***BEEM062 ADVANCED FINANCIAL TECHNOLOGY***

***BUSINESS REPORT***

*PART A*

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Zerodha

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**OVERVIEW:**

Name – ZERODHA

Founded – Nithin Kamath and Nikhil Kamath in 2010

Location – Bangalore, India

Revenue (as of 2021) – 2700 crores (341.08M USD

**PREFACE:**

It is known that fintech is growing very fast in recent years. The world has started utilizing digital platforms to manage finances. Many different traditional financial institutions are now exploring the financial technology industry.

Zerodha is one of the most used stock brokage applications across India. It makes investors easy to invest in stocks, mutual funds, derivatives, bonds, and others. Zerodha is also one of the top fintech companies in India. Further in this report the history, strategies of the firm and a few recommendations for the firm to become stronger in the field will be discussed in a detailed manner.

**GENERAL BACKGROUND:**

Zerodha was founded in the year 2010 by two brothers Nithin Kamath being the current CEO if the company and Nikhil Kamath being the co-founder and the CFO of the company. ‘Zerodha’ was derived from Zero and ‘Rodha’ which translates to ‘barrier’ from the Sanskrit language. The Headquarters of Zerodha is in Bangalore, India.

Zerodha is the largest retail stockbroker based on active clients and contributes up to 2% of daily retail volumes on Indian stock exchanges as of 2019. The disruptive pricing models and in-house technology of Zerodha have made them the biggest stockbroker in India in terms of active retail clients. A low fee up to 20 Indian rupee is applied for each trade irrespective of the size of the trade. It also gives their clients a set of specific trading applications. They charge zero brokerage fees for equity delivery and mutual funds and zero commission direct mutual funds.

Zerodha is a zero-debt company which doesn’t keep any client’s securities in the pooled account or offer margin funding. It is one of most reliable and safest brokers because it doesn’t use the client’s funds to do proprietary trading. Zerodha is very successful with advanced technology and trading tools by building its own trading software **Zerodha Kite** which is a web and mobile trading application. They have developed many other tools like **Coin** which is a mutual fund investment platform, **Streak** an algorithm & strategy platform, **GoldenPi** a trading platform for bonds, **Varsity** which is an investor educational platform, **Smallcase** a thematic investment platform and **Sensibull** for trading options etc.

**Rainmatter** was founded in the year 2014 as an early-stage fund with an amount of ₹50 Crore. The ticket size was kept under $1 million per investment so that the fund was not only focused risk reduction but also focused on financing start-ups in the fields of new technology. Rainmatter has invested in several fintech start-ups like Cred, Sensibull, Smallcase, and Finception, etc. Rainmatter has been extremely helpful to achieve the goal of companies that involve in the growth of the Indian financial market.

Zerodha launched **True Beacon** in later 2019, an AIF (Alternative Investment Fund) that is focused on providing returns in volatile markets through their defensive investment strategy. In addition to this, Zerodha runs several popular open online educational and community initiatives to attract and help the retail traders and investors. Zerodha helps in applying for new IPOs directly using their account.

There are two types of accounts that can be opened on the Zerodha platform. They are:

1. Demat and trading account (Trading equity and currency)
2. Commodity account (Trading commodity)

### Zerodha Account Opening Charges:

| **Account** | **Charges (in Rupee)** |
| --- | --- |
| Trading & Demat Account Opening | 200 |
| Trading Account AMC | 0 |
| Demat Account AMC | 300 per year |

### An offline account in Zerodha will be charged ₹400.

### Zerodha Brokerage Charges 2020:

Zerodha follows a fixed brokerage model wherein it charges a flat Rs 20 or 0.03% (whichever is lower) per executed order.

| **Trading Segment** | **Brokerage Charges (in Rupee, per executed order whichever is lower)** |
| --- | --- |
| Equity Intraday | ₹20 or 0.03% |
| Equity Future | ₹20 or 0.03% |
| Equity Options | ₹20 |
| Currency Futures | ₹20 or 0.03% |
| Currency Options | ₹20 or 0.03% |
| Commodity | Flat Rs 20 or 0.03% |
| Mutual Fund | Nil |

Taxes like the STT (Securities Transaction Tax) is charged only on the sell side for intraday and F&O trades. It is charged on both sides for Delivery trades in Equity. Transaction fee charged by the stock exchanges for using their trading platform. SEBI charges is charged at Rs 10 per Crore. Stamp duty for Delivery is 0.015% and intraday is 0.03% buy side and Goods and Services Tax (GST). Zerodha also has a few hidden charges brokerage.

### Zerodha provides a free Kite 3.0, a web-based fast trading platform is used for trading on mobile, tablets and on a web browser as well. It offers full market watch, extensive charting with over 100 indicators and 6 chart types, advanced order types like Cover order, GTT order, millisecond order placements, and much more for trading at BSE, NSE and MCX. Zerodha Console is the back-office platform of the firm. It's a trade and reporting dashboard where customers can view and monitor all their investments- stocks, derivatives, and mutual funds. Zerodha Coin is a Mutual Fund investment platform which helps the clients to invest in direct mutual finds. They also offer a referral program where the client can refer a friend and get 10% of the share.

**RECOMMENDATIONS:**

Zerodha could be a well-established fintech firm, but it still has its merits and demerits like any other company. Although Zerodha is one of the most successful, largest, safest, trust-worthy, and reliable broker, it has its **drawbacks**.

By offering no account opening fee, the process of opening an account is extremely slow. They can increase the speed of this and charge a low opening fee. Zerodha also doesn’t have investor protection or tips, recommendations, and research reports for the client’s account. Offering protection and recommendations for the client’s would help Zerodha to be a better performer on the international grounds.

Zerodha doesn’t offer any kinds of banking services. The clients can have a full 3-in-1 trading account if Zerodha can improvise and allow banking services. Zerodha focuses entirely on the Indian market, but they only offer NSE SME IPOs and not BSE SME IPOs. Zerodha must start focusing on being a brokerage firm for trading international markets as well. However, Zerodha is to provide US stocks on their platform in the near future. The complaints that are registered on their platform is relatively lesser, but it takes a longer time to take actions.

Even though Zerodha console is a good initiative by the company, the back office is yet to be integrated with the trading platform. The firm could attract more clients by allowing them to withdraw their fund on the same day which Zerodha doesn’t allow at the moment.

Zerodha hold a brokerage complaints report that provides details about the number of complaints received by the stock exchanges from their customers. The Zerodha complaints report analyses the Zerodha online complaint data provided by NSE. This report usually helps in showing the health of the broker. Zerodha also receives complaints in regards with BSE. These complaints that are listed below are serious objections against Zerodha broker which both the broker and customer were unsuccessful while trying to resolve the problems. The customers then filed these legal complaints with the stock exchange. This is one of the main drawbacks of the firm, yet the numbers are relatively very low. Zerodha could take this opportunity and try to resolve all the problems regarding the application and the website. This would help the firm to become a flawless application for trading. It is only a matter of time that Zerodha starts allowing its customers to trade the US markets. In that case, it is very important that the firm reduces the number of complaints as much as possible.

| **Exchange** | **Financial Year** | **Total Complaints** | **Active Clients** |
| --- | --- | --- | --- |
| NSE | 2021-22 | 543 | 6,277,434 |
| NSE | 2020-21 | 868 | 3,602,074 |
| NSE | 2019-20 | 432 | 1,414,376 |
| NSE | 2018-19 | 265 | 887,267 |
| NSE | 2017-18 | 339 | 540,905 |

This table consists of the last five years’ total complaints that are provided by the NSE. It is clearly noticeable that Zerodha has made a lot of new working customers and reduced the number of complaints. It is reasonably important of the firm to maintain a very low number of complains, resolving the complaints as soon as possible and have a high consistency in order to grow higher.

**SUMMARY:**

### In the financial year 2022, the revenue of Zerodha has jumped up 60% so, it can be concluded that Zerodha is one of the most successful fintech firms in India. The company is well organized and working on a high success rate and this would be the perfect time to think about making expansions. The firm has relatively low number of unresolved complaints and they are working to make it flawless. Zerodha must work on raising its standards by starting to get in the international markets. This would give a great recognition for the country and the firm itself.

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