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ANGEL BROKING LIMITED

Our Company was originally incorporated on August 8, 1996 as M. BNL. Securities Private Limited, a private limited company, under the Companies Act, 1956, with the RoC. Thereafter, our Company was converted from a private limited company to a deemed public company, pursuant to Section 43A of the Companies Act, 1956, and consequently, the term "private" was deleted by the RoC from the name of our Company with effect from March 15, 1997. Thereafter, our Company was converted from a deemed public company to a private limited company and consequently, the name of our Company was changed to M. BNL. Securities Private Limited and the term "private" was added by the RoC to the name of our Company with effect from June 17, 2003. Subsequently, the name of our Company was changed to Angel Infin Private Limited pursuant to a special resolution passed by our Shareholders on March 15, 2005 and a fresh certificate of incorporation consequent to the change of name was issued by the RoC on March 31, 2005. Further, the name of our Company was changed to Angel Global Capital Private Limited pursuant to a special resolution passed by our Shareholders on December 16, 2008 and a fresh certificate of incorporation consequent to the change of name was issued by the RoC on January 22, 2009. Thereafter, the name of our Company was changed to Angel Broking Private Limited pursuant to an order of the High Court of Bombay dated March 2, 2012 approving the scheme of amalgamation between Angel Broking Limited, an erstwhile wholly owned subsidiary of our Company and our Company (erstwhile Angel Global Capital Private Limited), and such change was approved pursuant to a special resolution passed by our Shareholders on May 2, 2012 and a fresh certificate of incorporation consequent to the change of name was issued by the RoC on May 16, 2012. Subsequently, our Company was converted from a private limited company to a public limited company pursuant to a special resolution passed by the Shareholders of our Company on June 22, 2018 and the name of our Company was changed to Angel Broking Limited. A fresh certificate of incorporation consequent to the conversion of the Company to a public limited company was issued by the RoC on June 28, 2018. For further details, please see the section entitled "*History and Certain Corporate Matters*" on page 165 of the Draft Red Herring Prospectus.

Registered Office: G-1, Ground Floor, Akruti Trade Centre, Road No. 7, MIDC, Andheri (East), Mumbai 400 093; **Tel**: +91 22 4000 3600; **Fax**: +91 22 2835 8811
Corporate Office: Unit 601, 6th Floor, Akruti Star, Central Road, MIDC, Andheri (East), Mumbai 400 093; **Tel**: +91 22 3935 7600; **Fax**: +91 22 3935 7699
Contact Person: Naheed Patel, Company Secretary and Compliance Officer
E-mail: investors@angelbroking.com; **Website**: www.angelbroking.com
Corporate Identity Number: U67120MH1996PLC101709

ADDENDUM TO THE DRAFT RED HERRING PROSPECTUS DATED SEPTEMBER 3, 2018: NOTICE TO INVESTORS (THE "ADDENDUM")

THIS IS IN RELATION TO THE INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF ANGEL BROKING LIMITED ("OUR COMPANY") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) AGGREGATING UP TO ₹ 6,000.00 MILLION COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES BY OUR COMPANY AGGREGATING UP TO ₹ 3,000.00 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹ 208.35 MILLION BY ASHOK D. THAKKAR AND OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹ 31.25 MILLION BY SUNITA A. MAGNANI (TOGETHER, THE "PROMOTER SELLING SHAREHOLDERS"), OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹ 1,200.02 MILLION BY IFC (THE "INVESTOR SELLING SHAREHOLDER") AND OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹ 1,560.38 MILLION BY THE INDIVIDUAL SELLING SHAREHOLDERS (TOGETHER WITH THE PROMOTER SELLING SHAREHOLDERS AND THE INVESTOR SELLING SHAREHOLDER, THE "SELLING SHAREHOLDERS") AGGREGATING UP TO ₹ 3,000.00 MILLION (THE "OFFER FOR SALE", TOGETHER WITH THE FRESH ISSUE, THE "OFFER"). THE OFFER WILL CONSTITUTE AT LEAST [●]% OF OUR POST-OFFER PAID-UP EQUITY SHARE CAPITAL*.

*** *Subject to requirements of the SEBI ICDR Regulations, if the Company and the Investor Selling Shareholder, in consultation with the BRLMs, decide to increase the Offer size between the filing of this Draft Red Herring Prospectus with SEBI and the Red Herring Prospectus with the RoC, any such increase in the Offer size shall not exceed ₹ 300.00 million and such increase in Offer size will be achieved by increasing the number of Equity Shares to be sold by the Investor Selling Shareholder in the Offer.*

Bidders may note the following:

1. The Draft Red Herring Prospectus currently includes details of the industry in which the Company operates as of August, 2018. Due to lapse of time, current market and economic conditions and evolving trends in the broking industry and other considerations including the global outbreak of the COVID-19 pandemic, the section entitled "**Industry Overview**" has been updated to provide a description of the industry in which the Company operates as of the date of this Addendum.

2. The Draft Red Herring Prospectus currently includes details of the business of the Company as of September 3, 2018. Due to lapse of time, current market and economic conditions and updates in relation to the business of the Company and other considerations including the global outbreak of the COVID-19 pandemic, the section entitled "**Our Business**" has been updated to provide a description of the business of the Company as of the date of this Addendum.

Bidders may note that in order to assist the Bidders get a complete understanding of the updated information, the sections "*Forward-Looking Statements*", "*Industry Overview" and "Our Business*" have been included in this Addendum.

The above is to be read in conjunction with the Draft Red Herring Prospectus. The information in this notice supplements the Draft Red Herring Prospectus and updates the information in the Draft Red Herring Prospectus, as applicable. Please note that the changes pursuant to this Addendum will be appropriately included in the Red Herring Prospectus and the Prospectus, as and when filed with the RoC. All capitalised terms used in this notice shall, unless the context otherwise requires, have the meaning ascribed to them in the Draft Red Herring Prospectus.

On behalf of **Angel Broking Limited**

Sd/-
Naheed Patel

Place: Mumbai
Date: July 17, 2020

Company Secretary and Compliance Officer

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE OFFER
ICICI Securities Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020 Tel: +91 22 2288 2460 Fax: +91 22 2282 6580 E-mail: angel.ipo@icicisecurities.com Investor Grievance E-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Arjun Mehrotra/Rupesh Khant SEBI Registration No.: INM000011179	**Edelweiss Financial Services Limited** 14th Floor, Edelweiss House Off CST Road Kalina Mumbai 400 098 Tel: +91 22 4009 4400 Fax: +91 22 4086 3610 E-mail: angelbroking.ipo@edelweissfin.com Investor Grievance E-mail: customerservice.mb@edelweissfin.com Website: www.edelweissfin.com Contact Person: Pradeep Tewani SEBI Registration No.: INM0000010650	**SBI Capital Markets Limited** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 E-mail: angelbroking.ipo@sbicaps.com Investor Grievance E-mail: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Karan Savardekar SEBI Registration No.: INM000003531	**Link Intime India Private Limited** C-101, 1st floor, 247 Park Lal Bahadur Shastri Maarg Vikhroli (West) Mumbai 400 083 Tel: +91 22 4918 6200 Fax: +91 22 4918 6195 E-mail: angel.ipo@linkintime.co.in Investor Grievance E-mail: angel.ipo@linkintime.co.in Website: www.linkintime.co.in Contact Person: Shanti Gopalkrishnan SEBI Registration No.: INR000004058

BID/OFFER PROGRAMME	
BID/OFFER OPENS ON: [●][1]	**BID/OFFER CLOSES ON: [●][2]**

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FORWARD-LOOKING STATEMENTS

This Addendum contains certain "forward-looking statements", based on our current plans, estimates, presumptions and expectations. These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "propose", "project", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties, expectations and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Actual results may differ materially from those suggested by forward-looking statements due to risks or uncertainties associated with expectations relating to, including, regulatory changes pertaining to the industries in India in which we operate and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on its business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, incidents of natural calamities, changes in domestic laws, regulations and taxes and changes in competition in the industries in which we operate.

Certain important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- The COVID-19 pandemic may have a direct or indirect impact on our business, financial condition, results of operations, cash flows, liquidity and performance.

- General economic and market conditions in India and globally could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

- We are subject to extensive statutory and regulatory requirements, compliances and supervision, which have material influence on, and consequences for, our business operations.

- Reliance on information technology, technological platforms and other digital mediums and we are subject to risks arising from any failure of, or inadequacies in, our IT systems.

- We rely on our broking and related services business for a substantial share of our revenue and profitability. Change in our brokerage fee could have material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

- There are operational risks associated with the financial services industry which, if realised, may have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or losses could materially differ from those that have been estimated.

There can be no assurance to Bidders that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, Bidders are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements to be a guarantee of our future performance.

Forward-looking statements reflect current views as of the date of this Addendum and are not a guarantee of future performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. Neither our Company, our Directors, the Selling Shareholders, the BRLMs nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the SEBI ICDR Regulations, our Company and the BRLMs will ensure that the Bidders in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges for this Offer.

In accordance with requirements of SEBI and as prescribed under applicable law, each Selling Shareholder shall severally and not jointly ensure that the Bidders in India are informed of material developments, in relation to statements and undertakings specifically undertaken or confirmed by such Selling Shareholder in relation to themselves and their respective portion of the Equity Shares offered in the Offer in the Red Herring Prospectus until the time of the grant of listing and trading permission by the Stock Exchanges. Only statements and undertakings which are specifically confirmed or undertaken by the Selling

Shareholders, as the case may be, in this Addendum shall, severally and not jointly, deemed to be statements and undertakings made by such Selling Shareholders.

INDUSTRY OVERVIEW

Unless otherwise specified, all of the information and statistics disclosed in this section are extracted from an industry report entitled "Assessment of Capital Market, Wealth Management and Financial Products distribution in India" dated July, 2020 prepared by CRISIL Research. The industry related information presented in this section, including forecasts and projections, have not been prepared or independently verified by us, our Directors, our Promoters, the BRLMs or any of our or their respective advisors.

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this Report based on the information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any company / entity covered in the Report and no part of this report should be construed as an investment advice. CRISIL especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Limited (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published / reproduced in any form without CRISIL's prior written approval.

MACROECONOMIC OVERVIEW

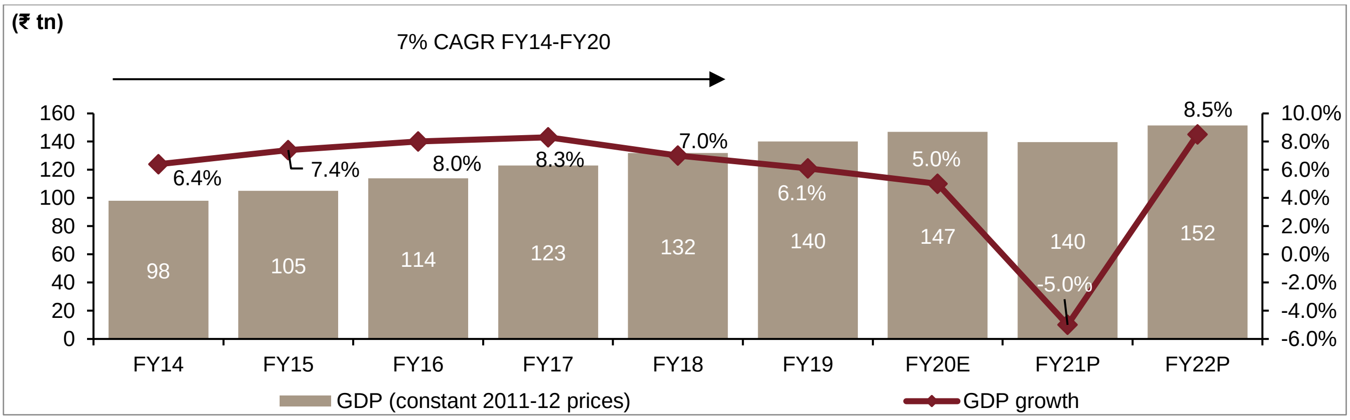
Covid-19 to have a telling impact on the Indian as well as the world economy

Fiscal 2020 proved to be highly fluid for the global economy. It was saddled in the first three quarters with trade protectionist policies and disputes among major trading partners, volatile commodity and energy prices and economic uncertainties arising due to Brexit. A broad-based recovery which was expected in the last quarter was threatened by the Covid-19 pandemic, which has infected more than 10.7 million people in more than 200 countries (as of July 2, 2020, and counting), thereby, leading to considerable human suffering and economic disruption. This disruption is set to intensify with massive dislocations in global production, supply chains, trade and tourism.

Growing restrictions on the movement of people and lockdowns in the affected countries will lead to demand, supply and liquidity shocks. A drop in prices of commodities such as crude oil, shrinking foreign exchange reserves and a substantial increase in the risk of debt distress in public and private debt will impact real economic activity further via credit and investment channels. An extended period of nationwide lockdown has caused economic costs to gradually rise with a fall in industrial production and contraction of the services sector and exports.

Based on the assumptions mentioned below, CRISIL estimates the Indian economy will shrink by 5% in fiscal 2021 on account of the pandemic. The slump in growth will be concentrated in the first half of fiscal 2021, while the second half is expected to witness a mild recovery. Amongst sectors, while consumer discretionary sectors such as automobiles, hotels and airlines are expected to be badly hurt dye to Covid-19, sectors such as telecom, pharmaceuticals, consumer foods and broking are expected to be relatively less impacted The pandemic has come at the most inopportune time as India was showing signs of recovery following a slew of fiscal/monetary measures. Having said that, we foresee a gradual recovery with 8.5% expected GDP growth in fiscal 2022 and expect the economy to clock a CAGR of ~7% from fiscal 2021 to 2025.

Covid-19 deals a huge blow to India's GDP growth outlook; recovery expected in fiscal 2022



Note: E - Estimated and P - Projected

Source: National Statistics Office (NSO), IMF and CRISIL Research estimates

Three assumptions behind the fiscal 2021 base case

Assumption 1: Containment measures extended

Lockdown measures relaxation has started, even though lockdown may continue in states with high and rising Covid-19 cases which will be a drag on the economy.

Assumption 2: Normal monsoon

According to the India Meteorological Department, monsoon this year is expected to be 96-104% of the long period average, which augurs well for agriculture

Assumption 3: Soft crude prices

Crude oil prices are expected to average $30 per barrel in fiscal 2021

The five calls of our base case

Macro variables	FY19	FY20	FY21F	Rationale for outlook
GDP (%, y-o-y)	6.1	5.0	-5.0	The initial blow on the external front has rapidly transformed into a domestic shock, as the country reels under a forced lockdown. The impact from the pandemic's spread and a more than 2 months lockdown is now dominant. In addition, higher-than-expected economic cost, a smaller-than-expected policy push and demand revival in the short term, weigh on the growth outlook.
CPI inflation (%, y-o-y)	3.4	4.8	4.0	The lockdown-induced demand destruction would put pressure on core inflation. The sharp drop in crude oil prices will keep fuel inflation soft and food inflation will limit downside to core inflation.
10-year G-sec yield (%, March-end)	7.5	6.2	6.5	Despite lower inflation and softer policy rates, higher market borrowings amid fiscal slippage should push up yields
CAD/GDP (%)	2.1	1.0	0.2	Current account deficit (CAD) is likely to remain under check, because of low commodity and crude prices. Yet, the rupee will be volatile, because of sell-offs by foreign portfolio investors (FPIs) and the risk-off scenario
₹/$ (March average)	69.5	74.4	74	

Note: F - Forecast
Source: RBI, NSO, CRISIL Research

Risks to the base case

- Further mark-down in global growth in case of uneven health recovery and premature austerity in the face of a large rise in public debt in most countries
- A second wave of cases emerging, which could further add to the uncertainty, breaking sentiments further
- A setback to agriculture on either monsoon failure or supply disruptions

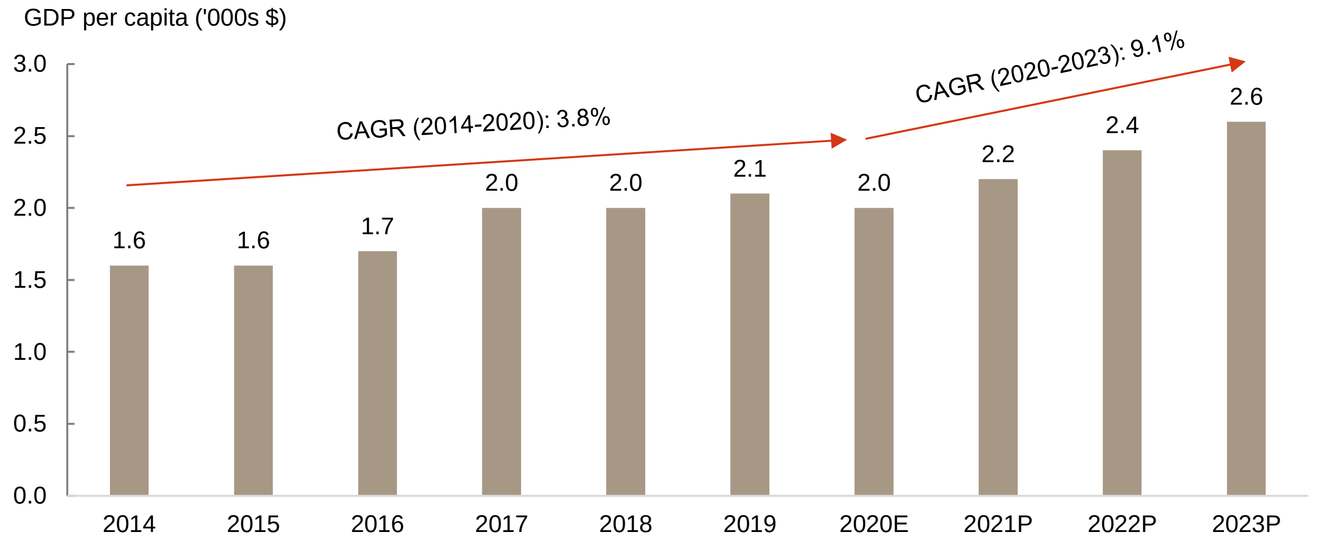
CRISIL does not expect inflation to be an imminent fear given the fall in crude oil prices and softer core on account of the slack in the economy. CPI Inflation is expected to be 4.0% in fiscal 2021 as against 4.8% estimated in fiscal 2020.

On the contrary, if the pandemic does not subside, it will have a significant downside risk. The scale of disruption will be much larger and will have a more far-reaching impact than any of the economic catastrophes seen in India so far.

The first quarter of fiscal 2021 has already been a washout for the non-agricultural economy, services such as education, travel and tourism and these sectors could continue to see a big hit in the quarters to come. Jobs and incomes are expected to see extended losses as these sectors are big employers.

CRISIL Research expects, per capita GDP to grow at a compound annual growth rate (CAGR) of 9.1% over the next three years.

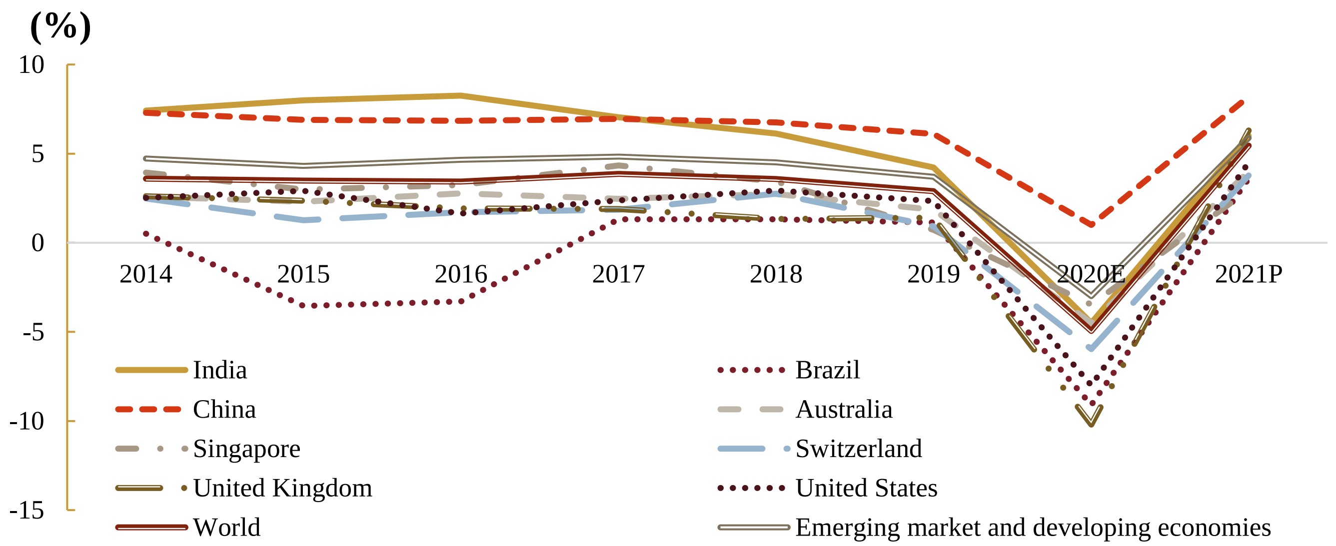
Trend in per capita GDP



Source: CRISIL Research
Note: The above data is for calendar years, E - Provisional estimates, P – Projected

As of June, 2020 the International Monetary Fund (IMF) forecast India's GDP to decline by 4.5% in the current calendar year from 1.8% growth estimated in April 2020. The Covid-19 pandemic will shrink the world output by 4.9% in CY2020. IMF forecast the India's GDP to recover sharply and will grow at 6% in the next calendar year (CY21).

India is one of the fastest-growing major economies (GDP growth, % on-year)



Note: GDP growth is based on constant prices. The above figure includes IMF estimates and forecast as of April 2020. P: Projected
Source: IMF (World Economic Outlook - June 2020 update), CRISIL Research

	2020E	2021P
India	-5%	6%
Brazil	-9%	4%
China	1%	8%
Australia	-5%	4%
Singapore	-3%	3%
Switzerland	-6%	4%
United Kingdom	-10%	6%
United States	-8%	5%
World	-5%	5%
Emerging market and developing economies	-3%	6%

Note: GDP growth is based on constant prices. The above figure includes IMF estimates and forecast as of April 2020. P: Projected
Source: IMF (World Economic Outlook - June 2020 update), CRISIL Research

India stands out due to stable macros, prudent fiscal and monetary policies

India is one of the fastest-growing economies in the world. Over the past four years, there has been a gradual improvement in India's macroeconomic situation: the twin deficits (current account and fiscal) have been coming down and the growth-inflation mix has improved, and durably so. Both fiscal and monetary policies are more prudent, focusing on raising the quality of growth and not just the rate of growth. The government has adopted an inflation-targeting framework that provides an institutional mechanism for inflation control, while modernising central banking. The fiscal policy has managed to stay mildly growth-focused, while managing a gradual reduction in deficit. The upshot is that India's macroeconomic variables are a lot more stable, and with sufficiently large reserves, the economy is pretty resilient to any global shock today, than what it was during the taper tantrum shock of 2013.

RBI unleashes policies to counter Covid-19 crisis

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), slashed the repo rate to address financial market stress in the wake of the Covid-19 pandemic. In an unusual move, the MPC also asymmetrically slashed the reverse repo rate as well. The repo and reverse repo rates now stand at 4.0% and 3.35% respectively. To tide over any unwarranted volatility, the MPC also increased borrowing limits under the marginal standing facility (MSF) of the LAF window from 2% to 3%. The MSF rate now stands at 4.65% (down from 5.40%).

A host of other key measures to address financial market stress in the wake of the Covid-19 pandemic and the subsequent lockdown:

- **Enhancing liquidity**: Apart from reducing repo and reverse repo rate, the RBI reduced the cash reserve ratio (CRR) requirements of all banks by 100 basis points to 3% of net demand and time liabilities (NDTL).

- **Supporting financial market liquidity:** The RBI initially announced targeted LTROs of up to three years tenor for a total of up to Rs 1 trillion. Liquidity availed of under the scheme by banks had to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures. Subsequently TLTROs worth Rs. 500 billion were announced specifically for the NBFCs and MFIs, with 50% targeted towards small and mid-sized firms. Investments made by banks under this facility would be classified as held to maturity (HTM), and also be excluded under the large exposure framework.

- **Reducing debt servicing burden:** Lending institutions are permitted to allow a moratorium of three months on repayment of instalments for term loans outstanding as on March 1, 2020. Lending institutions are permitted to defer payment of interest on working capital facilities outstanding as on March 1, 2020 by a period of three months

- **Pushing credit growth:** The RBI decided to postpone the implementation of net stable funding ratio (NFSR) to October 1, 2020 from April 1, 2020 in order to encourage banks to lend in these challenging times. Deferring the last tranche of capital conservation buffer (CCB) to September 30, 2020 is also the step in the same direction. The central bank also announced Rs 500 billion refinancing facility for NABARD (Rs.250 billion, SIDBI (Rs.150 billion) and NHB (Rs.100 billion) in order to increase credit availability to microfinance, MSMEs and housing sector.

- **Addressing rupee volatility:** Banks in India which operate International Financial Services Centre (IFSC) Banking Units (IBUs) have been allowed to participate in the NDF market with effect from June 1, 2020.

- **Regulatory changes:** With regards to the moratorium provided on loans, the RBI has clarified that these measures will not result in asset quality downgrade, nor will it affect the credit history of borrower.

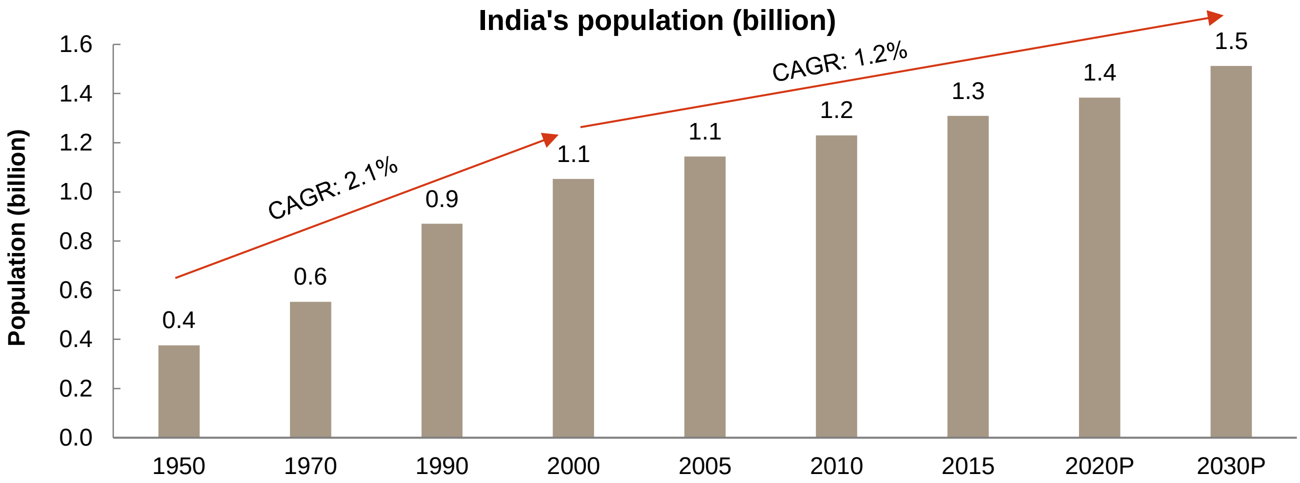
- **Special liquidity scheme for NBFCS and HFCS**: RBI has recently approved a scheme to improve the liquidity position of NBFCS and HFCS by setting up and SPV (special purpose vehicle). The SPV will issue securities if up to Rs. 300 billion that would be purchased by the RBI. The proceeds from sale of these securities will be used to purchase short-term papers, maturing within three months and rated as investment grade, from eligible nbfcs/ hfcs,thereby providing them with some liquidity.

Key fundamental growth drivers

India has second-largest population in the world

As per Census 2011, India's population was ~1.2 billion, and comprised nearly 246 million households. The population, which grew nearly 2% every year between 2001 and 2010, is expected to increase ~1% every year between 2010 and 2030, to 1.5 billion.

India's population growth trajectory

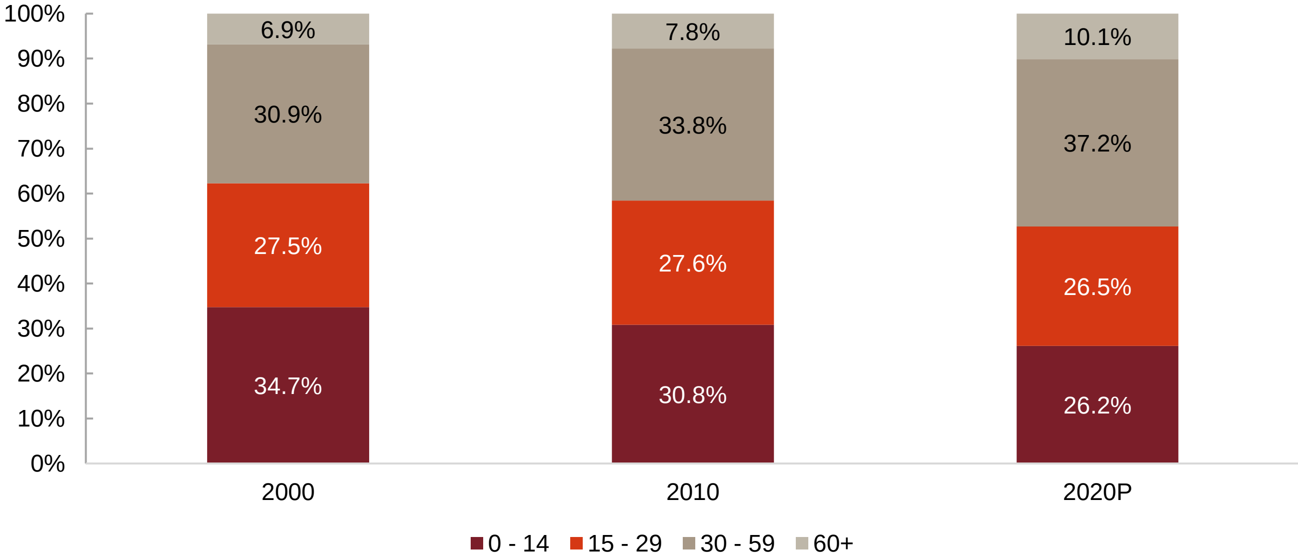


Source: United Nations Department of Economic and Social affairs, CRISIL Research

Favourable demographics

Currently, India is one of the nations with the highest young population, with a median age of 28 years. 90% of Indians will still be below the age of 60 by 2020 and CRISIL Research estimates that ~64% of this demographic are between the age of 15-59 in 2020. Comparatively, the US, China and Brazil had 77%, 83% and 86% of their population below the age of 60 (as of 2012). CRISIL Research believes a large share of the working population, coupled with rapid urbanisation and rising affluence, will propel growth of the Indian financial services sector.

India's demographic dividend

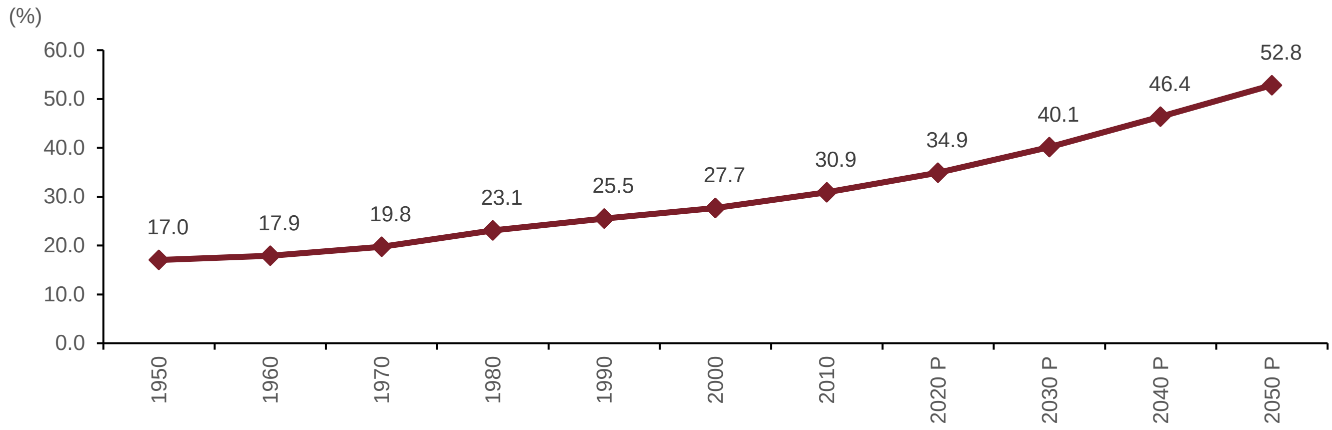


Source: United Nations Department of Economic and Social affairs, CRISIL Research

Rise in urbanisation

Urbanisation is one of India's most important economic growth drivers as it will drive substantial investments in infrastructure development, which, in turn, is expected to lead to job creation, development of modern consumer services and increased ability to mobilise savings. The country's urban population has been rising consistently over the decades. In 1950, it was 17% of the total population. As per the UN's World Urbanization Prospects: The 2018 Revision, India's urban population was estimated to be at 35% in 2020. This is expected to reach ~40% by 2030.

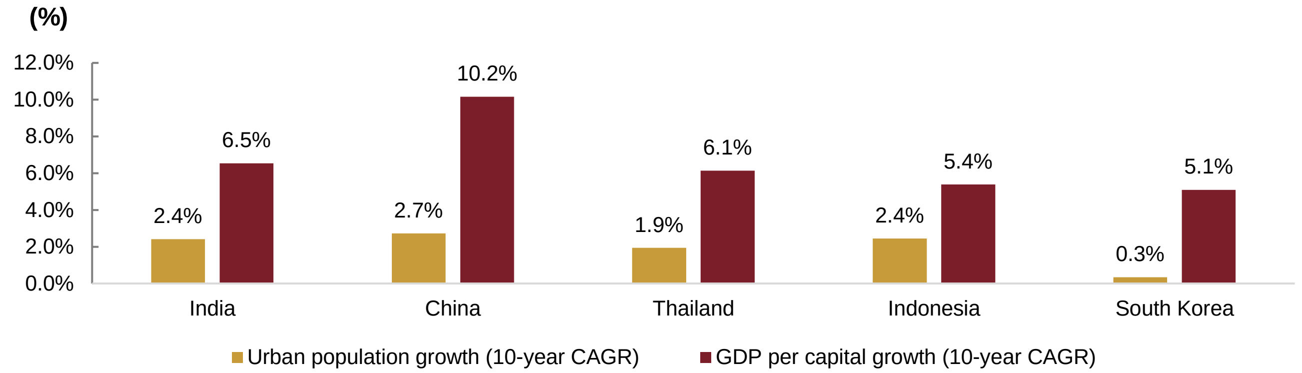
Trend in urbanisation of population



Source: United Nations Department of Economic and Social affairs, IMF

Comparison of the increase in urban population to rise in per capita GDP for India and its Asian peers highlights the strong positive correlation between the percentage of urbanisation and GDP per capita.

Growth in urbanisation rate and GDP per capita



Source: United Nations Department of Economic and Social affairs (World Urbanization Prospects: The 2014 Revision), IMF
Note: Data is from 2009-2019

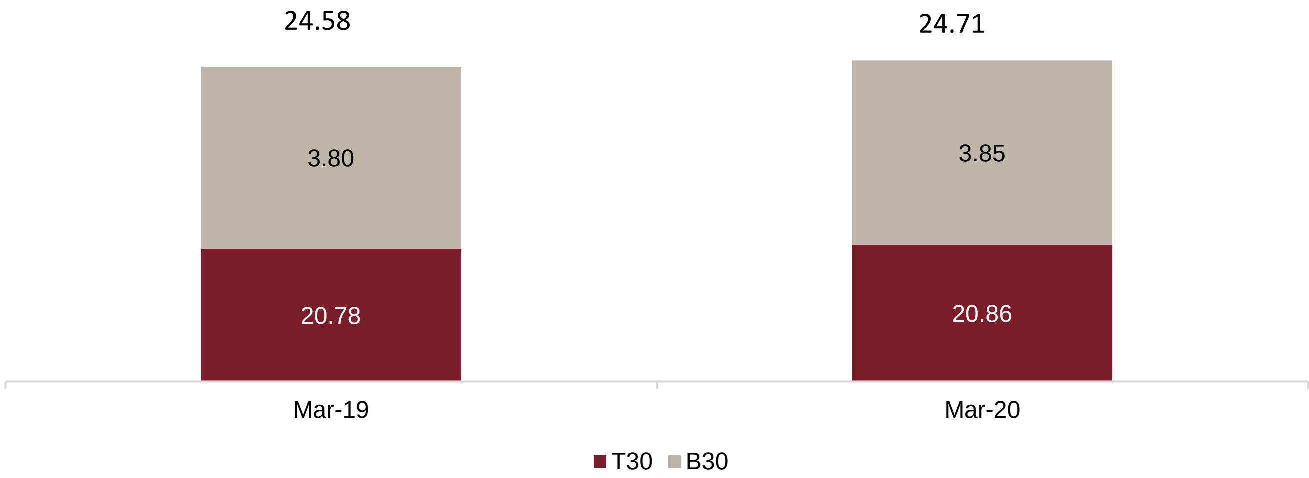
Demand for financial products from semi-urban and rural areas too are growing at a fast pace

With increasing financial literacy, mobile penetration, awareness and opening up of Jan Dhan bank accounts, the demand for financial products from smaller cities has increased quite exponentially *(Kindly refer to the Annexure for the list of cities/districts Tier wise)*. Financial services including lending and broking services are today available in most of the 19,252 pin codes across India CRISIL Research expects technology to progressively reduce the cost of reaching out to smaller markets; this, along with higher awareness, should continue to lead to strong growth in smaller markets.

The SEBI has allowed fund houses to charge an additional 30 bps in expense ratios on retail AUM to compensate fund houses on the additional cost required to capture and service clients in these locations. The intention behind the move clearly seems to be to increase penetration beyond the T30 cities in India. The SEBI's decision to change from T15 and B15 to T30 and B30 locations is primarily to increase mutual fund penetration in these locations in a targeted manner.

As of March 2020, only 15.6% of the monthly average assets under management of the mutual fund industry came from B30 locations, marginally up from 15.5% in March 2019. Going ahead, this number is expected to increase further due to focus on B30 locations.

Composition trends of overall T30 and B30 AUMs over fiscals 2019 and 2020 (Rs trillion)



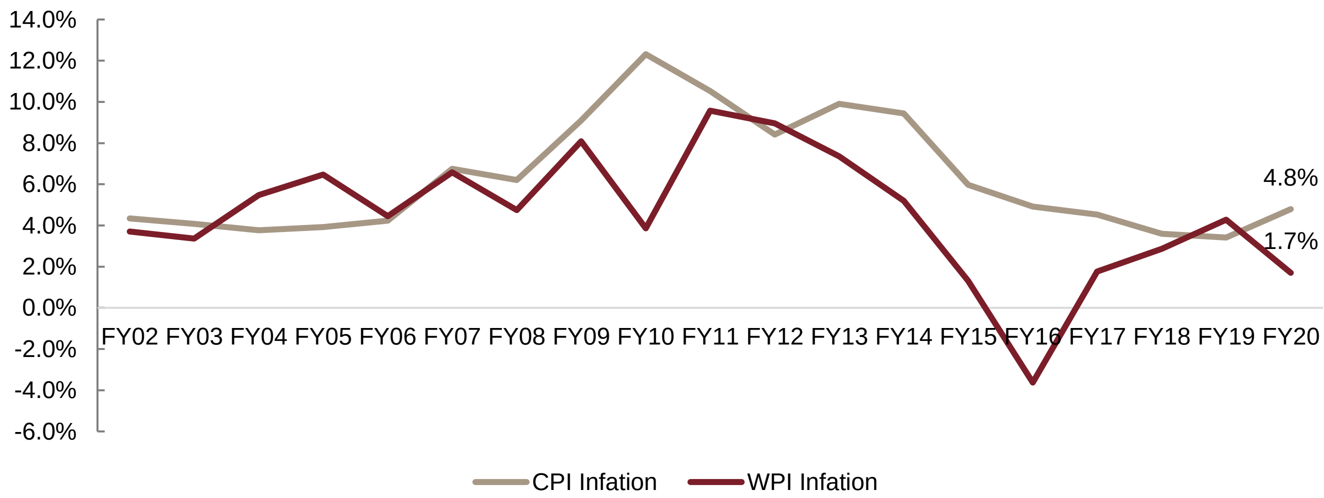
Note: Based on monthly average AUM
Source: AMFI, CRISIL Research

Savings scenario

Strong growth foreseen in household financial savings

While CRISIL Research projects GDP growth in India to improve, control over inflation is another key structural positive. When the country witnessed a 23% deficient monsoon in fiscal 2010, the consumer price index-linked (CPI) inflation climbed to 12.4%. However, despite two successive deficient monsoons in 2014 and 2015, CPI inflation continued to drop over the past three years. In fiscal 2020, CPI inflation averaged at 4.8%. Over the long term too, the RBI is committed to keep inflation low and range-bound. Lower inflation gives an impetus to overall savings, as people can save more.

Inflation trajectory over the past years

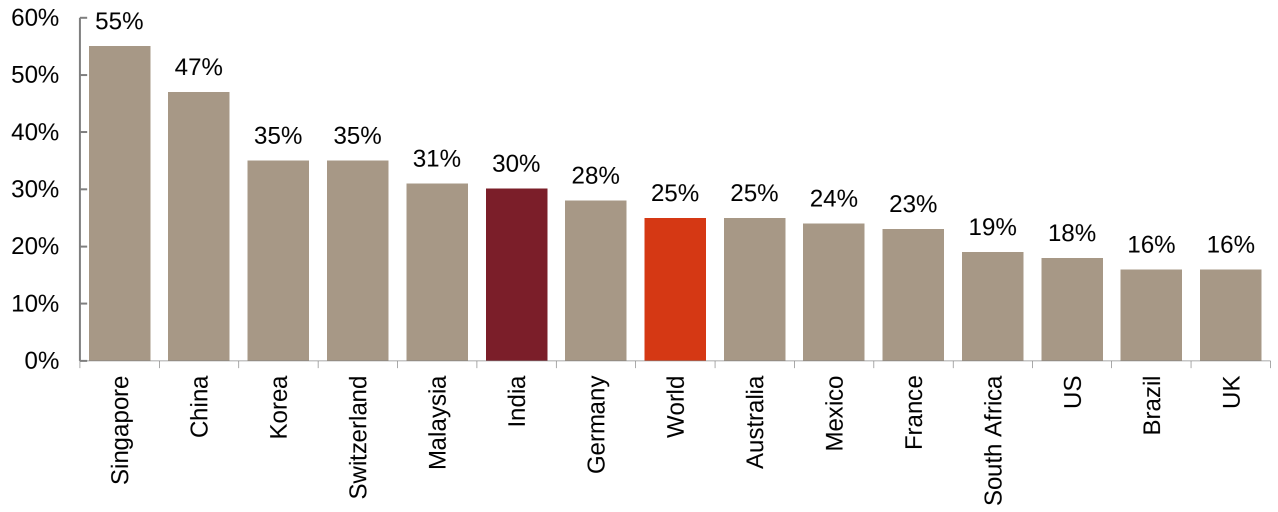


Source: CRISIL Research, RBI

India has historically been, and is expected to continue to be, a high savings economy. High savings, if invested properly, can be used to finance investments, including infrastructure. Better infrastructure can further ease supply-side constraints in the economy and drive long-term economic growth.

Going forward, benign inflationary pressures would diminish the attractiveness of gold and real estate – which represent physical savings of households – as investment alternatives. Considering this, coupled with increase in financial literacy, the share of financial savings within household savings is likely to increase in the medium term. The government's measures to curb black money will also help increase the share of financial savings.

Gross domestic savings rate compared with other countries (2019)



Source: World Bank, Handbook of Statistics on Indian Economy 2018-19, RBI, Ministry of Statistics and Programme Implementation (MOSPI), CRISIL Research

Gross domestic savings trend

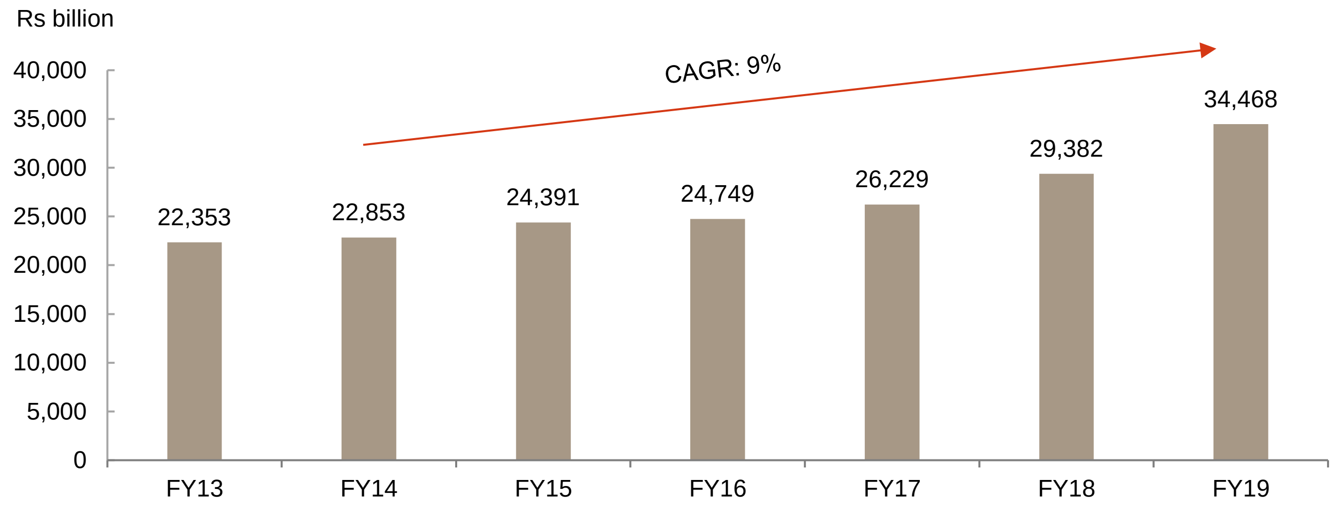
Parameters (Rs billion)	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
GDS	33,692	36,082	40,200	42,823	46,484	52,160	57,129
Percentage of GDP	33.9%	32.1%	32.2%	31.1%	30.3%	30.5%	30.1%
Household sector savings (net financial savings, savings in physical assets and in the form of gold and silver ornaments)	22,353	22,853	24,391	24,749	26,229	29,382	34,468
Percentage of GDP	22.5%	20.3%	19.6%	18.0%	17.1%	17.2%	18.2%
Gross financial savings	10,640	11,908	12,572	14,962	14,384	18,696	19,957
Financial liabilities	3,304	3,587	3,768	3,854	4,686	7,406	7,655
Savings in physical assets	14,650	14,164	15,131	13,176	16,069	17,679	21,808
Savings in the form of gold and silver ornaments	367	368	456	465	463	413	358

Note: The data is for financial year ending March; Physical assets means the ones held in physical form such as real estate, etc. Mar-2019 data is based on first revised estimates of national income, consumption expenditure, saving and capital formation released in January 2020.
Source: Handbook of Statistics on Indian Economy 2018-19, RBI, NSO, MOSPI, CRISIL Research

While India's gross domestic savings (GDS) rate has declined from 33.9% of GDP in fiscal 2013 to 30.1% in fiscal 2019, this was primarily the result of a sharp drop in public savings as the central government resorted to fiscal stimulus to address the external shocks from the Global Financial Crisis of the past decade. Household savings as a percentage of GDP remained more stable and has seen a modest decline from 22.5% in fiscal 2013 to 18.2% in fiscal 2019, largely due to higher consumption, low job creation and an increase in financial liabilities to meet short-term consumption needs. As of fiscal 2019, the quantum of gross household financial savings was ~Rs 20 trillion. With rising income levels and better control over inflation, we expect the household savings rate to have increased in fiscal 2020.

Household savings growth

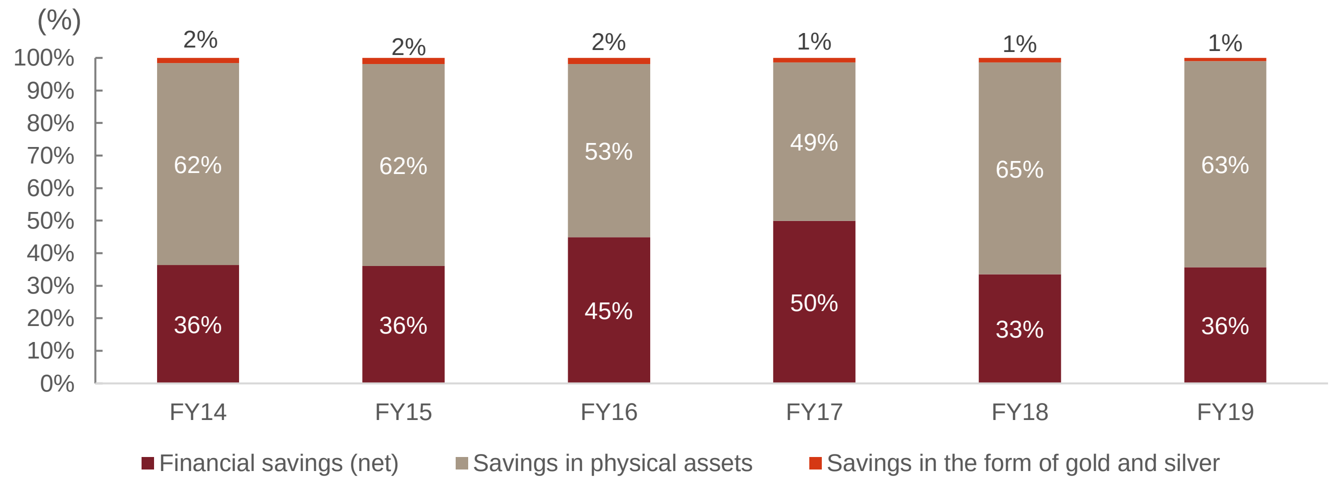
Going forward, with stable inflation, rising disposable income levels and ongoing robust GDP growth, we expect growth in household savings of the past few years to continue.



Note: The data is for financial year ending March
Source: MOSPI, CRISIL Research

Share of savings in physical assets

Households' savings in physical assets has increased from 53% in fiscal 2016 to 63% in fiscal 2019. Their financial savings has reduced from 45% in fiscal 2016 to 36% in fiscal 2019. This could have been due to the slowdown in the economy where people are concentrating more on physical assets. However, as inflation declines in coming years, we expect the attractiveness of gold and real estate (Indian households' favorite physical assets) as investment options to reduce. Coupled with an increase in financial literacy, the relative outperformance of financial assets over recent years, and the government's efforts to fight shadow economy activity, we expect the share of financial assets as a proportion of net household savings to increase over the next five years.



Note: The data is for financial year ending March
Source: Handbook of Statistics on Indian Economy 2018-19, RBI, MOSPI, CRISIL Research

Capital markets to remain an attractive part of financial savings

The proportion of shares and debentures in overall household savings has increased steadily since fiscal 2013 and stood at 3.1% in fiscal 2018. With the financial sector being particularly sensitive to improved economic conditions and given the expected changes in saving patterns, we foresee an increase in the share of financial assets – direct and in mutual funds – in total financial savings.

Share of savings in shares, mutual funds and deposits increased post demonetisation

(Rs billion)	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Gross financial household savings	**10,640**	**11,908**	**12,572**	**14,962**	**14,384**	**18,696**

(Rs billion)	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Currency	1115 (10.4%)	995 (8.3%)	1333 (10.5%)	2005 (13.2%)	-3165(-21.7%)	4708 (24.9%)
Deposits	6062 (56.5%)	6670 (55.3%)	6124 (48.2%)	6445 (42.5%)	9680 (66.3%)	5353 (28.3%)
Shares and debentures	170 (1.6%)	189 (1.6%)	204 (1.6%)	284 (1.9%)	443 (3.0%)	630 (3.3%)
Mutual funds	82 (0.8%)	150 (1.2%)	145 (1.1%)	189 (1.2%)	208 (1.4%)	239 (1.3%)
Insurance funds	1799 (16.8%)	2045 (17.0%)	2993 (23.5%)	2642 (17.4%)	3543 (24.3%)	3504 (18.5%)
Provident and pension funds	1565 (14.6%)	1778 (14.7%)	1909 (15.0%)	2907 (19.2%)	3252 (22.3%)	3679 (19.4%)
Others	-71 (-0.7%)	231 (1.9%)	10 (0.1%)	679 (4.5%)	631 (4.3%)	822 (4.3%)

Note: Others include claims on government and provident and pension funds; the data is for financial year ending March
Source: National Account Statistics 2019, MOSPI, RBI, CRISIL Research

Overall, the financial market in India is expected to continue to grow at a healthy pace, due to strong demand and supply-side drivers, such as the expected growth in the Indian economy, increasing urbanisation, increased consumerism due to higher per capita incomes, and favourable changes, thereby indicating market growth potential for established financial service providers in India.

Key structural reforms

Financial inclusion

Two key initiatives launched by the government for financial inclusion are Pradhan Mantri Jan Dhan Yojana (PMJDY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). Under PMJDY, the government's aim is to ensure that every household in India has a bank account which they can access anywhere and can have access to all financial services, such as savings and deposit accounts, remittance, credit and insurance affordably. PMJJBY is a one-year life insurance scheme that offers a life cover of Rs 200,000 at a premium of Rs 330 per annum per member, which can be renewed every year. The government has also launched the Pradhan Mantri Suraksha Bima Yojana (PMSBY), which is an accident insurance policy and offers an accidental death and full disability cover of Rs 200,000 with a premium of Rs 12 annually. As per the Government of India, more than 100 million people have registered for these two social security schemes.

Affordable housing, transparency to bring moderate growth in investments

The residential real estate segment saw two policy changes ─ RERA and GST ─ which had a direct impact on the sector's supply-demand dynamics. Consequently, new launches dropped sharply, with developers focusing on completing ongoing projects. The sector had been battling weak demand for the past couple of years, and one of the key reasons was unaffordability, as developers focused on middle and premium income-category projects. However, government initiatives have prompted developers to explore affordable housing as a new area. Going ahead, about half of the incremental supply being added in urban stock is expected to be via the affordable housing segment. Additionally, the formalisation of the industry is likely to bring in more transparency, leading to an increase in consumer demand.

In a major relief to the real estate sector, the government has extended the timelines of RERA projects by six months. Further, in affordable housing, it has extended the deadline to March 31, 2021, for first-time homebuyers to avail additional Rs 150,000 interest deduction on home loans. During fiscals 2020 to 2024, we expect overall residential construction to increase at 6-7% compound annual growth rate (CAGR) in value terms compared with -1.5% in the past five years, primarily driven by the PMAY scheme, which is due for completion in 2022.

IBC: A key long-term structural positive

The Insolvency and Bankruptcy Code (IBC) is a reform that will structurally strengthen the identification and resolution of insolvency in India. The IBC enhances the credit enforcement structure and provides certainty around the timeframes for insolvency resolution. It attempts to simplify legal processes, preserve value for creditors and provide them with greater certainty of outcome. With this reform, the RBI has sent a strong signal to borrowers to adhere to credit discipline and encourage banks to break resolution deadlocks by introducing definite timelines. IBC will enhance investors' confidence when investing in India. Internationally, recovery rates have improved significantly after the implementation of bankruptcy reforms, as can be seen in the following table.

Country	Year of bankruptcy reform	Pre-reforms		5-years post reforms	
		Recovery rate (%)	Time (years)	Recovery rate (%)	Time (years)
Brazil	2005	0.2	10.0	17.0	4.0
Russia	2009	28.2	3.8	42.8	2.0

Country	Year of bankruptcy reform	Pre-reforms		5-years post reforms	
		Recovery rate (%)	Time (years)	Recovery rate (%)	Time (years)
China	2007	31.5	2.4	36.1	1.7
India	2016	26.0	4.3	To be seen	

Source: World Bank

Impact of measures taken in the Union Budget 2020-21

With the overall theme of the budget focusing on digital governance as well as pension and insurance penetration, the focus was mainly on India's aspirations. Various measures such as deepening of the bond market for domestic as well as non-resident investors, and increasing deposit insurance coverage, etc., will have a positive impact on the psyche of domestic investors.

Reduction in corporate tax rates to boost capital base of financial institutions

On September 20, 2019, the finance minister announced Taxation Laws (Amendment) Ordinance 2019 to make certain amendments in the Income Tax Act, 1961, to allow any domestic company an option to pay income tax at the rate of 22%, subject to the condition that they will not avail any exemption/incentive. The effective tax rate for these companies shall be 25.17% inclusive of surcharge and cess. Also, such companies shall not be required to pay minimum alternate tax.

A company that does not opt for the concessional tax regime and avails the tax exemption/incentive shall continue to pay tax at the pre-amended rate. However, these companies can opt for concessional tax regime after expiry of their tax holiday/exemption period. After the option is exercised, they shall be liable to pay tax at the rate of 22%, and the option once exercised cannot be subsequently withdrawn. Further, in order to provide relief to companies which continue to avail exemptions, the rate of minimum alternate tax has been reduced from 18.5% to 15%.

In addition, to stabilise the flow of funds in the capital market, the provision of not applying additional surcharge as per the Finance Act, 2019, on capital gains arising out of the sale of equity shares in a company or units of equity-oriented fund or business trust liable for securities transaction tax, in the hands of an individual, HUF, AOP, BOI and AJP has been passed. The enhanced surcharge shall also not apply to capital gains on the sale of any security, including derivatives, in the hands of foreign portfolio investors. Also, to provide relief to listed companies that have announced share buyback before July 5, 2019, tax on the buyback of shares shall not be charged as per these latest amendments.

The recent amendments could boost the capital base of the financial institutions and help revive growth in the financial services sector, which has been battling high non-performing assets, increasing defaults and liquidity concerns. This move could also revive the private capex cycle leading to credit growth in the economy.

Digitalisation: Catalyst for the next growth cycle

Technology is expected to play a pivotal role in taking the financial sector to the next level, by helping surmount the challenges stemming from India's vast geography and the fact that physical footprints in smaller locations are commercially unviable. Technology also gels well with India's demographic structure, where the median age is less than 30 years and these youth segments are technologically savvy and at ease with using technology to conduct the entire gamut of financial transactions. With increase in smartphone penetration and faster data speeds, there is a push from the consumers' side for digitalisation, as they are increasingly finding these digital platforms more convenient. Digitalisation will help improve efficiency and optimise cost, and players with better mobile and digital platforms will draw more customers and will emerge out as winners in the long term.

Jan Dhan: Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a government mission towards financial inclusion of every Indian to ensure every household in India has a bank account and can access their accounts anywhere, and can have access to all financial services such as savings and deposit accounts, remittance, credit and insurance affordably. More than 393 million Jan-Dhan accounts have been opened as of June 2020. More than 293 million Rupay cards have been issued to these accounts, a step forward to help Indians access money anywhere, anytime and transact digitally.

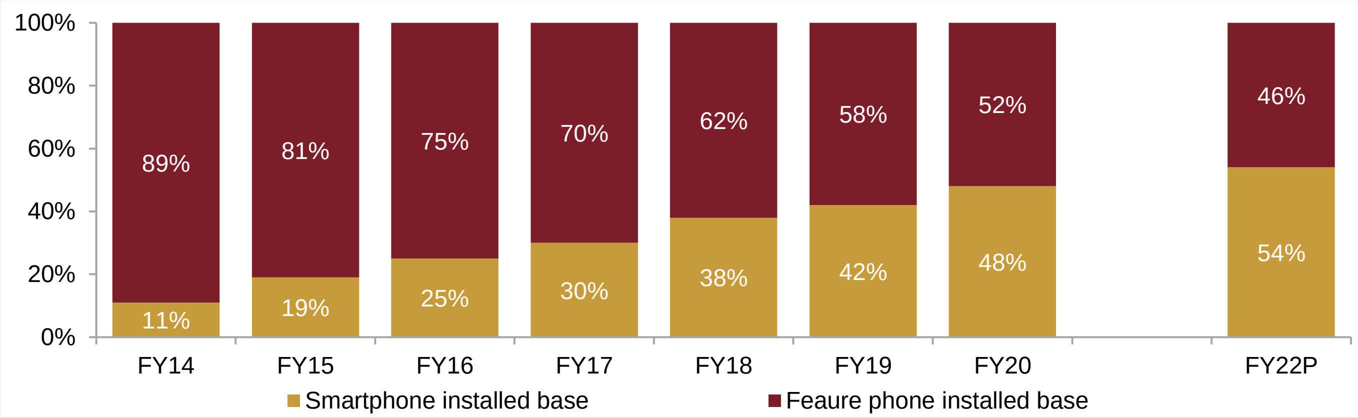
Aadhaar programme: Aadhaar, which means 'foundation', is a 12 digit unique-identity number issued to all Indian residents based on their biometric and demographic data. It is the world's largest biometric ID system, with over 1.25 billion enrolled members as of June 2020, and has over 99% of Indians aged '18 and above' enrolled.

Data collection is done by the Unique Identification Authority of India (UIDAI), which comes under the Ministry of Electronics and Information Technology. APIs (application programming interfaces) have been developed using Aadhaar to launch payment systems that allow real-time transactions with just a mobile phone.

It also enables the completion of an electronic KYC (Know Your Customer) and the download of digital signatures. With an individual's bank account, driving licence and mobile numbers linked, an Aadhaar card is the most important identification card and has several key benefits.

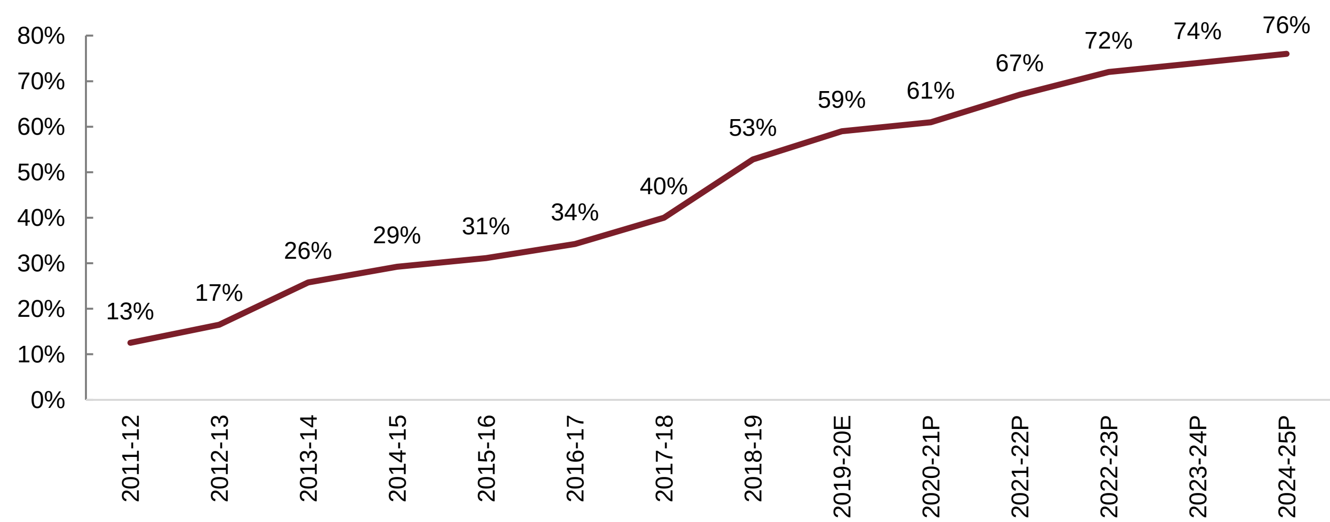
Mobile and internet penetration: Higher mobile penetration, improved connectivity and faster and cheaper data speed, supported by Aadhaar and bank account penetration have led India to shift from being a cash-dominated economy to a digital one. CRISIL Research expects the share of smartphones to increase with the total number of internet subscribers in the country to reach more than 1000 million by FY 2025, resulting in 76% internet penetration.

Data-savvy and younger users to drive adoption of smartphones



Source: CRISIL Research

Proportion of data subscribers in overall subscribers to increase dramatically over next five years

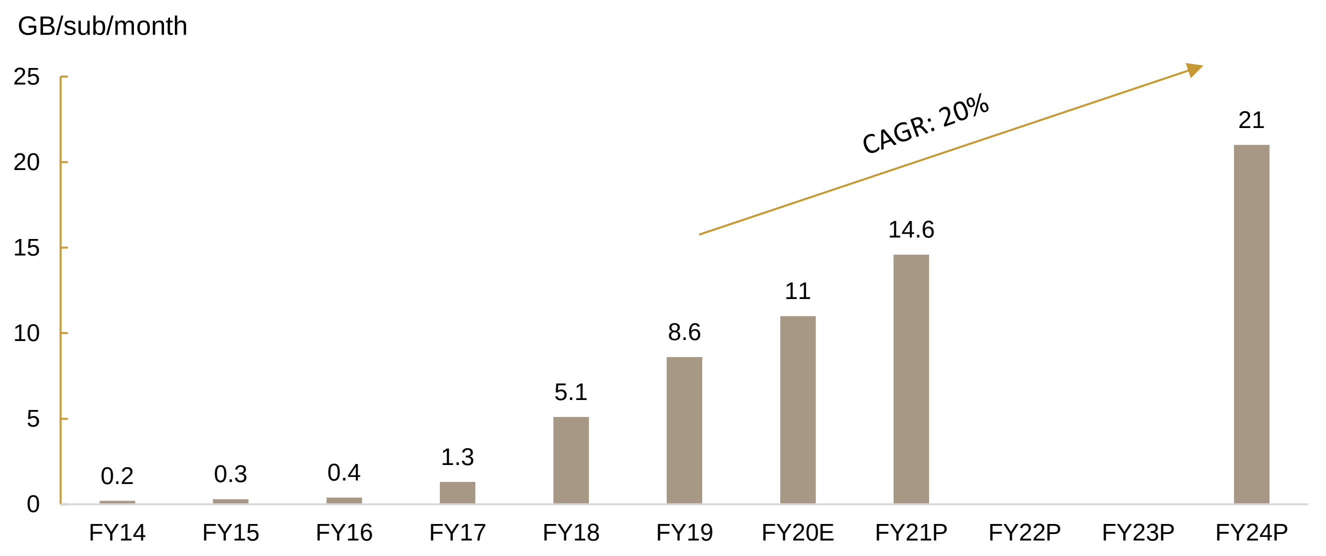


Source: TRAI, CRISIL Research

Social media users in India have also been increasing as mobile and smartphone penetration has increased. For example, in 2019, YouTube announced that India was one of its fastest and largest growing audience in the world with more than 265 million monthly active users. The announcement also mentioned that YouTube expects the number of users to reach 500 million in 2020.

Also, monthly average data usage is estimated to reach 11 GB/sub/month in fiscal 2020, due to increased affordability of smartphone devices, increase in 4G penetration, and popularity of OTT apps. The average data usage is expected to grow at 20% CAGR to reach 21 GB per subscriber per month.

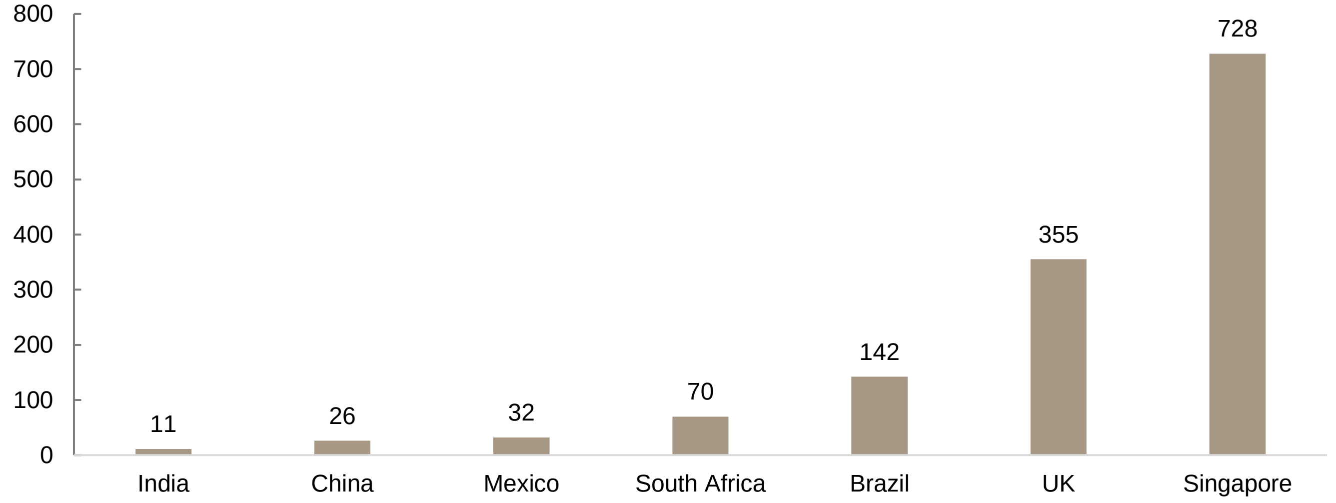
Blended average data usage per subscriber



Note: P-Projected
Source: TRAI, Company Reports, CRISIL Research

According to a NITI Aayog report, digital payments and per-capita transactions in India are one of the lowest compared with its peers (see graph below). The government has taken multiple initiatives to give a fillip to digitalisation of the economy. This includes biometric identification of all Indian citizens with the Aadhaar programme, financial inclusion through Jan Dhan Yojana, launch of Aadhar-enabled payment systems and encouraging online tax filings.

Number of non-cash payments transactions per capita per annum



Source: NITI Aayog Report (Jan 2017)

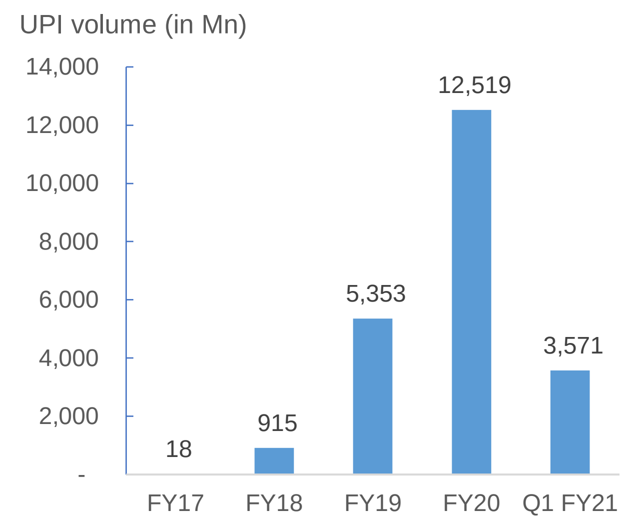
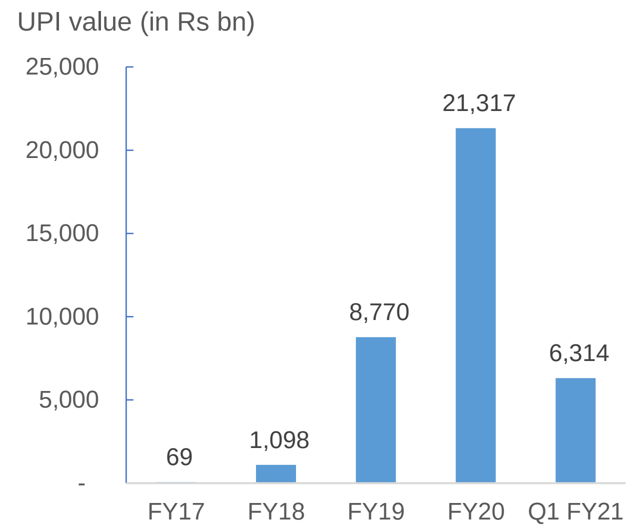
Consumers are increasingly finding transacting through their mobile more convenient. Unified Payments Interface (UPI) of the government's National Payments Corporation of India and other private apps such as Paytm and GooglePay have boosted the growth of digital payments in the country. As of June 2020, 155 banks (87%) out of 178 banks (Banks in India as per RBI) are live on UPI as per NPCI.

UPI monthly usage data statistics

For the month	No. of banks live on UPI	Volume of transactions (in millions)	Amount of transactions (in Rs billion)
Mar-17	49	9	28
Mar-18	91	178	242
Mar-19	142	800	1335
Mar-20	148	1247	2065

For the month	No. of banks live on UPI	Volume of transactions (in millions)	Amount of transactions (in Rs billion)
Jun-20	155	1337	2618

Source: National Payments Corporation of India (NPCI)

UPI volumes crossed 12 billion mark in FY20	Robust growth in UPI transaction value
	

Source: National Payments Corporation of India (NPCI)

CRISIL Research expects the share of mobile banking and prepaid instruments to increase dramatically over the coming years. In addition to this, improved data connectivity, low digital payment penetration and proactive government measures are expected to drive digitalisation in the country transforming it towards becoming a cashless economy. This will make people more comfortable with managing cash digitally and with mobile trading.

India's growth story remains compelling. However, there are also risks to the expected economic growth. They are political instability, a sharp increase in interest rates, slower-than-expected private investments, failure to contain fiscal deficit, geopolitical tension, a significant rise in crude oil prices, continuing hurdles in GST implementation and a deep global recession.

CAPITAL MARKETS

Overview

There are two factors that influence the performance of entities in the capital markets business – i) the performance of the primary and secondary equity markets; and ii) corporates' fund-raising through equity (initial public offer or IPO, rights issue, qualified institutions placement) or debt markets.

Capital market-related entities have had fruitful last few years as the markets gave investors healthy returns. Corporates, too, tapped the capital markets for raising capital through equity and debt. Over fiscals 2015-2019, the benchmark indices Nifty 50 of the National Stock Exchange (NSE) and S&P BSE Sensex of the Bombay Stock Exchange (BSE) clocked 11.6% CAGR. Both the indices rose 9% and 6.5% over April-December of fiscal 2020. On January 20, 2020, the Nifty 50 hit an all-time high of 12,430.5 following gains in global peers. Fresh liquidity infusion by the US Federal Reserve also improved investor sentiments.

The following factors explain the uptrend in the first nine months of fiscal 2020:

- Establishment of a stable Union government and a conducive macroeconomic environment
- Falling interest rate and benign inflation in the country, and a low interest rate regime globally
- Continued inflows from domestic institutional investors (DIIs) and foreign portfolio investor (FPIs)

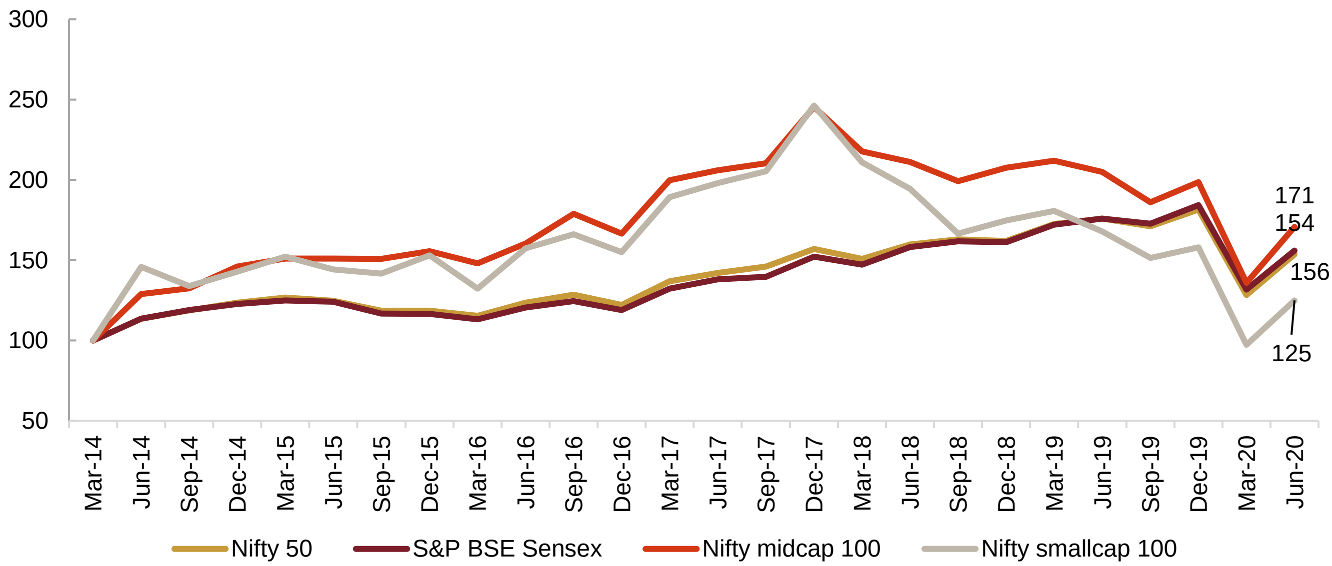
- Implementation of structural reforms such as IBC, power sector reforms, the corporate tax reforms, and GST raised hopes of a sustained pick-up in economic growth in the years ahead
- Increasing share of financial assets compared with that of physical assets in investors' savings

However, the strong growth of the capital markets fizzled out on February 1, 2020, after the Union Budget for fiscal 2021 presented in Parliament failed to match market expectations. The benchmark indices declined sharply in reaction.

The situation was further exacerbated by the Covid-19 pandemic that weakened the global markets. Many countries locked down their economy and borders in order to contain the spread of the virus. In India too, a nationwide lockdown was initially imposed for 21 days on March 25, 2020, which was subsequently extended to a total of 40 days. Reacting to initial lockdown, the Nifty 50 declined to 8,597.75 by March 31st after touching a low of 7,511.10 on March 24th. Subsequently, however, the markets have seen a remarkable recovery with the surge in global liquidity lifting the benchmark indices. As of June 30, 2020, the Nifty 50 stood at 10,302.1 after touching a high of 10,553.15 on June 24th. The Nifty saw a movement of 40.5% in between these extreme levels of the lowest low and the highest high during this period.

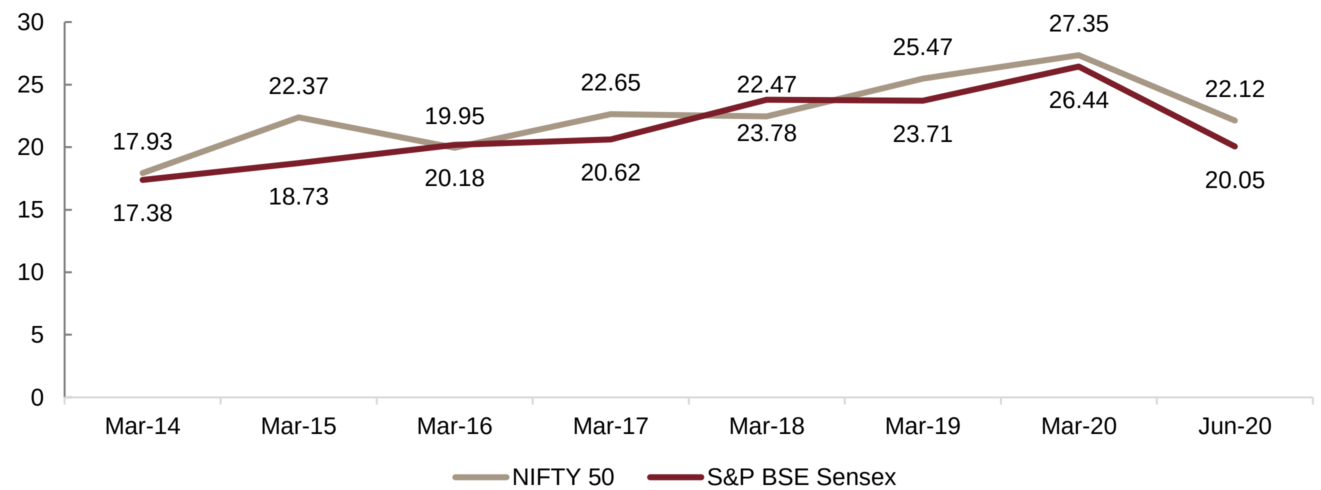
Going forward in fiscal 2021, the benchmark indices are expected to hover around the current level despite ample liquidity due to cut in earnings estimates of companies across sectors and uncertainty surrounding the banking system. However, growth is likely to return in fiscal 2022 on expectations of an uptick in the economy.

Growth in Indian equity markets indexed to 100 as of March 2014



Source: BSE, NSE, CRISIL Research

P/E ratio for the markets from March 2014



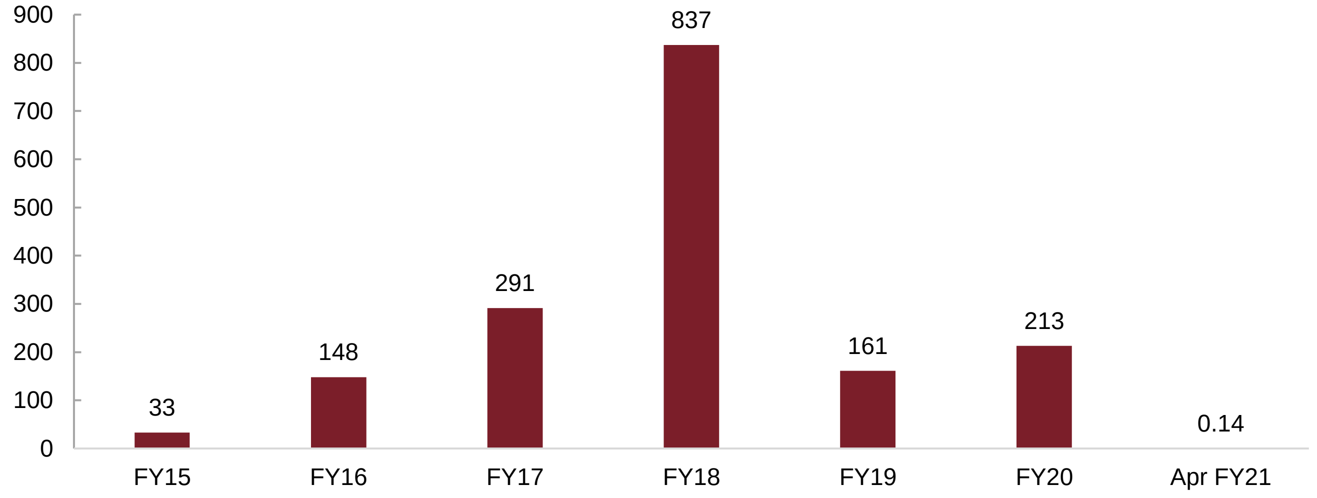
Note: PE ratio is calculated on trailing basis and has been averaged for the financial year; For Jun 20 – the first quarter average is considered

Source: Industry, CRISIL Research

Growth in primary market subdued after fiscal 2018

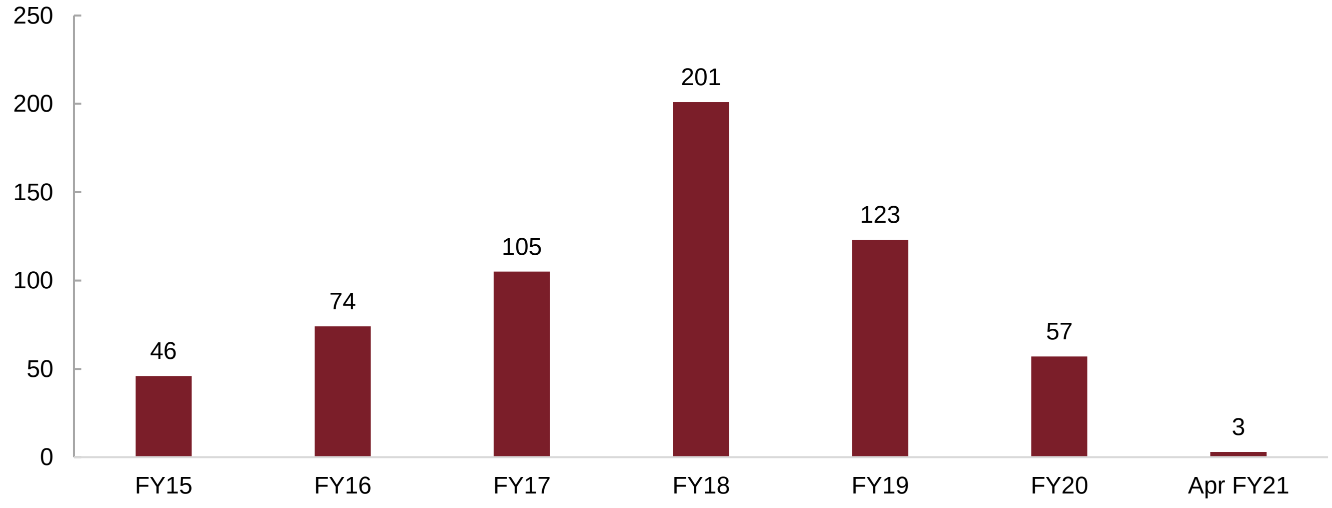
The primary market has remained subdued in fiscals 2019-2020 and the first quarter of the current fiscal on account of a series of domestic and global events, including the liquidity crisis in the Indian economy after the IL&FS meltdown in 2018; the trade stand-off between the US and China; and lower-than-expected growth in global and domestic macro-economic indicators. Although there hasn't been a sharp fall in the number of issuances, the total amount raised via primary issues in India fell below the fiscal 2017 levels. In fiscal 2021, on account of increasing economic uncertainty due to the pandemic, the primary market activity is expected to remain low.

Amount raised through primary markets (equities) (Rs Bn)



Source: SEBI, CRISIL Research

Number of issues through primary markets (equities)

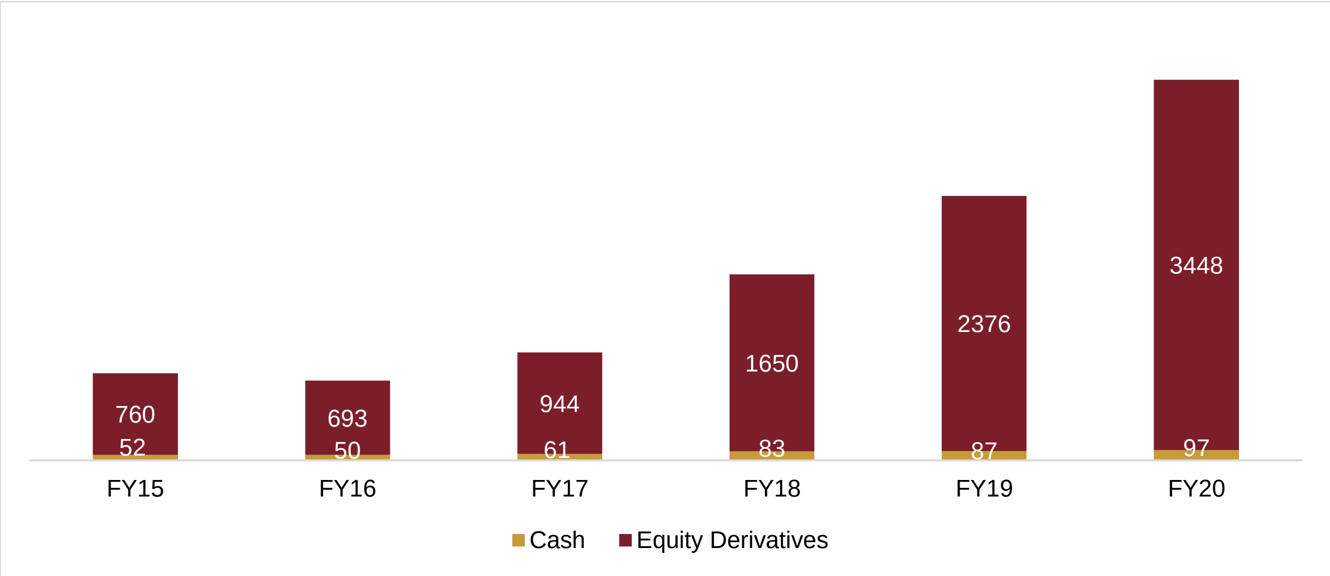


Source: SEBI, BSE, NSE, CRISIL Research

Fiscal 2018 was a bumper year for fund raising via equity market as more than ₹ 800 billion was garnered through over 200 IPOs, mainly on account of higher liquidity and private equity players exiting their holdings. This was almost three times the capital raised in fiscal 2017.

Equity market turnover continues to soar

Market turnover during fiscal 2015-fiscal 2020 (Rs trillion)

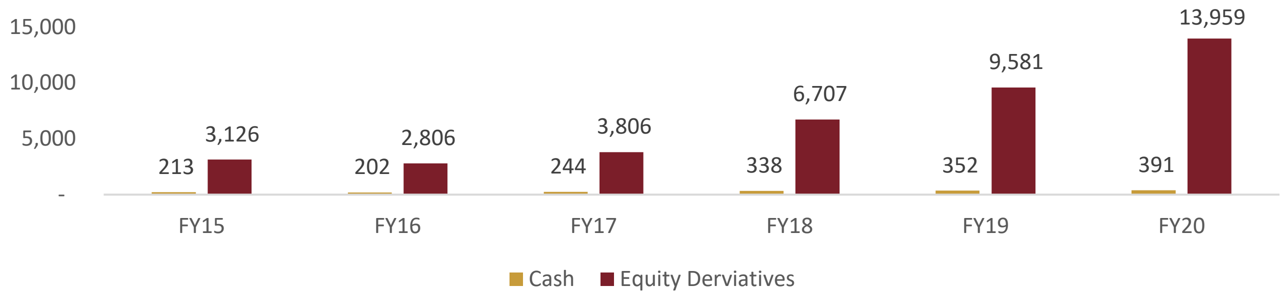


Source: SEBI, CRISIL Research

Increasing investor interest in derivatives has led to a sharp run-up in turnover of equity derivatives markets. Equity derivative markets have outpaced the cash markets, clocking 35% CAGR over fiscals 2015-2020. The share of equity derivatives in total market turnover has increased to more than 97% from 94% during the period. Key factors that aided this growth were the rise in the benchmark indices; cut in securities transaction tax (STT) on equity futures from 0.017% to 0.01%; and increasing share of high-frequency and algorithmic trading, mainly in the derivatives market.

FPIs account for only 15-20% of overall volume in derivatives and mainly take positions for hedging. DIIs have a negligible presence in the derivatives segment as key institutions such as mutual funds are not allowed to write option contracts and norms stipulate that their exposure to option premium paid must not exceed 20% of the net assets of the scheme. The highest share is of the others category – including individual investors, HUFs, Trusts, NRIs etc. accounting for 38% in fiscal 2020 and proprietary trades accounting for 33% of the equity derivatives turnover in NSE which is the major contributor of equity derivatives turnover.

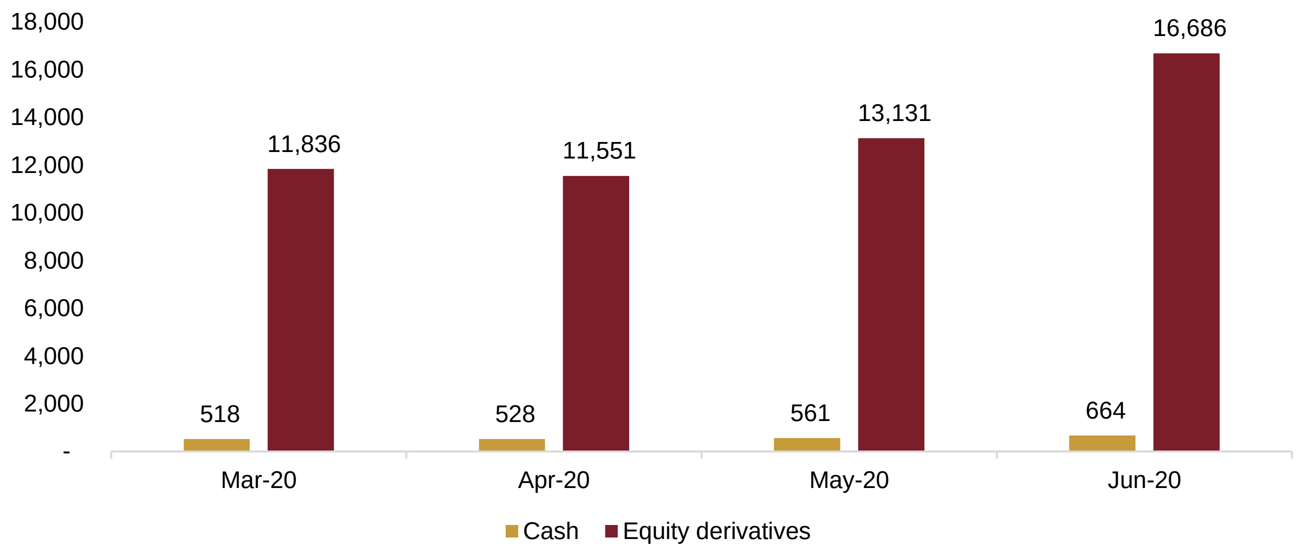
Average daily turnover (ADTO) increased with rising investor participation (Rs billion)



Source: SEBI, CRISIL Research

With increasing retail participation both in equity cash and derivatives segments, the average daily turnover clocked a strong ~34% CAGR over fiscals 2015-2020, mainly led by derivatives. With the equity market poised to do well in the long term, this number is likely to see further growth.

ADTO trend for last four months across cash and equity derivatives segment (Rs billion)



Source: NSE, BSE, CRISIL Research

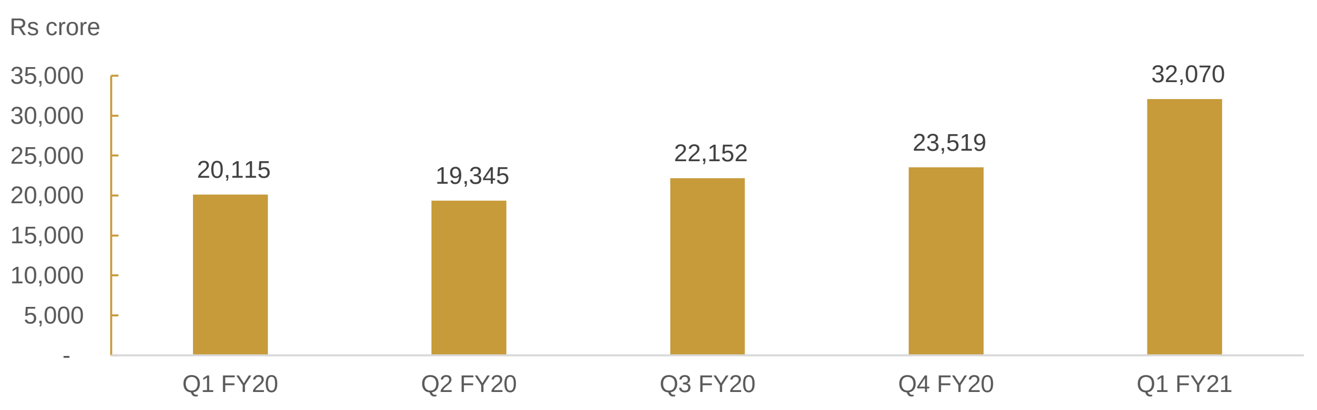
Retail ADTO trend for cash market and equity derivatives

Retail ADTO (Rs cr)		Total cash market retail ADTO	Total equity derivatives market retail ADTO
Year ended	2018	19,733	306,090
	2019	19,619	462,510
	2020	21,307	661,198
FY20	Q1 FY20	20,115	586,867
	Q2 FY20	19,345	657,542
	Q3 FY20	22,152	657,182
	Q4 FY20	23,519	738,252
Month ended	Mar-2020	25,591	562,018
	Apr-2020	30,197	576,148
	May-2020	30,691	612,611
	Jun-2020	38,611	764,531
Q1 FY21		33,493	658,135

Note: Retail ADTO for months of May 2020 and June 2020 is calculated by using average of buy and sell value in these months

Source: BSE, NSE, SEBI, CRISIL Research

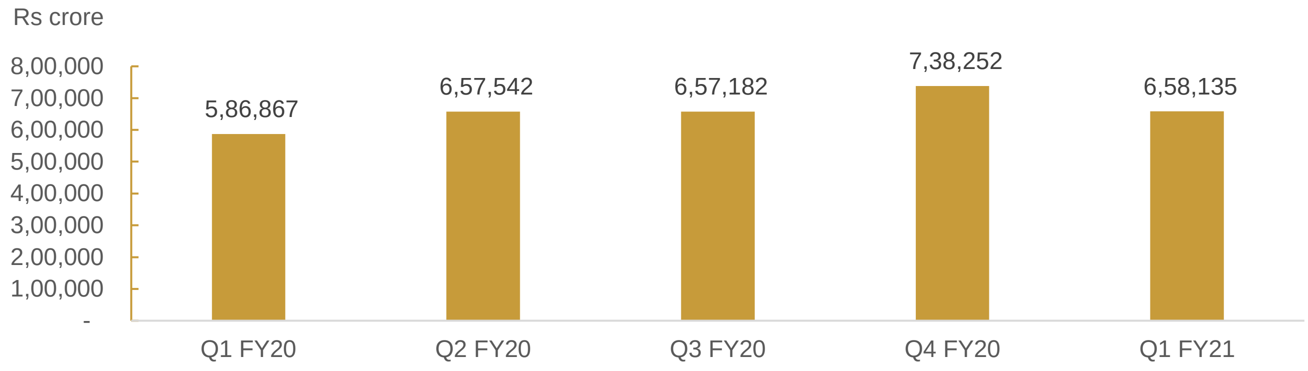
Retail ADTO trend for total cash market over last five quarters



Note: Retail ADTO for months of May 2020 and June 2020 in Q1FY21 is calculated by using average of buy and sell value in these months

Source: BSE, NSE, SEBI, CRISIL Research

Retail ADTO trend for total equity derivatives market over last five quarters



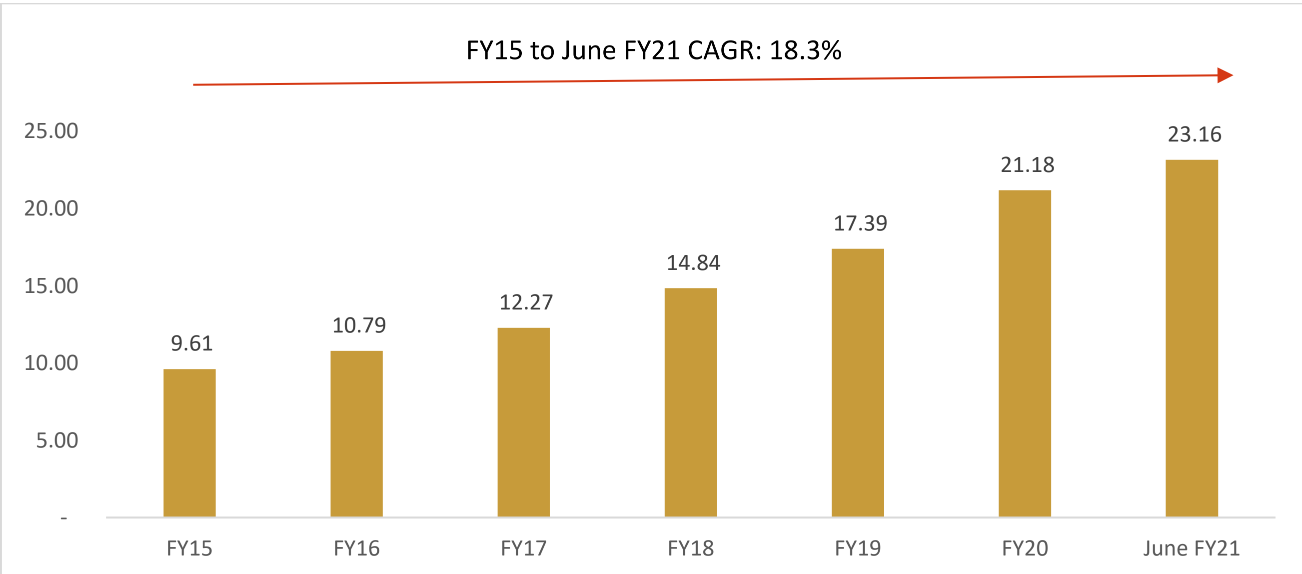
Note: Retail ADTO for months of May 2020 and June 2020 in Q1FY21 is calculated by using average of buy and sell value in these months

Source: BSE, NSE, SEBI, CRISIL Research

New investors on the rise

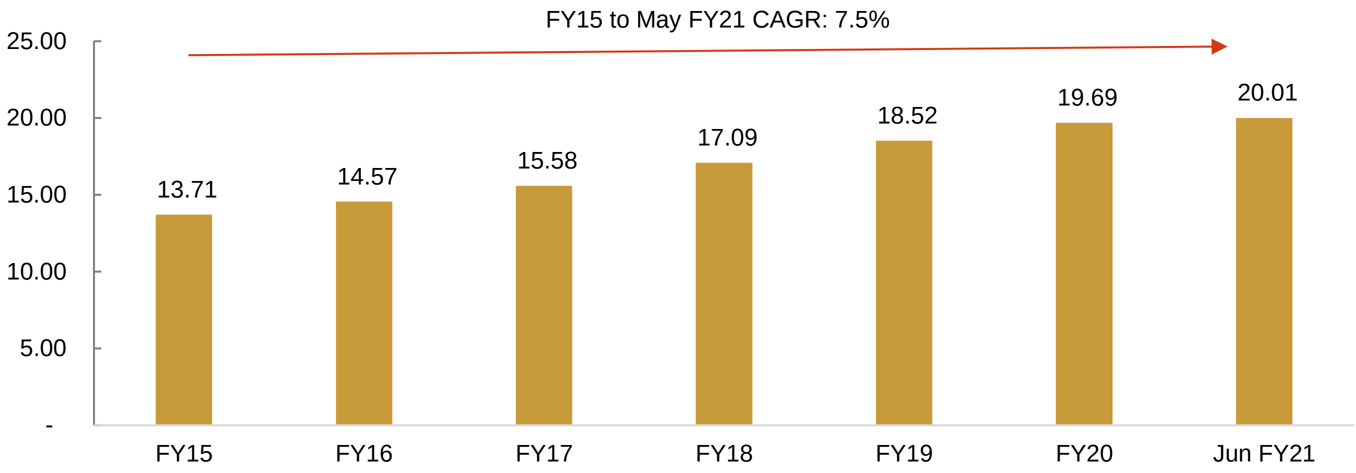
Mutual fund folios that were active as of end fiscal 2020 have nearly more than doubled from the end of fiscal 2015 levels growing at a CAGR of ~16.5%. The number of active accounts held in NSDL and CDSL have also seen an increase of 7.45% and 18.2% CAGR respectively upto June 2020. Moreover, despite the sharp decline in equity markets towards the end of March 2020 following the pandemic-induced lockdown, new demat accounts and mutual fund folios (SIP accounts) continued to be added in April and May 2020.

Number of active accounts in CDSL (million)



Source: SEBI, CRISIL Research

Number of active accounts in NSDL (million)

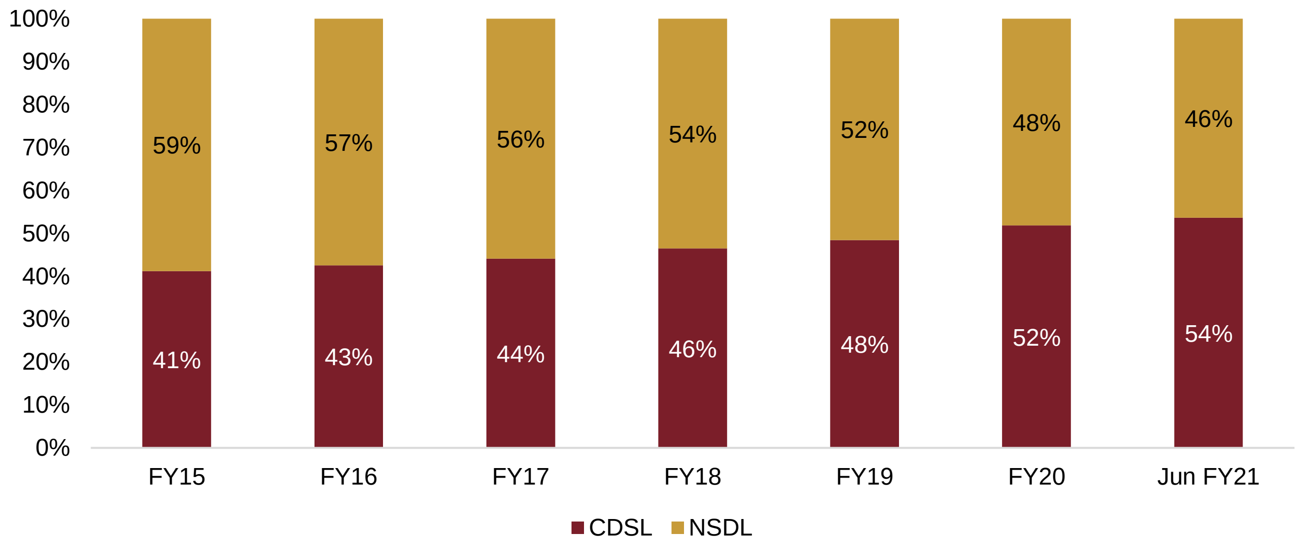


Source: SEBI, CRISIL Research

Source: SEBI, CRISIL Research

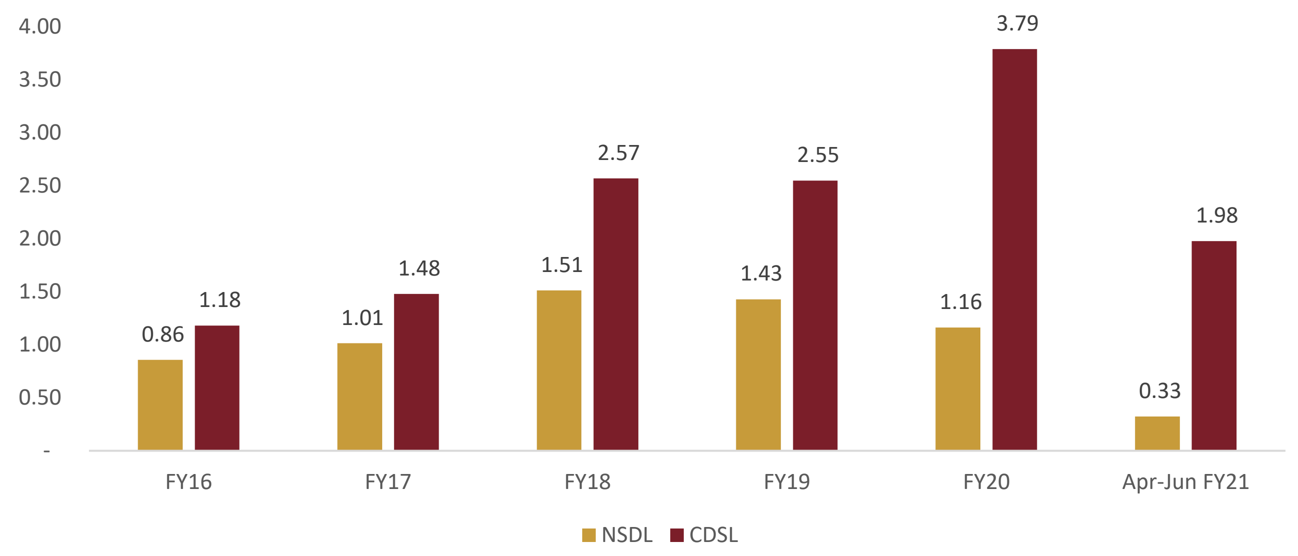
The share of active user accounts for CDSL has increased from 41% as on 31st March, 2015 to 54% as on 30th June 2020 surpassing NSDL in fiscal 2020.

Share of active accounts between CDSL and NSDL



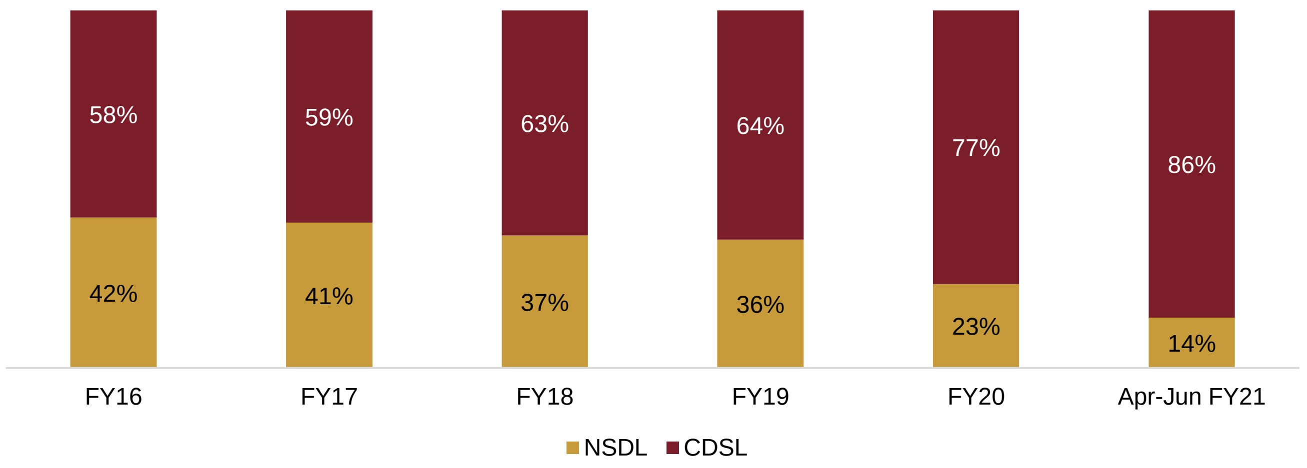
Source: SEBI, CRISIL Research

Incremental accounts in CDSL and NSDL (million)



Note: Incremental accounts calculated as the net additions over the previous mentioned period
Source: SEBI, CRISIL Research

Share of incremental accounts between CDSL and NSDL



Note: Incremental accounts calculated as the net additions over the previous mentioned period
Source: SEBI, CRISIL Research

Although this does not entirely reflect the growth in new individual first time investors, it indicates that financial products have seen considerable traction over the last five fiscals aided by prudent measures and deeper focus.

The trend is expected to continue with investors finding ease of transaction across platforms and devices supported by use of technology and getting services such as access to various reports, information and trackers. Further, players providing these services are continuously expanding their geographical and digital footprint by investing in increasing customer savviness and ease of use. Thus it can be concluded the number of new investors coming into the fold will only expand going forward.

Increasing investor participation in the capital markets

	FY15	FY20	Jun-20	FY15-20 CAGR
Mutual fund folios (million)	41.74	89.74	NA	16.5%
Demat accounts – active (million)	23.31	40.89	43.17	11.9%

Source: AMFI, CDSL, NSDL, CRISIL Research

As on FY20, current penetration of demat accounts as a proportion of the population stands at ~3% considering a population of 1.4 billion in FY20 in India. This number is quite low and provides ample scope for further additions. As per the India postal code system there are 19,252 pin codes as on May 2020 that are served. Further, the reach and distribution of financial products and across various tier of cities/districts across the country (as per annexure) has been increasing and is expected to continue to rise in the future.

Evolution of Indian broking industry

Until 1994, equity trading in India was based on the open outcry system, where professionals communicated their buy/sell orders on a stock exchange's trading floor. It involved shouting and the use of hand signals.

With the establishment of the NSE in 1994, the era of screen-based trading dawned in the country. Within a short span of time, screen-based trading replaced the open outcry system on all the stock exchanges in the country. The screen-based trading system adopted in India is referred to as the open electronic limit order book (ELOB) market system. In the present market scenario, participants look for enhanced efficiency, improvement in information dissemination and better use of technology to reduce cost.

Mobile trading, which the regulator approved in 2000, has further changed the face of the domestic broking industry as it increases the convenience and facilitates trading on the go. The time for account opening and verification has dramatically reduced for the industry. With wider access to information and increased ease of doing transactions, trading volumes are likely to see significant growth.

With the evolution of technology and artificial intelligence (AI), trades can now take place through a machine based on algorithm and that too within a few micro seconds. This AI-based buying and selling system has changed the law of supply and demand and it is now possible to easily estimate individualised demand and supply curves and thus individualised pricing. Further, AI has reduced information asymmetry in the market and made it more efficient.

Types of products offered by exchanges

Exchanges offer a variety of products to investors, sold via brokerage firms or data vendors. Below is the list of products provided by exchanges:

Segments	Products and services	Customer group
Cash market	Products: Equities, ETF, MF, SLBS, OFS Services: Settlement guarantee	Retail, Institutional and Proprietary; Participants - Domestic & Foreign
Derivatives	Products: Equity Derivatives (Index & Stock), Currency Derivatives, Interest Rate Futures, Derivatives on Global Indices & Volatility; Services: Settlement Guarantee	Retail, Institutional and Proprietary; Participants - Domestic & Foreign
Commodity	Products: Commodities (including agriculture, metals, oil, gold, etc.), Commodity derivatives, Commodity options Services: Settlement Guarantee	Retail, Institutional and Proprietary; Participants - Domestic & Foreign
Debt Market	Products: Debt securities, Corporate bonds, Govt. securities & T bills; Services: Clearing and Settlement, Risk Management, Connect NSE, Corporate bond database	Retail, Institutional and Proprietary; Participants - Domestic & Foreign

Segments	Products and services	Customer group
Data and Information Vending	Products: Online Real time Data Feed, 15-Min delayed, 5 minutes, 2 minutes and 1 minute Snapshot Data, EOD data, Historical Trade & order and Corporate Data; Services: Providing data feed	Data vendors, researchers, TV channels, financial websites, software and algorithm developers
Index Services	Products: Equity Index- BSE SENSEX, NIFTY, NIFTY 100, NIFTY Bank indices etc. and Debt Index; Services: Index IP Licensing and Customized Index solution	AMCs, ETF issuers, insurer, NBFCs, investment banks, stock exchanges and AIFs
Margin trading facility	Products: Equity cash segment Services: Margin and SPAN reports	Retail, Institutional and Proprietary; Participants - Domestic & Foreign

Equity broking industry revenue to log 11-12% CAGR in next five fiscals driven by a growth of 23-25% in turnover volumes

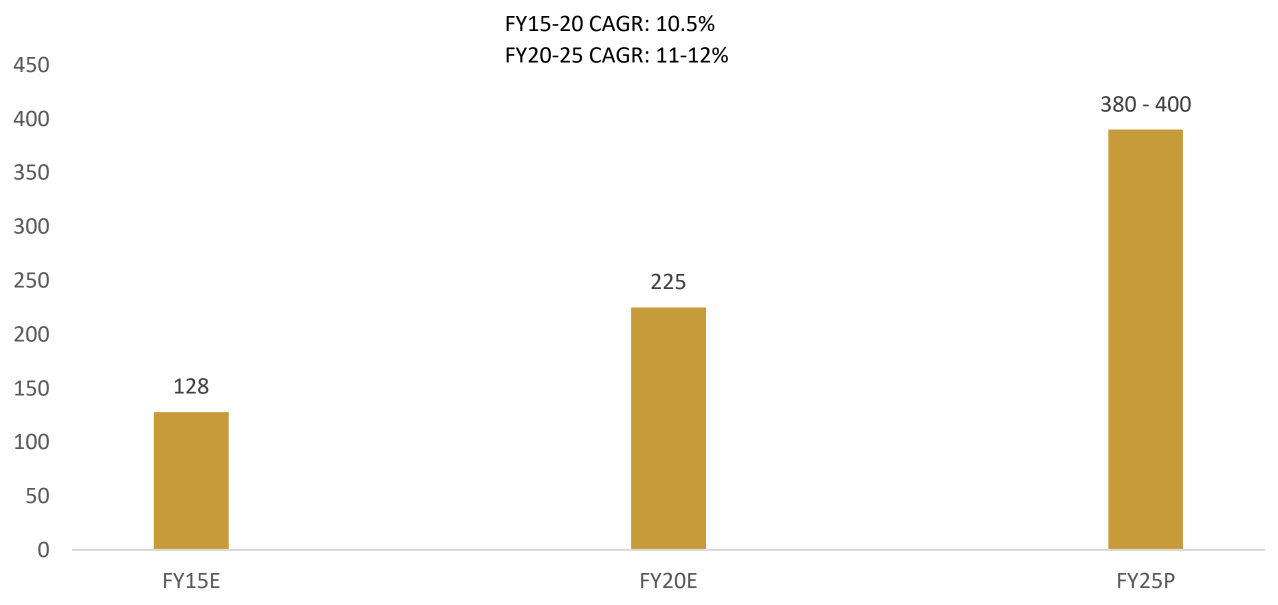
The domestic broking industry's revenue registered ~10.5% CAGR over fiscals 2015-2020, to reach an estimated Rs 225 billion on account of a ~34% increase in turnover in equity (cash and derivatives of NSE, BSE) markets during the same period.

The industry is expected to see strong growth going ahead, after facing difficulties on account of pressure on yields and changing regulatory landscape. The growth will mostly be due to increased scalability and reach of players to untapped markets, especially lower tiered cities, leveraging their highly agile digital models.

This will be adequately supported by the growing turnover levels across the equity derivatives and cash segments. These segments are expected to cumulatively grow at a 23-25% CAGR up to fiscal 2025. This growth will be driven mainly by the higher investor awareness, increased retail interest across market segments, easier and faster means to access the markets and continuing FII inflows.

As advanced technology enables easier online operations, brokerages can gain access to a large amount of client information and data. This will help them better target their customers with value added services as well as credit and distribution services in addition to their core offering which is now more simple and customer-friendly. In the next five fiscals, we expect the industry to log 11-12% CAGR.

Equity broking industry revenue growth (Rs billion)



Note: Broking revenue from equity markets; fiscal 2025 number is a projection
Source: CRISIL Research

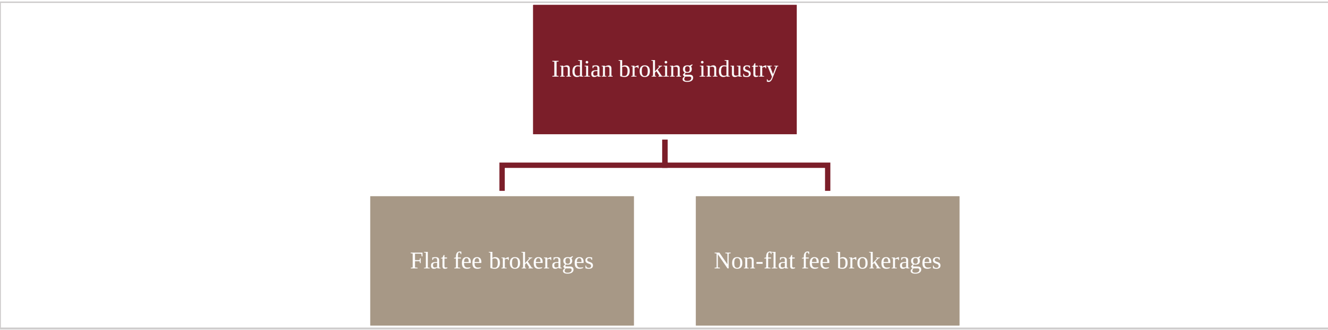
Classification of the broking industry

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

The industry can be broadly divided into two – 1. Brokerages that charge a flat transaction-based fee irrespective of the volume or the trade size; and 2.Those that charge a percentage fee on the transaction value hereafter referred to as non-flat fee brokers

Traditionally, larger bank-based players adopted percentage fee-based model, where for each transaction (intra-day and delivery-based), a fixed brokerage fee as percentage of value of transaction was charged which was mentioned in the annual plan of the customer. They have largely persisted with this model and have started offering limited plans for some customers based on a flat fee-based structure. On the other hand, most of the brokerages, some even commanding a very high market share of active customers, have adopted the flat fee-based model, where transactions are charged on a flat fee basis irrespective of the value of transactions, except for very small value transactions.

Types of brokerages in India



Source: CRISIL Research

Traditional broking shifts to technology-oriented lean and adaptive models

The flat fee-based brokerages are relatively a newer concept in our country but garnered a dominant share in the industry with their service offerings across customers using both mobile applications and terminals to invest and trade. Aided by the ease of transacting and the super-fast registration and account opening processes across both these category of brokers, the industry is seeing a surge in retail investor participation, which, in turn, is boosting the trading turnover.

With the importance of technology increasing, customers are provided more and more means to access information and take active decisions based on the fast paced information availability. The systems are ever evolving and have become quick and robust. In order to stay relevant and increase the market share, many brokers have heavily invested in infrastructure. Their IT systems have transformed from legacy systems to modern day agile, adaptive and lean architectures.

Digital trading platforms provide brokerages with enhanced scalability

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

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

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

Varied service offerings to diverse set of customers

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

Key points of difference between institutional and retail broking

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

Value added service offering becomes a key differentiator amid rising competitive pressure

Broking yields for most full service brokerages have taken a further hit in fiscal 2020 after a sustained pressure in last two-three fiscals. Pricing pressure due to rising competition and increasing product offerings is the major reason for this fall. With increasing competition in equity broking between all – from bank-led brokers, traditional call-order based brokers and advanced technology-led brokers – average broking yields have been falling. This competitive intensity in the industry is expected to remain high going forward. Broking yields, which are calculated as brokerage income to turnover, for various players in the industry have halved from the fiscal 2015 levels.

The fall in yields is being cushioned by increasing turnover and market participation in addition to higher paid offerings such as subscription-based services, margin-based funding facilities, etc. Going a step further, several brokers also 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 in.

While players have scaled up their technology infrastructure significantly, additional expenses, such as manpower, branches and costs associated with scaling up in newer geographies, etc., have come down because of digitalisation of their operations and ease of scalability due to this. CRISIL Research's analysis shows that several broking entities have ramped up their technology investments by around 50% in fiscal 2018 and another 20% in fiscal 2019. In fiscal 2020 too, we estimate relatively higher spends on technology upgrades and towards building sustainable and agile infrastructure.

Internet and mobile trading gaining share on account of convenience

The penetration of internet trading has been deepening, with the number of active registered subscribers seeing a significant increase. Internet trading volumes are also on the rise with their share increasing from 20.9% in the F&O segment to 31.5% over fiscals 2015-2019. Cash segment volume, meanwhile, increased from 23.2% to 29.8%. The share of internet-based trading, however, declined to 23.5% in the cash segment and 25.7% in the F&O segment in fiscal 2020 largely owing to the high growth of the turnover during the period.

Key factors aiding this growth are:

- Growing mobile usage and penetration: India has more than 693 million internet users as of March 2020. Of this, more than 671 million subscribers are wireless/mobile subscribers

- Growing usage of smartphones: With ever growing user base of smartphones, India has close to 658 million 4G data subscribers as of fiscal 2020. With cheaper availability of data, increasing penetration of the smartphone devices, easy information dissemination, growing investor education initiatives from market participants, access to social media and informative websites, investors are increasingly becoming better equipped to trade and invest in the equity markets.

- Lower brokerage fees: Retail traders trading online get discounts in brokerage; full service brokerages have also adopted internet trading models to become leaner

- Flexibility and convenience: Internet trading allows for greater control on transactions and faster turnaround (within seconds) and reduces latency with the time required for calling a broker and placing the order coming down

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

- Real-time data and news feed: Mostly all key brokerages provide subscribers with real-time data and live news feeds. They also provide facilities such as advisors and recommendation reports

- NSE had launched internet-based trading for investors in 2000 and mobile-based trading in 2010.

Increasing share of internet-based trading in overall turnover for NSE segment

NSE cash, internet statistics	FY15	FY16	FY17	FY18	FY19	FY20
Clients (in million)	6.36	9.46	9.12	7.46	NA	NA
Trading value (Rs trillion)	10.1	10.3	13.1	21.3	25.9	22.8
Share in overall trading	23.20%	24.20%	25.80%	29.40%	29.8%	23.5%

NSE F&O, internet statistics	FY15	FY16	FY17	FY18	FY19	FY20
Clients (in million)	4.7	4.75	4.35	3.93	NA	NA
Trading value (Rs trillion)	116.1	146.2	254.9	484.1	748.3	885.9
Share in overall trading	20.90%	22.60%	27.00%	29.30%	31.5%	25.7%

Note: Trading value calculated as buy side + sell side turnover
Source: NSE Factbook 2018, NSE, CRISIL Research

Increasing share of mobile-based trading on NSE and BSE based on total turnover

Segment	FY14	FY15	FY16	FY17	FY18	Up to Q3 FY19
NSE Mobile (cash)	0.7%	1.1%	2.2%	3.5%	5.1%	8.1%
NSE Mobile (derivatives)	0.3%	0.5%	1.0%	1.6%	2.2%	3.2%

Source: SEBI handbook 2018, NSE, CRISIL Research

Segment	FY14	FY15	FY16	FY17	FY18	Upto Q3FY19
BSE Mobile (cash)	0.2%	0.5%	1.1%	2.2%	3.1%	5.3%

Source: SEBI handbook 2018, CRISIL Research

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

Service diversification into distribution has added to the revenue streams of brokerages

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

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

Below is a comparison of latest product offerings of some flat fee-based and non-flat fee-based brokers

Many large brokers offer several plans to their retail clients (for example, flat brokerage plan vs variable brokerage plan where traded turnover and brokerage rates are inversely related). Institutional brokerage rates are far lower than the retail rates and mainly depend on the quality of research reports and trade execution capability provided. Given in the below table is the indicative structure of charges for a variety of trading options. As can be seen from the table, Angel Broking is one of the most competitive players in the industry

Brokerage rates of various major brokerages across products

#	Brokers	Delivery	Intraday	Futures	Options	Commodity
1	Angel Broking	0	Rs. 20	Rs. 20	Rs. 20	Rs. 20
2	Zerodha	0	Rs. 20	Rs. 20	Rs. 20	Rs. 20
3	RKSV Securities	0	Rs. 20	Rs. 20	Rs. 20	Rs. 20
4	5 Paisa	Rs. 20	Rs. 20	Rs. 20	Rs. 20	Rs. 20
5	Axis Securities	0.50%	0.05%	0.05%	Rs. 100 per lot	Rs. 100 per lot
5b	Axis securities (tiered plan)	0.25%	0.03%	0.03%	Rs. 50 per lot	Rs. 50 per lot
6	Kotak Securities	0.49%	0.049%	0.049%	Rs. 300 per lot	Rs. 300 per lot
7	HDFC Securities	0.50%	0.05%	0.05%	Rs. 100 per lot	Rs. 100 per lot
8	Motilal Oswal	0.50%	0.05%	0.05%	Rs. 70 per lot	0.05%
9	IIFL Securities	0.50%	0.05%	0.05%	Rs. 100 per lot	Rs. 100 per lot
10	ICICI Securities	0.55%	0.275%	0.05%	Rs. 95 per lot	Rs. 95 per lot
10b	ICICI securities (tiered plan - 1)	0.25%	0.025%	0.025%	Rs. 35 per lot	Rs. 35 per lot
10c	ICICI securities (tiered plan - 2)	0.25%	0.025%	0.025%	Rs. 20 per order + Rs. 5 per lot	Rs. 20 per order + Rs. 5 per lot

Note: For tiered plans, the account opening charges vary and there are different threshold limit for complimentary delivery turnovers post which the brokerage rates apply; Among the tiered plans there are various applicable rates as per plan tier and account opening charges and the above rates are only indicative

Source: CRISIL Research

Many of the flat fee-based brokers offer free equity delivery, while a few others charge up to Rs 20 per order executed. For equity intraday, equity F&O, commodity F&O and currency F&O, they typically charge Rs 20 or 0.01% per order executed, whichever is lower. As described earlier, a lot of non-flat fee-based brokers are shifting to the pricing model of flat fee-based brokers and provide various other fee-based services in order to increase their customer base. Some even offer a range of services spread across three or four tiers. This move towards the fixed and low pricing model has helped them remain largely competitive against the breed of new generation flat fee-based brokers.

Branch and authorized person network to aid technological progress

Despite their focus on technology and digitalisation of operations, players in the broking industry are heavily invested in their branch network as well. They have over thousands of outlets and branch offices across the country. Moreover, their branch network is spread not only by means of own offices but also authorised person offices (authorised persons include investment associates and independent financial associates).

Bigger players gaining market share

The Indian broking industry has become more concentrated over the years, with smaller players ceding market share to the bigger peers due to their superiority on the above counts. On both BSE and NSE cash equity markets, the top 10 brokers command ~41% and ~40% market share in turnover of cash segment, respectively in fiscal 2020. This is expected to further increase in fiscal 2021.

The share of the top five players in NSE's cash equity market turnover increased from 15% in fiscal 2015 to 26% in fiscal 2020. The top 25 brokers controlled as much as 61% of the NSE cash market volume in fiscal 2020, compared with 46% in fiscal 2015.

In derivatives trading as well, a similar trend is visible. The top 25 brokers account for 53% and 63% of trading volume on NSE's futures and options markets, respectively, during fiscal 2018, up from 42% in futures volume and 52% in options volume in fiscal 2012.

Share of brokers in the NSE and BSE cash equity markets

	BSE					NSE				
	Top 5	Top 10	Top 25	Top 50	Remaining	Top 5	Top 10	Top 25	Top 50	Remaining
FY15	18%	29%	48%	65%	36%	15%	26%	46%	64%	36%
FY16	21%	31%	50%	66%	34%	18%	29%	50%	67%	32%
FY17	19%	29%	49%	66%	34%	18%	28%	50%	67%	32%
FY18	21%	33%	55%	70%	29%	20%	31%	52%	69%	32%

	BSE					NSE				
	Top 5	**Top 10**	**Top 25**	**Top 50**	**Remaining**	**Top 5**	**Top 10**	**Top 25**	**Top 50**	**Remaining**
FY19	24%	39%	60%	73%	27%	22%	34%	55%	73%	28%
FY20	27%	41%	65%	77%	24%	26%	40%	61%	77%	24%
Apr-20	33%	50%	72%	83%	17%	31%	45%	66%	81%	19%

Note: The total may not be 100% due to rounding off
Source: SEBI monthly bulletin – May 2020, CRISIL Research

Share of brokers in the NSE F&O market

	NSE futures					NSE options				
	Top 5	**Top 10**	**Top 15**	**Top 25**	**Remaining**	**Top 5**	**Top 10**	**Top 15**	**Top 25**	**Remaining**
FY12	13%	22%	29%	42%	58%	22%	34%	41%	52%	48%
FY13	14%	24%	32%	43%	57%	17%	28%	38%	51%	49%
FY14	16%	27%	35%	46%	54%	19%	32%	41%	54%	46%
FY15	15%	26%	34%	46%	54%	24%	37%	47%	58%	42%
FY16	15%	26%	34%	47%	53%	24%	38%	48%	60%	40%
FY17	19%	30%	38%	50%	50%	20%	34%	45%	60%	40%
FY18	20%	31%	40%	53%	48%	23%	37%	48%	63%	37%

Note: The total may not be 100% due to rounding off
Source: NSE Factbook 2018, CRISIL Research

Evolution of digital brokers and their dominance in the US market

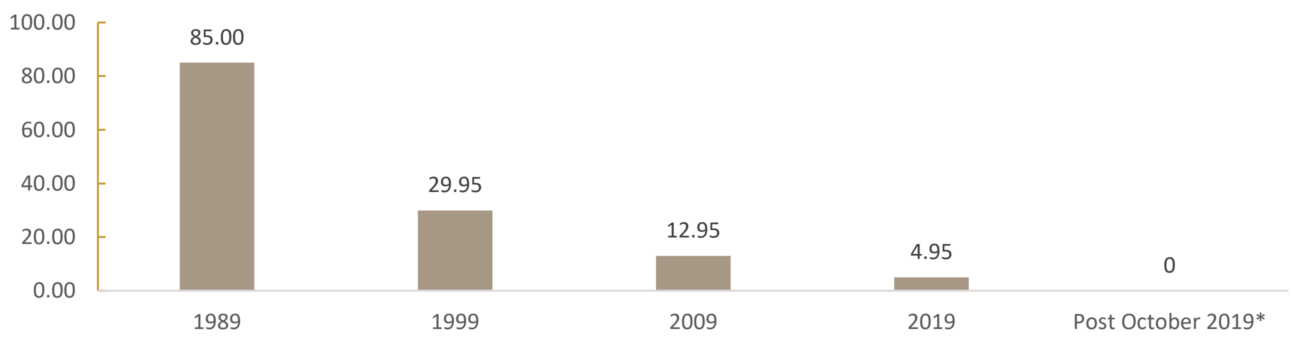
In the US market, full service firms with traditional models, which provided consolidated services such as advisory and asset gathering, allocation and distribution, have consolidated in the past 20 years to a handful now. Post consolidation, digital platforms and mobile-based models were launched that allowed customers to do the transactions on their own without broker assistance.

The sophisticated digital interfaces provided by the brokers can somewhat replicate the services of advisors. With emerging technology, the cost of providing technology-based solutions is not very high as these include light features such as to-the-point suggestions and one-click trade implementation instead of a detailed analysis of possible trade decisions. Customer receptiveness to such models has been increasing as the customers' interest and knowledge in trading have increased and they do not want to depend on advisors and wealth managers for trade decisions. This has helped fixed price online players expand their direct reach and get more clients.

Since last year, major US brokers have been focusing on bolstering clients' assets and their business growth has shifted to zero trading fee model for stocks, ETFs and options. The aim is to increase client base to generate higher income from additional fee-based services. And, brokers have reported a considerable increase in the number of client accounts and managed assets.

For example, Charles Schwab has consistently lowered commissions over the past years from USD 29.95 in 1999 to USD 12.95 in 2009 to USD 4.95 in 2019 post which it eliminated commissions for all US and Canadian-listed stocks, ETFs and options online and mobile trades in October 2019. The company saw 31% on-month increase in new brokerage and investment accounts in October 2019. Its market capitalisation increased to $61.15 billion in December 2019 from $54.77 billion in December 2018. The company also witnessed on-year EPS growth of 9% and ROE of 19% in 2019.

Headline Commission Rate for Charles Schwab



Note: Headline commission rate is based on illustrative trade of 500-800 shares, (*): Commissions for all U.S. and Canadian-listed stocks, ETFs and options online and mobile trades reduced from $4.95 to $).00; option trades are still subject to the standard $0.65 per contract-fee
Source: Company reports, CRISIL Research

The US market has been witnessing further consolidation via mergers between large players such as Charles Schwab and TD Ameritrade. Online trading brokers, too, have merged with larger banks for easier access to interest-generating assets. The focus of the US brokers has been clearly shifting to interest income as well as client services-based models.

		Revenue (in USD million)			Commission as a % of revenue			Net Income (in USD million)			Market Capitalisation (in USD billion)
		2019	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**	**2019**
Interactive Brokers Group Inc.		1,937	1,903	1,702	36%	41%	38%	161	169	76	19.37
Charles Schwab Corp		10,721	10,132	8,618	5%	7%	7%	3,704	3,507	2,354	61.15
TD Ameritrade Holding Corp*		6,016	5,452	3,676	33%	36%	38%	2,208	1,473	872	26.89
E Trade Financial Corp		2,886	2,873	2,366	15%	17%	19%	955	1,052	614	10.1
Morgan Stanley^	**Total**	41,419	40,107	37,945	9%	10%	11%	9,237	8,887	6,235	81.48
	Institutional securities	20,386	20,582	18,813	12%	13%	13%	4,599	4,906	3,536	
	Wealth Management	17,737	17,242	16,836	10%	10%	10%	3,728	3,472	2,325	
Wells Fargo and Company^		85,063	86,408	88,389	11%	11%	11%	19,549	22,393	22,183	222.43
Citi Group		74,286	72,854	72,444	4%	4%	4%	19,401	18,045	(6,798)	168.9

Notes: (*): Financial year closes in September, (^): For Wells Fargo and Company, brokerage advisory, commissions and other fees is considered for commission as a % of revenue calculation, For Citi Group, brokerage commissions have been considered for commission as a % of revenue calculation, For Morgan Stanley, details of two businesses has been provided in the above table.
Source: Company reports, CRISIL Research

Growth drivers

Favourable demographics to aid capital market growth

As per the World Population Prospects 2019, India's working age population was 0.87 billion in 2019 and is expected to rise to 0.92 billion by 2024. Also an increase in the working age population is expected to be observed between 2015 and 2040 from 63% to 65% of the country's total population. This clearly highlights that contrary to other G3 and Asian countries, India's working population has not peaked and will continue to grow for the next three decades.

Increase in life expectancy and aspirations of the working population (for example, need to build a strong corpus before retirement) is also increasing, leading to more focus on investments in the capital markets. The young population is typically more technologically savvy and, with increasing proliferation of wireless broadband internet, internet and mobile trading should get a boost.

Low penetration, favourable government policies to increase investments in capital markets

Demonetisation (in November 2016), a reduction in cash transactions due to the implementation of GST from July 2017, and the Benami Transaction Act have funneled a huge proportion of household cash savings to financial assets. The latter includes direct investments in shares and debentures and inflows in mutual funds. In addition, the falling interest rate cycle, coupled with low returns from traditional investment instruments such as gold and real estate, has led to a shift in retail investor interest to capital markets.

Going forward, CRISIL Research expects the gradual pickup in economic growth, benign inflation and low interest rates to lead to a surge in household financial savings in India. The share of capital markets within financial savings is also likely to increase, dictated by heightened awareness and consequent higher retail participation.

Break-up of gross financial household assets

As per the RBI's quarterly forecast on gross financial assets, mutual funds in the outstanding positions of household financial assets have continuously increased till the third quarter of fiscal 2020. However, it declined in last quarter of the fiscal.

Rs trillion	FY18				FY19				FY20			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Bank deposits	74.1	76.5	75.9	79.9	79.2	82.2	82.3	87.3	86.8	89.6	90.6	94.4
Life insurance funds	29.4	30.4	31.7	32.1	32.7	33.6	34.1	35.6	36.5	36.9	37.9	38.8
Currency funds	13.8	14.2	15.3	16.7	17.8	17.5	18.5	19.5	20.1	19.8	20.7	22.3
Mutual funds	9.5	10.2	10.6	10.7	11.9	11.5	11.9	12.4	12.7	12.8	13.9	11.6

Note: The outstanding position for household investment in pension and provident funds is not published as the latest available data from Employee' Provident Fund Organization (EPFO), which constitute around 70% of this segment, pertains to fiscal 2017.

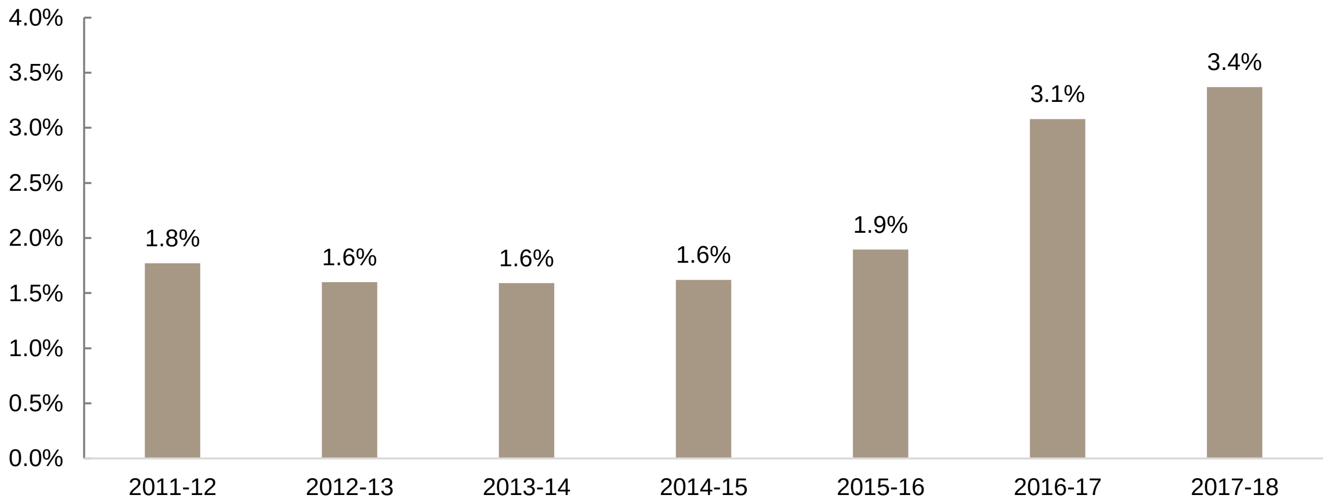
Source: RBI Bulletin June 2020.

Trend in share of various financial instruments

%	FY18				FY19				FY20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bank deposits	58%	58%	57%	57%	56%	57%	56%	56%	56%	56%	56%	56%
Life insurance funds	23%	23%	24%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Currency funds	11%	11%	11%	12%	13%	12%	13%	13%	13%	12%	13%	13%
Mutual funds	7%	8%	8%	8%	8%	8%	8%	8%	8%	8%	9%	7%

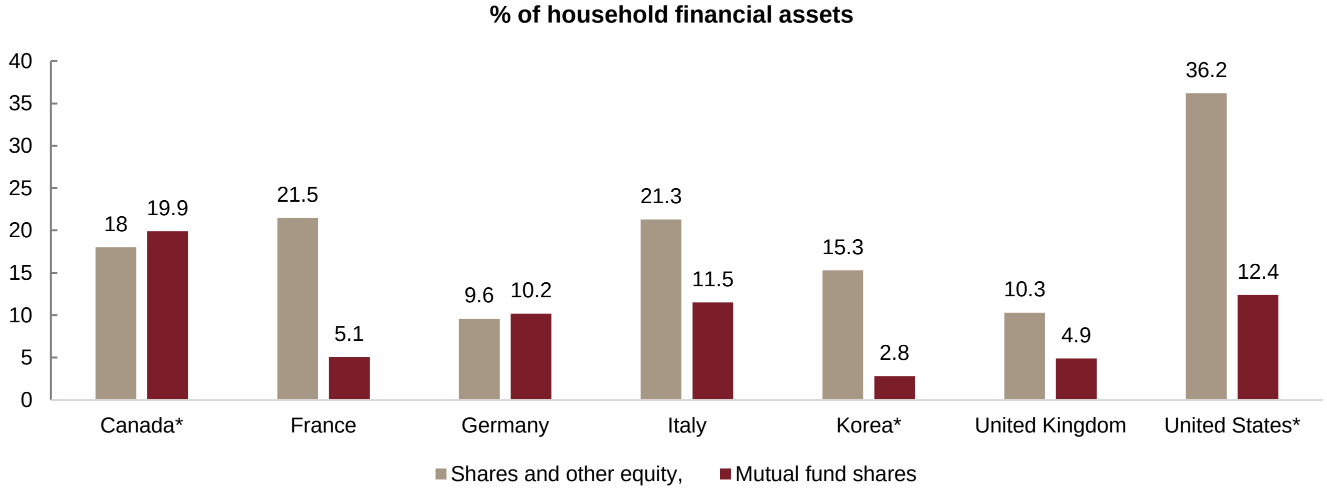
Note: The outstanding position for household investment in pension and provident funds is not published as the latest available data from Employee' Provident Fund Organization (EPFO), which constitute around 70% of this segment, pertains to fiscal 2017.
Source: RBI Bulletin June 2020.

Trend in changes of shares and debentures in household financial savings



Source: RBI, CRISIL Research

Proportion of shares and mutual funds in household financial savings of few developed economies (G7 countries)

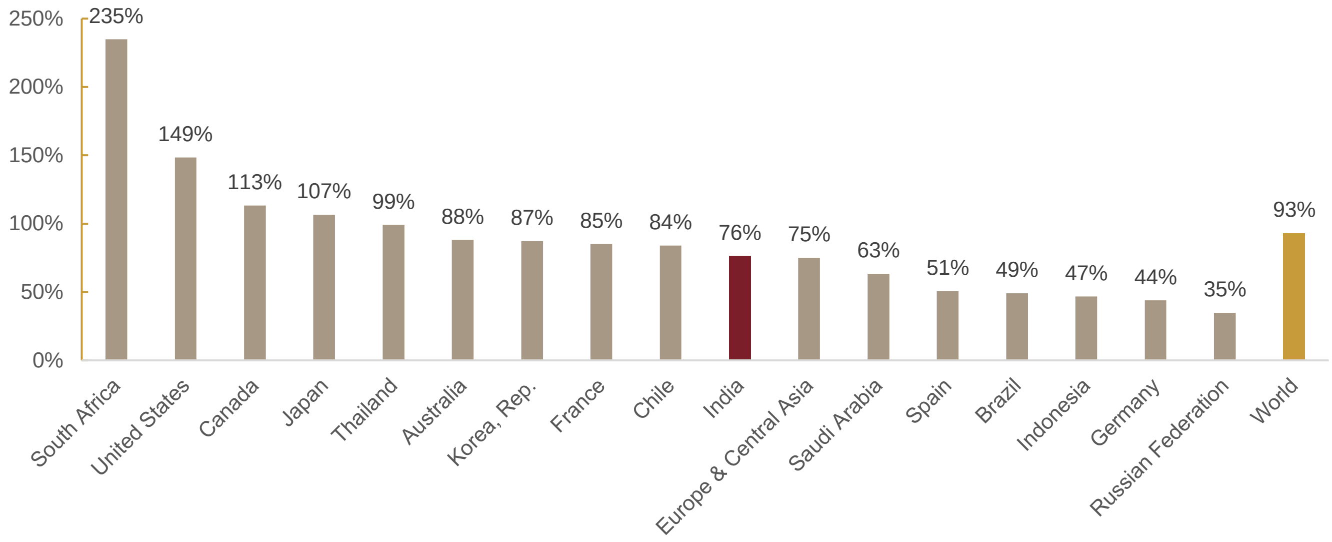


Note: (*): Data for these countries is for 2019,
Else data for 2018.
Source: OECD, 2018, 2019

Moderate penetration of equity leaves further scope for growth

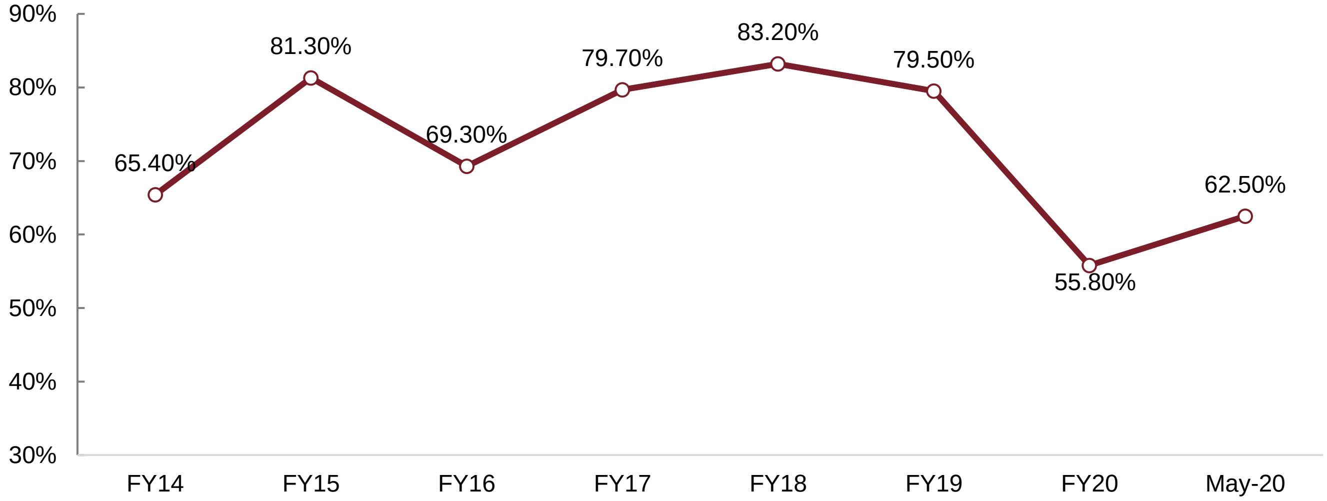
The global market capitalisation to GDP ratio continued to improve in calendar year 2019 to reach 93% from the lows of 56% in 2008. This was aided by a recovery in global macros and the fiscal and monetary stimulus provided by various governments. India, which was relatively insulated from global shocks, saw the ratio improve from 54% in 2008 to 76% in 2019 (as per the World Bank). India's BSE market capitalisation in May 2020 to average GDP for fiscal 2020 stood at ~62%. The ratio was impacted by the Covid-19 pandemic-triggered uncertainty in the markets. With GDP growth expected to gradually pick up, increasing formalisation of the economy and more entities from newer segments getting listed (insurance companies, e-commerce service providers, for example), India's market capitalisation to GDP ratio is likely to increase further in the next few fiscals.

Market capitalisation as a percentage of GDP in CY 2019



Source: The World Bank, CRISIL Research

BSE market cap to GDP (%)



Source: BSE, CRISIL Research
**Note: Calculated as year-end market cap to average GDP*

Share of retail and institutional investors in market volumes up against proprietary

Retail individual participation has jumped in the past few fiscals. The share of retail investors in the average gross traded value in the NSE derivatives market increased by around 400 bps each in fiscals 2016 and 2017 and nearly by 200 bps in fiscal 2018, mainly on account of strong inflows from retail investors.

Share of institutional, retail and proprietary investors in the NSE equity derivatives market

	Institutional		Retail		Proprietary	
	Average gross traded value (Rs billion)	% to average gross turnover	Average gross traded value (Rs billion)	% to average gross turnover	Average gross traded value (Rs billion)	% to average gross turnover
FY14	1,05,097	16.5	2,27,920	35.8	3,03,840	47.7
FY15	1,28,471	11.6	4,15,814	37.4	5,67,845	51.1
FY16	1,38,310	10.7	5,18,764	40.0	6,39,443	49.3

	Institutional		Retail		Proprietary	
	Average gross traded value (Rs billion)	% to average gross turnover	Average gross traded value (Rs billion)	% to average gross turnover	Average gross traded value (Rs billion)	% to average gross turnover
FY17	2,67,081	14.2	8,26,350	43.8	7,93,975	42.1
FY18	3,96,465	12.0	15,05,243	45.6	13,97,989	42.4

Note: Trading values calculated as buy side + sell side turnover
Source: NSE annual reports, CRISIL Research

From fiscal 2019, the NSE started classifying the categories in the below manner in which the non-institutional non-proprietary share (equitable to the retail share) is the major category. Share of institutional and proprietary investors in the NSE equity derivatives market is the same in fiscal 2019.

Share of institutional, non-institutional non-proprietary and proprietary investors in NSE equity derivatives market – turnover (FY19)

	Institutional	Non-institutional non-proprietary	Proprietary
FY18	21%	53%	26%
FY19	26%	48%	26%

Source: NSE annual reports, CRISIL Research

Share of investments in the NSE cash market

	Proprietary	FPI	Mutual funds	Banks	Others
FY15	21%	21%	5%	0%	54%
FY16	21%	22%	6%	0%	51%
FY17	17%	20%	6%	0%	57%
FY18	18%	16%	7%	1%	58%
FY19	22%	15%	8%	0%	56%
FY20	23%	15%	7%	0%	55%
Apr-20	23%	13%	6%	0%	58%

Note: Others includes retail, partnership firms, trusts, HUFs, NRIs and QFIs
Source: SEBI, CRISIL Research

Share of investments in the NSE derivative market

	Proprietary	FPI	Mutual funds	Others
FY14	48%	15%	0.13%	37%
FY15	51%	11%	0.25%	37%
FY16	49%	12%	0.45%	39%
FY17	42%	14%	0.40%	44%
FY18	42%	11%	0.46%	46%
FY19	38%	14%	0.40%	48%
FY20	33%	19%	0.30%	47%
Apr-20	32%	17%	0.30%	50%

Note: Others includes retail and corporate investors
Source: SEBI, CRISIL Research

Segment wise retail ADTO for NSE

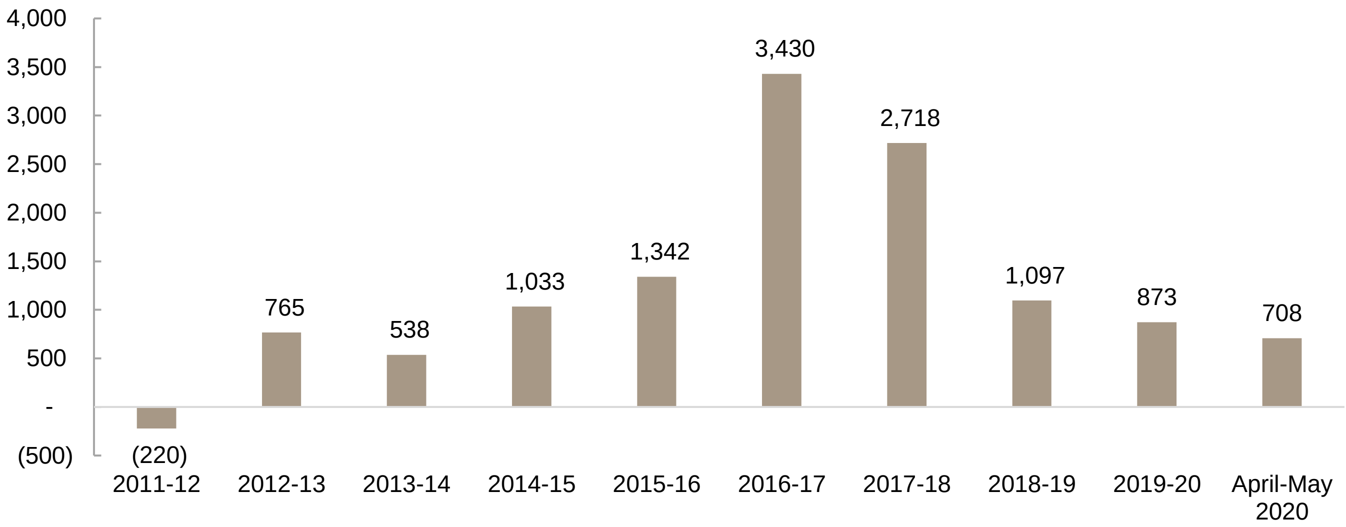
Rs. bn	Cash Market	Derivatives	Total
FY14	56	5633	5689
FY15	96	847	943
FY16	87	1024	1111
FY17	116	1674	1791
FY18	171	3085	3256
FY19	179	4599	4778
FY20	200	6556	6756
Apr-20	292	5745	6037

Source: SEBI, CRISIL Research

Mutual funds' net inflows to strengthen as investors hunt for higher returns

Net inflows increased significantly thanks mostly to demonetisation in fiscal 2017, as low interest rates globally saw heightened investor interest in the Indian markets. In addition, falling interest rates led to higher issuance of corporate bonds. However, in the last quarter of fiscal 2018, increase in inflation, fiscal deficit and global uncertainties led to higher outflows in fixed income instruments over fiscal 2017. Flows in equity funds continued to be strong in fiscal 2018 supported by retail participation, but decelerated in fiscal 2019. A major shock in the form of the NBFC crisis in fiscal 2019 led to slowing of inflows during the year, followed by fiscal 2020, which ended with disruptions owing to Covid-19. Net inflows declined to Rs 873 billion in fiscal 2020.

Trends in net inflows in mutual fund industry (Rs billion)



Source: AMFI, CRISIL Research

Commissions for players in fiscals 2019 and 2020 came under pressure in comparison to fiscal 2018 owing to stricter and tighter total expense ratio (TER) regulations as well as more vigilance in the reporting by the AMCs. This pressure is expected to neutralise in fiscal 2021 as volume growth will offset fall in commissions. Concentrated efforts to shift focus of the distributors to B30 cities will force the industry to target these regions more exhaustively to attain higher proportion of benefits.

The number of distributors has gone up as well as AUM in fiscal 2019, whereas the commission as a percentage of AAUM dropped in comparison to fiscal 2018.

Growth in gross mutual fund distribution commissions for brokerages

Parameters	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Aggregated commission (Rs billion)	26.0	47.4	36.6	50.0	85.5	79.5
Aggregated average assets under management (Rs trillion)	4.1	5.2	6.1	6.9	9.2	10.1
Number of distributors	396	519	540	732	1017	1073
Commission as a % of AAUM	0.6%	0.9%	0.6%	0.7%	0.9%	0.8%

Source: AMFI, CAMS database, CRISIL Research

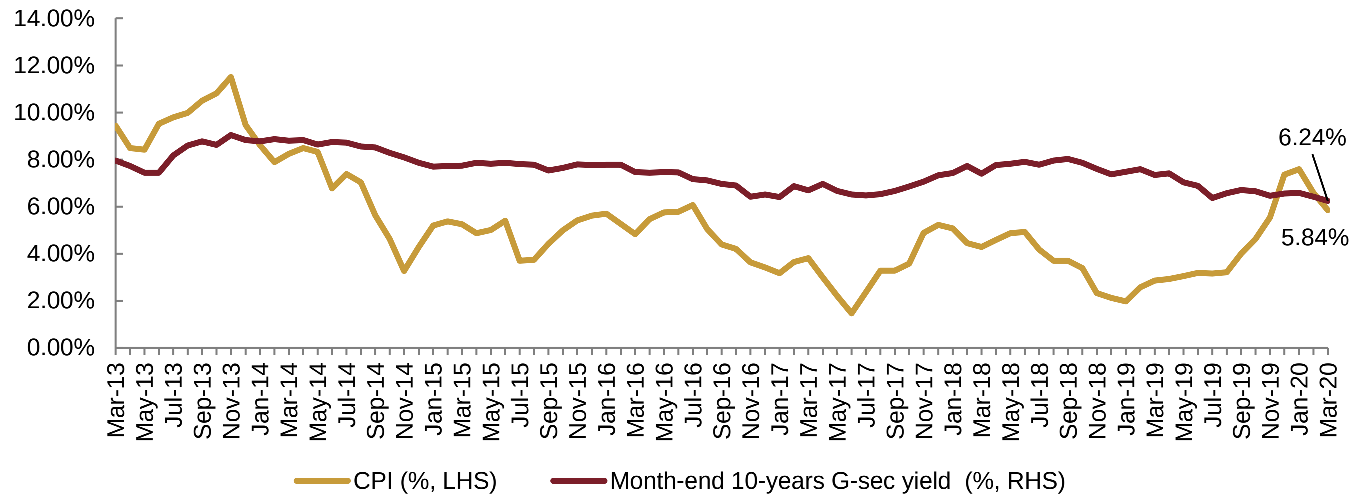
This implies that though the industry is moving towards direct plans, the role of the distributors cannot be undermined. The number of distributors satisfying the SEBI criteria of disclosure has also seen a rise throughout the past five years. However, the top few distributors are responsible for most of the managed assets.

AMCs having a strong distributor network as well as higher penetration in the underpenetrated region have a better standing in the scenario where the regulator is more inclined in reducing the expenses in mutual fund schemes having bundled expense ratios. Profitability will be higher where there is more scope for charging expenses. For instance, this is evident in B30 cities and in equity schemes. AMCs with a larger share of institutional investment and lower share of regular plans benefit in the lowering of scheme expense ratios.

Benign interest rate cycle to boost inflows into capital markets

In addition to stable growth, interest rates have fallen led by proactive measures by the government / central bank. India's inflation average was below 4% in fiscal 2019 as against 6% in fiscal 2015 and double-digits in the preceding five years. However, inflation began rising from the second half of fiscal 2020 due to high food prices. The average CPI inflation was 5.84% in fiscal 2020. Though inflation has increased in the first quarter of fiscal 2021, driven by food prices, we expect average inflation for the year to moderate and be in the range of 4%.

Inflation and interest rates in India



Source: RBI, CRISIL Research

Inherent demand for funds to push corporate debt and equity issuance

CRISIL Research expects corporate India's funding needs to increase over the next five years with a pick-up in economic growth and private sector investments gradually reviving. Recently launched structures such as infrastructure investment trusts (InVITs) and real estate investment trusts (REITs) are also likely to witness increased traction. This would benefit investment banking players.

Financial inclusion programs to open bulk of population to capital markets

The Indian government's financial inclusion schemes (such as Pradhan Mantri Jan Dhan Yojana) along with other changes such as simplification of account opening through e-KYC have gradually benefited capital market players. This is expected to continue as more sections of the society get introduced to the concept of financial savings and products and the base gets larger. Accounts opened under the PMJDY scheme had a cumulative deposits of Rs 1,333 billion as of May 2020.

Technology advancement

Rapid advance in technology has reduced transaction time and costs. At the same time, brokers have been able to improve their reach and increase penetration by investing in online trading platforms, thereby allowing customers to virtually carry out transactions on their own online without interacting with the broker. Technological advancement along with rapid increase in smartphone penetration are tailwinds for the broking business.

Technology savvy millennials have started preferring do-it-yourself models where the broker provides minimal services to them and manages its assets. This online model, where right from account opening to delivery is taken care of digitally, is proving cheaper for the brokers as well. Offering digital services in addition to minor physical interventions has been aiding the industry maintain its growth and on board customers from different walks of life.

Margin trading facility

On June 13, 2017, vide circular no. CIR/MRD/DP/54/2017 SEBI prescribed comprehensive framework for permitting stock brokers to provide margin trading facility [MTF] to their clients. This framework is more structured, transparent, well-defined and with stringent criteria. Below are the key highlights of the Margin Trading Facility [MTF] framework.

<table>
<tr><th>Sr. no.</th><th>Particulars</th><th colspan="2">Details</th></tr>
<tr><td>1</td><td>Eligible Securities</td><td colspan="2">MTF can provided only for Equity Shares that are classified as 'Group I security" by SEBI</td></tr>
<tr><td rowspan="2">2</td><td rowspan="2">Margin Requirement</td><td>F&O listed stock</td><td>VaR + 3 times of applicable Extreme Loss Margin (ELM is 5% i.e. 15%)</td></tr>
<tr><td>Other than F&O listed stock</td><td>VaR + 5 times of applicable Extreme Loss Margin (ELM – 5% i.e. 25%)</td></tr>
</table>

Sr. no.	Particulars	Details
		For MTF, clients have to give higher margins as compared to normal delayed penal book [T+5 book], as addition to VaR margin, client has to bring multiples of ELM as well. This gives extra comfort to the stock brokers against the volatility of the stock prices.
3	Eligibility Criteria	Only corporate stock brokers with a net worth of at least Rs.3.00 crore shall be eligible to offer margin trading facility to their clients. Net worth is as per Dr. LC Gupta Committee recommended method for calculating liquid net worth. Also, net worth certificate to be submitted to the exchanges on half yearly basis.
4	Exposure Limit	At any point of time, the MTF Book shall not exceed 5 times of its net worth. The funding of MTF book should not exceed the borrowed funds and 50% of net worth. Net worth is as per Dr. LC Gupta Committee recommended method for calculating liquid net worth.
5	Leverage	The total indebtedness of a stock broker for the purpose of margin trading shall not exceed 5 times of its liquid net worth
6	Reporting to Exchange	The stock broker shall disclose to the stock exchanges details on gross exposure towards margin trading facility including name of the client, Category of holding (Promoter/promoter group or Non-promoter), clients' Permanent Account Number ("PAN"), name of the scrips (Collateral stocks and Funded stocks) and if the stock broker has borrowed funds for the purpose of providing margin trading facility, name of the lender and amount borrowed, on or before 12 noon on the following trading day.

MTF framework is a prudently regulated and highly structured product that introduced by the SEBI. Post From the compliance & surveillance point of view, there is a daily client level reporting to the exchanges towards the details of margin trading book. Unlike, Non-MTF delayed penal book [T+5 debit], where the reporting is done on a monthly basis and even the margin requirement form the clients is comparatively lower than the MTF's margin requirement. Key risks related to capital markets and asset management business

Key risks related to capital markets and asset management business

India's sovereign credit rating one step away from junk

India's credit rating moved low owing to the pressures arising from the pandemic wherein the economy has faced its first contraction in more than four decades. This has resulted in fiscal deficit blowout which will further contribute to the risk factors that were visible even before the virus outbreak. The risks have become more amplified in this economic scenario and the economy is more vulnerable to further downside risk.

Deep global recession or global sell-off due to geopolitical tensions

The global economy had just started to recover from the slowdown witnessed in fiscal 2008, and interest rates across the globe are still at low levels with high amount of liquidity in the system. Amidst this, the pandemic has led to a deep slowdown in economic growth and all major global economies are staring at a recession in calendar year 2020 despite governments across the world loosening their purse strings. If the current pandemic situation prolongs, there is a second wave and a cure is not found, the outlook for calendar year 2021 could also become grim. The global economy has few levers left to deal with any new shock or slowdown, which remains a great risk for the capital markets. Further, the tension in Korean peninsula and political issues in the Middle East have kept the market under check. Then there is the India-China face-off which could also adversely impact if the situation deteriorates.

Political instability or shift away from the pro-growth policy

Political instability in India or anywhere in the world, harsh protectionist measures by larger economies, or faster-than-required tightening of monetary policy could impact growth and global trade.

Increase in interest rates can make debt market more attractive, impact flows into equity market

Increase in inflation, fiscal deficit and poor monsoon can lead to increase in interest rates and hurt equity inflows. A sharp tightening of interest rates will make developed economies more attractive on a risk-return basis and emerging economies could witness increase in outflows by foreign institutional investors.

Downturn or volatility can hamper retail equity flows into capital markets

Retail participation and inflows into the equity market are heavily influenced by market performance and sentiments. Any downturn or volatility could make them shy away from equity markets and push towards less riskier assets.

Cap on commissions or transition to advisory model will impact distribution business

In recent years, SEBI introduced a number of regulations for investor protection which included banning entry load in August 2009 on the invested amount and allowed customers the right to negotiate and decide commissions directly with distributors. Even the insurance regulator Insurance Regulatory and Development Authority (IRDA) has introduced regulations capping products charges which lowered the commission for insurance products. Thus, any new regulation related to commission charges or transition towards advisory model could impact the distribution business.

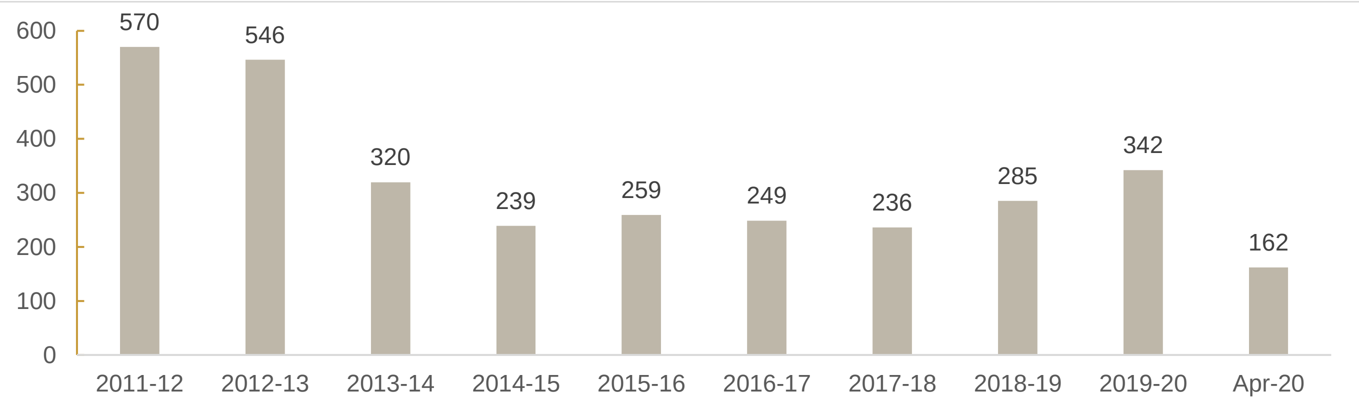
Currency and commodity broking

Currency and commodity broking are at a very nascent stage in India, and as the economy develops and customer awareness improves, volumes in these products are bound to gain traction.

Turnover of commodity futures exchanges remains muted, revival likely in medium term

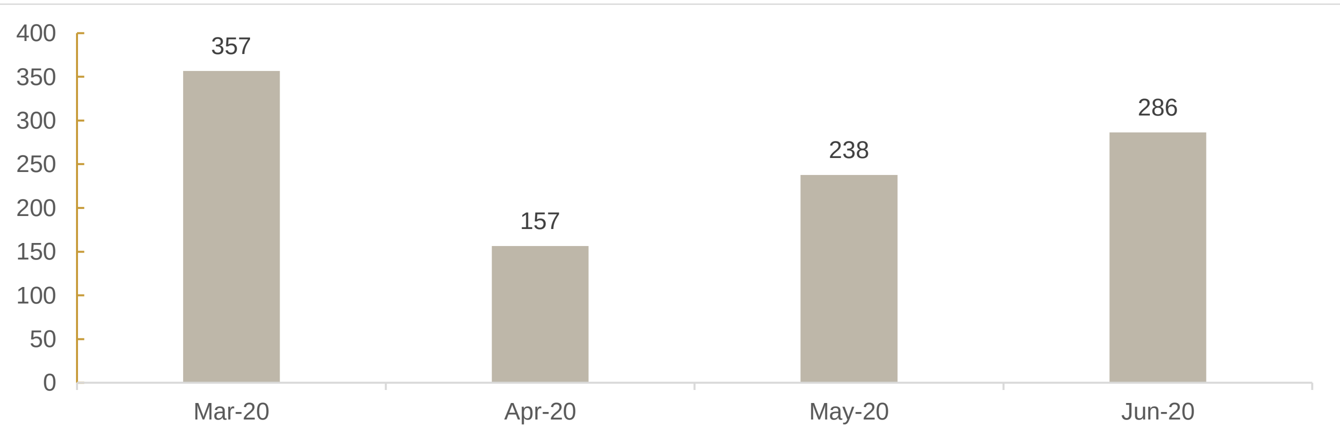
Commodity average daily turnover (ADTO) increased ~20% to Rs 342 billion in fiscal 2020 from Rs 285 billion in fiscal 2019. ADTO dropped after fiscal 2013 due to fall in commodity prices, lower growth in price of bullion and volatility in prices, prompting brokers to charge higher margins to clients. However, the segment has seen recent tailwinds in the form of revival in commodity prices and regulatory support. Allowing Category III Alternative Investment Funds (AIFs) to trade in commodity derivatives and approval to launch option trading on commodity futures to provide investors better price discovery and allow simpler risk management will support ADTO of commodity exchanges. During fiscal 2020, due to significantly high trading volumes in energy segment, the MCX's share in the all-India commodity derivatives turnover increased to 94% from 91.8% in fiscal 2019, while the share of NCDEX declined to 4.9% from 7.2% in the previous fiscal.

Trends in ADTO of commodity futures exchanges (Rs billion)



Source: SEBI, CRISIL Research

ADTO of commodity futures MCX (Rs billion)



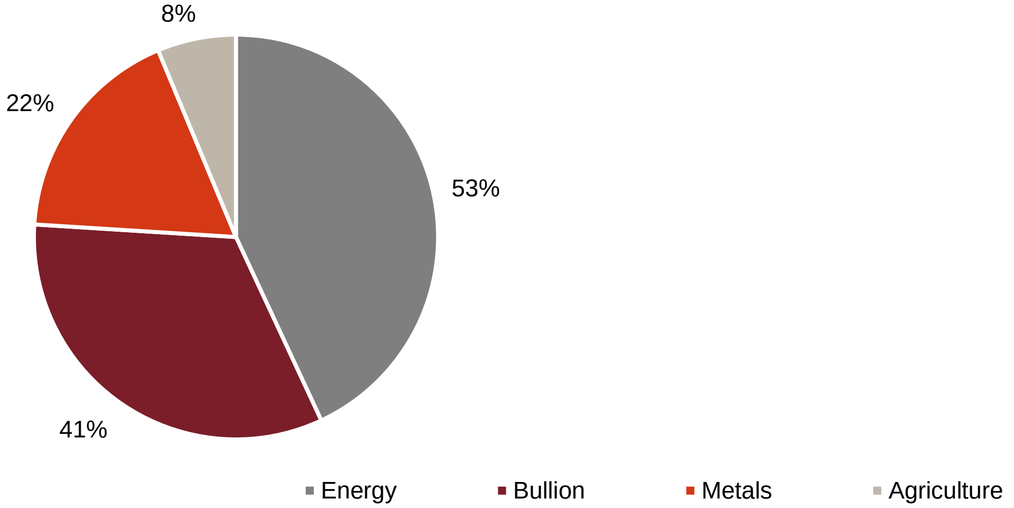
Source: MCX, CRISIL Research

The coronavirus pandemic has impacted financial markets across the world. Demand slump caused by the pandemic also impacted the crude-oil prices which were already declining due to over-supply. On 20 April 2020, crude oil futures traded at a negative price as oil traders avoided taking physical delivery of actual crude oil and squared-off their contracts before the expiry date, 21 April 2020. Due to this market fluctuation in international markets, MCX faced an unprecedented situation in terms of determining the due date rate/ settlement price. After this event, in view of the increased volatility in crude oil contracts, MCXCCL (Multi Commodity Exchange Clearing Corporation Limited)has put in place some risk management measures to cover fluctuation in crude oil prices.

Initial Margins	An initial margin of 100% shall be levied for all existing and yet to be launched Crude Oil contracts. Minimum Initial margin of Rs. 95,000/- per lot shall be levied.
Additional Margins	An additional margin of Rs.1,00,000/- per lot shall be levied on near month Crude Oil Futures contract and on short side of near month Crude Oil Options contract. Further, an additional margin of Rs.50,000/- per lot shall also be levied on all other crude Oil Futures contracts and on short side of Crude Oil Options contracts (including yet to be launched Crude Oil contracts). Based on the price movement, further additional margin over and above the aforesaid margin shall be levied.
Spread Margin benefit	Spread margin benefit on Initial Margins shall not be provided in Crude Oil contracts.
Options VSR	The Volatility Scan Range (VSR) shall be increased from 5% to 20% for all existing and yet to be launched Crude Oil Options contracts.
Extreme loss margin	Extreme Loss margin of 1.25% shall continue to be levied on all Crude Oil Futures contracts and on short positions of all Options Contracts.

Source: MCX, CRISIL Research

Share of sub-segments in commodity futures market (FY20)

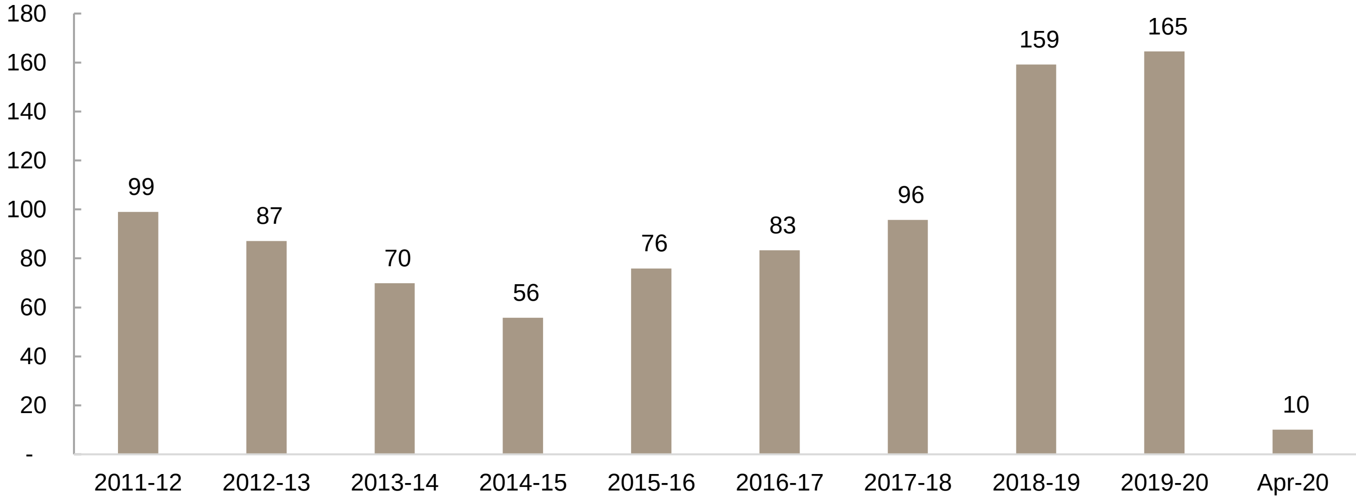


Source: SEBI, CRISIL Research

Trends in currency markets

The turnover of currency derivatives market was Rs 165 trillion fiscal 2020, with the NSE accounting for 59% of turnover in the same period. The BSE, which commenced currency derivatives operations in November 2013, is the second largest exchange with 41% of turnover in fiscal 2020. Currency derivatives are used by corporates to hedge their export/import position.

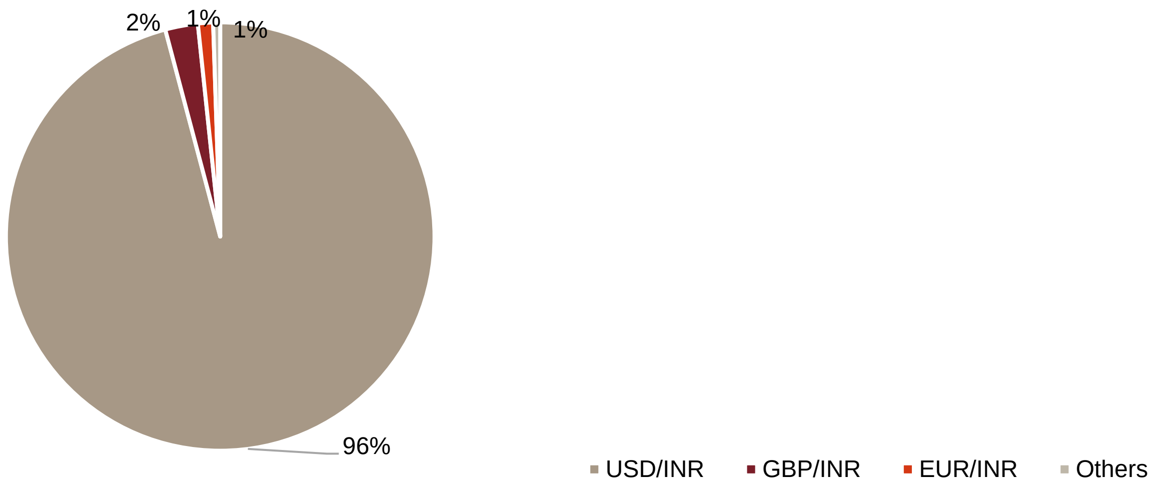
Trend in turnover of currency derivatives market (Rs trillion)



Source: SEBI, CRISIL Research

Of the four pairs traded in India, $/Rs is the highest traded pair and accounts for almost the total traded volumes.

Share of currency pairs in traded volume (FY20)



Source: SEBI, CRISIL Research

Player comparison

On the basis of active clients on the NSE as of June 2020, Zerodha Broking Ltd has the largest share of ~16% followed by ICICI Securities Ltd (~9.2%) and RKSV Securities (~6.4%). Angel Broking is the fourth largest broker in terms of active clients on NSE with a market share of 6.3% as of June 2020.

Below is the comparison of key 15 players that cover more than 65% of the total active users.

Active clients on NSE for major brokerages

	FY15 ('000)	FY16 ('000)	FY17 ('000)	FY18 ('000)	FY19 ('000)	FY20 ('000)	As on June 2020 ('000)	Share as on FY20	Share as on June 2020	CAGR FY19-FY20	CAGR (FY15-20)
Zerodha Broking Ltd	30	62	166	541	909	1414	1,941	13.10%	15.92%	55.56%	116%
ICICI Securities Ltd	595	560	618	798	844	1076	1119	9.97%	9.17%	27.49%	13%

	FY15 ('000)	FY16 ('000)	FY17 ('000)	FY18 ('000)	FY19 ('000)	FY20 ('000)	As on June 2020 ('000)	Share as on FY20	Share as on June 2020	CAGR FY19-FY20	CAGR (FY15-20)
RKSV Securities India Private Ltd	7	11	17	44	100	619	778	5.73%	6.38%	519%	145%
Angel Broking Ltd	160	171	230	364	413	576	767	5.34%	6.29%	39.47%	29%
HDFC Securities Ltd	348	408	483	602	672	720	749	6.67%	6.14%	7.14%	16%
Kotak Securities Ltd	268	247	274	369	438	572	639	5.30%	5.24%	30.59%	16%
5Paisa Capital Ltd	0	NA	4	36	106	434	566	4.02%	4.64%	309%	237%
Motilal Oswal Financial Services Ltd	153	166	207	308	319	377	412	3.49%	3.38%	18.18%	20%
Axis Securities Ltd	120	184	259	405	419	270	302	2.50%	2.48%	-35.56%	18%
SBICAP Securities Ltd	114	126	169	214	209	250	269	2.32%	2.21%	19.62%	17%
India Infoline Ltd	286	263	198	225	214	219	235	2.03%	1.93%	2.34%	-5%
Edelweiss Broking Ltd	47	77	75	105	120	130	135	1.20%	1.11%	8.33%	23%
Reliance Securities Ltd	114	97	83	123	120	119	119	1.10%	0.97%	-0.83%	1%
Aditya Birla Money Ltd	43	39	40	55	44	43	46	0.40%	0.38%	-2.27%	0%
JM Financial	27	28	32	39	36	40	43	0.37%	0.35%	11.11%	8%
Total	5,092	5,170	5,951	8,290	8,782	10,796	12,196	100.00%	100.00%	22.93%	16%

Note: Active clients are those that executed at least one trade in the past one year
Source: NSE, CRISIL Research

Monthly incremental active clients (NSE)

In terms of monthly increment in active clients, the flat fee brokers - Zerodha Broking Ltd, has witnessed the maximum monthly incremental active client additions during April-June 2020, while Angel Broking witnessed the second highest client additions during this period. Thus, Angel Broking is one of the largest retail broking house in India in terms of active clients.

RKSV Securities India Private Ltd and 5Paisa Capital Ltd - were at third and fourth spot respectively in respect of monthly incremental active client additions during April-June 2020. This indicates the increasing preference of the masses in the country towards the low cost/flat fee based services and other multiple value-added offerings provided by them.

Monthly incremental active clients across various time frames

Major players	Monthly incremental active clients ('000)				Rank based on monthly incremental active clients			
	Apr-18 to Mar-19	Apr-19 to Jan-20	Feb-20 to Mar-20	Apr-20 to Jun-20	Apr-18 to Mar-19	Apr-19 to Jan-20	Feb-20 to Mar-20	Apr-20 to Jun-20
Zerodha Broking Ltd	30.7	24.8	103.7	175.6	1	2	1	1
Angel Broking Ltd	4.1	6.5	42.7	63.5	6	6	4	2
RKSV Securities India Private Ltd	4.6	33.4	59.2	52.8	5	1	2	3
5Paisa Capital Ltd	5.9	20.4	41.5	43.9	2	3	5	4
Kotak Securities Ltd	5.8	7	24.9	22.3	4	5	7	5

ICICI Securities Ltd	3.8	12	44	14.3	7	4	3	6
Motilal Oswal Securities Ltd	1	2.2	15.6	11.7	10	7	8	7
Axis Securities Ltd	1.2	-11.4	-5.8	10.6	9	15	15	8
HDFC Securities Ltd	5.8	-0.8	28.6	9.5	3	13	6	9
SBICAP Securities Ltd	-0.4	1	14	6.5	13	8	9	10
India Infoline Ltd	-0.9	-0.9	7.9	5.3	15	14	10	11
Edelweiss Broking Ltd	1.3	0	5.1	1.7	8	10	11	12
Aditya Birla Money Ltd	-0.9	0	-0.3	1.0	14	11	14	13
JM Financial	-0.2	0.2	0.9	0.9	12	9	13	14
Reliance Securities Ltd	-0.2	-0.6	3.2	-0.2	11	12	12	15

Source: NSE, CRISIL Research
Note: Players are arranged in the ascending order of their rank in the last mentioned period

These online brokerages have seen a spurt in the trading volumes and in terms of active clients amid the nationwide lockdown. Many brokerages are witnessing unprecedented increase in their demand for new account openings. This has enabled the brokers having better digital infrastructure and presence to showcase their service offerings where traditional brokers have largely suffered.

On the basis of monthly incremental active client additions on NSE, Angel Broking has been the second highest in terms of client additions in the last three months (April to June 2020), after Zerodha Broking Limited.

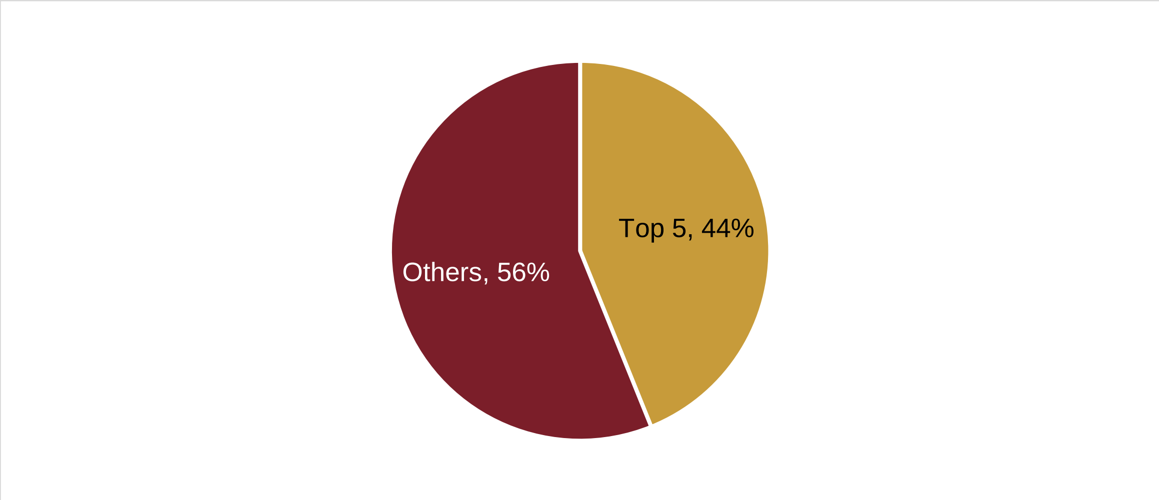
Active client acquisition in the past Q1 FY21

Brokers	**Active client addition from Apr-Jun 2020 as a proportion of Jun 2020 active customer base**
Zerodha Broking Limited	27%
Angel Broking Limited	25%
5Paisa Capital Limited	23%
RKSV Securities India Private Limited	20%
Kotak Securities Ltd.	10%
Axis Securities Limited	10%
Motilal Oswal Financial Services Ltd	8%
SBI Cap Securities Limited	7%
India Infoline Ltd.	7%
Aditya Birla Money limited	6%
JM Financial Services Ltd.	6%
Edelweiss Broking Limited	4%
ICICI Securities Limited	4%
HDFC Securities Ltd.	4%
Reliance Securities Limited	0%
Total	11%

Source: NSE, CRISIL Research

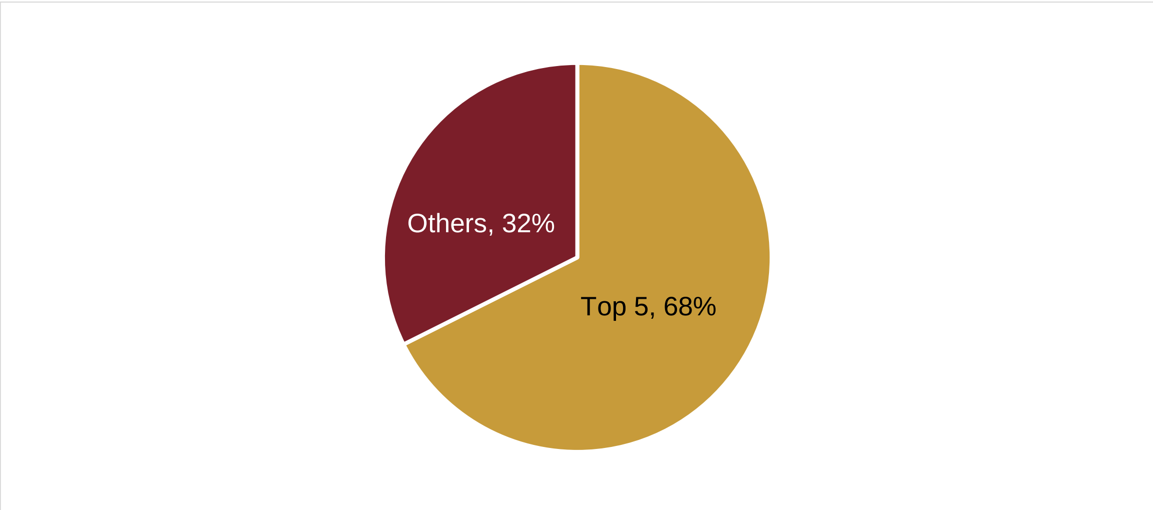
The share of Top 5 players in terms of active clients on NSE stands at 44% as at the end of June 2020. The share of the same Top 5 broking houses in terms of clients added in the last three months of April, May and June 2020 stands at 68% suggesting that they have been able to garner higher market share in the recent months.

Share of Top 5 players in total active clients as on June 2020



Source: NSE, CRISIL Research

Share of Top 5 players (on the basis of active clients) in incremental clients between Apr - Jun 2020



Source: NSE, CRISIL Research

Operational parameters for fiscal 2020

FY20	Number of authorised persons	Average daily turnover (Rs billion)	Branch offices in no. of cities
Angel Broking Ltd	13,971	NA	35
Motilal Oswal Financial Services Ltd	5,776	235	19
India Infoline Ltd	3,969	201	241
SMC Global Securities Ltd	3,950	NA	8
Kotak Securities Ltd	3,238	NA	21
Reliance Securities Ltd	2,343	NA	51
Edelweiss Broking Ltd	2,232	NA	39
Aditya Birla Money Ltd	1,738	NA	32
ICICI Securities Ltd	1,017	764	60
JM Financial	837	139	25
Axis Securities Ltd	217	NA	NA
SBICAP Securities Ltd	6	NA	76
HDFC Securities Ltd	NA	NA	174

Source: BSE, CRISIL Research

Note: The information about *m*embers is as provided by the respective *BSE* members and not as per any regulatory filing as on June 30, 2020

Services offered by different players

Parameters	Angel Broking Ltd	Zerodha	RKSV	5 Paisa	ICICI Securities	HDFC Securities	Kotak Securities	Axis Securities	Sharekhan	Motilal Oswal
Zero Account opening fee	✓	✗	✗	✓	✗	✓	✗	✗	✗	✗
Complementary In-house Research / Advisory	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓
Margin trading facility	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
Securities as collateral	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
Paid services (Smallcase/ Sensibull/ Streak etc.)	✗	✓	✗	✓	✗	✓	✓	✓	✗	✗
Knowledge center/ Education	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓
Zero fund transfer charges	✓	✗	✗	✗	✓	✓	✓	✓	✓	✓
Instant fund payout	✓	✗	✗	✗	✓	✓	✓	✓	✗	✗

Source: Company websites, CRISIL Research

Financial parameters from fiscal 2017 to 2020

	FY20 Total income (Rs mn)	3-year CAGR (FY17 to FY20)	Broking income as % of total revenue				FY20 PAT (Rs mn)	3-year CAGR(FY17 to FY20)	PAT margin			
			FY17	FY18	FY19	FY20			FY17	FY18	FY19	FY20
Angel Broking Ltd	7599	11%	56%	64%	71%	75%	823	38%	6%	14%	10%	11%
Aditya Birla Money Ltd	1737	12%	72%	68%	56%	54%	120	25%	5%	4%	6%	7%
HDFC Securities Ltd	8623	16%	76%	89%	85%	80%	3,842	21%	39%	43%	42%	45%
ICICI Securities Ltd	17221	7%	55%	55%	54%	55%	5367	17%	24%	30%	28%	31%
India Infoline Ltd	6437	8%	87%	68%	70%	67%	1,426	23%	15%	21%	21%	22%
Kotak Securities Ltd	16900	11%	60%	53%	55%	NA	5550	15%	29%	29%	24%	33%
Reliance Securities Ltd	2083	0%	69%	66%	62%	66%	-388	NM	0%	3%	8%	-19%
SBICAP Securities Ltd	4959	26%	45%	43%	40%	NA	849	48%	10%	21%	14%	17%
5Paisa Capital Limited	1081	144%	21%	77%	89%	67%	-79	NM	-157%	-129%	-31%	-7%

Notes:

(i) Motilal Oswal Securities Ltd, a subsidiary of Motilal Oswal Financial Services Ltd (MOFSL) as on March 31, 2018, was amalgamated with MOFSL w.e.f. August 21, 2018

(ii) In March 2019, Axis Bank and Axis Securities Ltd (ASL) mutually took the decision to exit the non-broking business pertaining to retail assets, credit cards, resource management services, etc, and services offered by ASL to Axis Bank.

Source: Company reports

In the peer set considered:

- SBI CAP Securities' total income posted high three-year CAGR (fiscals 2017 to 2020) of 26% followed by HDFC Securities (16%), Aditya Birla Money (12%). 5Paisa Capital also saw a high 144% CAGR in total revenues.

- HDFC Securities had high proportion of broking income in total revenue as on fiscal 2020 at 80% followed by Angel Broking (75%), India Infoline (67%) and 5Paisa Capital (67%).

- 5Paisa Capital posted high three-year CAGR (fiscals 2017 to 2020) brokerage income, at 257%, followed by Angel Broking Ltd (22%) and HDFC Securities (18%). India Infoline and Reliance Securities, in contrast, reported negative three-year CAGR

- In terms of profit after tax, SBI Capital Securities reported the highest growth (3-year CAGR of 48%), followed by Angel Broking Ltd (38%), Aditya Birla Money (25%) and India Infoline (23%).

WEALTH MANAGEMENT

Industry overview

Depending on goals and constraints of clients, the wealth management industry provides professional investment advice, financial planning and management services that best suits their requirement. It also provides value-added services, such as investing in art and antiques, and helps clients in philanthropic activities. The wealth management industry has seen robust growth over a low base, because of fresh investments from household savings going into organised financial assets, and increasing need for customisation, with clients typically asking advice for asset management, financial planning, tax planning, estate planning, and succession planning.

Type of wealth management services

Advisory: A wealth manager's role is to provide guidance / advice on investment / financial planning and tax advisory, based on the clients' profile. However, as per the mandate given by the client, investment decisions can be at the wealth management company's discretion or solely taken by the client. This type of services is typically for high net-worth individuals (HNIs) and ultra-high net-worth individuals (UHNIs). As Indian investors are not accustomed to paying a fee for wealth management advice, the fee-based advisory model is not yet matured in India. Many wealth managers refrain from offering fee-based advisory services, instead focusing on commission from transactions.

Distribution: This type of service is primarily transaction-oriented, where the client assigns the wealth manager to execute specific transactions related to his/her wealth management. However, investment planning, decision and further management remain vested with the client. This service is offered for products, such as mutual funds, ETFs, portfolio management services, alternative investment funds, tax-free bonds, and fixed deposits. These services are also offered by brokerage firms, apart from the wealth management firms.

Custody, servicing and safekeeping of assets: A wealth manager is only entrusted with management, administration and oversight of the process of investment. All investment planning, investment decisions, and execution is done by the client.

Family office: Family office services provide large businesses and families with customised solutions to manage their wealth better, and aid in succession planning. It offers services, such as tax planning and wealth management, philanthropy, will execution, and estate planning, among others. Family offices are further divided into two segments - single family offices and multi-family offices. Single family offices has an exclusive team of experts set up to manage assets for a single ultra-affluent family. A multi-family office is a shared family office, where a team of experts pool in their resources to advice a small group of families. Family offices charge fees based on percentage of assets managed above the fixed amount of fees. Approximately 25-30 bps is the typical yield charged. Family offices is ideal if the portfolio is over Rs 1 billion.

Customer profile in wealth management industry

- **Ultra-high net worth individuals:** These are entrepreneurs, corporate executives, or wealthy families who have an investable assets base of over Rs 25 crore (excluding their primary residence, collectibles, consumables, and consumer durables). They usually require structured customised solutions from the wealth manager. Kotak Wealth Management estimates that 160,000 individuals in the country fall in this category, with assets totalling Rs 153 trillion

- **High net worth Individuals:** They have an investable asset base of over Rs 5 crore (excluding their primary residence, collectibles, consumables, and consumer durables). With rising income levels, increasingly professionals and salaried individuals are able to generate surplus income, which they prefer to channel into productive investments. Thus, newer categories of customers – affluent and mass affluent – have emerged in the last few years

  - **Affluent customers:** Wealth management players and brokers provide distribution and custodial services to this segment. Affluent customers are those who have investable asset base of Rs 50 lakh to Rs 5 crore

  - **Mass affluent/ retail investors:** These are customers with less than Rs 50 lakh of investable asset base

Wealth management firm have different strategies, based on the profile of the customer. There are different teams catering to UHNIs and HNIs, and those catering to affluent and mass affluent customers. For instance, one relationship manager (RM) typically services 400-700 customers in the affluent/mass affluent category; the corresponding number ranges between 50-70 clients per RM in the case of HNIs and 10-20 clients per RM for UHNIs.

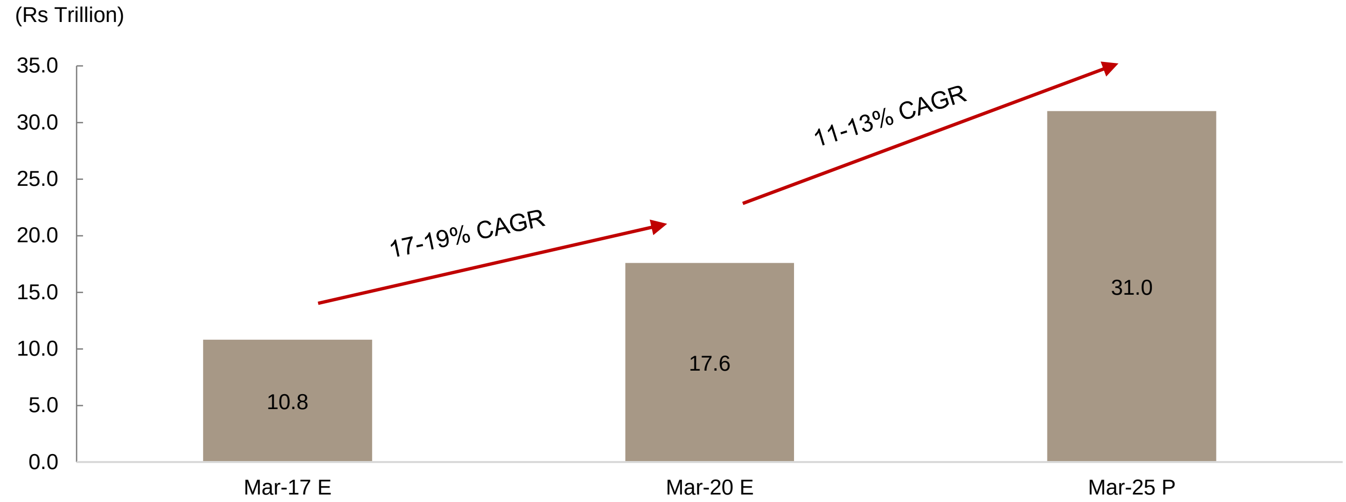
Industry outlook

The wealth management industry in India is at a very nascent stage. It, however, has considerable potential to become a high-growth industry, supported by a young affluent investor base, improving wealth levels, strengthening regulatory environment, and increasing share of organised players, including banks, independent wealth advisors, and brokers, who act as financial advisors. Demonetisation, GST, and the government's strong stance against black money would lead to wealth coming into the formal channel, and finally into financial assets, away from physical assets, which were used for investment of black money.

The thrust on customisation, on technology, on financial assets as against physical assets, and rising awareness is also creating large opportunities for the wealth management industry in India. In terms of offerings, family office solutions and estate planning have been seeing increasing demand in recent years.

CRISIL Research estimates India's wealth management industry (only of banks and broking companies offering such services) was Rs 17.6 trillion in fiscal 2020. This is projected to grow at 11-13% CAGR over the next five fiscals, to Rs 31 trillion by fiscal 2025, supported by a growing population of affluent individuals, increasing shift from physical assets to financial assets, and increasing complexity of assets amid rising competition. It must be noted here that there is significant under penetration of the wealth management industry compared with other developed economies.

Wealth management industry to grow at 11-12% CAGR over fiscals 2020 to 2025



E: Estimated; P: Projected
Source: CRISIL Research

Key growth drivers

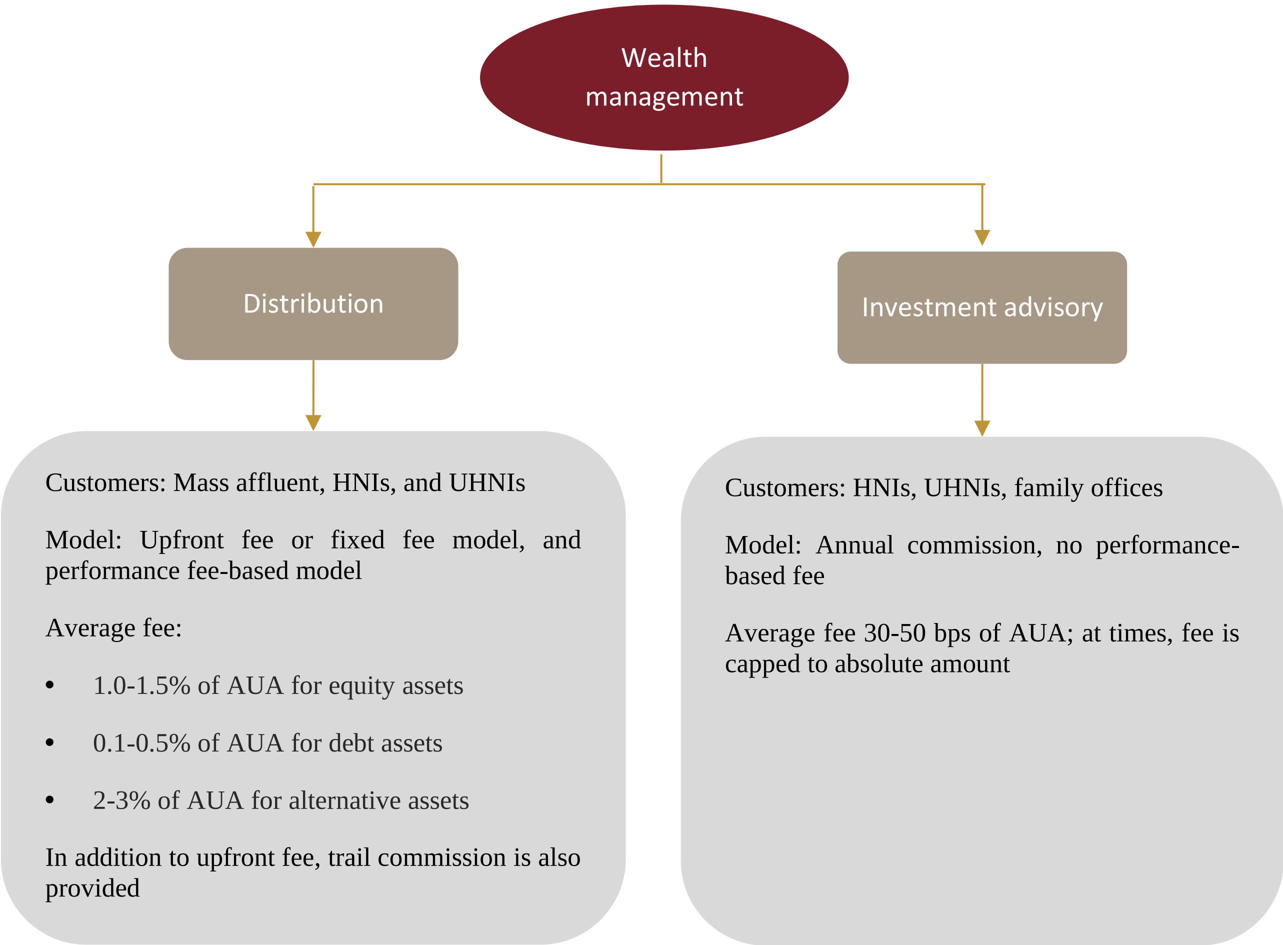
- **Low penetration of organised wealth management:** The wealth management market (AUA) in India, at ~Rs 17.6 trillion, is only ~0.9% of the country's GDP. In established markets, advised wealth, as a percentage of GDP, is at 60-75%. But there has been rising demand for wealth managers in the tier 1 cities in India, owing to rising awareness among affluent and mass affluent customers, and increasing number of potential clients on account of growing income levels. The increase in penetration of wealth management companies into tier 2 and 3 cities will also help drive growth, given more than 40% of the UHNIs live in non-metros, and their wealth is majorly managed by independent financial advisors (IFAs) and chartered accountants

- **Increasing population of affluent clients with rising income levels:** With an expanding economy, middle class incomes and investable assets of UHNIs in the country have increased sharply over the past few years. This, along with higher financial literacy and growing customer awareness, has led to increase in demand for wealth products. India has one of the world's fastest growing UHNI population, both in terms of the number of individuals and wealth levels. The rise in the UHNI population has been partly driven by e-commerce start-ups and rising income levels

- **Increase in wealth allocated towards financial products**: Individuals and investors are increasingly moving away from traditional physical investments, such as real estate and gold, and making higher allocations into financial assets, such as equity, bonds and alternative investments, thereby creating higher potential for wealth products. This, along with ease in accessibility of different investment products on one platform, will also help propel growth

- **Increasing complexity of products requiring advice:** There is increasing complexity of the financial products in the market, thereby requiring advice from professionals in order to understand the products before investing. This could help drive growth of the investment advisory business.

Revenue model in wealth management services



- *Source: CRISIL Research*

As Indian investors are not accustomed to paying a fee for wealth management advice, the fee-based advisory model has not yet matured in India. In fact, many wealth managers refrain from offering fee-based advisory services, and instead focus on commissions from transactions. The net average fee earned by the industry is 70-90 bps of AUM (excluding custodial assets), with the fees being on the higher side for mass affluent and HNI customers in relation with UHNIs. Firms have been optimising their cost-to-income ratios through appropriate investments in talent acquisition, technology, and tools.

Recent developments

SEBI's 2013 guidelines had allowed distributors to set up a separate division to offer advisory services. However, after discussion on SEBI's recent consultation paper on review of regulatory framework for investment advisers, SEBI has announced that investment advisors will be barred from simultaneously selling financial products and advisory services to curb misselling and protect investors. The board meeting also focussed on bringing clarity in payment of fees and setting an upper limit on the fees charged to investors.

Key challenges

Ability to attract and retain experienced advisors, investment in technology, and penetration of digital advice, ability to understand customer needs in an ever-changing environment, and offering customised solutions and establishing trust with clients are key challenges faced by the industry. Also, going forward, passive fund managers and discount brokers could pose a challenge.

Portfolio management services

In India, portfolio management services (PMS) are offered by AMCs, banks, brokerages and independent investment managers. PMS are usually focused on customised discretionary, non-discretionary or advisory service offerings tailored to meet specific investment objectives through basic portfolio management services for stocks, cash, fixed income, debt, structured products and other individual securities. Apart from managing mutual fund schemes, AMCs in India have started offering tailor-made strategies with higher flexibility to investors through PMS. As of June 29, 2020, there were 350 portfolio managers (including AMCs) registered under SEBI. As of February 2020, discretionary PMS dominated the space with 82% share, followed by advisory (11%) and non-discretionary (7%) services.

Over the last five years, the industry has seen significant growth, with the market becoming more mature, increasing number of HNIs, greater need for customised asset allocation based on risk-return profiling, and growing awareness of PMS as a product. As of March 2019, the AUM of PMS asset managers stood at ~Rs 16.1 trillion, reflecting a CAGR of 16% over the last five years. As of February 2020, the AUM of PMS asset managers had grown ~15% over March 2019 to ~Rs 18.5 trillion.

However, on November 20, 2019, SEBI announced an increase in the required minimum ticket size for investing in PMS, from Rs 2.5 million to Rs 5.0 million, and the minimum net worth requirement for PMS providers, from Rs 20 million to Rs 50 million, effective within 36 months. Along with additional changes aimed at increasing transparency for retail investors, we expect this to impact growth of the PMS' AUM as the number of potential investors will decrease. The increase in net worth requirement, though, will likely limit the number of businesses that enter and retain their registration, thereby helping bigger players, which, in turn, should lead to increased investor confidence in the product.

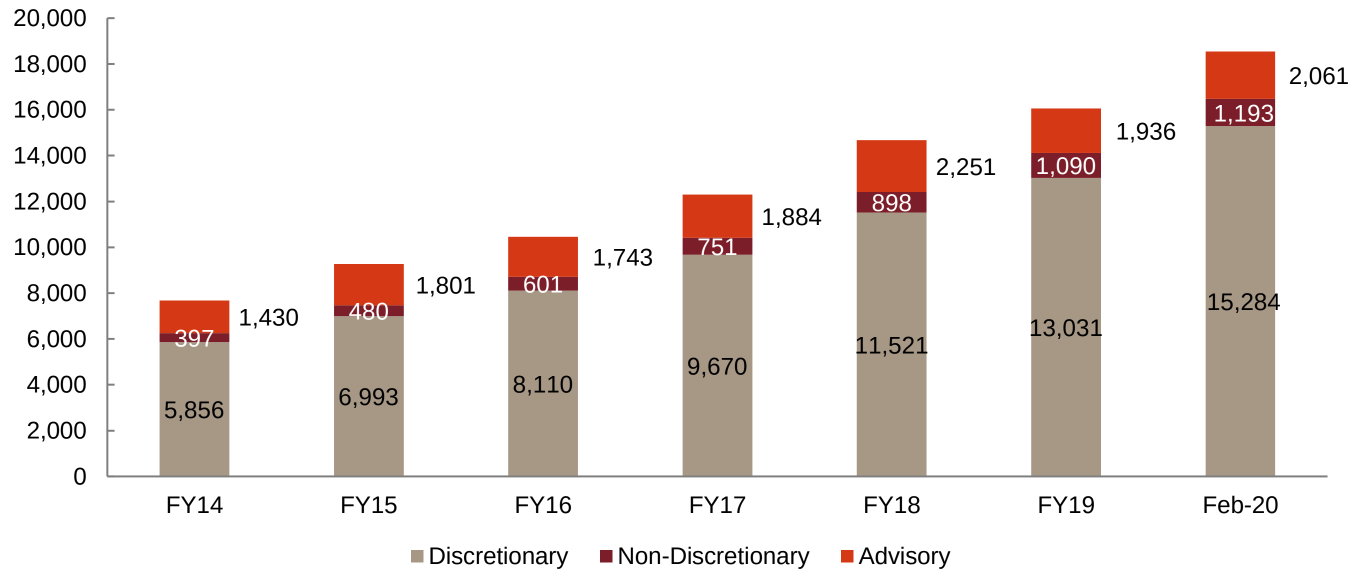
There are broadly three types of PMS

1. Discretionary PMS – Where the investment is at the discretion of the fund manager, and the client does not intervene in the investment process

2. Non-discretionary PMS – Non-discretionary services are the ones in which managers involve the client in the decision-making process. Non-discretionary clients are usually institutional clients, such as pension funds, insurance companies, HNIs, etc.

3. Advisory PMS: Advisory services are where managers advise clients about investing strategy

PMS AUM grew 16% CAGR between fiscals 2014 and 2019 (Rs billion) and 19% on-year in Feb, 2020



Source: SEBI, CRISIL Research

FINANCIAL PRODUCTS DISTRIBUTION INDUSTRY

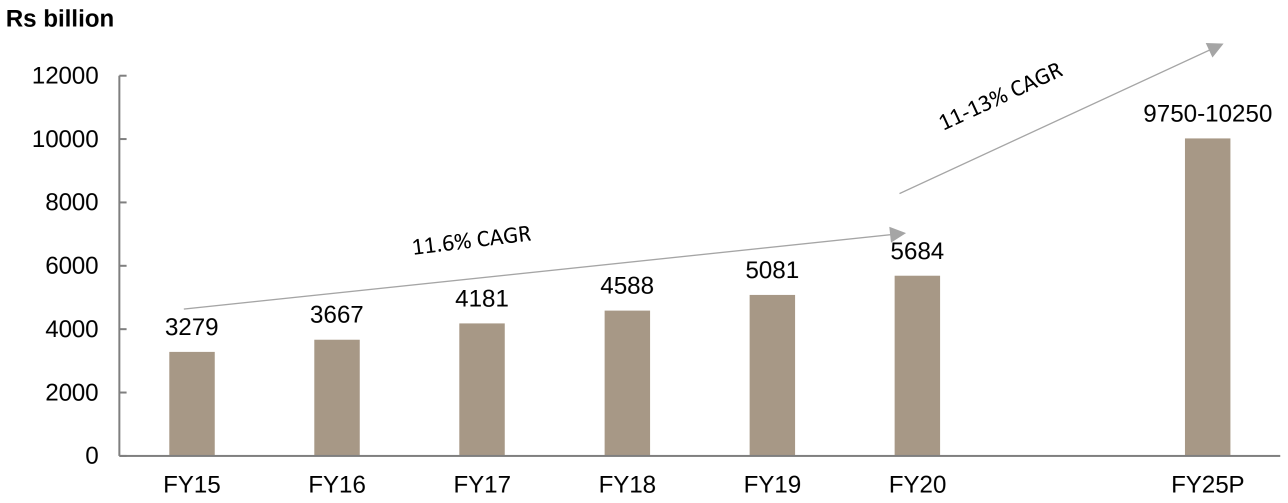
Growing awareness of financial products and financial savings have translated into high growth for the life insurance and mutual fund industries, which will support the financial products distribution industry.

Life insurance

Life insurance premium to grow at healthy pace over fiscals 2020 to 2025

CRISIL Research forecasts total premium to grow at 11-13% CAGR during fiscals 2020 to 2025, from Rs 5,684 billion to Rs 9,750-10,250 billion. An improving economy, post the low growth in fiscal 2021 owing to the Covid-19 pandemic, increase in financial savings, and growing awareness of insurance would be the key catalysts.

Expected growth in total premium over next five years



Source: IRDAI, CRISIL Research

New business premium by distribution channels for private players (individual life insurance product)

Channels – (in %)	FY15	FY16	FY17	FY18	FY19	FY20^
Individual agents	35.7	31.9	30.1	27.9	25.6	24.7
Corporate agents - Banks	47.4	51.7	53.5	54.2	53.5	53.1
Corporate agents - Others	3.4	3	3	2.9	2.9	3.0
Brokers	4.5	3.6	3	2.9	3	3.2
Direct selling and others*	9	9.8	10.4	12.1	14.8	16.1

* *Direct selling also includes business through referral and online channel as well as others*

^ *Data for FY20 includes data only till Q3FY20 for PNB MetLife India Insurance, Exide Life insurance, Shriram Life insurance, Edelweiss Tokio Life Insurance and Aviva Life Insurance*

Source: IRDAI, Company Public disclosures, CRISIL Research

Insurance to remain attractive part of financial savings

CRISIL Research believes the share of life insurance products in total financial savings will increase, driven by growth of linked as well as non-linked products. Also, the following tailwinds would support growth:

- Life insurance as a long-term investment plan and not merely as a protection scheme
- Better product proposition by private players, with diversification of products, thereby catering to individuals with varying risk-taking abilities
- Rise in incremental savings in shares, mutual funds and deposits post demonetisation
- Growing awareness of insurance among the masses owing to the pandemic

As per RBI's quarterly forecast on gross financial assets, the mutual funds in outstanding positions of household financial assets have continuously increased till the third quarter of fiscal 2020. However, this declined in the last quarter of fiscal 2020.

Trend in outstanding position of household investment across selected financial products

(Rs trillion)	FY18				FY19				FY20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bank deposits	74.1	76.5	75.9	79.9	79.2	82.2	82.3	87.3	86.8	89.6	90.6	94.4
Life Insurance funds	29.4	30.4	31.7	32.1	32.7	33.6	34.1	35.6	36.5	36.9	37.9	38.8
Currency funds	13.8	14.2	15.3	16.7	17.8	17.5	18.5	19.5	20.1	19.8	20.7	22.3
Mutual funds	9.5	10.2	10.6	10.7	11.9	11.5	11.9	12.4	12.7	12.8	13.9	11.6

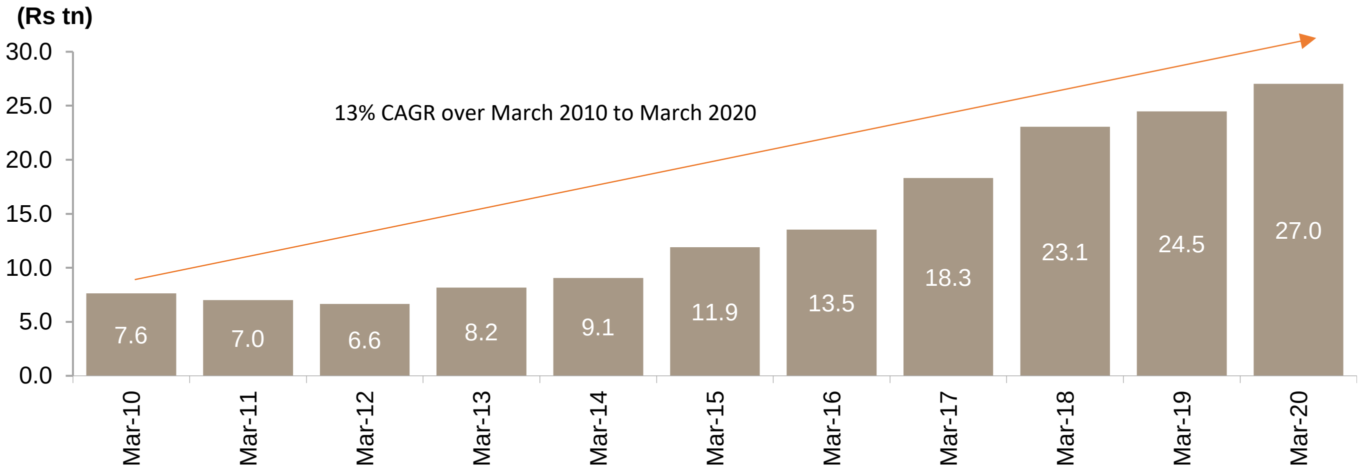
Note: The outstanding position for household investment in pension and provident funds is not being published, as the latest available data from Employee' Provident Fund Organisation, which constitute ~70% of this segment, pertains to fiscal 2017.

Source: RBI Bulletin June 2020

AUM of mutual funds growing sharply aided by rising retail participation, rise in equity market

Aggregate AUM of the Indian mutual fund industry has grown at a healthy pace over the past 10 years. Against the backdrop of an expanding domestic economy, robust inflows, and rising investor participation, particularly from individual investors, the average AUM grew at 13% CAGR between March 2010 and March 2020, from Rs 7.6 trillion to Rs 27.0 trillion.

AUM has grown by 13% CAGR over last 10 years



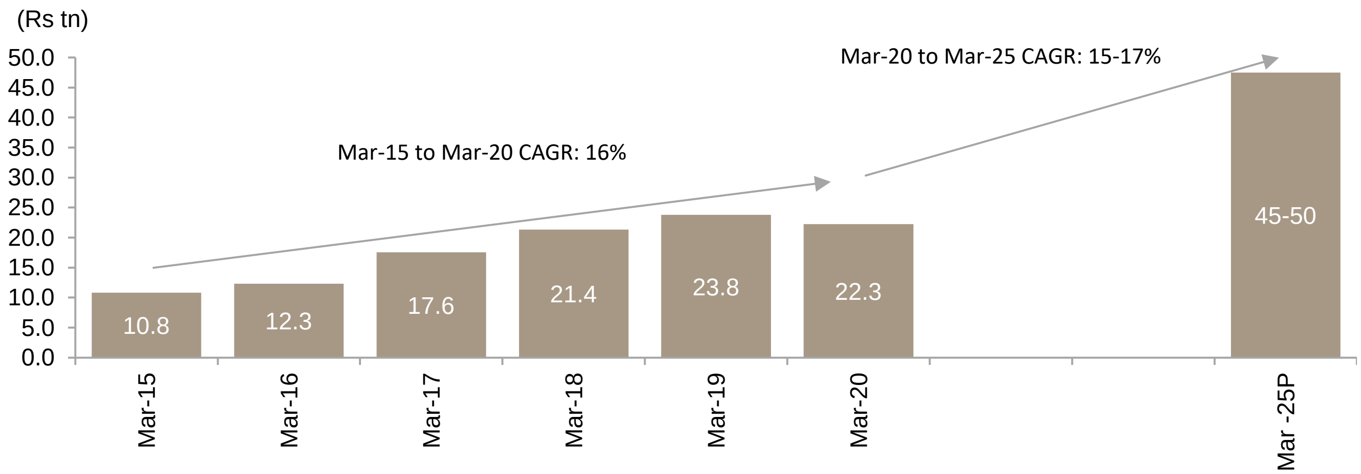
Note: Average AUM for the last quarter of the fiscal.
Source: AMFI, CRISIL Research

Financial inclusion, investor education and investor-friendly regulations to boost mutual fund penetration

CRISIL Research projects quarterly average AUM of the Indian mutual fund industry to log 15-17% CAGR between March 2020 and March 2025, reaching Rs 45-50 trillion. The key drivers of growth would include anticipated pick-up in economic growth post fiscal 2021, growing investor base across geographies, higher disposable incomes and investable household surplus, increase in aggregate household and financial savings, increase in geographical penetration as well as improving awareness, ease of investing, digitalisation, and perception of mutual funds as long-term wealth creators, driven in part by government initiatives.

CRISIL Research's forecasts assume a gradual pick-up in corporate earnings following the loss of revenue because of the lockdown in fiscal 2021, benign inflation, a largely stable political and geopolitical environment, increase in financial savings rates, and consistent increase in mutual fund penetration and inflows.

Projected growth in overall AUM over next five years (Rs trillion)



P: Projected
Note: AUM is at the end of each fiscal
Source: AMFI, CRISIL Research

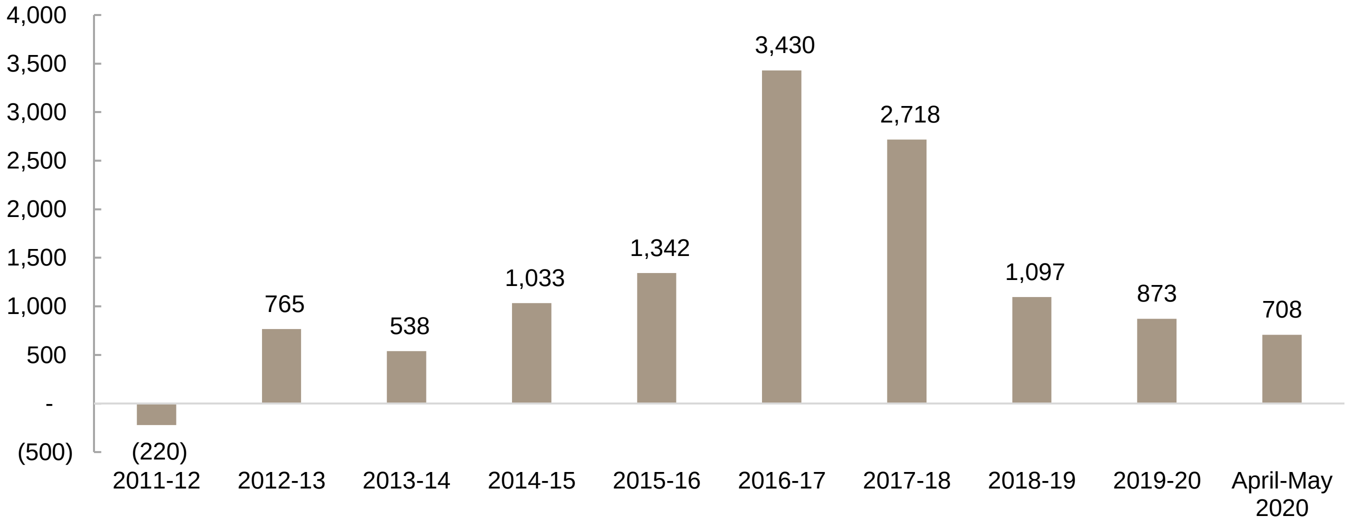
Key growth drivers of mutual funds industry

Apart from strong fundamentals, key factors that are aiding financial product distribution industry is the large and growing share of working population, rising household incomes, increasing shift to financial savings, higher awareness of financial products, higher retail participation in equities, tax benefits on ELSS (on investment up to Rs 0.15 million under Section 80CCE of the Income Tax Act, 1961) and NPS (additional tax benefit of Rs 50,000 under section 80CCD), and increasing penetration of financial products in tier 2 and 3 cities. However, during the current fiscal, the financial distribution industry is expected to struggle in the initial half of the year on account of the lockdown and decline in the overall macros.

Net inflows for mutual funds to strengthen backed by retail investors

Net inflows in mutual funds declined in fiscals 2019 and 2020, post two strong years of net inflows in fiscals 2017 and 2018 backed by equity inflows and corporate bond issuances. A major shock in the form of the NBFC crisis in fiscal 2019 led to slowing of inflows during the year, followed by fiscal 2020, which ended with disruptions owing to Covid-19. Net inflows declined to Rs 873 billion in fiscal 2020. With expectation of higher returns from the capital markets and essentially taking up larger part of the financial savings of households, net inflows into mutual funds are expected to strengthen.

Trends in net inflows in mutual fund industry (Rs billion)

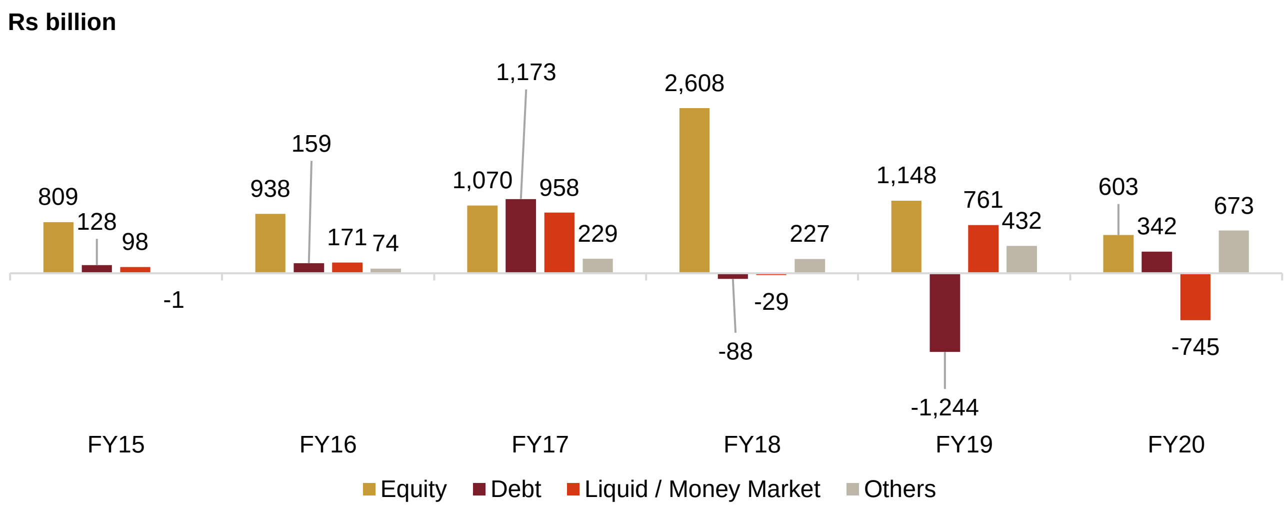


Source: AMFI, CRISIL Research

Prior to the IL&FS and NBFC crises, AMCs saw robust and consistent net inflows across asset classes, with peak inflow of Rs 3,430 billion in fiscal 2017. In fiscal 2018, non-equity inflows collapsed, as Rs 2,608 billion in equity net inflows accounted for 95% of aggregate inflows across all asset classes. At the height of the impact of the IL&FS and NBFC crises in fiscal 2019, debt outflows of Rs 1,244 billion more than offset equity inflows of Rs 1,148 billion.

The ‘others’ segment, comprising ETFs and fund-of-funds (FoFs), though, rose steadily over a small inflow base. Further aiding this category was SEBI’s decision to allow gold ETFs to invest up to 20% of their assets in the gold monetisation scheme, which saw a rise in inflows in this segment.

Equity-oriented funds led the charge in net inflows

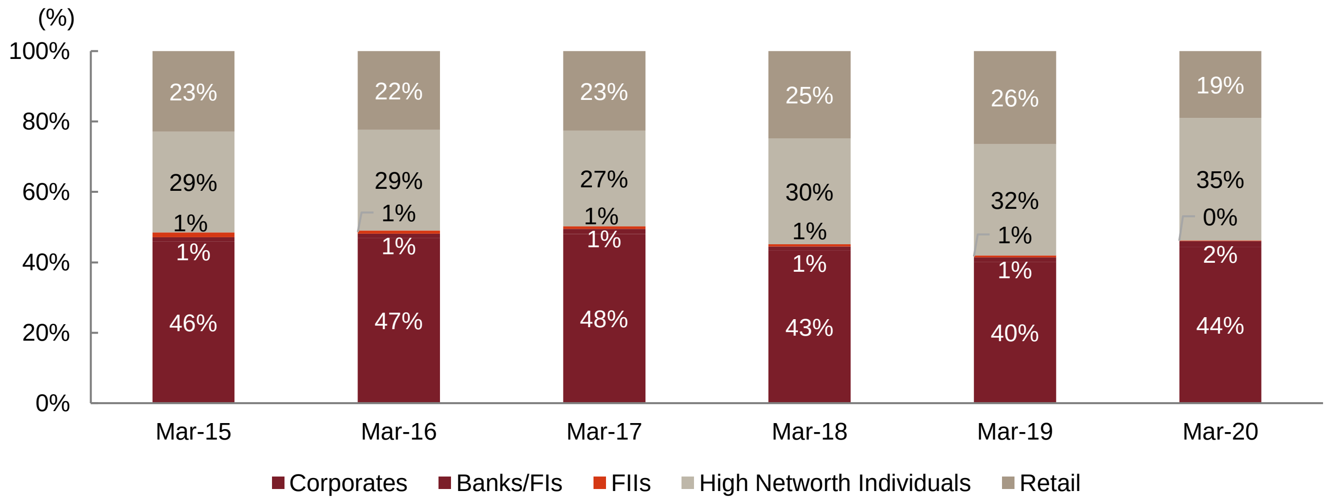


Notes:
(1) Equity funds include: ELSS, arbitrage and balanced funds. Debt funds include: gilt, income, and infrastructure debt funds. "Others' include gold ETFs, other ETFs, and FoFs investing overseas. Average AUM is for the July-September quarter of the fiscal
(2) For September 2019, equity includes: growth/equity-oriented schemes (other than ELSS), ELSS funds, hybrid schemes, and solution-oriented schemes. Debt includes: gilt fund/gilt fund with 10-year constant duration, and remaining income/debt oriented schemes. Liquid/money market includes liquid/money market/floater fund. Others include: index funds, gold ETF, other ETF, and FoFs investing overseas
Source: AMFI, CRISIL Research

Individual investors outpace institutional investors in terms of AUM

Historically, majority of the industry's assets were held by institutional investors, mainly corporates. However, the share of institutional investments (corporates, banks/FIs and FIIs) has gradually declined, from 48% as on March 2015 to 46% as on March 2020. This is because, while institutional AUMs have grown at 14.4% CAGR over the period, individual AUMs have seen a faster growth of 16.5% CAGR on the back of rising participation, especially in the equity funds.

Share of AUM by investor classification

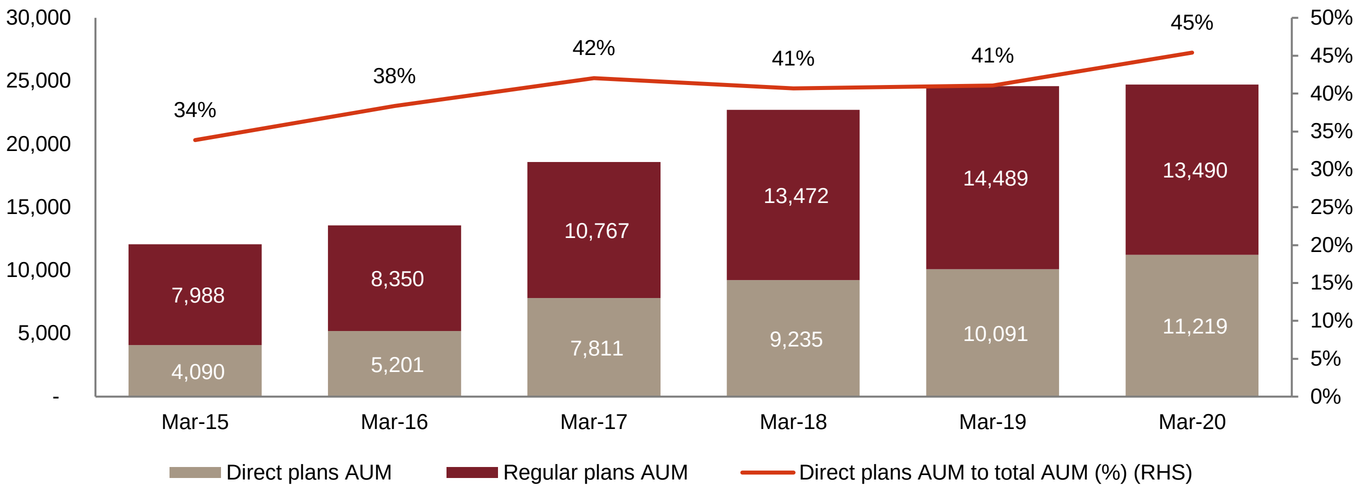


Notes:
AUM as at the end of in each fiscal
Definition of HNIs has changed from fiscal 2020 onwards and, hence, the sudden spike between retail and HNIs
Source: AMFI, CRISIL Research

Direct route becoming more important

In September 2012, SEBI mandated mutual fund houses to offer their products through the direct route alongside distributors, leading to asset managers offering direct plans in January 2013. As a result, AUMs under direct plans grew at an annualised 22% between March 2015 and March 2020. At Rs 11.2 trillion, AUMs under direct plans now represent 45% of aggregate industry AUM, up from 34%.

Growth of AUMs through direct plans since March 2015 (Rs billion)

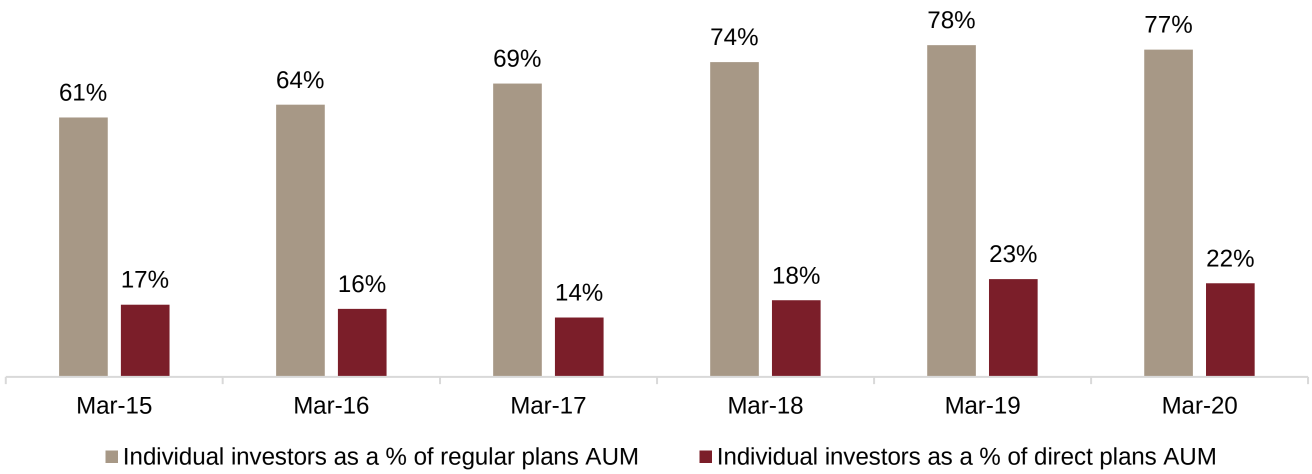


Note: Based on monthly average AUM
Source: AMFI, CRISIL Research

Going forward, we expect growing investor awareness and preparation as well as integration of user interfaces through digital channels to provide additional boost to growth in direct plan AUMs.

The direct route has seen a higher preference by institutional investors. Corporates, banks and financial institutions, and FIIs, which make up the institutional investor pie, accounted for 78% of the total direct plan assets, as of March 2020, whereas individual investors (retail and HNIs) constitute only 22% share. This is because individual investors, who account for 77% of regular plan assets, have higher preference for handholding from distributors.

Composition of individual investors in various plans



Note: Based on monthly average AUM
Source: AMFI, CRISIL Research

Systematic investment plans

Systematic investment plans (SIPs) have helped further increase retail investor participation in the mutual fund space. Several benefits accrue from SIPs, such as avoidance of behavioural weakness during uncertain periods, the force of aggregation of a high number of small amounts, and certain tax incentives. These have not only made SIPs an attractive investment option, but have also helped grow and diversify net inflows across the industry. With contribution levels set low enough to make inflows less susceptible to cycles, SIPs have also helped reduce the volatility of aggregate inflows.

Between April 2016 (when Association of Mutual Funds in India, or AMFI, first began disclosing aggregate monthly SIP contributions) and May 2020, the aggregate amount invested through SIPs has grown from ~Rs 31 billion to Rs 81.23 billion per month. This surge is the result of low contribution minimums, thereby increasing accessibility to lower income households. This is reflected in an increase in the number of SIP accounts, from 21.1 million in March 2018 to 32.04 million in May 2020. The industry added roughly 982,000 SIP accounts each month in the fiscal 2020 with an average per month ticket size of ~Rs

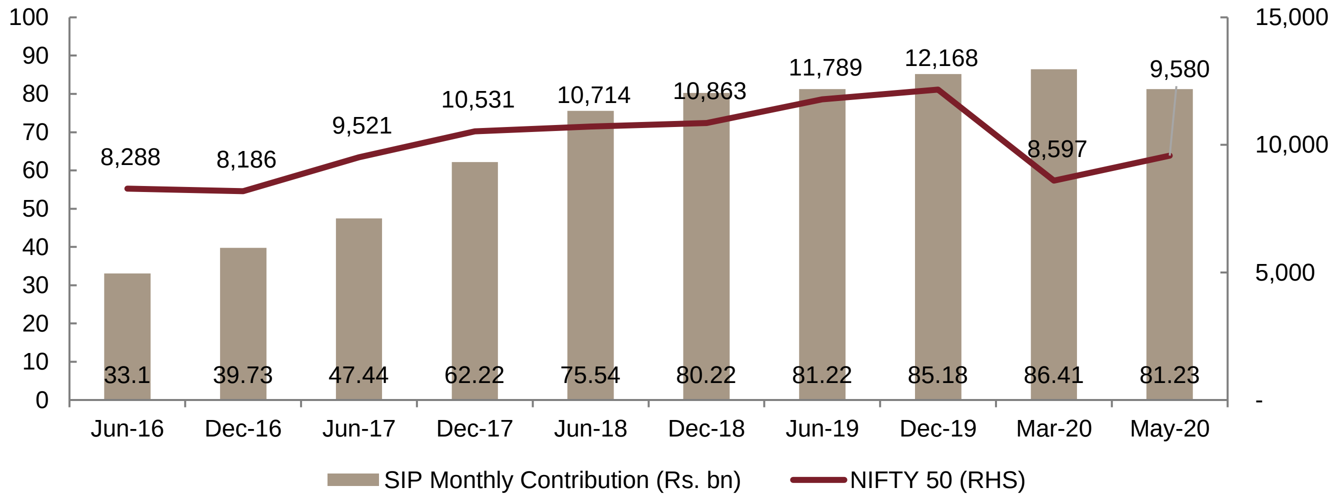
2,673 per account in fiscal 2020. But owing to the rise in the number of accounts, the average ticket size has come down from a high of Rs 3,375 in March 2018.

In fiscal 2020, the mutual fund industry collected ~Rs 1 trillion through SIPs, an increase of 8% over the Rs 927 billion collected in fiscal 2019. In the first two months of this fiscal, SIP contributions to mutual funds have already reached ~Rs 165 billion. As of May 2020, aggregate SIP AUM stood at Rs 2.76 trillion, or 11.3% of the total industry AUMs.

The popularity of equity funds, rising participation of retail investors, recent investor education initiatives, and apparent benefits of SIPs to households that traditionally did not invest in mutual funds lead us to believe the growth in inflows from SIPs will accelerate over the foreseeable future. This would make SIPs an increasingly important component in overall AUM growth.

However, the high growth trajectory in the SIP AUMs somewhat decelerated over the previous months owing to Covid-19. The lockdown led to a standstill in economic activity, loss of jobs, lower discretionary spending, and swelling of personal emergency funds, thereby lowering SIP contributions. Implementation of stamp duty on the mutual funds, expected on contributions from July 1 onwards, may further deter investor preference into SIPs, especially in the current fiscal. However, over the next fiscal, assuming a pick-up in economic activity, contributions are expected to grow.

Trend in monthly SIP contributions (Rs billion)



Source: AMFI, NSE

Regulatory scenario

SEBI's 2013 guidelines had allowed distributors to set up a separate division to offer advisory services. However, on February 18, 2020, SEBI, in a major regulatory change, ordered the segregation of advisory and distribution activities to avoid conflict of interest, among others. As per this, an individual investment adviser will not provide distribution services. This will, therefore, lead to changes in the business model of distributors as well as wealth management companies.

Apart from this, SEBI has come out with other regulations:

- Impact of total expense ratio (TER) regulation:
  - Scheme expenses, including investment and advisory fees for index fund schemes and ETFs should not exceed 1% daily net assets
  - Other open-ended schemes, apart from FoFs, index fund schemes or ETFs:

Assets under management slab (Rs crore)	TER limits for equity-oriented schemes	TER limits for other than equity-oriented schemes
On the first Rs 500 crore of daily net assets	2.25%	2.00%
On the next Rs 250 crore of daily net assets	2.00%	1.75%

Assets under management slab (Rs crore)	TER limits for equity-oriented schemes	TER limits for other than equity-oriented schemes
On the next Rs 1,250 crore of daily net assets	1.75%	1.50%
On the next Rs 3,000 crore of daily net assets	1.60%	1.35%
On the next Rs 5,000 crore of daily net assets	1.50%	1.25%
On the next Rs 40,000 crore of daily net assets	TER reduction of 0.05% for every increase of Rs 5,000 crores of daily net assets or part thereof	
On balance of assets	1.05%	0.80%

Source: SEBI, CRISIL Research

- In 2012, SEBI introduced new norms that allow cash transactions in mutual funds up to Rs 20,000 (now Rs 50,000) per mutual fund, per financial year to enable small investors without PAN cards to invest, and allowed AMCs to charge incremental expenses of 30 bps, depending on the extent of new fund flows from beyond the top 15, or B15, cities (now B30 cities)

- To boost awareness among investors, SEBI also directed AMCs to annually set aside at least 2 bps of the daily net assets for investor education and awareness initiatives. It has allowed celebrity endorsements at the industry level as well, to boost awareness of mutual funds among investors

- In 2019, SEBI issued revised terms and definitions, changing key geographical classifications from top 15 (T15 cities) and B15 cities to T30 and B30 cities, respectively, to emphasise its increased focus on industry penetration of more remote geographies

Mutual fund distribution industry size was ~Rs 80 billion in fiscal 2019

Indian AMCs adopt a multi-channel approach to distribute their products, including banks, nationwide distributors, such as brokerages and wealth management companies and independent financial advisors (IFAs), in addition to direct sales and online channels.

Distributors have a significant role in the mutual fund ecosystem. They play a pivotal role in improving the penetration of mutual funds, especially in smaller cities and towns. Despite the development of the industry, aid of technology, and increasing financial awareness, we foresee distributors to be an essential cog of the mutual fund ecosystem, going forward. This is because several investors in India have the financial wherewithal, but do not have the requisite knowledge to invest in mutual funds directly, and, therefore, need support and guidance from distributors.

Hence, it is imperative for distributors to also act in the best interest of clients for the long-term success of the industry.

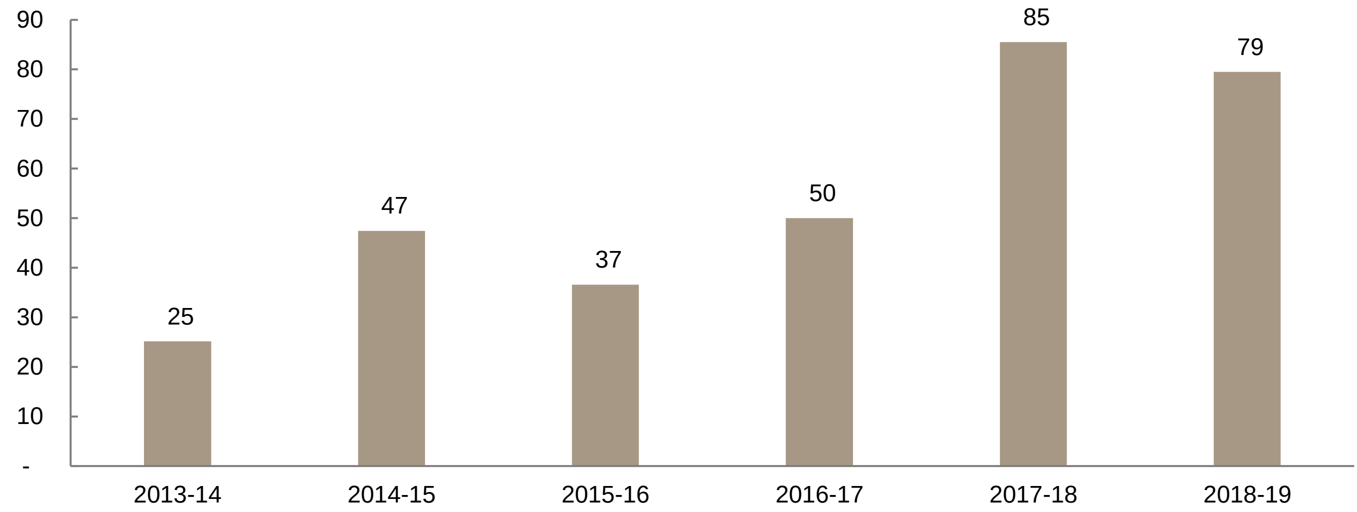
As per AMFI, the commission paid by mutual funds to distributors grew at 26% CAGR between fiscals 2014 and 2019, to Rs 79 billion. This growth can mainly be attributed to healthy returns from mutual funds attracting investors, increasing awareness about financial savings, increasing push by distributors, and government policies.

On the regulatory front, SEBI passed a directive in September 2012, which allowed AMCs to charge an additional expense of 30 bps in B15 locations. This allows fund houses to pay higher commissions to distributors in underpenetrated regions, thereby incentivising them to attract more investors.

The data is based on AMFI disclosures on commissions of distributors, which comprises distributors meeting any of the below four criteria:

1. Present in at least 20 locations
2. AUM of Rs 1 billion
3. Total commission greater than Rs 10 million
4. Commission received from at least one fund house should be greater than Rs 5 million

Revenue trend of mutual fund distributors (Rs billion)



Source: AMFI, CRISIL Research

There were 1,073 distributors as of fiscal 2019 that met the criteria as compared with 396 in fiscal 2014. However, the top 10 distributors dominated in fiscal 2019, commanding a high share of 49% of revenue through the distributor route in fiscal 2019. In fact, their share improved ~615 bps over the last five years.

Half of the top 10 players have seen stronger-than-industry growth in revenue despite the number of distributors doubling owing to the entry of new players in the space. Banks constitute six of the top 10 positions, supported by their large network and greater access to customers.

Trends in key mutual fund distributors' revenue over last five years (Rs million)

Company	FY14	FY15	FY16	FY17	FY18	FY19	5-year CAGR (FY14-FY19)
NJ IndiaInvest Pvt Ltd	1,487	3,034	3,261	4,427	7,868	8,077	40.3%
Axis Bank	943	3,041	1,403	2,485	5,377	5,556	42.6%
HDFC Bank	1,585	3,290	2,610	3,965	6,414	4,967	25.7%
State Bank of India	290	694	621	1,788	5,579	4,876	75.9%
ICICI Bank	1,179	2,480	1,697	2,797	4,703	3,553	24.7%
ICICI Securities	752	1,591	1,114	1,726	3,165	3,189	33.5%
Kotak Mahindra Bank	991	2,550	1,664	1,987	2,743	2,550	20.8%
Prudent Corporate Advisory Services Ltd	352	699	600	992	2,178	2,347	46.1%
Citibank N.A	1,812	2,290	1,407	1,850	2,490	1,818	0.1%
IIFL Wealth Management	1,300	2,861	1,435	1,574	1,750	1,761	6.3%
Others	14,446	24,915	20,765	26,413	43,231	40,789	23.1%
Total	25,137	47,446	36,577	50,004	85,498	79,482	25.9%

Source: AMFI, CRISIL Research

OUR BUSINESS

Some of the information in the following section, especially information with respect to our plans and strategies, contain certain forward-looking statements that involve risks and uncertainties. You should read the section entitled "Forward-Looking Statements" on page 1 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in, or implied by, these forward-looking statements.

We have included various operational and financial performance indicators in this Addendum, which have not have been subjected to an audit or review by our Statutory Auditor and no services have been performed by the Statutory Auditors with respect to this Addendum. The manner in which such operational and financial performance indicators are calculated and presented, and the assumptions and estimates used in such calculation, may vary from that used by other financial services company in India. Bidders should consult their own advisors and evaluate such information and other information relating to our business and operations included in this Addendum.

Unless otherwise indicated, industry and market data used in this section has been derived from industry publications and other publicly available information, including in particular, the report "Assessment of Capital Market, Wealth Management and Financial Products distribution in India" dated July, 2020 prepared by CRISIL Research and commissioned by us.

All capitalized terms not defined herein would have the same meaning as attributed to them in the DRHP.

Overview

Our Company is one of the largest retail broking houses in India in terms of active clients on NSE as of June 30, 2020 (*Source: CRISIL Report*). We are a technology-led financial services company providing broking and advisory services, margin funding, loans against shares (through one of our Subsidiaries, AFPL) and financial products distribution to our clients under the brand "*Angel Broking*". Our broking and allied services are offered through (i) our online and digital platforms, and (ii) our network of over 11,000 Authorised Persons (the "**Authorised Persons**"), as of June 30, 2020. We have had more than 4.39 million downloads of our *Angel Broking* mobile application and nearly 1 million downloads of our *Angel BEE* mobile application as of June 30, 2020, which enable our clients to avail our services digitally. Digital marketing has enabled our Company to garner 398 million digital impressions in June, 2020 on its various online and digital platforms. Our customer outreach, spans across approximately 96.87% or 18,649 pin codes in India as of June 30, 2020. We manage ₹ 132,540 million in client assets and over 2.15 million operational broking accounts as of June 30, 2020.

We believe that our experience of over two decades has helped us to integrate our knowledge and expertise in the broking industry with the technology we provide to our retail clients through various platforms. Over the years, we have enhanced client engagement and experience through digitisation of our processes and augmentation of our technological platforms. We launched our mobile application for broking services in the year 2011 and KYC authentication and complete client on-boarding through the electronic and digital medium in the year 2015 and 2016, respectively. Our primary focus is to profitably grow our retail broking, margin funding and distribution businesses through our online and digital platforms, "*Angel Broking Mobile App*", "*trade.angelbroking.com*", "*Angel SpeedPro*", "*Angel BEE*", which are powered by "*ARQ*", a rule-based investment engine. We provide our broking services through various web, digital and .exe platforms, which are integrated with each other enabling our clients to have a seamless trading and investment experience, positioning us to benefit from the development of the Indian financial market, increased emphasis on digitalisation, and growth in the returns from such financial investments.

We have received several awards, certificates and accolades for our services and products, including 'Best performing Retail Member' award at Market Achievers Awards organised by NSE for three consecutive years, being 2017, 2018 and 2019, 'Trendsetter' award at the NetApp - Innovation Awards 2019, 'Best Marketing Campaign of the Year 2019 in India' organised by Tefla's, 'Digital First Organisation of the Year 2019 in India' organised by Tefla's, 'Franchise 100 India's Top Franchises, 2019'certified by Franchise India, the 'Fulcrums of Commodity Derivatives Market' award by MCX for 2018, one of the 'top volume Performers in Equity Retail Segment 2016 - 17' by BSE, 'Fintech Trading Platform of the Year by moneytech'17 Awards organised by BusinessEx.com and the 'Best Technology House of the Year' in 2016 at the ASSOCHAM Excellence Awards.

We provide a wide range of financial services to our clients including and in relation to:

- ***Broking and Advisory****:* We provide broking services across equity (cash-delivery, intra-day, futures and options), commodity and currency segments, along with debt products. We facilitate participation of our clients in initial public offerings undertaken by various companies. As a part of the broking and advisory services offered by us, we also facilitate opening of demat accounts for our clients. Our Company is a member of BSE, NSE, MSEI, MCX and NCDEX. To complement our broking and advisory services, we also provide the following additional services to our clients:

(i) *Research Services*: As of June 30, 2020, we have a dedicated research team of 54 members who cater to quantitative and qualitative research requirements relating to the stock market such as equity fundamentals, technical, derivatives, commodities currencies and mutual funds.

(ii) *Investment Advisory*: We provide investment advisory services to our retail clients with customized investment recommendations aided by our rule based investment engine *"ARQ"*, which we believe assists our clients in achieving their investment goals across various investment avenues such as equities, debt, currency, commodities, derivatives, mutual funds and insurance products.

(iii) *Investor Education*: Our website, *www.angelbroking.com*, is also a knowledge center which aims to empower investors, including our clients, with an understanding in respect of trading and investments products. As part of our investor awareness initiative, we regularly undertake sessions through various digital mediums, to enhance our retail clients' knowledge regarding our products, research and market trends.

- ***Other Financial Services***: In addition to our broking and advisory services, we also provide the following financial services that may enable our clients to achieve their financial goals:

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

(ii) *Distribution*: We undertake distribution of third-party financial products such as mutual funds, and health and life insurance products, according to our clients' requirements. Such distribution is undertaken through both our offline channels and our digital platforms, "*Angel Broking*" and "*Angel BEE*". We believe that our distribution business helps our clients to achieve their financial and risk mitigation objectives by providing them with personal wealth management services.

(iii) *Loans against shares*: Through our Subsidiary, AFPL, which is registered as an NBFC, we provide loans against shares to our retail clients.

Our Strengths

We believe we have the following competitive strengths:

1. One of the largest retail broking houses with strong brand equity

Our Company is one of the largest retail broking houses in India, in terms of active clients on NSE as of June 30, 2020 (*Source: CRISIL Report*). Our online and digital platforms, along with our vast network of Authorised Persons enables us to reach a large population of retail clients spread across approximately 96.87% or 18,649 pin codes in India. This widespread reach has enabled us to enhance our client base from 1.06 million in FY18 to 2.15 million as on June 30, 2020. Over this period, we witnessed a consistent growth in our gross client addition of 0.22 million, 0.26 million, 0.56 million and 0.35 million in FY18, FY19, FY20 and Q1 FY21, respectively and representing a 59.54% CAGR over the period from FY18 to FY20. In the three months period ending June 30, 2020, we witnessed an average monthly client addition of approximately 115,565 clients, over a monthly average of 46,676 clients in FY20 representing a growth of 147.59%. Over the last one year, we have more than doubled our overall turnover market share in the retail broking space in India.

The number of our operational accounts increased from 1.06 million in March, 2018 to 1.29 million in March, 2019 and 1.82 million in March, 2020 to 2.15 million in June, 2020. We believe that we have developed a dedicated client base due to our client-centric approach in respect of the services we provide, user-friendly digital interfaces; and the ability to provide seamless access to all segments of the stock markets. Based on our average client addition during FY20, 11,249 clients per month were acquired by referrals, which increased to 23,942 clients per month in Q1 FY21, demonstrating our strong brand equity. This led to an increase of 20.72% of our average gross monthly client addition in Q1 FY21. We believe that we have built a strong digital infrastructure for our services and culture within our organisation, to service new age and technological savvy clients in the broking industry.

The "*Angel Broking*" brand, established over 22 years ago, has over the years built an online and digital broking and financial services platform, with a pan-India presence. We provide our broking, margin funding, advisory and financial services through our brands "*Angel Broking*" and "*Angel BEE*", powered by "*ARQ*", which are well-recognized brands in the retail broking industry in India and are capable of addressing the financial investment and risk mitigation requirements of Indian retail clients. We believe that we have a strong brand presence using a targeted strategy of offering services under different brands to cater to a diverse group of clients. We believe that we are well placed to capitalise on the expected growth in the broking sector in India due to our advanced digital presence, pricing and early mover advantage in providing broking, financial and advisory services through both, our online and offline channels.

2. Client acquisition through diversified digital platforms

We have strong capabilities to acquire customers through various diversified digital platforms. Based on our average client additions in Q1 FY21, 85.21% of our clients have been acquired digitally, of which, 53.31% are acquired through performance marketing, either by way of organic or paid leads, 20.72% through referrals from our existing clients and approximately 11.18% through digital influencers. The remaining 14.79% of our clients, are acquired through our network of Authorised Persons. From Q2 FY 20 to Q4 FY20, 79.76% of our clients have been acquired digitally, of which, 50.76% are acquired through performance marketing, either by way of organic or paid leads, 22.24% through referrals from our existing clients and 6.77% through digital influencers.

a) **Performance Marketing:** This is the most prominent channel for client additions, as it garnered approximately 53.31% of our gross client additions in Q1 FY21. Our website traffic (both directly and organically) increased by 255.05% from 0.27 million in Q1 FY20 to 0.96 million in Q1 FY21. Our website traffic (both directly and organically) as of Q2 FY20, Q3 FY20 and Q4 FY20 was 0.29 million, 0.36 million, 0.48 million, respectively. We believe that through our partnerships in the digital ecosystem we are also able to recalibrate our marketing strategies and through marketing automation we are better equipped to cater to an increase in the number of clients. In order to enhance our brand visibility, to reach out to millennials across India and due to change in trends, we have directed our marketing mediums through digital and mobile marketing in addition to television. Our focussed marketing strategy and research content on our website, has resulted in 4.44 times and 3.94 times increase in our web based and mobile application-based lead generation in Q1 FY20 and Q1 FY21, respectively. We have also focussed on providing education-based content on our digital and social media platforms which may lead to an increase in the number of subscribers. Further, we also optimise our mobile application on an on-going basis towards organic discoverability of our mobile application and simplification of the process for on-boarding of clients, which we believe is one of our key modes for customer acquisition. Innovative customer acquisition programs like "Accelerated Lead Conversion Program", "Data-led Inactive Conversion Program" and certain other programs with video sharing platforms, also help us acquire new customers.

b) **Referrals:** Our referral program yields a significant share to our monthly client acquisition plan which stood at approximately 20.72% in Q1 FY21.

c) **Digital Referral Associates or Digital Influencers:** Since July, 2019, we have established partnerships with over 5,191 Digital Referral Associates (the "**DRAs**") which in turn give us access to approximately 79.55 million persons forming a part of their subscriber base as of June 30, 2020, which is an increase of 12.85 times of subscriber base as compared to their subscriber base as of January, 2020, which was approximately 6.19 million subscribers. The DRAs subscription base increased by 47.29 times since July 2019 and 23.64 times since September 2019 as compared to June 30, 2020. The DRAs subscription base was 8.09 million in February, 2020, 10.10 million in March, 2020, 30.27 million in April, 2020 and 66.58 million in May, 2020. These DRAs are influencers who create digital content on their channels and help educate their followers about trading and investment in various financial products such as equities, derivatives and mutual funds. These DRAs also help us source significant share of our clients from 0.68% in Q2 FY20 to 11.18% in Q1 FY21. We are focused on on-boarding new clients through our DRAs partnerships and their subscribers. We have also added multiple influencer channels on various video sharing and social media platforms, with a coverage of more than 800 videos added by these influencers.

d) **Authorised Person Network**: As of June 30, 2020, we have over 11,000 Authorised Persons registered with NSE, which have consistently been an important client acquisition channel for our Company. Our proprietary digital platform *"NXT"* facilitates them to further their digital marketing initiatives. These Authorised Persons contributed to 14.79% of our client base in Q1 FY21. As of June 30, 2020, our Company ranks as No. 1 stock broking house in terms of Authorised Persons registered with NSE.

Further, there was an increase in the use of our Do It Yourself (the "**DIY**") accounts by 364.54% from 6,751 accounts in January 2020 to 31,361 accounts in June, 2020. The number of DIY accounts as of February 29, 2020, March 31, 2020, April 30, 2020 and May 31, 2020 was 7,682 accounts, 13,410 accounts, 17,347 accounts and 24,599 accounts, respectively. Our DIY account acquisitions as compared to our direct client acquisitions were 14.38%, 16.11%, 16.29%, 21.24%, 26.55% and 25.90% in January, 2020, February, 2020, March, 2020, April, 2020, May, 2020 and June, 2020 respectively.

3. Integrated, end to end, and advanced digital experience ensuring client satisfaction

We remain focussed on innovation and implementation of technology across various services offered by us, which we believe has resulted in an increase in client satisfaction. Our mobile based applications across the broking and advisory businesses have been consistently appreciated and awarded. Our backend systems provide an integrated and seamless access across all product platforms.

Over the last three years, our Company has transformed its business into a seamless digital experience for its 2.15 million clients as on June 30, 2020. Our marketing initiatives are now driven using artificial intelligence. The client on-boarding journey is largely a straight through process, without any requirement for physical documentation. Due to our continuous digital initiatives, we have increased our monthly average online order execution of direct clients to more than 99% in Q1 FY 21. We have also entered into an agreement with a third party for them to supply printable white labelled research reports and portfolio analysis for stock selection by our clients, which will be an additional offering for them. Further, our client on boarding is completely digital and a seamless process.

Our client engagement and service activities are completely driven by our artificial intelligence and machine learning based strategies which provides a unique personalised experience to them. Our strategies enable us to segment our clients into various categories based on risk taking appetite, trading and investment behaviour. This also enables us to provide personalised advisory related services and recommendations to our 2.15 million clients as on June 30, 2020, through multiple delivery channels, being, push notifications on (i) our mobile application; (ii) the worldwide web; (iii) the .exe platform; (iv) business account with certain messenger applications ; and (v) e-mail. We also provide our clients various offers in respect of their first trade or in the process of transferring funds or other such transactions.

We believe that our emphasis on providing our clients with services through technological platforms has enabled us to rationalise the cost that we incur to service our clients' needs, leading to cost-efficiencies. This has enabled us to not only offer a simplified and most competitive pricing to our clients but also serve them with value added services like research and advisory at no additional cost, margin trading facility, securities as collateral and no fund transfer charges.

4. Diversified product offering across segments at competitive price

Our online platforms, "*Angel Broking*", "*trade.angelbroking.com*", "*Angel SpeedPro*" and "*Angel BEE*", powered by ARQ, allow us to provide our clients with an ability to manage their wealth and investments in an efficient and organized manner. Our clients trade in equities in the cash-delivery, cash-intraday, futures and options, indices – derivatives segment through various order types, including market orders, stop loss orders and valid till cancelled orders. We also facilitate participation in initial public offerings. Our Angel iTrade Prime Plan was launched comprising, ₹ 0 for equity delivery and ₹ 20 per order for all other segments. Coupled with this competitive pricing plan, we also offer services such as complementary in-house research and advisory, margin trading facility, securities as collateral and no charges for any fund transfer (*Source: CRISIL Report*). We believe that this complete offering is a unique proposition and makes us one of the most competitive players across the industry.

5. Robust business metrics building operating leverage

Our well executed strategy of being a digital first organisation enabled us to grow our business exponentially, for example, we witnessed a growth of nearly 2.5 times in our average monthly client acquisition run rate to 115,565 in Q1 FY21 from an average monthly client acquisition run rate of 46,676 in FY20. Further, our average monthly gross client additions in FY 18, FY 19, FY 20, and as of March 31, 2020, April 30, 2020, May 31, 2020 and June 30, 2020 was 18,337 accounts, 21,784 accounts 46,676 accounts, 104,555 accounts, 95,169 accounts, 107,359 accounts and 144,167 accounts respectively.

Our operational client base as of March 31, 2019, March 31, 2020, April 30, 2020, May 31, 2020 and June 30, 2020 was 1.29 million clients, 1.82 million clients, 1.91 million clients, 2.01 million clients and 2.15 million clients, respectively. Our operational client base increased by 40.47% from 1.29 million operational clients in FY19 to 1.82 million operational clients in FY20. Further, we witnessed an increase of 18.71% from 1.82 million clients in FY20 to 2.15 million clients as of June 30, 2020.

The augmentation of our digital processes, technological platforms, performance marketing, client engagement strategy, robust client acquisition and an all-inclusive flat pricing model has enabled us to substantially grow the average daily turnover from Rs. 253,176 million in Q1 FY20 to Rs. 618,945 million in Q1 FY21, as well as placed us at the forefront in the turnover based market share for the retail broking industry in India.

Our broking, distribution and advisory services are backed by robust infrastructure and has processed at peak usage, being, approximately 3.46 million trades in a day.

Corresponding to an increase in our market share, our base of NSE active clients witnessed growth from 0.36 million in March, 2018, 0.41 million clients in March, 2019 to 0.58 million clients in March, 2020 and further to 0.77 million clients in June, 2020. Due to the growing base of NSE active clients, our market share and rank improved to 6.29%, registering an increase of 95 bps in June, 2020 over March, 2020, and 4th position respectively in NSE active clients. Our overall traded client base also registered a 30.21% growth as of June 30, 2020 as compared to March 31, 2020.

6. Experienced management team with proven execution capabilities

We have a strong management team with experience in the Indian financial services and broking sectors. The quality of our management team has been the driving force in achieving all-encompassing growth in our business. All members of our senior management team have substantial experience. One of our Promoters, Dinesh D. Thakkar has over 27 years of experience in the broking industry and is the founder of the Angel Group. Our other Promoters, Ashok D. Thakkar and Sunita A. Magnani have over 20 years and over 15 years of experience, respectively, in the "Angel" group. Our senior management team comprises Dinesh Thakkar (Chairman and Managing Director); Vinay Agrawal (Director and Chief Executive Officer); Vineet Agrawal (Chief Financial Officer); Nilesh Gokral (Chief Operating Officer); Rohit Ambosta (Chief Information Officer); Sandeep Bhardwaj (Chief Sales Officer); Subhash Menon (Chief People Officer); Ketan Shah (Chief Revenue Officer); and Prabhakar Tiwari (Chief Marketing Officer).

Our management team is driven by an agile mindset and has been instrumental in transforming the business from a largely physical to a completely digital model over the last three years. The team is responsible for formulating our business strategy, devising and executing marketing and sales plan, managing our service areas, diversifying our business and sector mix, ensuring strong operating and technology platforms and expanding our client relationships.

Further, our management team enables us to conceptualise and develop new services, effectively market our services, and develop and maintain relationships with various stakeholders and intermediaries including our clients and Authorised Persons network.

Our Strategies

Going forward, the following are our business strategies:

1. Strengthen our leadership position to become the largest retail broking business in India

We intend to strengthen our leadership position to become the largest retail broking firm in India, both by broking revenue and active clients. In particular, we aim to enhance our market position in the growing retail broking segment, by continuing to focus on acquiring and retaining clients, product innovation, leveraging our web and digital broking platforms and brand to acquire clients through these platforms and our extensive Authorised Person network, analysing client behaviour and provide personalized recommendations. Further, we intend to expand and offer all the financial services required by our retail clients.

We aim to increase our client base, increase the number of trades and transactions, thereby increasing retail broking revenues. We intend to widen our analysts' recommendations, create an integrated consumer behaviour engagement model, which enables us to serve our clients better and increase our engagement with them through implementation of technology, across various devices and means of communication. We also intend to diversify and increase our retail client base by catering to various clients across different age groups with digital applications such as "*Angel BEE*" which has been designed to specifically suit the needs of the millennial generation. We also believe that we will be able to increase our retail client base by providing an open source platform, integrate better third party applications and offer multilingual services on our online platforms to ensure reach to a larger investor base and capitalise on the underserved client base with simplicity in advice.

We also intend to strengthen our client support systems to ensure that we are able to provide anytime, anywhere access through various modes of communication.

2. Augment our investment in our mobile platform, artificial intelligence, machine learning capabilities and newer technologies

We believe that we are at the forefront of application of technology and digitalisation in the broking business in India and are continuously striving to reach international standards of providing services to our clients. Given that a majority of our retail clients interact with us through our electronic broking platform, we continuously invest in the development of technology to ensure that we provide our clients with a superior, seamless and secure experience. We aim to enhance our client engagement through focused advancements in mobile technology and delivering innovative products, improving user interface across devices and ensure time optimisation for an increase in the performance and execution of trades. We also intend to continue to ensure that we implement the best practices in respect of cybersecurity and increase our ability to operate with third parties to optimise our operations and provide our clients with a digital experience which is efficient and cost-effective. Our risk management framework is completely automated and we remain committed to enhance our systems to meet the growing needs and requirements of regulators, market participants and clients.

We believe that use of technology augments client relationships and enables reduction in errors and expenses, in addition to ensuring data privacy. We will continue to improve our systems to provide our clients with unified data architecture across sales, on-boarding, risk profiling, research recommendations, trade execution and settlement and generation of reports. With successful application of artificial intelligence and machine learning to our investment advisory services, we will be able to implement artificial intelligence to other functions, enabling efficient and profitable growth of our business.

As our client base increases, we will have access to an increasing amount of data. We intend to continue investing in and augmenting our analytical capabilities to ensure that we are able to gain personalised and actionable insights from such data while ensuring compliance with the privacy requirements of our clients. We have, and will continue to, use analytics and artificial intelligence to help us understand client preferences, design new products, identify targets for cross-selling and increase transactions with our clients.

3. Establish a leadership position in the investment advisory space to support our business

We provide investment advisory services through our various applications and our website, which are supplemented by "*ARQ*", a rule based investment engine. We currently provide our clients with customized solutions to assist them achieve their investment goals across various investment asset classes such as equities, derivatives, currency and commodities, mutual funds, fixed deposits and bonds, health insurance and life insurance products. The "*Angel BEE*" mobile application as the digital interface for sourcing, client acquisition and digital interaction with our clients further strengthens our focus on technology. "*Angel BEE*" is our digital platform through which we provide retail wealth management and personalised investment recommendations to our clients.

We intend to continue to maintain high growth and profitability by increasing the scope and intensity of activities in our existing investment advisory business by providing such services to a wider range of clients and ensuring that other platforms of our Company are capitalised in order to efficiently manage the wealth of clients. We intend to capitalise on our existing retail client base to ensure that our wealth management business increase over time and each of our clients receive personalised and satisfactory services. We believe that our significant retail broking client base presents us with the potential to cross-sell third-party products suitable to their requirements. In particular, certain asset classes are underpenetrated among our client base and we intend to leverage our analytics capabilities to selectively target client based on their likelihood to purchase such products. We also intend to continue to engage with third-party providers to increase the number of products available to our clients.

Our diversification across financial products and services, coupled with our organizational structure and culture, provides us with an ability to offer various products and services from across our businesses to our expanding base of broking clients. We believe that this will position us well to increase the proportion of our clients' total spending that we capture.

We also intend to capitalise on our digital marketing to generate client leads and introduce a number of initiatives to simplify client acquisition. This is in addition to new products that we launch regularly in line with client needs.

We believe that the increase in the purchasing power of individuals in the country and shift in the need to invest in financial products will enable us to capitalise on the same and ensure that our clients receive better returns over time.

4. Capitalisation of the growing investable wealth in India

According to the CRISIL Report, the financial market in India is expected to continue to grow in line with its historical trajectory, due to strong demand and supply-side drivers, such as the expected growth in the Indian economy, increasing urbanisation, increased consumerism due to higher per capita incomes, and favourable changes. This indicates market growth potential for established financial service providers in India such as us. Further, clients in India are also increasingly willing to pay a premium for higher quality of infrastructure and service, such as technology, automation and other value-added services and higher product safety.

In the last five years, there has been an increase in the amount of wealth invested in India in financial products as compared to traditional forms of investment. We intend to capitalise and acquire larger market share on these opportunities in the Indian financial market, given our experience in adopting technology and automation to service our clients. Further, we believe that the projected growth and the changes in the Indian financial market resulting from increased wealth and trading will result in an increase in the dependence of existing and new clients on financial services providers such as us. Angel BEE, our digital platform for distribution of financial and investment products, which is powered by ARQ. We believe this positions us to benefit from the growing market opportunities in the most efficient manner together with our wealth of experience, research capabilities, understanding of the financial markets, will result in us being able to capitalise on the growing investable wealth in India.

Our Business

Our principal business includes broking and advisory services, margin funding, and distribution of financial products which are complemented by our research services and investment advisory.

I. Broking and Advisory

A. Broking services

We are one of the largest retail broking houses in India in terms of active clients on NSE as of June 30, 2020 (*Source: CRISIL Report*). Our clients trade in equities in the cash-delivery, cash-intraday, futures and options, indices – derivatives segment through various order types, including market orders, stop loss orders and valid till cancelled orders. We also facilitate participation in initial public offerings. We have simplified, competitive and all-inclusive pricing plan, Angel iTrade Prime Plan, of ₹ 0 for equity delivery and ₹ 20 per order for all other segments. Coupled with this competitive pricing plan, we also offer services such as complementary research and advisory, seamless margin trading facility with pre-approved limited, futures and options trading upon delivery of securities as collateral and no charges for any fund transfer. Giving the right advice to the client using artificial intelligence and machine learning, along with better product offering at competitive prices to our clients resulted in strong growth in our ADTO.

The following table shows our ADTO for broking services and our market share for the periods indicated:

(in ₹ million)

Segment	Year ended			Quarter ended				Month ended				Quarter ended
	2018	2019	2020	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	March 2020	April 2020	May 2020	June 2020	Q1 FY21
ADTO – Overall	123,103	168,087	413,238	253,176	358,268	450,070	582,018	425,900	444,460	541,200	828,850	618,945
Overall Market share	3.24%	3.02%	5.41%	3.68%	4.68%	5.91%	6.90%	6.41%	6.83%	7.56%	9.55%	8.23%
ADTO – Cash	16,793	21,382	29,262	25,548	26,609	31,734	32,995	30,440	48,580	56,340	66,640	57,813
Market Share - Cash[(1)]	8.51%	10.90%	13.73%	12.70%	13.75%	14.33%	14.03%	11.89%	16.09%	18.36%	17.26%	17.26%
ADTO – F&O	88,662	124,074	339,729	198,080	290,353	369,478	492,468	346,360	365,270	430,120	700,300	511,080
Market Share – F&O	2.90%	2.68%	5.14%	3.38%	4.42%	5.62%	6.67%	6.16%	6.34%	7.02%	9.16%	7.77%
ADTO – Commodity	15,055	19,379	37,285	24,584	33,475	41,807	48,643	38,260	20,490	42,420	47,850	37,754
.Market Share - Commodity [(1)]	8.82%	10.04%	16.90%	12.39%	14.48%	19.09%	20.88%	18.01%	20.28%	25.34%	25.96%	24.60%

1. Market share is the ratio of our ADTO to the sum of the retail ADTO on NSE, BSE and MCX respectively.

The following table provides are client base/operational accounts over different time periods:

(in million)

	FY18	FY19	FY20	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	April, 2020	May, 2020	June, 2020	Q1 FY21
Client Base/Operational Accounts	1.06	1.29	1.82	1.35	1.46	1.59	1.82	1.91	2.01	2.15	2.15

1. Products

Our broking business primarily comprises broking services that we offer to retail clients trading in equities, equity derivatives, commodities and currency derivatives. As of June 30, 2020, the products for which we offer our broking services to our clients to trade in are as follows:

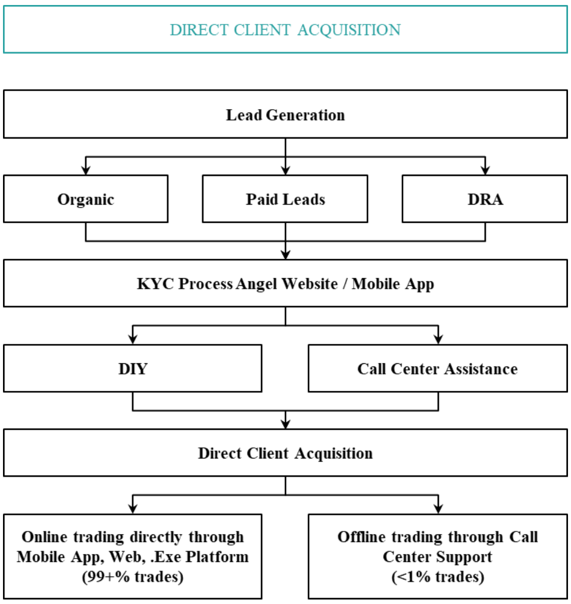
- *Equities*: Stocks listed on BSE and NSE.

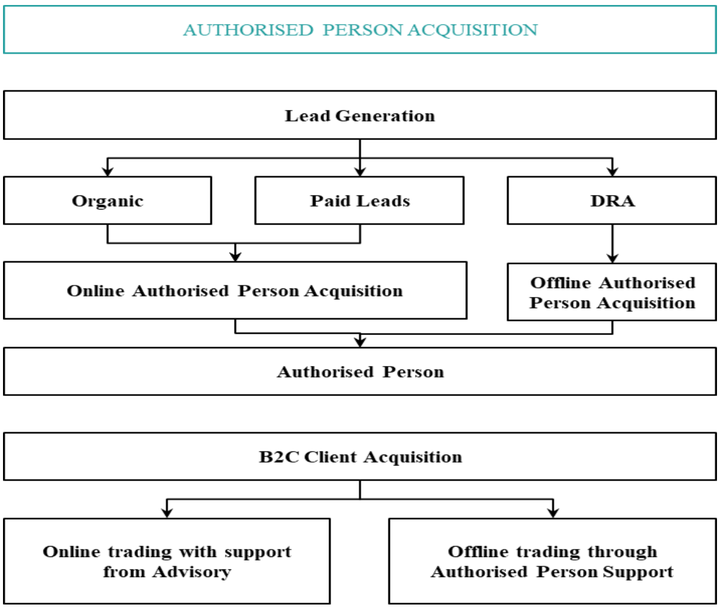
- *Equity Derivatives*: Futures and options related to indices and stocks listed on the Stock Exchanges.
- *Currency*: Derivatives and future and options in U.S. Dollar, Euros, British Pound and the Japanese Yen.
- *Commodities*: Commodities futures and options listed on MCX and NCDEX.

2. Client Acquisition

Our broking business is anchored by our retail clients, to whom we offer products and services through (i) our online and digital platforms and (ii) our network of over 11,000 Authorised Persons, as of June 30, 2020. In order to avail broking services, our clients are required to open a trading and demat account. The entire process for opening the accounts is seamless with a paperless KYC process. We facilitate our clients to open a demat account and start trading shortly thereafter. Once the client signs up, the coach marks it in the application and helps them to navigate and understand the functionalities of the mobile application easily. These coach marks guide our clients on how to add funds and how to trade.

Acquisition of clients is done either directly by us or through our exclusive Authorised Persons network. This may be done through organic leads, paid leads or dedicated sales team through both online and offline channels.





We have arrangements with various banks and financial institutions to enable us to provide our clients with greater flexibility in the use of their existing bank accounts with our online systems. We are currently integrated with 47 banking companies to enable our clients to seamlessly transfer funds on a real-time basis. We have also entered into arrangements with various third parties to provide our clients with incentives upon opening of accounts with us. Through the UPI payment gateway, our clients can seamlessly transfer funds from any bank.

Below is the break-up of our client acquisition trend across the Top 10, next 100 and next 2,600 cities in FY18, FY20 and Q1 FY21:

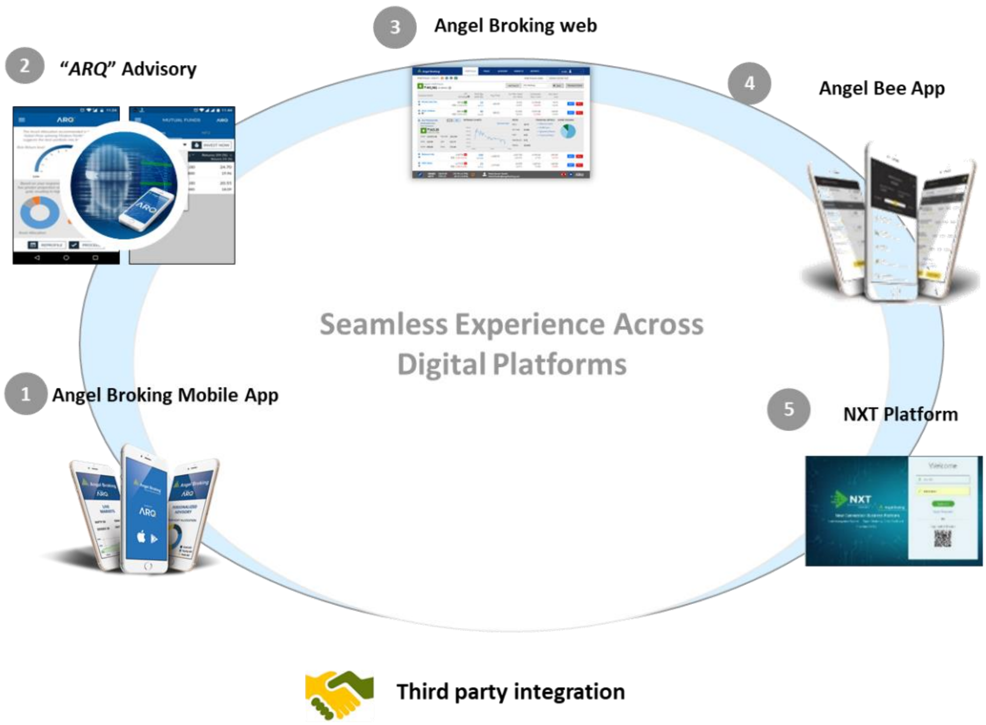
Financial Period	Top 10 cities*	Next 100 cities*	Next 2,600 cities*
FY18	37.62%	32.19%	30.19%
FY19	27.00%	34.81%	38.19%
FY20	23.90%	35.89%	40.21%
Q1 FY21	22.66%	37.83%	39.51%

** Classified based on our gross client additions*

3. Platforms

We remain focussed on innovation and implementation of technology across various services offered by us, which we believe has increased client satisfaction and client referrals. Our mobile based applications across the broking and advisory businesses have been consistently and widely appreciated and awarded. Our backend systems provide an integrated and seamless access across all product platforms.

Please see below the bouquet of digital platforms provided by our Company:



(i). *Angel Broking – Mobile Application and Website*

a. Angel Broking – Mobile Application

The Angel Broking mobile application provides a platform for our clients' trading and investment requirements and is powered by ARQ, a rule based investment engine. The application enables clients to maintain a comprehensive portfolio management for an individual and family members. Through the Angel Broking mobile application, our clients may trade in equity, futures and options, currencies, commodities across stock exchanges, make investments in initial public offerings and make investments in mutual funds. The application provides live market updates of up to 250 scrips enabling our clients to make real-time trading decisions and execute such trades in a seamless manner. Research from our research and investment advisory teams, powered by ARQ, provides our users with personalised investment advice. The application provides approximately 110 technical chart indicators and overlays to help clients analyse different aspects of the securities.

The application is supported by payment gateways and digital bank integration with over 47 banks, being one of the first to integrate UPI based payments. Detailed analytical reports like security holdings, ledger report, funds, depository transactions, auction details, trade history, summary of profit and loss and contract notes may also be accessed from the application. It provides "one tap access" to portfolios and reports using a one-time password.

b. Angel Broking - Trade.AngelBroking.com

Our website, '*trade.angelbroking.com'*, is a web-based trading platform with a simplified interface to meet clients' investment needs. Clients may invest in multiple investment classes using a single platform including equities, mutual funds, commodities, currency, bonds and in initial public offerings. It is a secure and robust platform which uses technology backed by robust infrastructure and dedicated disaster management system, powered by ARQ. On the website, clients can manage their investments, create watch lists, track stocks with technical chart indicators and make scheduled investments.

On the website, clients may execute trades on a real time basis across stock exchanges including NSE, BSE and MCX and participate in initial public offerings, using ASBA facility. Our Company also provides clients with an auto pay-out facility to the bank account mapped by the client.

(ii). *Angel BEE*

Angel BEE is a digital platform, developed with an aim to fulfil the financial requirements of our clients, with a focus on millennials, by inculcating investment discipline and providing avenues for independent financial management. It offers instant, "on-the-go", paperless and personalized solutions through which clients can manage their financial portfolio. Activation of an account by a client on Angel BEE is a paperless and seamless process.

All mutual fund recommendations through Angel BEE are based on ARQ, our rule based investment engine which identifies the funds under various categories such as equity, debt, balanced and ELSS. Angel BEE provides details of these schemes along with their past performance, to enable clients to make an informed decision while selecting the mutual funds in which they may invest. It also provides scheme ratings from ARQ and various independent rating agencies which can be leveraged in selecting the mutual funds that may be most suited to a client's investment objectives. Further, "Big Savings Account" is another feature of Angel BEE, which permits clients to invest their free funds into liquid assets, as against the maintaining the same in their savings bank account. It also provides real time withdrawal option, up to a certain limit, without any charges.

On the *"Angel BEE"* application, a client can also aggregate their investments, which are made through other sources thereby enabling our clients to view their consolidated investment portfolio, maintain a record of the holdings and view the profit and loss statement. On being given specific permissions, *"Angel BEE"* is capable of auto-reading all the transactions from the clients' CAMS statement and can display the consolidated details in their portfolio. The application also has the ability to showcase spending trends, withdrawals, and cash and online spends across various bank accounts for our clients.

(iii). *SpeedPro*

SpeedPro is an application trading platform that enhances a clients' trading experience further, with faster execution of trades combining seamless execution and monitoring of positions across various exchanges such as NSE, BSE, and MCX and investing in multiple asset classes. Client receive instant calls, alerts and advisory from Angel real time, may place multi-leg and bracket orders, and track stocks with the help of in-built technical charts with over 70 indicators. All trades and portfolios can be tracked easily and reports of the same may be received with ease. SpeedPro is a trading software which provides clients with a single window trading experience along with trade monitoring capabilities. It is a secure, robust platform with one-click installation and is designed to meet traders' requirements.

(iv). *NXT, the Next Gen Platform for Authorised Persons*

NXT is a platform which uses technology to help our Authorised Persons to be an integral part of the digital ecosystem and effectively utilise the business opportunities that are generated through our various marketing initiatives. It is an advanced digital marketing and client relationship management tool, that helps the Authorised Persons digitally market their services on various social and professional networks, integrate the leads into our robust lead management system, effective engage and service clients through dashboards, track client stock performances, cross-sell mutual funds and other financial products.

Digital marketing enables our business partners to effectively utilise their social and professional networks to obtain details of potential clients from their networks. NXT offers support in terms of sharing qualified posts, tracking assistance and converting potential clients into active clients. The leads generated through digital marketing are integrated in the lead management system which tracks client's generation and client acquisition. The Digital KYC process can be completed from the lead management system, which makes the process expeditious. Additionally, our Authorised Persons are able to track their business through various parameters such as revenue generated, client acquisition and mutual funds AUM and compare their performance with their peers.

Additionally, NXT offers "*Customised ARQ*", an extension of the rule based investment engine. Authorised Persons are empowered to design their own ARQ advisory, based on the clients' risk profile, allowing them to provide clients a diversified portfolio with asset allocation across various financial asset classes.

Further, NXT provides a feature "*Integrated Platform for Equity and Mutual Funds*", enabling Authorised Persons to offer a streamlined experience to their clients, by providing them with services such as goal planning, long term portfolio building, tracking the clients' SIP calendar and populating potential information, which may be discussed by our Authorised Persons with their clients.

NXT also provides "*Dormancy Prediction*", which is a tool to predict the clients' behaviour and trading patterns.

B. Research and Investment Advisory services

We also provide research and investment advisory services to our clients.

1. Research services

As of June 30, 2020, we have a dedicated team comprising 54 members who cater to quantitative and qualitative research requirements relating to the stock market such as equity fundamentals, technical, derivatives, commodities currencies and mutual funds. Research is conducted across various sectors based on our clients need, risk appetite and time horizon. Our analysts publish research reports on daily, weekly, monthly and quarterly basis. Apart from these, specific event-based reports and advisory services are also provided to our clients, which enable them to make informed investment decisions across equity – cash delivery and intra-day, equity derivatives, commodity derivatives and currency derivatives segments.

We aim at identifying stocks based on market trends and rule based algorithms to provide clients with specific research inputs, which complement the investment objectives of our clients and enhance the value of their portfolios. Currently, "*Angel Top Picks*" is the flagship equity product from our fundamental research desk, delivering outperformance against BSE100 since its launch (October 2015). Our reports are extensive in coverage, analyzing all key data points and events, thereby helping our clients understand them better.

We also have a dedicated research team that covers commodity and currency research such as the bullion, base metals, energy and agriculture, on a real time basis, analyzing events that impact demand and supply along with price movements. On the currencies front, we cover all the major currencies, including the U.S. Dollar.

2. Investment Advisory services

We provide our investment advisory services through our dedicated team of equity advisors and through our mobile based applications, such as "*Angel Broking*" and "*Angel BEE*".

(i). Angel Equity Advisory

The Angel Equity Advisory is focused on identifying short-term trading strategies in equity cash, equity futures and options, currency and commodities segments, based on technical analysis. We have a dedicated team with considerable experience in capital markets possessing profound understanding of market dynamics and key price drivers, which enables them to generate short-term recommendations. We are generally focused on the Top500 stocks, as we believe that these are most liquid and therefore form a basis for our technical analysis study.

(ii). ARQ Advisory

ARQ asset allocation advisory is based on Modern Portfolio Theory. ARQ provides customized investment advisory services, across asset classes such as equity, debt and gold, upon examining the clients risk appetite and advising them on asset allocation, to recommend investments specific to each individual client.

ARQ stock strategies are based on alpha-generating algorithms that take into account multiple fundamental and quantitative factors, to identify stocks which have potential to outperform the benchmark indices. Prior to recommending investment strategies, these strategies are tested for not only their return potential but also to evaluate and minimize the risks involved, in order to generate index-beating risk-adjusted returns.

In the latest version, ARQ Prime, stock strategies have been further optimized and risk management is improved. The algorithm also advises clients on more stocks during bullish phases and lesser stocks during bearish phases. This advisory is also delivered to clients through a revamped and easy-to-use module in our mobile application. It is currently provided as a subscription based service which provides various reports to clients.

ARQ also provides ratings to all the listed companies based on various parameters including the size of the company, market capitalization, revenue, asset base, operating and financial parameters including financial ratios and returns ratios. ARQ ratings are prepared to assist an investor to make investment decisions based on the company's fundamentals and governance framework.

We believe, that ARQ provides clients with a superior experience which is user-friendly and seamless. Clients who have a trading account with us, may also invest in relevant products recommended by ARQ, through our web and mobile based applications.

(iii). Angel Platinum Portfolio Advisory Service ("**Angel Platinum**")

Angel Platinum is a premium portfolio advisory service by the Angel Research Team to help clients build a long term portfolio. Angel Platinum helps clients build a long term and diversified portfolio of stocks across large-caps and mid-caps. Stocks are recommended after analysis by a research team which considers various aspects of companies such as business quality, growth prospects, quality of management etc.

Further, through Angel Platinum we also offer a dedicated advisor to our clients for their investment portfolio. The advisor also provides periodic updates, monitors investments and provides guidance on investment queries.

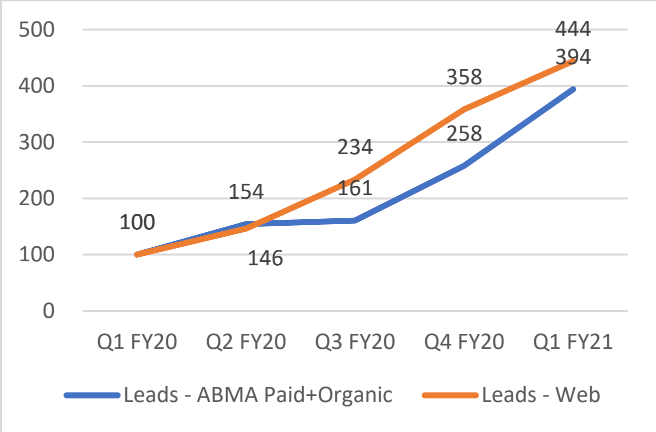
3. <u>Investor Education</u>

Our website, *www.angelbroking.com*, is a knowledge center which aims to empower our clients in respect of trading and investments in financial products. We also regularly update our retail clients about our products, research and market trends, through various digital initiatives. Additionally, we conduct periodic sessions with retail investors to impart education regarding investments in equity, equity derivatives, commodities and currency products.

We also have a dedicated team that is aimed at only educating our clients on futures and options. Our team reaches out to clients, who are interested in this segment and helps them to understand the market dynamics of the segment. This team is certified by National Institute of Securities Market and is trained in the derivatives segment.

We also have an active blog, podcast and video platform to provide clients with an understanding of securities and financial matters including those of stock markets, guidance to fundamental and technical research, personal finance and the economy. We regularly conduct webinars and publish educational videos on our website as well as social media platforms on matters such as reasons for investing in the equities, commodity and currency markets, basics of trading, advanced trading techniques and derivatives trading.

Our lead volume growth data from our mobile application and website from Q1 FY20 to Q1 FY21 is provided below:



Note: the above chart is indexed to 100.

II. *Other financial services*

In addition to our broking and advisory services, we also provide margin funding facilities, non-margin trading facility designated client lending, distribution of third-party mutual funds, life and health insurance products.

A. *Margin Trading Facility and Non-Margin Trading Facility Designated Client Lending*

We provide margin trading facility to our clients to enable them to leverage their eligible collaterals, by funding their requirements in the cash delivery segment of equities. Such funding is subject to exposure against margins, which are mandated by the Stock Exchanges, with the margin money and underlying securities forming part of the collateral, for such funding. We provide margin funding for up to 79.55% of the purchase value by the client. Securities purchased by clients, against the margin funding facility availed from us, are retained in the client margin funding account of our Company, maintained specifically for the purpose of margin trading. Margin calls are made if there is a shortfall of margin as per the exchange rules defined for Margin Trading Facility, in the margin funded portfolio, for which margins are required to be replenished immediately by transferring funds or collateralizing additional eligible securities. In order to avail margin trading facility services, our clients are required to enter into margin trading facility agreement, along with a power of attorney in our favour to operate their demat accounts.

This funding is exclusive to our broking clients only, who intend to leverage their collaterals to participate further in the markets.

B. *Distribution Activity*

Our distribution business primarily consists of the distribution of third party mutual funds, and life and health insurance products to our clients. We earn commissions from third parties for the distribution of their products, which may be in the form of recurring commissions for longer-term products.

1. Mutual Funds

We follow an “open-source” distribution model, pursuant to which we distribute mutual funds of third parties irrespective of their affiliation or size. As of June 30, 2020, we distributed mutual funds schemes of 40 asset management companies. We also provide our clients with a range of tools and information, including ratings (including third party ratings), and historical performance, to identify the right funds to invest in. The commissions that we receive from such third-party funds are linked to the contribution to their AUM from our distribution.

The AUM of the mutual funds distributed by us was ₹ 7,212 million and ₹ 8,570 million as on March 31, 2020 and June 30, 2020, respectively.

2. Life and Health Insurance

One of our Subsidiaries, Angel Financial Advisors Private Limited is registered as a Corporate Agent (Composite) with IRDAI and distributes various types of life insurance policies such as term insurance plans, traditional savings plans and unit-linked insurance plans. We currently distribute life insurance products of Aditya Birla Sun Life Insurance Company Limited, ICICI Prudential Life Insurance Corporation Limited and HDFC Life Insurance Company Limited.

In terms of health insurance, we offer health insurance products. We currently distribute health insurance products of HDFC ERGO General Insurance Company Limited and Manipal Cigna Health Insurance Company Limited. In terms of general insurance, we offer various general insurance products. We currently distribute general insurance products of HDFC ERGO General Insurance Company and Bajaj Allianz Life Insurance Company Limited.

The commissions that we receive on the distribution of these insurance products are linked to their premiums as prescribed by IRDAI.

C. *Loans against Shares*

We offer, through our Subsidiary, AFPL, loans against shares as per our approved list of securities, based on margin regulations prescribed by RBI. This is an optional facility which is available to the captive clients of our Company and is seamlessly integrated with the broking platform.

Digitalisation and Information Technology

Digitalisation and information technology has revolutionised the securities and financial markets. We also believe that various Government initiatives such as Jan Dhan Yojna, Aadhaar and Rajiv Gandhi Equity Savings Scheme are aimed towards financial inclusion and digitalisation of financial services, along with easier access and acceptance to provide platform for exponential growth of digital financial services in India. We have recognised, and continue to address, the need to have sophisticated technology systems in place to meet our clients' requirements, provide personalised services, reduce costs for client acquisition, reduce costs of servicing clients and maintain and enhance a robust risk management system. We have, towards such endeavour, a dedicated information technology team that continues to develop and maintain our information technology systems to enhance our systems and innovate information technology for the securities industry. We have three co-located data centres, have outsourced the core order management systems to third parties and have invested in high-performance trading software which are developed by our in-house team. Our technology infrastructure is aimed at ensuring that our trading and information systems are up-to-date, reliable and secure.

We maintain our technology by undertaking regular audit of our applications and website to test for errors, vulnerabilities, data validation, hacking, authentication and authorisation. Such audit enables us to identify and rectify any errors or vulnerabilities in order to provide our clients with a secure and seamless experience.

We are committed to the ongoing development, maintenance and use of information technology in various business activities. We expect technology developments to greatly improve client service quality and provision of customized value-added products and services. We also expect technology developments to improve our trading, execution and clearing capabilities, improve our sales targeting, aid us in effectively managing our risks and improve our overall efficiency and productivity.

Operations during COVID-19

In order to curtail the rapid spread of COVID-19, the Government of India announced a series of lockdowns from time to time, however certain essential services, including the ones involved in capital market operations, were exempt from the purview of the aforesaid lockdowns. Our Company, being a part of the capital market operations, did not experience any disruption in its business activities due to the lockdowns. However, in compliance with the various directives issued by the Government of India, appropriate measures were taken to equip a majority of our employees to work from home and less than 10% of our employees worked on-site on extremely critical processes, which required on-site presence.

Being a digital and technological driven organization, we have adapted to offsite and flexible working environment for our employees, adequately empowering them with equipment and web-enabled tools to effectively perform their roles and responsibilities. We have also instituted various performance evaluation tools which specifically help us measure the performance of our employees working remotely.

Our prolific use of technology and complete focus on digitalisation enables us to operate efficiently even through the global pandemic caused by COVID-19. Our average monthly client additions in Q1 FY21 was 115,565 against an average monthly addition of 46,676 in FY20, registering a growth of 147.59%. The robustness and scalability of our digital ecosystem was also tested during Q1 FY21as we experienced an increase of 2.48 times, 2.21 times and 1.96 times in our average daily logins on our mobile application, average daily traded clients and average fund transfer during this period respectively. To ensure safety of our clients' data while maintaining productivity of our human capital, we have created a secure VPN tunnel to provide them access to our servers.

Risk Management

We have an established risk management policy for all our businesses to manage and mitigate the risks, we are exposed to. The objective of our risk management framework is to regulate transactions undertaken by our clients and pre-empt various types of risks we, or our clients, are likely to face. The policy is aimed at (i) ensuring identification, measurement and mitigation of risks; (ii) providing processes and precautions that may be adapted to contain such risk; and (iii) ensuring systematic responses are adopted to address any risks that may materialise.

We have broadly classified the policy into nature of the risks, their identification, the manner in which such risks are addressed; and the responsibility to mitigate such risks.

Risk Management Committee

We have also constituted a Risk Management Committee comprising our Directors and senior management personnel, which frames and reviews risk management processes and controls. The Risk Management Committee's terms of reference include (i) monitoring and reviewing the risk management plan of our Company; (ii) identification and management of risk; (iii) monitor compliance of the risk management policy; and (iv) review and respond to business and external risks.

Compliance

Our Board, through the Audit Committee, oversees our compliance framework. We have adopted various policies and procedures related to internal compliance, including a code of practice and procedure for fair disclosure of unpublished price sensitive information, an anti-bribery and anti-corruption policy, an anti-money laundering policy and vigil mechanism policy. These policies have been adopted to ensure compliance with relevant laws and applicable regulatory guidelines issued by the relevant regulatory, statutory and enforcement authorities, from time to time. We have a standard process of identifying and addressing compliance risks and regularly review our policies and procedures related to internal compliance.

Client Support

We support our clients through our mobile applications, our online web based platform, service centres and through our network of Authorised Persons. We have entered into various arrangements with our Authorised Persons for providing broking services and client support to our clients acquired through our Authorised Persons. We also have a centralized support team and self-support tools on all our digital platforms to provide our clients with the services that are required. Our verification processes ensure a swift and secure client experience. We have a strong team to monitor the quality of our client interactions to ensure that interactions are reviewed and improved on a regular basis.

We also have a fraud detection team which, through various parameters, prevent frauds in respect of client accounts through unique systems and processes. Our robust complaint management system helps us resolve the complaints and queries within a defined turnaround time.

Competition

We compete, directly or indirectly, with various companies in the financial services industry, including Indian and foreign brokers.

Employees

We believe that our human resources are an important contributor to the success of our business. As of June 30, 2020, Angel Group had 2,500 full-time employees. We believe in attracting, training and retaining young talent to build a strong base of knowledge and expertise for the future.

We offer our employees continuous education programmes through our in house ilearn modules which are aimed at diversifying their knowledge and experience and capitalising on their potential. We have also consistently received certification as a "Great Place To Work" from The Great Place to Work Institute, India for the period between April 2017 and March 2018, March 2018 and February 2019, March 2019 and February 2020 and March 2020 and February 2021. We have been certified as among India's 20 Best Workplaces in BFSI - 2019 by The Great Place to Work Institute.

Property

We operate from our owned Registered and Corporate Offices situated at Andheri, Mumbai.

Insurance

We have insurance policies providing coverage for our assets against losses from fire, burglary and certain other risks. We also maintain insurance policies against third-party liabilities, including a dealing errors policy, a group term insurance policy, a group personal accident policy and a group health insurance policy to cover the medical expenses incurred by our employees during hospitalisation. Although we believe we are adequately insured, we could suffer from losses due to unforeseeable circumstances or adverse situations which may not be insurable.

Intellectual Property

Our intellectual property includes trademarks associated with our business, such as “Angel Broking | ARQ”, “Angel Broking”, “ARQ”, “”, “*Angel Swift*”, “*Angel SpeedPro*”, “*Angel Bee*” and “*Angel Broking Platinum*”.We have registered various trademarks associated with our business, which we regard as important to our success. Our Company has a total of 22 registered trademarks, in accordance with the Trade Marks Act, 1999.

While we have made applications for registration of the trademarks and word marks for “*Angel - Securities*”, “*Angel – Trade*”, “*Angel – Gold*” and “*Angel*”, under various classes in accordance with the Trade Marks Act, 1999, these applications have been objected to or opposed by third parties on grounds including such trademarks and word marks being deceptively similar to the trademarks and word marks registered by such third parties. Additionally, we have made an application dated December 2, 2019 for registration of our trademark “Angel Broking Trade Win”. We cannot assure you that the trademark will be registered in our name as the application is still pending. Additionally, our brand slogan “*Service Truly Personalized*”, has currently not been registered by us as a word mark.

Angel Wellness Private Limited

On account of the continuing restrictions imposed by the Government of India during the lockdown and future uncertainties arising out of the COVID-19 pandemic, the gymnasium business of Angel Wellness Private Limited (“**AWPL**”), a wholly owned Subsidiary of our Company, has been shut down permanently with effect from June 30, 2020.

The Share Purchase Agreement dated July 27, 2018 (the “**SPA**”) entered into between our Company and Dinesh D. Thakkar, Ashok D. Thakkar, Sunita A. Magnani, Ashwin S. Thakkar, Lalit T. Thakkar, Mukesh Gandhi, Bharat Shah (together with Hansa Bharat Shah), Nishith Jitendra Shah (together with Jitendra Nimchand Shah), Deepak T. Thakkar, Chandrakant Thakkar, Mahesh D. Thakkar, Tarachand Thakkar, Amit Thakkar and Muskaan Doultani (the “**Acquirers**”) and AWPL, in relation to the sale of 100.00% of the total issued and paid up equity share capital of AWPL held by our Company to the Acquirers, was effective until March 31, 2020. The extension of the SPA is being considered by the Board of Directors of our Company.

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations or guidelines issued by the Government or the regulations, rules or guidelines issued by SEBI established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Addendum to the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, SCRR, the SEBI Act or rules or regulations made or guidelines issued thereunder, as the case may be. We further certify that all disclosures and statements made in this Addendum to the Draft Red Herring Prospectus are true and correct.

SIGNED BY

____

Dinesh D. Thakkar
(Chairman and Managing Director)

Place: Mumbai
Date: July 17, 2020

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations or guidelines issued by the Government or the regulations, rules or guidelines issued by SEBI established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Addendum to the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, SCRR, the SEBI Act or rules or regulations made or guidelines issued thereunder, as the case may be. We further certify that all disclosures and statements made in this Addendum to the Draft Red Herring Prospectus are true and correct.

SIGNED BY

____

Kamalji Sahay
(Independent Director)

Place: Bhopal
Date: July 17, 2020

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations or guidelines issued by the Government or the regulations, rules or guidelines issued by SEBI established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Addendum to the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, SCRR, the SEBI Act or rules or regulations made or guidelines issued thereunder, as the case may be. We further certify that all disclosures and statements made in this Addendum to the Draft Red Herring Prospectus are true and correct.

SIGNED BY

____

Vinay Agrawal
(Director and Chief Executive Officer)

Place: Mumbai
Date: July 17, 2020

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations or guidelines issued by the Government or the regulations, rules or guidelines issued by SEBI established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Addendum to the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, SCRR, the SEBI Act or rules or regulations made or guidelines issued thereunder, as the case may be. We further certify that all disclosures and statements made in this Addendum to the Draft Red Herring Prospectus are true and correct.

SIGNED BY

____

Anisha Motwani
(Independent Director)

Place: New Delhi
Date: July 17, 2020

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations or guidelines issued by the Government or the regulations, rules or guidelines issued by SEBI established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Addendum to the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, SCRR, the SEBI Act or rules or regulations made or guidelines issued thereunder, as the case may be. We further certify that all disclosures and statements made in this Addendum to the Draft Red Herring Prospectus are true and correct.

SIGNED BY

____

Uday Sankar Roy
(Independent Director)

Place: Mumbai
Date: July 17, 2020

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations or guidelines issued by the Government or the regulations, rules or guidelines issued by SEBI established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Addendum to the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, SCRR, the SEBI Act or rules or regulations made or guidelines issued thereunder, as the case may be. We further certify that all disclosures and statements made in this Addendum to the Draft Red Herring Prospectus are true and correct.

SIGNED BY

____

Ketan Shah
(Non-Executive Director)

Place: Mumbai
Date: July 17, 2020

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the rules, regulations or guidelines issued by the Government or the regulations, rules or guidelines issued by SEBI established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Addendum to the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, SCRR, the SEBI Act or rules or regulations made or guidelines issued thereunder, as the case may be. We further certify that all disclosures and statements made in this Addendum to the Draft Red Herring Prospectus are true and correct.

SIGNED BY

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Vineet Agrawal
(Chief Financial Officer)

Place: Mumbai
Date: July 17, 2020

DECLARATION

The undersigned Investor Selling Shareholder hereby certifies that all statements, disclosures and undertakings specifically made or confirmed by it in this Addendum to the Draft Red Herring Prospectus, in relation to itself and its respective portion of the Equity Shares being offered by it in the Offer for Sale are true and correct. The undersigned Investor Selling Shareholder assumes no responsibility for any other statements including statements made by the Company or any other person(s) in this Addendum to the Draft Red Herring Prospectus.

Signed by the Investor Selling Shareholder

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Name: Joon Y. Park
Designation: Regional Portfolio Manager, South Asia Financial Institutions Group, International Finance Corporation
Place: Seoul
Date: July 17, 2020

DECLARATION

The undersigned Promoter Selling Shareholder hereby certifies that all statements, disclosures and undertakings made by him in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself and his respective portion of the Equity Shares being offered by him in the Offer for Sale are true and correct.

Signed by Ashok D. Thakkar

Place: Mumbai
Date: July 17, 2020

DECLARATION

The undersigned Promoter Selling Shareholder hereby certifies that all statements, disclosures and undertakings made by her in this Addendum to the Draft Red Herring Prospectus, about or in relation to herself and her respective portion of the Equity Shares being offered by her in the Offer for Sale are true and correct.

Signed by Sunita A. Magnani

Place: Pune
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Amit Majumdar (jointly with Dolly Majumdar) (through their authorised attorney)

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Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Ashok Popatlal Shah

____

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Ashwin S. Thakkar

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Bela Mukesh Gandhi (jointly with Mukesh Gandhi)

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Bharat Chimanlal Shah (jointly with Hansa Bharat Shah)

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Chandresh Popatlal Shah

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Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Deepak T. Thakkar

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Lalit T. Thakkar

____

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Mahesh D. Thakkar

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Manjula Ramnik Gala

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Mukesh Gandhi (jointly with Bela Mukesh Gandhi)

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Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Muskaan Doultani

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Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Nikhil H. Daxini (through his duly authorised attorney)

____

Place: Mumbai
Date: July 17, 2020

DECLARATION

Each Individual Selling Shareholder, severally and not jointly, certifies that all statements, disclosures and undertakings made in this Addendum to the Draft Red Herring Prospectus, about or in relation to himself or herself and his or her respective portion of the Equity Shares being offered by him or her in the Offer for Sale are true and correct.

Signed by Nishith Jitendra Shah (jointly with Jitendra Nimchand Shah)

Place: Mumbai
Date: July 17, 2020

ANGEL BROKING LIMITED

Registered Office: G-1, Ground Floor, Akruti Trade Centre, Road No. 7, MIDC, Andheri (East), Mumbai 400 093; Tel: +91 22 4000 3600; Fax: +91 22 2835 8811
Corporate Office: Unit 601, 6th Floor, Akruti Star, Central Road, MIDC, Andheri (East), Mumbai 400 093; Tel: +91 22 3935 7600; Fax: +91 22 3935 7699
Contact Person: Naheed Patel, Company Secretary and Compliance Officer
Website: www.angelbroking.com**; Corporate Identity Number:** U67120MH1996PLC101709
E-mail: investors@angelbroking.com.

BOOK-RUNNING LEAD MANAGERS

ICICI Securities Limited
ICICI Centre
H.T. Parekh Marg
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Tel: +91 22 2288 2460
Fax: +91 22 2282 6580
E-mail: angel.ipo@icicisecurities.com
Investor Grievance E-mail: customercare@icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Arjun Mehrotra/Rupesh Khant
SEBI Registration No.: INM000011179

Edelweiss Financial Services Limited
14th Floor, Edelweiss House
Off CST Road
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Tel: +91 22 4009 4400
Fax: +91 22 4086 3610
E-mail: angelbroking.ipo@edelweissfin.com
Investor Grievance E-mail: customerservice.mb@edelweissfin.com
Website: www.edelweissfin.com
Contact Person: Pradeep Tewani
SEBI Registration No.: INM0000010650

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Fax: +91 22 2218 8332
E-mail: angelbroking.ipo@sbicaps.com
Investor Grievance E-mail: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Karan Savardekar
SEBI Registration No.: INM000003531

LEGAL COUNSEL TO OUR COMPANY

Cyril Amarchand Mangaldas
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Tel: +91 22 2496 4455
Fax: +91 22 2496 3666

LEGAL COUNSEL TO THE BOOK-RUNNING LEAD MANAGERS

Khaitan & Co
One Indiabulls Centre
10th and 13th Floor, Tower 1
841 Senapati Bapat Marg
Mumbai 400 013
Tel: +91 22 6636 5000
Fax: +91 22 6636 5050

REGISTRAR TO THE OFFER

Link Intime India Private Limited
C-101, 1st floor, 247 Park
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Investor Grievance E-mail: angel.ipo@linkintime.co.in
Website: www.linkintime.co.in
Contact Person: Shanti Gopalkrishnan
SEBI Registration No.: INR000004058