Indian Market Report

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ASF AGM, Tokyo (Japan)

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Association of National Exchanges Members of India (ANMI) - Overview

Introduction :

The Association of National Exchange Members of India (ANMI) is a key organization representing the interests of its members in the Indian financial markets, promoting integrity and professionalism. Founded in 1997, ANMI aims to strengthen the framework of the securities market in India.

Objectives:

Growth and Economic Development: Foster the development of capital markets and contribute to the overall economic growth of India by supporting efficient market policies and practices.

Members:

ANMI comprises over 800 members registered with **National Stock Exchange (NSE), Bombay Stock Exchange (BSE), MCX (Multi Commodity Exchange) & other National Exchanges.**

Key functions :

Advocacy for member's interests with regulatory bodies, education and training programs for skill enhancement, professional assistance and special services like indemnity insurance, and networking to foster collaboration among members and stakeholders.

1. Introduction

- **Purpose of the Presentation**:
  "Today, we will explore the dynamic landscape of the Indian financial markets and economy.“

- **Key Points to Cover**:
  "We will begin with an overview of the Indian economy, followed by a discussion on the Indian financial market, investment opportunities, and the challenges we face.“

- **Importance**:
  "Understanding these aspects is crucial for investors and stakeholders looking to engage with the Indian market, especially in the context of the evolving global economy."

2. Indian Economy Overview

Economic Overview:

- **GDP**:
- India's GDP stands at USD 3.94 trillion,

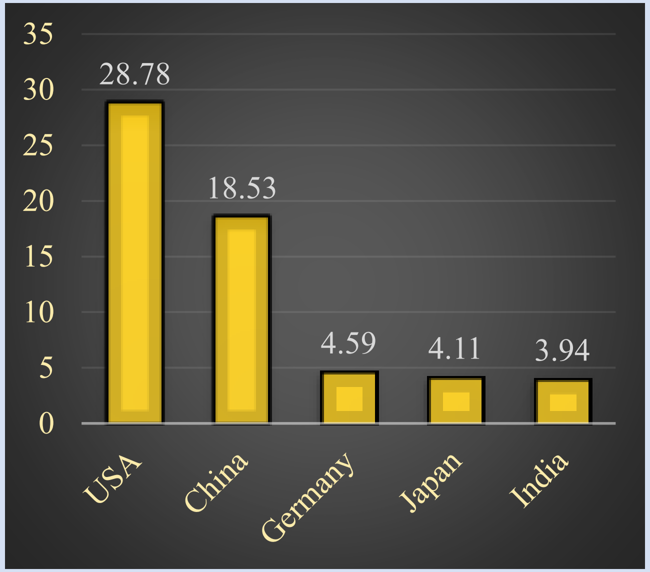
making it the 5th largest economy globally (September 2024).

- **Growth Rate**: Projected at 7.0% by IMF for 2024,

aiming for 3rd largest economy by 2027.

- **FDI Inflows**: Attracted USD 50 billion year-to-date,

showing strong investor confidence.



Key Drivers of Growth:

- **Government Initiatives**:
  - **Make in India**: Aimed at enhancing manufacturing and attracting foreign investments.
  - **Digital India**: Focuses on improving technology infrastructure, boosting the digital economy.
  - **Production-Linked Incentive (PLI) Schemes**: Incentives to increase manufacturing output and local production.

3. Investment Landscape in India

<u>Key Investment Avenues</u>:

Equity Markets: Strong retail and institutional participation; rising popularity of mutual funds, especially via SIPs**.**
Debt Markets: Increased issuances of corporate and government bonds, appealing to conservative investors.

<u>Alternative Investments</u>: Growth in venture capital, private equity, and startup funding focusing on tech and innovation.

<u>Real Estate</u>: Driven by urbanization and government initiatives, with growing foreign interest.

<u>Gold</u>: Cultural significance and increasing interest in Gold ETFs.

<u>Fixed Deposits</u>: A stable investment choice for risk-averse investors.

<u>Crypto Currency</u>: Rising interest among younger demographics, facing regulatory challenges.

<u>Emerging Trends:</u>

SIP Inflows:

- Robust inflows into mutual funds, reflecting a long-term investment outlook.

ESG Investing:

- Increasing focus on Environmental, Social, and Governance investments.

4. Indian Capital Market Structure

Components of the Capital Market:

Stock Market: Comprises exchanges like the NSE and BSE, focusing on equity trading.

- As of September 2024, the number of listed companies is as follows:
- **NSE (National Stock Exchange)**: 2000 plus companies
- **BSE (Bombay Stock Exchange)**: 4000 plus companies

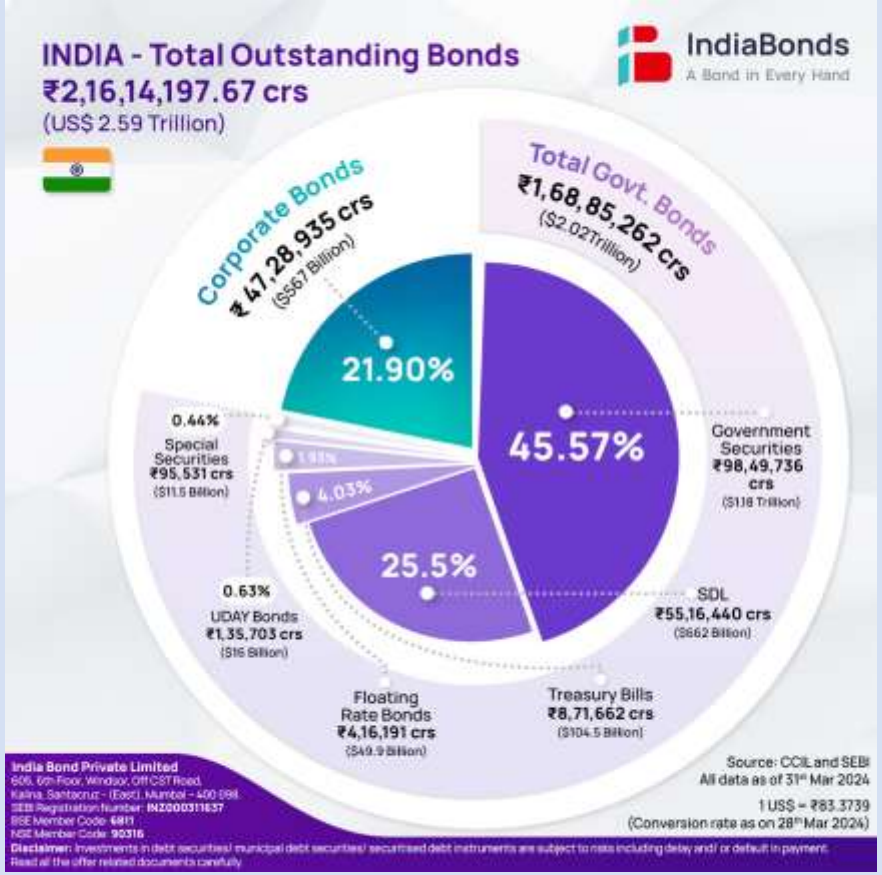
- **Bond Market:** Facilitates trading of government and corporate bonds.

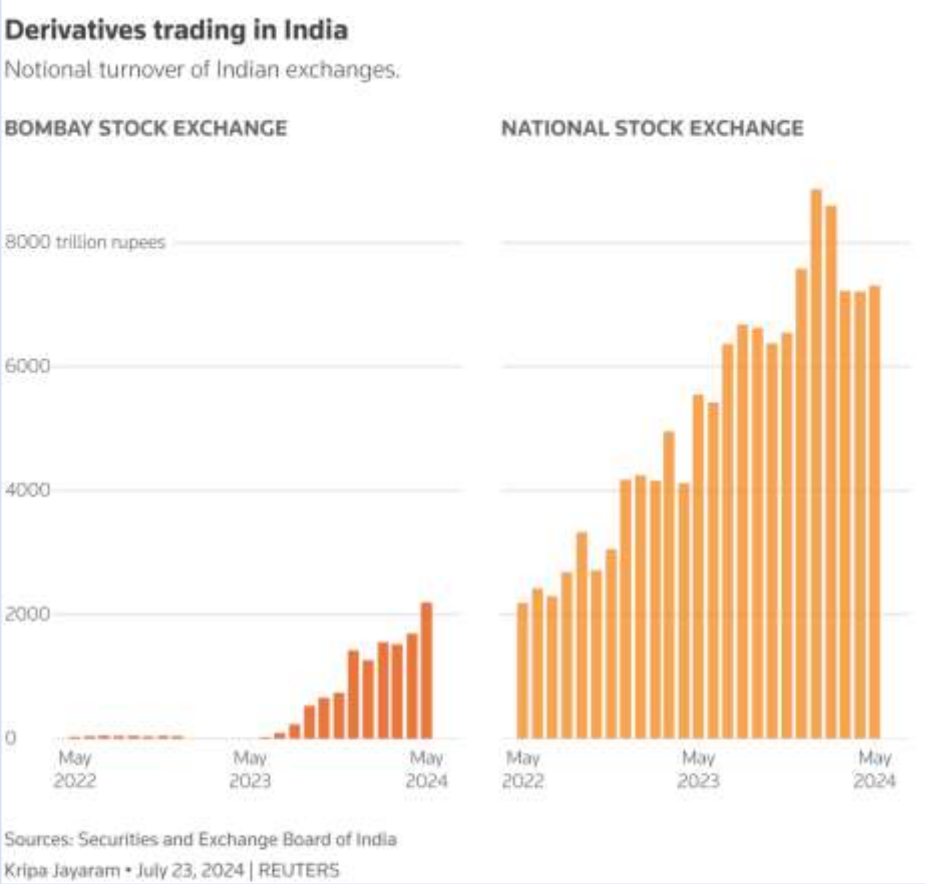
- **Derivatives Market:** Involves futures and options trading.

Current Market Trends:

- With a market capitalization of $5.5 trillion, India is currently ranked fourth globally.

4.1 Indian Capital Market Structure





5. NSE at a Glance

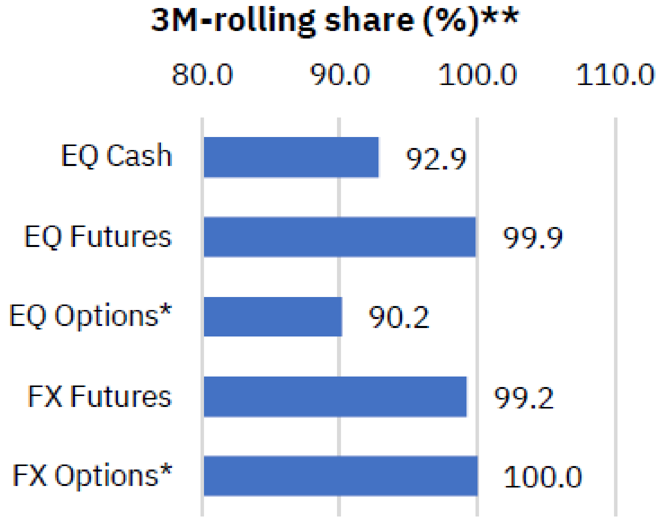
NSE's positioning and reach

NSE's global positioning

1	Largest multi-asset class exchange
3	Third largest equity exchange (No. of trades, 12% share in 2023*)
1	Largest derivatives exchange (No. of contracts traded, 74% share in eq. F&O in 2023*)
6	Market capitalization*

* Source: WFE

Domestic market share



* Based on premium turnover
** As of July 31st, 2024

Reach

1305	Trading members
99.85%+	Pin codes covered
10 Crore	Unique registered PANs (As of August 8th)
US$88.1bn	Total passive AUM tracking Nifty indices*
US$5.5trn	Market cap (As of July 2024)

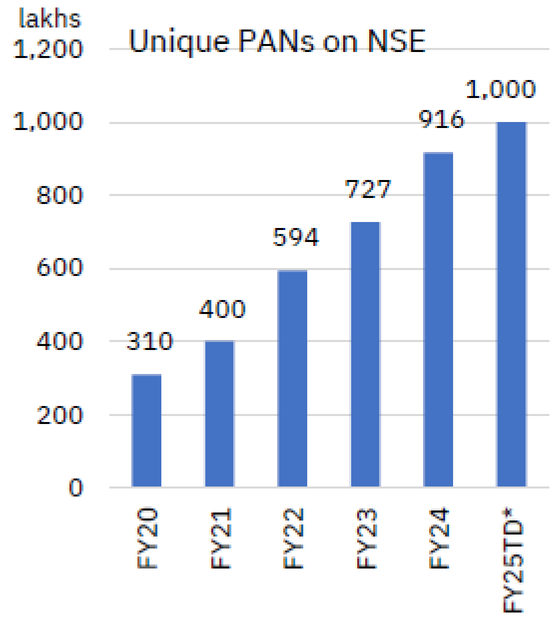
* Includes domestic and global AUM. As of July 31st, 2024

5.1 NSE at a Glance

The registered investor base at NSE crossed the 10-crore mark on August 8th, 2024. The 1-crore increments from 4 crore to 10 crore investors have come through at an accelerated pace, taking on an average of about 6-7 months, with the last crore added in just over five months.

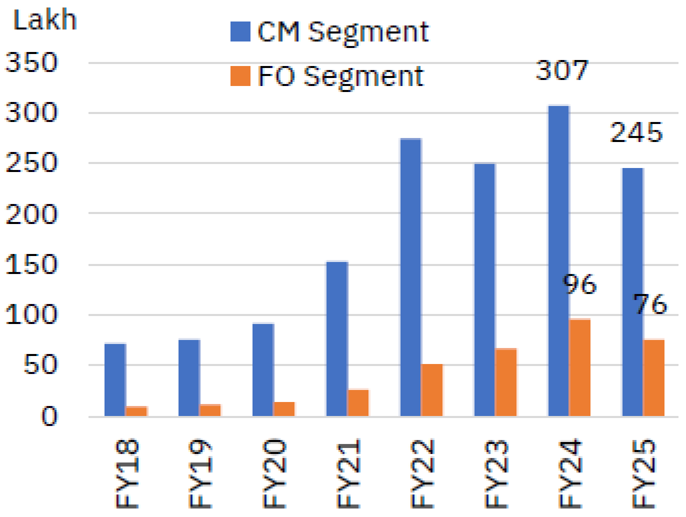
Investor growth

Unique investor base



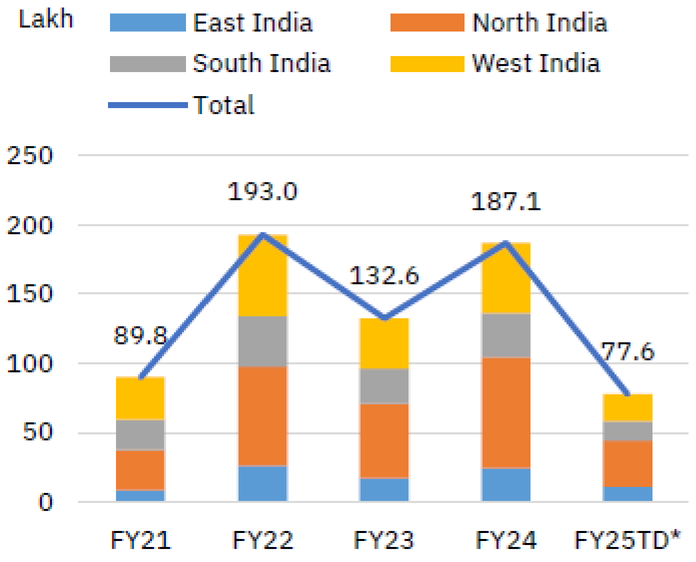
* As of Aug 8th, 2024

Individual investors participation*



* Individuals investors' participation has been defined here as investors who have traded at least once in the year. Data for FY25 is as of July 31st, 2024

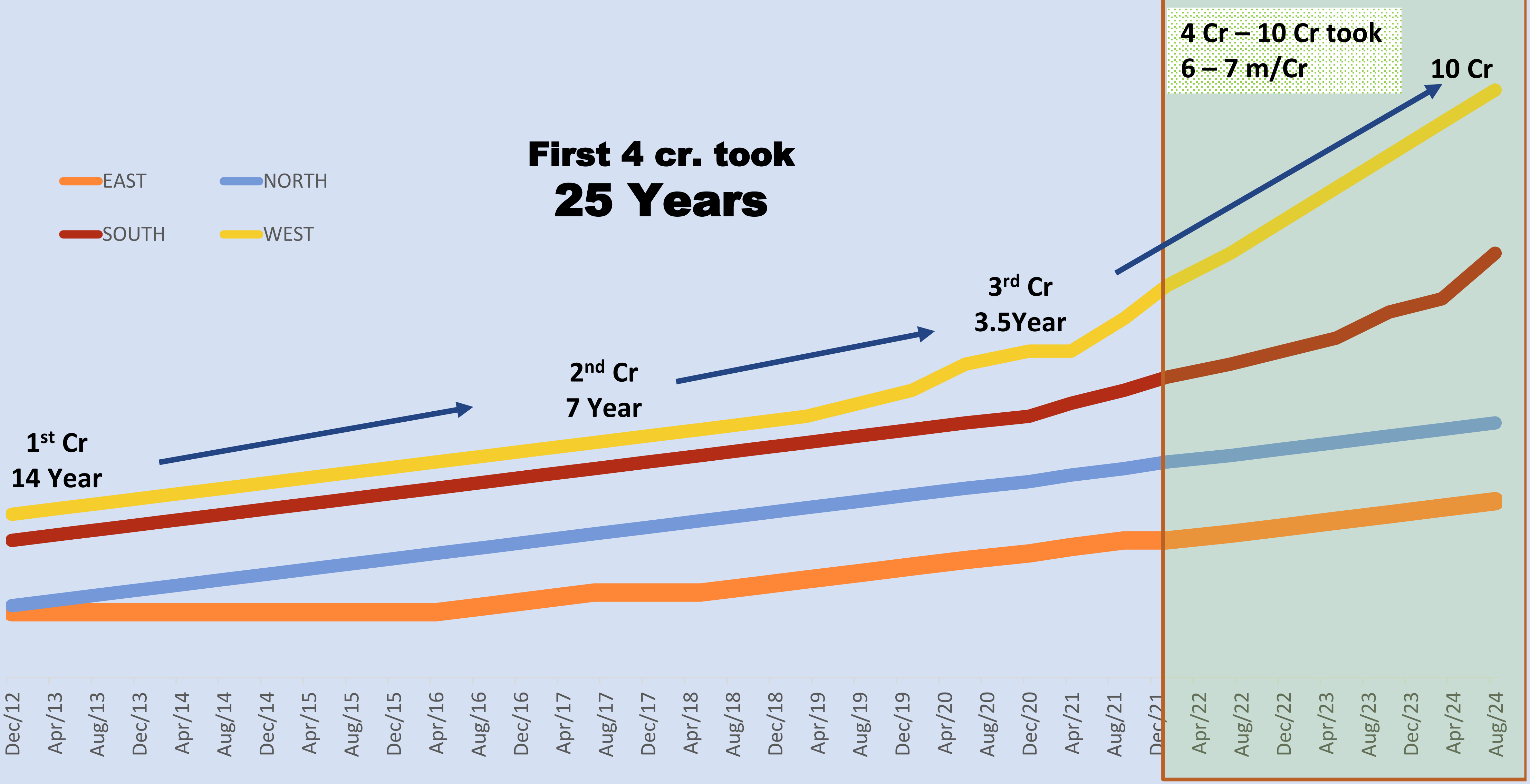
New investor registrations



Top five states (UP, MH, WB, GJ, RJ) accounted for ~48% of new investor registrations in FY25TD.

SOURCE: NSE

5.2 JOURNEY FROM 1 CRORE TO 10 CRORE



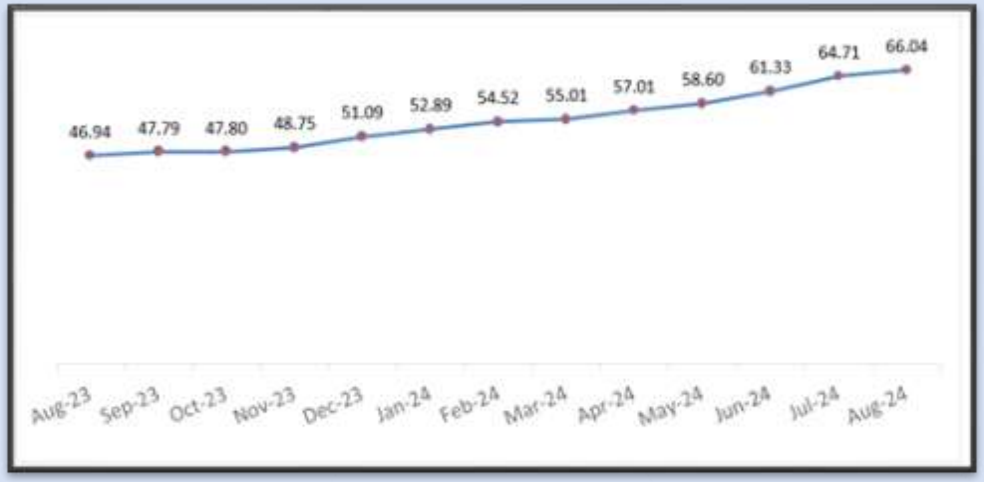
SOURCE: NSE

6. Financial Instruments and Investment Options

Different Types of Investment Instruments:

- **Equities**: Shares of publicly traded companies, offering ownership and capital appreciation. (Source: NSE & BSE Data)
- **Mutual Funds**: Pooled investment vehicles managed by professional fund managers.
- Assets managed by the Indian mutual fund industry has increased from Rs. 46.94 trillion in Aug 2023 to Rs. 66.04 trillion in Aug 2024. That represents 40.70% increase in assets over Aug 2023

Total Assets (Rs. Trillion

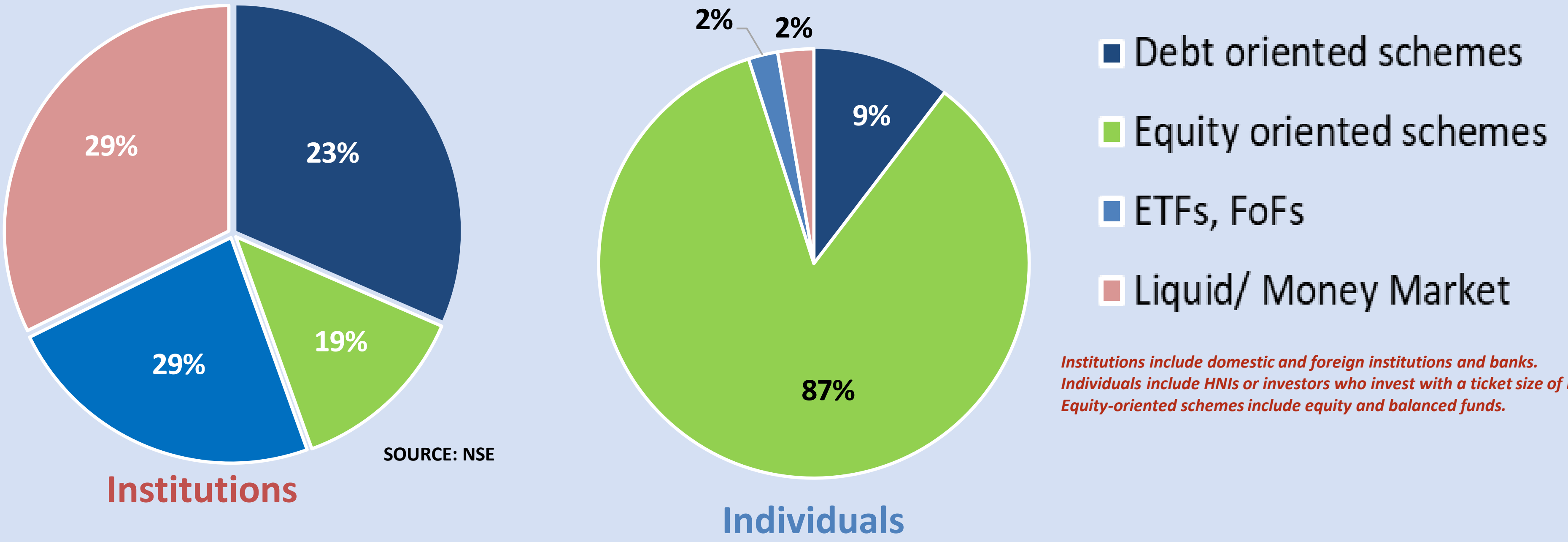


Assets are measured as average assets for the month. Rs. Trillion is equivalent to Rs. lac Cr.

Source AMFI

7. Composition of Investors’ Holdings

Individual investors primarily hold equity-oriented schemes while institutions hold liquid, debt- oriented schemes and ETFs, FoFs
87% of individual investor assets are held in equity-oriented schemes.
52% of institutions assets are held in liquid / money market schemes and debt-oriented schemes.



SOURCE: NSE

Institutions include domestic and foreign institutions and banks.
Individuals include HNIs or investors who invest with a ticket size of Rs. 2 lakhs or above.
Equity-oriented schemes include equity and balanced funds.

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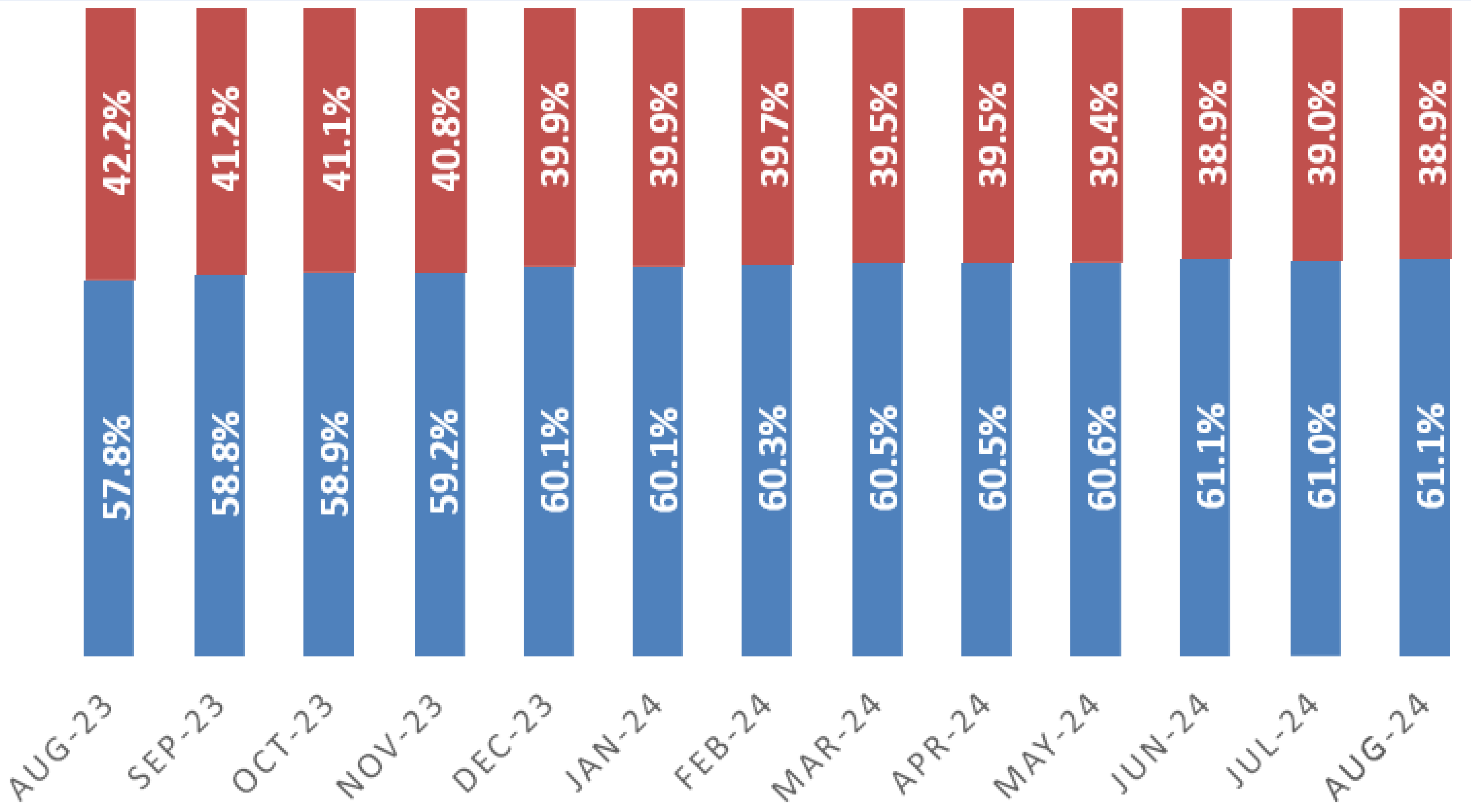
Source AMFI

8. Investor Type-wise Composition of Mutual Fund Assets

Individual investors now hold a relatively higher share of industry assets, i.e. 61.1% in Aug 2024, compared with 57.8% in Aug 2023.
Institutional investors account for 38.9% of the assets, of which corporates are 95%. The rest are Indian and foreign institutions and banks.



SOURCE: NSE

Individuals Institutions

HNIs are investors who invest with a ticket size of Rs.2 lakhs or above33.
Institutions include domestic and foreign institutions and banks.

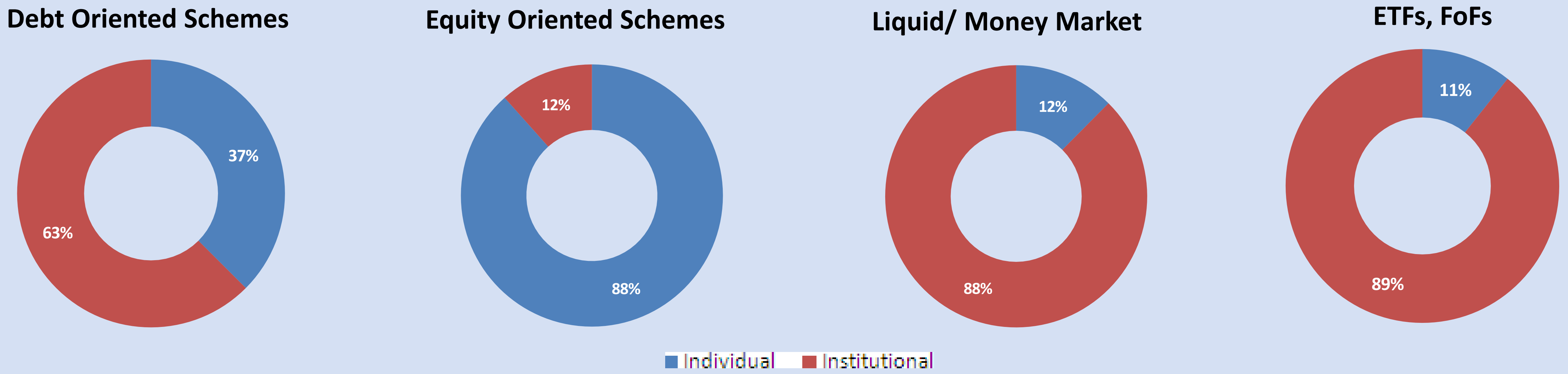
9. Systematic Investment Plans (SIPs)

Definition: SIPs allow investors to invest a fixed amount regularly in mutual funds, promoting disciplined, long-term investment.

- **Key Benefits**:
  - **Rupee Cost Averaging**: Lowers the impact of market volatility.
  - **Convenience**: Automated, regular investments.
  - **Wealth Creation**: Enables small, steady investments for capital growth over time.
  - **Mutual Fund SIP accounts stood at 9.89 CRORE! And the total amount collected through SIP during August 2024 was ₹ 23,547 crore**

	SIP Contribution ₹ crore									
	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17	TOTAL
Total during FY	1,09,416	1,99,219	1,55,972	1,24,566	96,080	1,00,084	92,693	67,190	43,921	9,89,141

10. Investor Categories Across Scheme Types



Equity-oriented schemes derive 88% of their assets from individual investors (Retail + HNI)

Institutional investors dominate liquid and money market schemes (88%), debt- oriented schemes (63%) and ETFs, FOFs (89%).

* In Aug 23-

    Equity-oriented schemes derived 89% of their assets from individual investors .

    Institutional investors dominated liquid and money market schemes (88%), debt-oriented schemes (59%) and ETFs, FOFs (90%).

- *Institutions include domestic and foreign institutions and banks.*
- *HNIs are investors who invest with a ticket size of Rs. 2 lakhs or above. Equity-oriented schemes include equity and balanced funds.*

SOURCE: NSE

11. Surge in Demat Accounts

- Market experts view the steady pace of demat additions as a positive sign for market stability. The incremental flows from these new investors will help offset any potential outflows from overseas funds or existing investors and help keep volatility under check. The trend also suggests a growing channelisation of household savings into equities. According to a Sebi working paper, domestic household investments in equities stood at Rs 128 trillion in financial year (FY) 2024, up from 84 trillion in FY23.

GOING STRONG

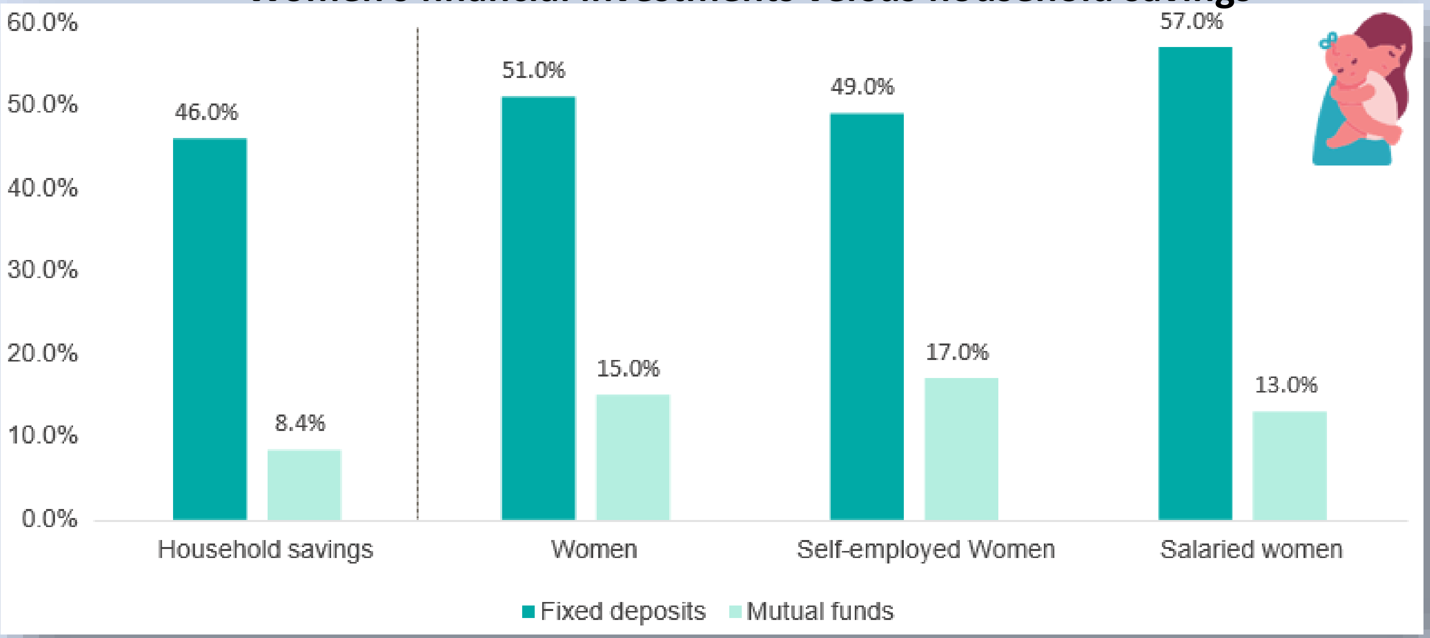
Demat a/c additions in Sep exceeded 4 mn for the fourth straight month

	Demat A/Cs (mn)	
	Total	New additions
Sep '23	129.66	3.07
Oct '23	132.35	2.68
Nov '23	135.13	2.78
Dec '23	139.22	4.09
Jan '24	143.90	4.68
Feb '24	148.25	4.35
Mar '24	151.38	3.12
Apr '24	154.45	3.07
May '24	158.05	3.60
Jun '24	162.29	4.24
Jul '24	166.84	4.55
Aug '24	171.07	4.23
Sep '24	175.43	4.36

12. Traditional bent in investment planning, with an eye on new-age instruments

While the financial autonomy of women has strengthened, most of them stick with what they know best when investing — traditional instruments. As per the CRISIL DBS report, ‘Women and Finance’, women parked a higher share of their money in bank fixed deposits and savings bank accounts at 51% versus 46% for households in India. Their investments in capital market instruments, such as mutual funds, were also higher at 15% versus 8.4% for households. Further, as per the report, self-employed women had higher exposure to mutual funds (17%) and lower investments in bank deposits (49%) versus salaried women who had 13% and 57% exposure, respectively.

Women’s financial investments versus household savings



SOURCE: NSE

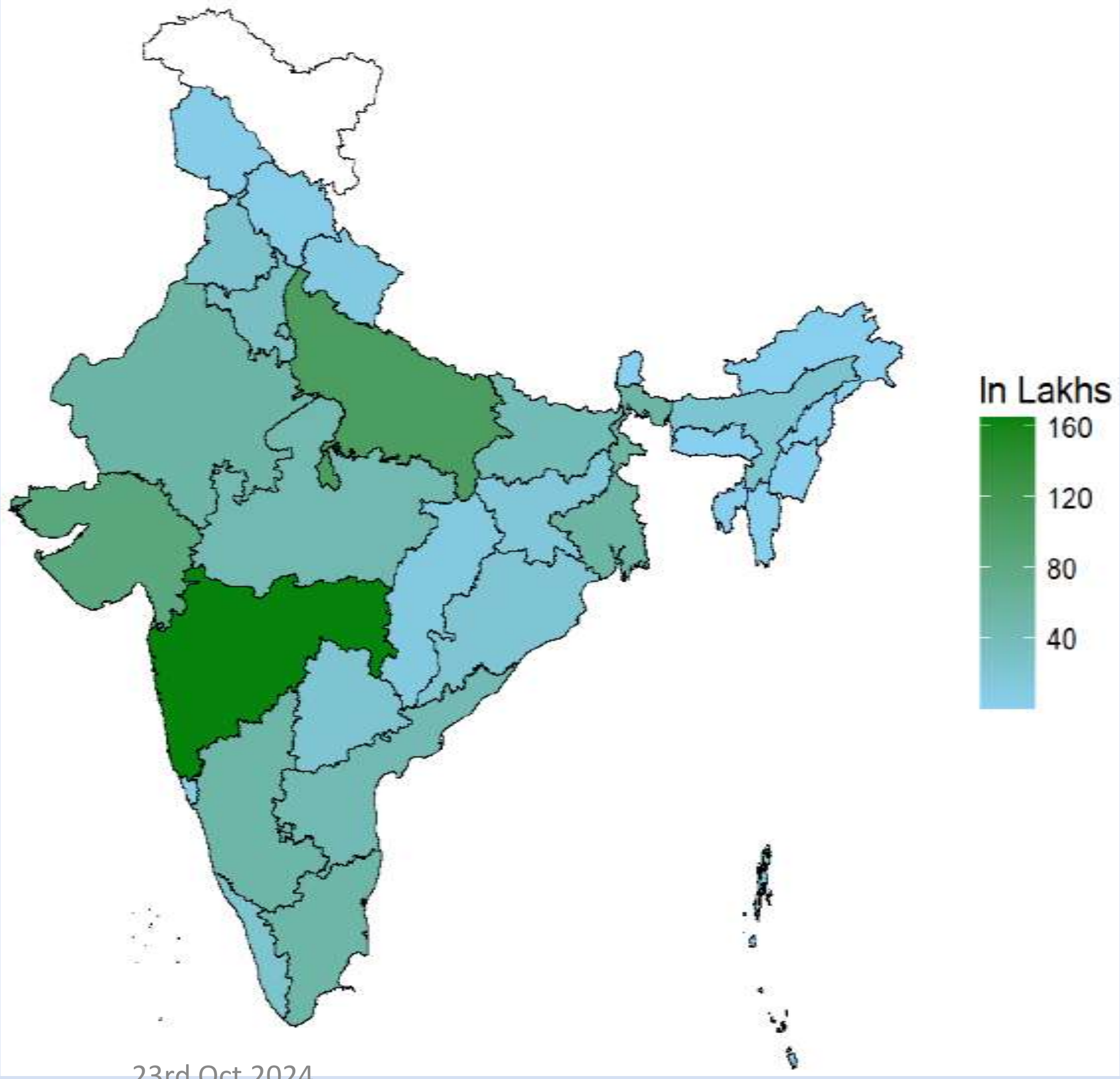
13. Increasing Participation of Women in Equity

In the period 2022 – 24, it was 1.9x, more than males (1.8x)

SOURCE: NSE

14. NSE at a Glance

State-wise distribution of total registered investors as of July 2024



Demographic Characteristics of Registered Indian Investors

Gender

74%

22%

AGE

Less than 40
69%

More than 40
31%

Top Regions

North 36%

West 22%

Investor's Share in Turnover

Upto Rs. 10 Lakh 90%

More than Rs. 1 Crore 2%

SOURCE: NSE

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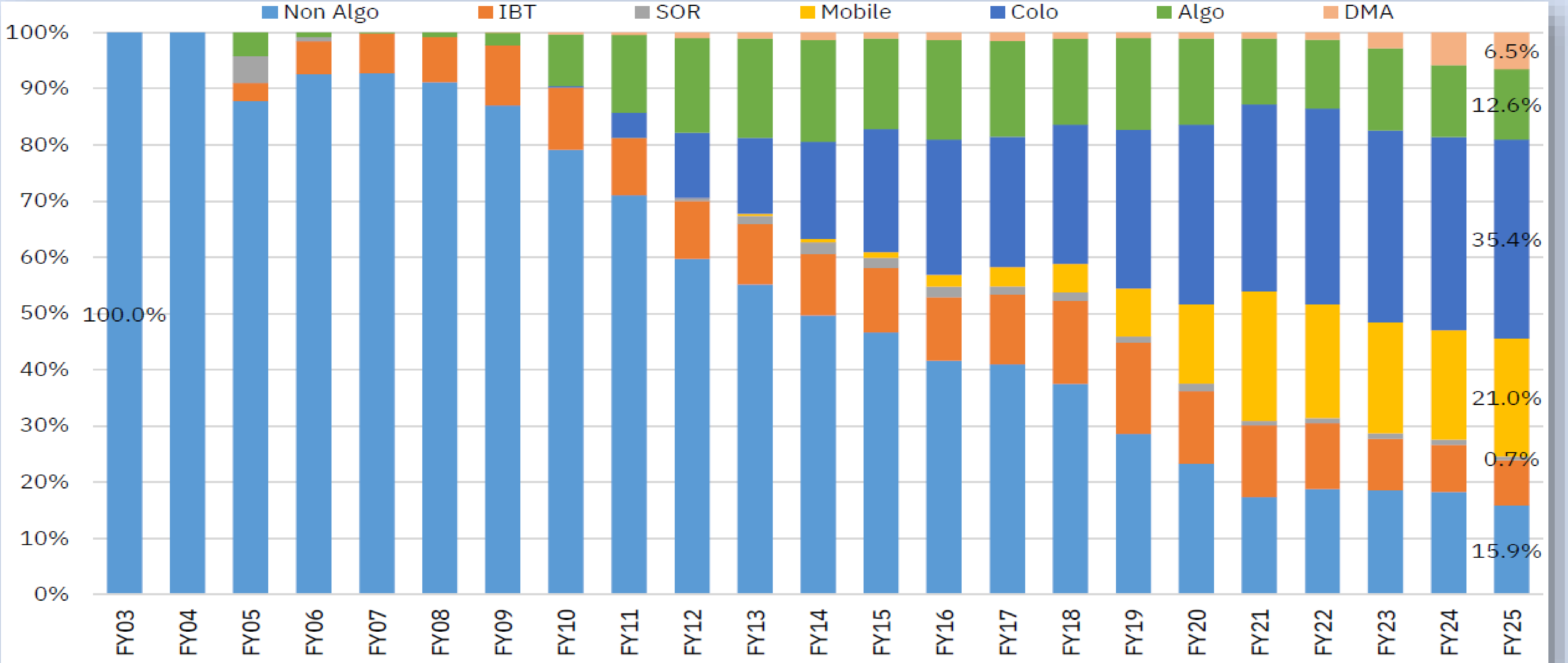
14.1 NSE at a Glance

Trends in share of different modes of trading in Capital Market segment at NSE (%)

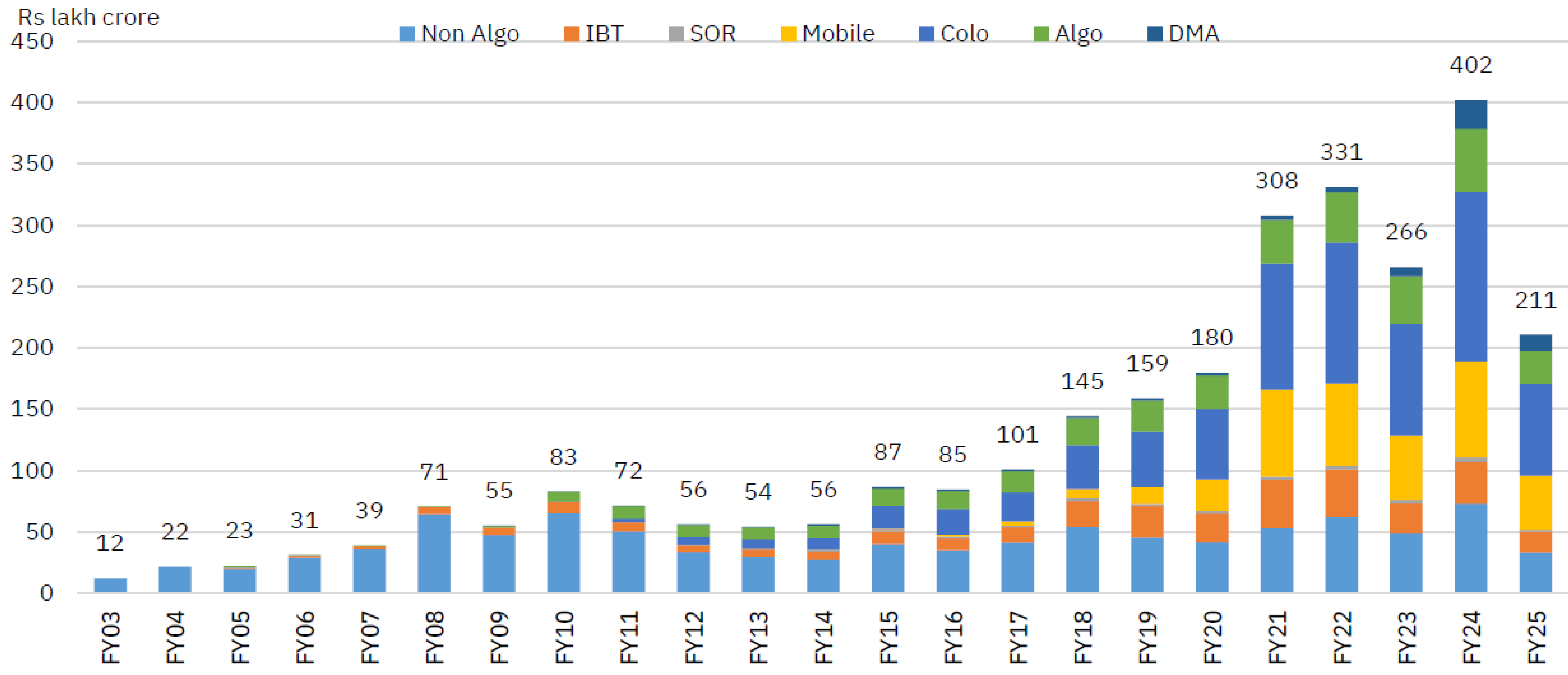


Source: NSE EPR

IBT- Internet-based Trades, SOR – Smart Order Routing, Colo – Colocation, DMA – Direct Market Access.

14.2 NSE at a Glance

Trends in mode of trading gross turnover in NSE Cash Market segment



Source: NSE EPR

IBT- Internet-based Trades, SOR – Smart Order Routing, Colo – Colocation, DMA – Direct Market Access.

15. GIFT City, IFSC, and Social Security Exchange

GIFT City (Gujarat International Finance Tec-City):

- A planned global financial hub located in Gandhinagar, Gujarat, India. It aims to provide a conducive environment for international financial services and attract foreign investments.

IFSC (International Financial Services Centre):

- Situated within GIFT City, IFSC focuses on providing a platform for global financial services, including banking, insurance, and capital markets.
- As of 2024, it has attracted **over ₹1.5 trillion** in FDI since its inception.

Nifty 50 Transition:

- The Nifty 50 index transitioned from Singapore to GIFT City, enhancing the visibility and reach of Indian financial markets globally.

Social Security Exchange:

- Aimed at facilitating financial inclusion, the exchange provides access to social security instruments and benefits to Indian citizens.
- Approximately **42 million** beneficiaries are registered under various social security schemes as of 2024.

16. Indian Market Performance and Trends

- **Nifty and Sensex**:
  - **Nifty 50:** Achieved approximately : **22% YTD growth** as of September 2024.
  - **Sensex**: Gained approximately : **21% YTD**.
- **Average Daily Trading Volume (ADTV)**:
  - For the Financial year 24-25 the figure stood approx at 3,75,34,531.23 crores
- **IPO Market**:
- **Fundraising**
- In the first half of FY 2024-25, 40 companies raised Rs 51,365 crore through mainboard IPOs, which is a 95% increase from the same period in 2023-24.
- **SME IPOs**
- The average listing gains for SME IPOs were 63% in the first half of FY 2024-25, which is up from 41% in the previous year.
- **Global Indices**:
  - NSE and BSE indices continue to outperform many global indices, reflecting India's growing economic stature.

17. Regulatory Framework: SEBI and Its Role

Securities and Exchange Board of India (SEBI)

- **Role**: Primary regulator of the securities market in India, established to protect investor interests and promote market integrity.

Key Regulatory Focus Areas:

- **Investor Protection**: Ensuring fair practices and safeguarding investor rights.
- **Market Transparency**: Enforcing strict disclosure norms to maintain market integrity.
- **Corporate Governance**: Promoting ESG compliance and enhancing governance standards among listed companies.
- **Oversight of Exchanges**: Regulating NSE and BSE to ensure efficient market operations and adherence to regulations.

Statistics:

- – Total Registered Mutual Funds: 44 (as of September 2024).
- – AUM (Assets Under Management): Approximately ₹41.1 lakh crore as of September 2024.
- – Number of Registered Investors: Approximately 14.4 crore in the mutual fund segment (as of September 2024).

Impact:

- Strengthened investor confidence and participation in capital markets.
- Improved compliance and governance standards in listed companies.

18. Challenges in Indian Capital Markets

Regulatory Shifts:

- Potential changes due to evolving government policies create uncertainty for investors.

Global Economic Volatility:

- Inflation, interest rates, and geopolitical events significantly impact market sentiment.

Market Liquidity:

- Periodic fluctuations in liquidity influenced by external factors like FII withdrawals and domestic economic conditions can limit investment opportunities.

Currency Fluctuations:

- Volatility in the Indian Rupee (INR) affects capital inflows and outflows, complicating investment decisions.

Inflationary Pressures:

- Rising inflation impacts consumer spending and overall investment levels.

Market Volatility:

- Sudden fluctuations can disrupt investor confidence.

19. Specific Measures Taken to Strengthen Indian Capital Markets

Regulatory Reforms:

- Enhanced surveillance by SEBI to curb market manipulation.
- Stricter corporate governance and disclosure requirements.

Digital Initiatives:

- Improved online trading platforms for better accessibility.
- Streamlined electronic KYC processes for investors.

Investor Education:

- Awareness campaigns on market risks and investment strategies.
- Collaborations with financial institutions for training programs.

Market Infrastructure Development:

- Technological upgrades to enhance efficiency and reduce transaction times.
- Improved clearing and settlement processes.

Policy Measures:

- Incentives for startups and SMEs with simplified listing norms.
- Tax incentives introduced for long-term equity investments.

20. Investment Opportunities in Indian Capital Markets

Growth Sectors:

- **Information Technology**: A global leader in software services and exports.
- **Pharmaceuticals**: Increasing demand for generics and vaccines.
- **Infrastructure**: Government-led initiatives in smart cities and transport networks.
- **Green Energy**: Focus on renewable energy projects and green bonds.

Global Investment Potential:

India remains attractive for FIIs due to strong economic fundamentals and sectoral growth.

Advantages of Investing in the Indian Market:

- **High Growth Potential**: India's GDP is projected to grow, making it attractive for long-term investors. (Source: IMF World Economic Outlook, April 2024)
- **Diverse Investment Options**: A variety of instruments caters to different risk appetites and investment goals.
- **Regulatory Support**: Strong regulatory framework enhances investor confidence. (Source: SEBI Annual Report 2023-24)
- **Benefits**:
  - **Ease of Trading**: Simplifies the process of buying and selling securities.
  - **Safety**: Reduces the risks associated with physical share certificates.

21. Future Outlook

Challenging Factors

- Skill gap challenge
- Managing India's green transition
- Higher incidence of adverse climate events and an upside risk to flood inflation
- Volatility in commodity prices and risks to BOP
- Elevated debt levels and slower than expected progress in debt to GDP levels
- Tapping full potential of the agriculture sector

Helping Factors

- Rising working age population, and growing consuming class
- Increased government expenditure on physical infrastructure
- Rapidly growing Digital Economy
- Strong position in service exports
- Potential to capture shifts inn global supply chains and pick-up in goods exports
- Deepening of capital markets

22. Conclusion: Growth Potential & Strategic Recommendations

Key Takeaways:

- India's economic and capital market growth positions it as a major player globally.
- **Strategic Investment Opportunities**: Identifying sectors with high growth potential like IT, green energy, and infrastructure.
- **Global Investors**: Continued interest from institutional investors, coupled with robust retail participation.
- **Our Role**: Leveraging expertise to guide investors and foster sustainable growth in Indian markets.

THANK YOU

Association of National Exchanges Members of India (ANMI)