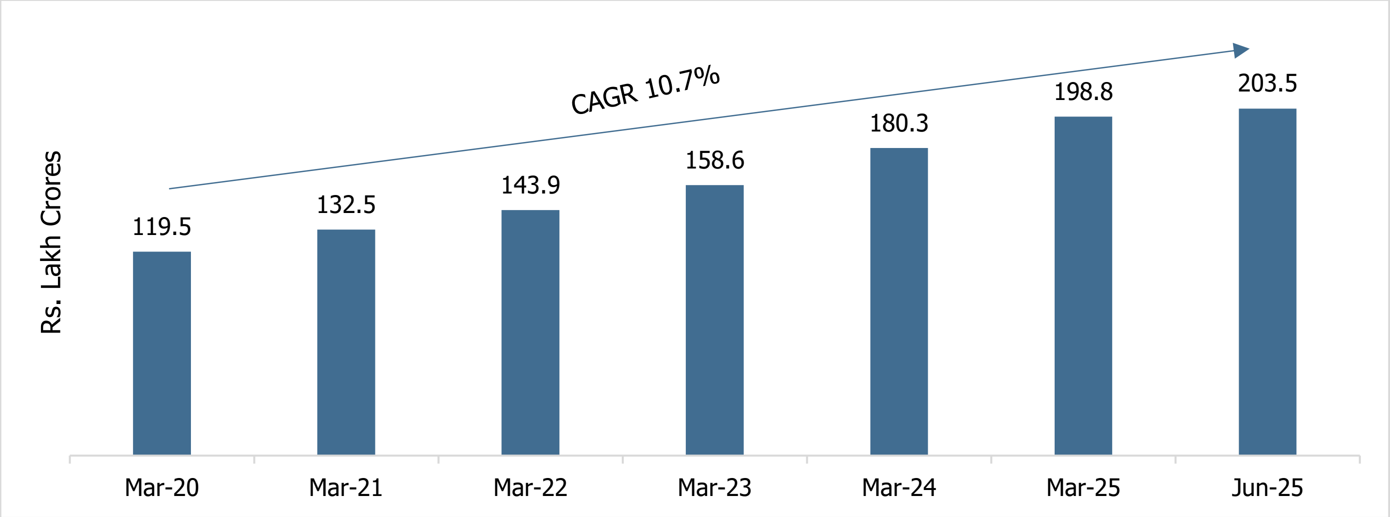
Note: The above data indicates investors accounts are registered with NSDL and CDSL

Retail investors' preference is becoming more mature as they get more informed regarding potential of capital markets and risk associated with investing in it. This increasing awareness has led to significant growth in retail participation, with investor accounts registered with NSDL and CDSL reaching 1991 lakhs as of Jun'25.

Fixed Deposit Services

Fixed deposits (FDs) facilitate the mobilisation of retail and institutional savings into term deposit instruments offered by banks and deposit taking NBFCs. Fixed deposit service providers act as intermediaries, enabling customers to access a wide range of deposit products with varying tenures and interest rates, while ensuring regulatory compliance, documentation, and ease of account management. FDs remain a popular investment option due to their capital protection, predictable returns, and lower risk profile.

Chart 46: SCBs Deposits



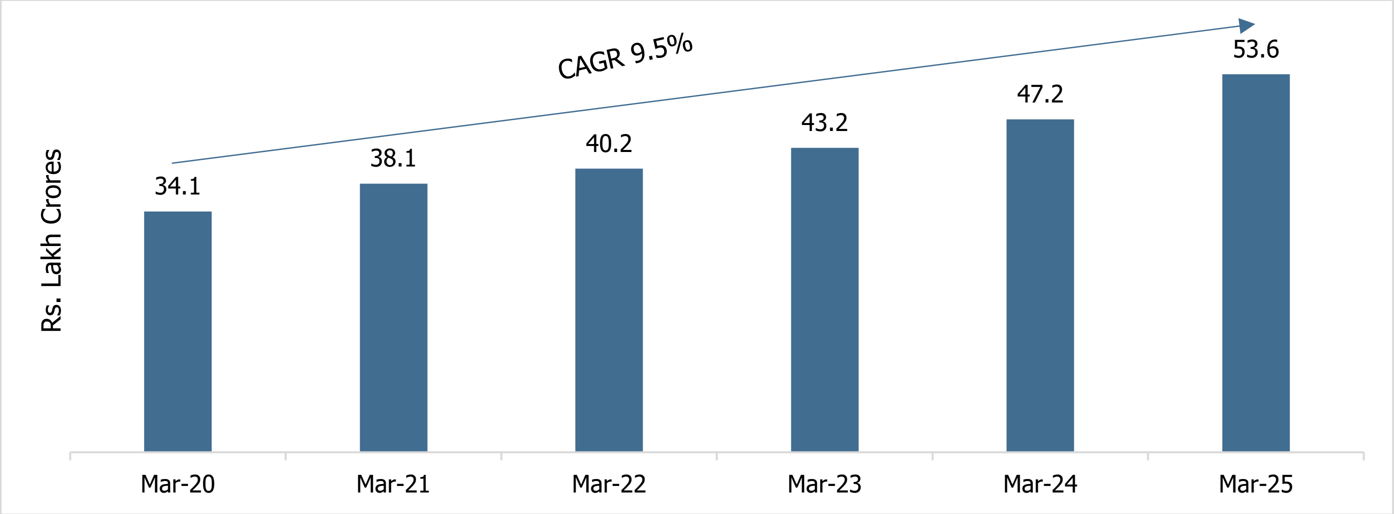
Source: RBI, CareEdge Research

Term deposits of SCBs have shown steady growth from Rs. 119.5 lakh crore in Mar-20 to Rs. 203.5 lakh crore in Jun-25, reflecting a CAGR of 10.7%. This consistent increase highlights investors' preference for secure and predictable returns, especially during periods of economic uncertainty and fluctuating markets. The upward trend suggests that term deposits continue to be a key savings instrument, supported by regulatory policies and fixed interest rates.

Bond distribution services

In addition to this, bond distribution services play a critical role in connecting issuers such as corporations, government bodies, and financial institutions with investors seeking fixed-income instruments. These services provide advisory support, pricing insights, and access to primary and secondary bond markets, helping investors diversify portfolios and manage interest rate or credit risk. By streamlining issuance, underwriting, and settlement processes, distribution platforms enhance liquidity and participation in debt markets.

Chart 47: Outstanding Corporate Bonds Issued



Source: SEBI, CareEdge Research

Note: Data indicates outstanding corporate bonds issued by financial and non-financial corporations held in NSDL and CDSL system.

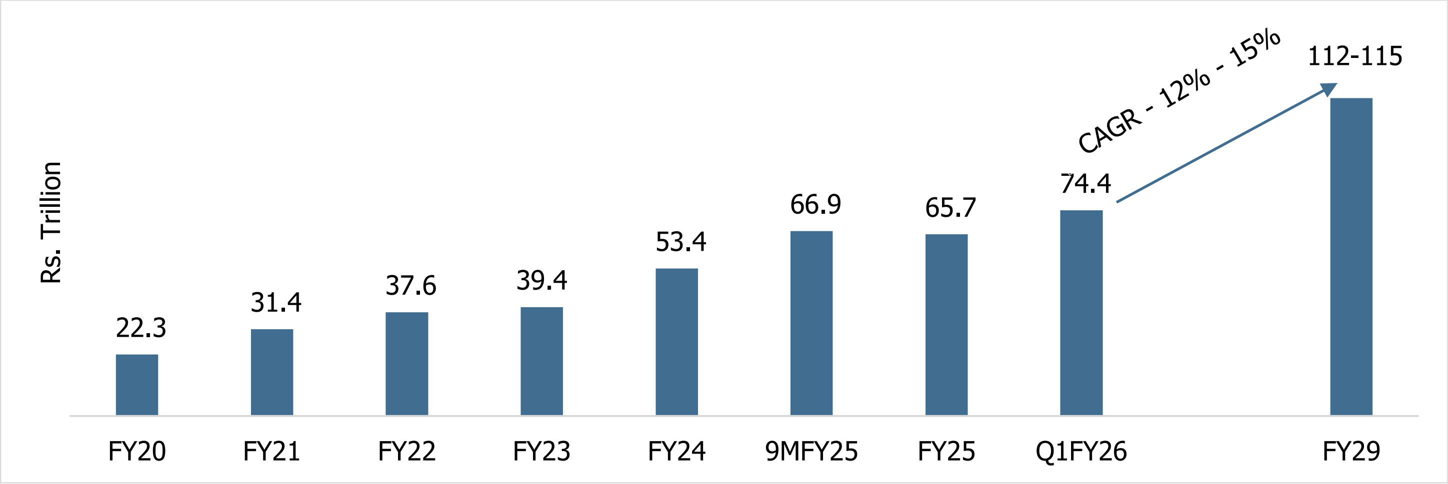
Corporate bonds have shown a steady growth trend from Rs. 34.1 lakh crore as of Mar-20 to Rs. 53.6 lakh crore as of Mar-25, growing at a CAGR of 9.5%. This growth reflects increasing corporate borrowing as businesses source funds from debt markets for capital expenditure, refinancing, and expansion purposes. The consistent rise also signals improving market depth, investor participation, and regulatory support. While credit quality and interest rate volatility challenges persist.

4.7 Domestic Mutual Fund Industry

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

Domestic Mutual Fund Industry Has Grown Rapidly

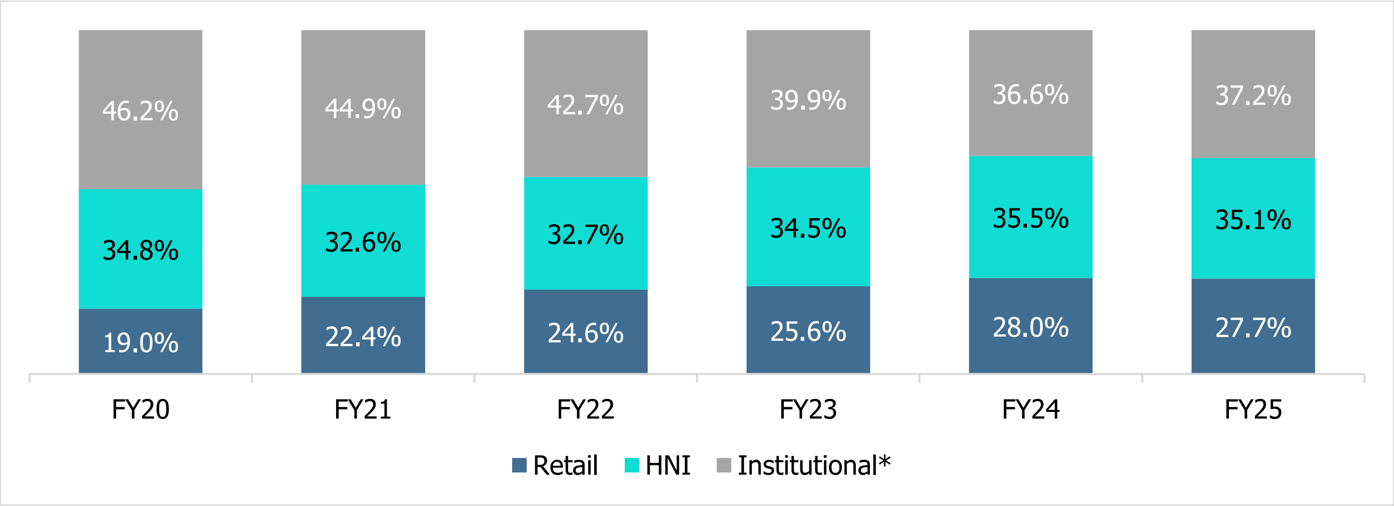
Chart 48: Growth in Domestic Mutual Fund Industry AUM and outlook



Source: AMFI, CareEdge Research Estimates
Note: AUM as of the last day of the month; FY- financial year ended March

The outlook for mutual fund AUM growth remains positive, driven by factors such as rising financial literacy, increased awareness, and a growing preference for mutual funds as a wealth-building tool. The expansion of digital platforms has made mutual fund access more convenient, while government initiatives promoting systematic investment plans (SIPs) and long-term savings support further growth. With India's economy continuing to expand, a rising middle class, and an increased focus on financial planning, mutual funds are expected to see AUM grow at 12-15% annually between FY25 and FY29.

Chart 49: Share in Domestic Mutual Fund AUM



Source: AMFI, CareEdge Research
Note: Institutional includes Corporate, Banks/FIs, FIIs share in industry AUM;
AUM as of the last day of the month; FY- financial year ended March

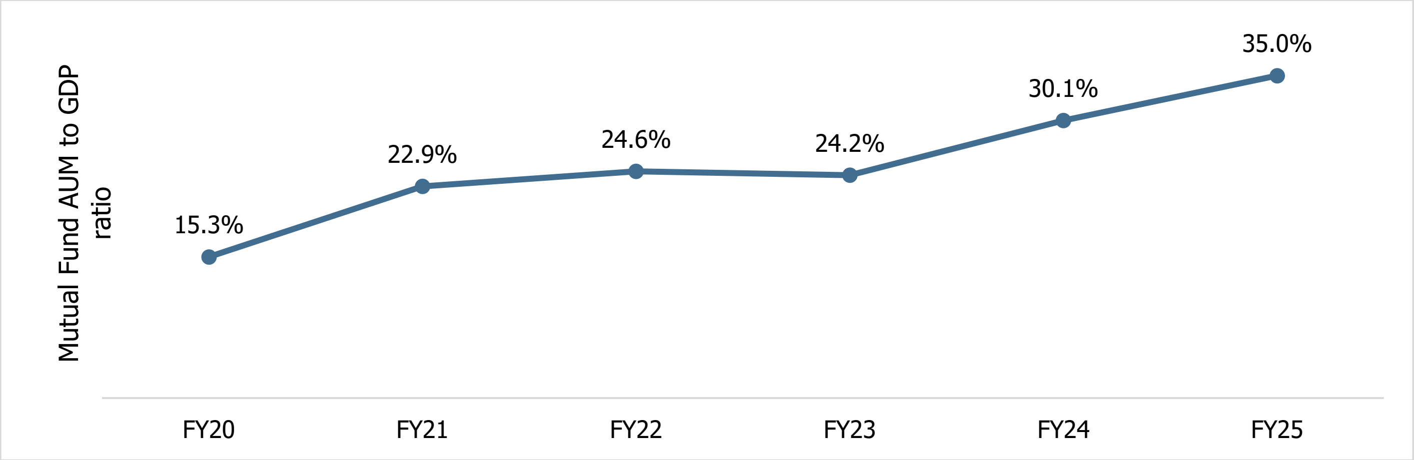
Between FY20 and FY25, retail AUM has grown at a CAGR of 34%, reaching Rs. 18.2 lakh crore as of FY25 and accounting for 27.7% of industry AUM. This growth in retail AUM reflects an increasing preference for mutual fund investments amongst retail investors. HNIs AUM grew at a CAGR of 24.4% between FY20-FY25, reaching Rs. 23.1 lakh crore as of Mar'25. Institutional AUM also grew albeit at a slower pace than retail & HNI AUM, at a CAGR of 18.9% between FY20-FY25, reaching Rs. 24.5 lakh crore as of Mar'25.

FY25 was a standout year for the Indian mutual funds industry, with assets under management (AUM) increasing by Rs 12.3 lakh crore, reaching a record 65.7 lakh crore as of Mar'25 up from Rs. 53.4 lakh crore as of Mar'24, demonstrating strong market performance and investor confidence.

4.8 Penetration of mutual funds in India

India continues to be underpenetrated with a mutual fund penetration rate (the ratio of period ending mutual fund AUM to GDP) reached nearly 35% as of Mar-25, as compared to global average of 70-80%. India accounts for less than 2% of the global mutual fund industry, representing a significant growth opportunity.

Chart 50: Mutual fund penetration

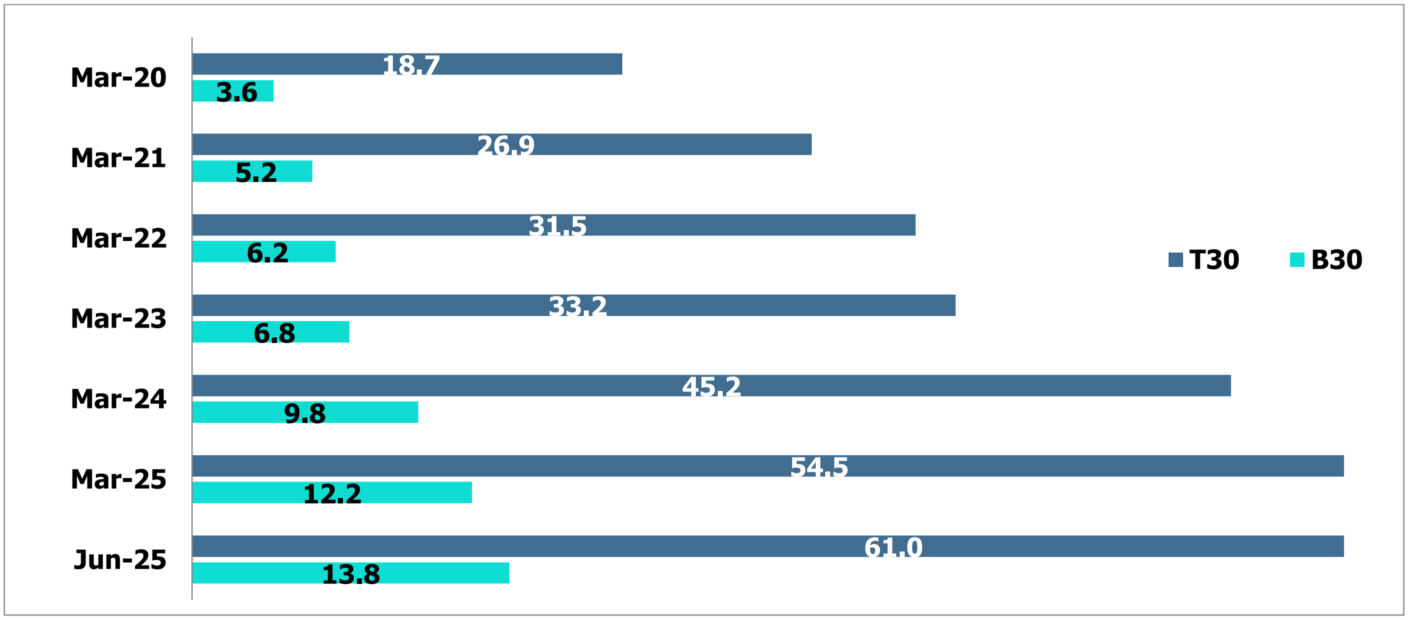


Source: AMFI, MOSPI, CareEdge Research

4.9 T-30 and B-30 statistics

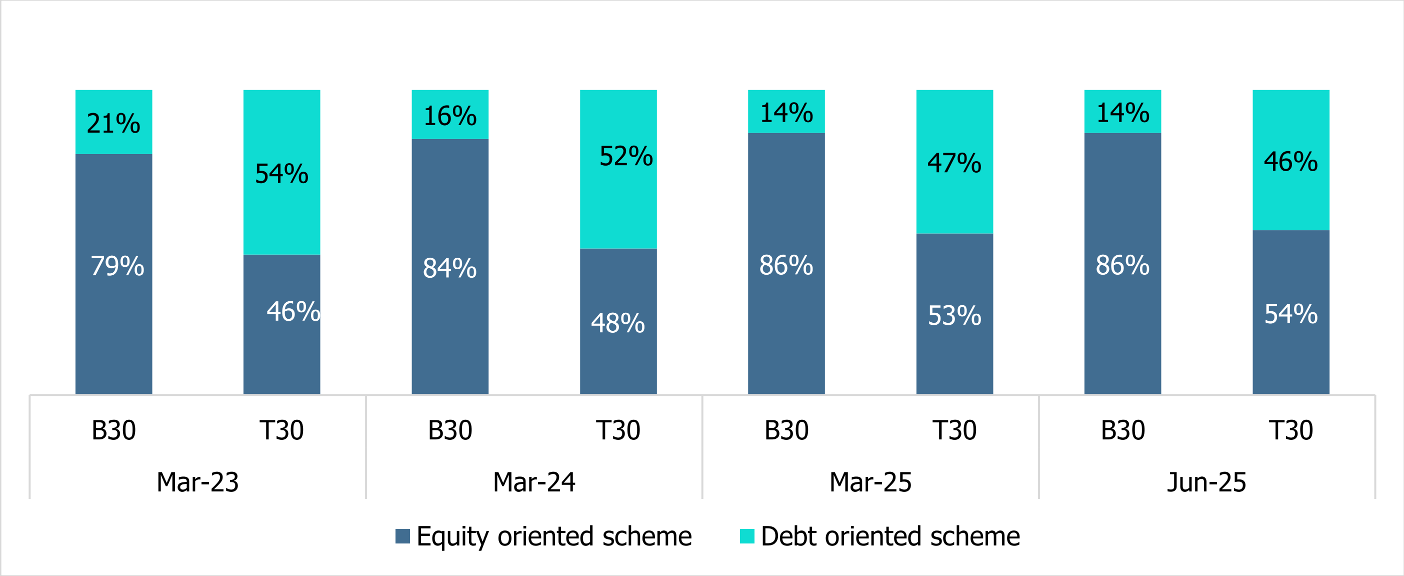
Increase in Retail participation and mass affluent

Chart 51: Growth in B30 and T30 Assets (Rs. Lakh crore)



Source-AMFI, CareEdge Research

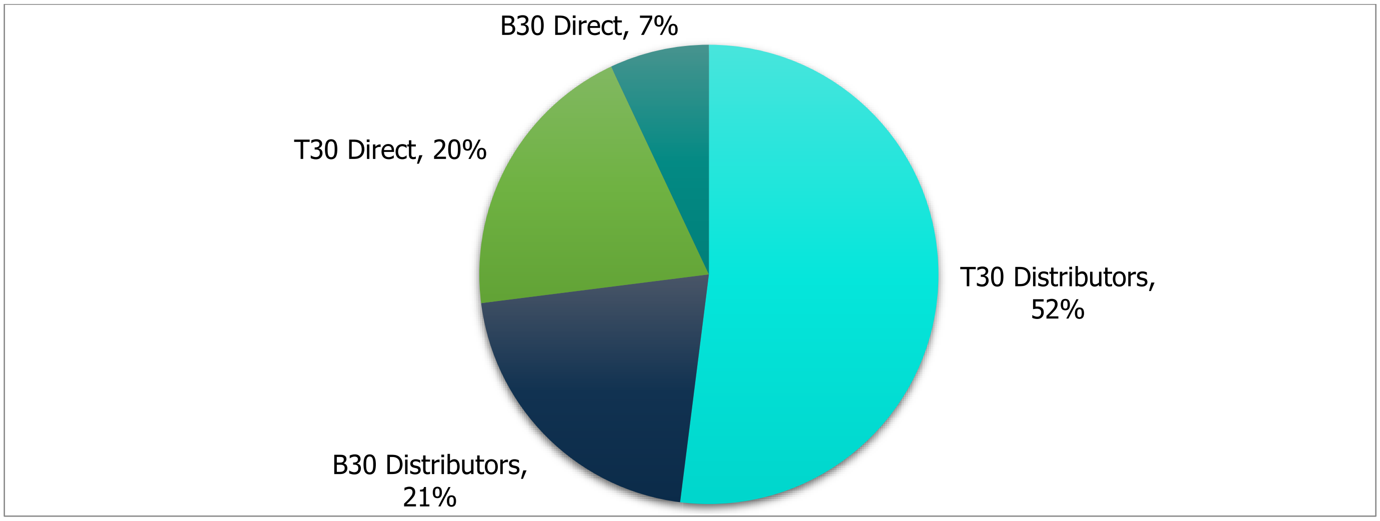
Chart 52: B30 and T30 Asset Mix



Source-AMFI, CareEdge Research

Earlier there was lack of healthy participation from investors in B30 (beyond top 30) locations. Recently, the mutual fund sector is witnessing rising activity from B30 locations, especially in the equity segment due to improved distribution and regulatory changes in fee structure. Furthermore, increasing mobile phone penetration and wealth managers integration towards technology to service transparent and systematic products in an efficient manner has enabled distributors to penetrate deeper to serve clients across the wealth management space.

Chart 53: Individual investors' assets – Overall Composition – Jun-25



Source-AMFI, CareEdge Research

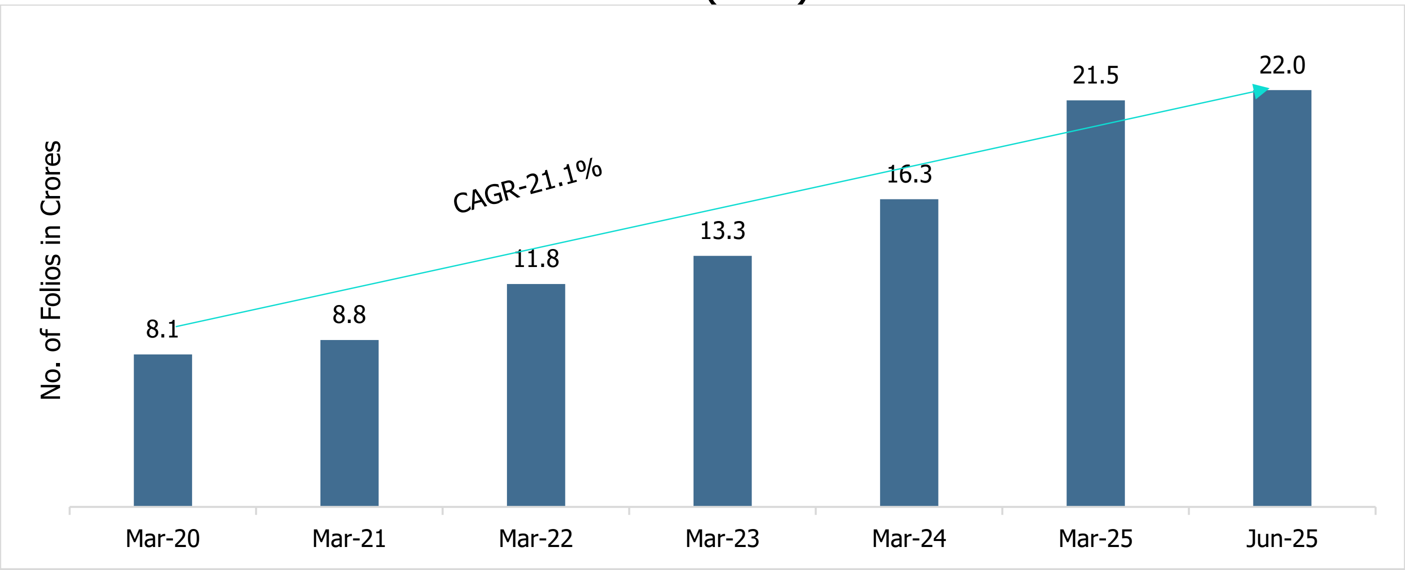
Note: Individual investors include HNIs

Individual assets are primarily distributor driven. Distribution channels accounted for 73% of total mutual fund assets under management (AUM) as of Jun'25, of which 52% belongs to the top 30 cities. Direct investments amount to 27% of individual assets, of which 7% of individual assets were from B30 and 20% of individual assets were from T30.

4.10 Indian mutual fund number of folios (retail)

The growth in retail folios in mutual funds reflects an increasing trend of individual investors seeking portfolio diversification and long-term financial goals. Retail investors are recognizing the advantages of mutual funds, including professional management and liquidity. Additionally, initiatives promoting SIPs have further spurred participation, leading to substantial growth in retail folios. As of the first nine months of FY25, the total number of folios stood at 225 million, with over 206 million under equity, hybrid, and solution-oriented schemes—where retail investment is most prominent.

Chart 54: Indian Mutual Fund number of Folio Basis (Retail)



Source: CMIE, CareEdge Research

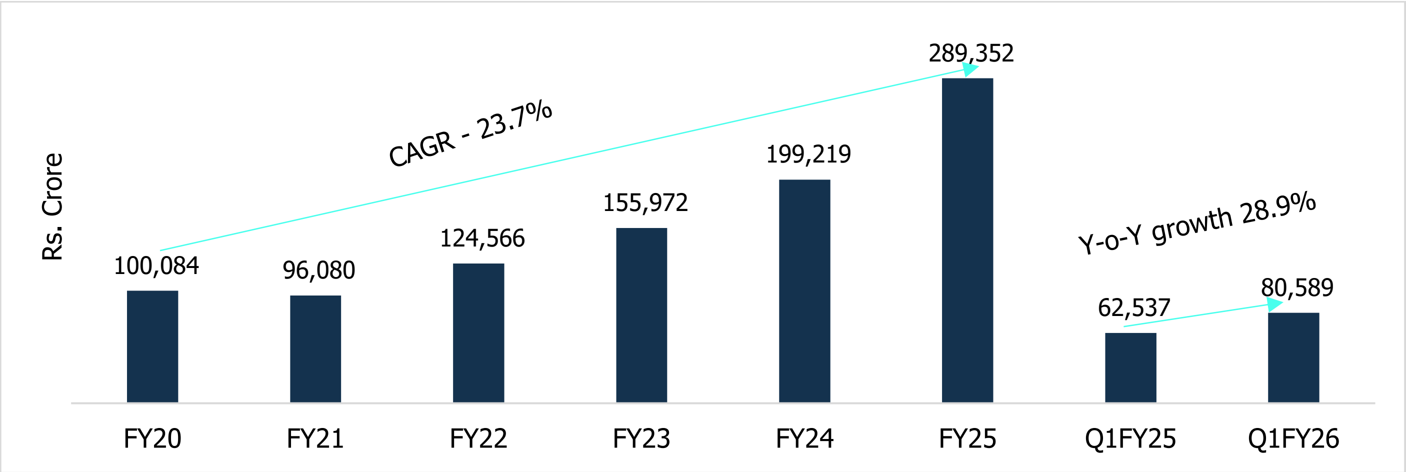
Note: Figures have been round-off to the nearest integer

Retail participation in Indian mutual funds has seen a sharp and consistent uptick, with the number of folios growing at a CAGR of ~21.7% between Mar'20-Jun'25, reaching 22 crore by Mar'25. This strong growth reflects increasing retail investor confidence, growing financial savings, and increasing penetration of mutual fund products across Tier II and III cities. Over the years, retail participation has been supported by digital onboarding, SIP culture, financial awareness, and regulatory initiatives that promote transparency, trust and focus on financial inclusion.

4.11 SIP contribution

The significant increase in retail folios is attributed by positive sentiments of retail investors, participating in a disciplined manner through SIPs. Post COVID-19, India's capital markets have experienced influx of retail investor leading to increase in asset allocation towards mutual funds. Mutual Fund outstanding SIPs accounts stood at 10 crore accounts as of FY25 and at ~9.2 crore accounts as of Q1FY26. The total contribution through SIPs was Rs 2,89,352 crore during FY25, indicating a CAGR of 23.7% between FY20-FY25. and Rs 80,589 crore as on Q1FY26. As of Q1FY26, the contribution reached Rs 80,589 crore, while it was Rs 62,537 crore as of Q1FY25, indicating a y-o-y growth rate of 28.9%.

Chart 55: SIP Contribution

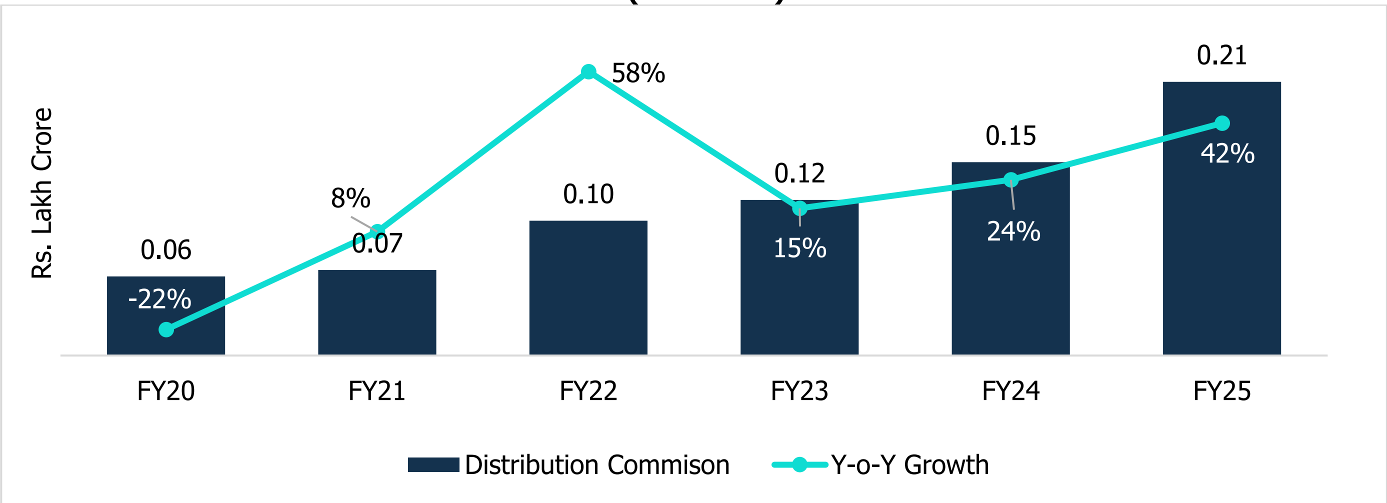


Source: CMIE, CareEdge Research

4.12 Trends in Mutual Fund Distributors Commission

The commissions paid by mutual funds to distributors grew from around Rs. 0.06 lakh crore in FY20 to around Rs. 0.21 lakh crore in FY25, indicating a CAGR of around 28%. Increased financial savings, superior returns from mutual funds, greater reliance on distributors and government policies functioned as key catalysts in driving the distribution revenue growth.

Chart 56: Mutual Fund Distributor Commission (Rs. Billion)



Source-AMFI, CareEdge Research

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

4.13 Key Growth Drivers for Mutual Fund Distributors

Drivers	Details
Increasing Penetration of the Mutual Fund Market in India	Investor participation from B30 (Beyond Top 30) locations has traditionally remained limited. However, improved distribution networks and revised fee structures have driven growth in the equity mutual fund segment. By March 2025, distributors managed approximately 73% of total individual investors' assets, with 52% originating from Top 30 (T30) cities. Direct investments accounted for 27%, including 20% from T30 and 7% from B30 locations. These trends reflect a gradual increase in investor activity from non-metro regions.
Driving Digital Transformation	Asset management companies and distributors have accelerated digital transformation by adopting mobile applications and online platforms. These innovations have simplified transactions, improved investor convenience, and reduced operational costs. Digital solutions have also extended mutual fund access to underserved geographies.
Strengthening Regulatory Support	SEBI has implemented regulatory reforms to enhance transparency, safeguard investors, and maintain market integrity. These initiatives have fostered fair competition, improved disclosures, and strengthened investor confidence across the mutual fund industry.
Expanding Through Strategic Partnerships	Distributors have formed strategic partnerships with banks, insurance firms, and fintech platforms to expand their market reach. These collaborations have promoted financial literacy, enabled the delivery of integrated financial services, and supported sustainable growth in the mutual fund sector.

4.14 SWOT Analysis of Mutual Fund Industry

Strength	Weakness
• Asset managers provide diversified portfolios, reducing risk by spreading investments across assets and sectors. • Advanced analytics, AI, and algorithmic trading help optimize strategies and offer real-time insights.	• Clients may switch if returns are inconsistent, or they find better-performing funds. • The rise of passive investing and competition pressures firms to cut fees, affecting profitability of the funds.
Opportunity	**Threat**
• Partnering with fintech and banks helps asset managers expand offerings, reach new markets, and boost digital capabilities. • ESG investing opens opportunities for asset managers to create specialized funds.	• Tax policy changes, fiduciary regulations, and increased scrutiny can raise compliance costs and impact operations. • Investment avenues for investors such as equity markets, debt market instruments, Mutual Funds, Gold, and other physical assets.

4.15 Regulatory scenario in Mutual Funds and Mutual Funds Distribution

Regulatory framework of Mutual funds:

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

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

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

i. more than 10% of its NAV in the units of REIT and InvIT; and

ii. more than 5% of its NAV in the units of REIT and InvIT issued by a single issuer.

Regulatory framework of Mutual fund distributor:

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

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

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

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

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

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

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

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

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

4.16 Key Threats & Challenges

Particulars	Details
Lower Broking Margins	Full-service brokers in India face intense competition from discount brokers and foreign banks. Discount brokers offer low trading fees, which exert downward pressure on margins. As a result, full-service brokers struggle to cover fixed costs, leading to practices such as over-trading, which can cause significant financial losses for retail investors.
Increasing Costs and Additional Investments	Brokers must continuously invest in advanced technologies, trading platforms, and algorithms to retain clients. Expanding into segments such as commodities and currencies demands further infrastructure investments. Additionally, the adoption of mobile technologies and portfolio management systems increases operational expenses, alongside mandatory costs such as exchange memberships.
Risk Management	The complexity of India's financial markets presents significant risk management challenges. Economic uncertainty reduces investor confidence, which negatively impacts fee-based income, including advisory services. Market volatility also affects asset valuations. To mitigate these risks, brokers must adopt advanced strategies such as hedging, diversification, and real-time market analysis. Nevertheless, market unpredictability remains a persistent concern.
Increased Competition and Economic Uncertainties	Online trading platforms have intensified competition, particularly for mid-sized brokers, by offering lower fees and diversified investment options such as mutual funds, ETFs, and robo-advisory services. These offerings attract investors seeking low-risk alternatives to direct equity trading, prompting client attrition. Moreover, the brokerage industry remains highly sensitive to market volatility, economic downturns, and geopolitical developments, all of which affect investor behaviour and revenue.
Regulatory Challenges	The evolving regulatory framework aims to protect investors and enhance transparency. However, compliance with new reporting and disclosure requirements compels brokers to invest in advanced systems, increasing operational costs. Furthermore, regulatory restrictions on margin trading and exposure limits, though intended to reduce volatility, constrain brokers' revenue-generating potential.

4.17 Key Risks and Challenges of Shah Investors Home Limited (SIHL)

Impacted by Market Activity: SIHL's performance is naturally aligned with overall trading activities in the equity and derivatives markets. Periods of subdued retail participation or softer market sentiment can moderate brokerage income, making business somewhat cyclical in nature.

Competitive Landscape: With rapid digitalization in the broking industry, SIHL operates alongside both full-service and discount brokers. offering low-cost trading solutions. This competitive pressure can influence client acquisition, pricing flexibility, and overall market share, requiring SIHL to continuously adapt its offerings to remain relevant in a crowded marketplace.

Technology and Operational Efficiency: Given the reliance on trading platforms and digital interfaces, uninterrupted system performance and data security remain crucial. Any technical disruption, even if temporary, may affect client experience, underscoring the need for ongoing investments in IT resilience and cybersecurity.

Regulatory Environment: The broking business is subject to regulatory guidelines mandated by SEBI and exchanges pertaining to margins, compliance standards, and risk management practices. Timely adaptation to these requirements is essential to ensure smooth operations and maintain strong regulatory alignment.

Branch Network Oversight: SIHL's network of over 184 authorised persons forms an important customer acquisition channel. Any hinderance in productivity, compliance issues, or attrition within this network can affect new client onboarding and transaction flow. Maintaining high engagement and consistent standards across partners becomes a key operating priority.

Operational Risks Linked to Active Client Base: SIHL services a large historical client base, but only 37,814 (Mar'25) clients are currently active. Re-engaging inactive users, ensuring compliance updates, and maintaining accurate data records require ongoing operational attention. Any lapse in periodic KYC updates or client communication processes can create administrative and regulatory pressures.

Geographical Concentration: A significant portion of SIHL's presence is concentrated in western India, particularly Mumbai and Gujarat. While this provides strong regional familiarity, it also creates concentration risk. Localised economic slowdowns or competitive pressures in these markets may have a proportionately higher impact on business traction.

5 Peer Comparison

5.1 Business Profile

Company Name	Business Profile
Shah Investors Home Limited (SIHL)	Shah Investors Home Ltd (SIHL) was incorporated in 1994 and headquartered in Mumbai. SIHL is a retail brokering firm that offers a range of services covering equity brokerage services and derivatives brokerage services, with over three decades of experience. These services facilitate the buying and selling of financial products such as equities, IPO investing, mutual funds distribution, and other securities. While the core operations of the Company include equity and derivatives brokerage, it also focuses on providing secondary market brokering services to retail customers, comprising both resident and non-resident Indians. SIHL have served over 100,000 demat accounts, with more than 37,810 active clients and partnerships with over 184 authorised persons and conducts operations through 11 branches in India, located in Mumbai, Ahmedabad, Vadodara, Junagadh, Gandhinagar and Rajkot.
Share India Securities Limited	Share India Securities Limited (SISL) was incorporated in 1994 and headquartered in Gujarat, and it has 121 offices across India. The company is primarily engaged in strategy-based trading business, provides algo-trading solutions. The company also offers various kinds of financial products and services, including equity, futures and options (F&O), commodity and currency broking services, research, lending services, mutual fund (MF) advisory and distribution, portfolio management services, merchant banking services and insurance broking services that primarily cater to HNIs.
SMC Global Securities Limited (SMC Global)	SMC Global was incorporated in 1990 and headquartered in New Delhi. The company offers equity brokerage, commodities and currency trading, investment banking, wealth management, distribution of third-party financial products, research, financing, depository services, insurance broking, clearing services, mortgage advisory, and real estate advisory. The company has served over 2 million unique customers through its network of 2,550 authorized persons and franchises. The company operates in 455 cities across India, supported by over 4,000 employees and a distribution network of 13,600 independent distributors.
Arihant Capital Markets Limited (ACML)	Arihant Capital Markets Limited (ACML), established in 1992, it offers comprehensive financial services, focusing on retail equity broking. It also operates in institutional equities, commodities broking, and merchant banking, while distributing mutual funds and insurance products. With a client base of over 2.5 lakh individuals and 1,000+ corporate entities, ACML is trusted by over 120 institutions for fund

	management and trade execution. With spread over 800 investment centres and more than 300 cities in India, ACML showcases extensive reach and accessibility.

5.2 Key Financial Metrics of Shah Investors Home Limited

Particulars	Financial Year ended March 31, 2025	Financial Year ended March 31, 2024	Financial Year ended March 31, 2023
Revenue from operations (Rs. Lakhs)	9,427.39	7,782.36	5,168.30
Profit before Tax (Rs. Lakhs)	3,140.22	2,400.68	988.70
Profit After Tax (Rs. Lakhs)	2,338.50	1,793.38	763.17
Net Worth (Rs. Lakhs)	16,808.98	15,054.13	11,745.98
Ratios			
Growth in Revenue from Operations (%)	21.14%	50.58%	NA
Profit After Tax Margin (%)	24.76%	22.69%	14.58%
EBITDA (Rs. Lakhs)	3,531.31	2,512.97	1,114.59
EBITDA Margin (%)	37.46%	32.29%	21.57%
EBIT (Rs. Lakhs)	3,367.18	2,368.73	982.57
EBIT Margin (%)	35.72%	30.44%	19.01%
RoE (%)	14.68%	13.38%	6.56%
RoCE (%)	20.35%	16.77%	8.13%
Debt to Equity Ratio	0.03	0.02	0.07
Operating Cash Flows (Rs. Lakhs)	-3,186.22	11,019.42	0.45

Source: Company reports, CareEdge Research

Operation Metrics:

Particulars	Shah Investors Home Ltd (SIHL)		
	FY25	FY24	FY23
Operating metrics:			
Total number of clients	80,391	76,337	71,690
Active Clients	37,814	35,535	31,372
Growth in Active Clients (%)	6.41%	13.27%	-13.16%
Active clients as a % of Total number of clients	47.04%	46.55%	43.76%
Average tenor of client relationship			
· Up to 1 year	2,469	1,893	1,022
· 1 to 2 years	3,720	3,819	4,142
· 3 to 5 years	4,061	2,852	2,671
· More than 5 Years	27,564	26,971	23,537
Total Customer Asset (Rs. lakhs)	42,41,110.67	44,12,085.83	26,31,095.13
Broking Revenue (Rs. Lakhs)	6,491.13	5,570.20	3,702.79
Average broking active client (in ₹)	**17,165.95**	**15,675.24**	**11,802.85**
Margin Trading Facility Book (Rs. Lakhs)	964.22	NA	NA
Growth in Margin Trading Facility Book (%)	NA	NA	NA

Particulars	Shah Investors Home Ltd (SIHL)		
	FY25	FY24	FY23
Total Assets Under Distribution			
· Mutual Funds (Rs. Lakhs)	4,916.92	3,753.15	2,626.16

Source: Company reports, CareEdge Research

5.3 Peer Competitive Analysis

Particulars	FY25			
	Shah Investors Home Limited	SMC Global Securities Limited	Share India Securities Limited	Arihant Capital Markets Limited
Total Income (Rs. Lakhs)	9,446.51	1,78,572.01	1,46,950.09	24,801.08
Total revenue from operation (Rs. Lakhs)	9,427.39	1,77,574.15	1,44,856.84	24,731.70
Growth in Revenue from Operations (%)	21.14%	8.38%	-2.31%	5.18%
EBITDA (Rs. Lakhs)	3,531.31	41,938.99	51,690.60	9,953.95
EBITDA margins (%)	37.46%	23.62%	35.68%	40.25%
PAT (Rs. Lakhs)	2,338.50	14,569.45	32,761.88	5,870.28
PAT Margin (%)	24.76%	8.16%	22.29%	23.67%
Growth in PAT (%)	30.40%	-22.20%	-22.99%	-16.75%
RoE (%)	14.68%	12.60%	16.06%	16.61%
RoCE (%)	20.35%	14.40%	19.98%	21.46%
Debt Equity Ratio	0.03	1.39	0.22	0.25
Operating Cash Flows (Rs. Lakhs)	-3,186.22	2,353.68	584.88	3,157.61

Note: All the financial information for listed industry peers mentioned above is on a consolidated basis and is sourced from the annual report of the respective company for the year ended March 31, 2025.

Particulars	FY24			
	Shah Investors Home Limited	SMC Global Securities Limited	Share India Securities Limited	Arihant Capital Markets Limited
Total Income (Rs. Lakhs)	7,905.29	1,64,458.54	1,48,874.88	23,560.57
Total revenue from operation (Rs. Lakhs)	7,782.36	1,63,840.87	1,48,281.45	23,514.36
Growth in Revenue from Operations (%)	50.58%	35.23%	36.26%	70.95%
EBITDA (Rs. Lakhs)	2,512.97	42,590.09	65,596.49	10,720.81
EBITDA margins (%)	32.29%	25.99%	44.24%	45.59%
PAT (Rs. Lakhs)	1,793.38	18,727.65	42,541.89	7,051.04
PAT Margin (%)	22.69%	11.39%	28.58%	29.93%
Growth in PAT (%)	134.99%	55.99%	29.37%	142.16%
RoE(%)	13.38%	18.46%	30.92%	24.35%
RoCE (%)	16.77%	17.95%	38.24%	28.52%
Debt Equity Ratio	0.02	1.34	0.23	0.31
Operating Cash Flows (Rs. Lakhs)	11,019.42	-19,279.43	-31,045.02	-2,963.17

Note: All the financial information for listed industry peers mentioned above is on a consolidated basis and is sourced from the annual report of the respective company for the year ended March 31, 2024.

Particulars	FY23			
	Shah Investors Home Limited	SMC Global Securities Limited	Share India Securities Limited	Arihant Capital Markets Limited
Total Income (Rs. Lakhs)	5,232.96	1,21,565.46	1,09,970.24	13,776.03
Total revenue from operation (Rs. Lakhs)	5,168.30	1,21,157.33	1,08,823.41	13,754.77
Growth in Revenue from Operations (%)	NA	9.51%	26.30%	-18.97%
EBITDA (Rs. Lakhs)	1,114.59	26,989.67	49,408.89	5,011.42
EBITDA margins (%)	21.57%	22.28%	45.40%	36.43%
PAT (Rs. Lakhs)	763.17	12,005.47	32,883.17	2,911.76
PAT Margin (%)	14.58%	9.88%	29.90%	21.14%
Growth in PAT (%)	-41.31%	-31.15%	63.47%	-42.18%
RoE(%)	6.56%	12.92%	45.30%	12.00%
RoCE (%)	8.13%	15.10%	51.94%	15.39%
Debt Equity Ratio	0.07	1.03	0.20	0.23
Operating Cash Flows (Rs. Lakhs)	0.45	-26,008.43	-16,952.16	1,469.16

All the financial information for listed industry peers mentioned above is on a consolidated basis and is sourced from the annual report of the respective company for the year ended March 31,2023.

5.4 Operating Metrics

Particulars	Share India Securities Limited		
	FY25	FY24	FY23
Operating metrics:			
Total number of clients	NA	NA	NA
Active Clients on NSE	7,828	5,679	6,628
Growth in Active Clients (%)	37.8%	-14.3%	70.3%
Active clients as a % of Total number of clients	NA	NA	NA
Average tenor of client relationship			
· Up to 1 year	NA	NA	NA
· 1 to 2 years	NA	NA	NA
· 3 to 5 years	NA	NA	NA
· More than 5 Years	NA	NA	NA
Total Customer Asset (Rs. lakhs)	NA	NA	NA
Broking Revenue (Rs. Lakhs)	136,667	137,500	98,915
Average broking active client (in ₹)	1,745,870.2	2,421,193.7	1,492,379.1
Margin Trading Facility Book (Rs. Lakhs)	23,705.6	7,112.1	NA
Growth in Margin Trading Facility Book (%)	233.3%	100.0%	NA
Total Assets Under Distribution			
· Mutual Funds (Rs. Lakhs)	17,400.00	NA	NA

Particulars	SMC Global Securities Ltd		
	FY25	FY24	FY23
Operating metrics:			
Total number of clients	NA	NA	NA
Active Clients on NSE	179,621	178,712	153,078
Growth in Active Clients (%)	0.5%	16.7%	NA
Active clients as a % of Total number of clients	NA	NA	NA

Particulars	SMC Global Securities Ltd		
	FY25	FY24	FY23
Average tenor of client relationship			
· Up to 1 year	NA	NA	NA
· 1 to 2 years	NA	NA	NA
· 3 to 5 years	NA	NA	NA
· More than 5 Years	NA	NA	NA
Total Customer Asset (Rs. lakhs)	NA	NA	NA
Broking Revenue (Rs. Lakhs)	104,454.4	96,144.9	76,779.3
Average broking active client (in ₹)	58,152.7	53,798.8	50,157.0
Margin Trading Facility Book (Rs. Lakhs)	27,989.9	23,285.1	18,638.1
Growth in Margin Trading Facility Book (%)	20.2%	24.9%	NA
Total Assets Under Distribution			
· Mutual Funds (Rs. Lakhs)	~4,17,800	~3,80,100	~2,99,200

Particulars	Arihant Capital Markets Ltd (ACML)		
	FY25	FY24	FY23
Operating metrics:			
Total number of clients	NA	2,48,294	2,23,000
Active Clients on NSE	56,572	50,542	40,697
Growth in Active Clients (%)	11.9%	24.2%	-3.8%
Active clients as a % of Total number of clients	NA	32.3%	NA
Average tenor of client relationship			
· Up to 1 year	NA	NA	NA
· 1 to 2 years	NA	NA	NA
· 3 to 5 years	NA	NA	NA
· More than 5 Years	NA	NA	NA
Total Customer Asset (Rs. lakhs)	NA	NA	NA
Broking Revenue (Rs. Lakhs)	24,458.0	23,341.9	13,605.7
Average broking active client (in ₹)	**43,233.4**	**46,183.1**	**33,431.6**
Margin Trading Facility Book (Rs. Lakhs)	12,972.7	17,447.0	6,658.7
Growth in Margin Trading Facility Book (%)	-25.6%	162.0%	
Total Assets Under Distribution			
· Mutual Funds (Rs. Lakhs)	NA	NA	NA

Note for Peer Competitive Analysis

- All figures are on Consolidated basis
- EBITDA = Profit Before Tax (incl. share in profit/ (loss) from associates/ joint ventures) + Depreciation & Amortization + Finance Cost - Other income
- EBIT= Profit Before Tax (incl. share in profit/ (loss) from associates/ joint ventures) + Finance Cost - other income
- PAT = Profit attributable to Owners of the equity
- Capital Employed = Total Equity + Borrowings + Lease Liability + Deferred Tax (Asset)/ Liability - [Other Intangible assets + Intangible assets under development + Goodwill]
- EBITDA Margin = EBITDA/Total Revenue from Operation
- PAT Margin = PAT/Total Income
- Debt Equity Ratio = Total Debt (current and non-current borrowings including lease liability)/Total Equity
- Return on Equity = Profit for the year/period attributable to equity shareholders of our Company/Average of Total Equity

- Return on Capital Employed = (EBIT + profit/(loss) from joint venture or associates)/Average of Capital Employed
- Return on Net worth = Profit for the year/period attributable to equity shareholders of our Company/Average of Net Worth
- Net worth= Equity + Reserves & Surplus

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About:

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