'24

Capital Markets

yearbook

From a raging bull run to a pivotal transition, this data-driven yearbook chronicles the transformation of India's capital markets across equities, fixed income, commodities, and more.

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ZERODHA

CAPITAL MARKETS YEARBOOK 2024

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Preface

We started Zerodha in 2010, and in the first decade or so, we often found ourselves asking, "When would the Indian capital markets expand?" That question was conclusively answered in the five odd years after the pandemic. The Indian markets grew more in those five brief years than in the preceding decade and a half, so much so that they became a global talking point. This growth was across the board, no matter what metric you look at from unique investors, turnover, new SIPs, IPOs, to liquidity.

In the 14 years of being a stockbroker, I can confidently say that the Indian stock market has never been more mainstream than it is today. As I write this, it seems like there's a transition after five years of breathless growth, but that is to be expected. So given the monumental changes in the markets, there had been no publication that documented the profound transformation of our capital markets. Since Ashutosh and his team have extensive coverage of the Indian capital markets on IndiaDataHub and he has experience in publishing a Data Book for the entire Indian economy, we asked him if we could do this, and he readily said yes, and that's how this Year Book was born.

In this edition, we've presented charts and tables on various segments of the Indian capital markets across equities, debt, forex, commodities, asset management, and more. The idea is to give you a comprehensive overview of all segments of the Indian capital markets. Regardless of whether you are a finance professional, an investor, a student studying finance, or a market observer, this publication is your go-to source to understand the growth of various aspects of our markets. I hope you enjoy reading this as much as we enjoyed creating it.

Nithin Kamath
Founder, CEO - Zerodha

The year ahead: Big picture reforms in India's securities market

The year 2024 marked a pivotal period for India's securities market, characterized by a robust wave of regulatory interventions, technological advancements, and evolving investor participation patterns. As India cemented its position as the fourth-largest market globally in terms of capitalization, the Securities and Exchange Board of India (**SEBI**) undertook a series of initiatives to address market stability, transparency, and fairness.

Reflecting on 2024: A Year of Transformation

One of the standout themes of 2024 was SEBI's renewed focus on balancing market dynamism with regulatory oversight. The introduction of tighter eligibility norms for SME IPOs, amendments to the futures and options (F&O) framework to curb speculative activities, and the fixed-price delisting mechanism, all underscored the regulator's intent to promote sustainable growth. However, these reforms also triggered debates regarding their impact on market liquidity and participation, particularly among retail investors and smaller enterprises.

Another key development was the expansion of investment product offerings. Recognizing the increasing risk appetite of retail investors, SEBI introduced 'Specialized Investment Funds,' 'Mutual Fund Lite,' and 'Small and Medium REITs.' These initiatives aimed to widen market access and enhance investment opportunities while ensuring regulatory safeguards against excessive risk exposure. Additionally, deliberations around regulating retail algorithmic trading, which have recently been put into action, suggested SEBI's awareness of the need to balance market efficiency with investor protection.

The rapid rise of artificial intelligence (**AI**) and machine learning in financial markets also presented both opportunities and challenges. While AI-driven investment strategies and risk management tools enhanced efficiency, they raised concerns regarding data transparency, cybersecurity, and algorithmic biases. The implementation of the Digital Personal Data Protection Act, 2023, underscored the increasing importance of data governance, compelling financial institutions to reassess their compliance frameworks.

Despite these advancements, challenges remained. Regulatory inconsistencies, gaps in enforcement mechanisms, and concerns over excessive regulatory burden emerged as key issues. Investor protection mechanisms, particularly the Investor Protection and Education Fund (IPEF), continued to grapple with inefficiencies. The high-profile Sahara refund case further highlighted gaps in investor compensation processes, raising pertinent questions about the effectiveness of restitution mechanisms.

With these developments in mind, 2025 stands as a crucial year for deepening regulatory reforms, enhancing technological oversight, and fostering a balanced financial ecosystem that is both resilient and inclusive.

Going Forward: A More Adaptive and Inclusive Regulatory Framework

A well-regulated and predictable market is the bedrock of investor confidence. However, one of the persistent criticisms of SEBI's enforcement strategy has been its inconsistency and lack of structured transparency. Unlike financial regulators in jurisdictions such as the United States and the United Kingdom, SEBI lacks a formal, scrutinizable enforcement framework that clearly defines decision-making parameters. This gap has resulted in cases where regulatory actions were challenged before the Securities Appellate Tribunal (**SAT**) and overturned due to insufficient evidentiary backing or lack of clear reasoning. Such occurrences not only undermine regulatory credibility but also create uncertainty among market participants.

Going forward, SEBI must develop a structured enforcement strategy that ensures fairness, proportionality, and predictability. Market participants should not be subject to arbitrary punitive measures for widely practiced industry norms that were previously unregulated. For instance, while SEBI's actions against investment advisers using payment gateways demonstrated a commitment to regulatory oversight, a more effective approach would have been issuing advisories before imposing penalties. This would provide firms with an opportunity to transition smoothly rather than face sudden legal consequences. Additionally, regulatory clarity remains an ongoing challenge. Many intermediaries struggle with vague definitions in compliance frameworks, such as the scope of what constitutes an "advertisement" or an "outsourcing arrangement." Addressing these ambiguities through clear directives and proactive regulatory dialogue will be essential in 2025.

The increasing integration of artificial intelligence and machine learning into financial markets is transforming investment strategies, operational efficiencies, and risk assessment models. However, these innovations come with inherent risks related to transparency, accountability, and cybersecurity. One of the key challenges is the opacity of AI-driven decision-making. Unlike traditional financial models where investment rationale is explicitly documented, AI-generated decisions often operate within "black boxes," making regulatory oversight more complex. Market regulators globally are grappling with how to ensure that AI systems remain explainable, fair, and free from unintended biases. SEBI must take proactive measures to ensure AI transparency, enhance cybersecurity regulations, and establish ethical guidelines that balance technological innovation with consumer protection.

The implementation of the Digital Personal Data Protection Act, 2023, places an increased burden on financial institutions to safeguard customer data. SEBI will need to work closely with market participants to align AI adoption with data protection requirements without stifling innovation. As AI-based trading systems become more sophisticated, ensuring that they operate within the bounds of regulatory expectations will be crucial in maintaining investor trust and preventing market distortions.

The delegation of governance responsibilities to independent regulatory bodies in 2024 also marked a significant step towards greater industry-led regulation. Investment advisers, research analysts, and algorithmic traders were placed under independent oversight, signalling a shift towards self-regulation. However, the role of these Self-Regulatory Organizations (**SROs**) remains largely operational rather than policy-driven. Expanding the authority of SROs could offer multiple benefits, including increased regulatory agility, greater compliance, and improved stakeholder engagement. SEBI should explore global best practices in self-regulation and consider models where SROs play a more active role in shaping policy, subject to oversight and accountability measures. By allowing industry experts to shape regulatory policies in real-time, compliance processes can become more efficient, reducing bottlenecks and improving regulatory responsiveness.

Managing conflicts of interest remains a priority for SEBI. Recent initiatives such as banning market infrastructure institutions from offering volume-based transaction discounts and defining merchant banking activities aim to create fairer market conditions. However, conflicts cannot be entirely eliminated—they must be managed effectively through enhanced transparency and compliance frameworks. Investor protection also remains an area requiring urgent attention. While the IPEF is meant to provide restitution for affected investors, its inefficiencies, as highlighted in the Sahara case, demonstrate the need for a centralized investor compensation fund, enhanced dispute resolution mechanisms, and stricter penalties for fraudulent activities. Ensuring that investor grievances are addressed in a timely and effective manner will be essential in strengthening market confidence.

Despite SEBI's commendable efforts to streamline regulatory processes, concerns over potential overregulation persist. While increased oversight strengthens market integrity, excessive regulatory burdens can drive up compliance costs and discourage innovation. Recent prohibitions on collaborations between registered firms and unregulated entities have raised concerns regarding disproportionate compliance obligations. Similarly, an expanded definition of 'insiders' has complicated compliance requirements, potentially deterring participation from new market entrants. To avoid overregulation, SEBI must conduct cost-benefit analyses before rolling out new policies. Implementing regulatory impact assessments will ensure that compliance costs do not outweigh the intended benefits, striking a balance between oversight and operational flexibility.

As financial markets become more complex, the need for adaptability and foresight in regulation becomes paramount. SEBI's trajectory indicates a willingness to evolve its regulatory framework, incorporating lessons from global markets while tailoring policies to India's unique needs. However, the regulator must avoid a one-size-fits-all approach, instead embracing flexible regulatory models that accommodate innovation and dynamic market conditions.

SEBI's initiatives in 2024 laid the groundwork for a more inclusive financial ecosystem. Moving into 2025, the focus will be on fine-tuning regulatory models, reinforcing investor protection, and fostering a balanced approach that enables both market growth and stability. With the right reforms, India's capital markets can solidify their position as world-class financial hubs, setting new benchmarks for governance, transparency, and investor confidence.

Sandeep Parekh is the Managing Partner and Navneeta Shankar is an Associate at Finsec Law Advisors.

Finfluencers in India: Balancing Financial Literacy and Regulatory Challenges

In the rapidly evolving landscape of digital media, India has witnessed an exponential growth of social media influencers on various digital media platforms. Further, technological developments have completely changed the way retail consumers interact with financial services and products and acted as a catalyst in bringing more retail investors to capital markets. Seizing the opportunity, many individuals hopped onto such platforms to create content in diverse sectors, including the financial sector, giving rise to financial influencers ("**Finfluencers**").[1]

Who are Finfluencers?

As such, there is no standard definition of Finfluencers agreed upon universally. In terms of the 2024 Consultation Report by the International Organization of Securities Commissions ("**IOSCO**") on Finfluencers ("**IOSCO Finfluencer Report**"),[2] they are individuals who leverage social media platforms to share investment-related content, ranging from general financial education to specific stock recommendations. As per SEBI, they are persons who provide information and/or advice on various financial topics such as investing in securities, personal finance, banking products, insurance, real estate investment, etc. through social/digital media platforms/channels, and have the ability to influence the financial decision of their followers.[3] Broadly understood, Finfluencers are digital media content creators that create content related to finance and investment, and dissect the intricate complexities related to it in the simplest terms so as to be understood by common person.[4] [5]

Finfluencers possess the capacity to mold their audiences' perspectives and decision-making processes by often presenting themselves as experts, sharing personal experiences, market analysis, and investment tips in an engaging and accessible manner.[6] They often attract investors/prospective investors through their engaging stories, messages, reels and videos on various social media platforms such as Instagram, Facebook, Youtube, LinkedIn, X etc.

Platform	Reach	Usage	Attributes
YouTube	Extensive platform with the ability to create detailed, long- form content	Finfluencers produce videos explaining investment strategies; analyze market trends and provide tutorials on various financial topics.	The visual and auditory elements make YouTube an effective medium and the videos help with simplifying complex financial concepts. Finfluencers can also engage audiences through rich, in-depth content.
Instagram	Large user base and popular with younger audiences	Used for sharing snapshots of the Finfluencers' lifestyle, promotional content and financial tips.	Ideal for bite sized, easily digestible information as visual content enhances engagement.
Facebook	Large user base	Posts, live videos, groups that help foster a sense of community and discussions.	Facilitates sense of community building and can combine various content formats.
Tik Tok	Popular with younger audiences	Quick tips and trending investment ideas.	Short-form video format captures the attention quickly and engaging content can go viral quickly.
X (formerly Twitter)	Large user base	Real time updates, market news and brief opinions on financial matters	Engaging through replies and retweets, rapid communication.
Telegram	Private, secure communication platform	Detailed analysis and trading signals	Allows for large, interactive group discussions and is encrypted for privacy.

Source: Consultation Report by IOSCO on Finfluencers, November 2024 (CR/08/24)

How did they rise in popularity? How are they benefiting the system?

Finfluencers have emerged as significant players in the financial landscape, leveraging social media platforms to disseminate financial advice and investment strategies. Finfluencers have democratized financial knowledge, making it more accessible and understandable to a broader audience. They play a crucial role in enhancing financial literacy, providing personalized and relatable content, and bridging the gap between complex financial concepts and everyday investors. Their influence has led to increased market participation, especially among younger and less financially literate demographics.

By use of modern technological aids, which are relatively accessible to most of the masses, they are eliminating the so-called 'middleman' to reduce information asymmetry. In addition to the apparent increase in the outreach of finance and markets to the wider demographic, an improvement in the financial hygiene of grass-root level investors, who are equipped with a better understanding of their own portfolio and in better control of their investment decisions, can have a snow-ball effect on the market itself, from a macro-perspective. In a day and age, where income disparity (while claimed to be on a decline by the Government of India)[7] still remains one of the major causes for concern for the economy and[8] in a burgeoning economy of a relatively younger population,[9] a reduction in asymmetrical financial literacy as first step can be a much bigger and much needed tool than as touted by Finfluencers presently.

Democratization of Financial Knowledge & Simplification of Complex Concepts - Finfluencers have made financial information more accessible to the public. They simplify complex financial concepts and present them in a way that is easy to understand for individuals without a financial background. This has been particularly beneficial in a country like India, where financial literacy rates are relatively low.

Enhancing Financial Literacy - Finfluencers have played a pivotal role in spreading financial awareness and literacy. They use simple language and relatable examples to educate their audience about various financial topics, including stock market trading, personal investments, mutual funds, and insurance. By using accessible language and relatable content, Finfluencers have helped bridge the gap in financial literacy, which is crucial in a country where only 27% of the population is financially literate.

Personalized and Relatable Content - Finfluencers often share their personal experiences and investment journeys, which makes their content more relatable and trustworthy to their followers. This personalized approach helps build a connection with the audience, making financial advice more engaging and credible.

Increased Market Participation - The influence of Finfluencers has led to a significant increase in market participation, especially among younger demographics. Their engaging content and simplified financial advice have encouraged more people to invest in the stock market and other financial products.

Accessibility and Convenience - Finfluencers provide financial advice and information through various social media platforms, making it easily accessible to anyone with an internet connection. This convenience has allowed individuals from diverse backgrounds and regions to access financial knowledge without the need for formal financial education.

Cost-Effective Financial Advice - Many Finfluencers offer their advice and content for free or at a very low cost, making financial education affordable for everyone. This is particularly beneficial for individuals who may not have the resources to hire professional financial advisors.

Why are the Indian regulators worried?

With great (influencing) power comes greater responsibility. With Finfluencers gaining mass popularity, the securities regulator, Indian securities market regulator, namely, Securities and Exchange Board of India ("**SEBI**") dove into action, to ensure investor protection. Effectively, the unique position that Finfluencers find themselves in – to sway the masses in terms of their trading practices, seems to be the very reason SEBI is exercising abundant caution while acknowledging their status in the market.

While Finfluencers may be the messiahs that they claim to be, without adequate checks and balance, any individual or institution that has the ear of so many investors, can knowingly or unknowingly, not only pose harm to the investors but the market at large. It is therefore, no surprise that the increasing number of Finfluencers caused concern for SEBI which wanted to pre-empt the aforesaid situation, as Finfluencers tend to be largely unregulated.[10] SEBI's primary skepticism towards Finfluencers stems from their significant influence on retail investors and the potential risks associated with unregulated financial advice. Regulation of Finfluencers in a unique market like India, is undeniably needed,[11] what remains to be seen however, is SEBI's approach to such regulation. Having said this, the primary reasons for regulation include the potential for misinformation, conflicts of interest, market manipulation, and the protection of investor interests.

Misinformation and Misleading Advice - Finfluencers often lack formal qualifications (either as a registered investment adviser or research analyst) and regulatory oversight required to provide reliable financial advice. This gap can lead to the dissemination of incomplete or misleading information, which can misguide investors and result in poor financial decisions.

Conflicts of Interest - Finfluencers may promote financial products or services for monetary benefits, creating a conflict of interest. This can lead to biased recommendations that prioritize the Finfluencer's financial gain over the investor's best interests.

Market Manipulation - The influence of Finfluencers can be exploited to manipulate stock prices through schemes like "pump and dump," where they artificially inflate stock prices by spreading misleading information and then sell their holdings at a profit, leaving investors with significant losses.

Investor Protection - The rise of Finfluencers has highlighted the need for regulatory measures to protect investors from potential fraud and financial losses. SEBI aims to ensure that investors receive accurate and reliable financial advice and are not misled by unqualified individuals.

Keeping in mind that investments are subject to market risks, and Finfluencers are merely an aid to the overall investment decision an investor makes, here are some Do's and Don'ts for readers to consider when engaging with their preferred Finfluencer:

Dos and Don'ts for Investors

Verify credentials: Always check whether a Finfluencer is licensed or qualified to provide financial advice or research recommendation.

Be skeptical of promises of high returns: Exercise caution with Finfluencers who make unrealistic promises of quick profits or guaranteed returns, as these are common indicators of high-risk or fraudulent schemes.

Understand conflicts of interest: Be aware that Finfluencers may receive compensation for promoting certain products. Look for disclosures about paid promotions and consider whether the advice aligns with your financial goals and risk tolerance.

Conduct independent research: Never rely solely on a Finfluencer's advice. Conduct your own research and seek advice from registered financial professionals to make well-informed investment decisions.

Access to information and accounts: Never provide information including account details and other sensitive or financial information to unregulated persons who may or may not be Finfluencers, as access to such information can trigger regulatory risks and / or result in losses. Always consult certified and regulated professionals before sharing such information, where required.

What have the regulators done?

The Advertising Standards Council of India has issued direct guidelines to Finfluencers aiming to ensure transparency and protect consumers from misleading information.[12] These guidelines primarily focus on disclosure requirements and responsible advertising practices.

On the other hand, SEBI indirectly restricts finfluencer activities primarily by prohibiting regulated entities (stock brokers, investment advisors, etc.) and their agents from associating with unregistered Finfluencers who provide investment advice or make performance claims.[13] This approach disrupts the revenue model of Finfluencers, thereby discouraging unregulated activities, which is not very dissimilar to approach taken by the Reserve Bank of India a few years ago when it sought to restrict dealing in cryptocurrencies.

However, there are exceptions for educational content[14] and association through Specified Digital Platforms ("**SDPs**"). An SDP is defined as a platform with mechanisms for preventive and curative action against prohibited finfluencer activities, ensuring compliance to SEBI's satisfaction.[15] This exception recognizes that some platforms actively monitor and regulate content, providing a layer of oversight that mitigates the risks associated with Finfluencers. It is important to note that registration as an SDP is not mandatory for digital platforms, and regulated entities are not obligated to associate only with SDPs. However, associating with an SDP provides a safe harbor for regulated entities, shielding them from liability under the relevant regulations.

SEBI's strategy focuses on severing the ties between regulated entities and unregistered Finfluencers. By doing so, SEBI aims to curb the flow of compensation and benefits that Finfluencers receive from these entities for promoting their products or services. This approach aims to protect investors by limiting their exposure to potentially misleading or fraudulent advice from unregistered Finfluencers, while still allowing access to genuine educational content. This also incentivizes unregistered Finfluencers that intend to provide bona fide services to investors, to seek valid registration or regulatory approvals pursuant to which they can continue their activities. This in turn allows SEBI to monitor and supervise the activities of Finfluencers, set out adequate legislation and standards for Finfluencers to comply with, provide a grievance redressal mechanism to aggrieved investors, and appropriately penalize errant Finfluencers.

The regulatory balance

SEBI's restrictions, particularly the prohibition on association between registered entities and unregistered Finfluencers, have triggered a debate over what is the right balance between encouraging genuine financial education incentives versus creating onerous entry barriers.

Broad Definition of "Investment Advice" and "Research Analysis": Given how widely these terms are understood for Finfluencers, even those focusing on education, may refrain from sharing insights for fear of being perceived as providing advice; the distinction leaving room for misinformation and potential penalties. For example, discussing a specific stock's historical performance could be construed as a recommendation, even if presented within a broader educational context.

Compliance requirements and ancillary costs: Any registration or licensing requirement carries with it certain compliance requirements that an individual or institution seeking such registration / license must ensure. Therefore, the risk reward assessment for those entering into this space is a must, so that each potential entrant is able to evaluate whether the cost of holding a license and undertaking these compliances have sufficient commercial incentives as well.

Global best practices:

The benefits and risks associated with Finfluencers is not just a national issue. Over the last few years, various jurisdictions such as the United States of America (US), and the United Kingdom (UK) and Canada have attempted to either strictly or softly regulate this new wave of intermediaries.

Proactive Monitoring and Supervision: The US SEC has been proactive and has taken several key measures to address the activities of Finfluencers, including enforcement actions, cease-and-desist orders, injunctions, disgorgement, penalties, and investor alerts. Additionally, the US SEC also utilizes existing laws like the anti-touting and general anti-fraud provisions to regulate Finfluencers and provides guidance and educational resources to both investors and Finfluencers, such as the US FTC's Endorsement Guides.[16] Implementing proactive monitoring mechanisms, like the web scraping tool used by the FSMA in Belgium, can help identify non-compliant activities early on.[17] Interestingly, in Australia, the Australian Securities and Investments Commission (ASIC) also monitors select online financial discussion by influencers who feature or promote financial products for any misleading or deceptive representations or unlicensed financial services. Carrying on a financial services business without the appropriate licence is an offence under the applicable laws, with significant penalties, including up to five years' imprisonment for an individual and financial penalties into the millions of dollars for a corporation.[18]

Collaboration with Social Media Platforms: Several jurisdictions are exploring collaborations with social media platforms to enhance regulatory oversight. The UK's FCA, for example, works with the ASA, which engages with platforms to enforce advertising standards.[19] While SEBI's approach in India is currently indirect, focusing on regulated entities, fostering closer collaboration with platforms could improve content moderation and quicker removal of misleading financial information.

Investor Education: Strengthening investor education initiatives, drawing inspiration from campaigns like the "Human Disclaimers" campaign in Canada[20] and online games & quizzes in Hong Kong,[21] can empower investors to critically evaluate finfluencer advice.

Conclusion

Finfluencers have revolutionized the dissemination of financial knowledge, making it more accessible, relatable, and engaging for a broad audience. Their role in enhancing financial literacy, encouraging market participation, and providing cost-effective financial advice has had a positive impact on the financial ecosystem. However, it is crucial to balance these benefits with appropriate regulatory measures to mitigate potential risks and ensure the integrity of financial advice provided through social media platforms.

Further, the regulatory landscape surrounding Finfluencers is still evolving. Overregulation could drive Finfluencers underground, making it harder for SEBI to monitor their activities and protect investors. Finding the right balance between investor protection and fostering financial literacy is crucial for the healthy development of India's financial markets. A collaborative approach involving SEBI, Finfluencers, and other stakeholders is essential to achieve this balance.

It is imperative to acknowledge that to keep up with a dynamic market evolving almost everyday, Finfluencers are one additional stream for the SEBI to now reckon with. In this space, tools such as sandbox testing, proactive regulations for seeking feedback from stakeholders, recognizing and adopting use of artificial intelligence and moving towards a robust cybersecurity and resiliency framework, we believe, are first steps towards creating India as a leading financial hub.

Shruti Rajan is a Partner at Trilegal and specialises in contentious and non-contentious areas of financial services regulation.

Endnotes

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4 "In the Realm of Finfluencers: Understanding the Indian Framework, Regulations and Future Trends", Utkarsh Gupta and Sumangala Bhargava, [2023] 13.1 NULJ 51.

5 The Advertising Standards Council of India (ASCI) has referred to an 'Influencer' as someone who has access to an audience and the power to affect their audiences' purchasing decisions or opinions about a product, service, brand or experience, because of the influencer's authority, knowledge, position, or relationship with their audience.

6 "Social Media Influencers: Who They Are and How They Influence", Samra Karamustafic, Student Scholarship 3, 3-17 (2020).

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9 "India's 1.3 billion people make it the second most populous country in the world, but with an average age of 29 years, it has one of the youngest populations globally", Youth in India 2022, available at https://mospi.gov.in/sites/default/files/publication_reports/Youth_in_India_2022.pdf

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11 Ban on India's stock market 'She-Wolf' puts regulators on the spot available at https://www.bbc.com/news/articles/cddyye3zplno

12 Guidelines for Influencer Advertising in Digital Media, the Advertising Standards Council of India, August 17, 2023.

13 SEBI Circular dated October 22, 2024, SEBI/HO/MIRSD/ MIRSD-PoD-1/P/CIR/2024/143; SEBI Circular dated January 29, 2025, SEBI/HO/MIRSD/ MIRSD-PoD-1/P/CIR/2025/11.

14 Finfluencers engaged solely in investor education are exempt from these restrictions. However, this exemption is conditional. The content must not include market price data from the preceding three months, nor should it suggest future prices, advice, or recommendations on specific securities.

15 Explanation 3 to Regulation 16A, SEBI (Intermediaries) Regulations, 2008.

16 Pg 35, IOSCO Finfluencer Report.

17 Pg 35, IOSCO Finfluencer Report.

18 https://asic.gov.au/regulatory-resources/financial-services/giving-financial-product-advice/discussing-financial-products-and-services-online/

19 Pg 30, IOSCO Finfluencer Report.

20 Pg 55, IOSCO Finfluencer Report.

21 To engage younger generations, the Investor and Financial Education Council (IFEC), a subsidiary of the Securities and Futures Commission of Hong Kong, created online games and quizzes (Escape room Financial Quotient game, Money-verse personal finance combat game, Anti-scam online quiz) on the topic of good investment habits covering cautions against finfluencers, Pg 57, IOSCO Finfluencer Report.

Simhavalokana 2024: What Mr. Market taught me in the year gone by

The Sanskrit language has a fascinating lexicon. It may not match up to English in the size of vocabulary but more than makes up for it by morphing the same word into different context-dependent meanings. Unravelling the common thread between these seemingly different meanings is like solving a crossword. In Sanskrit, the word for a tooth, a bird and a Brahmin is the same; 'Dwij'. Literally translated, it means 'twice-born'. Milk teeth give way to permanent teeth, a bird is born as an egg before it is born in its avian form and Brahmin is believed to be spiritually reborn after the thread ceremony. Or take the word 'Simhavalokana'. As a lion walks in the jungle, he periodically stops and looks back at the path he traversed. This retrospective glance is called 'Simhavalokana' but at an abstract level, it means reviewing elapsed time. As an investor, this is my Simhavalokana for the year or for the listicle-minded - Ten (+1) things that Mr. Market taught me in 2024.

Investing experience can be a liability

In a roaring bull market, having an investment memory can be a handicap. In two decades as a professional investor, one has lived through business and economic cycles, shenanigans of unscrupulous promoters or companies that have held promise, but never delivered. I evaluated MakeMyTrip (MMYT) early in the year when the price was around USD 45 per share. I had assessed the company a few times over the past decade but had opted not to invest. What bothered me was that for over a decade, MMYT had reported negative EBITDA for all years except two. Irrational competition or weak consumer spending had proved to be the spanners in the works. In my internal note under the head 'credit where it is due', I acknowledged the turnaround in operating performance but assigned more weightage to my memory of weak, inconsistent profits. A 25-year-old without the baggage of the past, might have approached this differently. The stock is up over 130% for the year and when I narrated the story of this ‘miss’ to a friend, he sardonically replied “Dumbledores don’t make money in bull markets.”

Pay attention to changing industry structure

Over the last few years, many industries in India have consolidated; from cement, airlines to telecom. If one is early to catch on to this change, there is multi-year money to be made by investing in the survivors and share-gainers. The causes for consolidation can be varied; operating losses for inefficient players, weak Balance Sheets or regulatory changes but the resultant pricing power and improvement in return ratios are generally received warmly by investors. On the other hand, just because an industry is a duopoly does not guarantee handsome returns; ask Boeing and Airbus. (Chart 1, Pg. 22)

Mean reversion is never automatic

In the ‘risks’ section of their India reports, equity strategists have a chart showing the price-to-earnings (PE) premium of India over other Emerging Markets. At the beginning of 2024, this premium was quite elevated at 87% or about 1.5 standard deviations higher than the long-term average and the common refrain was that this metric has to mean revert i.e. the premium will shrink and head back towards the average. At the end of 2024, the premium is at the same level as the beginning of the year which means that the much-anticipated mean reversion has not happened. We have seen a starker expansion in the PE premium of the US markets to Rest of the World. Mean reversion does not happen mechanically; it needs a catalyst. Strong relative growth can lead to valuation premiums remaining elevated for a long time. (Chart 2, Pg. 22)

Climate Change versus Monetary Policy

Many emerging market economists began the year with expectations of sizable interest rate cuts. Central Banks had hiked rates in the preceding few years, inflation was cooling off and markets were anticipating an easing cycle. But food inflation had different plans. Extreme weather events led to large, unanticipated spikes in food prices causing headline inflation to remain stickier than forecast. Given the chunky weightage of food in most emerging market CPI indices, this factor could not be brushed away. In India too we learnt a new term; tomato-onion-potato (TOP) inflation and despite a cooling core inflation, the overall CPI remained sticky and we got no succor on rates. In a clash between climate change and a headline inflation-targeting monetary policy, the scales are tilted towards the former. (Chart 3, Pg. 23)

Instant gratification versus cold logic

During the pandemic, most families have had to shoulder a large, if not crippling, hospital bill for a loved one. This, I theorized, would create a strong demand for health and life insurance and companies selling these products would be beneficiaries of this trend. However, post FY22, the volume growth for such insurance products has barely been in high-single digit. This defies logic but the reason for the tepid growth is possibly psychological. Consumers feel that they do not get anything in return for paying a sizable health or life insurance premium – no shiny new Phone, no monthly SIP statement, not even a Insta-worthy vacation picture. The urge for instant gratification can sometimes defy the cold logic of risk mitigation.

Count your blessings

Taking your privileges for granted is human nature. It is only when you step back and broaden your gaze that you learn to count the blessings. A statistic that has confounded me, is that despite being the shining light of capitalism, the number of listed companies in the United States has steadily dwindled. Staying or going private may be a consequence of massive amounts of private capital that chases US companies. In India though, it's a blessing for the public market investor that start-ups aspire to be listed. This is borne out by the fact that the number of listed companies in India has gone up by almost 20% over the past decade. Also, for every one listed company with over half a billion dollars of revenue, there are almost two in the unlisted space. The combination of listing aspirations and a large reservoir of reasonably-sized corporates can only bode well for the future depth and breadth of public markets.

Look for bad macro news

Argentina. Pakistan. Sri Lanka. China. What's common to all these countries? Of late, you have probably read only bad macro and political news about all of them. Yet, even after adjusting for local currency depreciation, their indices have done exceedingly well in 2024. Even Germany, which seemed to be at the epicenter of all that was going wrong for Europe had its benchmark DAX index climb to an all-time high in December. If dire news about a country has been making the headlines for a while, odds are that the markets have already bottomed.

Do not fixate on events

Investors tend to fixate on the outcomes of events like an important election or a monetary policy meeting. There is a strong itch to rejig your portfolio in anticipation to what you think will be the outcome. This is a mug's game because for you to make money from an event, you have to get two things simultaneously right; the outcome of the event and more importantly, the market reaction to that outcome. Let's assume that on the eve of India's general election results you had the clairvoyance of seeing 240 seats for Bhartiya Janta Party. The portfolio tinkering itch would have made you sell down your holdings or buy large amounts of portfolio protection or add defensive consumer staples names. That would have meant that you lost out on over 15% NIFTY returns in the next three months or your portfolio was saddled with what proved to be the worst-performing sector for the rest of the year.

Beware the IPO

Of late, India has seen a spate of IPOs; 263 to be precise, since April 2019. An IPO, especially with a strategic investor or promoter selling stake, is a lopsided transaction. In effect, it matches up a very knowledgeable and motivated seller with an almost naïve buyer. Data from IIFL Equities analyses the performance of IPOs that listed during the five years from April 2019 till March 2024 and concludes that on average, if you bought the newly listed shares on the day after listing, you underperformed the respective sectoral indices by over 1% and if the IPO involved a selling strategic investor, the underperformance widened to almost 5%. Simple message – on average, bulk of an IPOs outperformance is captured on listing day. Post that, it's a hard grind. Also, it is worth noting that these middling performance numbers are despite the strong market uptrend of the past five years.

The FII flow obsession

Foreign Institutional (FII) flows to India or the lack of them caused a lot of hand-wringing and theorizing in 2024. In fact, accounting for the YTD outflow of about USD 14 billion, FIIs have cumulatively invested nothing in Indian secondary market since 2019. Even after considering their primary investments in IPOs, QIPs etc., the cumulative inflow over the last four years is only USD 6 billion or about 2-3 months' worth of SIP inflows. It is perplexing that this has happened in the backdrop of exceptionally strong earnings growth for corporate India, a stable macro setting and robust domestic flows leading to strong market performance. But to answer the frustrating question "What do the FIIs want?" it may be useful to step into the shoes of the global asset allocator. The most important fact of her life in the last few years has been the upward march of US markets resulting in its unprecedented weight in the MSCI ACWI (67%) and MSCI World index (74%). These are the benchmarks that most global asset allocators are measured against. India, by comparison, has about 2% weight in both the indices. All across the globe, one can almost hear a whooshing sound of capital rushing back to the US. What FII asset allocators want, like all of us, is to keep their jobs and that leads to a behavior that Charlie Munger observed "Show me the incentive and I'll show you the outcome." (Chart 4, Pg. 24)

The Man in the Arena

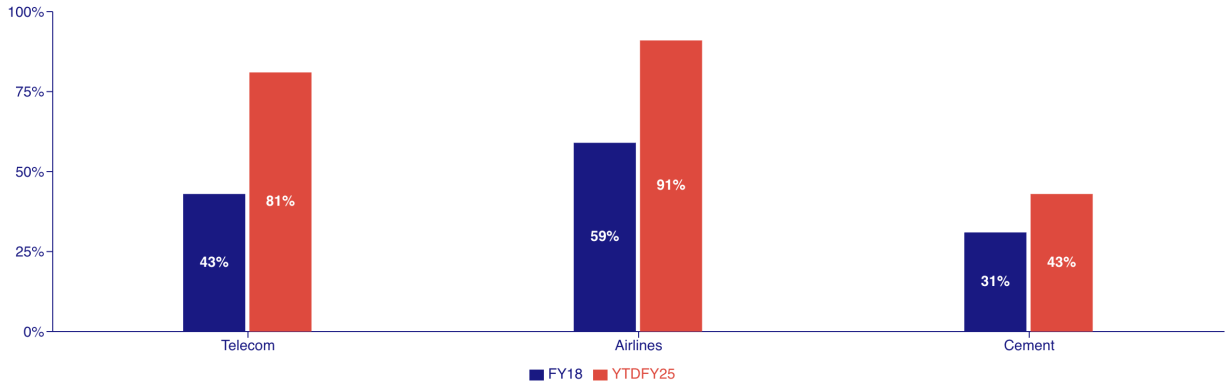
Investing, at the end of the day, involves a leap of faith. Warren Buffett advises us to avoid leaping over 7-foot bars but to try and find 1-foot bars that you can easily cross over. But the fact that, you will have to make a jump is unavoidable. Most times, you will be doing it amidst a cacophony of unsolicited advice, the chatter of your inner fears or even relentless heckling. It's only natural that sometimes you will end up making an investing mistake. But when you feel downcast by errors or when the inner and outer din seems unbearable, I urge you to remember what Theodore Roosevelt said "It is not the critic who counts: not the man who points out how the strong man stumbles or where the doer of deeds could have done better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood, who strives valiantly, who errs and comes up short again and again, because there is no effort without error or shortcoming, but who knows the great enthusiasms, the great devotions, who spends himself in a worthy cause; who, at the best, knows, in the end, the triumph of high achievement, and who, at the worst, if he fails, at least he fails while daring greatly, so that his place shall never be with those cold and timid souls who knew neither victory nor defeat." Just the fact that you choose to be in this riveting arena of investing, is worthy of admiration.

Happy investing fellow travelers! I wish you a great 2025.

Swanand Kelkar is Managing Partner at Breakout Capital Advisors and specializes in Emerging Markets investing.

#A version of this article was originally published in Mint on December 27, 2024.

CHART 1 - SOME INDUSTRIES IN INDIA ARE NOW A DUOPOLY

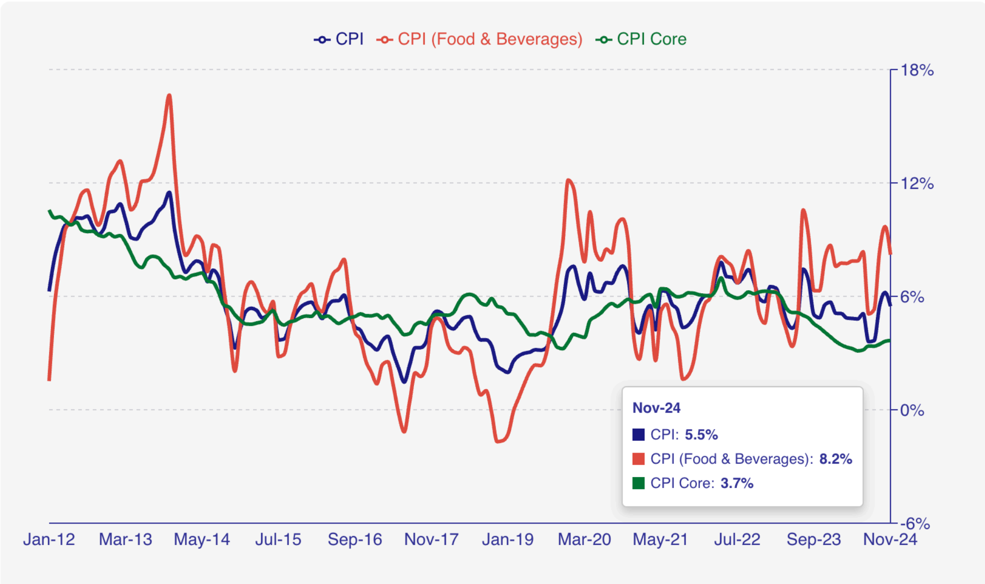


Note : We have used F26 numbers for Cement as Ultratech will consolidate India Cements in F26. The deal has already gone through

CHART 2 - IN 2024, INDIA'S PRICE-TO-EARNINGS PREMIUM OVER OTHER EMERGING MARKETS HASN'T SHRUNK

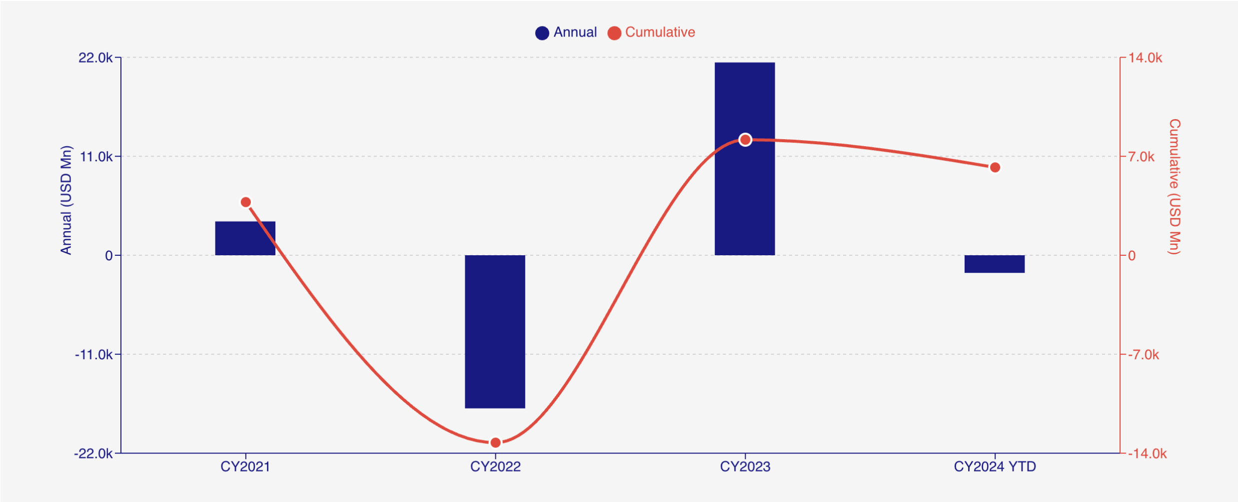
Source - Bloomberg

CHART 3 - DESPITE A COOLING CORE INFLATION, INDIA'S OVERALL CPI REMAINED STICKY



Consumer Price Index (CPI): Base Year 2012

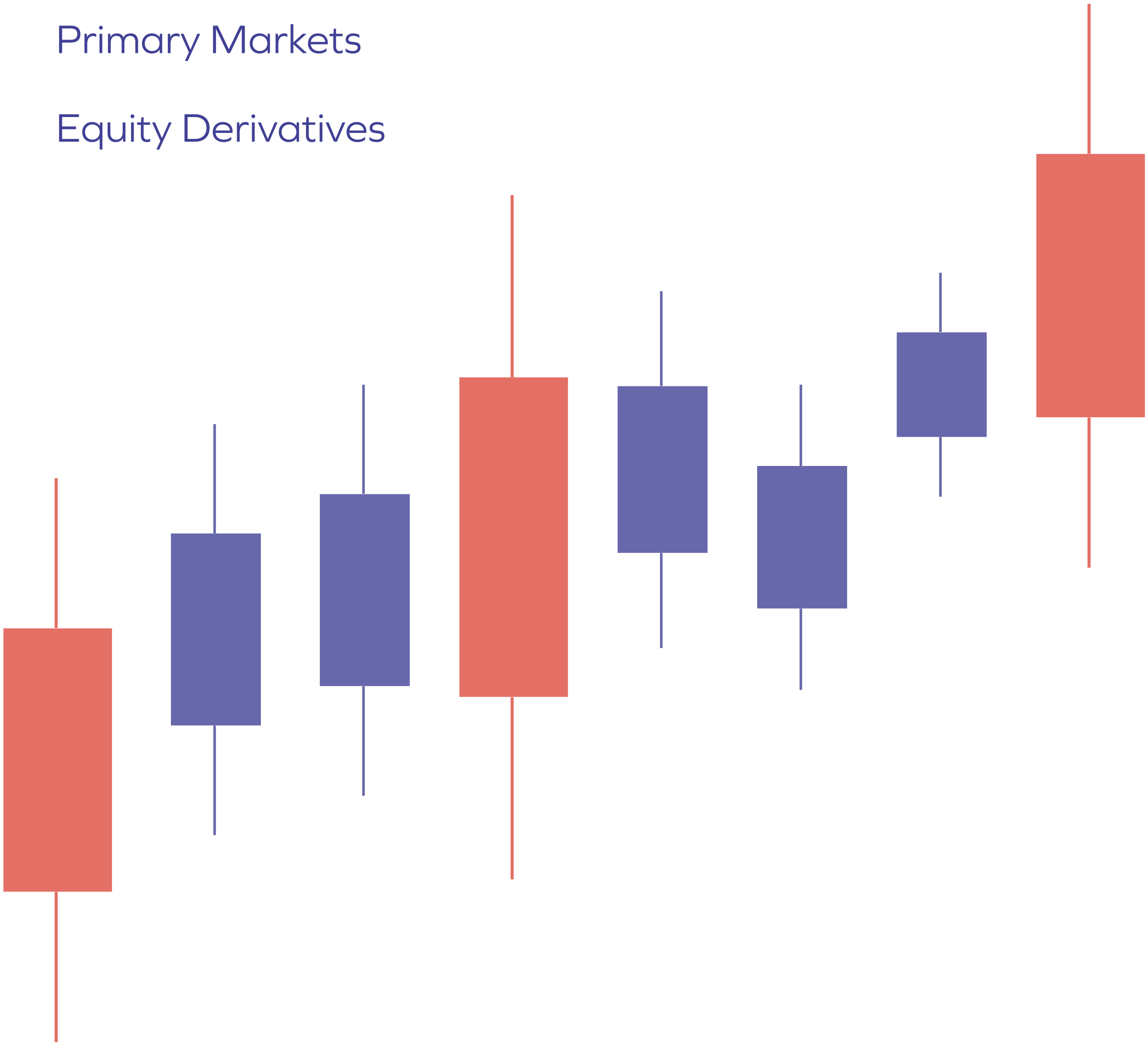
CHART 4 - THE CUMULATIVE INFLOW FROM FIIS OVER THE LAST FOUR YEARS IS ONLY $6 BILLION



Source : Kotak Institutional Equities, Bloomberg, YTD Data as at Nov 28, 2024

4. Equity Markets

- **Cash Equities**
- Primary Markets
- Equity Derivatives



KEY STATISTICS OF BSE AND NSE

Indicator	2019	2020	2021	2022	2023	2024
BSE						
- Number of Companies listed*	5,352	5,454	5,327	5,428	5,230	5,396
- Average number of companies traded	3,432	3,523	3,744	3,930	4,017	4,199
- Average Trade Size (₹)	22,013	17,734	19,020	15,316	17,448	19,856
- Average Monthly Turnover (₹ crore)	55,028	73,698	115,205	93,557	102,997	183,785
NSE						
- Number of Companies listed*	1,955	1,962	2,053	2,168	2,370	2,673
- Average number of companies traded	1,870	1,886	1,975	2,133	2,381	2,920
- Average Trade Size (₹)	28,801	31,672	31,605	28,192	29,149	29,891
- Average Monthly Turnover (₹ crore)	699,403	1,127,535	1,433,738	1,174,010	1,362,646	2,417,792

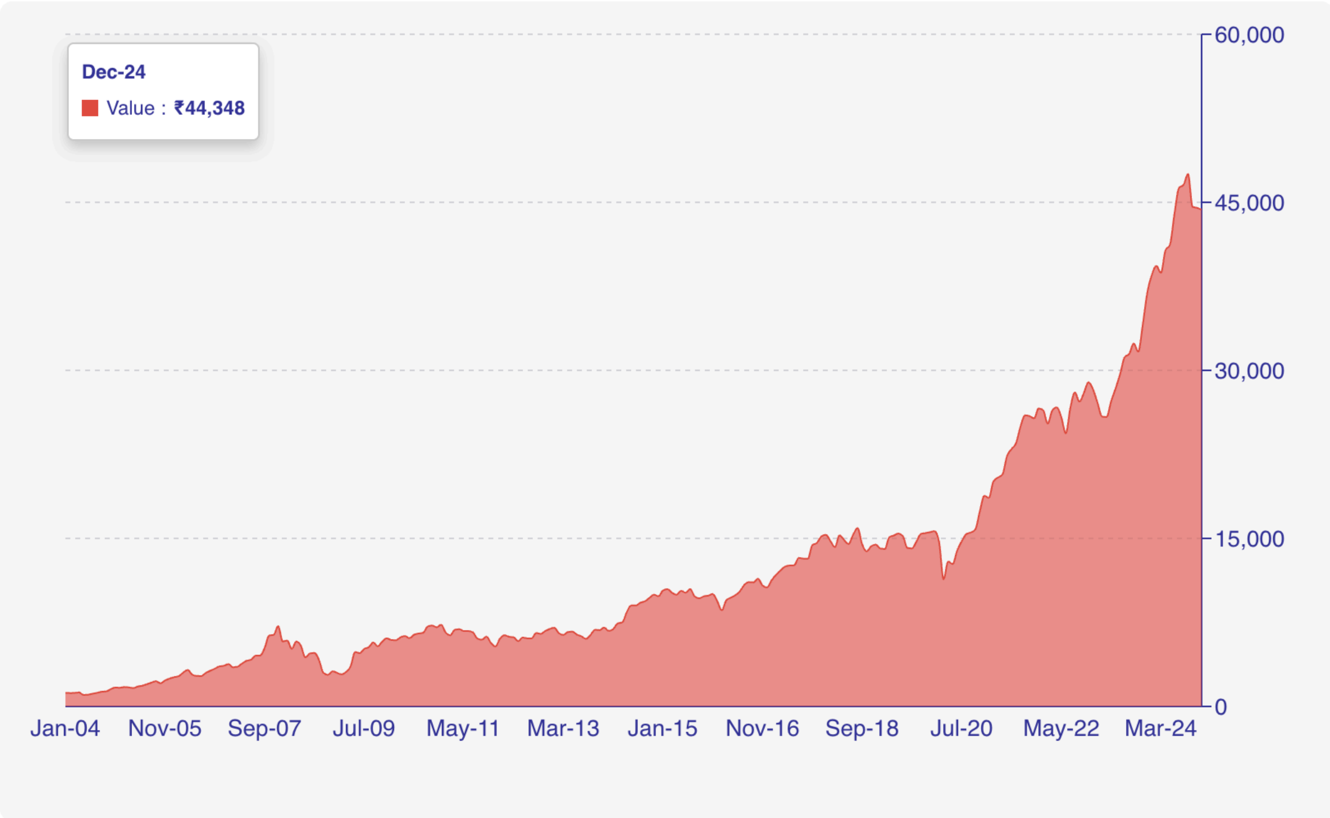
Source: BSE, NSE, SEBI

*Note: Number of companies listed data is as of the end of the period

No matter what metric related to the cash market you look at, the lines slope upward. Thanks to the massive influx of new retail investors, there has been a significant jump in turnover. This activity is reflected in the number of companies that trade. This jump can be attributed to the speculative mania which always favors small and micro-cap stocks, that otherwise wouldn't trade.

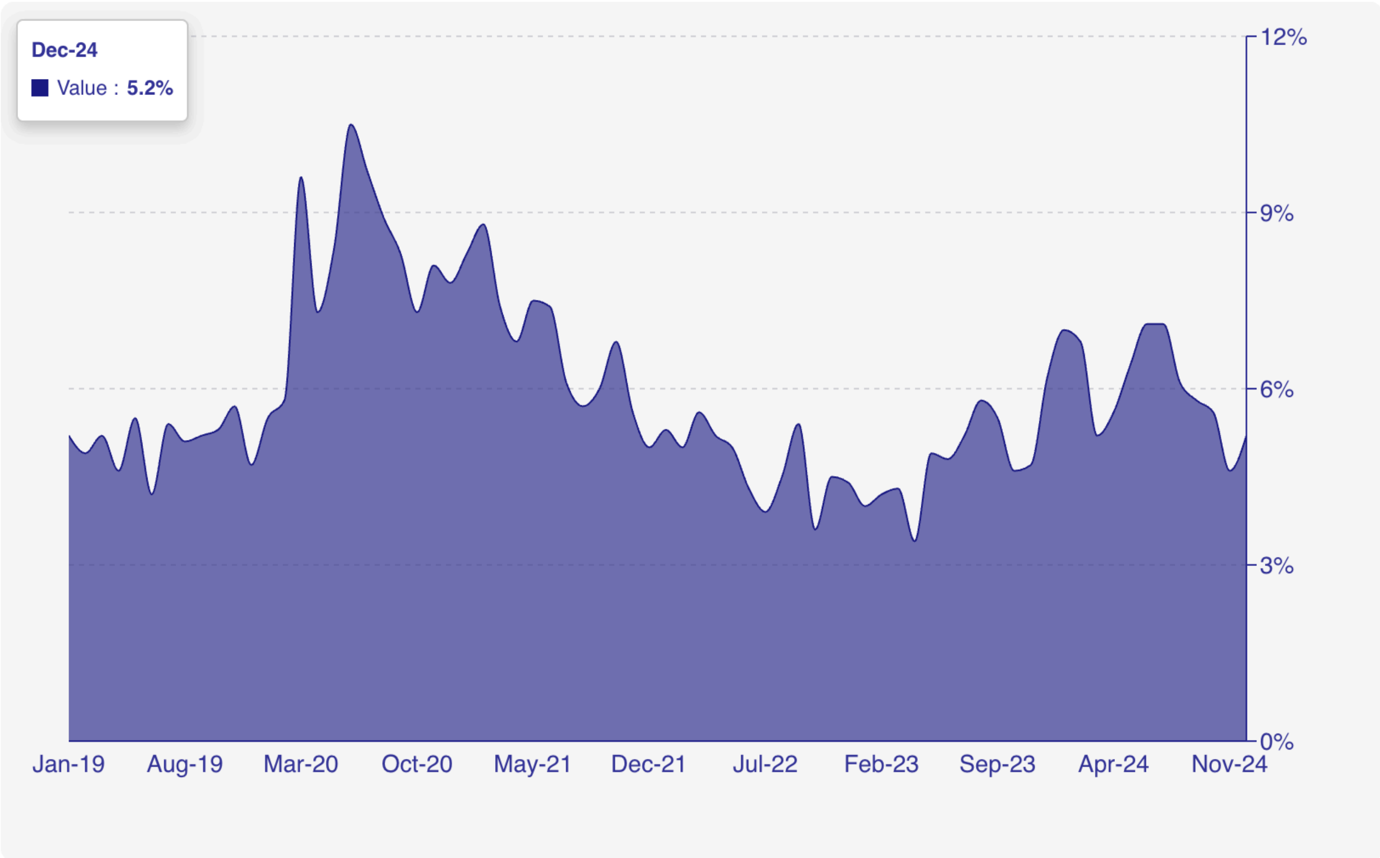
TOTAL MARKET CAPITALIZATION OF ALL EQUITIES LISTED ON BSE

(₹ '000 Crores)



Source: BSE

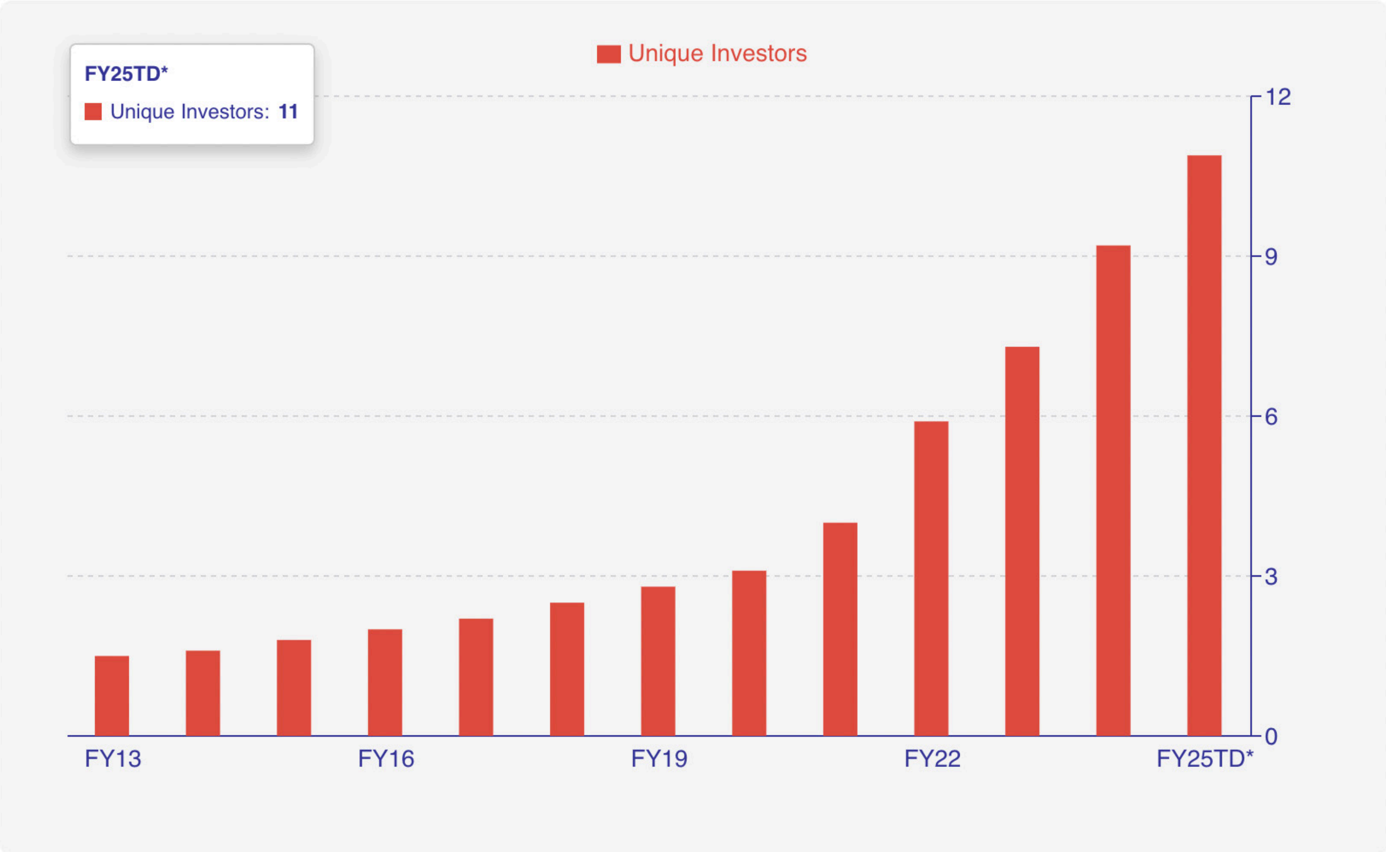
MONTHLY CASH MARKET TURNOVER OF BSE AND NSE TO MARKET CAP RATIO (%)



Source: BSE

GROWTH OF UNIQUE INVESTORS ON NSE

(In Crores)



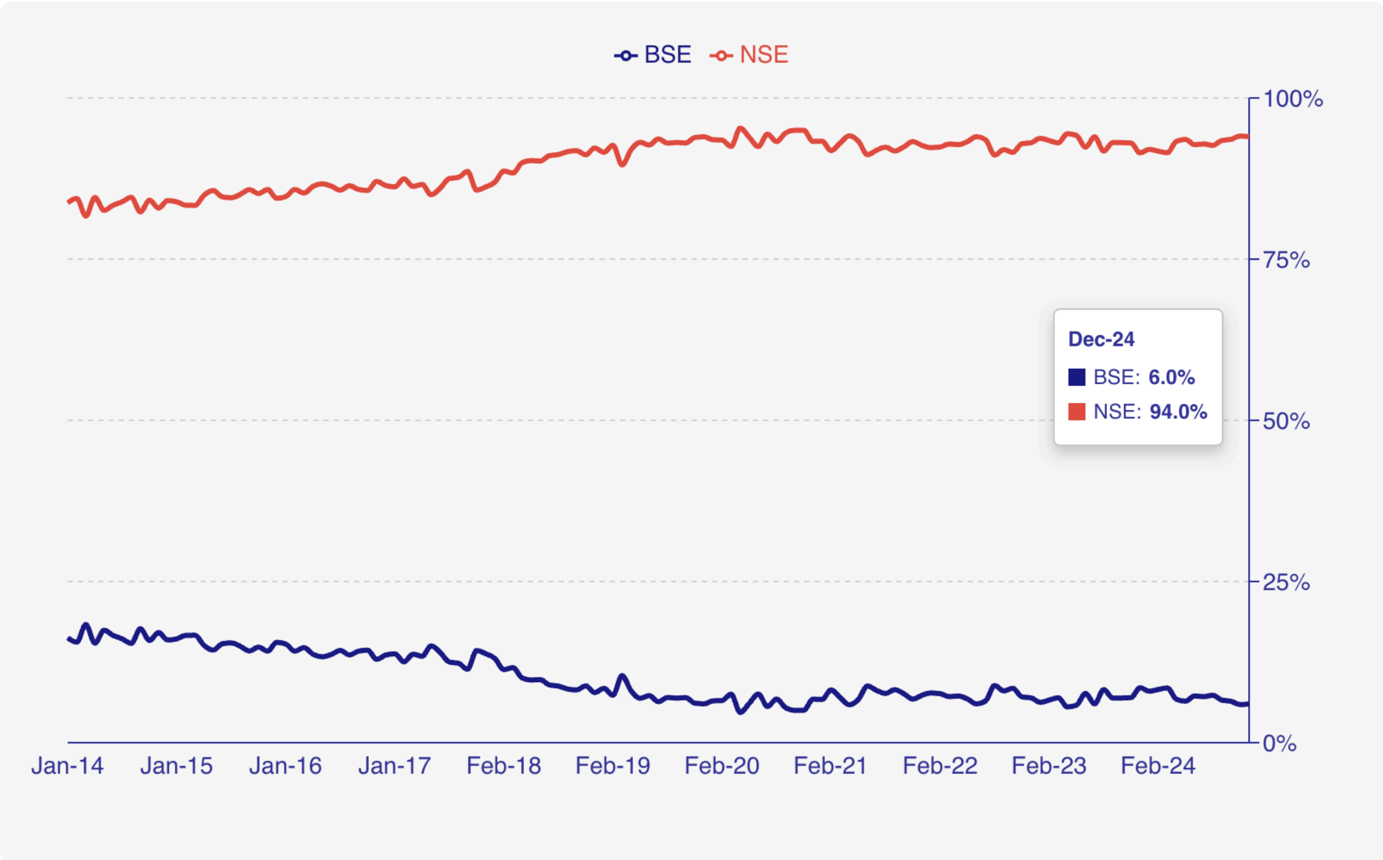
Source: NSE

Unique investors by PAN

*As of December

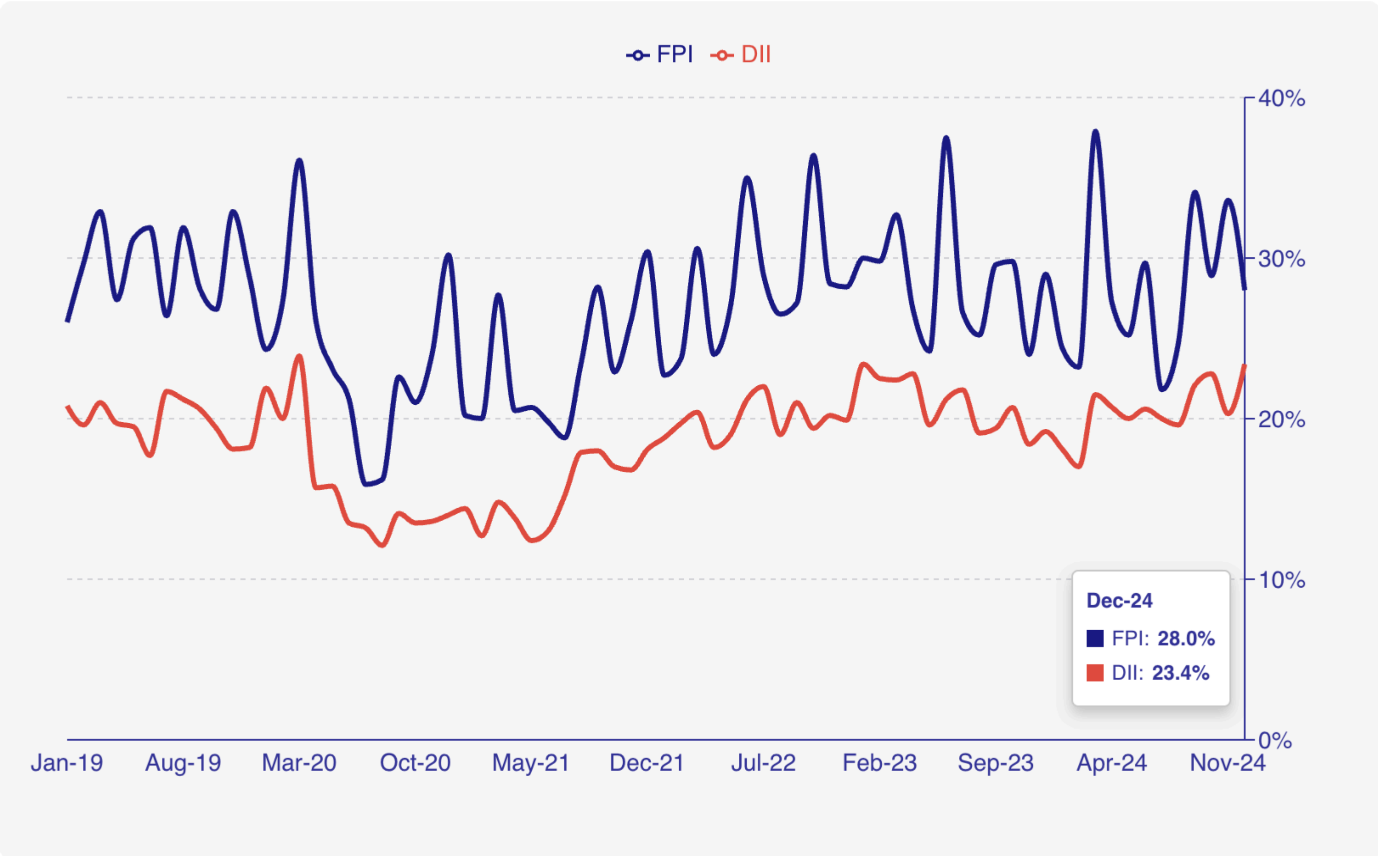
It took 8 years, from 2013 to 2020, for the number of unique investors to double. The next doubling took only about 3 years. This perhaps is one of the best metrics that captures the stunning expansion of the Indian capital markets after 2020. As of writing this caption, the unique investor base has crossed 11 crores. Considering the markets have fallen since October 2024, the pace of new investor addition has slowed.

MARKET SHARE DISTRIBUTION OF EXCHANGES (%)



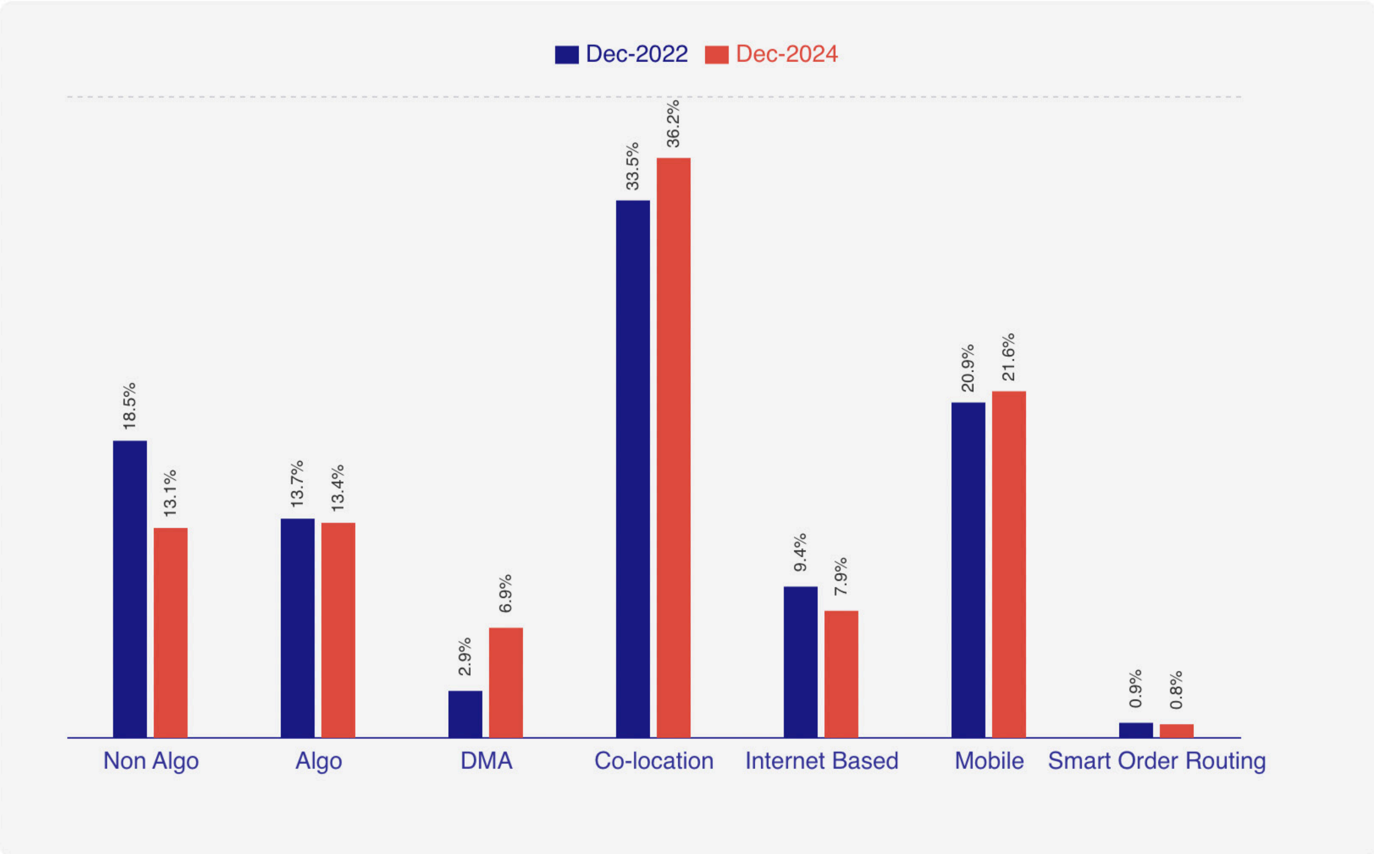
Source: BSE, NSE, SEBI

MARKET SHARE OF FOREIGN PORTFOLIO INVESTORS (FPI) AND DOMESTIC INSTITUTIONAL INVESTORS (DII) IN TOTAL TURNOVER (%)



Source: BSE, NSE, SEBI

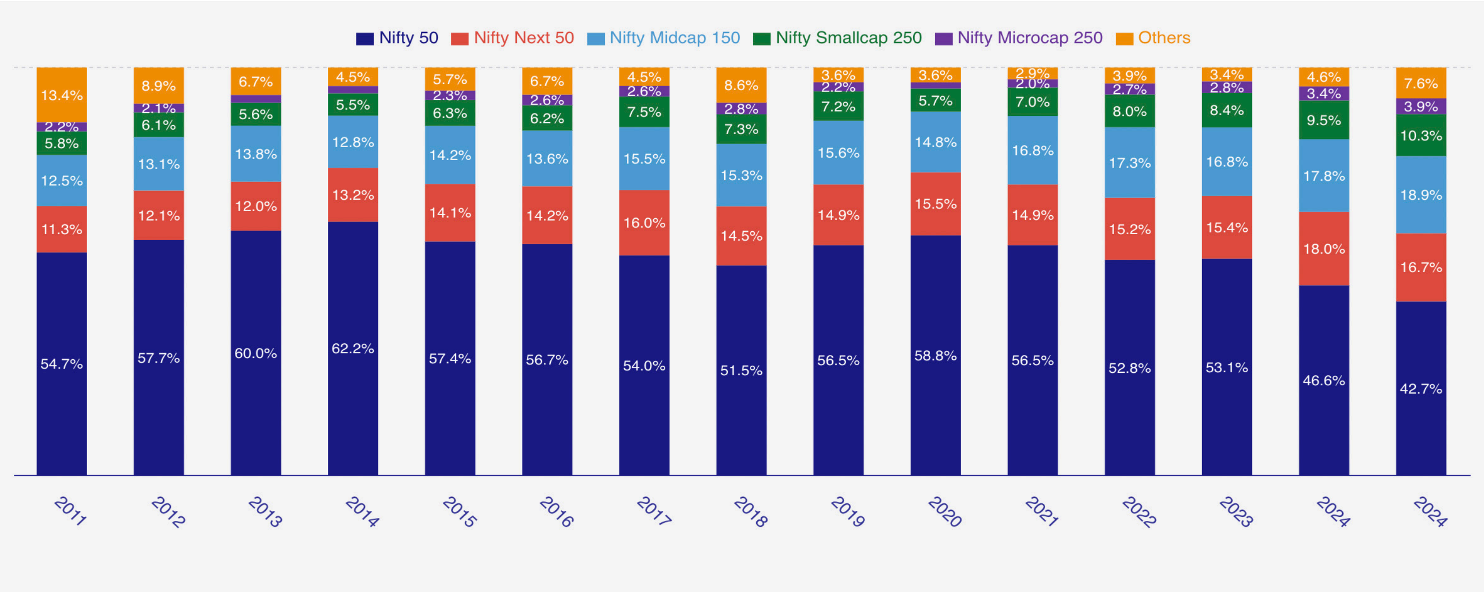
DISTRIBUTION OF TURNOVER BY CHANNELS OF TRADING (%)



Source: NSE

Note: The data is of December 2022 and December 2024

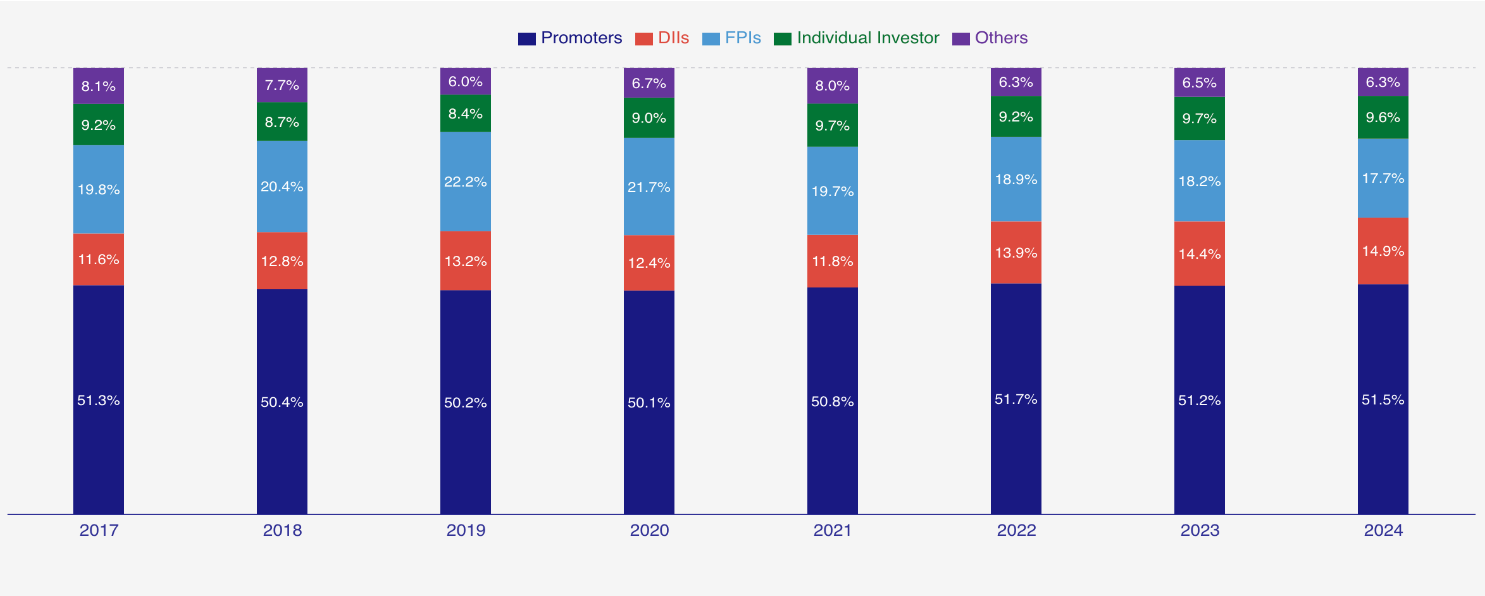
MARKET CAP DISTRIBUTION OF NSE INDICES (%)



Source: NSE

One can confidently say the Indian market is relatively less narrow and less illiquid now than ever before. There has been a broad-based increase in market capitalization of companies outside the Nifty 50.

OWNERSHIP PATTERN OF NSE LISTED COMPANIES (%)



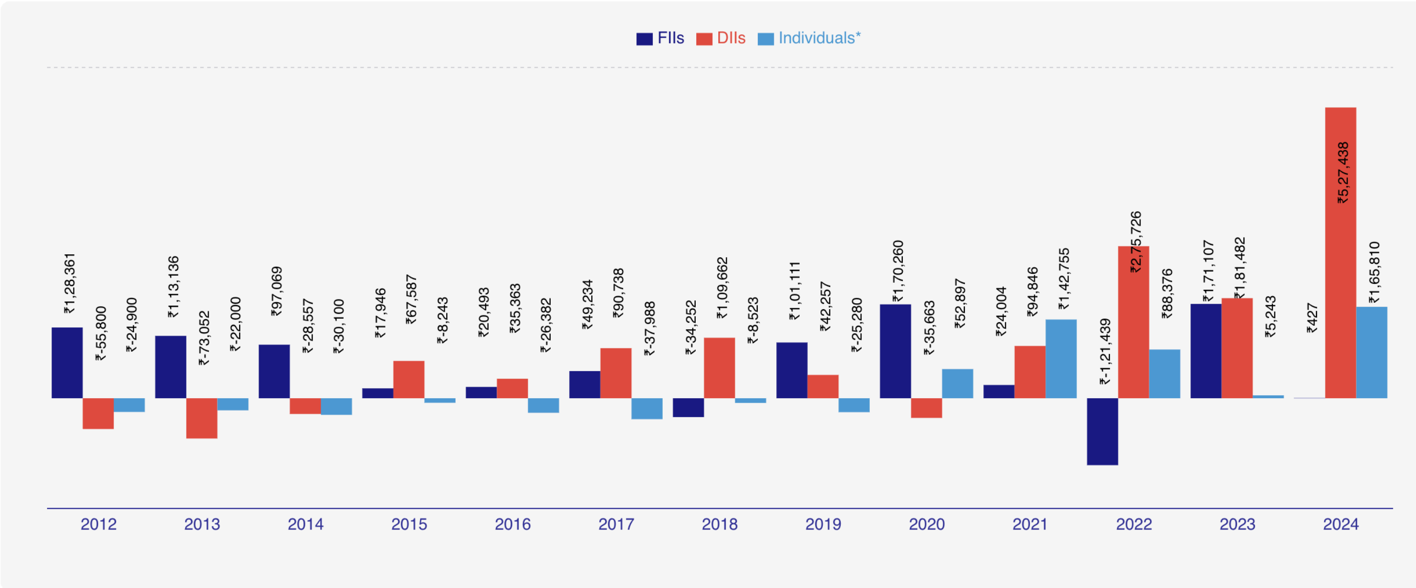
Source: NSE

Note: Promoters include Private Indian, Govt and Foreign Promoters. DIIs include domestic mutual funds, banks, insurance and other financial institutions. Others include Non-promoter Corporates, Trusts, ADR/GDR etc

The ownership of Indian equities by foreign institutional investors (FIIs) is at the lowest level since 2013 and that of domestic institutional investors (DIIs) is at an all-time high. This is to say that all the selling has more or less been absorbed by mutual funds, insurance companies, etc. The ownership of direct equities by individual investors has more or less remained flat but it has gone up indirectly through mutual funds.

NET SECONDARY MARKET EQUITY FLOWS

(₹ Crores)

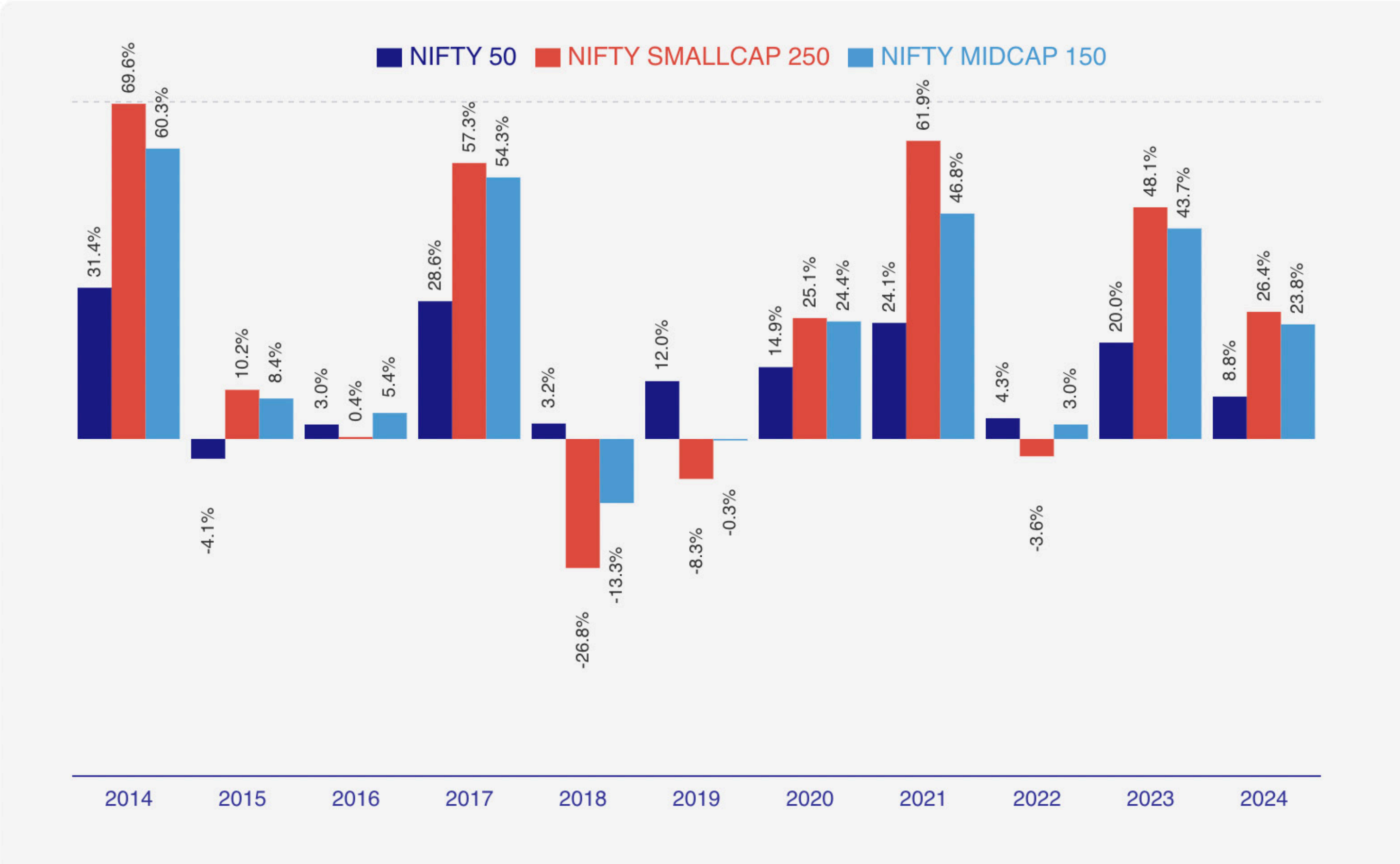


Source: NSE

*Note Data for Individuals pertains to NSE only

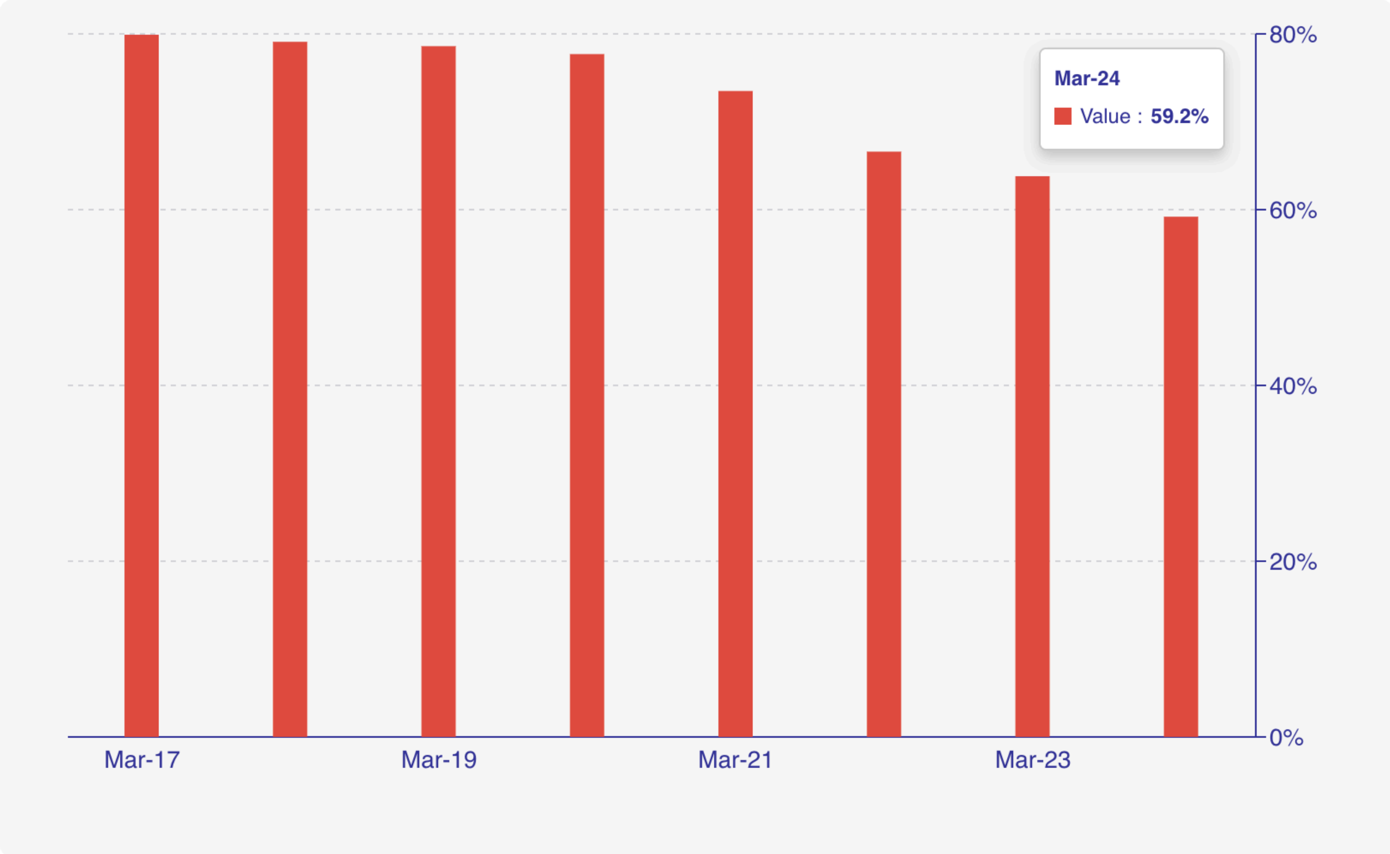
Individual investors were net sellers of direct equities since 2012 but have been net buyers since 2020. For the first time in a long time, there was a big jump in net flows from both DIIs and individual investors after 2020.

ANNUAL PERFORMANCE OF NIFTY (%)



Source: NSE

UNIQUE DEMAT ACCOUNTS AS PERCENTAGE OF TOTAL DEMAT ACCOUNTS (%)

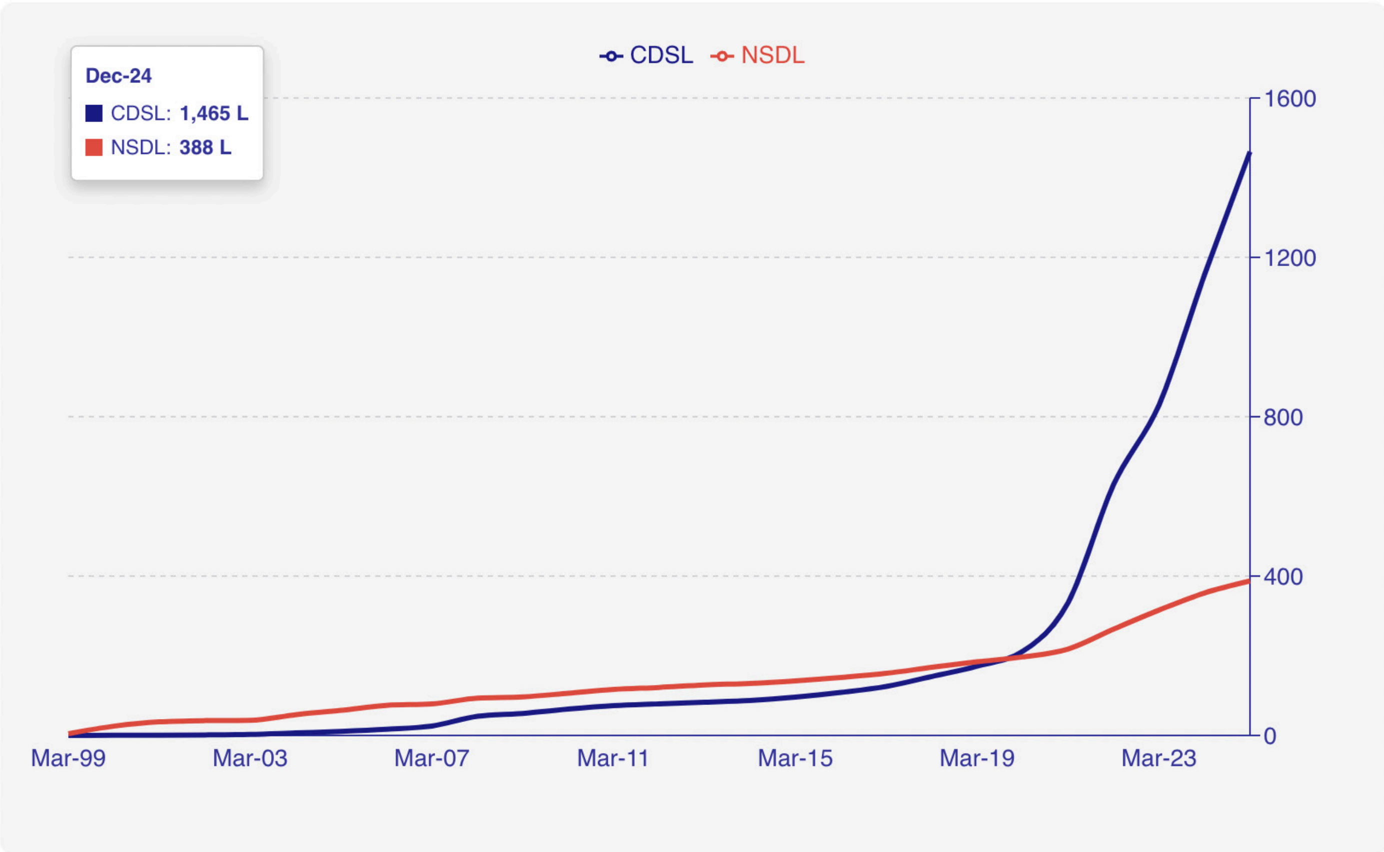


Source: SEBI

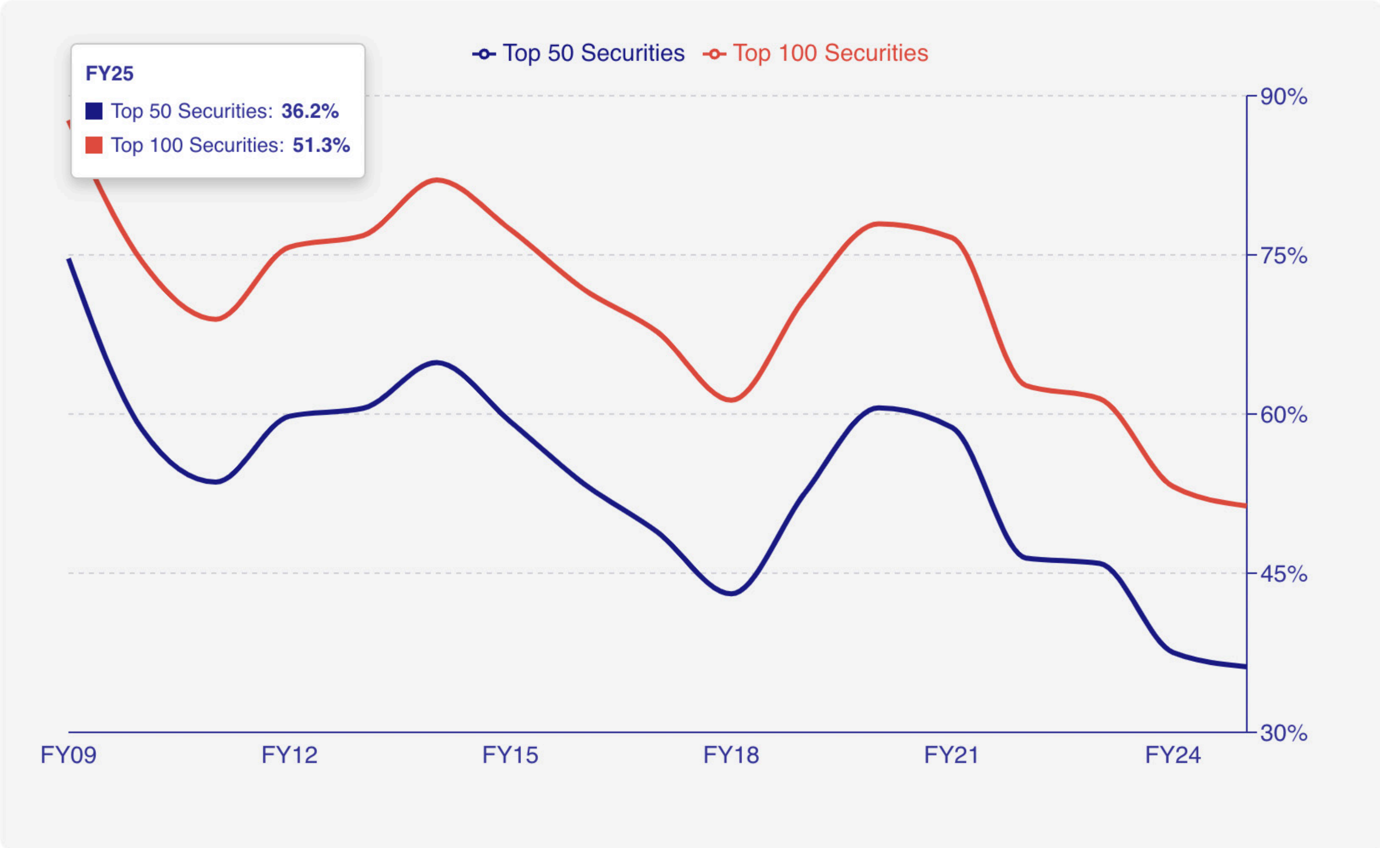
After 2020, there's been a significant increase in the number of investors with multiple demat accounts. Good data on unique demats isn't available, but as of the last available data, which is March 2024, there were 9 crore unique demats. It's safe to say that the number will be close to the number of unique investors, which stood at 11 crore. The remaining will be mutual fund investors and investors who hold shares in paper form.

GROWTH OF DEMAT ACCOUNTS

(Lakhs)

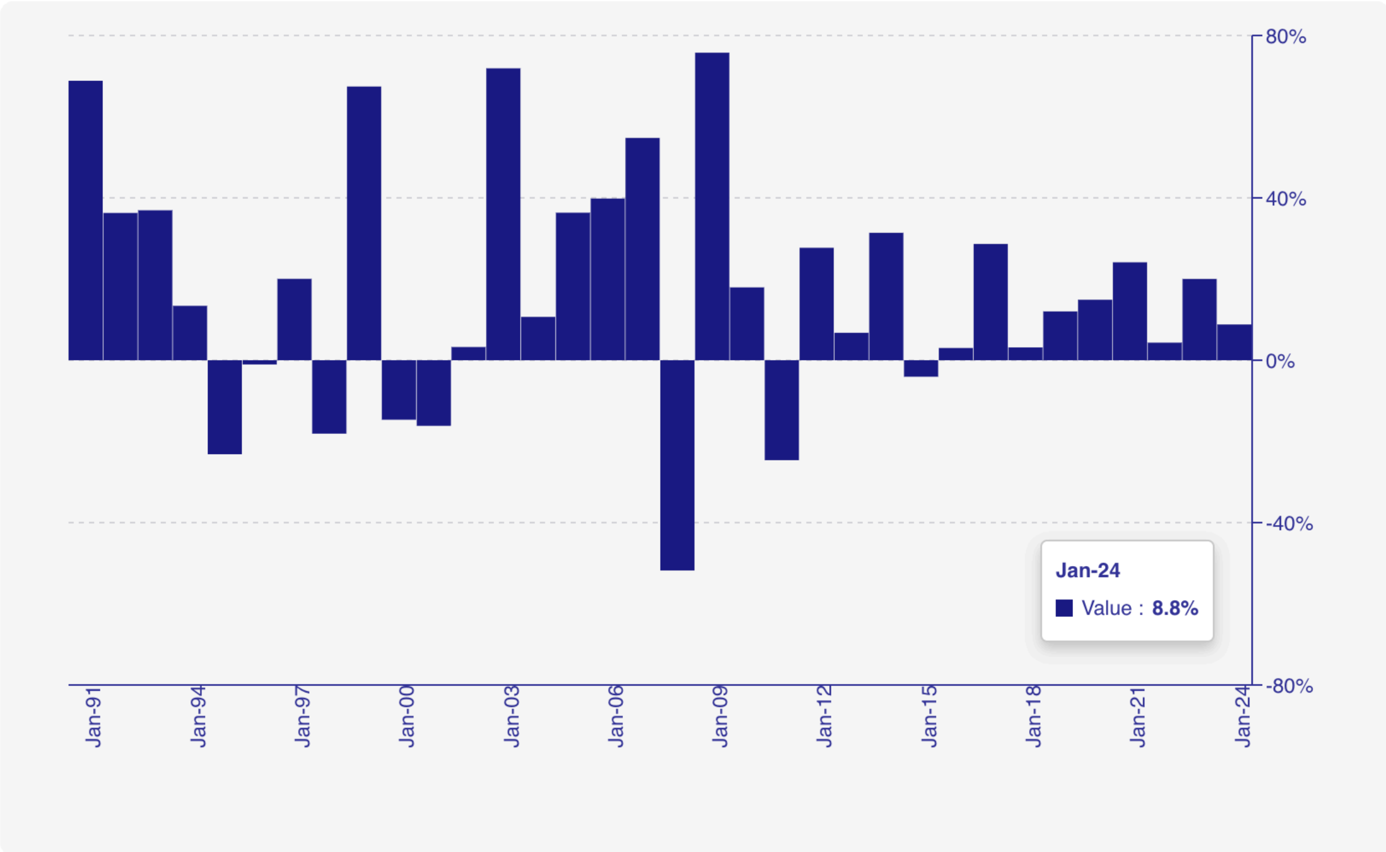


CONTRIBUTION OF TOP 50 AND 100 STOCKS TO NSE CASH MARKET TURNOVER (%)



Source: SEBI
Data for FY25 is till December 2024

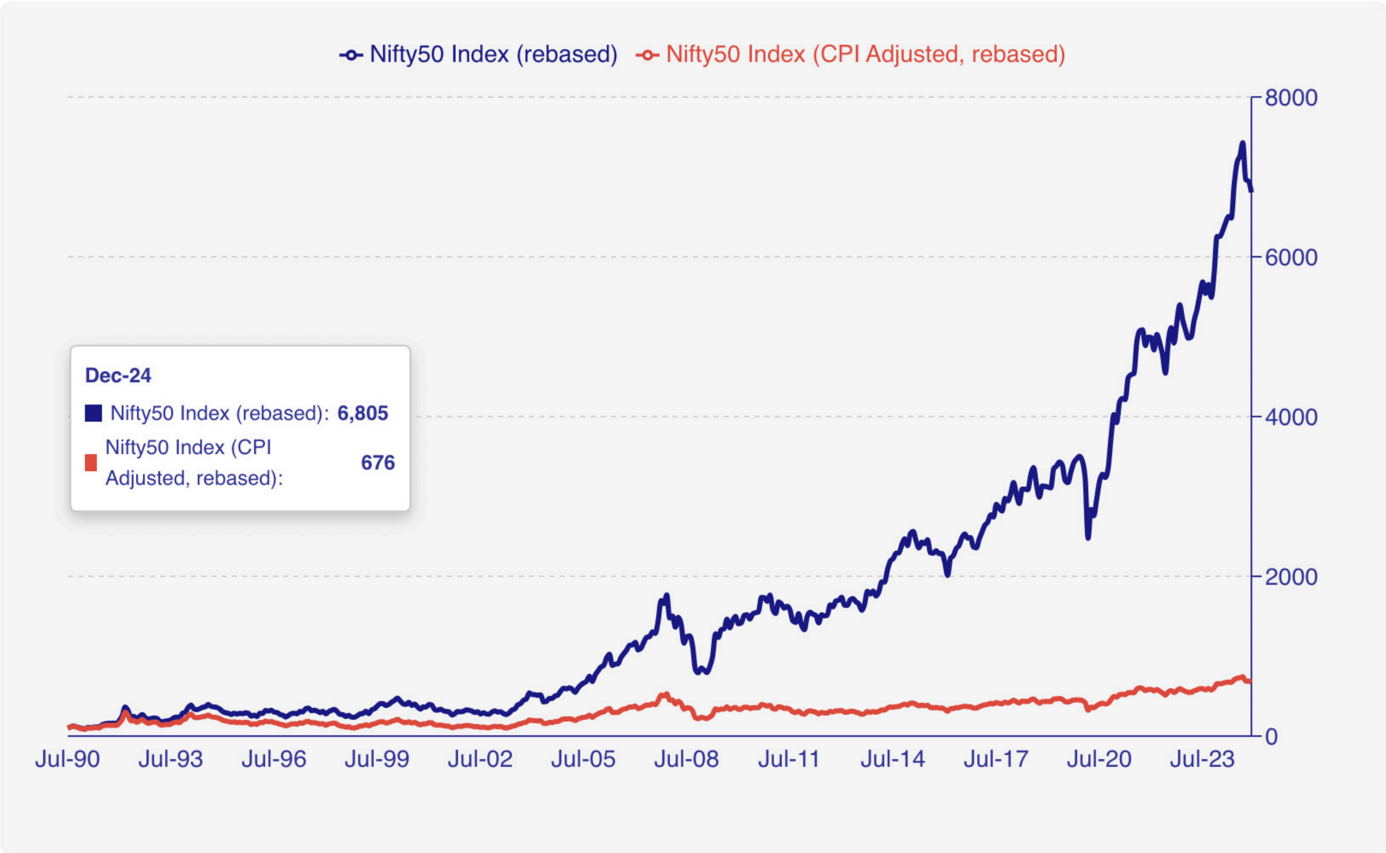
LONG-TERM PERFORMANCE OF NIFTY 50 (ANNUAL RETURNS %)



Source: NSE

NOMINAL AND INFLATION-ADJUSTED PERFORMANCE OF NIFTY 50

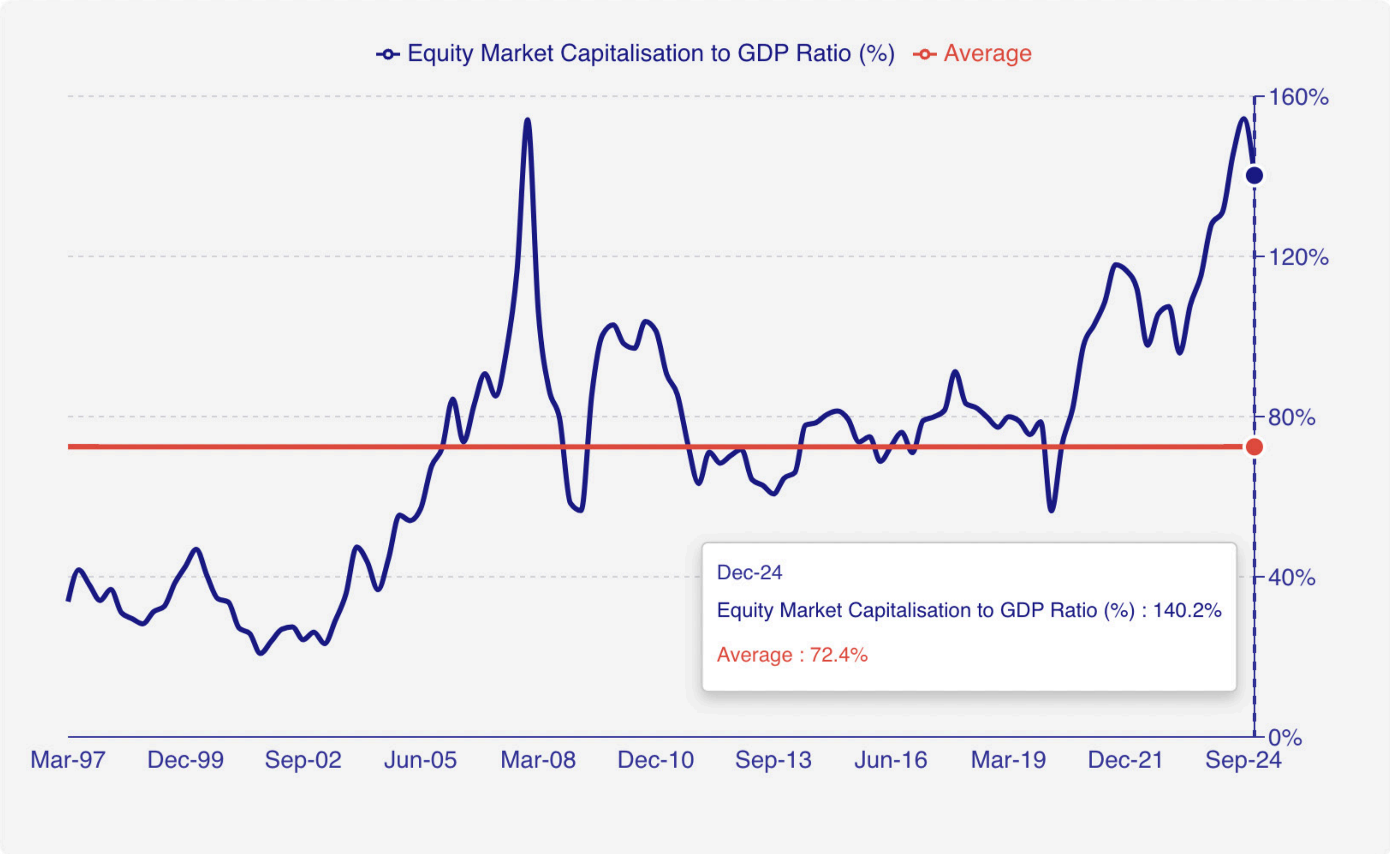
(Rebased)



Source: SEBI, CDSL, NSDL

From a long-term perspective, Inflation is the biggest drain on investment returns and the above chart demonstrates that. Between July 1990 to December 2024 while the Nifty Index has increased by 68 times, adjusted for Inflation, the Nifty Index has increased a relatively modest 6.8x.

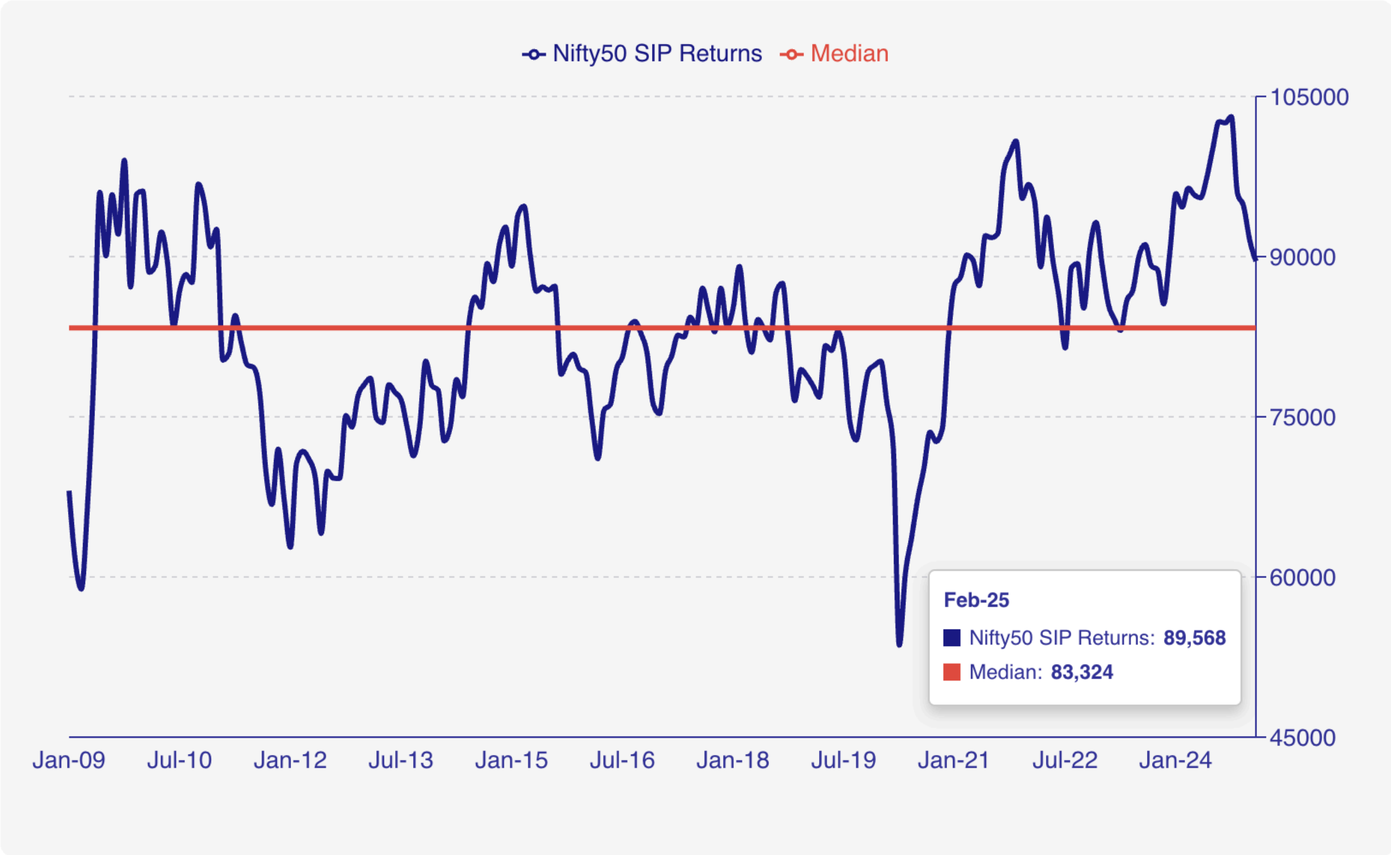
MARKET CAPITALIZATION TO GDP RATIO (%)



Source: BSE, MOSPI, IDH Calculations

Note: Nominal GDP is on a 4-quarter rolling basis and uses the quarterly Blended series from IDH which combines the data across different base years

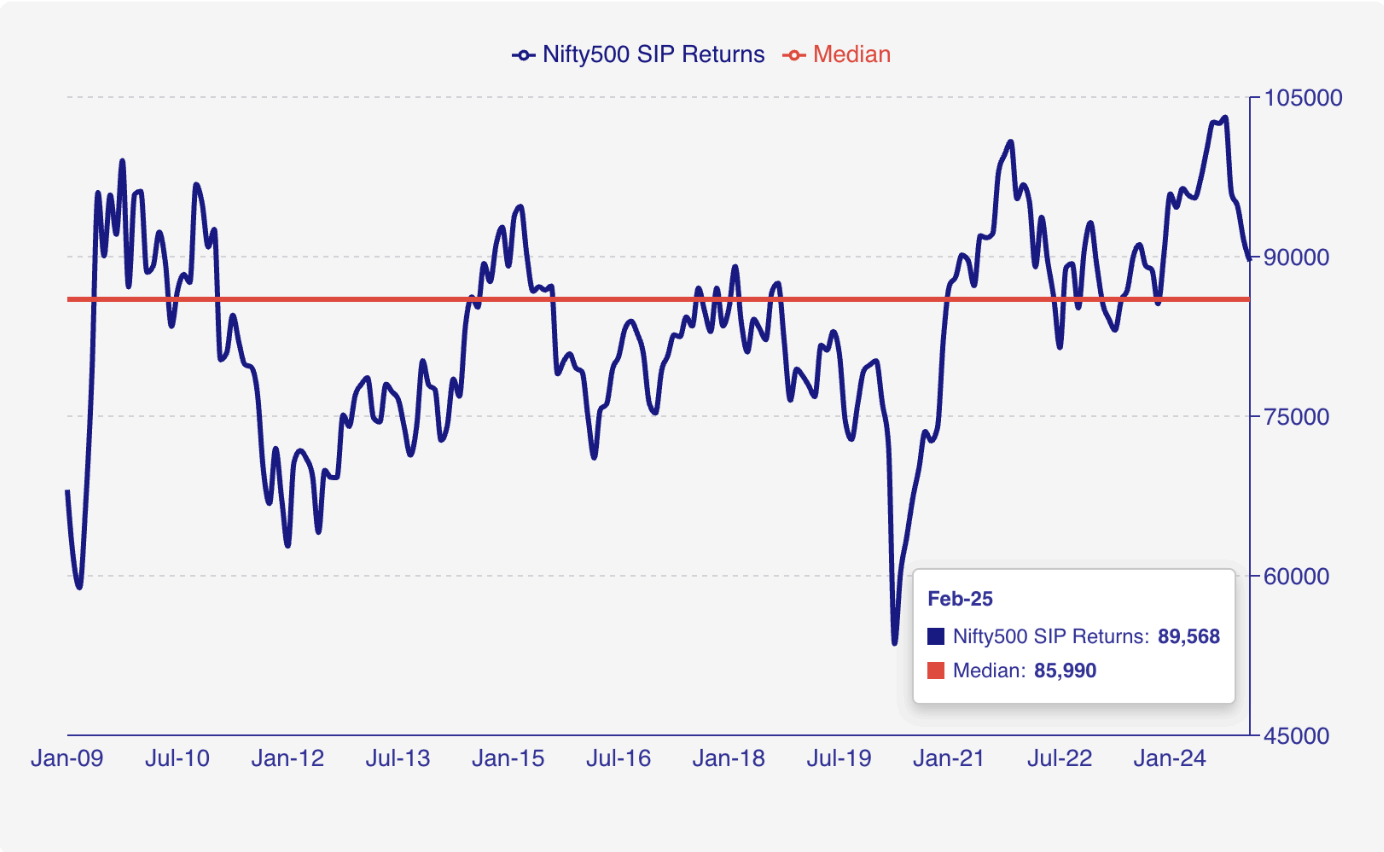
SIP RETURNS OF NIFTY 50



Source: NSE, IDH Calculations

Note: The chart above simulates the maturity value of a 5-year SIP invested in the Nifty50 Index on a rolling basis. The SIP assumes a fixed sum of ₹1000 contributed every month for a 5-year period at the start of the month and uses the Nifty50 Total Return Index to calculate the return. The median maturity value of a SIP that invested ₹1000 each month for 5 years is ₹83000.

SIP RETURNS OF NIFTY 500

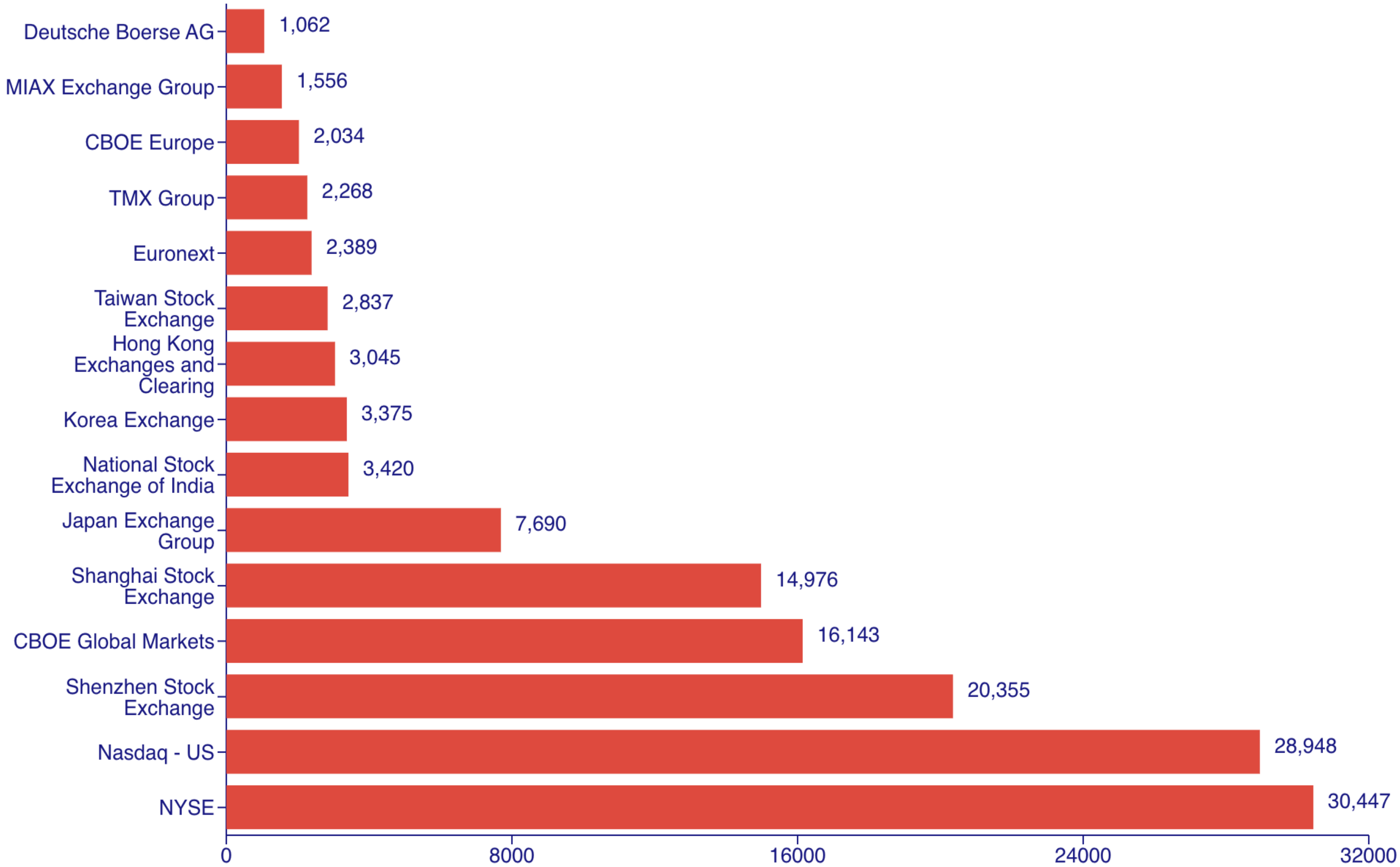


Source: NSE, IDH Calculations

Note: The chart above simulates the maturity value of a 5-year SIP invested in the Nifty500 Index on a rolling basis. The SIP assumes a fixed sum of ₹1000 contributed every month for a 5-year period at the start of the month and uses the Nifty500 Total Return Index to calculate the return. The median maturity value of a SIP that invested ₹1000 each month for 5 years over the past 15 years is ₹86,000.

GLOBAL RANKING OF MAJOR EXCHANGES BY TRADED VALUE

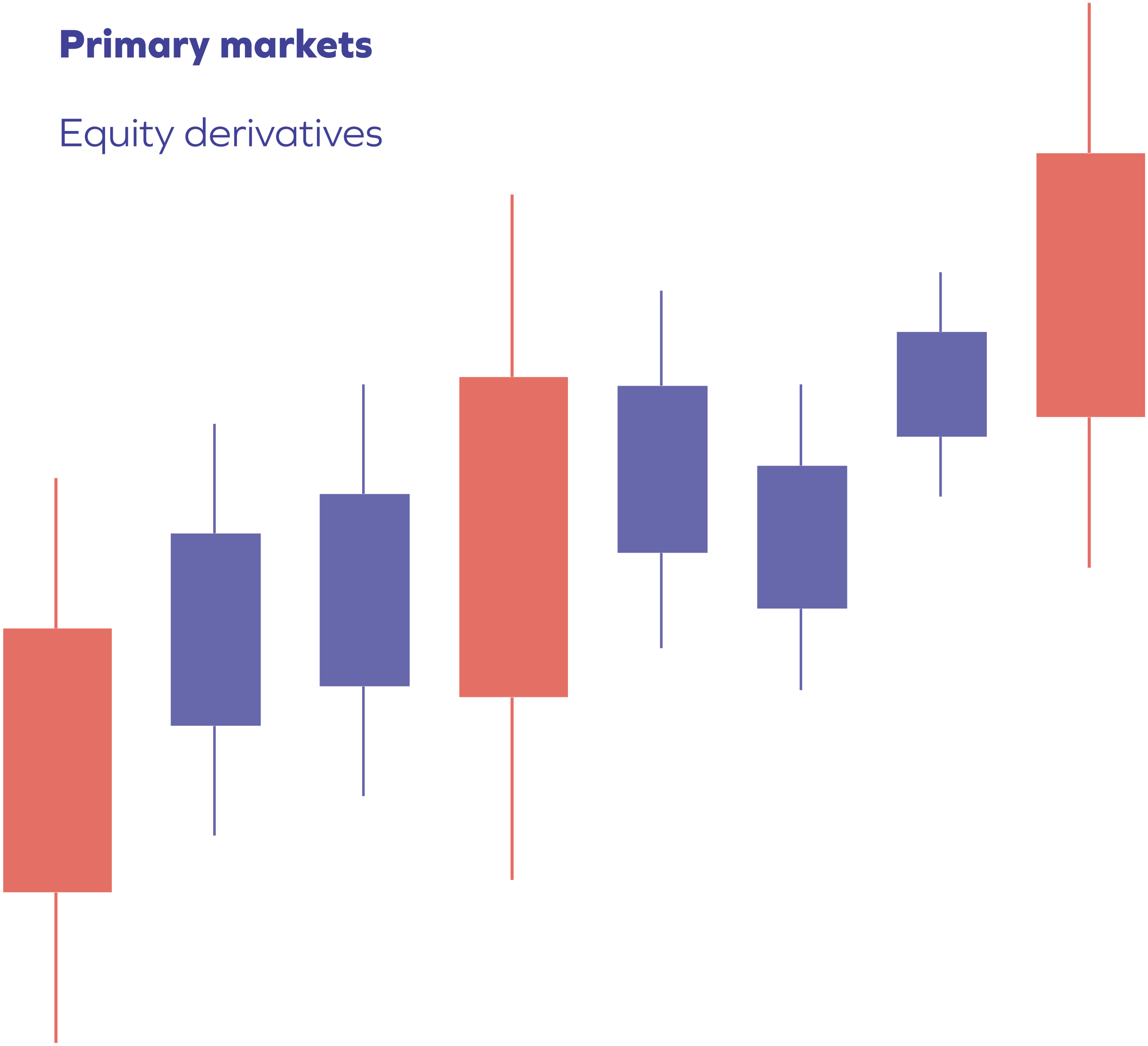
(2024, US$ billion)



Source - World Federation of Exchanges

4. Equity Markets

- Cash Equities
- **Primary markets**
- Equity derivatives



KEY PRIMARY MARKET STATISTICS

Category	2019	2020	2021	2022	2023	2024
Number of Issues						
IPOs	66	44	119	146	238	335
- Mainboard	15	13	68	39	59	90
- SME	51	31	51	107	179	245
Rights Issues	15	20	33	55	81	126
FPOs	11	2	0	2	0	3
QIPs	12	26	34	14	44	101
Preferential Allotments	267	228	339	428	612	952
Total Equity Issues	**371**	**320**	**525**	**645**	**975**	**1,517**
Amount Raised (₹ Crores)						
IPOs	13,023	26,514	119,790	60,920	54,582	168,919
- Mainboard	12,350	26,312	119,049	58,981	49,759	159,524
- SME	673	203	741	1,939	4,822	9,395
Rights Issues	51,561	64,711	28,388	4,643	9,736	25,453
FPOs	8,128	15,025	-	4,315	-	18,177
QIPs	35,749	88,194	40,829	11,743	54,428	141,312
Preferential Allotments	167,123	56,961	59,109	75,956	61,472	75,444
Total Equity Capital Raised	**275,584**	**251,406**	**248,115**	**157,577**	**180,218**	**429,305**

Source: BSE, NSE, SEBI

Two things stand out here:
1. The significant increase in SME IPOs, which was in large part fueled by both the bull market and the lure of listing gains for retail investors.
2. The big jump in rights and QIPs in 2023 and 2024 was due to companies leveraging the bullish sentiment to raise capital.

LARGEST INITIAL PUBLIC OFFERINGS (IPOS)

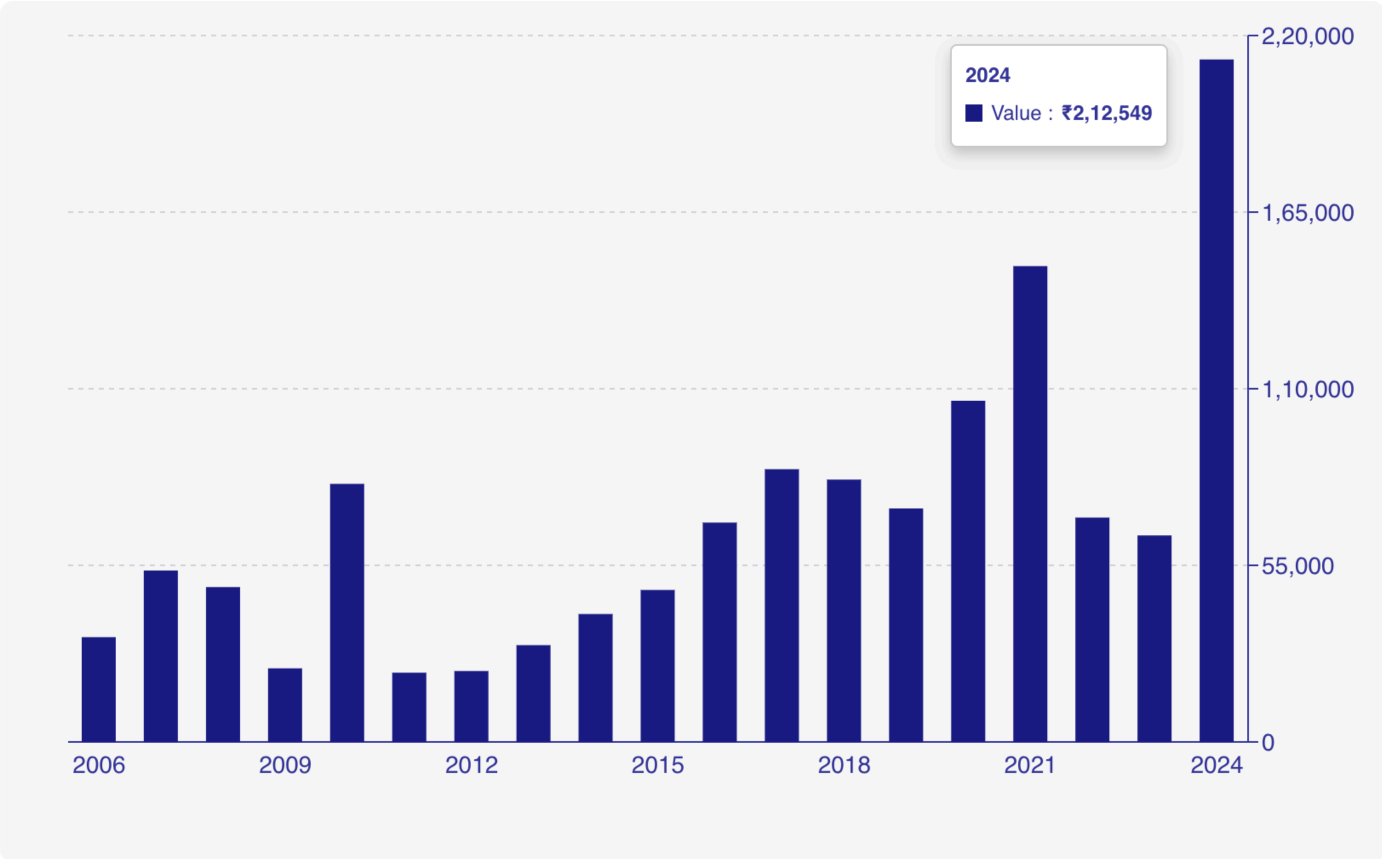
(2024)

Rank	Name of Company	Issue Size (₹ Crores)	Oversubscription (x)
1	Hyundai Motor India Limited	27,857	2.35
2	Vodafone Idea Limited	18,000	6.97
3	Swiggy Limited	11,327	3.72
4	NTPC Green Energy Limited	10,000	2.56
5	Vishal Mega Mart Limited	8,000	28.79
6	Bajaj Housing Finance Limited	6,560	67.88
7	Ola Electric Mobility Limited	6,146	4.86
8	AFCONS Infrastructure Limited	5,430	2.99
9	Waaree Energies Limited	4,321	80.73
10	Bharti Hexacom Limited	4,275	29.88
11	International Gemmological Institute	4,225	35.50
12	Brainbees Solutions Limited	4,194	12.51
13	Grasim Industries Ltd	3,999	19.68
14	Indiabulls Housing Finance Limited	3,693	14.98
15	UPL Limited	3,377	1.90

Source: BSE, NSE, SEBI

CAPITAL RAISED THROUGH PUBLIC ISSUES

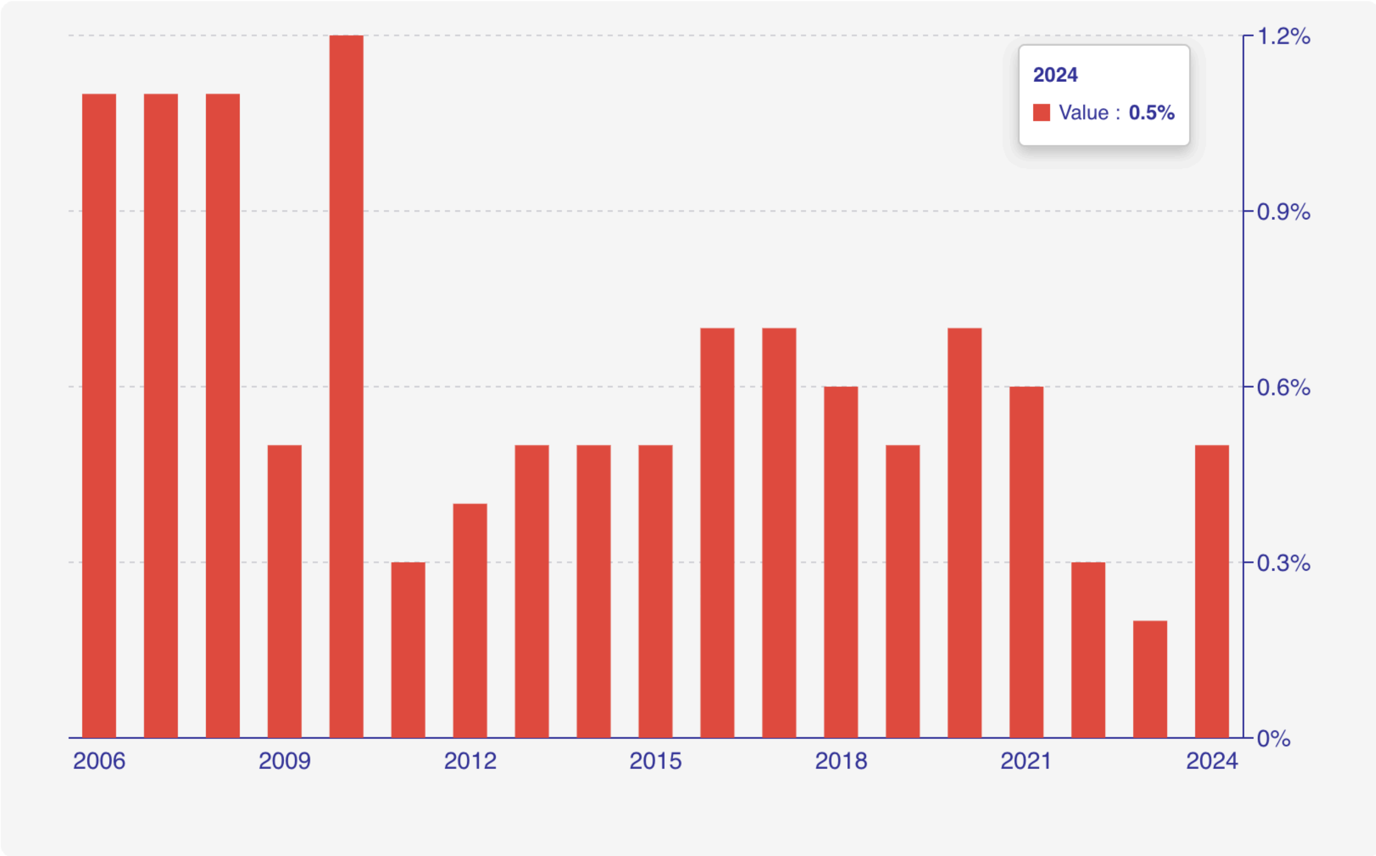
(₹ in '000 Crores)



Source: SEBI, BSE, NSE

*Note: Public Issues include IPOs, Rights Issues and FPOs

PUBLIC ISSUES TO MARKET CAP RATIO (%)

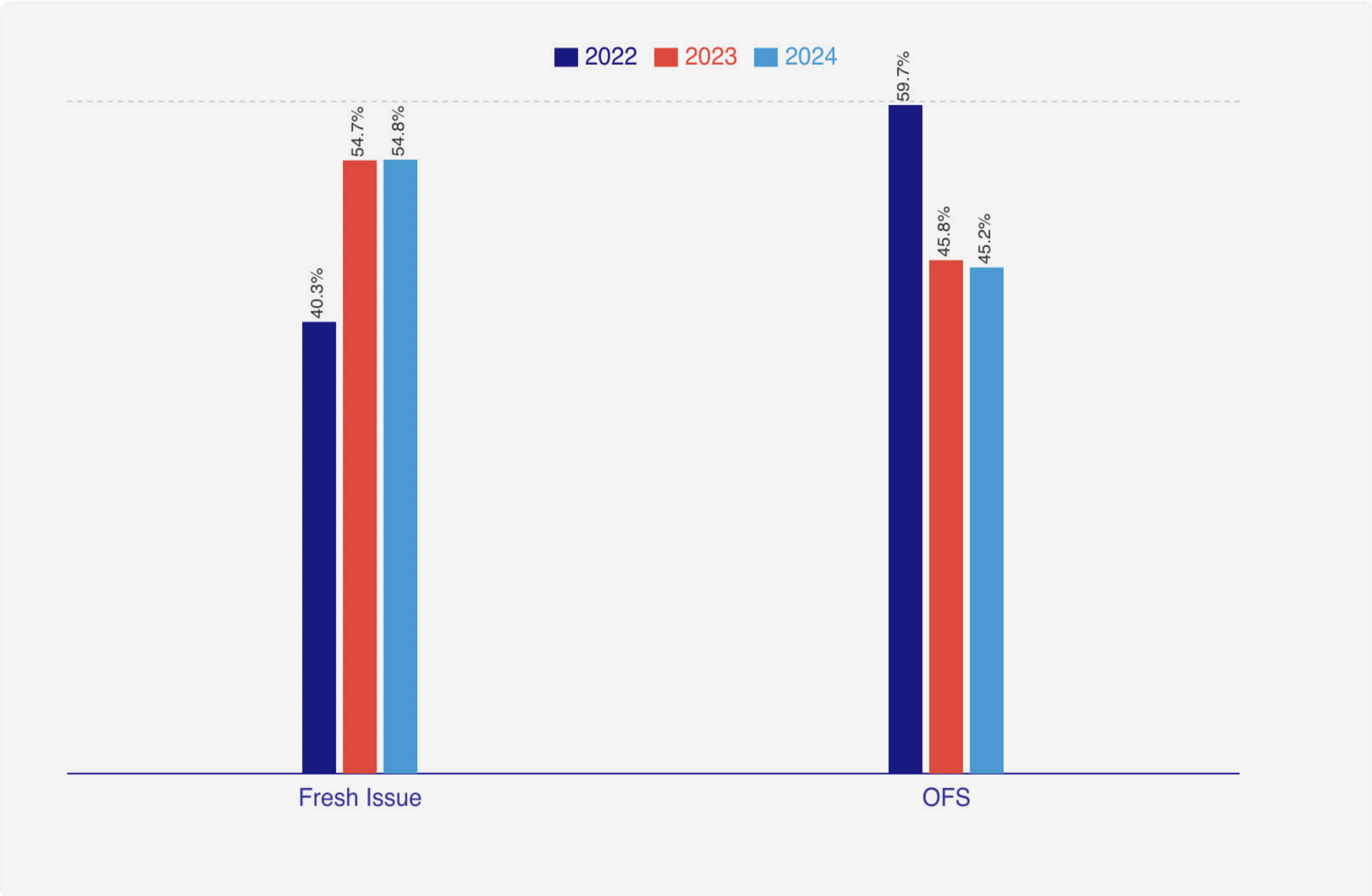


Source: SEBI, BSE, NSE

*Note: Public Issues include IPOs, Rights Issues and FPOs

A common remark one can make about the Indian capital markets is that it's been uniformly good for almost all segments of the markets, and the same applies to primary markets. There was a significant jump in IPOs, FPOs, and rights issues compared to the pre-pandemic trend. Nothing helps IPOs like a bull market. But considering markets are looking weak as we head into 2025, fundraising may dip if markets remain subdued.

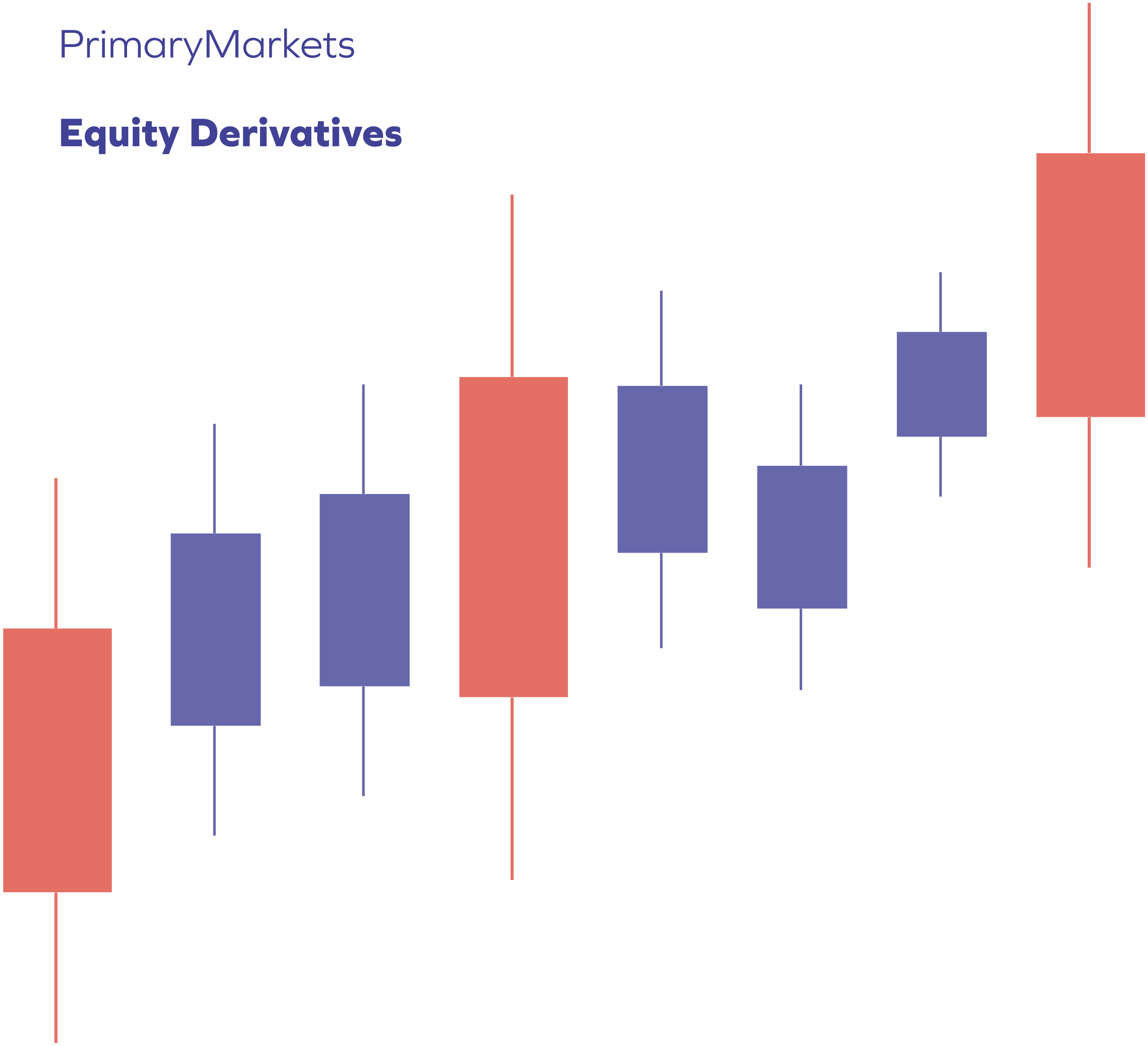
COMPOSITION OF PRIMARY MARKET FUNDRAISING (%)



Source: SEBI, BSE, NSE

4. Equity Markets

- Cash Equities
- PrimaryMarkets
- **Equity Derivatives**



TURNOVER AND OPEN INTEREST TRENDS IN EQUITY DERIVATIVES

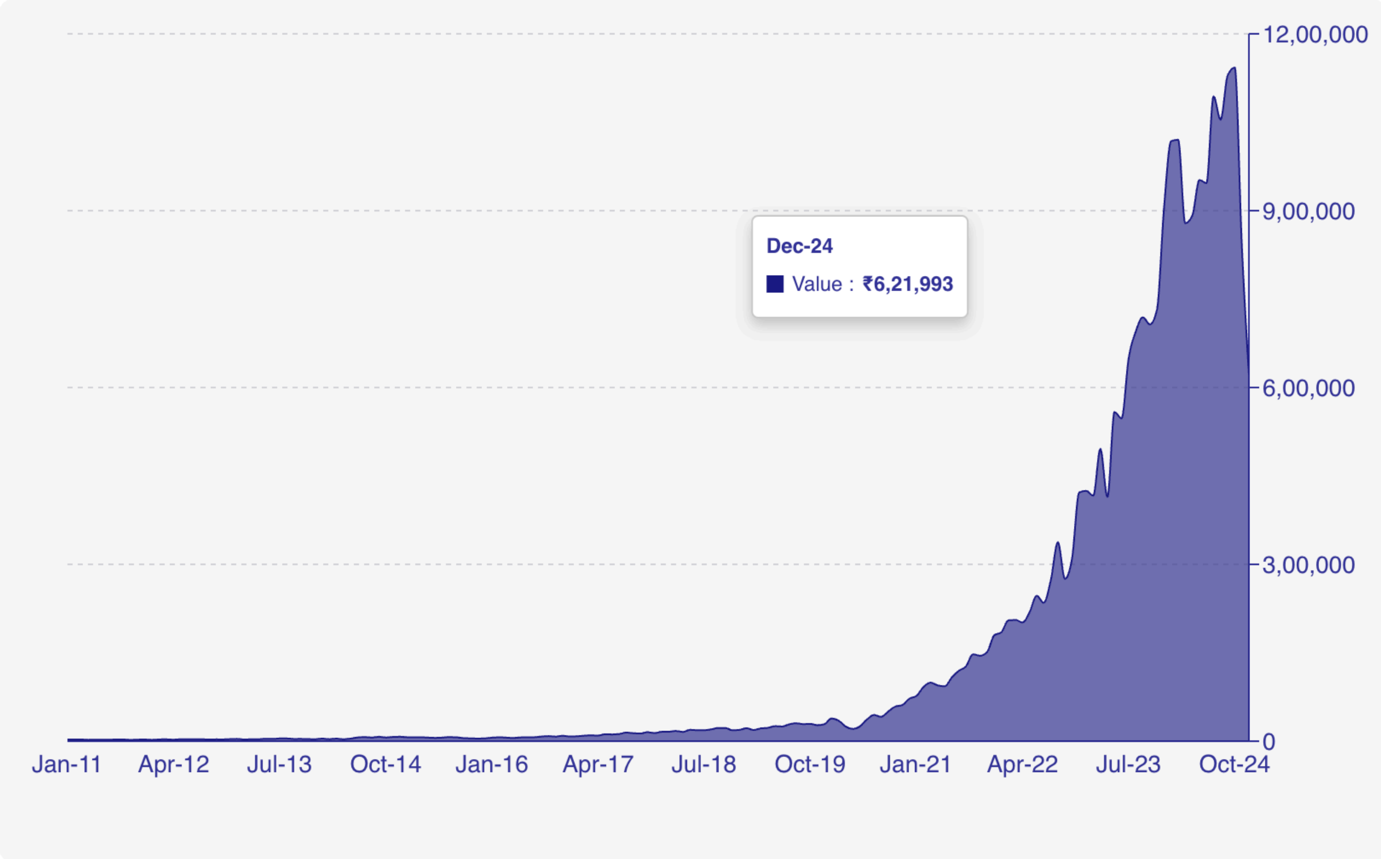
(₹ '000 Crores)

Category	2019	2020	2021	2022	2023	2024
Average Monthly Equity Derivatives Turnover						
Total	**25,774**	**42,408**	**119,487**	**259,612**	**605,365**	**965,951**
- Index Options	23,045	38,662	112,687	252,245	594,612	950,103
- Index Futures	500	709	688	818	621	772
- Stock Options	1,012	1,655	4,343	4,904	6,504	10,987
- Stock Futures	1,218	1,382	1,769	1,646	1,794	3,173
- BSE	3	1,526	5,661	4,082	30,822	207,973
- NSE	25,772	40,882	113,826	255,530	574,543	757,978
End of period Open Interest in Equity Derivatives						
Total	**323**	**326**	**663**	**1,031**	**1,528**	**2,171**
- BSE	0.1	0.2	0.0	0.1	12.6	63
- NSE	323	326	663	1,030	1,516	2,108

Source: BSE, NSE, SEBI

TURNOVER IN EQUITY DERIVATIVES

(₹ in '000 Crores)

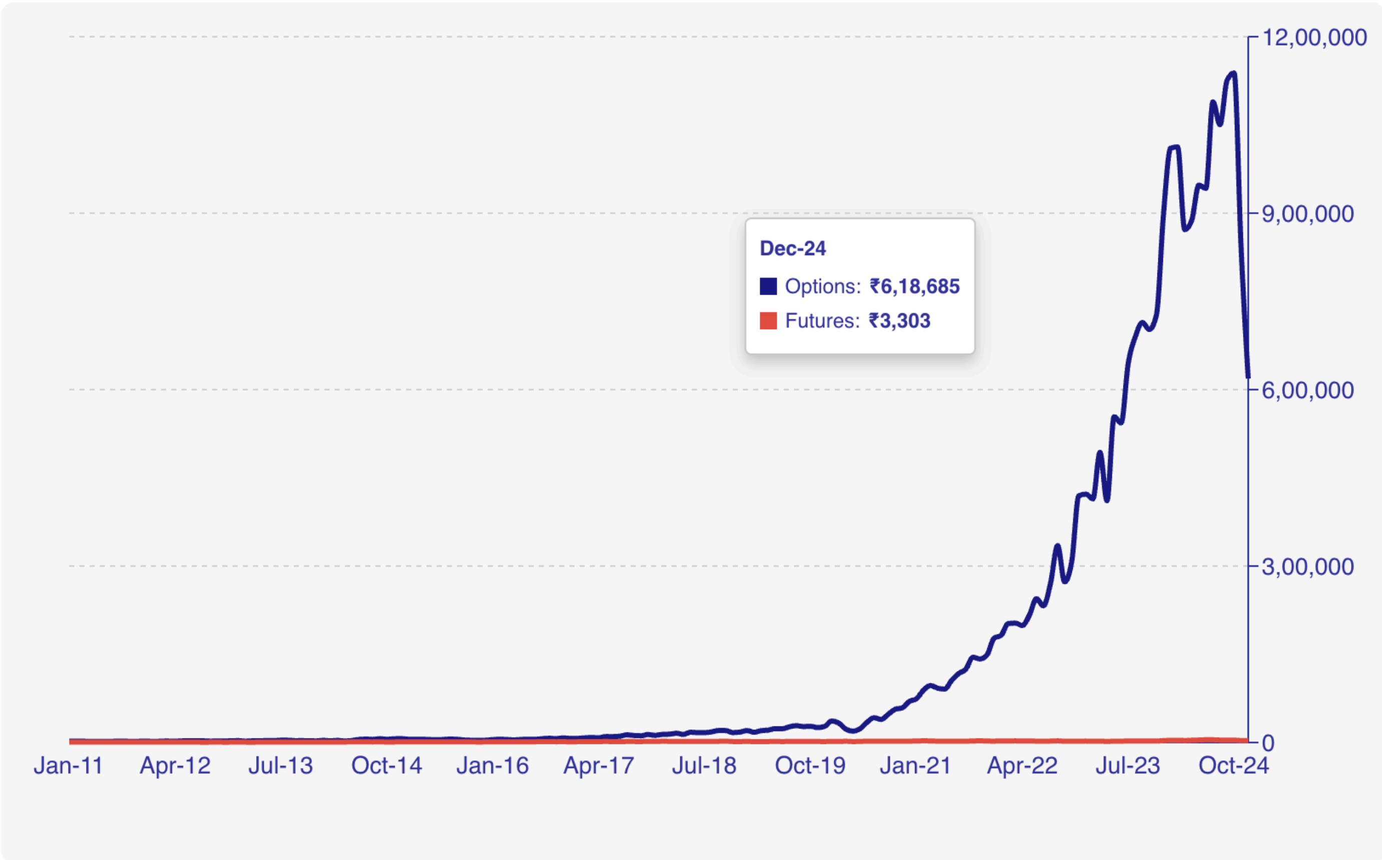


Source: SEBI, BSE, NSE

There's no bull market without speculation, and this bull market is no different. The spectacular jump in derivatives turnover has to be the defining trend in this bull market, mostly options due to the STT advantage over futures. But thanks to the series of measures by SEBI, such as restricting the number of weekly options, increasing margin requirements and increasing the contract sizes, there's been a notable dip in F&O turnover. A lot of other measures are set to go into effect from 2025, which will further affect turnover.

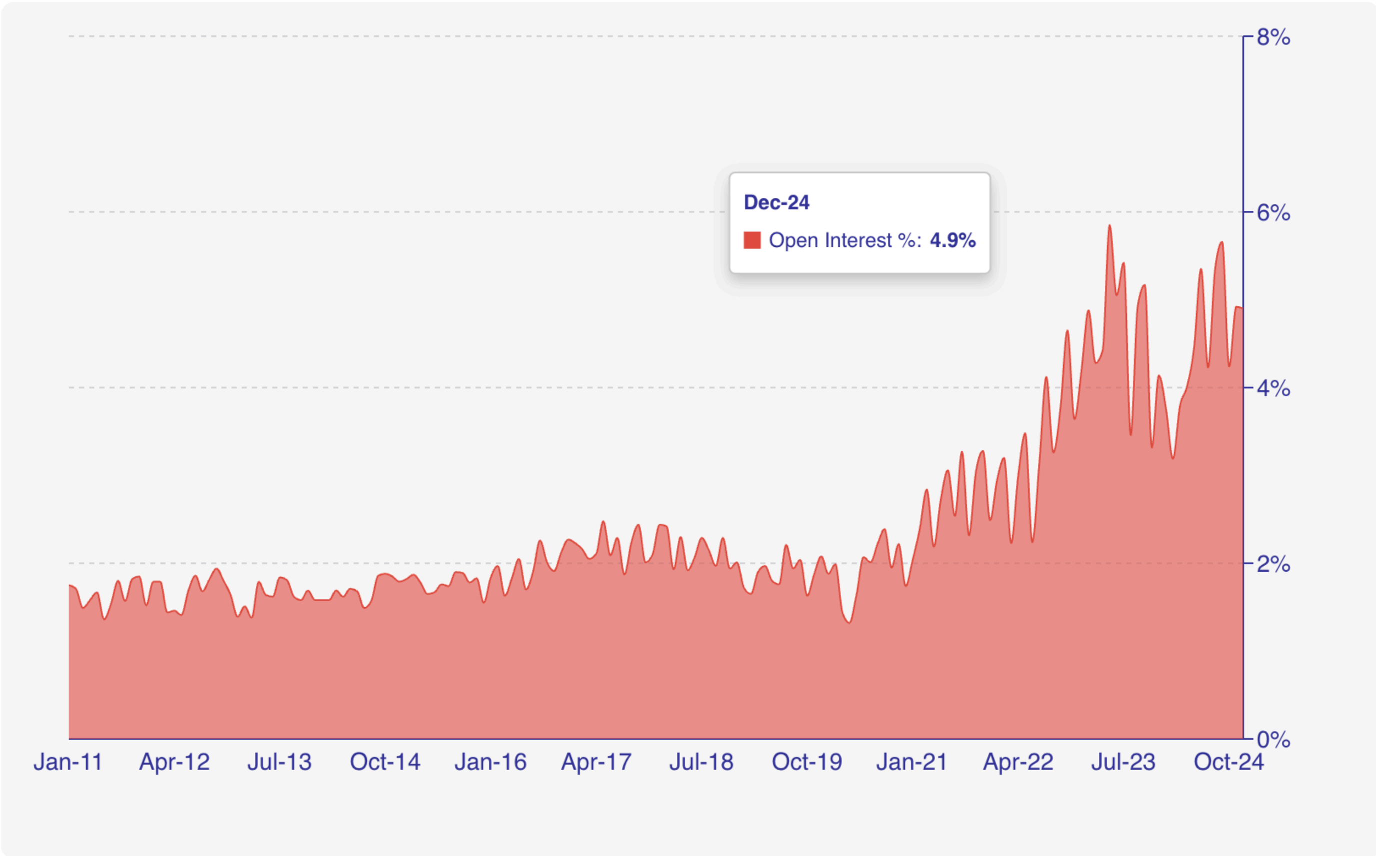
DISTRIBUTION OF DERIVATIVES TURNOVER: FUTURES VS OPTIONS

(₹ in '000 Crores)



Source: SEBI, BSE, NSE

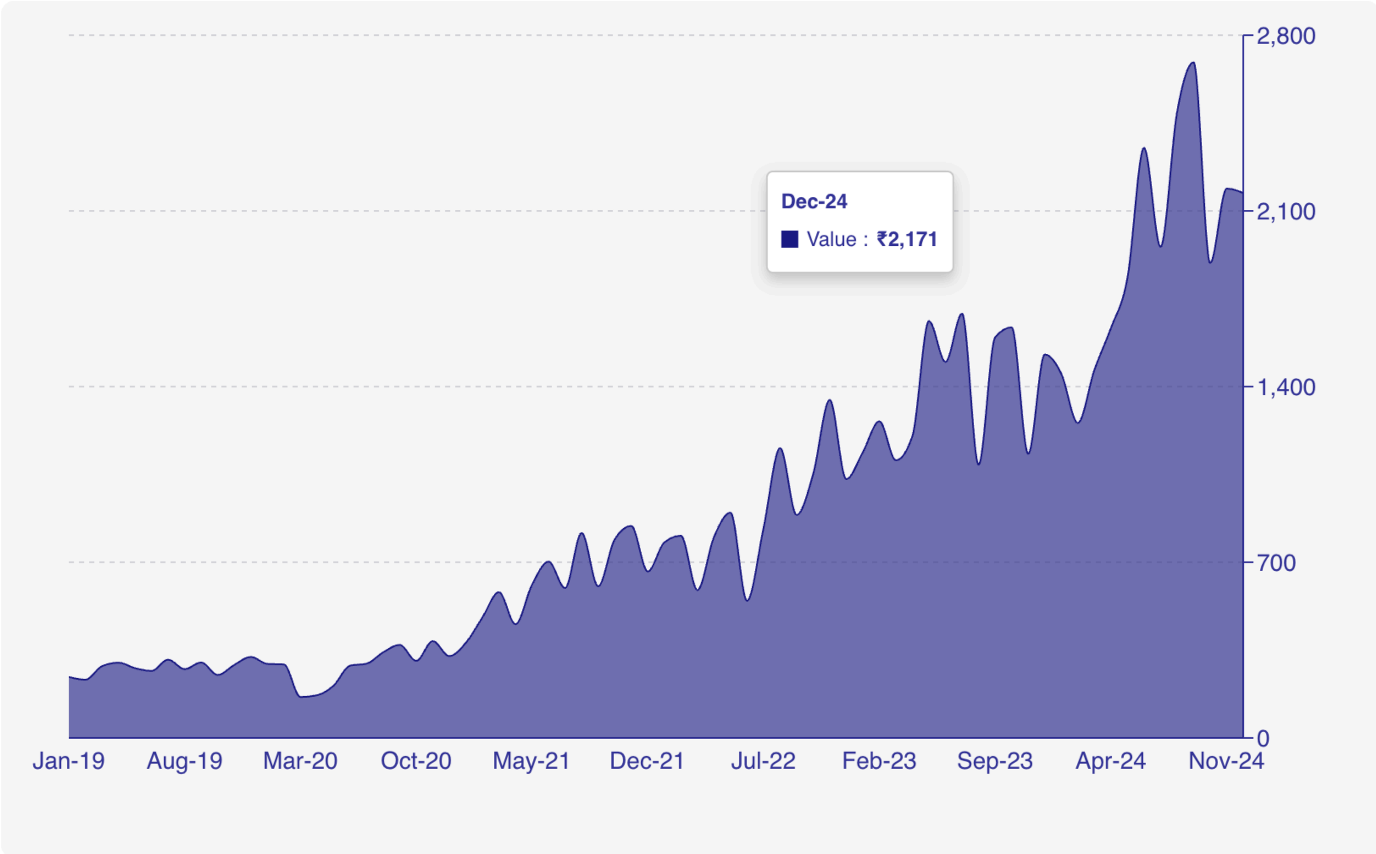
MONTH-END OPEN INTEREST TO MARKET CAP RATIO (%)



Source: SEBI, BSE, NSE

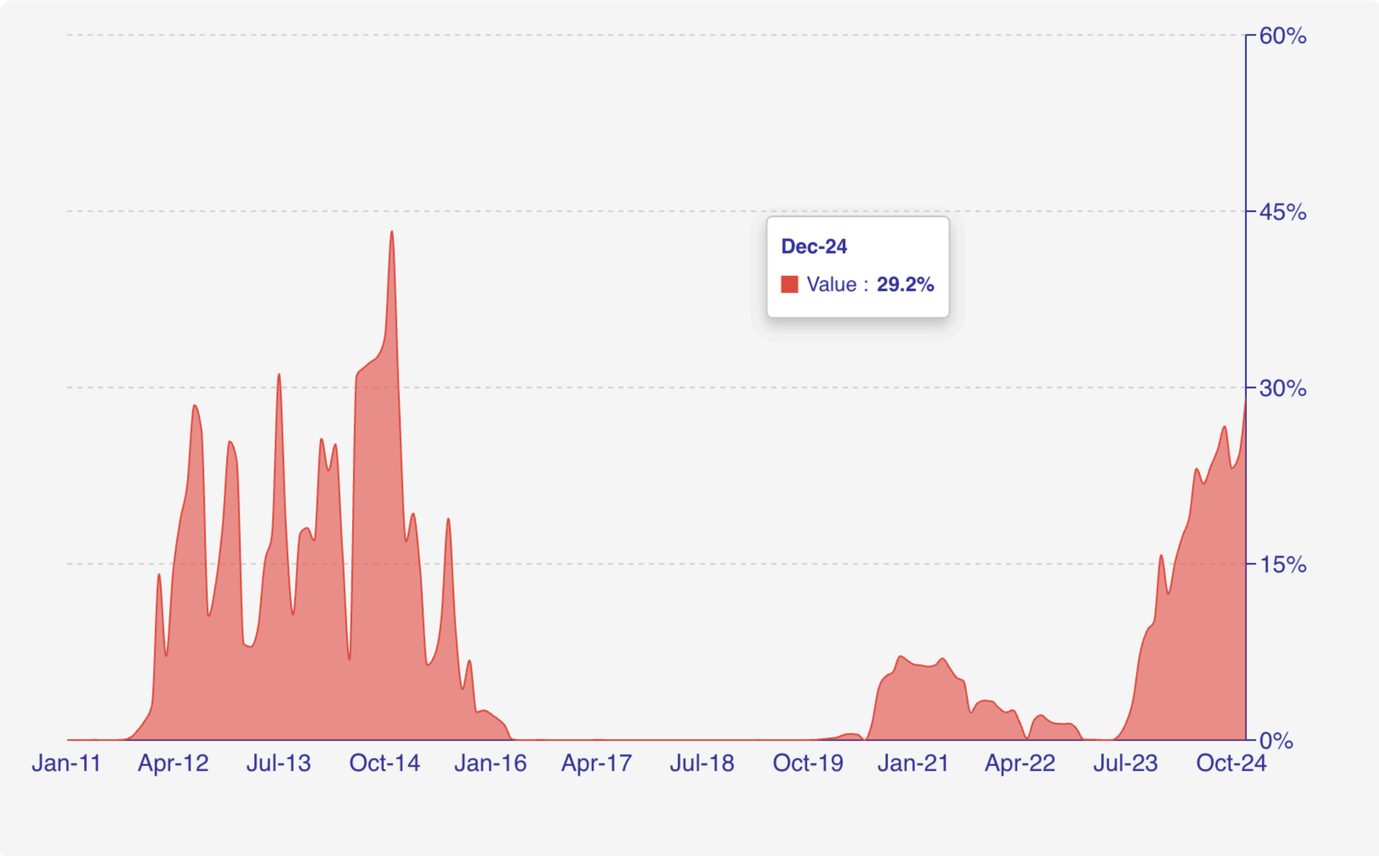
OPEN INTEREST TRENDS IN EQUITY DERIVATIVES

(₹ in '000 Crores)



Source: SEBI, BSE, NSE

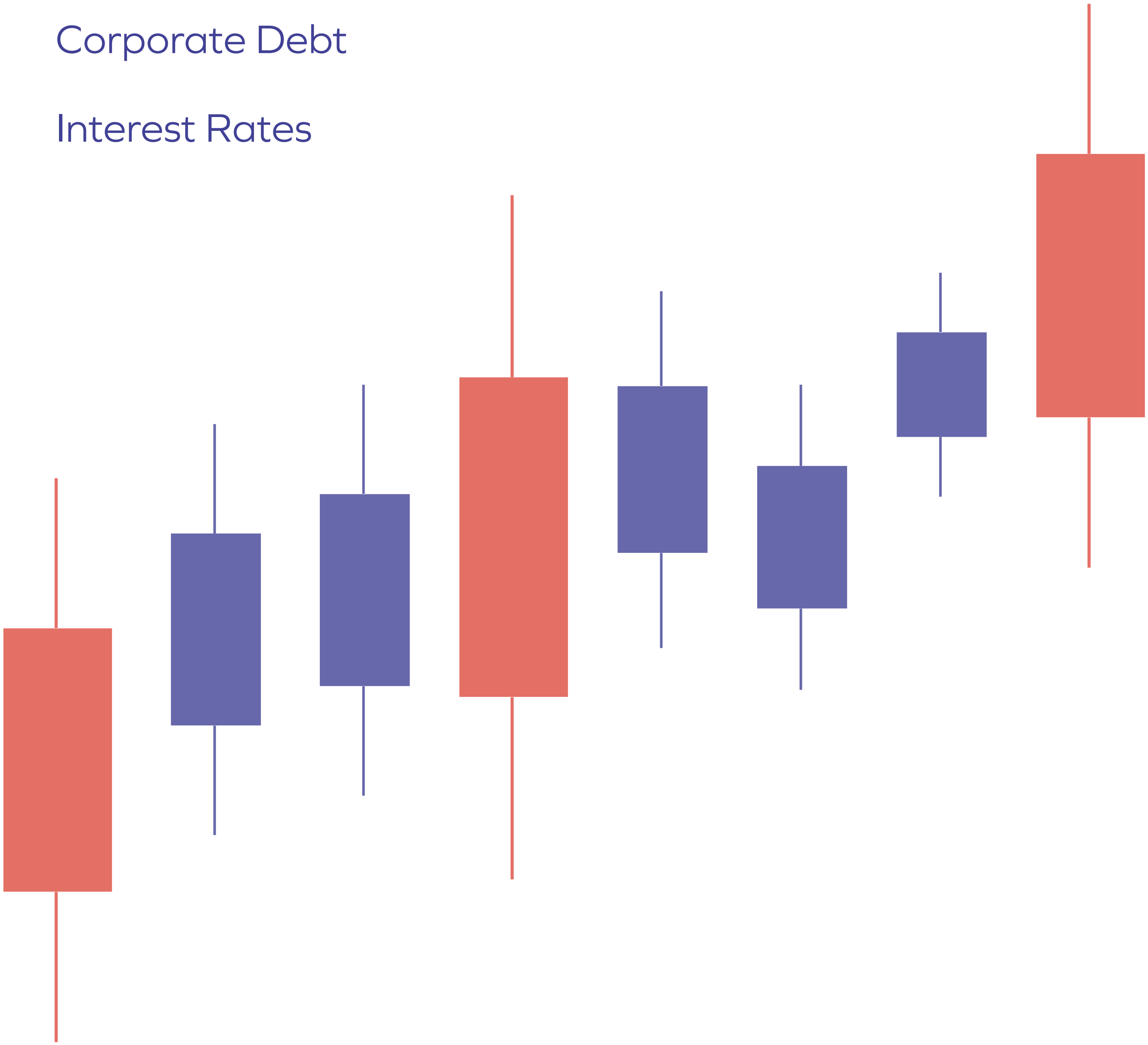
SHARE OF BSE IN EQUITY DERIVATIVES (%)



Source: SEBI, BSE, NSE

5. Debt Markets

- **Government Securities**
- Corporate Debt
- Interest Rates



KEY STATISTICS OF GOVERNMENT SECURITIES MARKET

(₹ Crores)

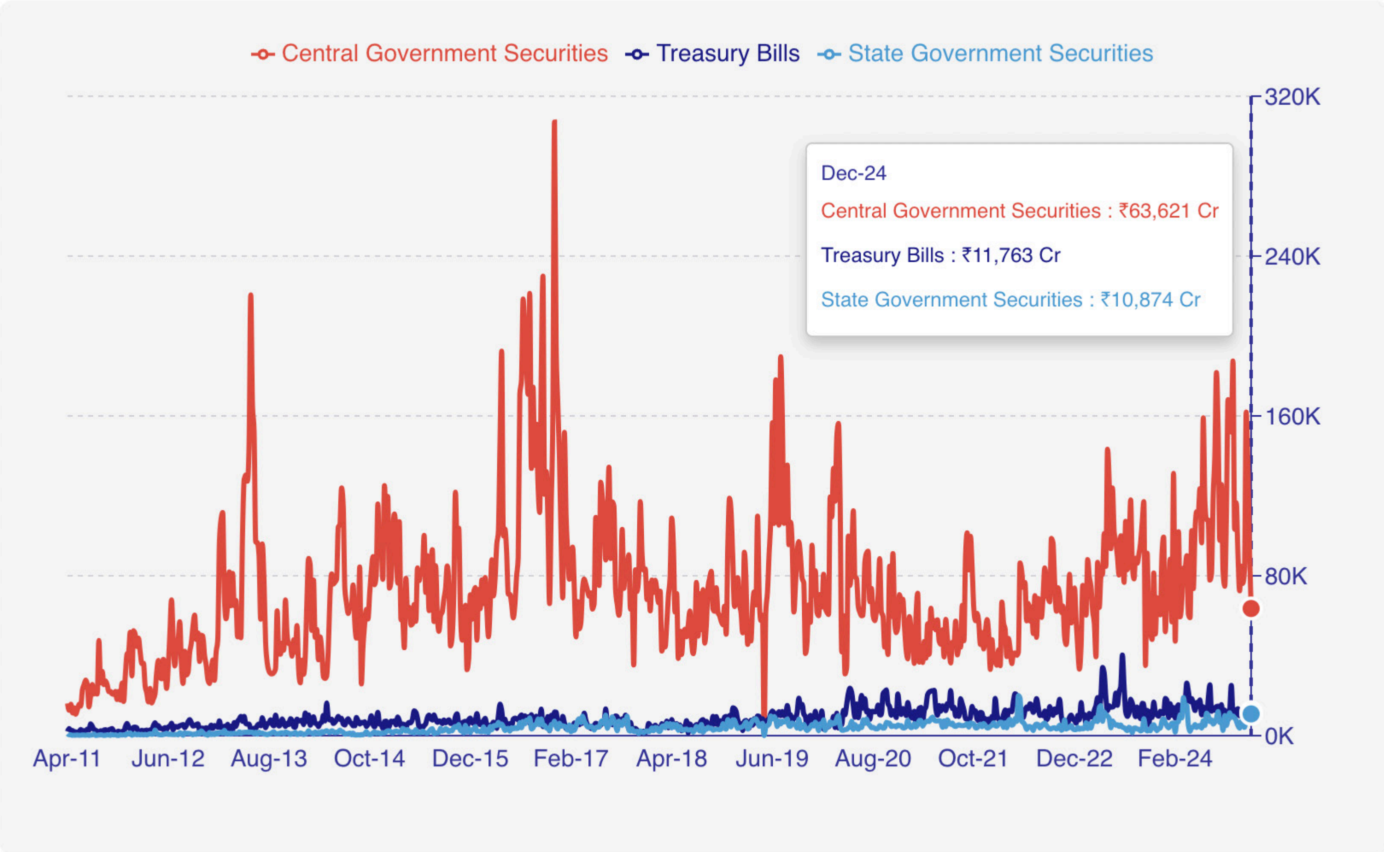
Category	FY20	FY21	FY22	FY23	FY24	FY25*
Issuance (Rs crores)^#						
Central Government Dated Securities	710,000	1,370,324	1,127,382	1,421,000	1,543,000	1,336,697
Central Government Treasury Bills	1,153,362	1,690,335	1,712,379	1,731,899	1,632,942	1,370,178
State Government Securities	608,361	778,175	670,773	717,178	1,007,058	1,087,624

Category	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Jan-25&
Outstanding (Rs crores)#						
Central Government Dated Securities	6,486,585	7,635,902	8,529,036	9,645,776	10,740,389	11,001,502
Central Government Treasury Bills	538,409	690,646	757,198	823,313	871,662	769,917
State Government Securities	3,265,990	3,879,982	4,410,250	4,929,079	5,646,219	5,982,977

Source: RBI
*Data for FY25 is based on actual borrowings till December and the anticipated borrowings during the March quarter based on the borrowing calendar released by RBI
^Note: Issuance data is on Gross basis
#Note Excludes Special securities issued on private placement basis
&Note: Data for outstanding Central government dated securities is as of 17th January; for treasury bills is as of 10th January and state government securities is as of 15th January

AVERAGE DAILY TURNOVER IN GOVERNMENT SECURITIES

(₹ Crores)

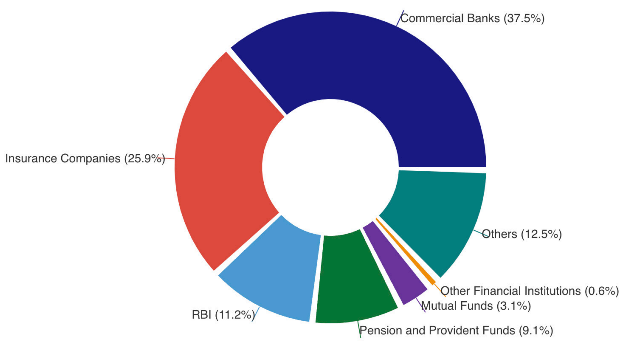


Source: RBI

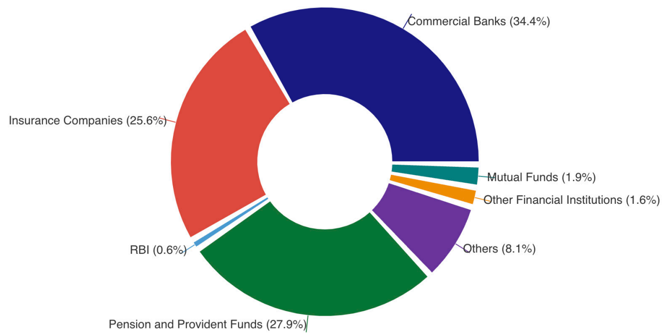
OWNERSHIP DISTRIBUTION OF GOVERNMENT SECURITIES

(₹ Crores)

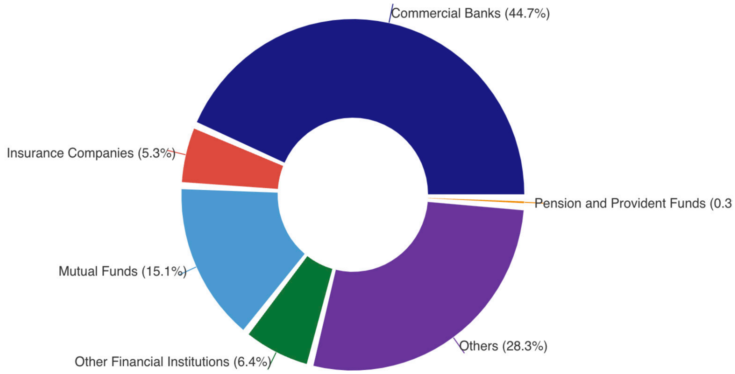
Central Government Securities



State Government Securities



Treasury Bills

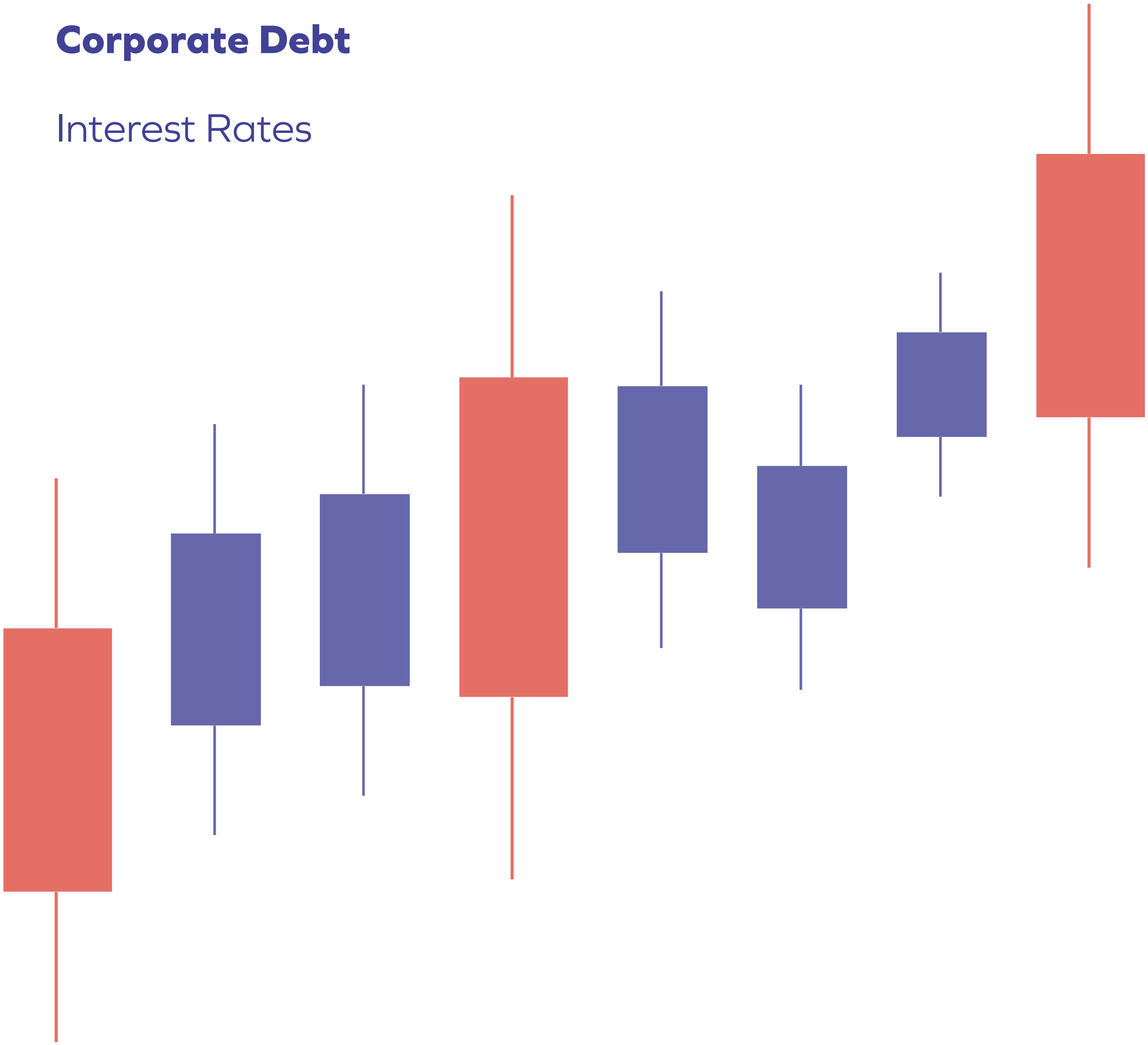


Source: RBI

*Note: Data for 2024 is as of September

5. Debt Markets

- Government Securities
- **Corporate Debt**
- Interest Rates



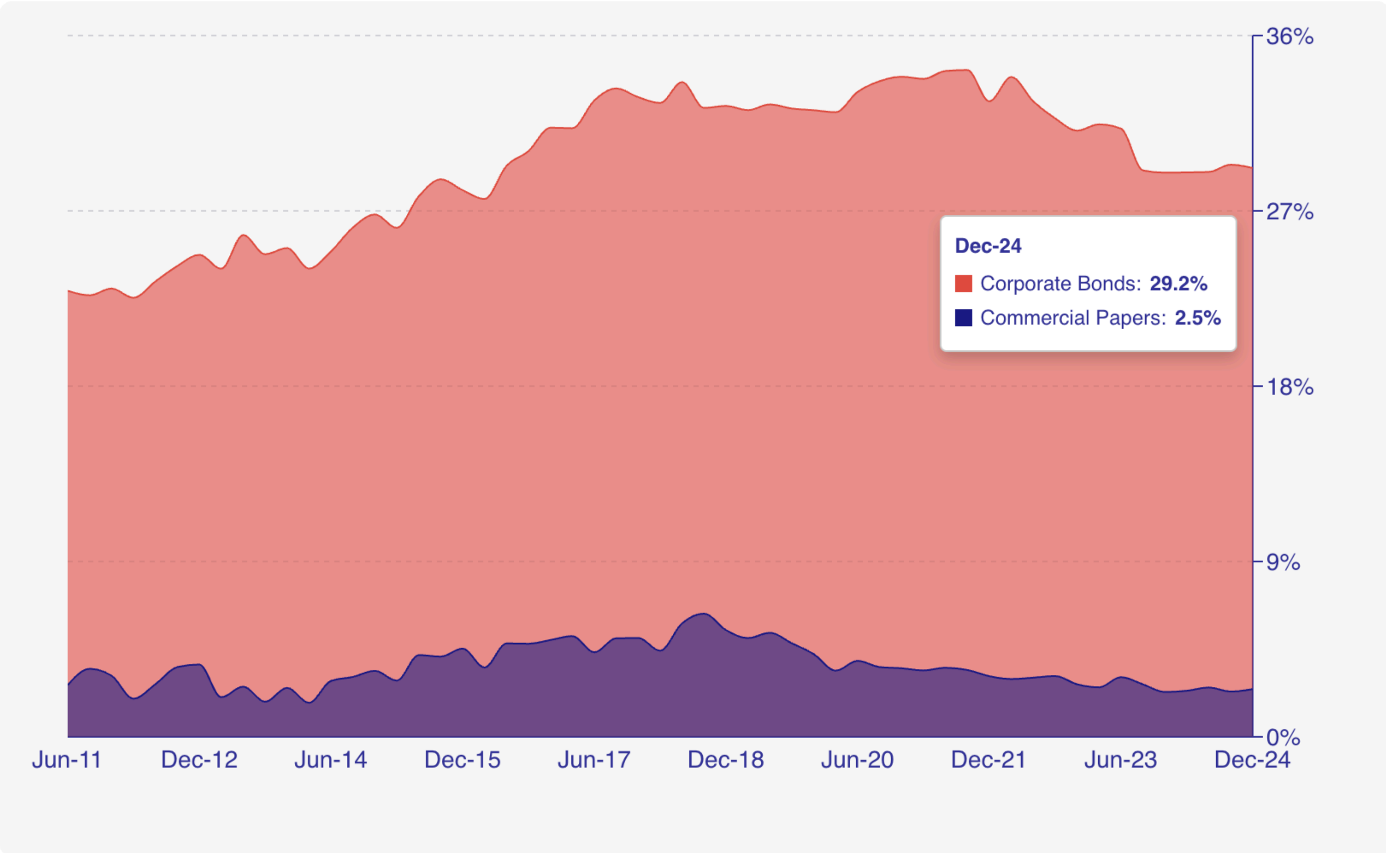
KEY STATISTICS OF CORPORATE DEBT MARKET

(₹ Crores)

Category	2019	2020	2021	2022	2023	2024
Issuance						
Corporate Bonds	775,974	926,050	874,061	956,899	1,768,145	1,408,265
Commercial Papers	2,361,853	1,683,734	2,179,404	1,404,163	1,322,162	1,447,052
Certificates of Deposits	633,726	226,890	169,735	676,707	819,727	1,228,384
Overseas Debt*	459,127	435,324	570,173	742,645	668,199	686,917
Outstanding						
Corporate Bonds*	3,144,306	3,514,908	3,666,043	4,089,978	4,553,164	5,157,954
Commercial Papers	414,906	365,185	349,920	354,231	361,421	432,399
Certificate of Deposits	219,337	104,620	100,090	362,697	415,760	588,815
Overseas Debt*	1,146,651	1,211,719	1,283,718	1,415,247	1,521,149	1,683,090

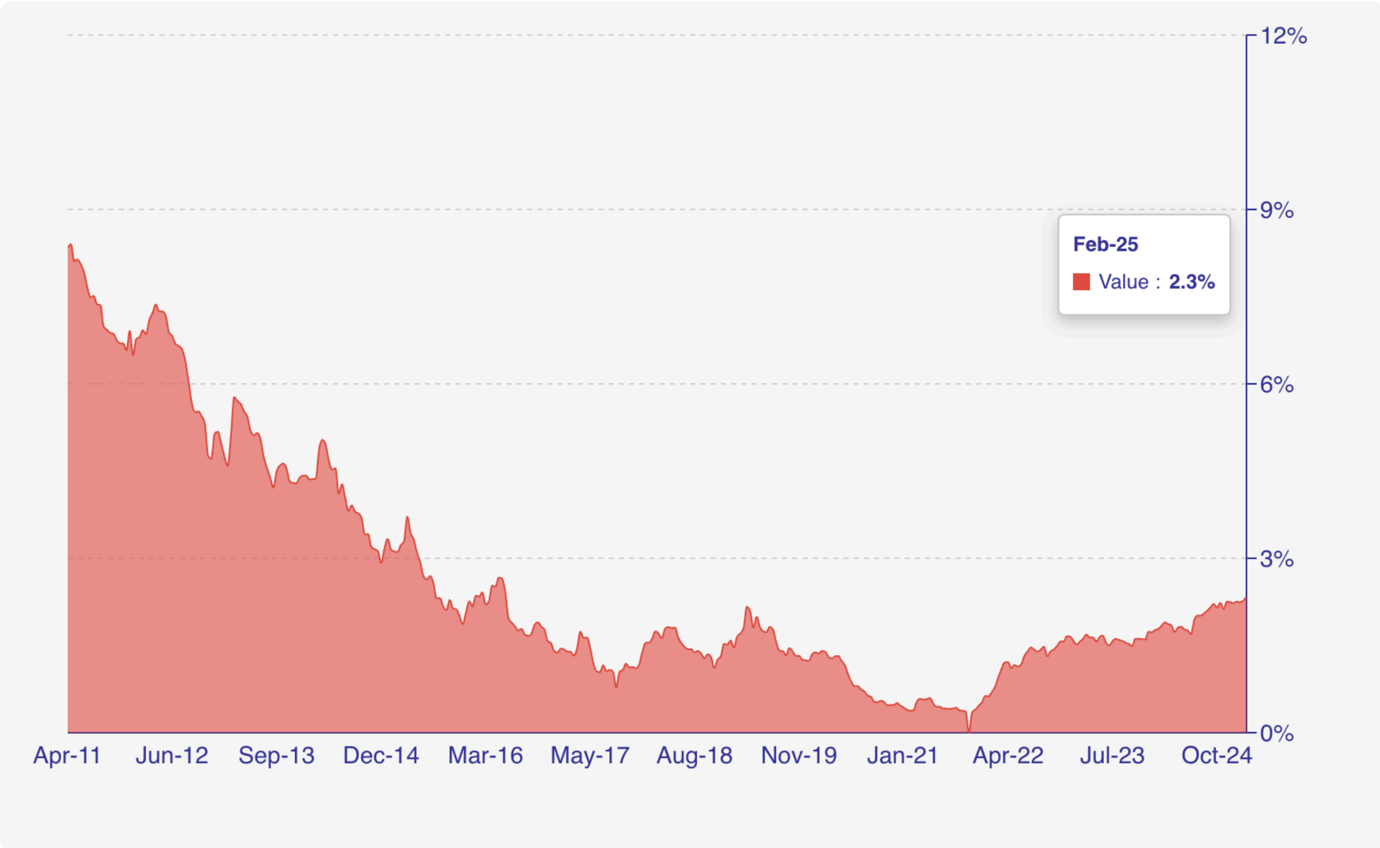
Source: NSDL, SEBI, CCIL, RBI

OUTSTANDING CORPORATE BONDS TO BANK CREDIT RATIO (%)



Source: RBI, SEBI, IDH Calculations

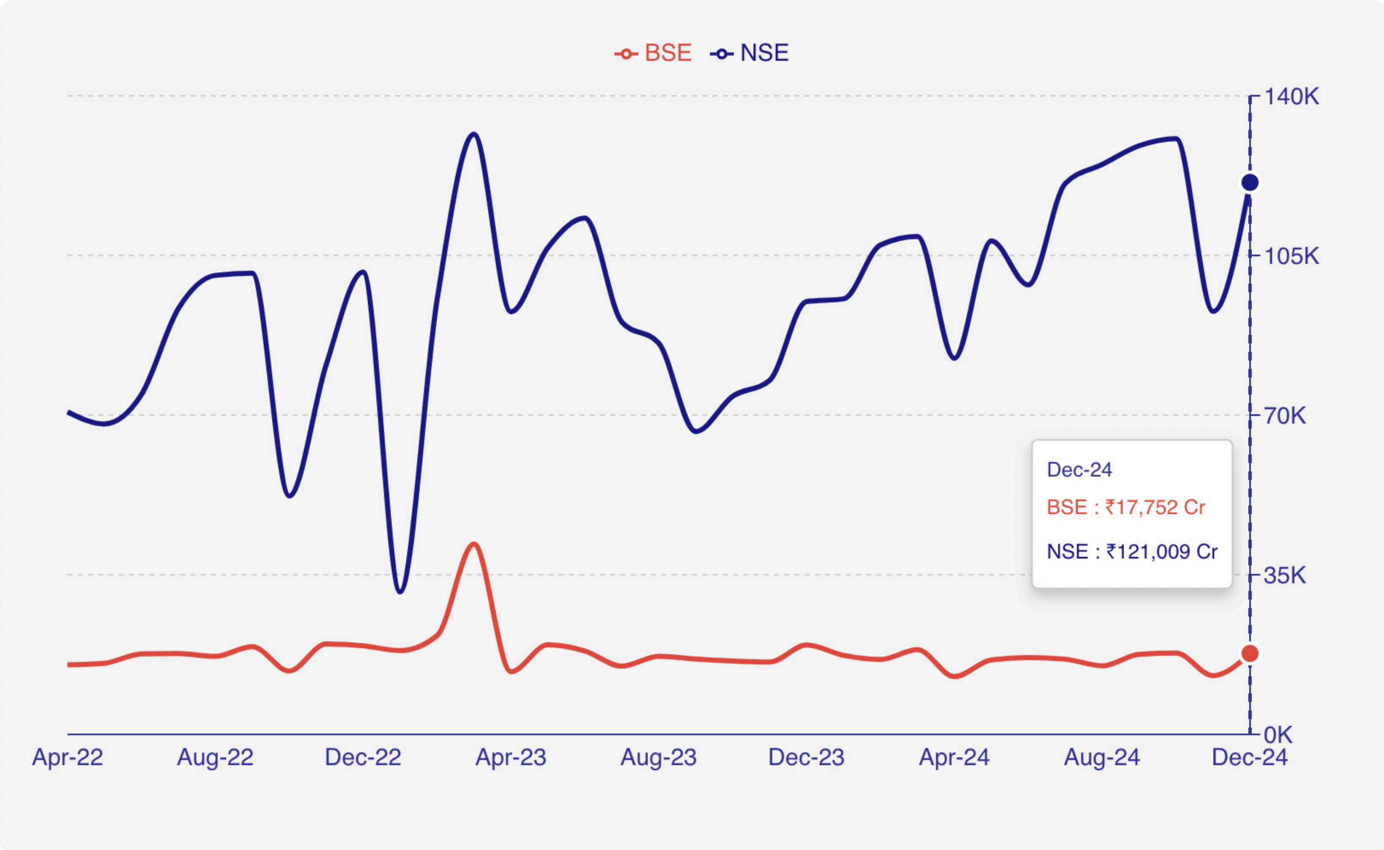
CERTIFICATES OF DEPOSIT TO BANK DEPOSITS RATIO (%)



Source: RBI, SEBI, IDH Calculations

TURNOVER TRENDS IN CORPORATE BOND MARKET

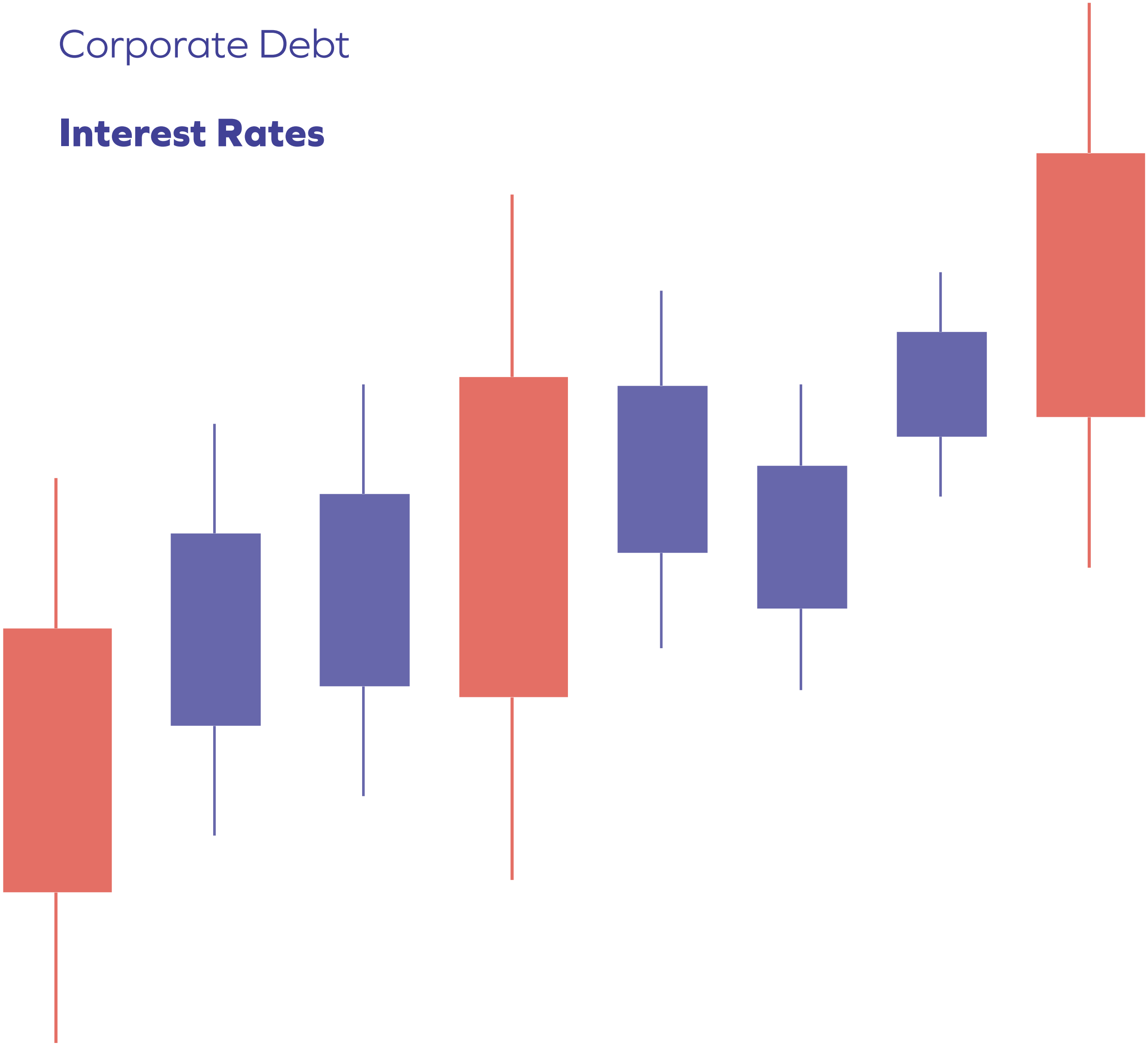
(₹ Crores)



Source: SEBI

5. Debt Markets

- Government Securities
- Corporate Debt
- **Interest Rates**



BENCHMARK INTEREST RATES: INDIA AND US (%)

Category	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Domestic Interest Rates						
Policy Repo Rate	5.15	4.00	4.00	6.25	6.50	6.50
Overnight Call Rate	5.04	3.17	3.35	6.21	6.77	6.66
3-mth G-Sec Yield	5.06	3.21	3.71	6.42	6.89	6.43
2-year G-Sec yield	5.88	3.91	4.91	6.95	7.13	6.69
10-yr G-Sec yield	6.84	5.89	6.44	7.29	7.23	6.77
US Interest Rates						
Fed Funds Rate (upper bound)	1.75	0.25	0.25	4.50	5.50	4.50
Effective Fed Funds Rate	1.55	0.09	0.08	4.10	5.33	4.48
3-mth G-Sec Yield	1.57	0.09	0.06	4.36	5.44	4.39
2-year G-Sec yield	1.61	0.14	0.68	4.29	4.46	4.23
10-year G-Sec yield	1.86	0.93	1.47	3.62	4.02	4.39

Source: FBIL, RBI, Federal Reserve, US Department of Treasury
Note: Data for Policy rate is as of end of the period while data for yields is the average for the month of December of respective years

AVERAGE MONTHLY TURNOVER IN INTEREST RATE DERIVATIVES

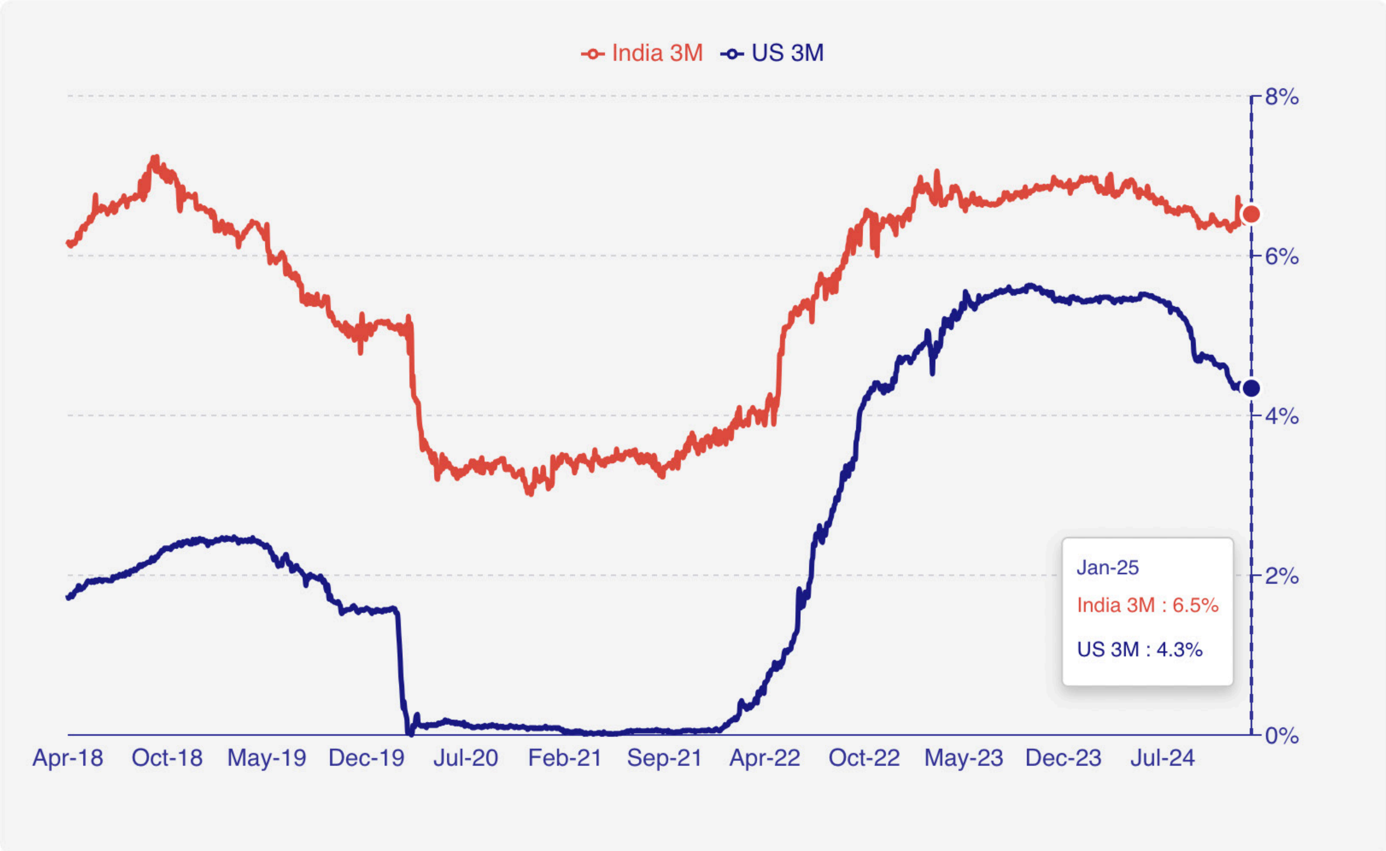
(₹ Crores)

Category	2019	2020	2021	2022	2023	2024
Interest Rate Derivatives						
NSE	27,770	14,471	2,771	2,247	2,660	2,041
BSE	9,661	3,670	3,734	3,051	999	1940
Open Interest						
NSE	2,825	1,455	669	971	1,133	846
BSE	1,443	440	111	434	143	10

Source - SEBI

Note: Includes Futures and Options

YIELD CURVE OF GOVERNMENT SECURITIES (%)



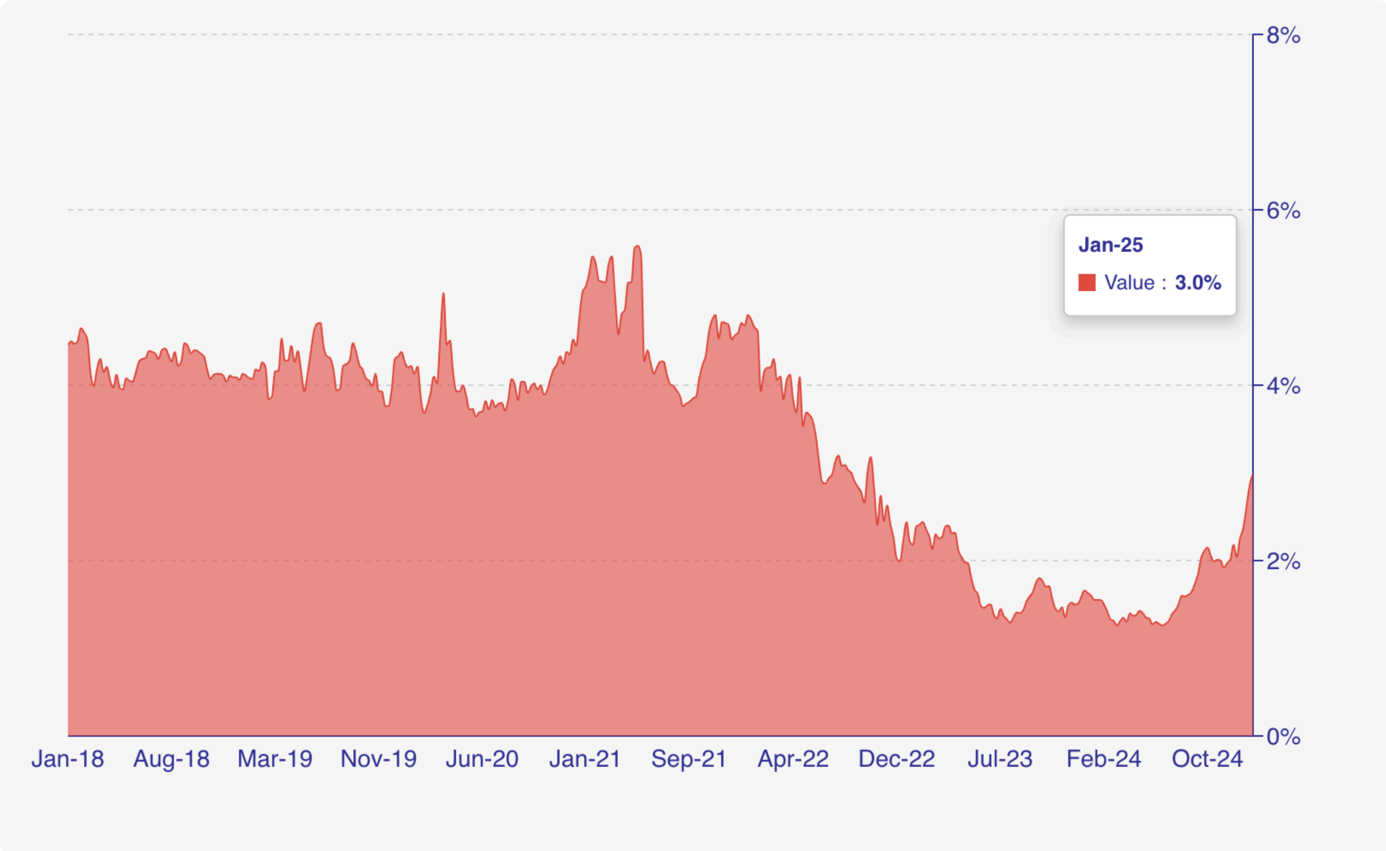
Source: FBIL, US Department of Treasury

YIELD CURVE OF GOVERNMENT SECURITIES (%)

Source: FBIL, US Department of Treasury

FORWARD PREMIA AGAINST USD

(6 MONTH FORWARD PREMIA %)



Source: RBI

6. FX Markets

EXCHANGE RATES OF MAJOR CURRENCIES AGAINST INR AND USD

FX Market	2019	2020	2021	2022	2023	2024
Rupee's exchange rate against key currencies (Dec average)						
US Dollar	71.2	73.6	75.4	82.5	83.3	85.0
British Pound	93.3	98.9	100.3	100.4	105.5	107.5
Japanese Yen	0.7	0.7	0.7	0.6	0.6	0.6
Euro	79.1	89.6	85.2	87.3	90.8	89.0
Chinese Yuan	10.1	11.3	11.8	11.8	11.7	11.7
*Rupee Index**	*95.1*	*89.7*	*87.3*	*86.9*	*83.5*	*83.0*
US Dollar exchange rate against key currencies (Dec average)^						
Euro (EURUSD)	1.11	1.22	1.13	1.06	1.09	1.05
British Pound (GBPUSD)	1.31	1.34	1.33	1.22	1.27	1.26
Swiss Franc (USDCHF)	0.98	0.89	0.92	0.93	0.86	0.89
Japanese Yen (USDJPY)	109.2	103.8	113.9	134.7	143.8	154.1
Canadian Dollar (USDCAD)	1.32	1.28	1.28	1.36	1.34	1.42
Chinese Yuan (USDCNY)	7.01	6.54	6.37	6.98	7.14	7.28
Indonesian Rupiah (USDIDR)	14,005	14,155	14,322	15,570	15,496	16,056
Korean Won (USDKRW)	1,173	1,095	1,184	1,293	1,305	1,439
Thai Baht (USDTHB)	30.2	30.1	33.6	34.8	35.0	34.2
Philippine Peso (USDPHP)	50.8	48.1	50.3	55.6	55.6	58.4
Brazilian Real (USDBRL)	4.11	5.15	5.65	5.24	4.90	6.10
Mexican Peso (USDMXN)	19.1	20.0	20.9	19.6	17.2	20.3
Turkish Lira (USDTRY)	5.9	7.7	13.7	18.7	29.1	35.0
South African Rand (USDZAR)	14.4	14.9	15.9	17.3	18.6	18.2
Russian Ruble (USDRUB)	62.9	74.1	73.8	65.3	90.8	102.6

Source: RBI, ECB, IMF, IDH Calculations
*Note: Rupee Index is the RBI's trade weighted nominal effective exchange rate of the Rupee against six large currencies with 2015-16 as the base year
^Note: US Dollar exchange rates are displayed on the most common way these currencies are quoted. So the first currency in the currency pair is the base currency. So EURUSD refers to the number of US Dollars per 1 Euro while USDCHF refers to number of Swiss Franc per 1 US Dollar

AVERAGE MONTHLY TURNOVER IN FX MARKET

(US$ Billion)

Category	2019	2020	2021	2022	2023	2024
All Currencies	1,370	1,166	1,480	1,752	1,816	2,213
By Instrument Type						
Spot	737	614	730	857	958	1,243
Forward	110	84	128	163	159	174
Swap	478	434	579	680	652	736
Forward cancellation	44	34	43	52	47	59
By Currency Pairs						
INR pairs	1,111	927	1,207	1,433	1,416	1,717
Cross currency pairs	259	239	272	319	401	495
By Market Type						
Merchant	246	216	292	320	314	400
Interbank	1,124	950	1,188	1,433	1,502	1,813

Source - RBI, CCIL

Note: Data includes Spot, Forward, Swap and Forward Cancellation in currency futures

MONTHLY TURNOVER IN CURRENCY DERIVATIVES

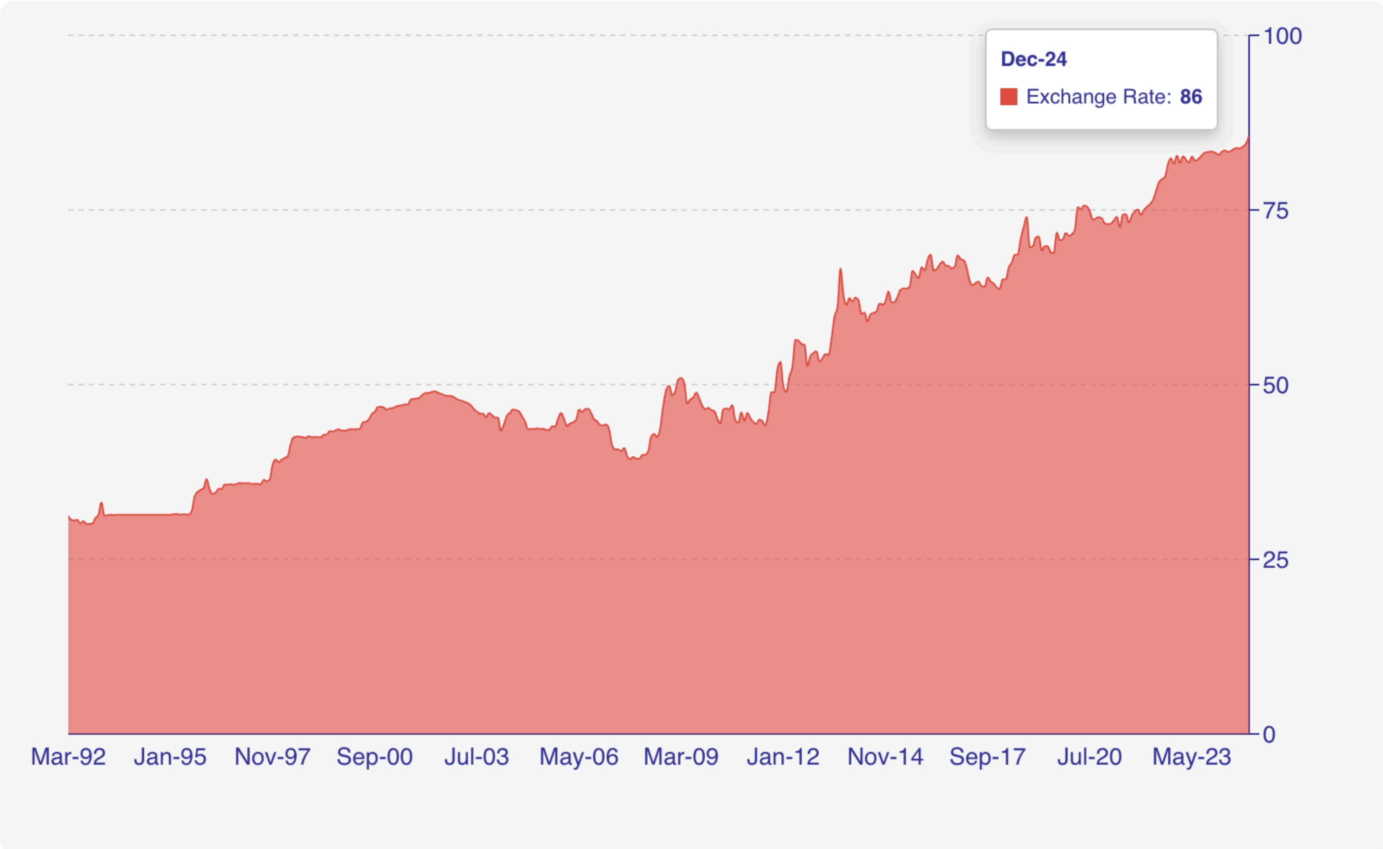
(₹ Crores)

Category	2019	2020	2021	2022	2023	2024
All Currencies	**1,329,969**	**1,375,669**	**1,929,543**	**3,450,713**	**3,424,480**	**839,341**
By Instrument Type						
Futures	597,275	666,105	739,342	1,204,136	906,122	261,461
Options	732,694	709,564	1,190,201	2,246,577	2,518,358	577,880
By Exchange						
NSE	752,907	953,533	1,428,235	2,868,478	3,162,723	804,260
BSE	577,062	422,136	501,309	582,235	261,757	35,081

Source - SEBI, BSE, NSE

USD-INR EXCHANGE RATE TRENDS

(Monthly Average)

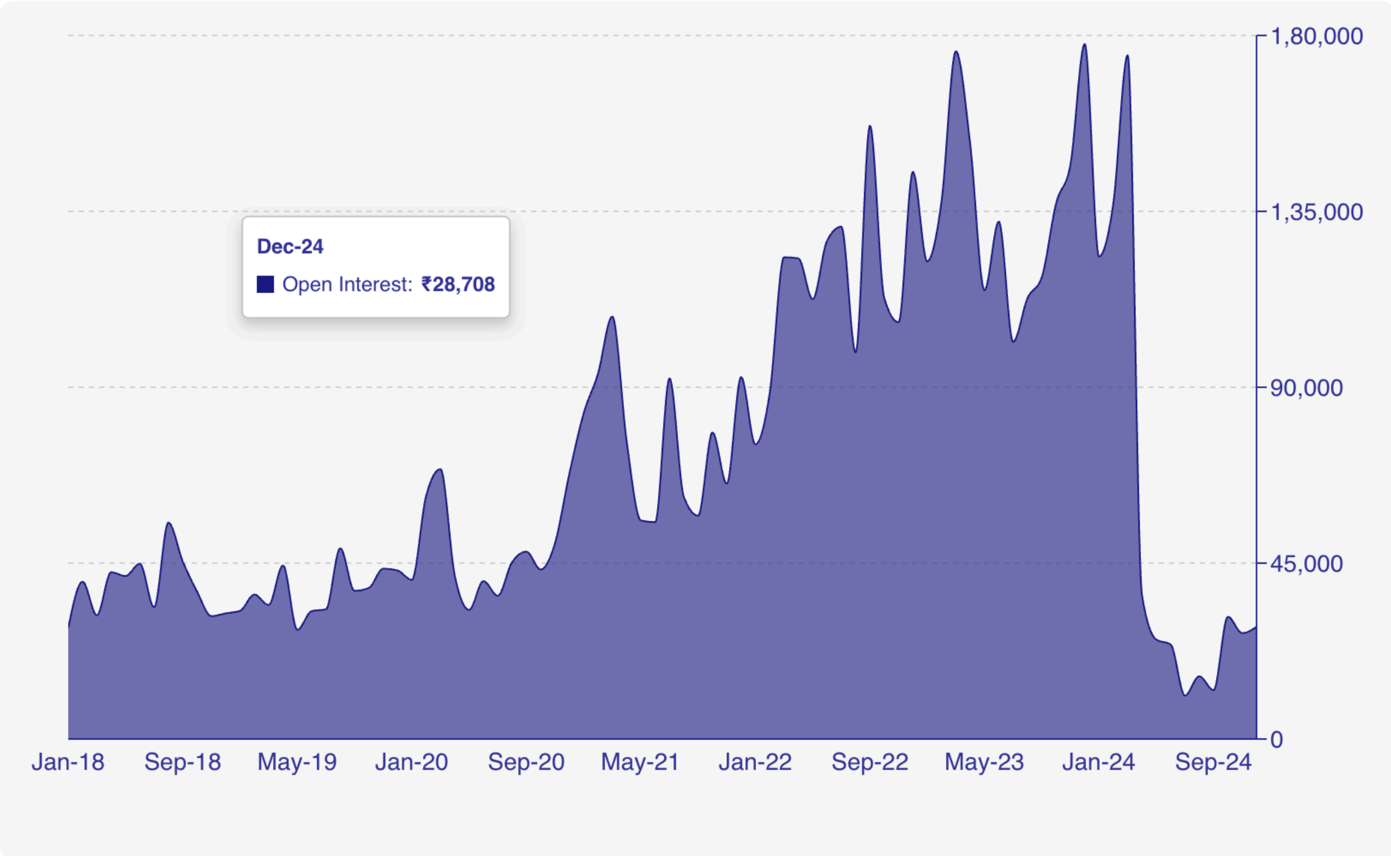


Source - RBI

Note: Data is monthly average

OPEN INTEREST IN CURRENCY DERIVATIVES MARKET

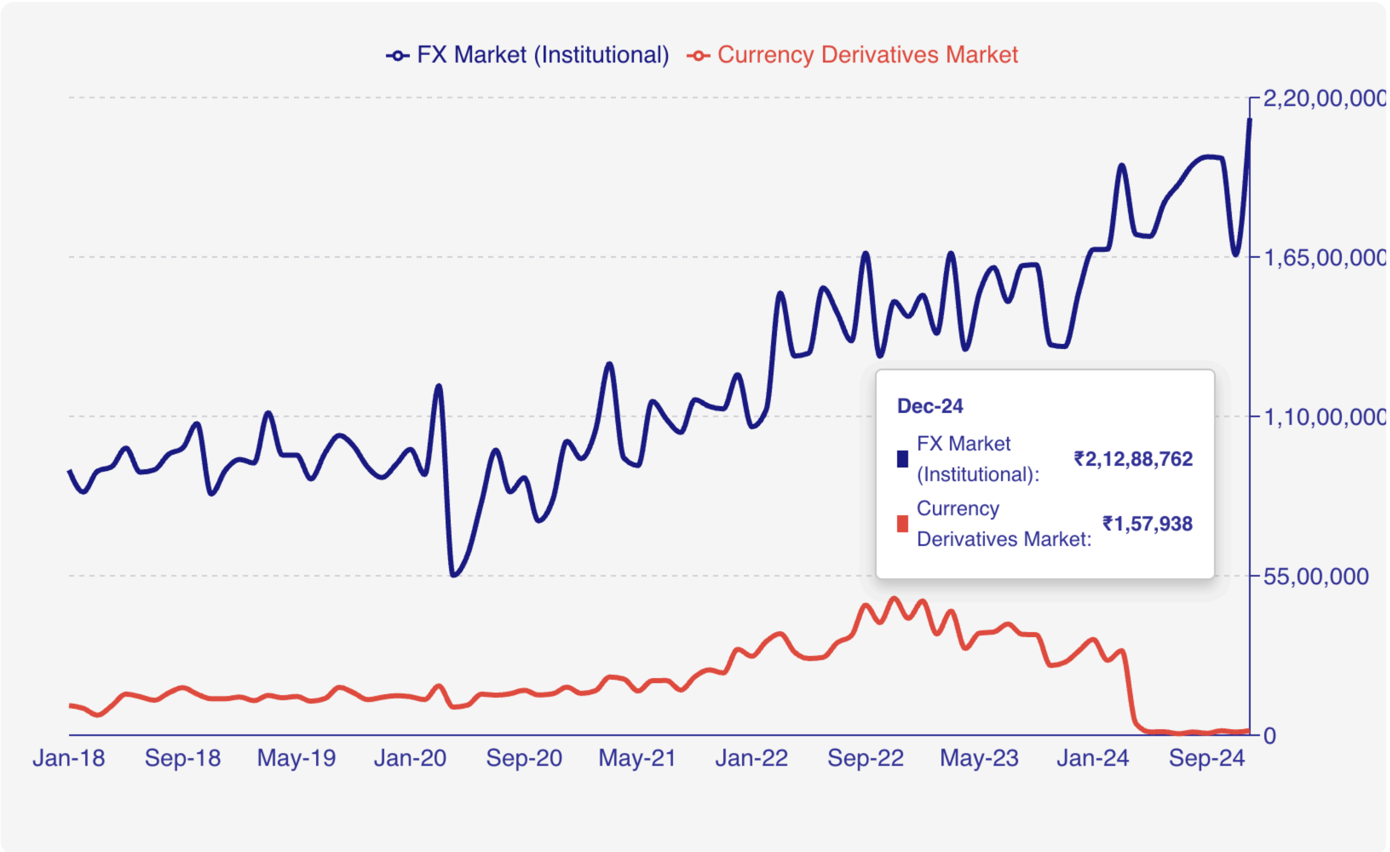
(₹ Crores)



Source - SEBI, BSE, NSE

Comparative FX Turnover

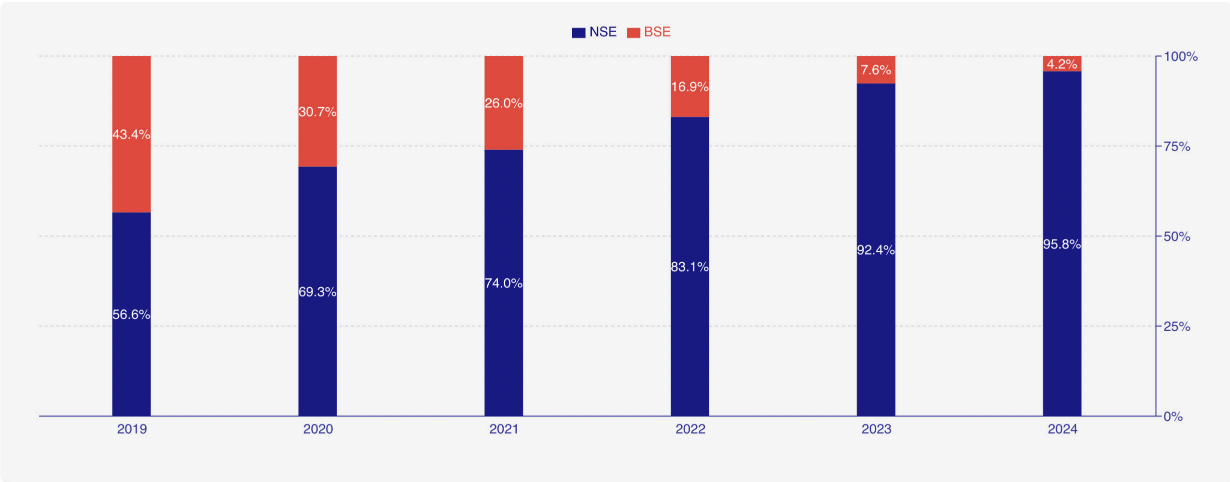
(₹ Crores)



Source - RBI, CCIL, SEBI, BSE, NSE

DISTRIBUTION OF CURRENCY DERIVATIVES VOLUME BY EXCHANGE

Currency Derivatives by Exchange (%)



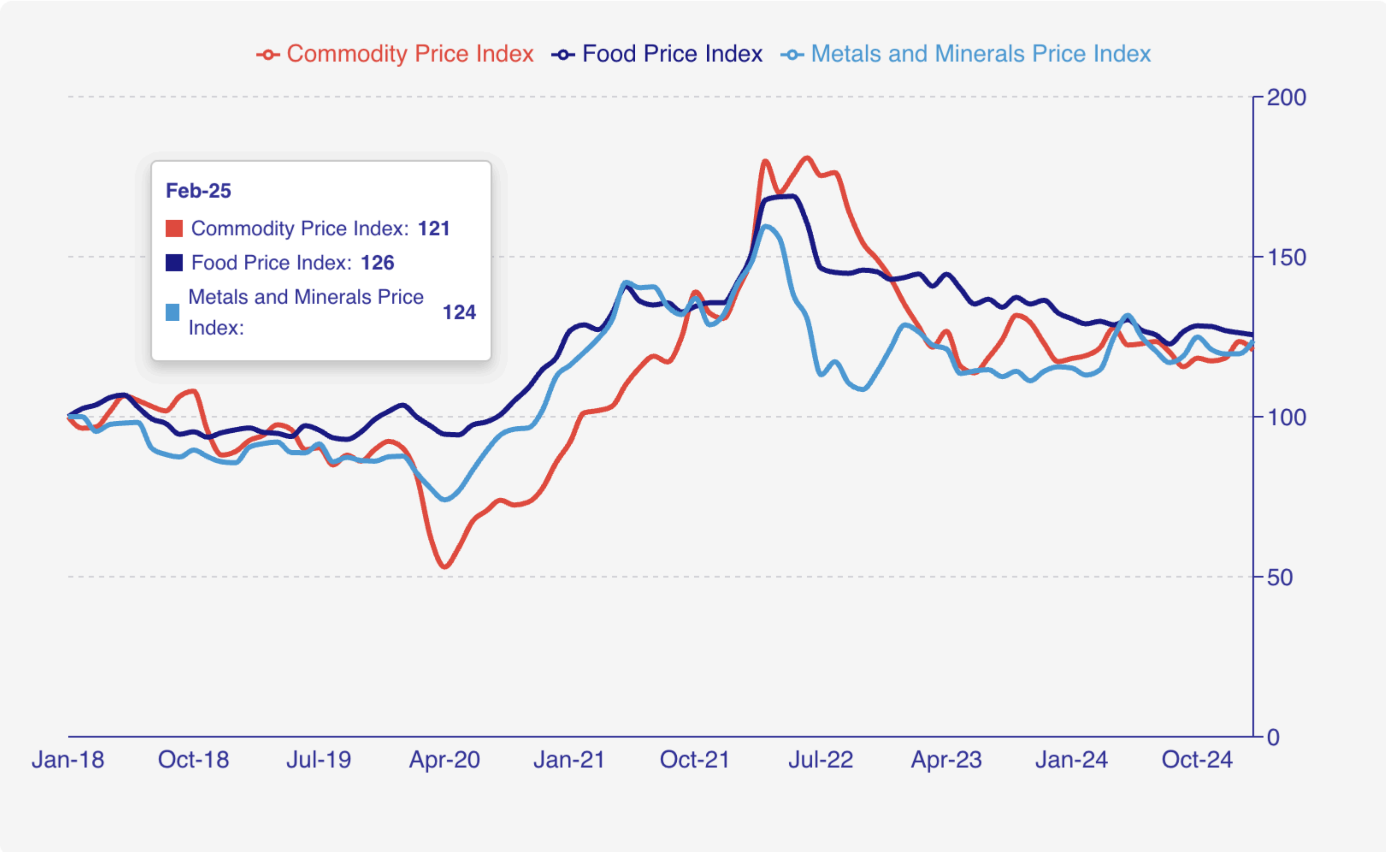
Currency Derivatives by Instrument (%)

Source - SEBI, BSE, NSE

7. Commodities

WORLD BANK COMMODITY PRICE INDICES

(Monthly Index Values)



Source: World Bank

Note: Indices are rebased to 100 as of January 2018

GLOBAL COMMODITY PRICE TRENDS

Commodity	Grade/Unit	2019	2020	2021	2022	2023	2024
Energy							
Crude Oil	Brent, US$/bbl	64.0	42.3	70.4	99.8	82.6	80.7
Coal	New castle, US$/MT	77.9	60.8	138.1	344.9	172.8	136.1
Natural Gas	Henry Hub, US$/MMBTU	2.6	2.0	3.9	6.4	2.5	2.2
Metals							
Aluminium	US$/MT	1,794.5	1,704.0	2,472.8	2,705.0	2,255.7	2,419.0
Iron Ore	US$/MT	93.8	108.9	161.7	121.3	120.6	109.4
Copper	US$/MT	6,010.1	6,173.8	9,317.1	8,822.4	8,490.3	9,142.1
Lead	US$/MT	1,996.5	1,824.9	2,200.4	2,150.6	2,135.8	2,069.4
Gold	US$/troy ounce	1,392.5	1,770.3	1,799.6	1,800.6	1,942.7	2,387.7
Silver	US$/troy ounce	16.2	20.5	25.2	21.8	23.4	28.3
Agriculture							
Palm Oil	US$/MT	601.4	751.8	1,130.6	1,276.0	886.5	963.4
Tea	US$/kg	2.4	2.7	2.8	2.8	2.4	2.8
Coffee	Arabica, US$/kg	2.9	3.3	4.5	5.6	4.5	5.6
Rice	Thailand - 5% broken, US$/MT	418.0	496.8	458.3	436.8	553.7	588.4
Wheat	US Hard Red Winter, US$/MT	201.7	231.6	315.2	430.0	340.4	268.7
Fertilizers							
Urea	US$/MT	245.3	229.1	483.2	700.0	358.0	338.3
Potassium Chloride	US$/MT	255.5	241.1	542.8	863.4	383.2	295.1
DAP	US$/MT	306.4	312.4	601.0	772.2	550.0	563.7

Source - World Bank

Note: Data is annual average

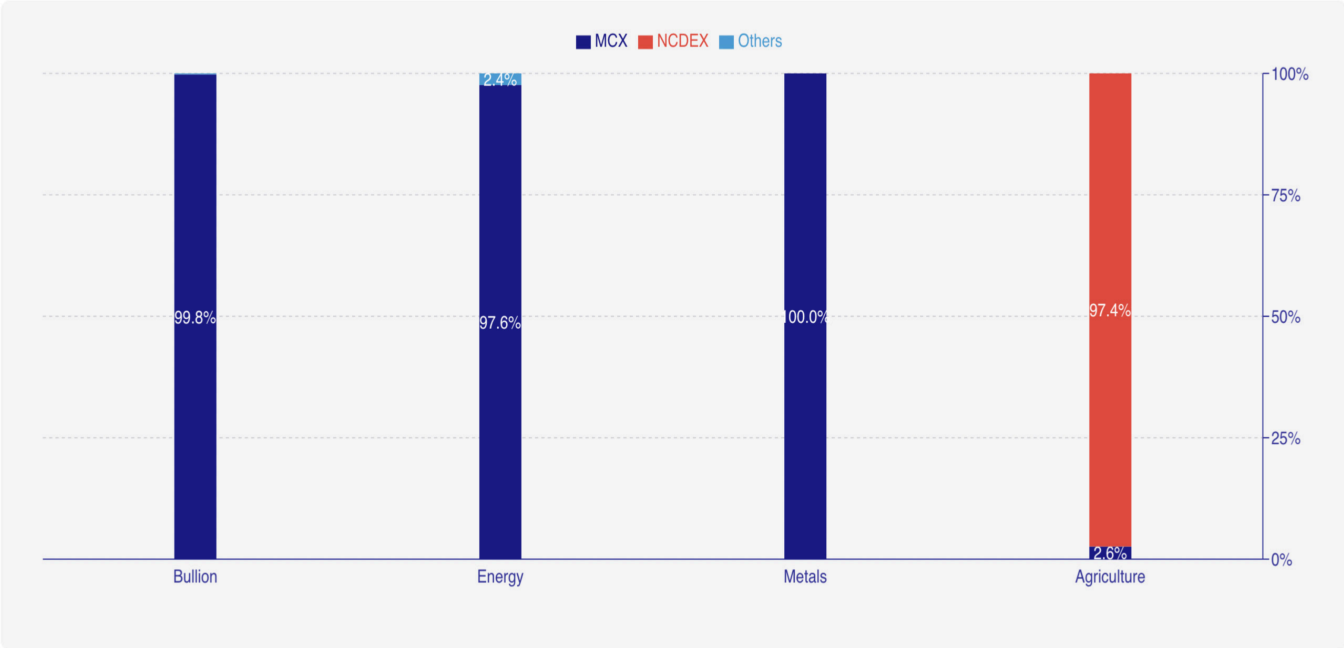
MONTHLY TURNOVER IN COMMODITY DERIVATIVES

(₹ Crores)

Category	2019	2020	2021	2022	2023	2024
All Commodities	**705,708**	**790,024**	**808,651**	**1,119,043**	**1,990,266**	**4,145,817**
Bullion	212,296	423,542	344,994	264,013	408,542	885,967
Energy	289,294	208,347	268,837	739,189	1,512,030	3,182,490
Agri	11,203	26,591	52,670	22,232	18,822	12,192
Metals	152,466	120,892	134,907	90,034	49,956	64,371
By Instrument Type						
Futures	688,802	730,614	633,172	551,297	452,457	539,910
Options	16,906	59,410	175,479	567,746	1,537,810	3,605,907
By Exchange						
MCX	659,180	727,188	687,358	1,095,421	1,969,490	4,054,117
NCDEX	37,898	25,161	40,960	19,148	18,496	12,390
Other Exchanges	8,631	37,675	80,334	4,474	2,280	79,310

Source - SEBI

DISTRIBUTION OF COMMODITY DERIVATIVES TURNOVER BY PRODUCT TYPE (%) (2024)

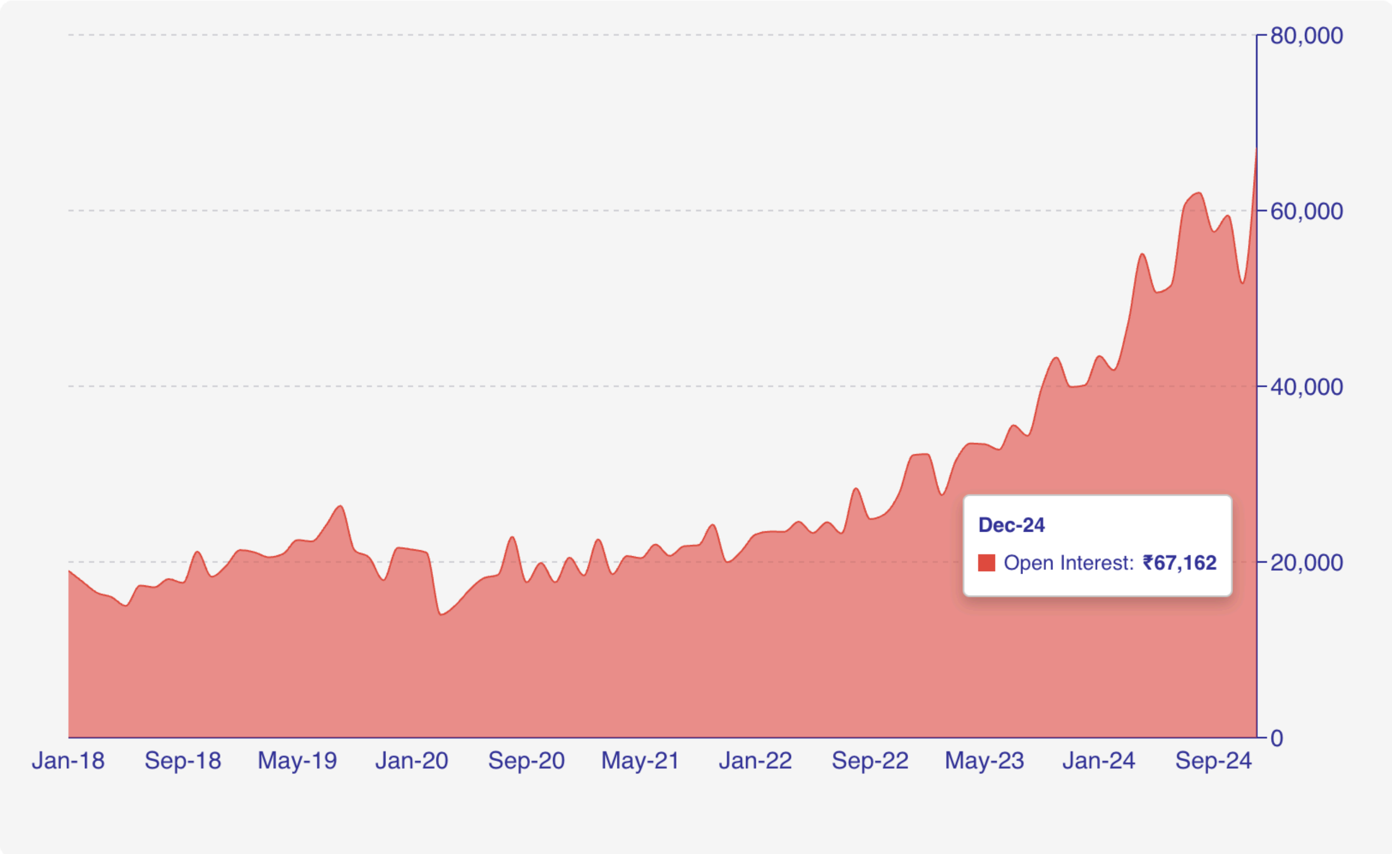


Source - SEBI

Note: Data includes both commodity futures and options

OPEN INTEREST IN COMMODITY DERIVATIVES

(₹ Crores)

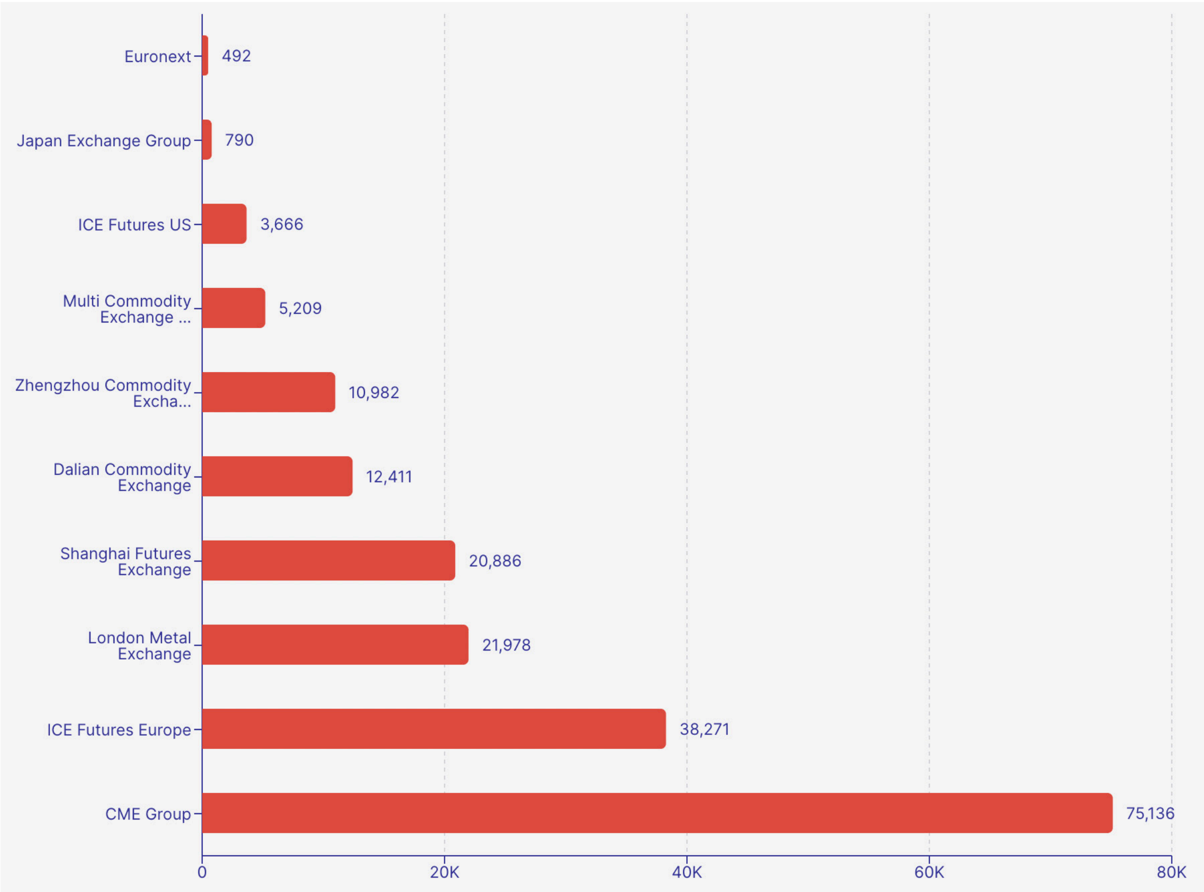


Source - SEBI

Note: Data includes both commodity futures and options

GLOBAL RANKING OF MAJOR COMMODITY EXCHANGES BY TURNOVER

(Jan-Nov 2024, US$ billion)

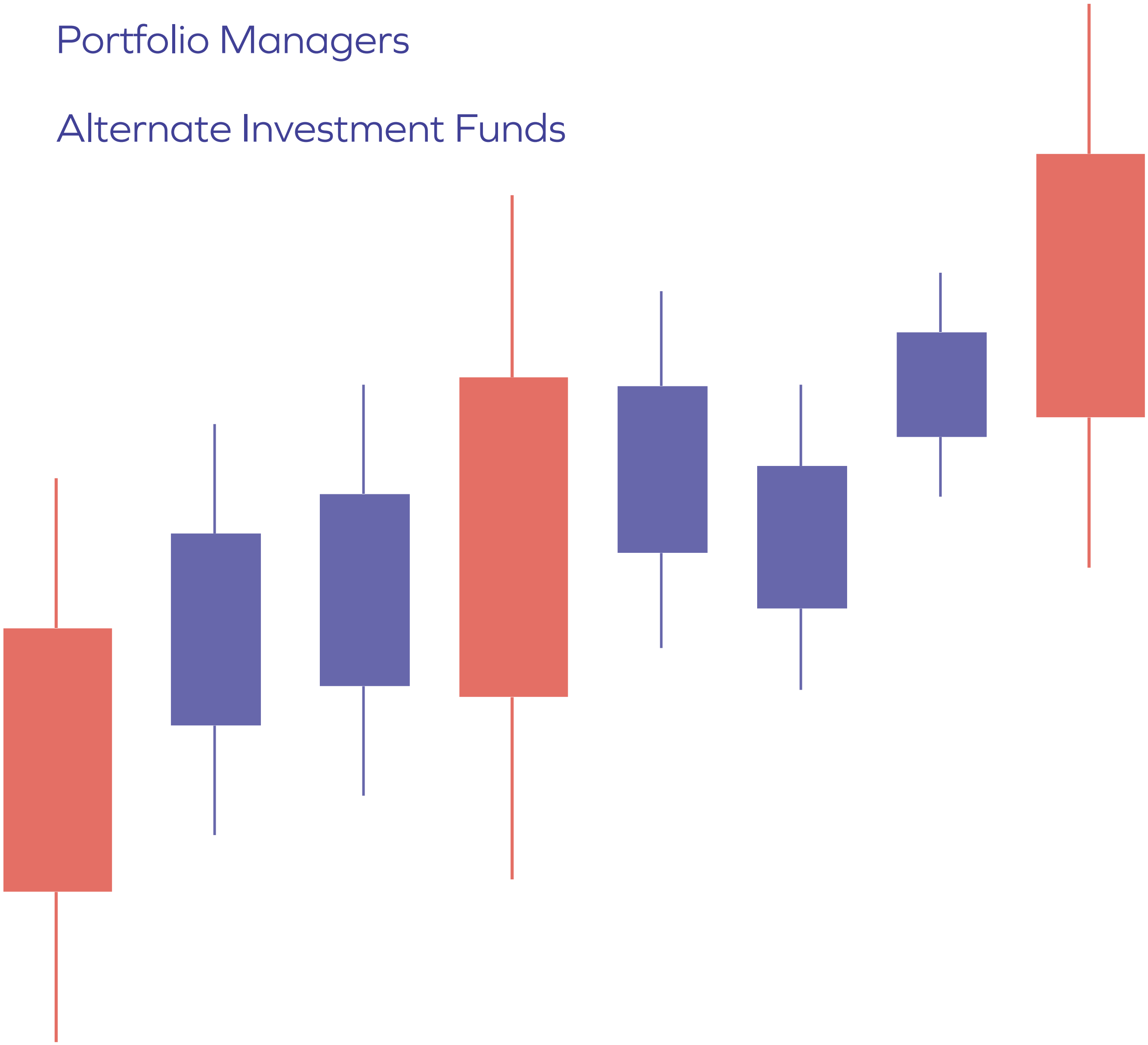


Source - World Federation of Exchanges

Note: Data includes both commodity futures and options

8. Asset Management

- **Mutual Funds**
- Portfolio Managers
- Alternate Investment Funds



TRENDS IN MUTUAL FUND ASSETS (AUM) AND NET INFLOWS

(₹ Crores)

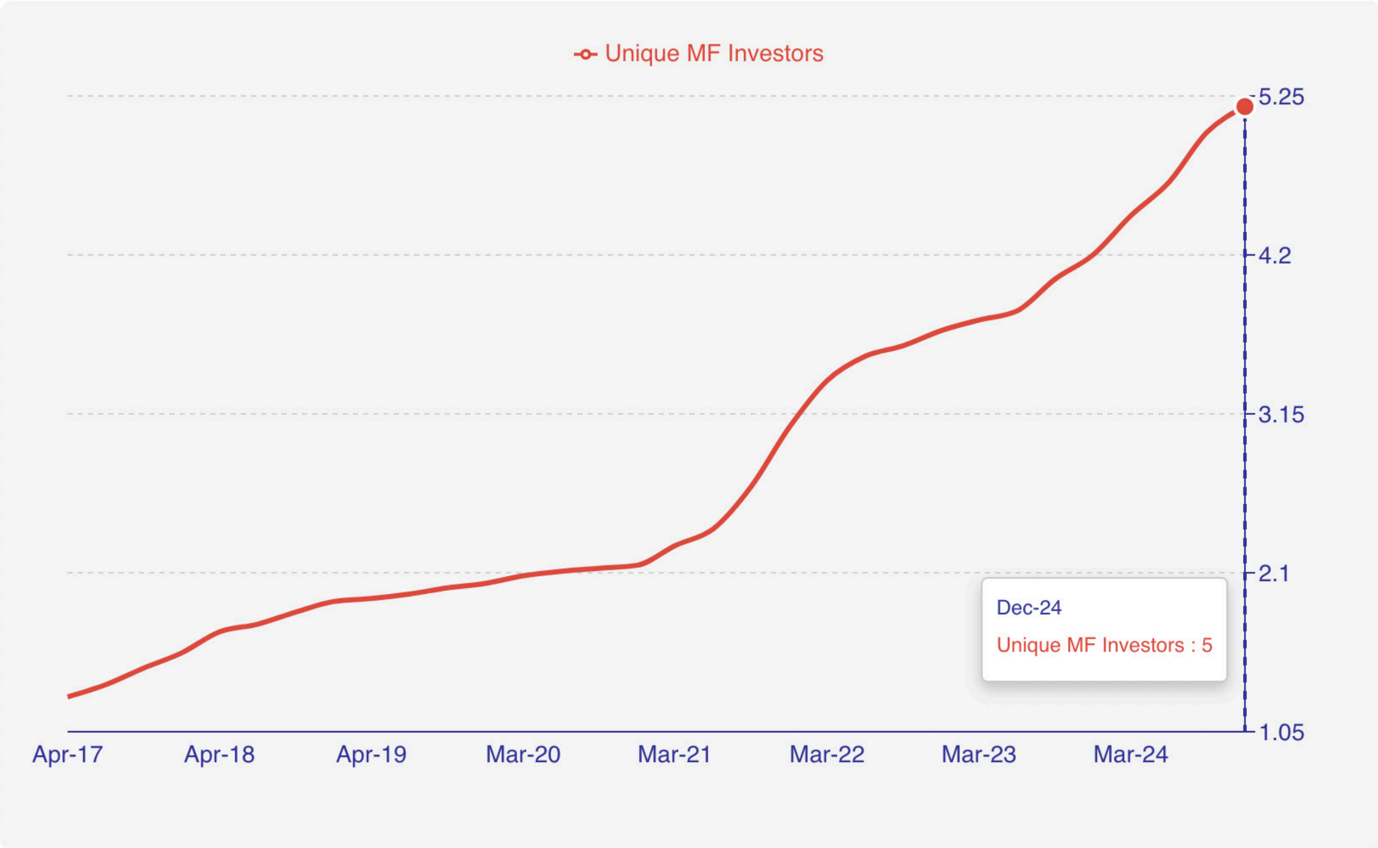
Rs Crores	2020	2021	2022	2023	2024
Net Inflows					
All Fund Categories	181,411	188,447	71,443	274,217	834,105
- Equity	2,142	79,932	158,906	158,653	393,776
- Hybrid	-53,196	102,459	-5,590	93,208	148,733
- Debt	164,856	-109,953	-248,618	-51,278	156,197
- Index Funds	4,244	24,853	79,360	47,629	53,720
- Non-Gold ETFs	51,156	70,857	83,244	23,291	69,840
- Other Funds	12,208	20,299	4,142	2,714	11,839
Assets under Management					
All Fund Categories	3,102,476	3,772,696	3,988,735	5,077,900	6,693,032
- Equity	936,806	1,344,283	1,531,894	2,183,651	3,061,921
- Hybrid	317,572	470,440	491,076	661,426	876,536
- Debt	1,531,083	1,456,259	1,265,127	1,316,324	1,590,059
- Index Funds	15,259	45,430	128,984	199,659	275,077
- Non-Gold ETFs	256,237	384,214	497,473	623,022	765,375
- Other Funds	45,519	72,070	74,181	93,818	124,064

Source - AMFI

The AUM of the mutual fund industry doubled between 2020 and 2024. This was thanks to the widening of the investor base, which doubled from 2 crore to 5 crore unique investors. The bulk of the flows were into equity funds thanks to the influx of first-time investors coupled with the roaring bull market. Within equity funds, mid and small-cap funds saw more inflows than large-cap funds, thanks to the spectacular performance of mid and small-cap stocks. The increase in the flows into index funds is also noteworthy. Index funds are more representative of retail interest in passive funds than index ETFs, which get the bulk of their flows from the Employees Provident Fund Organisation (EPFO).

GROWTH OF UNIQUE MUTUAL FUND INVESTORS

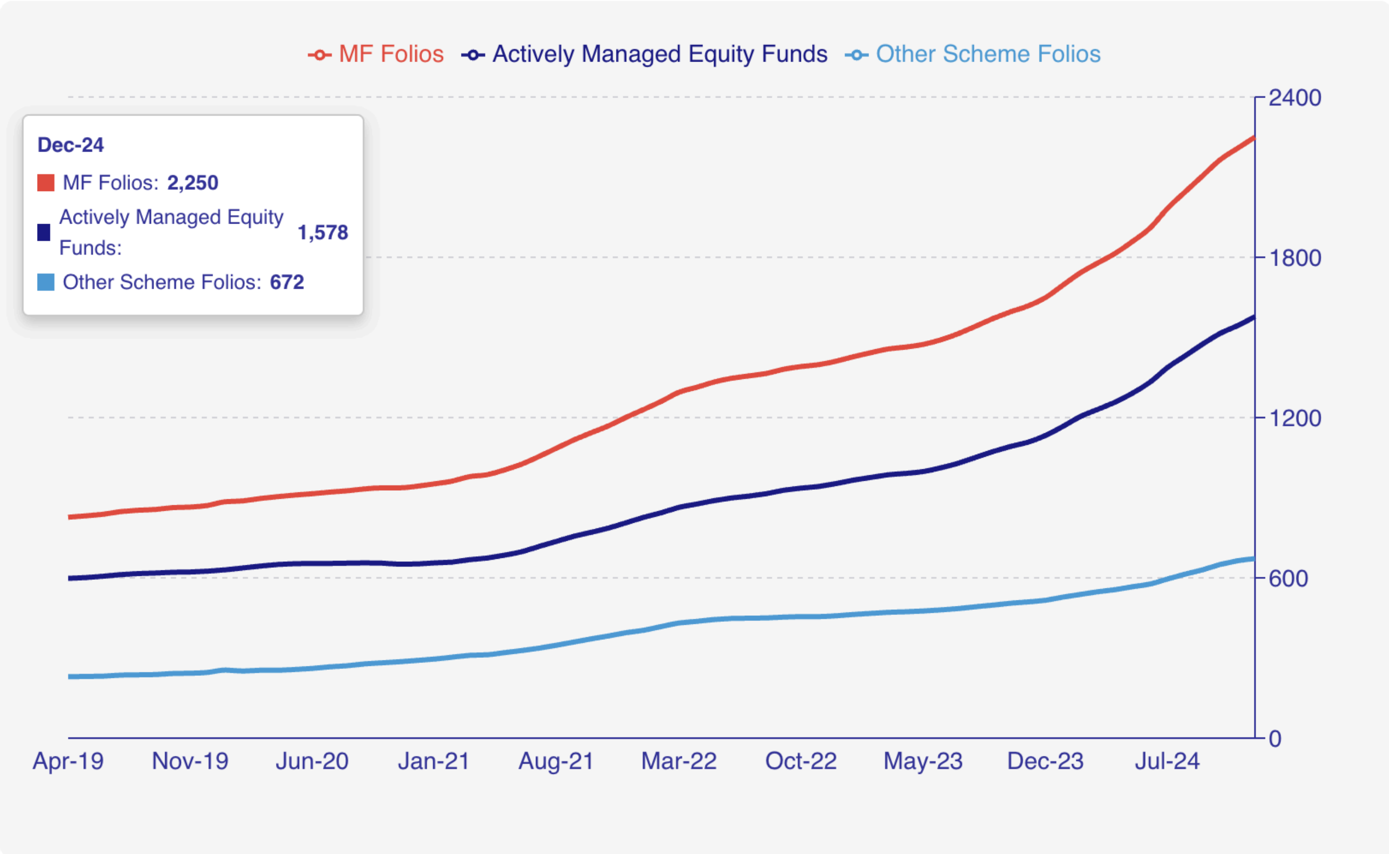
(Crores)



Source - AMFI
Unique investors by PAN

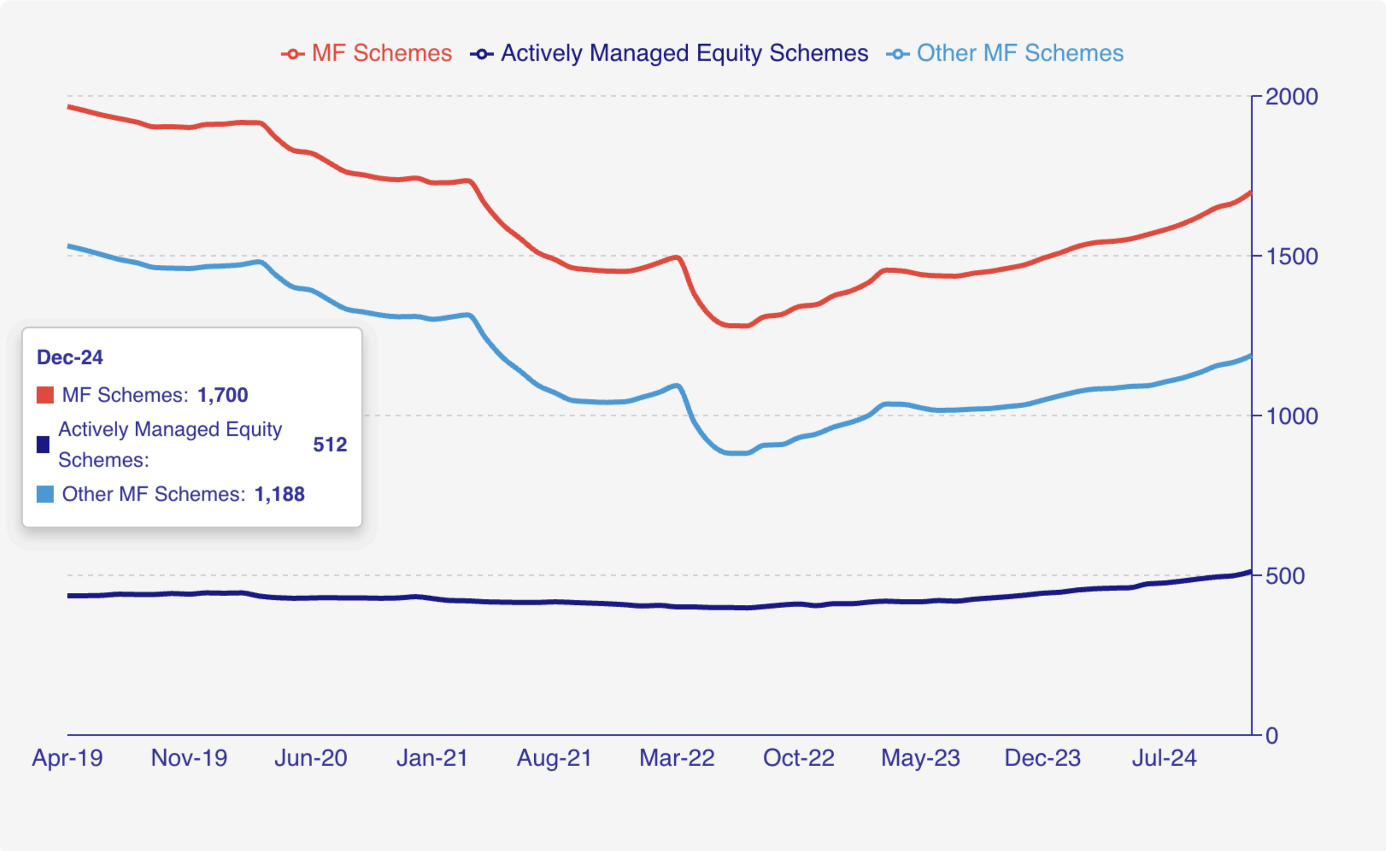
GROWTH TRENDS IN MUTUAL FUND FOLIOS

(Lakhs)



Source - AMFI

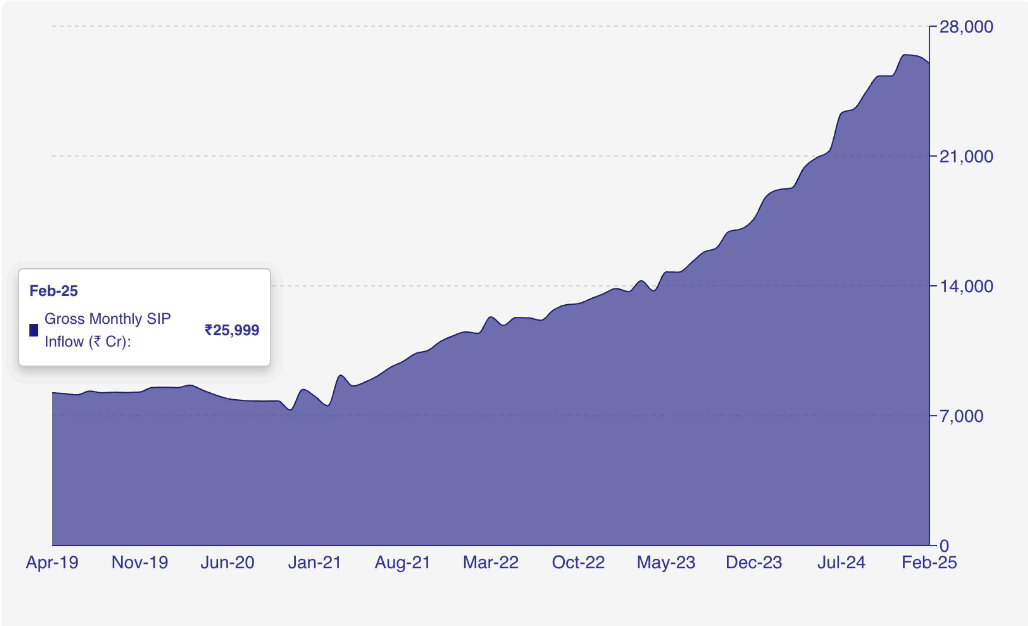
GROWTH TRENDS IN NUMBER OF MUTUAL FUND SCHEMES BY CATEGORY

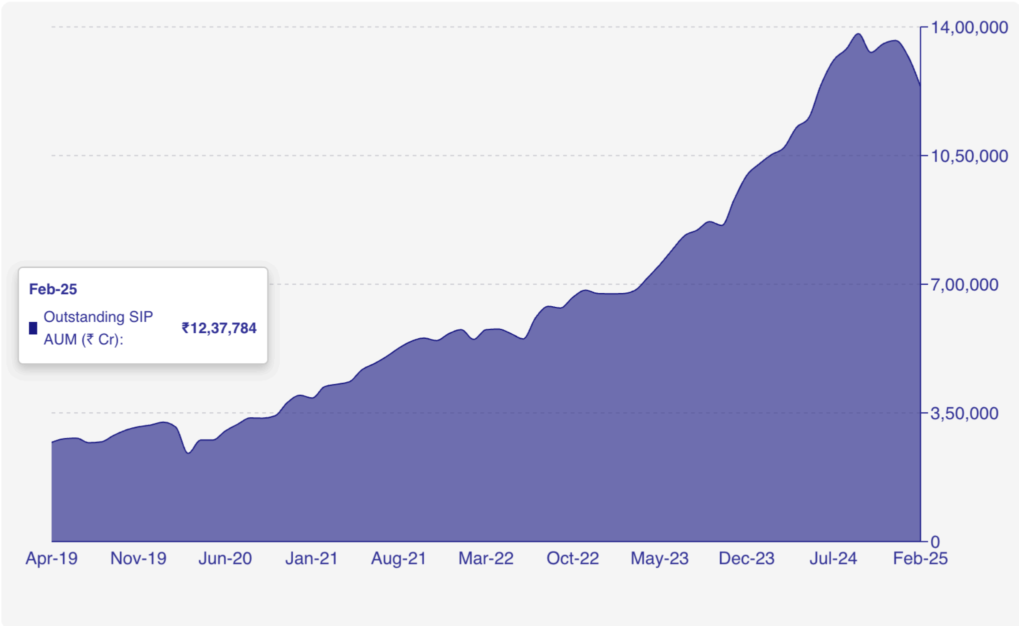


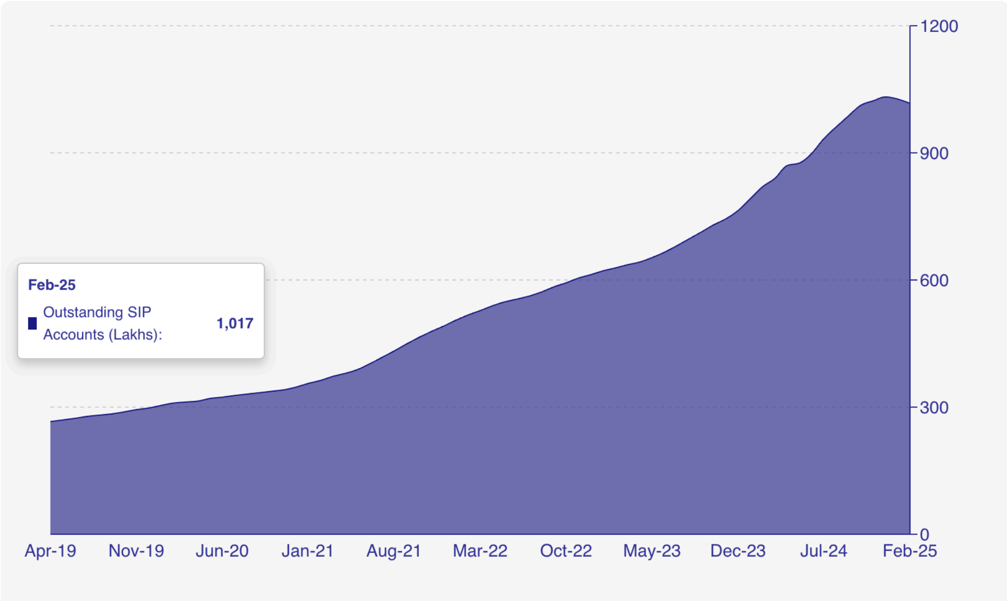
Source - AMFI

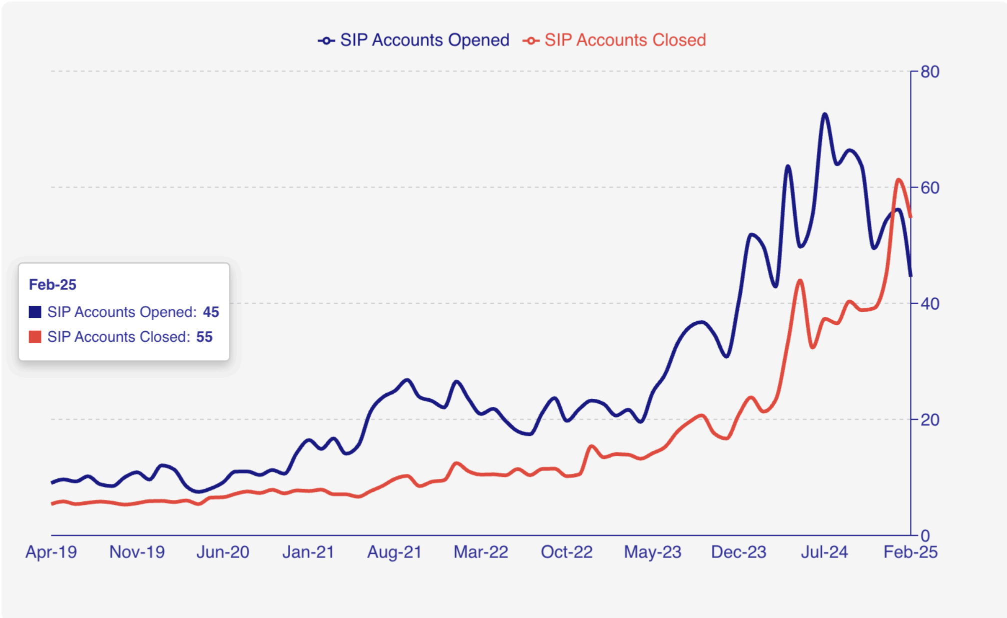
The increase in the number of mutual fund schemes can almost be entirely attributed to the increase in thematic funds.

GROWTH OF SYSTEMATIC INVESTMENT PLANS IN MUTUAL FUNDS









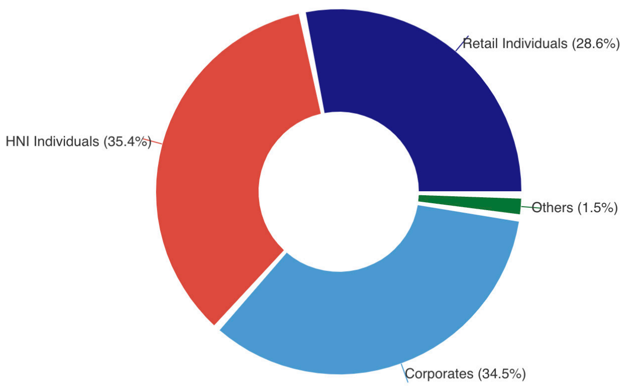
Source - AMFI

One can now confidently state that the Indian stock market has never been more mainstream. A lot of the credit for this goes to mutual funds, especially systematic investment plans (SIP).

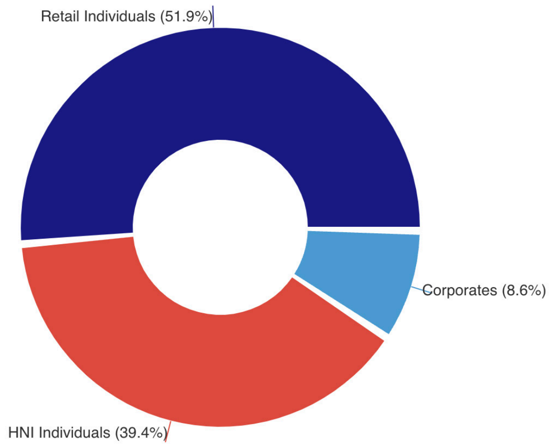
DISTRIBUTION OF MUTUAL FUND AUM BY INVESTOR CATEGORY

(₹ Crores)

All Funds

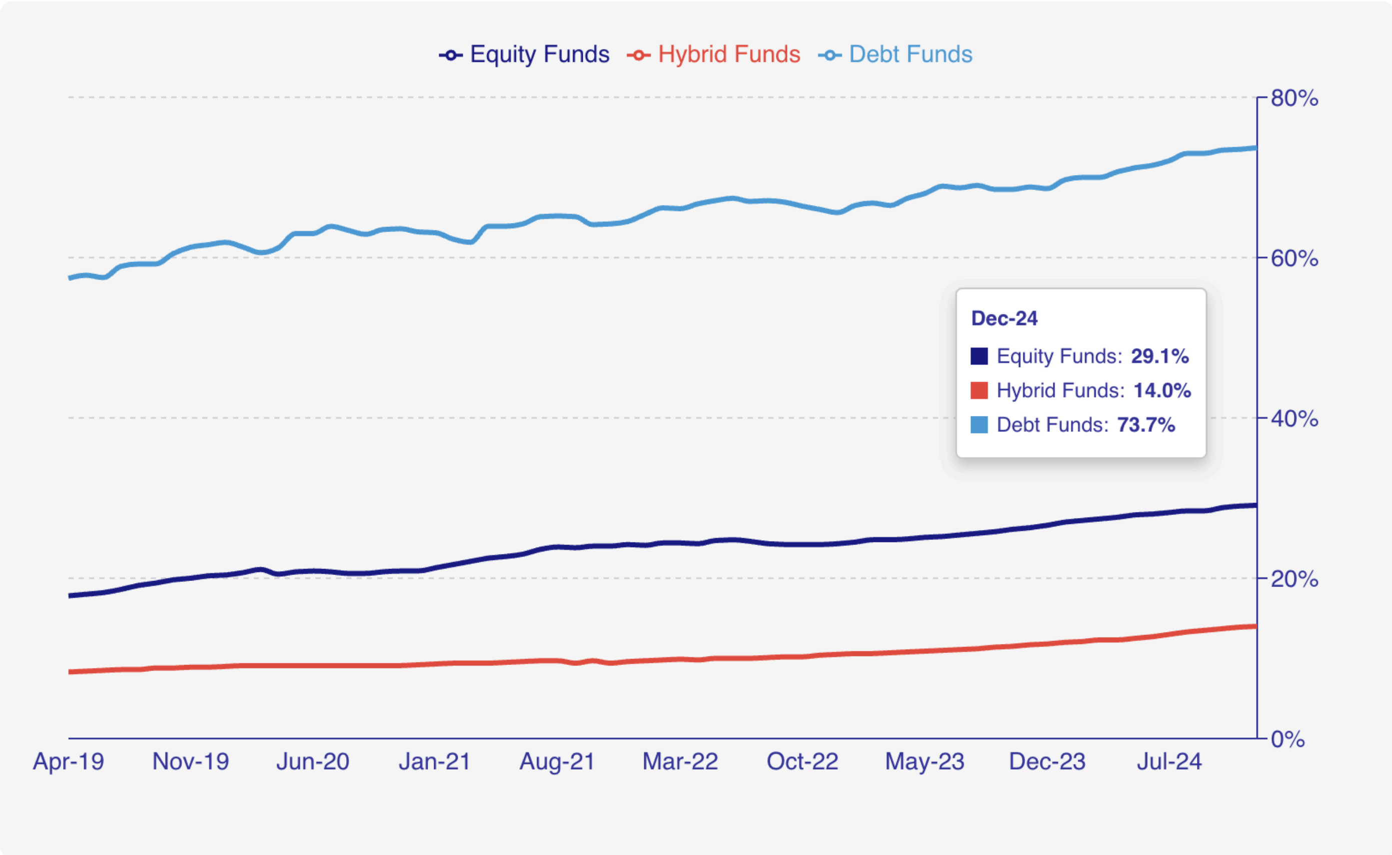


Active Equity Funds



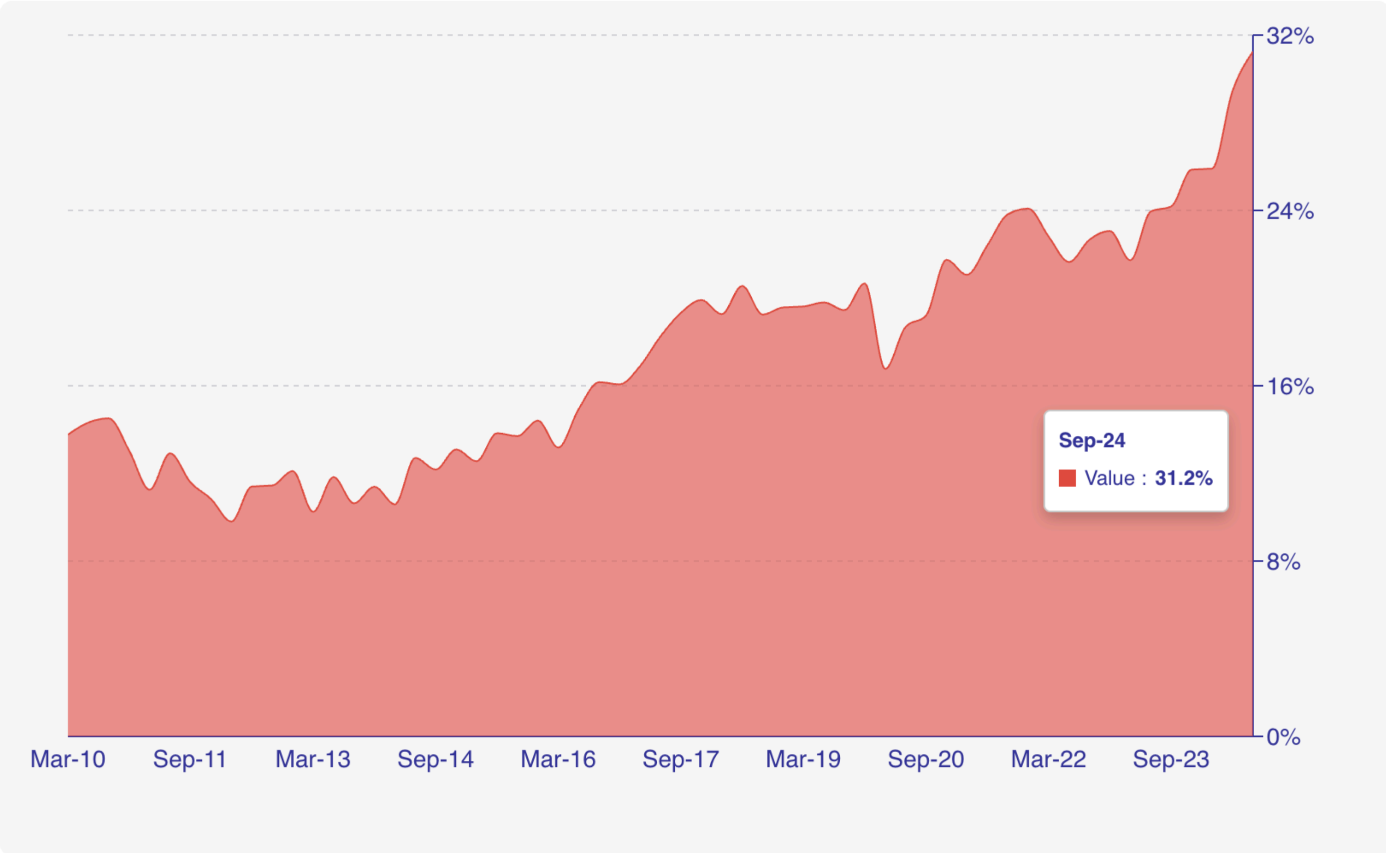
Source - AMFI

SHARE OF DIRECT PLANS ACROSS FUND CATEGORIES (%)



Source - AMFI, IDH Calculations

MUTUAL FUND AUM TO BANK DEPOSITS RATIO (%)

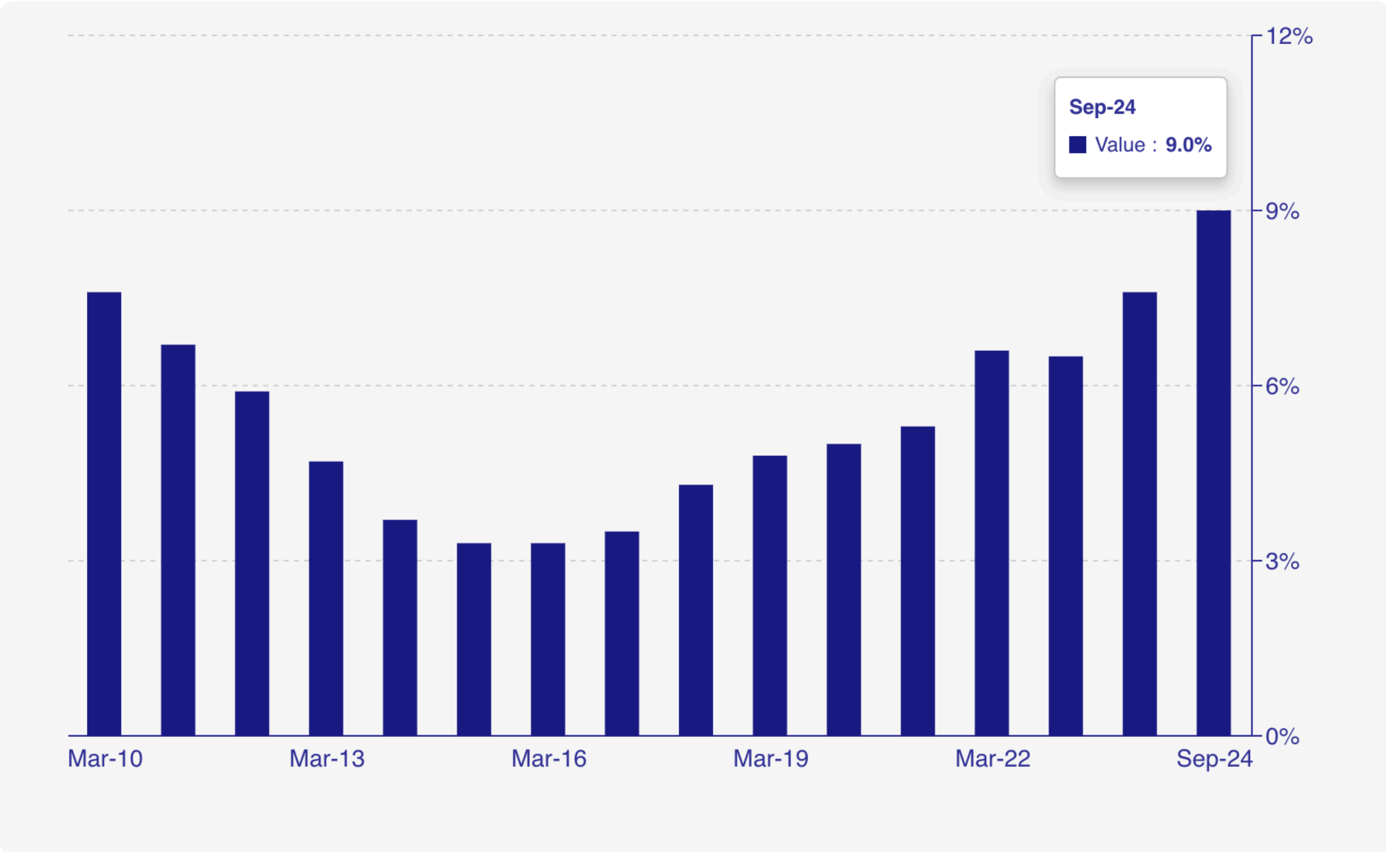


Source: AMFI, RBI, IDH Calculations

Note: Bank Deposits data includes all bank account types (savings, current, term) and all bank categories excluding Regional Rural Banks

The doubling of the mutual fund AUM between 2020 and 2024 relative to bank deposits is nothing short of stunning in a country obsessed with fixed deposits. The 2020-24 bull market did more to wean Indians off FDs than all the financial literacy programs put together.

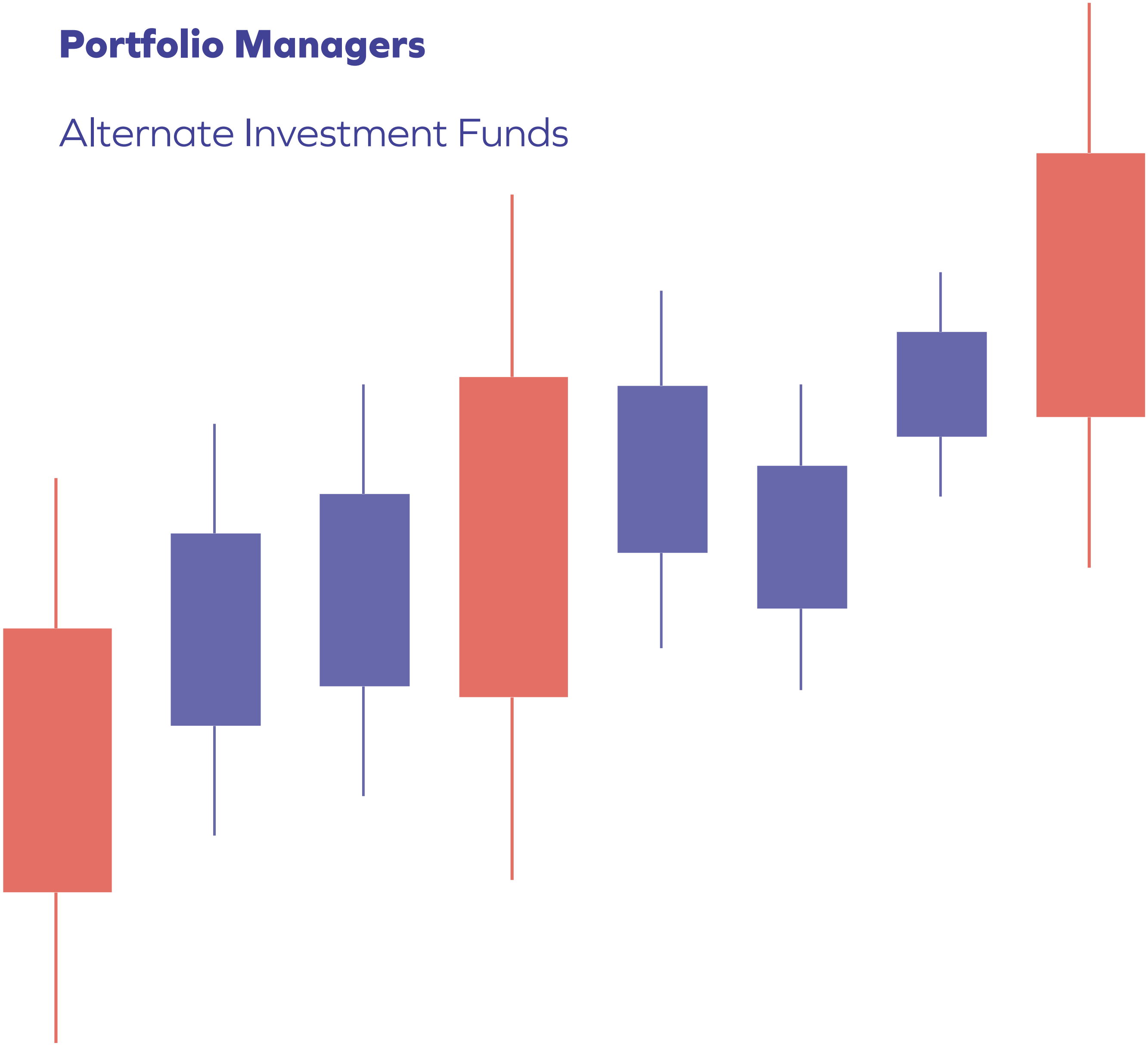
MUTUAL FUND FOLIOS TO BANK ACCOUNTS RATIO (%)



Source: AMFI, RBI, IDH Calculations
Note: Bank Deposits data includes all bank account types (savings, current, term) and all bank categories excluding Regional Rural Banks

8. Asset Management

- Mutual Funds
- **Portfolio Managers**
- Alternate Investment Funds



GROWTH OF ASSETS (AUM) MANAGED BY PORTFOLIO MANAGERS (PMS)

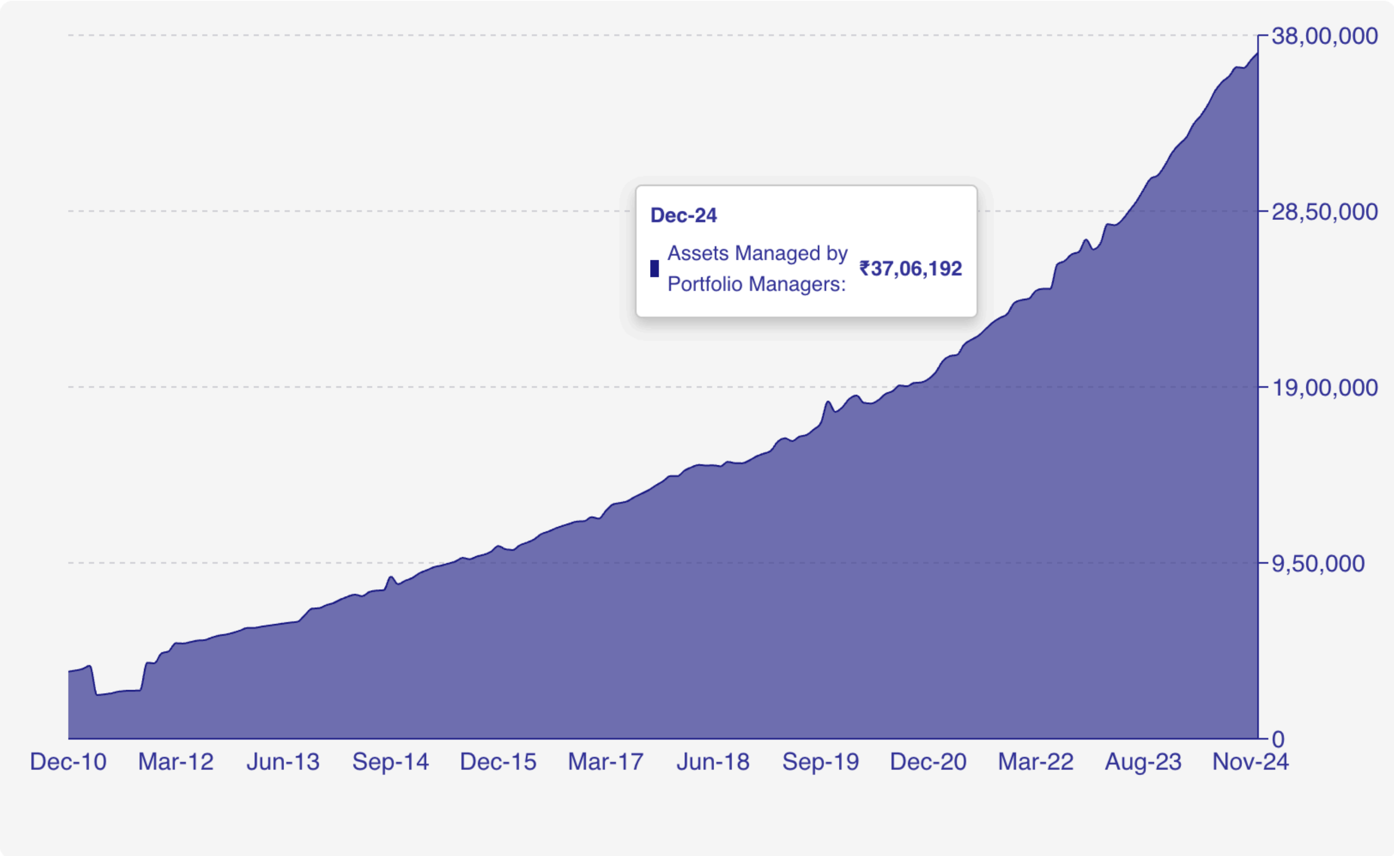
Category	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Number of PMS Clients	**106,410**	**134,682**	**144,411**	**152,120**	**192,281**
- Discretionary	98,187	125,017	136,718	144,914	184,400
- Non-Discretionary	7,130	7,812	6,173	5,117	6,061
- Others	1,093	1,853	1,520	2,089	1,820
Value of PMS Assets (₹ Crores)	**1,942,690**	**2,354,773**	**2,696,804**	**3,164,553**	**3,706,192**
- Discretionary	1,645,052	1,970,374	2,248,521	2,646,171	3,107,027
- Non-Discretionary	125,889	157,072	227,705	258,733	298,988
- Others	171,749	227,327	220,578	259,649	300,177
Composition of PMS Assets (₹ Crores)*	**1,770,941**	**2,127,446**	**2,476,226**	**2,904,904**	**3,406,016**
Equity	148,253	247,362	261,803	336,133	417,580
Debt	1,584,659	1,799,641	2,140,563	2,290,171	2,819,746
Others	38,029	80,443	73,860	278,600	168,690

Source - SEBI

*Note: This data only covers Discretionary and Non-Discretionary AUM and thus excludes Advisory and Coinvestment AUM

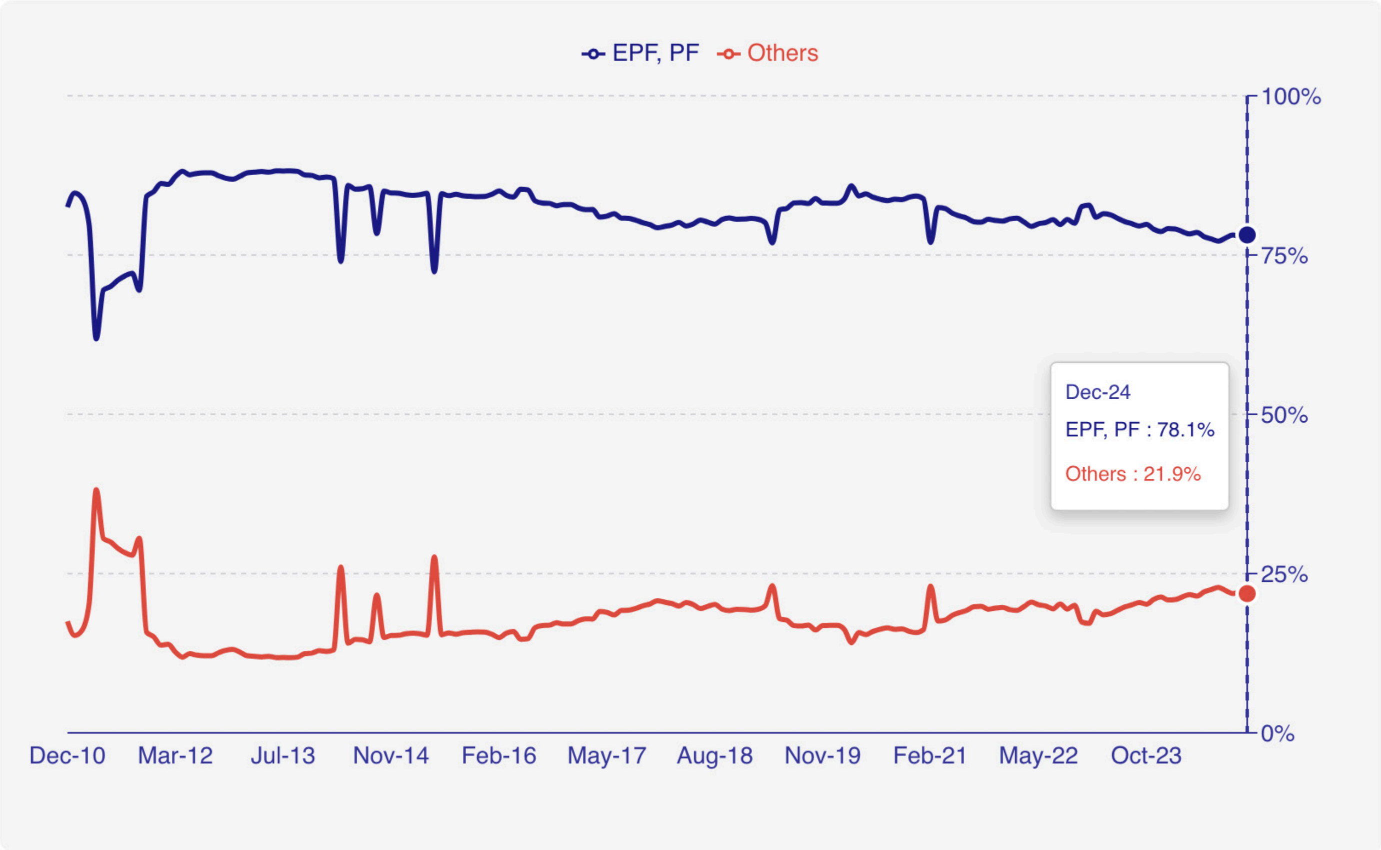
ASSET MANAGED BY PORTFOLIO MANAGERS

(₹ Crores)



Source - SEBI

COMPOSITION OF ASSETS MANAGED BY PORTFOLIO MANAGERS (%)

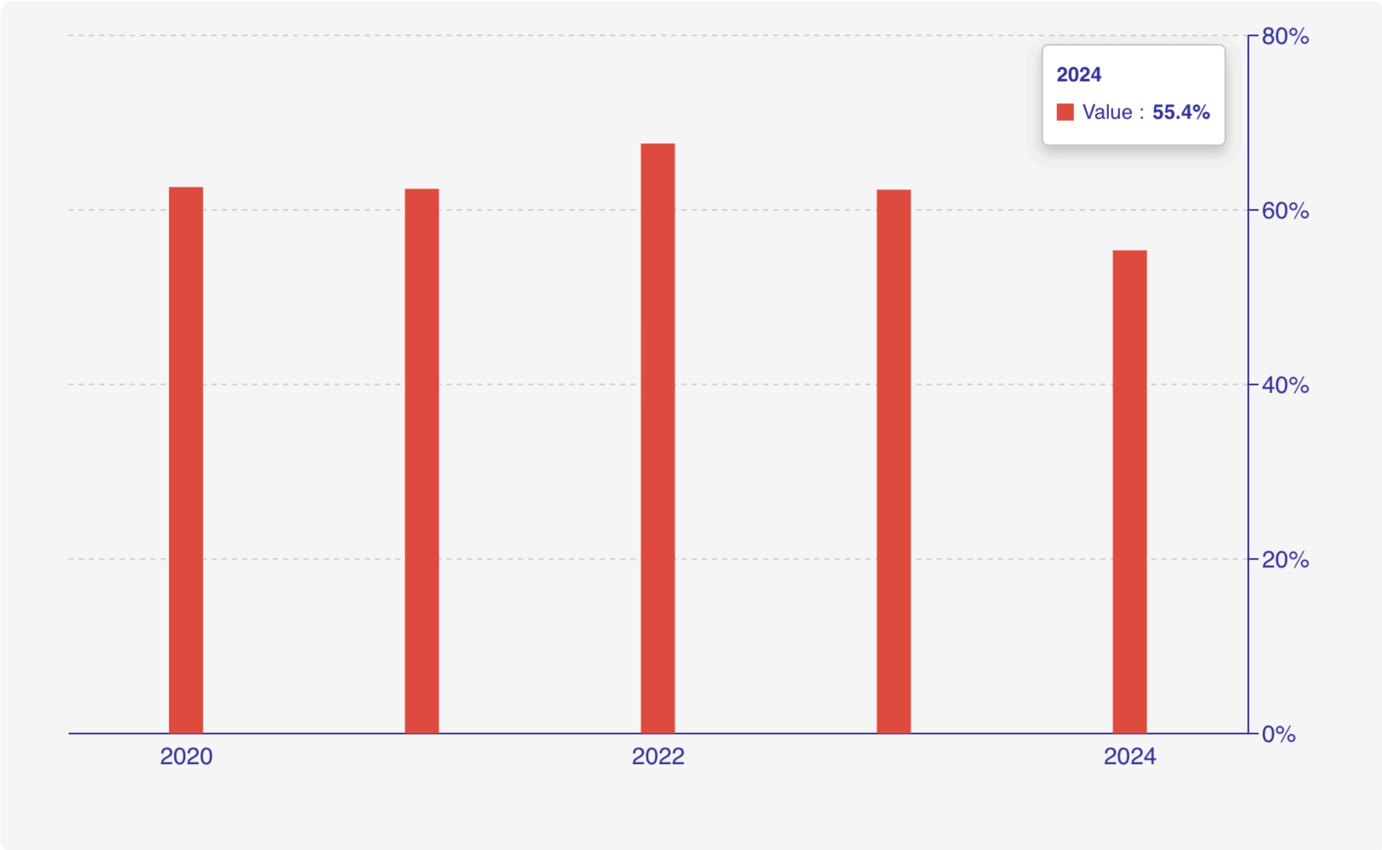


Source - SEBI

*Note: This data only covers Discretionary and Non-Discretionary AUM and thus excludes Advisory and co-investment AUM.

EPF/PF includes monies given by the Employees Provident Fund and other PFs for management to Portfolio Managers.

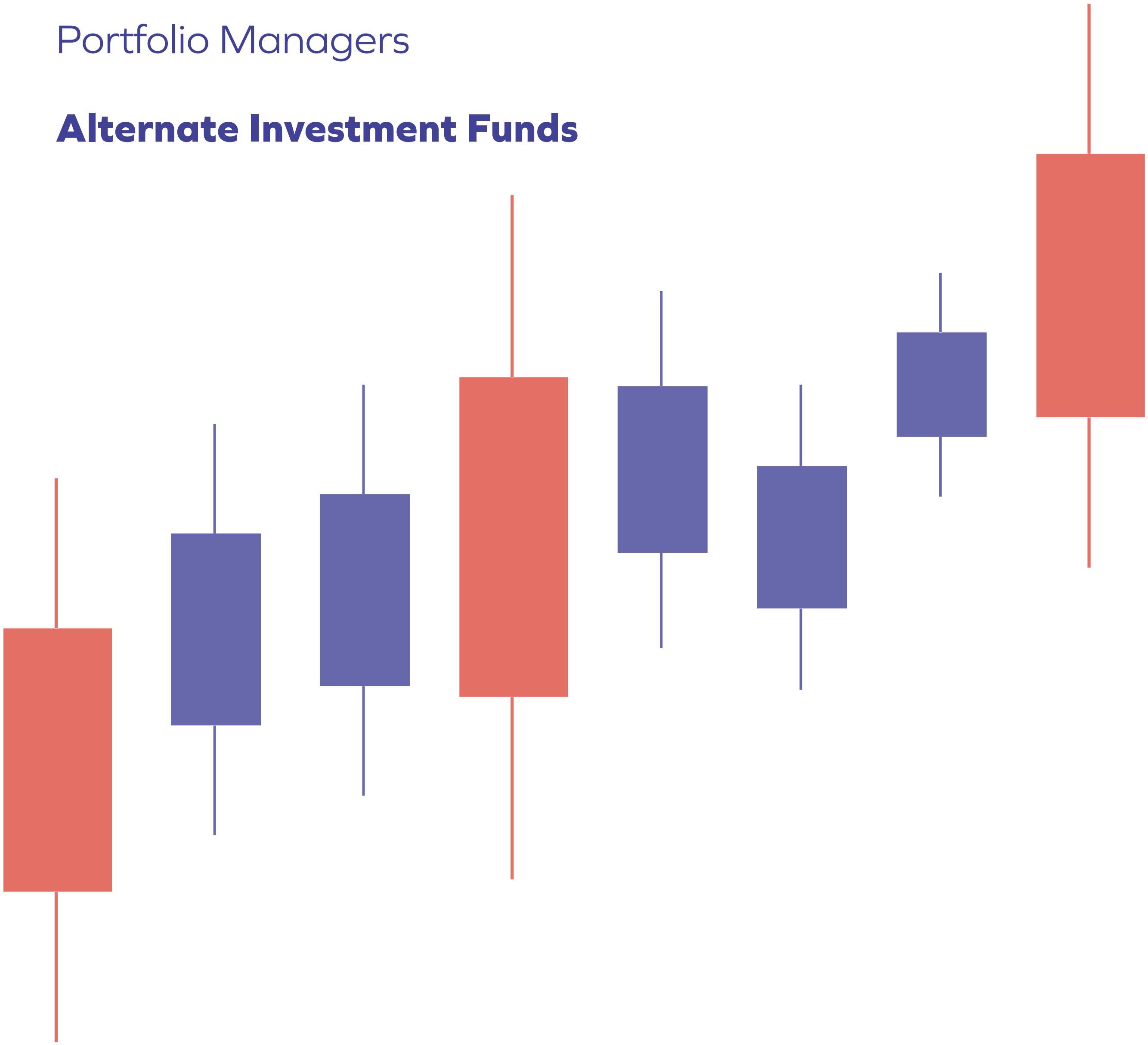
PORTFOLIO MANAGEMENT AUM TO MUTUAL FUND AUM RATIO (%)*



Source - SEBI

8. Asset Management

- Mutual Funds
- Portfolio Managers
- **Alternate Investment Funds**



FUNDRAISING TRENDS IN ALTERNATIVE INVESTMENT FUNDS (AIFS)

(₹ Crores)

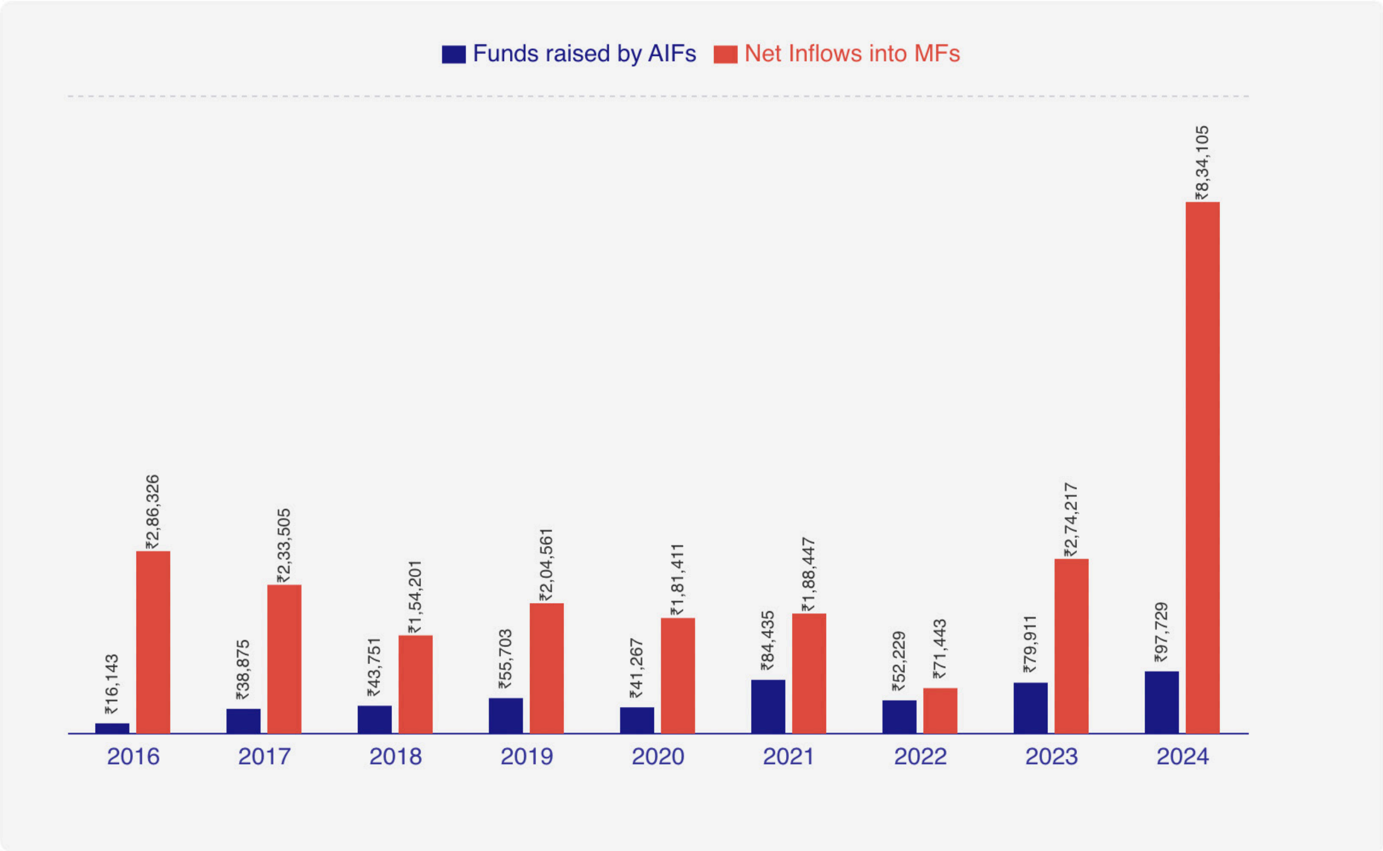
Category	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Cumulative Funds Raised under AIFs	**212,979**	**297,415**	**349,644**	**429,555**	**527,284**
Category 1 Funds					
- Infrastructure Funds	8,731	8,624	7,754	8,380	8,948
- Venture Capital Funds	11,713	18,419	23,612	29,488	35,138
- Other Funds	2,089	2,174	891	1,538	2,759
Category 2 Funds					
Total	148,099	211,914	252,077	308,472	350,774
Category 3 Funds					
Total	42,348	56,284	65,309	81,676	129,665

Source: SEBI

Note: Funds raised data is on net basis

COMPARISON OF AIF FUNDRAISING VS MUTUAL FUND NET INFLOWS

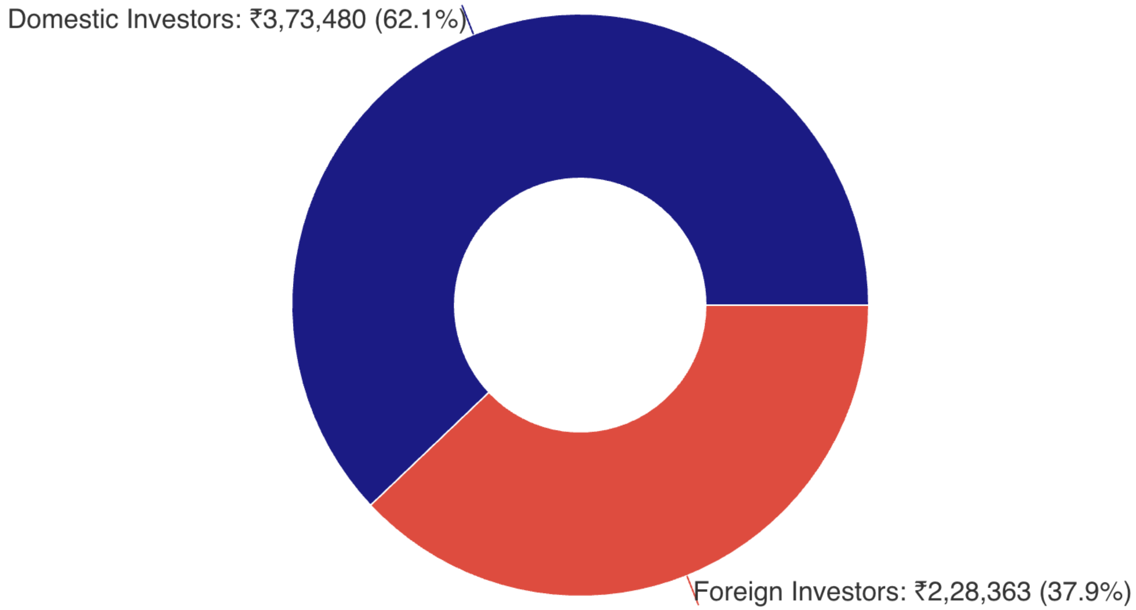
(₹ Crores)



Source - SEBI, AMFI

DISTRIBUTION OF FUNDS RAISED BY AIFS BY INVESTOR TYPE

(₹ Crores)

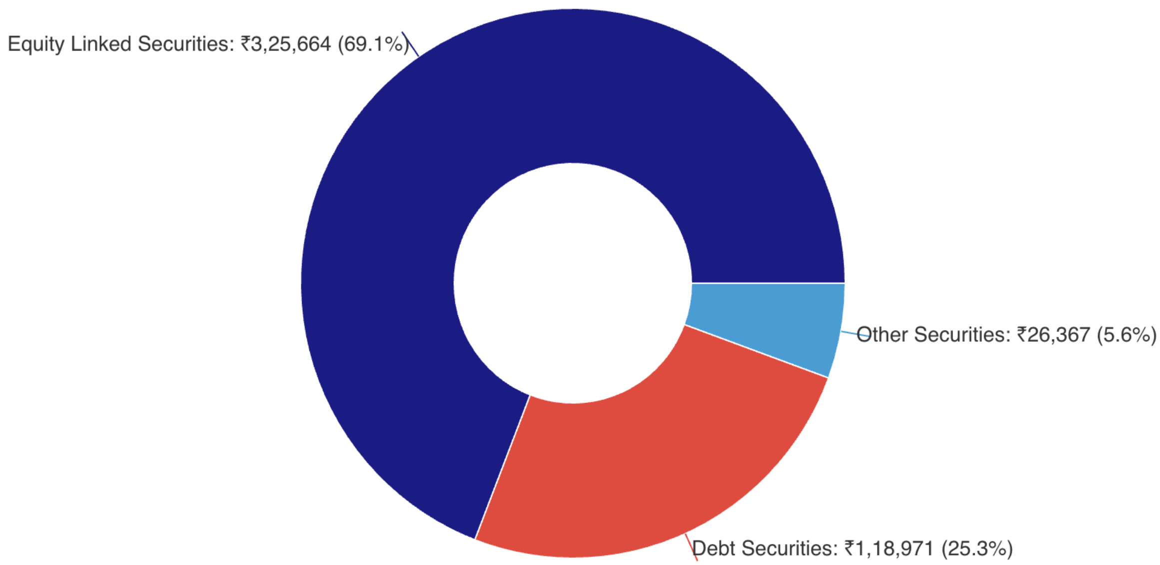


Source: SEBI

Note: Data is on gross basis; Data as of December 2024

INVESTMENT PATTERN OF AIFS

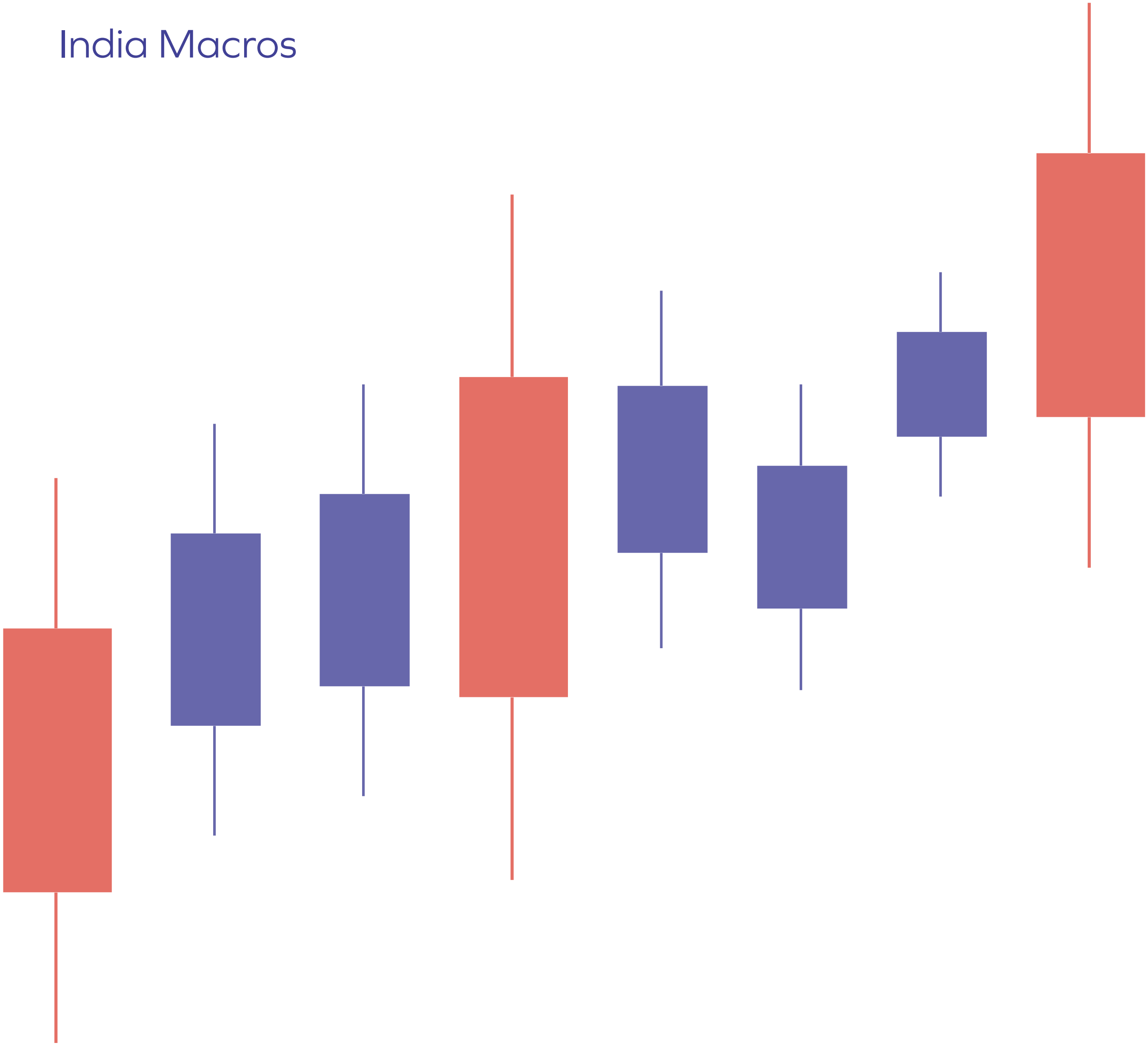
(₹ Crores)



Source: SEBI
Note: Data is on net basis and at cost; Data as of December 2024;
Other securities includes Investment Trusts, Other AIFs and Security Receipts

9. Macro Overview

- **Global Macros**
- India Macros



GLOBAL REAL GDP GROWTH PROJECTIONS BY REGION (%)

Region/Country	2022	2023	2024	2025	2026
Real GDP Growth (YoY%)					
World	3.6	3.3	3.2	3.3	3.3
Advanced Economies	**2.9**	**1.7**	**1.7**	**1.9**	**1.8**
- USA	2.5	2.9	2.8	2.7	2.1
- Eurozone	3.3	0.4	0.8	1.0	1.4
- UK	4.8	0.3	0.9	1.6	1.5
- Japan	1.2	1.5	-0.2	1.1	0.8
- Canada	3.8	1.5	1.3	2.0	2.0
- Australia	3.9	2.1	1.2	2.1	2.2
Emerging & Developing Economies	**4.0**	**4.4**	**4.2**	**4.2**	**4.3**
- China	3.0	5.2	4.8	4.6	4.5
- India	7.0	8.2	6.5	6.5	6.5
- Indonesia	5.3	5.0	5.0	5.1	5.1
- Thailand	2.5	1.9	2.7	2.9	2.6
- Korea	2.7	1.4	2.2	2.0	2.1
- Philippines	7.6	5.5	5.8	6.1	6.3
- Russia	-1.2	3.6	3.8	1.4	1.2
- South Africa	1.9	0.7	0.8	1.5	1.6
- Brazil	3.0	3.2	3.7	2.2	2.2
- Mexico	3.7	3.3	1.8	1.4	2.0

Source: IMF World Economic Outlook - October 2024 release, updated for January 2025 revision

The IMF expects global growth to remain stable in 2025 and 2026, with the world economy expected to grow 3.3% in real terms in both years, broadly the same rate as in the prior couple of years. Emerging and Developing Economies are expected to continue to grow at 2x the rate of the Advanced Economies. India and the Philippines are expected to be amongst the fast-est-growing large economies globally.

GLOBAL INFLATION TRENDS AND PROJECTIONS BY REGION (%YOY)

Region/Country	2022	2023	2024	2025	2026
World^	8.6	6.7	5.7	4.2	3.5
Advanced Economies^	**7.3**	**4.6**	**2.6**	**2.1**	**2.0**
- USA	8.0	4.1	3.0	1.9	2.1
- Eurozone	8.4	5.4	2.4	2.0	2.0
- UK	9.1	7.3	2.6	2.1	2.0
- Japan	2.5	3.3	2.2	2.0	2.0
- Canada	6.8	3.9	2.4	1.9	2.0
- Australia	6.6	5.6	3.3	3.3	3.0
Emerging & Developing Economies^	**9.6**	**8.1**	**7.8**	**5.6**	**4.5**
- China	2.0	0.2	0.4	1.7	2.0
- India	6.7	5.4	4.4	4.1	4.1
- Indonesia	4.1	3.7	2.5	2.5	2.5
- Thailand	6.1	1.2	0.5	1.2	1.5
- Korea	5.1	3.6	2.5	2.0	2.0
- Philippines	5.8	6.0	3.3	3.0	3.0
- Russia	13.8	5.9	7.9	5.9	4.0
- South Africa	6.9	5.9	4.7	4.5	4.5
- Brazil	9.3	4.6	4.3	3.6	3.1
- Mexico	7.9	5.5	4.7	3.8	3.0

Source: IMF World Economic Outlook - October 2024 release
^ Note: Data for 2024 to 2026 is updated as per the January 2025 revision

The IMF expects global consumer inflation to continue to moderate in 2025 and 2026. From a high of 8.6% in 2022, global CPI inflation is expected to have moderated to 5.7% in 2024 and is expected to further moderate to 3.5% in 2026. Both Advanced Economies as well as the Emerging and Developing Economies are expected to mirror this trend of moderating inflation.

Global trade growth is likely to remain resilient over the next couple of years as per the IMF's current estimates. Global volume of exports is likely to grow over 3% YoY in 2025 as well as 2026, with trade volume accelerating for the advanced economies and moderating slightly for the emerging and developing economies.

GLOBAL TRADE VOLUME AND COMMODITY PRICE FORECASTS (%)

Category	2022	2023	2024	2025	2026
Export Volume Growth^ (YoY%)					
Export Volume Growth^	5.2	0.7	3.4	3.2	3.3
- Advanced Economies	5.7	0.0	2.2	2.1	2.5
- Emerging & Developing Economies	4.6	2.0	5.4	5.0	4.6
Commodity Prices Growth (YoY%)					
Oil	39.2	-16.4	-1.9	-11.7	-2.6
Non-fuel commodities	7.9	-5.7	3.4	2.5	-0.1

Source: IMF World Economic Outlook - October 2024 release, updated for January 2025 revision
^Note: Data covers both goods and services trade

Global trade growth is likely to remain resilient over the next couple of years as per IMF's current estimate. Global volume of exports is likely to grow over 3% YoY in 2025 as well as 2026 with trade volume accelerating for the advanced economies and moderating slightly for the emerging and developing economies.

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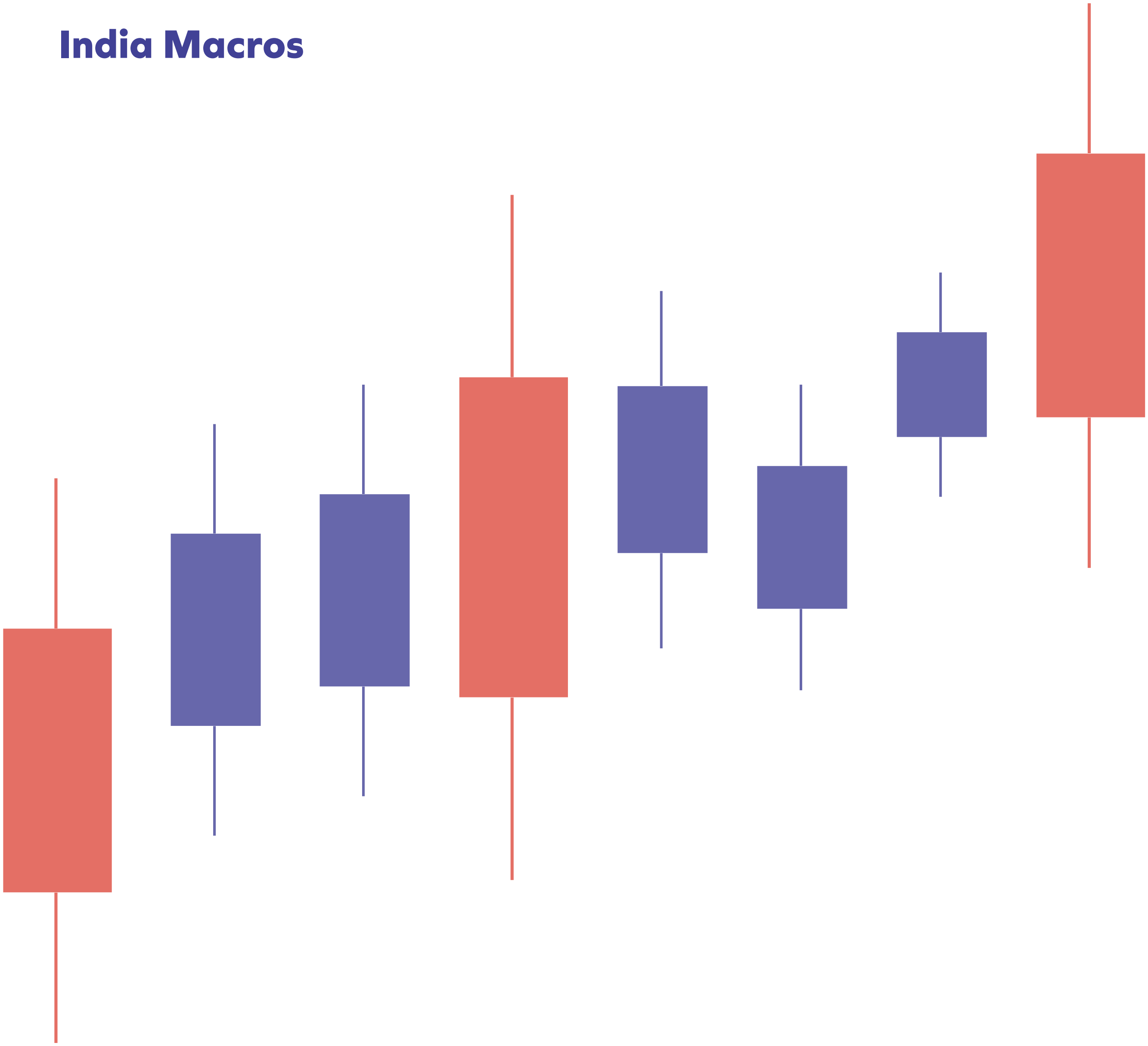
- Global Macros
- **India Macros**



KEY MACROECONOMIC INDICATORS OF INDIA(%YOY)

Indicator (YoY%)	FY20	FY21	FY22	FY23	FY24	FY25e
Output Indicators						
Real GDP^	3.9	-5.8	9.7	7.6	9.2	6.5
Real GVA^	3.9	-4.1	9.4	7.2	8.6	6.4
Expenditure Components						
Private Consumption^	5.2	-5.3	11.7	7.5	5.6	7.6
Gross Fixed Capital Formation^	1.1	-7.1	17.5	8.4	8.8	6.1
Sectoral Growth						
Agriculture^	6.2	4.0	4.6	6.3	2.7	4.6
Industry^	-1.4	-0.4	12.2	2.5	10.8	5.6
Services^	6.4	-8.4	9.2	10.3	9.0	7.3
Price Indicators						
CPI Inflation (headline)*	4.8	6.2	5.5	6.7	5.4	4.9
Core CPI Inflation (excluding Food, Beverages, Fuel)*	4.0	5.6	6.0	6.1	4.3	3.4
Banking Indicators						
Bank Credit$	6.1	5.6	8.6	15.0	16.3	11.3
Bank Deposits$	7.9	11.4	8.9	9.6	12.9	10.6

Source: MOSPI, RBI

^ Note: Data as per the first advance estimate by MOSPI released in early January

* Note: FY25 Data for CPI extrapolated based on actuals till December

$ Note: Bank Credit and Deposit data is as of the last reporting Friday of each year and for FY25 is as of the first reporting Friday of January. Both deposit and credit data is adjusted for the merger of HDFC with HDFC Bank

INDIA'S EXTERNAL SECTOR PERFORMANCE METRICS (%YOY)

Component (USD Billion)	FY20	FY21	FY22	FY23	FY24	FY25e
Merchandise Trade						
Merchandise Exports^	313	292	422	451	437	431
Merchandise Imports^	475	394	612	716	678	722
Merchandise Trade Balance	-161	-103	-190	-265	-241	-292
Services Trade						
Services Exports^	213	206	255	325	341	384
Services Imports^	128	118	147	182	178	200
Services Trade Balance	85	89	108	143	163	184
Foreign Direct Investment						
Gross FDI into India*	74	82	85	71	71	83
Repatriation of FDI into India*	18	27	29	29	44	59
Outward FDI by India*	13	11	18	14	17	23
External Position						
External Debt$	558	574	619	624	669	747

Source: RBI, Ministry of Finance, RBI, IDH Estimates
^Note: Merchandise and Services Trade data for FY25 is estimated based on actual growth till January 2025
*Note: FDI data for FY25 is estimated based on actuals till December 2024
$Note: External debt data is as of March of respective financial year and the data for FY25 is estimated basis growth as of September 2024

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This book would not have been possible without the generous support and assistance of many individuals and organizations who contributed their expertise, data, and insights.

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