

Analysis of 2018-19 crypto investment landscape [India Focussed]



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Investor profiling India vs. Global [excluding India]

Indian Cryptocurrency Investor

Major Differences:

Late entrant - Investing since last few months.
Balanced investor.
Expects 20% + returns.
Investment horizon of few months.
Realized profits in range of 0-10%.
Sells investments & book losses if underlying asset falls by 20%
Uses multiple online wallets.

Minor Differences:

Mostly have 5% of total investments in this asset.
Moderate familiarity with technical analysis.
Positive future outlook
Looks for unique value proposition, community support & business acceptability in cryptocurrency.

Similarities:

Considers technological & regulatory risks as biggest risk.
Will reinvest if market corrects due to short term volatility.
Concentrated investments in 1-2 crypto assets.

Global Cryptocurrency Investor

Major Differences:

Early adopter - Investing since last few years.
High risk appetite.
Always expect 50%+ returns.
Investment horizon of multiple years.
Realized profits are mostly 100%+.
Will never sell if underlying asset falls & will continue holding.
Uses a combination of offline & online wallets.

Minor Differences:

Mostly have up to 10% of total investments in this asset.
Slightly higher familiarity with technical analysis vs Indian peer.
Positive outlook & relatively more optimism than Indian peer.
Looks for unique value proposition, community support & business acceptability in cryptocurrency.

Similarities:

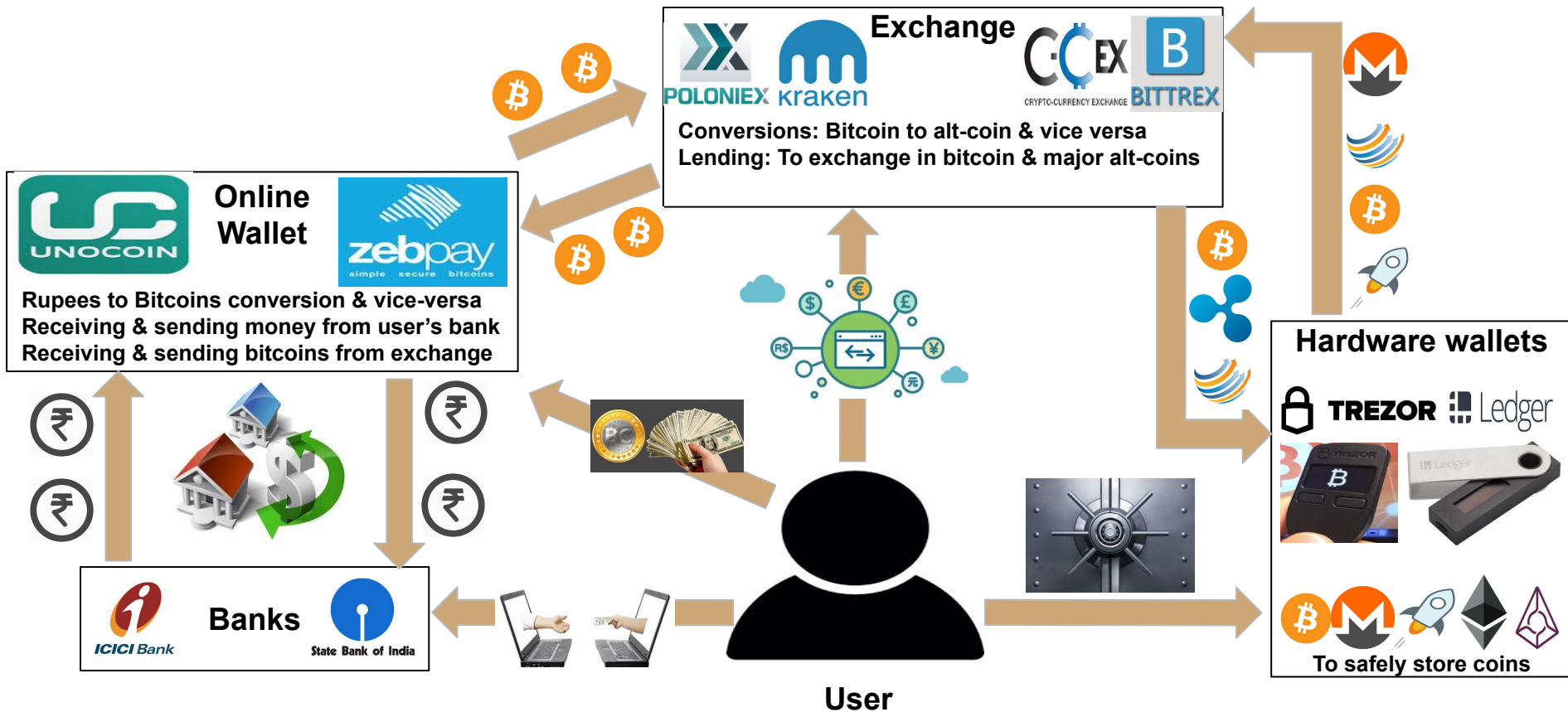
Considers technological & regulatory risks as biggest risk.
Will reinvest if market corrects due to short term volatility.
Concentrated investments in 1-2 crypto assets.

<u>Parameters</u>	<u>Indian investors</u>	<u>Global peers</u>
	Parameters contributing to <u>major</u> differences in investor profile	
Average experience in market	Few months	1-2 years
Investment horizon	Short term [1-2 months]	Long term [multiple years]
Investment profile	Balanced investor	High risk appetite
Expected returns	20%+	50%+
Realized returns	0-10%	100%+
Risk appetite	Can't bear more than 20% loss.	Able to withstand losses.
	Parameters contributing to <u>minor</u> differences in investor profile	
Portfolio size	Upto 5% of total savings	Upto 10% of total savings.
Technical trend analysis skill	Moderate	Moderate [better than Indian peer]
Future outlook for cryptocurrency	Positive	Higher optimism than Indian peer

The parameters below puts together the similarity in Indian vs Global crypto investors

<u>Parameters</u>	<u>Indian investors</u>	<u>Global peers</u>
	Parameters contributing to <u>similarity</u> in investor profile	
Focuses analysis on [prior to investment]	Unique value proposition, community support & business acceptability in cryptocurrency.	Unique value proposition, community support & business acceptability in cryptocurrency.
Doesn't analyse [prior to investment]	If currency is oversold/overbought, in a bubble.	If currency is oversold/overbought, in a bubble.
Expected risks	Technological & regulatory.	Technological & regulatory.
Maturity	Will re-invest if market corrects due to short term volatility.	Will re-invest if market corrects due to short term volatility.
Risk concentration	All the investments in just 1-2 crypto assets.	All the investments in just 1-2 crypto assets.

How money flows in cryptocurrency ecosystem in India



Understanding transaction lifecycle & associated fees structure in cryptocurrency trades

Transaction	Fees type	Actual fees [approx.]	Value of Rs. 1000 at 0% capital gains	Value of Rs. 10000 at 0% capital gains
Bank to online wallet	Fixed %	1.93%	Rs. 980.66	Rs. 9806.6
Online wallet to exchange	Fixed %	1.06%	Rs. 970.1	Rs. 9700.6
Buying alt coins on exchange from bitcoins	Fixed %	0.25%	Rs. 967.6	Rs. 9675.6
Selling alt coins in exchange for bitcoins	Fixed %	0.15%	Rs. 966.1	Rs. 9660.6
Exchange to online wallet	Fixed cost	Rs.18	Rs. 948.1	Rs. 9642.6
Selling differential margin on online wallet	Fixed %	2.91%	Rs. 918.96	Rs. 9351.6
Online wallet to bank	Fixed cost	Rs.10	Rs. 908.96	Rs. 9341.6
Aggregated fees in % over 1 cycle of Rs.			(9.104%)	(6.6%)

Insight: An array of platform's transaction charges eats upto 7-9% returns of crypto investors.