Crisil
Intelligence

8th July 2025
The Board of Directors
National Securities Depository Limited
301, 3rd Floor, Naman Chambers
G Block, Plot No- C-32, Bandra Kurla Complex
Bandra East,
Mumbai 400 051
Maharashtra, India

Kind Attn.: To Board of Directors and BRLM's

Re.: **Proposed initial public offering of equity shares bearing face value of Rs. 2/- each (the "Equity Shares") of National Securities Depository Limited (the "Company" and such offering, the "Offer")**

Dear Sir/ Ma'am,

We refer to your e-mail/request dated 9th January 2025 and 19th June 2025 regarding the content provided to you, for your internal use, by Crisil Intelligence (formerly Crisil Market Intelligence & Analytics) ("**Crisil Intelligence**"), as part of your subscription to its following industry research report(s) ***("Report")***:

Crisil Intelligence (formerly Crisil Market Intelligence & Analytics): Assessment of the Depository System, Database Management and Payments Banks in India, released in Mumbai, In July 2025

As requested by you, we accord our no objection and give consent to you for inclusion of our name and details as an independent research provider and to you for quoting data/ reproducing content extracting or utilising, the Report, whether in whole or part from our Report (hereinafter referred to as "**Material**"), available to you as part of the above subscription or including the references to such Material, either in whole or part , and the information contained in this letter in the red herring prospectus ("**RHP**) and the prospectus ("**Prospectus**") to be filed with the Registrar of Companies, Maharashtra at Mumbai ("**RoC**"), and thereafter with the Securities and Exchange Board of India ("**SEBI**") and BSE Limited, the stock exchange where the equity shares of the Company is proposed to be listed ("**BSE**") or any other document to be issued, used or filed in relation to the Offer, including any publicity or other materials, marketing material, statutory advertisements, corporate or investor presentations, press/ media releases, research reports prepared by the Company in connection with the Offer, any international supplement of the foregoing for distribution to investors outside India to be issued or filed in relation to the Offer, (collectively referred to as the "**Offer Documents**")

In this regard, we undertake that no consent, approval, or permission will be required by the Company in the future in connection with using our name and/ or contents of the Material, in full or in part in relation to the Offer, subject to the following conditions:

(a) the Material shall only be reproduced on an `as is where is' basis, clearly mentioning the Material's source and date of release, for example, Crisil Intelligence on July 2025, Assessment of the Depository System, Database Management and Payments Banks in India

(b) there shall be no misrepresentation/modification of the views/opinions stated in the Report and the Material shall not be mentioned out of context or in any manner which is misguiding;

(c) if the Material consists of any charts/graphs, the relevant texts explaining such charts/graphs in the Report shall also be reproduced 'as is'; and

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(d) the following section regarding Crisil Limited's Intelligence division shall also be included in its entirety in the Offer Documents along with the Material, at the relevant places:

About Crisil Intelligence
Crisil Intelligence, a division of Crisil Limited, provides independent research, consulting, risk solutions, and data & analytics to its clients. Crisil Intelligence operates independently of Crisil's other divisions and subsidiaries, including, Crisil Ratings Limited. Crisil Intelligence 's informed insights and opinions on the economy, industry, capital markets and companies drive impactful decisions for clients across diverse sectors and geographies.

For the preparation of this report, Crisil Intelligence has relied on third party data and information obtained from sources which in its opinion are considered reliable. Any forward-looking statements contained in this report are based on certain assumptions, which in its opinion are true as on the date of this report and could fluctuate due to changes in factors underlying such assumptions or events that cannot be reasonably foreseen. This report does not consist of any investment advice and nothing contained in this report should be construed as a recommendation to invest/disinvest in any entity. This industry report is intended for use only within India.

For the sake of clarity, this consent letter does not provide the right to the Company to refer to us as an 'expert' as defined under Section 2(38) of the Companies Act, 2013, in any of the Offer Documents.

You hereby agree and undertake not to misrepresent, make any changes to or tamper with the Report, or present any part thereof, out of context or in violation of applicable laws and regulations. Further, you acknowledge and agree that Crisil Intelligence does not have any liability or responsibility for the Offer Documents or any part thereof.

We consent to the technical proposal covering the scope dated 13th January 2025 RU/BD/NSDL/INDUSTRYREPORT/2025/CH1006 and 19th June 2025 RU/BD/NSDL/INDUSTRYREPORT/2025/CH1157, the Report and the Material being disclosed (a) in the "*Material Contracts and Documents for Inspection*" section of the Offer Documents, and (b) being kept open for inspection by members of the public as a material document in connection with the Offer from the date of the RHP till the date of closing of the Offer. We further give our consent to upload the Report on the Company's website and being made available to the public on such website until the listing of equity shares of the Company, pursuant to the Offer, and such web link to the Report being disclosed in the Offer Documents.

We confirm that we have, where required, obtained requisite consent, or duly acknowledged the source(s), that may be required from any governmental authority or any other person in relation to any information used by us in the Material.

We confirm that we are an independent agency and are not, in any manner, related to the Company, its directors, its key managerial personnel, senior management, or the book running lead managers appointed in relation to the Offer ("**Book Running Lead Managers**"). Neither the Company, nor its directors, its key managerial personnel, senior management or the Book Running Lead Managers, are related parties to us as per the definition of 'related party' under the Companies Act, 2013, and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, each as amended, as on the date of this letter. We also confirm that, we are not and have not been engaged or interested in the incorporation, promotion or management of the Company.

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This letter may be shared by the Company, with the Book Running Lead Managers and the advisers concerned in relation to the Offer. We agree to keep strictly confidential, this letter and the non-public information relating to the Offer until such time that: (A) such disclosure by us is approved by the Company; or (B) such disclosure is required by law or regulation, in which case prior intimation shall be given to the Company (where permissible); or (C) such information is already in the public domain or comes into public domain through no fault of ours.

We represent that our execution, delivery and performance of this consent have been duly authorised by all necessary action (corporate or otherwise).

All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Offer Documents, as the case may be.

For **Crisil Limited**

Crisil Limited
MUMBAI

Dharmendra Sharma
Director, Crisil Intelligence

CC:

Book Running Lead Managers

ICICI Securities Limited
ICICI Venture House
Appasaheb Marathe Marg, Prabhadevi
Mumbai 400 025
Maharashtra, India

Axis Capital Limited
1st Floor, Axis House
Pandurang Budhkar Marg Worli
Mumbai 400 025
Maharashtra, India

HDFC Bank Limited
Investment Banking Group,
Unit no. 701, 702 and 702-A
7th floor, Tower 2 and 3
One International Centre, Senapati Bapat Marg, Prabhadevi
Mumbai 400 013
Maharashtra, India

HSBC Securities and Capital Markets (India) Private Limited
52/60
Mahatma Gandhi Road, Fort
Mumbai 400 001
Maharashtra, India

IDBI Capital Markets & Securities Limited
6th Floor, IDBI Tower, WTC Complex
Cuffe Parade
Mumbai 400 005
Maharashtra, India

Motilal Oswal Investment Advisors Limited
Motilal Oswal Tower, Rahimtullah Sayani Road
Opposite Parel ST Depot, Prabhadevi
Mumbai 400 025
Maharashtra, India

SBI Capital Markets Limited
1501, 15th Floor, A&B Wing, Parinee Crescenzo
BKC, Bandra East
Mumbai 400 051
Maharashtra, India

Domestic Legal Counsel to the Book Running Lead Managers

Shardul Amarchand Mangaldas & Co
Express Towers, 24th Floor
Nariman Point
Mumbai 400021
Maharashtra, India

Domestic Legal Counsel to the Company

Khaitan & Co
10th,13th & 14th Floors, Tower 1C
One World Centre
841, Senapati Bapat Marg
Mumbai 400 013
Maharashtra, India

International Legal Counsel to the Book Running Lead Managers

Sidley Austin LLP
Level 31, Six Battery Road
Singapore 049909

Annexure

Key Managerial person

Sr. No	Name of key management personnel	Designation
1	Vijay Chandok	Managing Director & Chief Executive Officer
2	Prashant Pramod Vagal	Executive Vice President - Chief Operating Officer
3	Rakesh Mehta	Vice President - Lead Debt, Government Securities and Depository Participant Services
4	Vishal Gajjar	Senior Vice President - Special Projects
5	Parag Chandrakant Joshi	Vice President- Depository Services
6	Vishal Gupta	Senior Vice President – Deputy Chief Technology Officer
7	Balasaheb Yashwant Ugale	Vice President - Infra and Network Services
8	Sandip Dinesh Navdhare	Vice President- Chief Risk Officer
9	Kothandaraman Prabhakaran	Executive Vice President - Chief Technology Officer
10	Yash Kumar Gyanani	Senior Vice President - Chief Regulatory Officer
11	Meghna Harish Kale	Senior Vice President - Chief Human Resource Officer
12	Nagesh Bihari Jha	Vice President – Chief Information Security Officer
13	Alen Wilfred Ferns	Company Secretary & Compliance Officer
14	Jigar Harshad Shah	Vice President - Chief Financial Officer
15	Sameer Giridhar Patil	Senior Vice President - Chief Business Officer
16	Suresh Nair	Senior Vice President - Compliance Officer & Head Legal

Directors:

Sr. No.	Name of Director
1	Madhu Sudan Sahoo
2	Parveen Kumar Gupta
3	Sriram Krishnan
4	Vijay Chandok
5	Rajat Moona
6	Sripriya Kumar
7	Sanjay Panicker

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Assessment of the Depository System, Database Management and Payments Banks in India

For National Securities Depository Limited

July 2025

Crisil Intelligence

Contents

Abbreviations

AA -	Account Aggregator
AEBA -	Aadhaar Enabled Bank Account
AePS -	Aadhaar Enabled Payment System
AMC -	Asset Management Company
AMFI -	Association of Mutual Funds in India
ANBC -	Adjusted Net Bank Credit
ANNA -	Association of National Numbering Agencies
APB -	Aadhaar Payments Bridge
API -	Application Programming Interface
ASBA -	Application Supported by Blocked Amount
ATM -	Automated Teller Machine
AUA -	Authentication User Agency
AUC -	Assets Under Custody
AUM -	Assets Under Management
B2B2C -	Business-to-Business-to-Consumer
BC -	Business Correspondent
BHIM -	Bharat Interface for Money
BSE -	Bombay Stock Exchange
BSETPL -	BSE Technologies Private Limited
CAGR -	Compound Annual Growth Rate
CAS -	Consolidated Account Statement
CASA -	Current Account Savings Account
CBDC -	Central Bank Digital Currency
CBM -	Corporate Bond Market
CCRL -	CDSL Commodity Repository Limited
CD -	Certificate of Deposit
CDP -	Central Depository Private Limited
CDS -	Credit Default Swaps
CDSL -	Central Depository Services (India) Limited
CEBR -	Centre for Economics and Business Research
CFI -	Classification of Financial Instruments
CIRL -	Centrico Insurance Repository Limited
CISPL -	CAMS Investor Services Private Limited
CM -	Clearing Members
CP -	Commercial Paper
CPI -	Consumer Price Index
CRAR -	Capital to Risk Assets Ratio
CRR -	Cash Reserve Ratio
CSD -	Central Securities Depository
CSO -	Central Statistics Office
CUSPA -	Client Unpaid Securities Pledgee Account
CVL -	CDSL Ventures Limited
Demat -	Dematerialized

DII -	Domestic Institutional Investor
DLT -	Distributed Ledger Technology
DP -	Depository Participant
DTC -	Depository Trust Company
DTCC -	Depository Trust Clearing Corporation
EASI -	Electronic Access to Securities Information
EBITDA -	Earnings Before Interest, Taxes, Depreciation, and Amortization
ECS -	Electronic Clearing Systems
e-IA -	e-Insurance Account
ELSS -	Equity-Linked Savings Scheme
EPFO -	Employees' Provident Fund Organization
ESG -	Environmental, Social and Corporate Governance
ETF -	Exchange-Traded Fund
FATF -	Financial Action Task Force
FD -	Fixed Deposit
FDI -	Foreign Direct Investment
FII -	Foreign Institutional Investor
FI-Index -	Financial Inclusion Index
FIP -	Financial Information Provider
FISN -	Financial Instrument Short Name
FIU -	Financial Information User
FPI -	Foreign Portfolio Investor
FPO -	Follow-on Public Offer
G2C -	Government to Customer
GB -	Gigabyte
GDP -	Gross Domestic Product
GDS -	Gross Domestic Savings
GIFT City -	Gujarat International Finance Tec-City
GST -	Goods & Services Tax
HCE -	Host Card Emulation
HUF -	Hindu Undivided Family
IA -	Investor Associations
IBA -	Indian Banks Association
IBC -	Insolvency and Bankruptcy Code
IDeAS -	Internet-based Demat Account Statement
IFSC -	International Financial Services Centre
IIDL -	India International Depository IFSC Limited
IIFA -	The International Investment Funds Association
IMF -	International Monetary Fund
IMPS -	Immediate Payment Service
InvIT	Infrastructure Investment Trusts
IPO -	Initial Public Offering
IPPB -	India Post Payment Bank
IRDAI -	Insurance Regulatory and Development Authority of India
ISIN -	International Securities Identification Number
IT/ITeS -	Information Technology/Information Technology Enabled Services

ITD -	Income Tax Department
ITPIN -	IT Professional Identification Number
ITR -	Income Tax Return
KDMSL -	Karvy Data Management Services Limited
KRA -	KYC Registration Agency
KUA -	E-KYC User Agency
KYC -	Know Your Client
LAS -	Loan Against Securities
MAS -	Monetary Authority of Singapore
MCA -	Ministry of Corporate Affairs
MF -	Mutual Fund
MFI -	Microfinance Institution
MFIN -	Microfinance Institutions Network
MII -	Market Infrastructure Institutions
MNO -	Mobile Network Operator
MOSPI -	Ministry of Statistics and Programme Implementation
MPC -	Monetary Policy Committee
MSF -	Marginal Standing Facility
MSME -	Micro, Small and Medium Enterprise
NACH -	National Automated Clearing House
NBFC -	Non-Banking Financial Company
NCE-FLIS -	National Financial Literacy and Inclusion Survey
NDAL -	NSE Data & Analytics Limited
NDML -	NSDL Database Management Limited
NEFT -	National Electronic Fund Transfer
NERL -	National E-repository Limited
NETC -	National Electronic Toll Collection
NFC -	Near Field Communication
NIR -	NSDL National Insurance Repository
NNA -	National Numbering Agency
NPA -	Non-Performing Asset
NPBL -	NSDL Payments Bank Limited
NPCI -	National Payments Corporation of India
NPS -	National Pension Scheme
NRI -	Non-Resident Indian
NSDL -	National Securities Depository Limited
NSE -	National Stock Exchange
NSR -	National Skills Registry
NSSO -	National Sample Survey Office
P2P -	Peer-to-Peer
PA -	Payment Aggregator
PAN -	Permanent Account Number
PAT -	Profit After Tax
PE -	Private Equity
PLI -	Production-linked Incentive
PMJDY -	Pradhan Mantri Jan-Dhan Yojana

PMJJBY -	Pradhan Mantri Jeevan Jyoti Bima Yojana
PMMY -	Pradhan Mantri MUDRA Yojana
PMS -	Portfolio Management Services
POA -	Power of Attorney
POS -	Point-of-Sale
PPF -	Public Provident Fund
PPI -	Prepaid Payment Instrument
PPP -	Purchasing Power Parity
QFI -	Qualified Foreign Investors
QFI -	Qualified Foreign Investor
QIP -	Qualified Institutional Placement
RBI -	Reserve Bank of India
REIT -	Real Estate Investment Trust
RoE -	Return on Equity
RTGS -	Real Time Gross Settlement
RTI -	Registrars to an Issue
RWA -	Risk Weighted Assets
SAR -	System Audit Report
SARFAESI Act -	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act
SCB -	Scheduled Commercial Bank
SCORES -	SEBI Complaints Redress System
SDF -	Standing Deposit Facility
SEBI -	Securities and Exchange Board of India
SEZ -	Special Economic Zone
SFB -	Small Finance Bank
SGX -	Singapore Exchange Limited
SIMPLE -	Submission of Instruction through Mobile Phone Login Easily
SIP -	Systematic Investment Plan
SLR -	Statutory Liquidity Ratio
SMARTs -	Securities Market Trainers
SPICE -	Submission of Power of attorney-based instructions for Clients Electronically
STA -	Share Transfer Agent
TAT -	Turnaround Time
TM -	Trading Members
TRAI -	Telecom Regulatory Authority of India
UCC -	Unique Client Code
UDR -	Unsecured Depository Receipts
UIDAI -	Unique Identification Authority of India
UPI -	Unified Payments Interface
WDRA -	Warehousing Development and Regulatory Authority
WIR -	World Investment Report

1. Macroeconomic Scenario

As per IMF, Global economy is witnessing downside risks as major policy shifts take control

As per the International Monetary Fund (IMF) (World Economic Outlook – April 2025 outlook), global GDP growth is projected at 2.8% in CY2025 and 3.0% in CY2026 as compared to 3.3% projected in January 2025 for both CY2025 and CY2026. Global growth numbers have been revised on account of swift escalation of trade tensions and high level of policy uncertainty intensifying downside risks. Global inflation is projected at 4.3% in CY2025 and 3.6% in CY2026. Furthermore, the risks to inflation remain significant going forward, with tariffs being imposed by US on imports. US economy contracted by 0.2% in the first quarter of CY 2025 on account of lower consumer and government spending, offset by increase in fixed investments. The euro area's GDP rose 0.6% in the first quarter of 2025 vs a growth of 0.3% in the previous quarter.

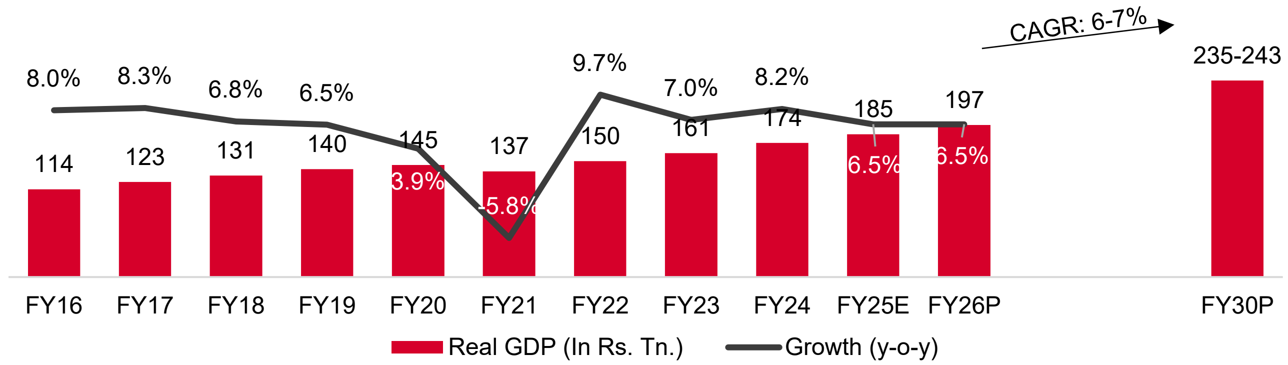
The Trump Administration in the United States (US) announced a host of tariffs on products such as automobile, automobile parts, steel and aluminium in the first three months of CY2025. On April 5, 2025, US announced additional tariff of 10% on nearly all countries in addition to the existing tariffs. China and European Union announced retaliatory tariffs on the US. On April 9, 2025, US government paused differential tariffs for most countries for 90 days excluding China which will face a higher tariff of 125 percent. Introduction of tariffs on major global economies is expected to increase downside risks on global growth.

India expected to remain one of the fastest growing economies in the world

Going forward, the expectation of slower global growth, along with anticipated reciprocal tariffs on India after three months, is likely to exert downside risks to Crisil's 6.5% growth forecast for fiscal 2026. Uncertainty about the duration and frequent changes in tariffs could also hinder domestic investments. Interest rate cuts, income tax relief and easing inflation are expected to provide tailwinds to domestic consumption in Fiscal 2026, while the expected normal monsoon will support agricultural incomes. Moreover, the anticipated decline in global crude oil prices, resulting from a potential global slowdown, is expected to provide additional support to domestic growth.

Private consumption is expected improve further on expectations of healthy agricultural production and cooling food inflation. Softer food inflation should create space in household budgets for discretionary spending. Secondly, the tax benefits announced in Union Budget 2025-2026 and increased allocations towards key asset- and employment generating schemes are expected to support consumption. Easing monetary policy by the Reserve Bank of India (RBI) is expected to support discretionary consumption. Crisil Intelligence expects one more repo rate cut in Fiscal 2026, and a pause after that. The central bank's recent liquidity-easing measures and easier regulations for non-banking financial companies are expected to transmit the benefits from an easier monetary policy to the broader economy. Geopolitics will continue to be the key monitorable, given the wide-ranging changes that the Donald Trump administration is expected to bring about. Exports will have to navigate heightened uncertainties given United States (US) tariffs.

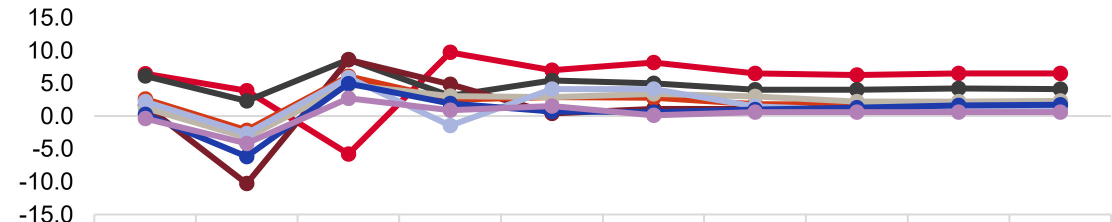
India's economy expected to grow at 6.5% in Fiscal 2026



Note: E = Estimated, P = Projected; GDP growth till fiscal 2024 is actuals. GDP Estimates for fiscals 2024- 2025 is based on second advance NSO Estimates and 2025-2026 is projected based on CRISIL Intelligence estimates and that for fiscals 2026-2030 based on IMF estimates; Source: NSO, CRISIL Intelligence, IMF (World Economic Outlook – April 2025)

Over the past three fiscals (FY22-24), Indian economy has outperformed its global counterparts by witnessing a faster growth. Going forward as well, IMF projects that Indian economy will remain strong and would continue to be one of the fastest growing economies.

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



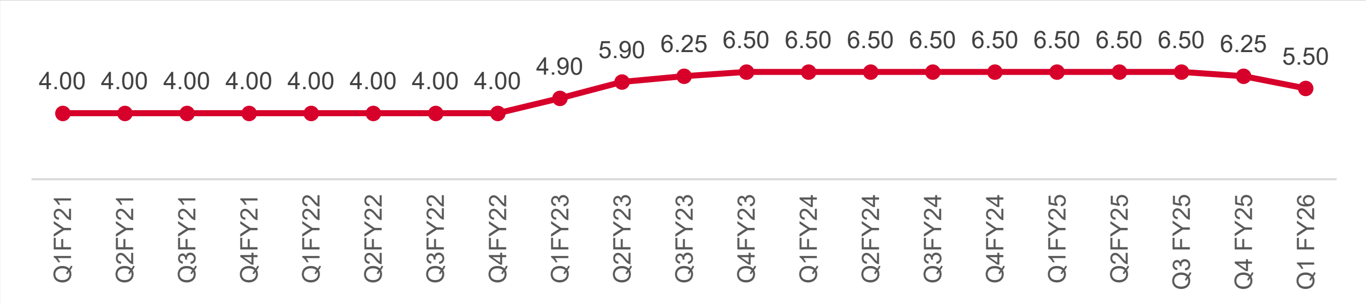
	2019	2020	2021	2022	2023	2024	2025E	2026P	2027P	2028P
India	6.5	3.9	-5.8	9.7	7.0	8.2	6.5	6.3	6.5	6.5
China	6.1	2.3	8.6	3.1	5.4	5.0	4.0	4.0	4.2	4.1
United Kingdom	1.6	-10.3	8.6	4.8	0.4	1.1	1.1	1.4	1.5	1.5
United States	2.6	-2.2	6.1	2.5	2.9	2.8	1.8	1.7	2.0	2.1
Brazil	1.2	-3.3	4.8	3.0	2.9	3.4	3.0	2.2	2.2	2.3
Russia	2.2	-2.7	5.9	-1.4	4.1	4.1	1.5	0.9	1.1	1.1
South Africa	0.3	-6.2	5.0	1.9	0.7	0.6	1.0	1.3	1.6	1.7
Japan	-0.4	-4.2	2.7	0.9	1.5	0.1	0.6	0.6	0.6	0.6

Note: All forecasts refer to IMF forecasts. GDP growth is based on constant prices. Data represented for other countries is for calendar years. Growth numbers for India until 2026 are for financial year, 2025 is as per the NSO's second advance estimates for Fiscal 2025. Post Fiscal 2025, all estimates for India are as per the IMF and for calendar years.
Source: IMF (World Economic Outlook – April 2025), Crisil Intelligence

Repo rate, CRR cuts mark further monetary easing in its June meeting

The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) cut the repo rate 50 basis points (bps) in its June meeting, more than the 25-bps cut in the April meeting. That done, the MPC changed the stance from accommodative to neutral, while emphasising that monetary policy space to support growth was shrinking. This signals that monetary policy actions will be more data-dependent hereon. The committee also announced 100 bps cut to the cash reserve ratio (CRR), which will proceed in four tranches between September and November 2025. Crisil Intelligence expects one more repo rate cut in Fiscal 2026, and a pause after that.

Repo rate in India (%)

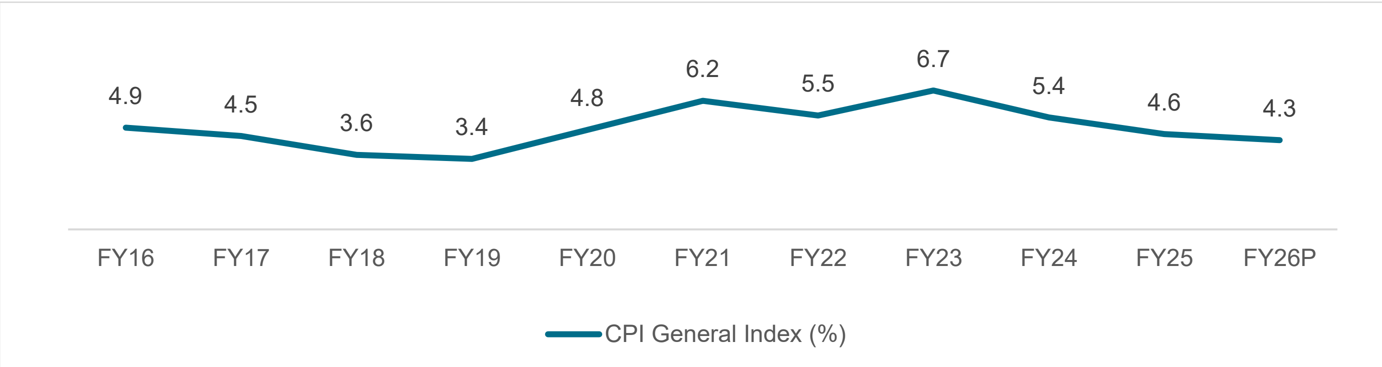


Source: RBI, Crisil Intelligence

Consumer Price Index ("CPI") inflation to average at 4.3% in FY26

The Consumer Price Index (CPI)-based inflation eased to 3.2% in April 2025, the lowest reading since July 2019. The decline was driven by food inflation, which fell to 1.8%, the lowest since October 2021. A record rabi harvest and robust pulses output indicated by the Union Ministry of Agriculture's Second Advance Estimates, and the forecast of a favourable monsoon for the upcoming kharif season to keep food inflation in check in Fiscal 2026. Crisil Intelligence expects headline retail inflation to average 4.3% in Fiscal 2026. Additionally, the increasing occurrence of heatwaves poses a growing threat to agricultural productivity and, by extension, food inflation thus warranting close monitoring.

Inflation to moderate to 4.3% in Fiscal 2026



Note: P = Projected, Source: Crisil Intelligence

Macroeconomic outlook for India (Fiscal 2026)

Macro variables	FY24	FY25P	FY26P	Rationale for outlook
Real GDP (y-o-y)	8.2%#	6.8%	6.5%	Lower inflation and RBI's rate cuts are expected to lift growth next fiscal, assuming a normal monsoon and lower crude oil prices. Any substantial pick up in investment growth will hinge on accelerating private capex. Exports face headwinds from tariff hikes initiated by the US.
Consumer Price Index (CPI) inflation (y-o-y)	5.4%	4.6%	4.3%	Inflation is expected to move closer to the RBI's target of 4% on expectations of a normal monsoon, high base effect in food inflation and softer global commodity prices. Some uptick is expected in non-food inflation due to an adverse base.

10-year Government security yield (Fiscal end)	7.1%	6.7%	6.5%	Rate cuts by RBI, lower inflation and softer crude oil prices are expected to lead to a mild softening of yields in fiscal 2026. A rise in gross market borrowings will cap the downside to yields.
Fiscal Deficit (% of GDP) *	5.6%	4.8%	4.4%	Fiscal consolidation will be made possible via moderating revenue expenditure thrust even as capex focus is broadly maintained. The budget banks on revenue collection to remain robust.
CAD (Current Account Deficit as % of GDP)	-0.7%	-1.0%	-1.3%	Current account deficit (CAD) is expected to increase owing to headwinds to exports from US tariffs. Lower crude oil prices, healthy services trade balance and robust remittances growth will prevent CAD from widening too much.
Rs/$ (March average)	83.0	86.0	87.0	A manageable CAD would mean not much pressure on the rupee, but geopolitical shocks could keep the rupee volatile

*P – Projected, # As per NSO estimates *FY24 and FY25 numbers are government's revised and budget estimates; Source: Reserve Bank of India (RBI), National Statistics Office (NSO), Crisil Intelligence*

Key structural reforms: Long-term positives for the Indian economy

- PMAY was introduced in 2015 to provide affordable housing for all by the end of 2022. The timelines were revised to FY24 and FY25 for PMAY-Gramin and PMAY-Urban respectively due to delays in completion. Execution under the scheme has been encouraging with ~2.60 crores houses being completed as of May 2024, out of the targeted 2.95 crore houses. The target for the next five years has been further increased by ~2 crore houses in the FY25 budget estimate; a 68% addition to the current target of ~3 crore houses. The move provides an impetus to the real estate sector as well its stakeholders including – developers, engineering, procurement and construction contractors, allied industries such as steel, cement etc.
- The government has also launched the JAM trinity (Jan Dhan, Aadhar and Mobile) which aims to link Jan Dhan accounts, mobile numbers and Aadhar cards of all Indian nationals to transfer cash benefits directly to the bank account of the intended beneficiary and avoid leakage of government subsidies.
- India Stack, set of digital infrastructure including Aadhar, UPI, Digi locker, e-KYC and e-Sign has enabled many unbanked citizens to access formal financial services, promoting financial inclusion.
- The GST regime has been stabilizing fast and is expected to bring more transparency and formalization, eventually leading to higher economic growth.
- Government launched the Digital India program, on 1st July 2015 with the vision of transforming India into a digitally empowered society and a knowledge-based economy, by ensuring digital access, digital inclusion, digital empowerment and bridging the digital divide. Some of the key initiatives and related progress under Digital India are as follows-
    - Unified Mobile Application for New-age Governance (UMANG) – for providing government services to citizens through mobile. More than 2106 e-Services and over 548.02 crore worth of transactions have taken place on UMANG as of February 2025.
    - Unified Payment Interface (UPI) is the leading digital payment mechanism. It has onboarded 632 banks and has facilitated more than 185.9 billion transactions (by volume) worth Rs 237.1 trillion in

fiscal 2025.

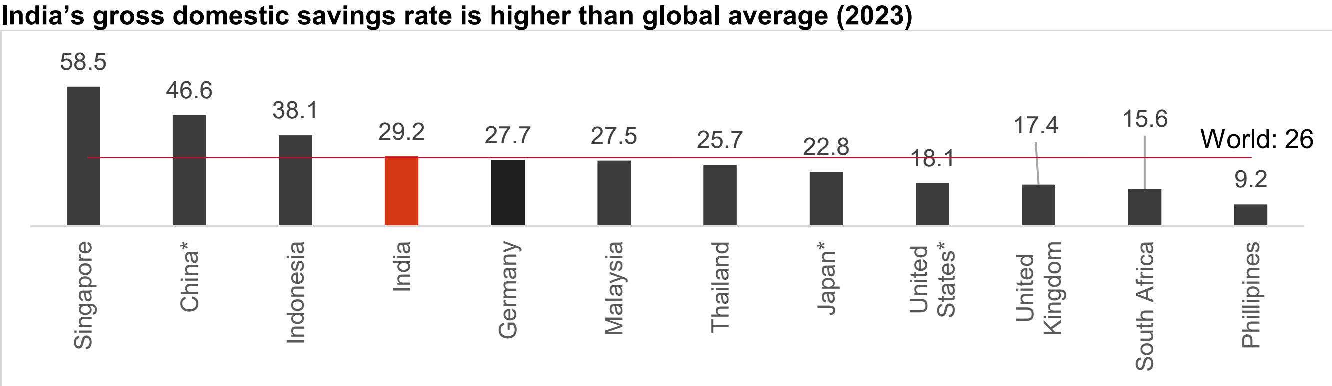
- Cyber Security: The Government has taken necessary measures to tackle challenges about data privacy and data security through introducing the Information Technology (IT) Act, 2000 which has necessary provisions for data privacy and data security.
- Common Services Centers – CSCs are offering government and business services in digital mode in rural areas through Village Level Entrepreneurs (VLEs). Over 400 digital services are being offered by these CSCs. As of January 2025, 0.59 million CSCs are functional (including urban & rural areas) across the country, out of which, 0.47 million CSCs are functional at Gram Panchayat level.

Overall, these initiatives will improve the digital connectivity of Indians along with boosting business sentiment, thereby creating new opportunities.

Household savings expected to increase

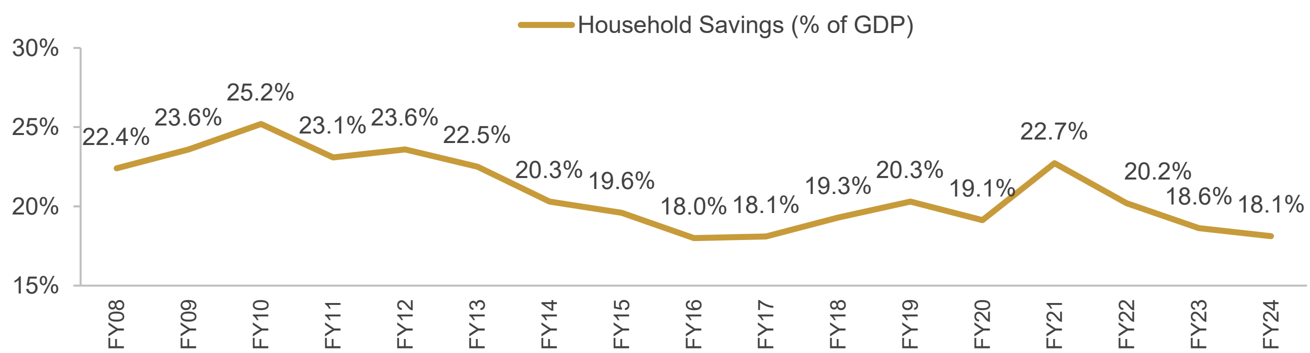
In 2023, India's gross domestic savings as a percentage of GDP rose to 29.2%, reflecting an upward trend from 2022 when it reached 28.4%, highlighting the economy's recovery and improved income levels. However, in 2020, this percentage had declined to 27.3% due to the economic disruptions caused by the pandemic. India remains favourable in terms of gross domestic savings rate compared with most other emerging market peers at 29% in 2023, greater than the world average of 26% in 2023.

India's gross domestic savings rate is higher than global average (2023)



*Note: The savings rate is in %, * Data as of 2022*
Source: World Bank, CRISIL Intelligence

Household savings as a percentage of GDP have increased to 22.7% in fiscal 2021, declined in fiscal 2023 and fiscal 2024



Source: Ministry of Statistics and Programme Implementation (MOSPI), RBI, CRISIL Intelligence

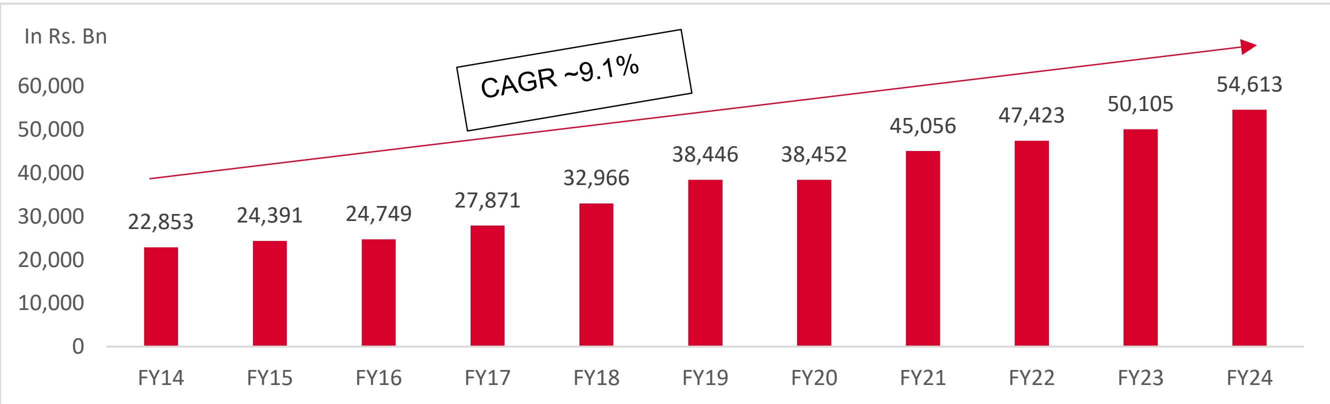
Gross domestic savings trend

Parameters (₹ billion)	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Gross Domestic Savings	36,082	40,200	42,823	48,251	54,807	60,004	59,411	57,869	73,631	82,440	92,592
Household sector savings (net financial savings, savings in physical assets and in the form of gold and silver ornaments)	22,853	24,391	24,749	27,871	32,966	38,446	38,452	45,056	47,423	50,105	54,613
Household sector savings as proportion of GDS (%)	63%	61%	58%	58%	60%	64%	65%	78%	64%	61%	59%
Gross financial savings	11,908	12,572	14,962	16,147	20,564	22,637	23,246	30,670	26,120	29,276	34,306
Financial liabilities	3,587	3,768	3,854	4,686	7,507	7,712	7,747	7,374	8,993	15,965	18,790
Savings in physical assets	14,164	15,131	13,176	15,946	19,442	23,095	22,522	21,355	29,683	36,149	38,445
Savings in physical assets as a proportion of GDS (%)	39%	38%	31%	33%	35%	38%	38%	37%	40%	44%	42%
Savings in the form of gold and silver ornaments	368	456	465	465	467	427	431	405	613	645	651

Note: The data is for the financial year ending March 31. Physical assets are those held in physical form, such as real estate, etc.

Source: MOSPI, National Accounts National Accounts Statistics, 2nd advance estimates 2024-25, CRISIL Intelligence,

Household savings growth



Note: The data is for the financial year ending March 31.

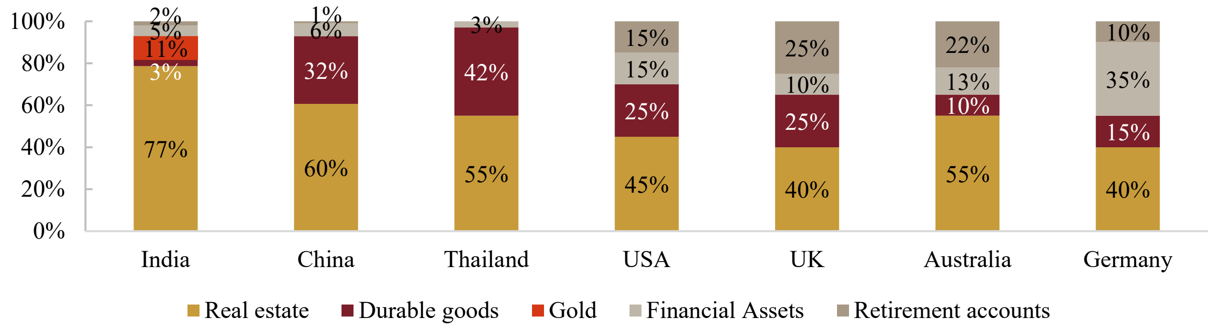
Source: MOSPI, CRISIL Intelligence

CRISIL Intelligence expects India to continue being a high savings economy. CRISIL Intelligence is also sanguine on savings rate increasing in the medium-term, as households become more focused post the COVID-19 pandemic-induced uncertainty on creating a nest egg for the future in addition, according to the SEBI, during Fiscal 2021, until the third quarter, the household financial savings deployed in securities market had grown significantly to 1.2% of GDP as compared to 0.3% earlier. Going forward, if the amount of savings deployed in securities market sustained, it is expected to boost the capital markets and economy.

Capital markets to remain attractive part of financial savings

Unlike most other countries, where financial savings account for a significant proportion of savings, physical assets in the form or real estate, gold and silver still account for most household savings in India. Although households' savings in physical assets has increased to 71% in Fiscal 2023 from 48% in Fiscal 2021, it constitutes a substantial share in overall savings. On the other hand, the share of financial savings has decreased to 29% in Fiscal 2023 from 52% in Fiscal 2021. In the long-term, with increase in financial literacy, CRISIL Intelligence expects the share of financial assets as a proportion of net household savings to increase over the next five years, thereby boosting investments in assets such as insurance and mutual funds, equity, pension schemes, insurance, and alternate assets.

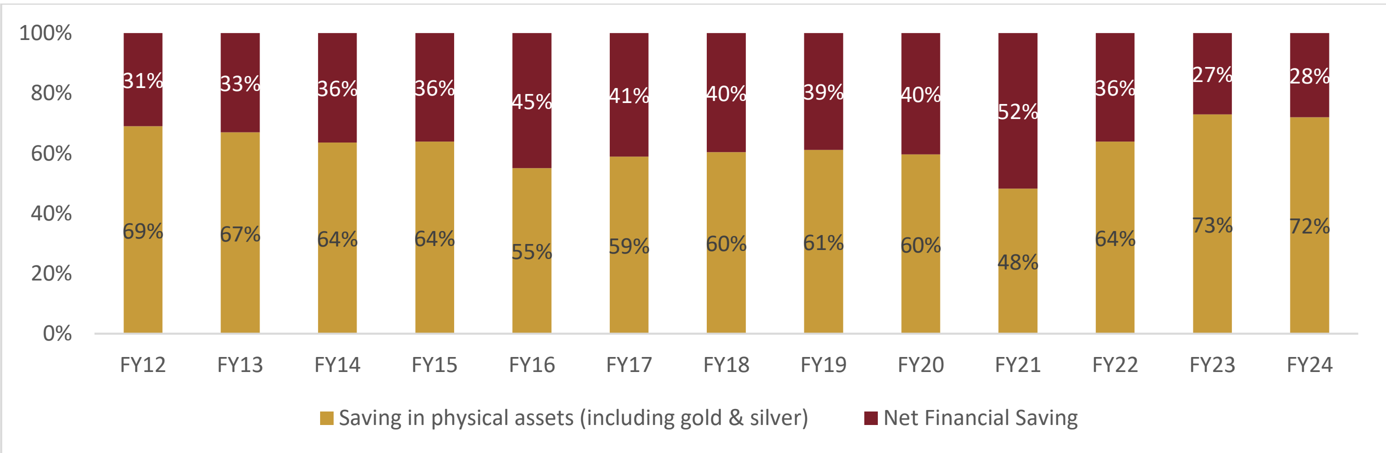
Trend of savings in India and other economies



Source: Report of the Household Finance Committee- July 2017[1], RBI, CRISIL Intelligence

Although households' savings in physical assets have increased to 72% in Fiscal 2024 from 48% in Fiscal 2021, it constitutes a substantial share in overall savings. On the other hand, the share of financial savings has decreased to 28% in Fiscal 2024 from 52% in Fiscal 2021. In the long term, with an increase in financial literacy, CRISIL Intelligence expects the share of financial assets as a proportion of net household savings to increase over the next five years, thereby boosting investments in assets such as insurance and mutual funds.

Trend of household savings in India



Note: The data is for the financial year ending March 31

Source: Handbook of Statistics on Indian Economy, RBI, MOSPI, CRISIL Intelligence

Trend in Market Capitalization to GDP

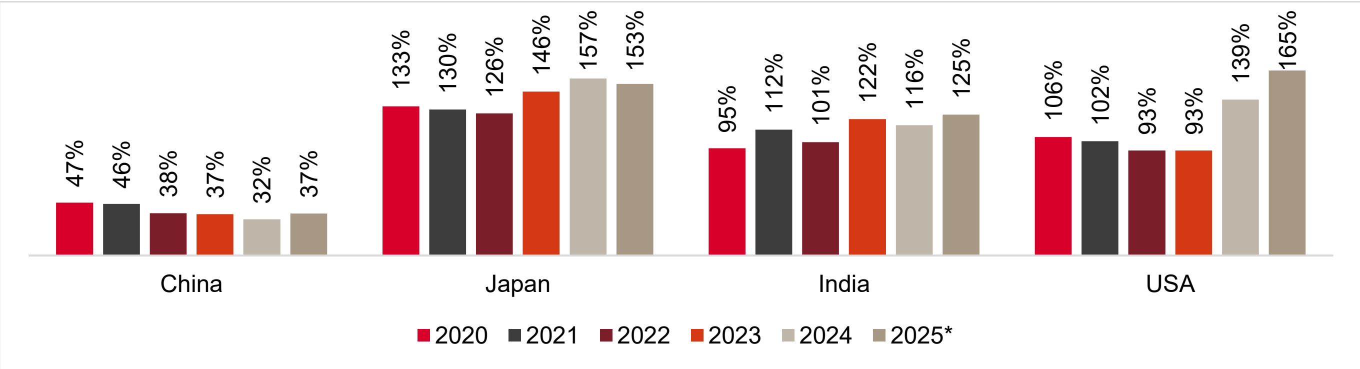
[1] https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/HFCRA28D0415E2144A009112DD314ECF5C07.PDF

In Fiscal 2025, the equity markets in India have achieved record levels in terms of market capitalization of listed companies and the benchmark index performance. India's market capitalization rose to Rs 410.9 trillion as of March 31st, 2025. This translates into an annualized growth of 30% in the last five years from Fiscal 2020 to Fiscal 2025.

Indian capital markets by market capitalization as a proportion of GDP in comparison with other major economies

India's stock market capitalization to GDP has increased from 76.3% in 2019 to 125% in 2025 and ended 6.9% higher in FY25 (Rs. 410.9 trillion) as compared to FY24 (Rs. 384.2 trillion) on account of robust market returns particularly in mid and small cap companies. USA's stock market capitalization to GDP ratio is highest among the countries compared in 2025.

Market capitalization as % of GDP



*Note: * Data is as of Nov'24 as per World Federation of Exchanges (WFE), Market capitalization of Shanghai stock exchange, Japan exchange group, National stock exchange of India and New York stock exchange has been considered. GDP data taken as per IMF database (April).*
Source: World Federation of Exchanges (WFE), IMF, CRISIL Intelligence

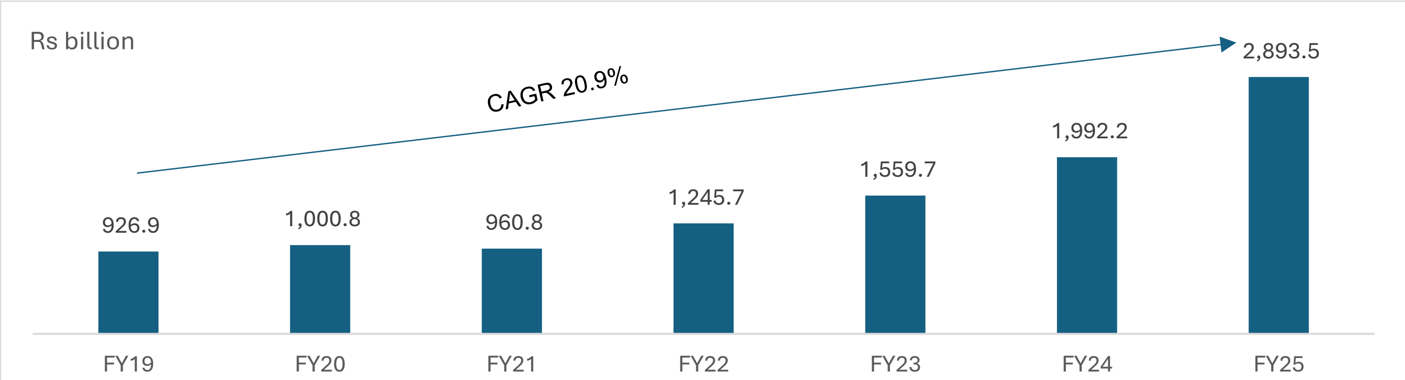
Capital-market related instruments gaining traction

Funds raised through the primary market also saw strong activity in the recent years, As of Fiscal 2025, Rs 2,181.2 billion was raised through public and right issue with total 505 issues. The number of issues in FY25 increased by 31% from FY24.

RBI flow data suggests that preference for mutual fund is on the rise due to the growing participation from households on the back of financial inclusion, rising awareness and easy access to banking services. This is largely due to the rising awareness among the population about different capital-market related instruments including ELSS, SIPs, ETFs, theme-based investing building customized bucket of stocks as per clients' requirement, etc. SIPs are preferred by individuals who like to invest in equity with a long-term investing horizon.

SIP amount (monthly average) has also increased from Rs 77.2 bn in FY19 to Rs 241.1 bn in FY25. Total SIP amount has increased from Rs 926.9 billion in FY19 to Rs 2,893.5 billion in FY25 registering CAGR of 20.9%. Moreover, the surge in the number of demat accounts opened post Covid-19 indicate the increase in equity investments.

SIP Contribution to mutual funds



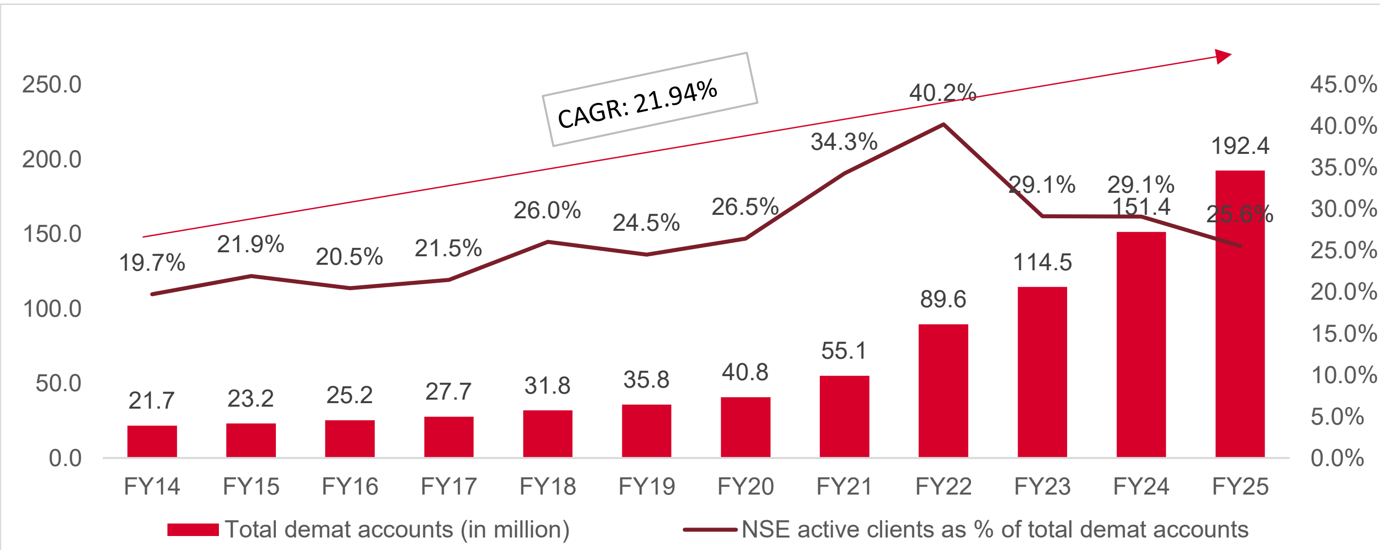
Source: AMFI, CRISIL Intelligence

Going forward, CRISIL Intelligence expects the trend of increasing retail participation in the capital markets to continue considering the increasing internet penetration, financial awareness, the young demographic and the advent of several new age fin-tech brokers or discount brokers that have revolutionized the industry with their low-cost digital business model.

Trend in Demat accounts in India

The Demat Accounts in India have grown at 21.94% CAGR from Fiscal 2014 till Fiscal 2025. The above data points suggest the increasing awareness and willingness of the people to participate in capital markets for either trading or with long-term outlook. As of fiscal 2025, the total demat accounts stood at 192.4 million accounts.

Growth in Demat Accounts since Fiscal 2014 onwards and Active Client Base (as % of Demat Account) has improved substantially during last five years



Source: NSE, SEBI, CRISIL Intelligence

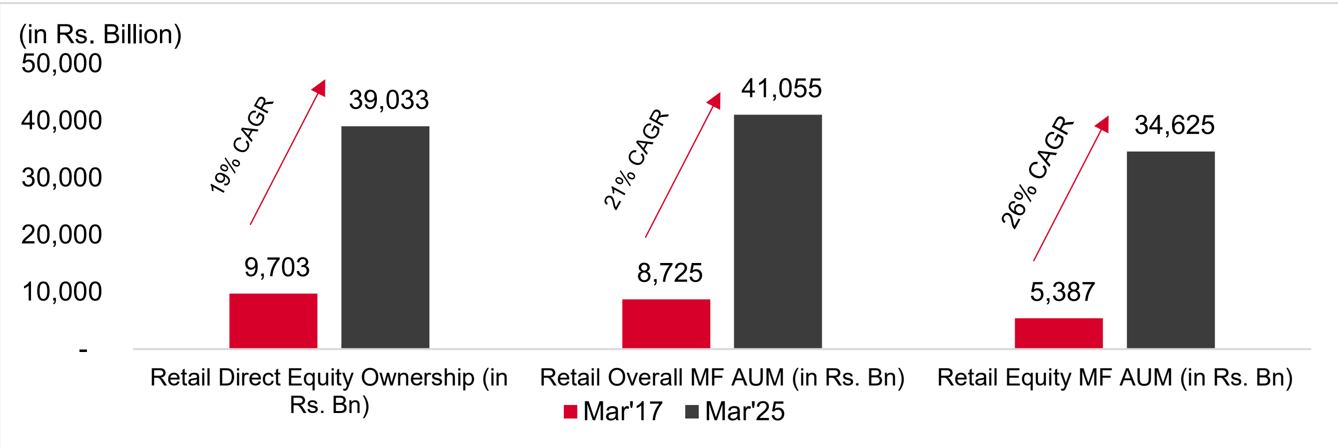
The NSE Active Client Basis as a % of Demat Accounts increased from almost 19.7% in Fiscal 2014 to 25.6% in Fiscal 2025. Going forward, CRISIL Intelligence expects the demat accounts to grow at strong growth over the next five years and Active Client Base on NSE as a % of demat accounts to increase around 45-50%. Increased participation from retail investors is one of the key drivers for capital markets growth. Retail participation is one of the key enablers of rising demand for equity issuances.

Retail participation in direct-equity markets and mutual fund continues to grow

Individual investors (i.e., excluding promoters and institutions) ownership in NSE listed companies is estimated to have increased steadily over the years. A steady increase over the years reflects strengthened participation of retail investors in Indian equity markets. In term of market capitalisation, the value of individual investors' direct equity ownership in NSE listed companies have grown at a CAGR of ~19% between March 2017 and March 2025. From March 2017 to March 2025, overall retail mutual fund AUM and retail equity mutual fund AUM has increased at a CAGR of 21% and 26% respectively.

Going forward, CRISIL Intelligence expects a significant potential for direct equity investments as the total addressable market including mutual fund folios have seen a significant growth in the recent times. Moreover, with the increase in financial literacy of investors, direct equity ownership is expected to see an increase in the future.

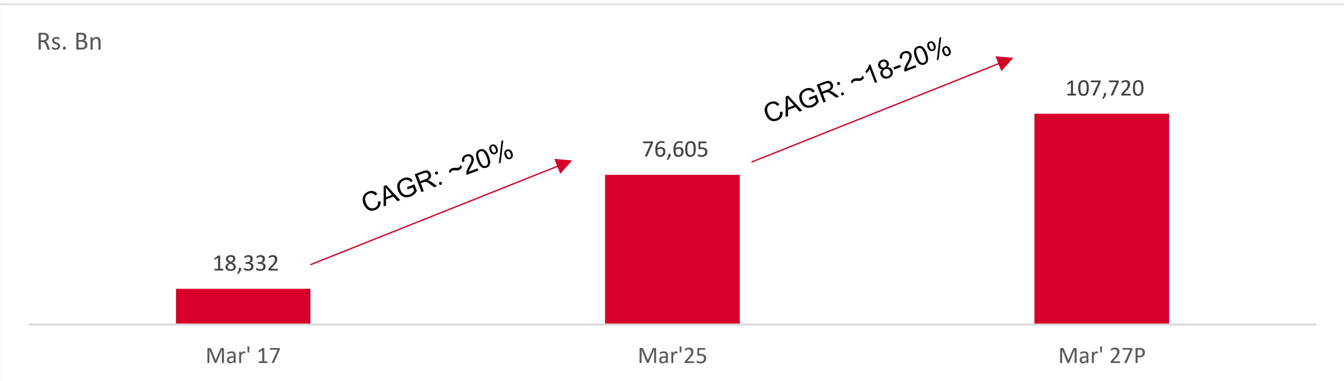
Retail participation has increased in direct equity and MFs



Note: Retail direct equity ownership is computed basis market capitalisation of NSE companies and overall shareholding patterns; Source: NSE Market Pulse, AMFI, India Ownership Tracker (NSE), CRISIL Intelligence

CRISIL Intelligence projects the value of individual investors' direct equity ownership in all NSE and BSE listed companies to grow at approximately 18-20% CAGR owing to rise in index, listing of new companies and increased participation of retail investors in equity markets.

Value of retail investor in all NSE and BSE listed companies to grow at CAGR of 18-20% between Fiscals 2025 and 2027



Source: SEBI, NSE Ownership Tracker, NSE Market Pulse, CRISIL Intelligence Estimates

Share of new age fin-tech brokers or discount brokers to grow to approximately 70-72% by Fiscal 2026 owing to retail participation, bank-based brokers are also considered safe options

Recently, there has been an emergence of a new kind of Depository Participants known as new age fin-tech brokers or discount brokers, who have revolutionized the Indian capital markets with a low-cost digital business model.

Leveraging their low operational costs, these new age fin-tech brokers have been able to transfer this benefit to their clients by significantly bringing down the cost of investing. This is achieved by charging minimal brokerage fees and introducing demat accounts with almost zero brokerage fees. As of March 31, 2025, these new age fin-tech brokers had a market share of approximately 70% as compared to 5.00% in Financial Year 2016.

The increasing financial literacy among India's technologically proficient young population, coupled with the availability of almost zero brokerage services offered by these new age fin-tech brokers through digital platforms, has resulted in a rapid expansion of market share for these new age fin-tech brokers.

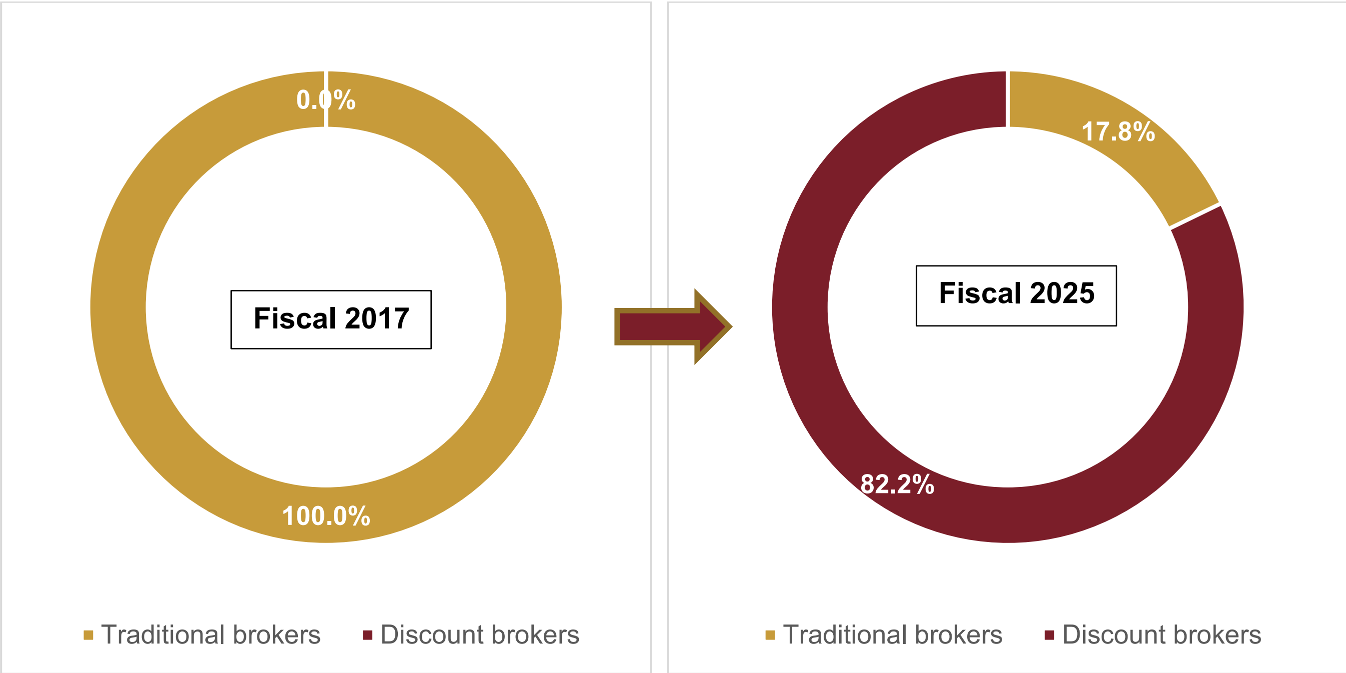
Therefore, rising financial literacy of India's technologically proficient young population coupled with availability of zero brokerage services offered by new age fin-tech brokers or discount brokers and comfort of transacting through digital platforms led to accelerated market share gains for new age fin-tech brokers or discount brokers. Bank-based brokers on the other hand are also considered secure options for investors as the chances for defaulting or misappropriation is low and are less likely to violate SEBI norms. Although, the transaction costs are high for these brokers, they are considered suitable options for those investors who invest for long-term or are new to the market. Moreover, bank-based brokers offer a host of value-added services including portfolio management services, research outlook, advisory services etc. that would attract investors.

As of fiscal 2025, the discount brokers (among the total top 10) hold ~82% of the market share

The discount brokers started gaining prominence from mid 2010s onwards as rising internet & smartphone penetration acted as a tailwind for the segment. The mobile & Internet-based trading has also witnessed a surge during the period and hence many retail participants increasingly chose discount brokers over Full-Service Brokers due to low brokerage offered by the former coupled with the user-friendly UI/UX as suggested by the rising market share during the period. Further, the zero brokerage on equity delivery was a completely new offering in the industry started by the Discount Brokers and online distribution channel aided its popularity among the new Investors entering the capital markets. The rising financial literacy of India's young population coupled with their tech-savviness and comfort with digital platforms also aided the stupendous growth for Discount Brokers. Also, the rise in retail participation in the equity derivatives segment also supported their growth as the commissions (flat fee brokerage) charged by Discount Brokers were significantly lower than Full-Service Brokers.

The industry is already undergoing a disruptive phase with Discount Brokers rapidly gaining market share. The entry of new-age Discount Brokers has also forced the entire industry to embed technology in their workflow in order to rationalize their cost structure. The industry witnessed a new age-Discount Brokers enter the market post 2010 and scale up their operations swiftly over a short period of time.

Share of discount brokers among the top 10 brokers as per NSE active clients

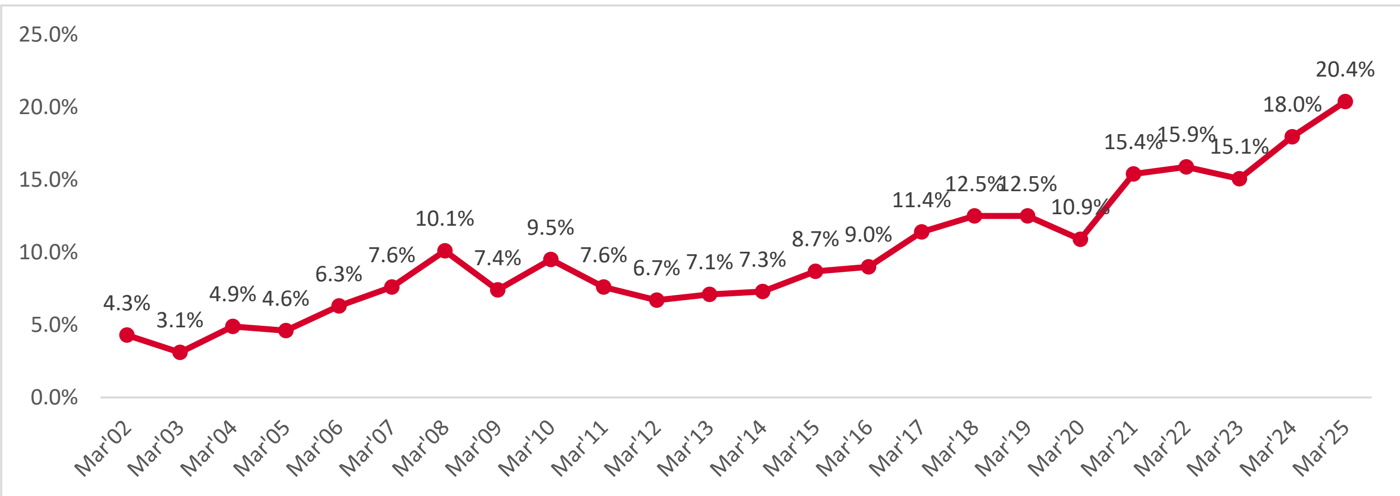


Source: NSE, Crisil Intelligence

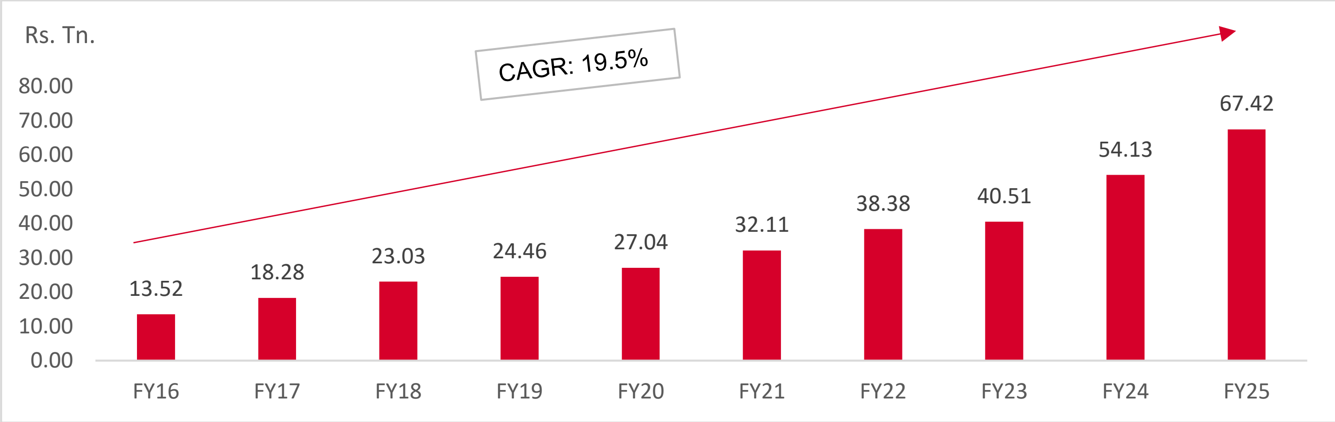
Mutual Fund AUM

The aggregate AUM of the Indian mutual fund industry has grown at a healthy pace over the past six years, against the backdrop of an expanding domestic economy, robust inflows, and rising investor participation, particularly from individual investors. Average AUM clocked a CAGR of 18.4% to reach Rs 67.42 trillion as of March 2025 from Rs 24.46 trillion as of March 2019. However, growth was the slowest in Fiscal 2023, at 5.6%, year-on-year on account of heavy outflows in debt and liquid/ money market mutual funds and torpid performance of the equity market. However, the stellar performance of stock market in fiscal 2025, along with rise in inflows, growth in participation of retail investors and improved macroeconomic conditions led to surging of aggregate AUM by approx. 24.5% year-on-year as of March 2025.

Mutual fund AUM (as % of GDP)



Mutual fund AUM logged a CAGR of 19.5% over March 2016 to March 2025



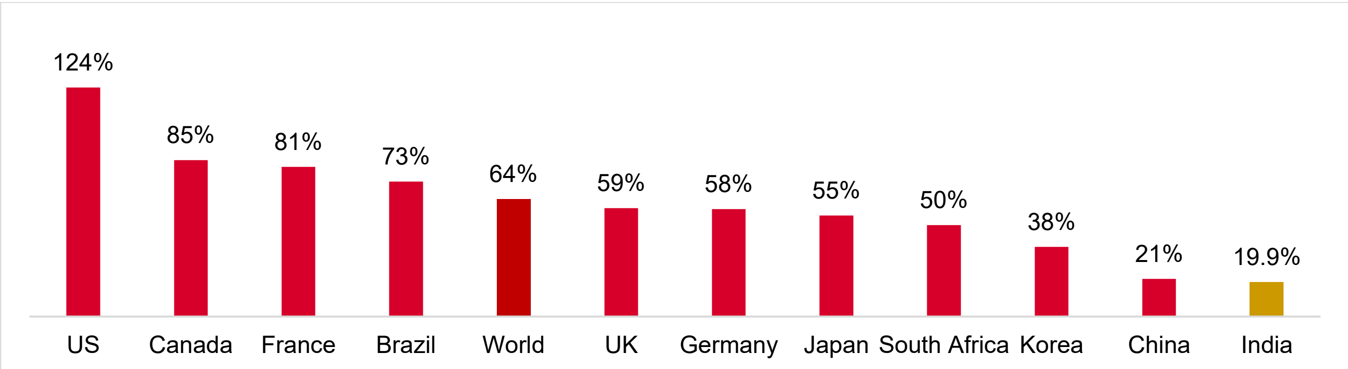
Note: Values in the above chart are based on quarterly average AUM

Source: AMFI, CRISIL Intelligence

Indian mutual fund market is underpenetrated compared to other economies

In terms of Mutual fund penetration and its comparison with global peers, India still has long way to go as its mutual fund penetration is currently at 19.9% as of fiscal 2025.

Mutual Fund penetration (MF AUM as a % of GDP) in India versus global markets (Q3 CY2024)



Note: AUM data as of September 2024 for all countries; only open-ended funds have been considered. Includes, equity, debt and others, GDP taken from IMF (Gross Domestic Product at current prices). Penetration calculated as Mutual Fund AUM divided by GDP, For India the value is calculated as Mutual Fund AUM to GDP (at current prices).

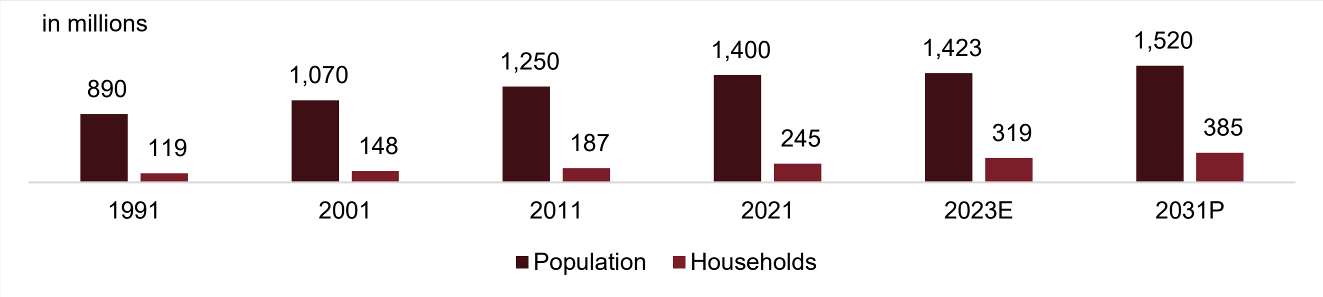
Source: IMF, IIFA, RBI, AMFI, CRISIL Intelligence

Key growth drivers

India has the world's largest population

As per Census 2011, India's population was ~1.3 billion and comprised nearly 187 million households. The population, which grew at nearly 1.5% CAGR between 2001 and 2011, is expected by Crisil Intelligence to have increased at 1.1% CAGR between 2011 and 2021 and reached 1.4 billion. India's population is more than 1.44 billion as of calendar year 2024. The population is expected to reach 1.5 billion by 2031 from 1.4 billion in 2021, and the number of households are expected to reach to ~385 million in 2031 from 245 million in 2021, reporting a CAGR of 4.6% from FY21 to FY31.

India's population growth trajectory and number of households

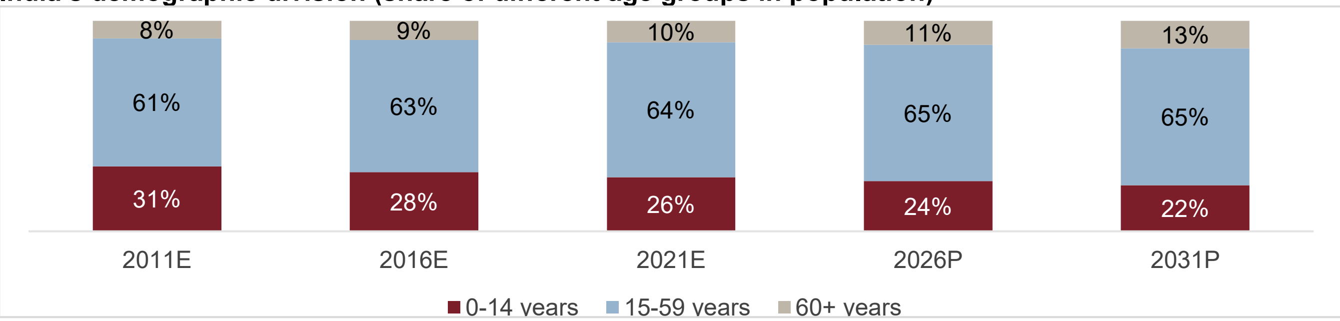


Note: As at the end of each Fiscal. P: Projected, Source: United Nations Department of Economic and Social Affairs, (https://population.un.org/wpp/), Census India, Crisil Intelligence

Favourable demographics

India has one of the world's largest youth populations, with a median age of 28 years. About 90% of Indians are below 60 years of age. In 2021, it was estimated that India had the highest share of young working population (15-30 years) compared to major developed and developing countries with the share of 27%. Crisil Intelligence expects that the large share of working population, coupled with rapid urbanisation and rising affluence, will propel growth in the economy.

India's demographic division (share of different age groups in population)



Note: P – Projected, E – Estimates
Source: Census of India 2011, Ministry of Health and Family Welfare, Crisil Intelligence

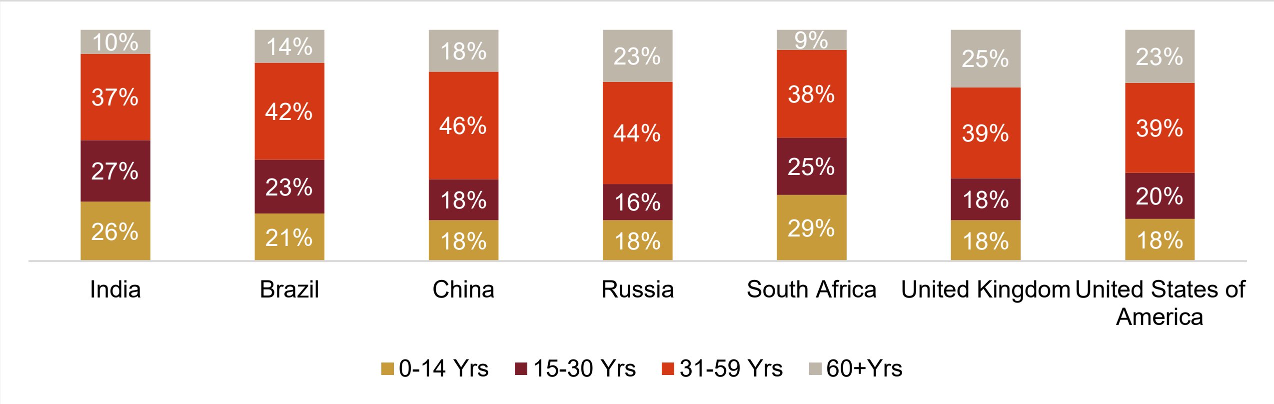
India has the highest young population (15-30 years) with 375 million individuals, among the major economies (CY2021)

Country	0-14 Yrs	15-30 Yrs	31-59 Yrs	60+ Yrs
India	361.6	375.3	524.8	145.8
Brazil	44.0	50.0	89.9	30.5
China	251.9	253.5	662.7	257.7
Russia	25.7	22.7	63.9	32.8
South Africa	17.0	14.7	22.5	5.2
United Kingdom	11.9	12.2	26.5	16.7
United States of America	61.5	67.0	131.0	77.5

Note: Values in millions. Source: Census 2011, World Urbanization Prospects: The 2018 Revision (UN)

Crisil Intelligence

India has the highest share of young population (15-30 years) among the major economies (CY2021)



Source: Census 2011, World Urbanization Prospects: The 2018 Revision (UN)

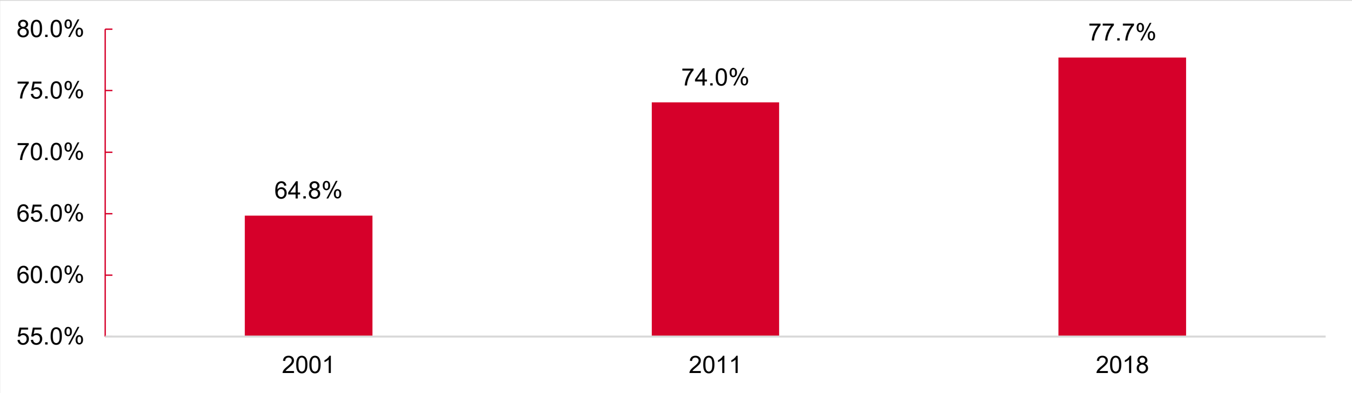
Rise in financial savings and increasing literacy rate will propel capital market growth

The financial savings in India grew at a CAGR of ~10.1% from fiscal 2017 to fiscal 2024. The increase in financial savings is expected to aid investment in financial products including equity segment. The rising folios in mutual fund industry at a CAGR of 18% from fiscal 2017 to fiscal 2024 further re-emphasis the trend. Further, the favourable demographic profile of the country followed by rising financial literacy and search for high-yielding investment products have led people to look beyond traditional financial products. This is expected to encourage higher participation in capital markets and increase in demat accounts and investment folios.

Financial literacy

Overall literacy in India is at 77.7% as per the results of recent NSSO survey conducted from July 2017 to June 2018 which is still below the world literacy rate of 86.5%. However, according to the National Financial Literacy and Inclusion Survey (NCFE-FLIS) 2019, only 27% of Indian population is financially literate indicating huge gap and potential for financial services industry. The survey defines financial literacy as combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. According to the World Bank's Global Findex Database 2021, the global average of adult population with an account opened with a bank, financial institution or mobile money provider, was approximately 69% in calendar year 2017. India's financial inclusion has improved significantly over calendar years 2014 to 2017 as adult population with bank accounts increased from 53% to 78% (Source: Global Findex Database) due to the Indian government's concentrated efforts to promote financial inclusion and the proliferation of supporting institutions.

Overall literacy rate on the rise in India



Source: Census 2011, NSO Survey on household social consumption (2017-18), CRISIL Intelligence

With increasing financial literacy, mobile penetration, awareness and the Prime Minister's Jan Dhan Yojana bank accounts (scheme aimed at bringing the unbanked under the formal banking system), there has been a rise in the participation of individuals from non-metro cities in banking. With more people attached to the formal banking sector, the demand for financial products in smaller cities has seen a major increase in recent years. Going forward, CRISIL Intelligence expects financial penetration to increase on account of increasing financial literacy.

Rising demand for corporate debt and equity issuance

Indian Capital market over the years played a pivotal role in development of Indian Economy. As India is surging ahead to become an economic powerhouse, Indian Capital Market is expected to play a greater role and remain in forefront in the days ahead. Resource Mobilisation through Public and Rights Issues (Equity and Debt) have seen a steady growth over the years with total capital seeing an increase from ₹ 919.5 billion in fiscal 2019 to ₹ 2,181.2 billion in fiscal 2025. Capital markets are expected to grow further with capital raised from the primary market through public and rights Issues increasing ~113% y-o-y in Financial Year 2025 and about 42% y-o-y in Financial Year 2024. One of the crucial elements of Indian Capital Market is Corporate Bond Market. Persistent effort by Government and SEBI in the last few years enabled a nascent Corporate Bond Market to move in the direction of maturity. Also, many companies have equity issuances through IPOs over the last couple of years. This trend in expected to increase going forward as new age companies explore avenues to raise funds from capital markets.

On the demand side, credit default swaps, retail participation, index linked funds, and mechanisms to improve liquidity will be enablers. Besides these, attracting foreign capital is crucial to bridging the emerging supply-demand gap, especially given the crowding-out by gilts stemming from the huge borrowing programme of the government. CRISIL Intelligence believes that the following measures will enable the Indian debt Capital Market to play an important role:

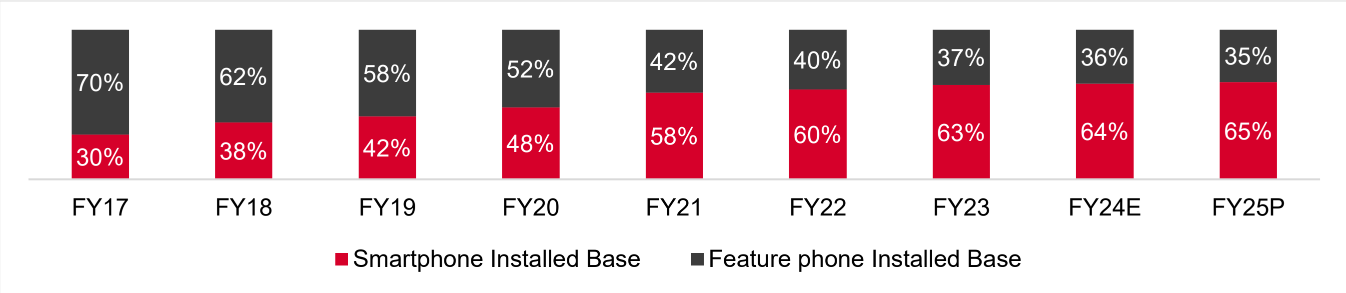
- Enhancing retail participation via tax sops to investments in debt mutual funds – similar to equity-linked savings schemes – and ensure parity in capital gains tax between equity and debt products.
- Improving liquidity in the market by fast-tracking the setting up of the institution to provide secondary market liquidity to corporate bonds, develop the Limited Purpose Clearance Corporation for corporate bond repos, and allow corporate bonds as collateral under the Reserve Bank of India's liquidity adjustment facility window
- Attracting both domestic and foreign capital through exchange traded funds and other index-linked bond funds, which offer lower costs, more transparency, better liquidity and potential to build diversified portfolios.

- ESG profiling of Indian corporates to attract foreign capital into the Indian debt capital markets

Digitization aided by technology to play pivotal role in growth of economy

Technology is expected to play an important role by progressively reducing the cost of reaching out to smaller markets. India has seen a tremendous rise in fintech adoption in the past few years. Among many initiatives by the government, the Unified Payments Interface (UPI) is playing a pivotal role towards financial inclusion. It provides a single-click digital interface across all systems for smartphones linked to bank accounts and facilitates easy transactions using a simple authentication method. The volume of digital transactions has also seen a surge in the past few years, driven by increased adoption of UPI. Apart from financial services industry, digitization in other industries like retail will also play an important role in the growth of economy.

Younger users to drive adoption of smartphones



Note: E: Estimated, P: Projected; Source: Crisil Intelligence

Rise in 4G and 5G penetration and smartphone usage

India had 1,165 million wireless subscribers at the end of FY24. The reach of mobile network, internet and electricity is continuously expanding the subscriber footprint to remote areas leading to rising smartphone and internet penetration in India. In FY23, 5G was launched which led to conversion of 25 million subscribers to 5G. This shift was facilitated by offering 5G services at the price of 4G data plans, coupled with a surge in data demand and the accessibility of affordable handsets. In FY25, Crisil Intelligence expects 5G subscribers to reach 270-280 million since data consumption will increase due to high usage on OTT platforms, in education services, banking services, healthcare, and the gaming industry.

All-India mobile and data subscriber base

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25P
Wireless subscribers (million)	1,170	1,183	1,162	1,157	1,181	1,142	1,144	1,165	1,177-1,183
Data subscribers (million)	401	473	615	720	799	814	883	956	989-1,006
Data subscribers as a proportion of wireless subscribers	34%	40%	53%	62%	68%	71%	77%	82%	84%-85%
4G data subscribers (million)	131	287	478	635	719	734	786	707	660-670
4G data subscribers' proportion	33%	61%	78%	88%	90%	90%	89%	74%	~67%
5G data subscribers (million)	-	-	-	-	-	-	25	175	270-280

Note: P: Projected, Source: TRAI, Crisil Intelligence

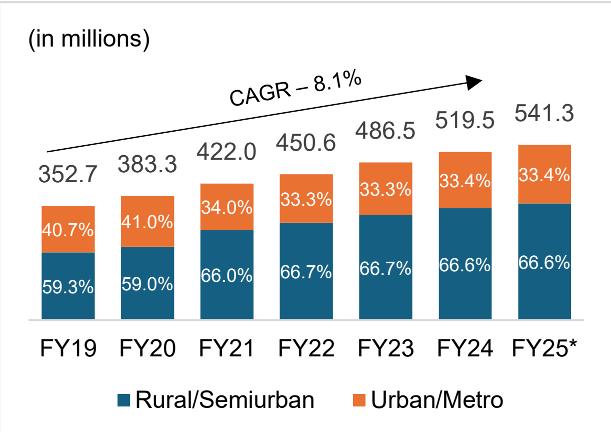
Financial Inclusion on a fast path in India

Financial inclusion enables vulnerable households and businesses to increase financial literacy, protect confidence, avail formal credit with more ease, and subsequently bridge the credit gap in the country. Emphasizing on the financial inclusion initiatives would fast-track formalization of credit in the economy.

The two key initiatives launched by the Government to promote financial inclusion are the Pradhan Mantri Jan Dhan Yojana (PMJDY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). Under the PMJDY, the Government's aim is to ensure that every household in India has a bank account which they can access from anywhere and avail all financial services such as savings and deposit accounts, remittances, credit and insurance affordably. PMJJBY is a one-year life insurance scheme that offers a life cover of ₹ 0.2 million at a premium of ₹ 436 per annum per member, which can be renewed every year. The Government has also launched the Pradhan Mantri Suraksha Bima Yojana (PMSBY), an accident insurance policy that offers an accidental death and full disability cover of ₹ 0.2 million at a premium of ₹ 20 annually. As per the Government, more than 100 million people have registered for these two social security schemes.

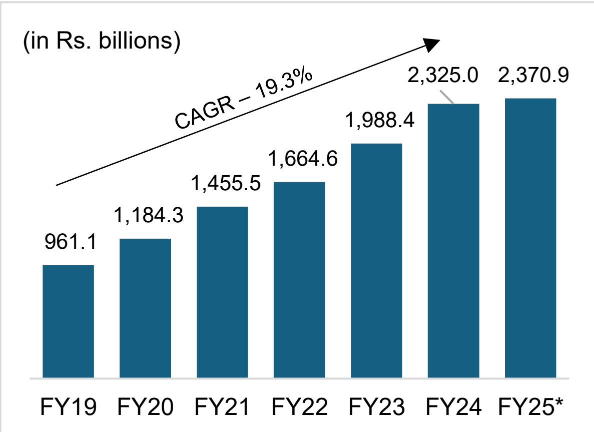
As of 4th December 2024, 541.2 million PMJDY accounts had been opened, of which ~ 67% were in rural and semi-urban areas, and total deposits of Rs. 2,371 billion. (*Source: Pradhan Mantri Jan-Dhan Yojana: Progress Report*)

Number of PMJDY accounts



*Note: *FY25 data is till 4th December 2024;*
Source: PMJDY; Crisil Intelligence

Total balance in PMJDY accounts



*Note: *FY25 data is till 4th December 2024;*
Source: PMJDY; Crisil Intelligence

Financial penetration to rise with increase in awareness and access of financial products

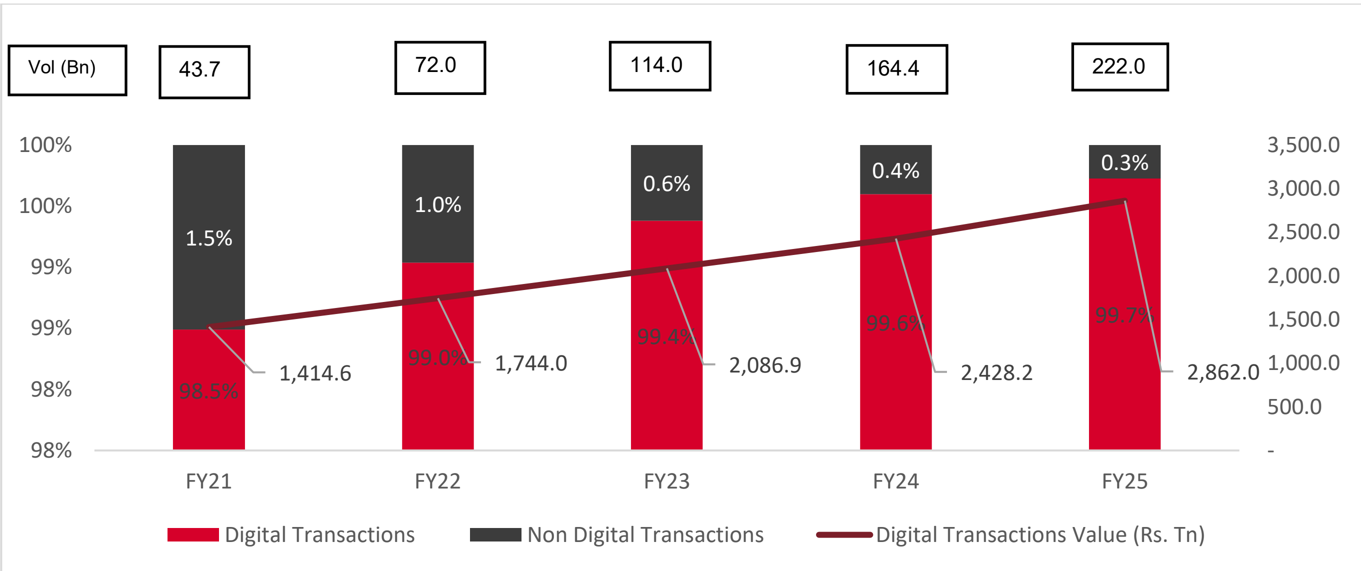
Overall literacy in India was at 77.7% as per the results of NSO survey conducted from July 2017 to June 2018, which is still below the world literacy rate of 86.5%. However, according to the National Financial Literacy and Inclusion Survey (NCFE-FLIS) 2019, only 27% of Indian population is financially literate indicating huge gap and potential for financial services industry. The survey defines financial literacy as a combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Government initiatives like Pradhan Mantri Jan Dhan Yojana, financial literacy programs, and continuous focus on financial inclusion have increased financial literacy, resulting in significant uptick in demand for financial products, particularly in smaller cities over the past few years. Going forward, Crisil Intelligence expects financial penetration to increase on account of increasing financial literacy.

Digital payments have witnessed substantial growth

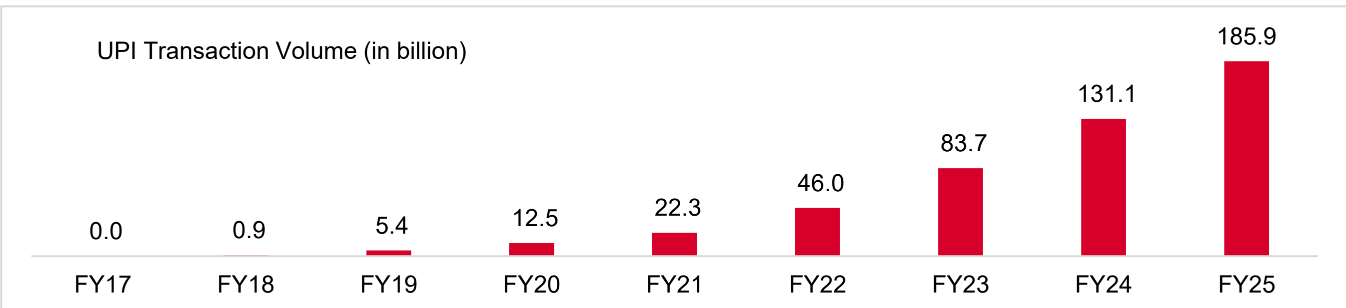
Higher mobile penetration, improved connectivity, and faster and cheaper data supported by Aadhaar, and bank account penetration have led India to shift from being a cash-dominated economy to a digital one. Total digital payments in India have witnessed significant growth over the past few years. Between FY21 and FY25, the volume of digital payments transactions increased from 43.7 billion to 222.0 billion, growing at a CAGR of ~50%. During the same period, the value of digital transactions has increased from Rs. 1,414.6 trillion in FY21 to Rs 2,862.0 trillion in FY25 at a CAGR of 19.3% between the same period. Consumers are increasingly finding transacting through mobile convenient. Crisil Intelligence expects the share of mobile banking to increase dramatically over the coming years. In addition, Crisil Intelligence expects improved data connectivity, low digital payment penetration and proactive government measures to drive digitalization in the country.

Trend in value and volume of digital payments



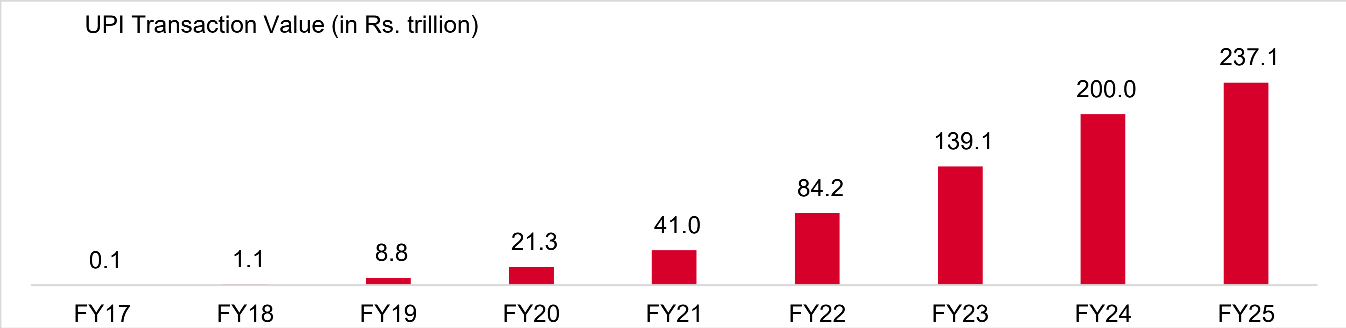
Note: Digital Payments includes RTGS payments, Credit transfers (AePS, APBS, ECS Cr, IMPS, NACH, NEFT, UPI), Debit Transfers (BHIM, ECS Dr, NACH Dr, NETC), Card Payments (Debit and Credit Cards) and Prepaid Payments Instruments; % basis total transactions volume
Source: RBI, Crisil Intelligence

UPI transactions volumes zoomed between FY17 and FY25



Source: RBI, Crisil Intelligence

UPI transactions value continues to rise with surge in volumes

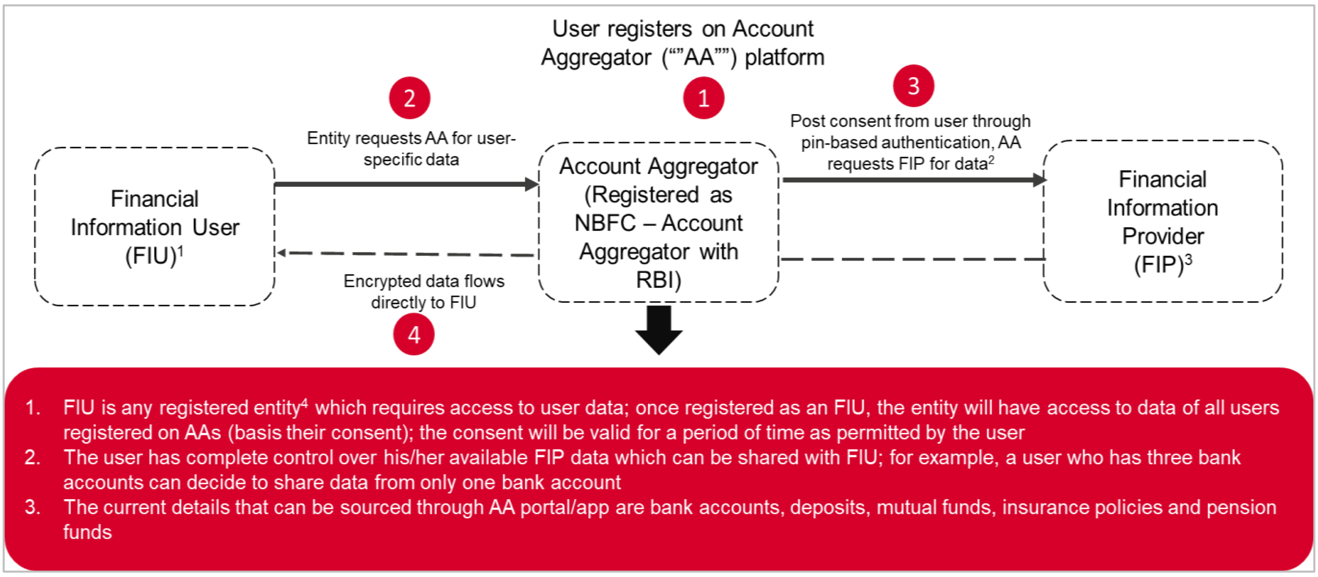


Source: RBI, NPCI, Crisil Intelligence

Digital Public infrastructure reforms by Government of India

- Digitization improves the transparency and efficiency of government processes, and widespread digital transformations help governments and institutions with policy implementation and broad policy outreach. The key idea for Digital Public Infrastructure (DPI) is not the complete digitization of narrow public services but the establishment of a building block of digital modularity, which can be used modularly by both government and private players to create the specific digital infrastructure required. The India Stack is a collective name for a set of open APIs and public goods in digital form like DigiLocker, UPI, e-sign and etc.
- **Open Credit Enablement Network (OCEN)**
  Open Credit Enablement Network (OCEN) was introduced as a step for promoting financial inclusion and democratization of credit in India. OCEN is set of open standards which facilitates interactions and collaborations among borrowers, lenders, lending service providers, and technology service providers. This will help various digital platforms in leveraging their position in delivery of credit and value addition in lending value chain. Moreover, OCEN will also promote innovation in distribution of credit, making loans accessible to MSMEs, small vendors and individuals, leading to financial inclusion.
- **Account Aggregators**
  The RBI launched the account aggregator system on September 2, 2021, which has the potential to transform the retail as well as MSME finance space once there is widespread adoption amongst the lending community. These account aggregators would provide granular insights to lenders into customers’ financial assets and their borrowing history centrally, based on customer consent. Inclusion of additional data such as electricity bill payments and mobile recharges/bill payment data under the purview of account aggregators would further enhance its utility.

Account aggregator flow



Source: Crisil Intelligence

Products like contactless and digital cards to enable greater digital transactions

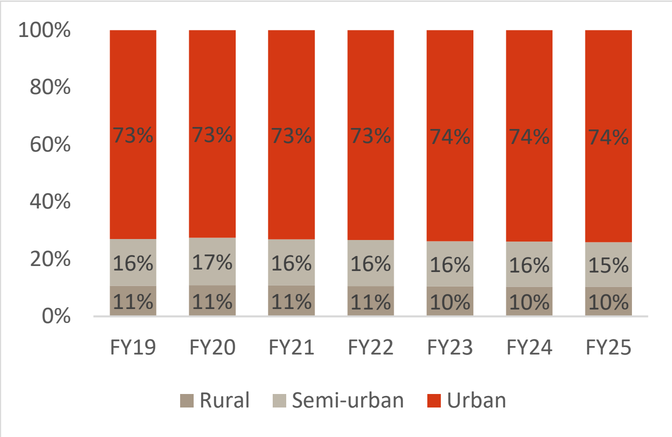
Introduction of contactless cards has enabled users to just tap and pay for transactions under ₹ 5,000 by using the card at a contactless payment machine. Payment service providers are exploring innovative payment infrastructure by leveraging host card emulation (HCE) for secure near field communication (NFC) payment transactions. This will enable customers to easily use their cards on their NFC enabled smartphones to make contactless payments. The card issuers are also innovating and have introduced digital or virtual cards in the last one year. The digital card arrives in the individual’s mobile application and has features like Touch ID or Face ID for authentication, which increases the convenience of transactions on e-commerce and other platforms. Further, significant growth in users over the last decade for payment apps are also enabling digital transactions in the ecosystem.

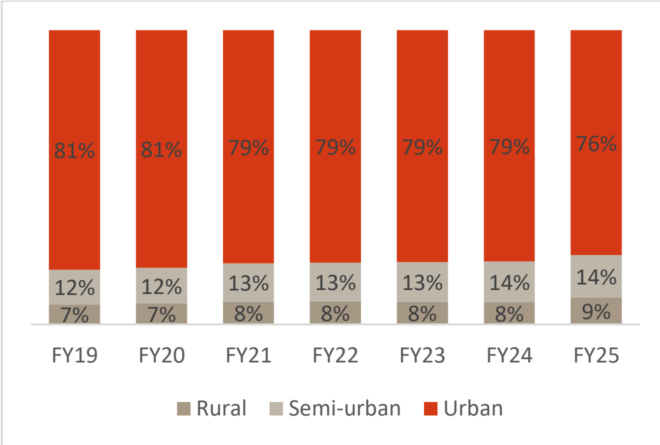
Rural India accounts for 47% of GDP, but only 10% of deposits and 9% of credit

Rural India has a crucial role to play, as 65% of the population resides in rural areas, as per 2021 data from the Economic Survey (January 2023) and as per the Census data of 2011, there are over 6.4 lakh villages in India. As per CRISIL Intelligence estimates, about 47% of India’s GDP comes from rural areas; however, their share is abysmally low at just 10% of total banking deposits and 9% of total banking credit as of March 2025. Lack of bank infrastructure, low level of financial literacy and investment habits, along with lack of formal identification, are some of the reasons for low penetration.

Share of bank credit and deposits shows low penetration in rural areas

Population group wise share of deposit | **Population group wise share of credit**

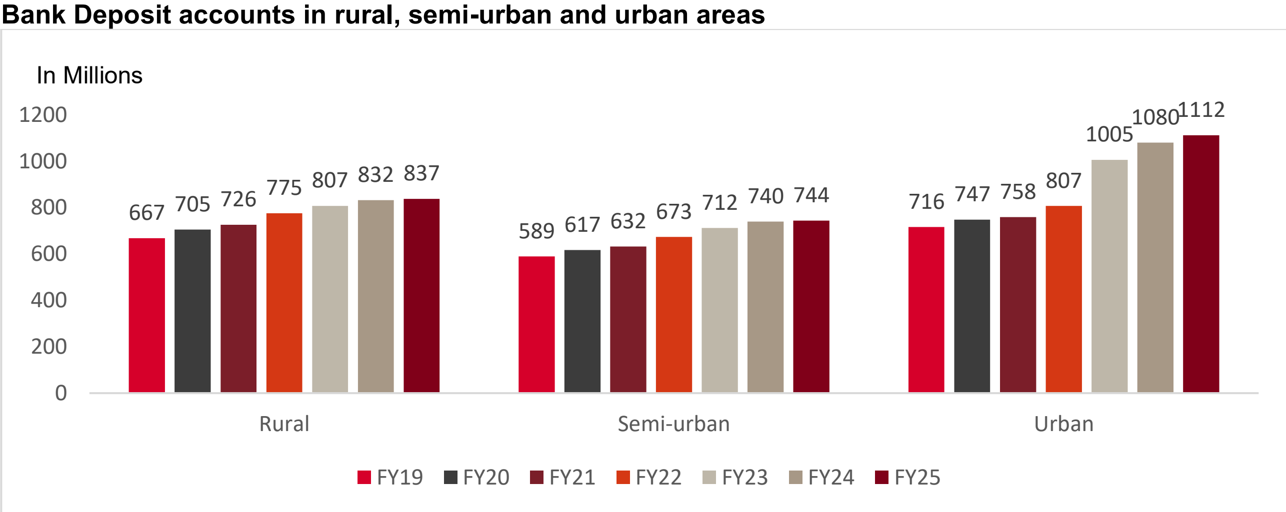




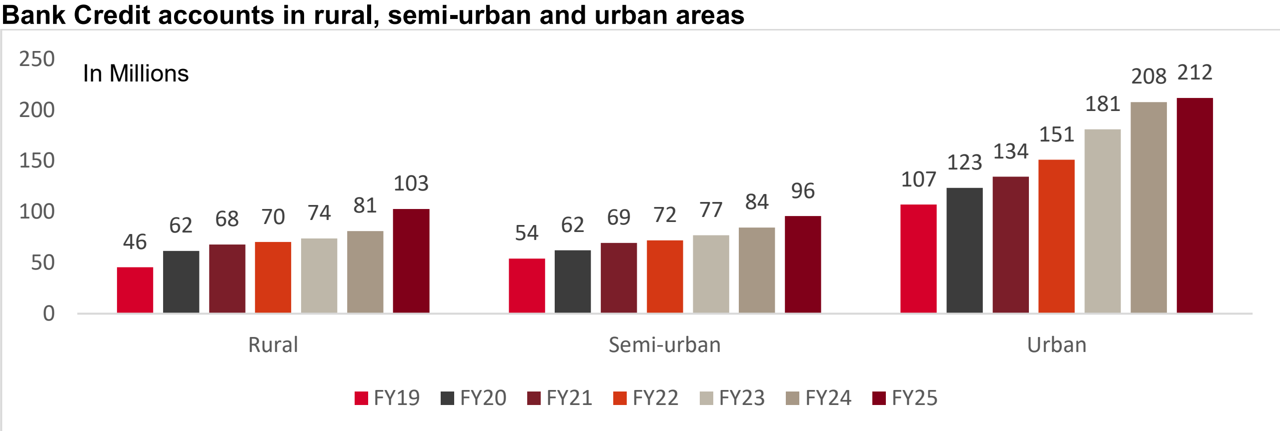
Note: Urban includes data for urban and metropolitan areas, above data represents indicators for scheduled commercial banks in India, E: Estimated.
Source: RBI; CRISIL Intelligence

Financial inclusion is lower in rural areas than in urban areas in India. Hence, there are significant growth opportunities in this segment. Initiatives such as PMJDY and digital banking, along with increasing emphasis on financial literacy, have led to increasing financial inclusion in rural areas.

Bank Deposit accounts in rural, semi-urban and urban areas



Bank Credit accounts in rural, semi-urban and urban areas



Note: Urban includes data for urban and metropolitan areas; amounts are as of the end of the fiscal year indicated. Data represents only bank deposit accounts. Above data represents indicators for scheduled commercial banks in India, Source: RBI, CRISIL Intelligence

Although the majority of Indian households are located in the rural region, the banking infrastructure in these regions is relatively inferior and, thus, there is a gap in the supply and demand of financial services in the backward regions of the country, which is a pocket of opportunity for the financial services sector.

With a high proportion of population in the rural areas across the country, the financial institutions have less competition for banking services here compared with urban areas. Also, since the level of financial inclusion is lower, it presents a significant opportunity for these entities to penetrate these regions.

Key steps taken by the government to boost financial inclusion

To improve financial inclusion, especially in rural areas, the government is focusing on improving the overall rural infrastructure for penetration of financial services as well as empowering the development of parallel supporting institutions. This has provided an opportunity for NBFCs and other financial institutions to cater to the unserved population or act as a channel between the larger financial institutions and other service providers to better serve the underserved customers.

Considerable progress has been made over the past 5-7 years to bring unbanked individuals into the formal banking system. The RBI and the government have taken several measures, such as:

Payment banks

Another step taken towards financial inclusion was the RBI granting in-principle approval on August 19, 2015, for players to launch payment banks, however, currently only 6 payments banks are operating in the country.

Payment banks can accept deposits, subject to a cap of ₹ 200,000 per customer, and provide payment and remittance services through channels, such as the internet, branches, business correspondents (BCs) and mobile banking. However, these banks cannot offer credit facilities directly but can choose to act as a BC of another bank for credit and other services.

Business Correspondents (BCs)

In one of its foremost measures, the RBI introduced the BC model of banking outreach in January 2006, aimed at leveraging information and communication technology to widen access to the banking system. BCs are retail agents engaged by banks to offer banking services at locations other than a bank branch/ATM. They are authorised to perform a variety of activities including collection of small-value deposits, disbursal of small-value credit, recovery of principal, collection of interest, sale of micro insurance, mutual fund products, pension products, other third-party products, and receipt and delivery of small value remittances/other payment instruments. In July 2014, the RBI allowed NBFC-MFIs to work with banks as BCs.

Digital India

An umbrella programme to transform India into a knowledge economy has supported the financial inclusion initiative. Some of the initiatives under this programme include development of digital infrastructure, delivery of government services digitally and improvement in digital literacy, especially in rural India. Some of the initiatives are Direct benefits transfer, Common service centers 2.0 and BharatNet.

Financial inclusion index

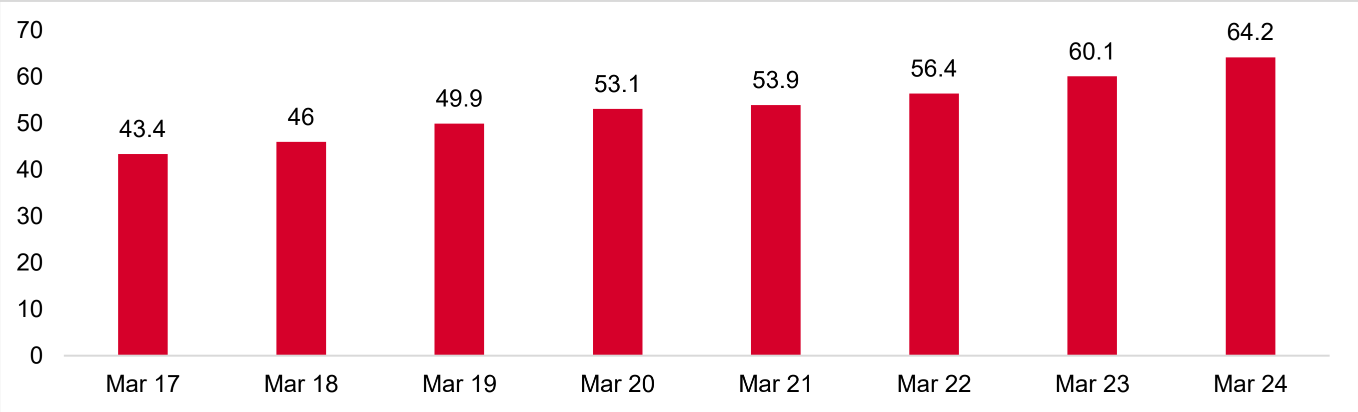
The Reserve Bank of India (RBI) has constructed a composite financial inclusion index (FI-Index) to capture the extent of financial inclusion across the country. The FI-Index has been conceptualized as a comprehensive index incorporating details of banking, investments, insurance, postal and pension sector. The index captures information on various aspects of financial inclusion in a single value ranging between 0 to 100 where 0 represents complete financial exclusion and 100 indicates full financial inclusion.

The FI-Index comprises of three broad parameters – Access (35%), Usage (45%) and Quality (20%) with each of these consisting of various dimensions which are computed based on number of indicators.

The Index is responsive to ease of access, availability and usage of services, and quality of services, comprising in all 97 indicators. A unique feature of the Index is the Quality parameter which captures the quality aspect of financial inclusion as reflected by financial literacy, consumer protection, and inequalities and deficiencies in services.

The FI-Index has been constructed without any 'base year' and as such it reflects cumulative efforts of all stakeholders over the years towards financial inclusion. The value of FI Index for March 2024 stands at 64.2 as against 60.1 in March 2023, with growth witnessed across all the sub-indices.

Financial inclusion has improved over the years

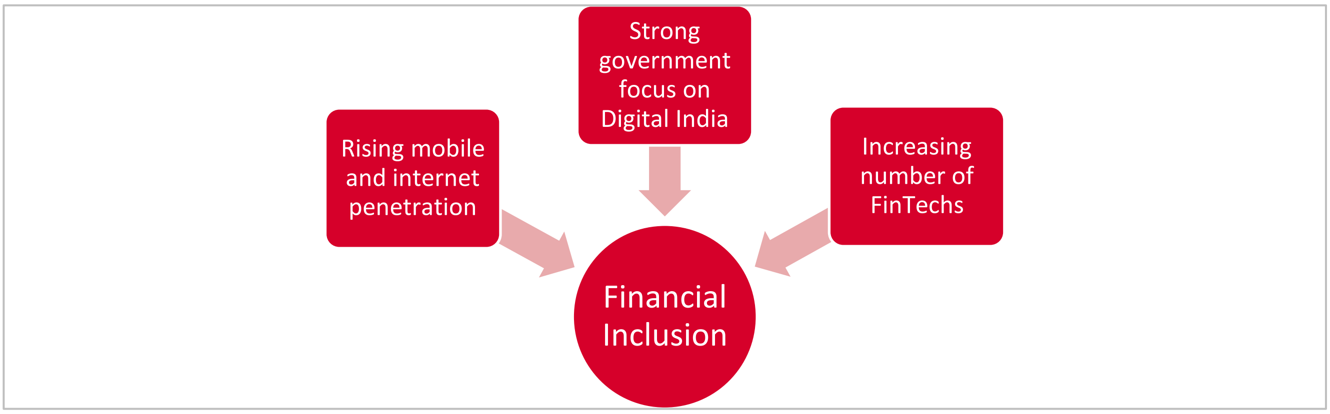


Source: RBI, CRISIL Intelligence

Technology to aid financial inclusion in India

In India, technology has significantly improved the accessibility and affordability of financial services that were previously inaccessible to the unbanked or underbanked masses. In the past nine years, our country has accelerated the pace of financial inclusion. From 40% of Indian adults with a bank account in 2011, this number has consistently increased to 78% in 2021 according to the Global Findex Data.

Conventional banking models are not feasible for low ticket size of transactions, deposits, loans, etc. in rural or remote areas and brick and mortar businesses are proving to be an uneconomical proposition for banks. Improving mobile and smartphone penetration, robust infrastructure laid down by the government to enable digitisation and rising number of financial technology start-ups (FinTechs) in India will help in overcoming the challenges faced by the traditional banking model and lead to higher financial inclusion.



Source: CRISIL Intelligence

FinTechs have been at the forefront of the growth in digital payments in India. These include payment companies that facilitate P2P and retail payments through mobile wallets or UPI as well as technology companies which provide hardware and POS devices for digital payments. The foundational digital infrastructure laid by Aadhaar, and the India Stack has created the business case for many of these FinTechs. New smartphone users and people exploring digital payments for the first time can be signed up at minimal costs based on their digital identities. For a number of FinTechs, access to the India Stack is fundamental to their business models. Evolving business models of these FinTechs and strong focus of government on digitisation from granting licenses to building the infrastructure for digital payments landscape will lead to improving financial inclusion by tapping the underbanked population of India.

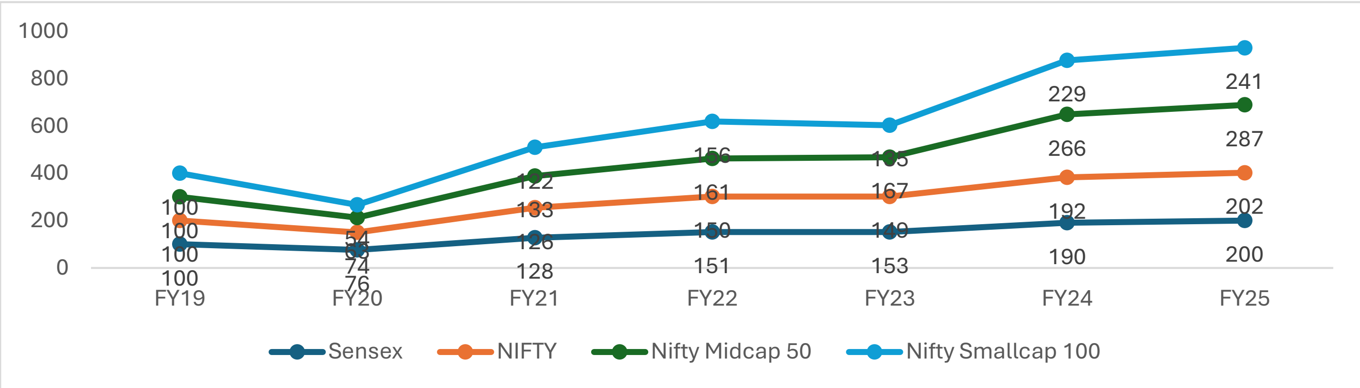
2. Current scenario of the capital markets in India

Overview of capital markets in India

Capital markets clocked strong growth with NIFTY 50 clocking 10.5% CAGR from FY11-25

The Indian Capital Market is one of the most dynamic and high growth organised markets in the world. It witnessed strong performance during the period Fiscal 2011-25. The market capitalization of National Stock Exchange ("NSE") grew at 13.8% CAGR during Fiscal 2011 to Fiscal 2025. The NIFTY 50 index has grown at a CAGR of 10.5% over this period. BSE Sensex has followed a similar growth trajectory to Nifty 50. In case of NSE, the number of companies traded rose from 856 to 3,784 between fiscal 2005 and fiscal 2025. Indian equities continued to see strong gains in calendar year 2025. Both domestic and global factors were supportive of foreign capital inflows.

BSE and NSE performance, FY19-25

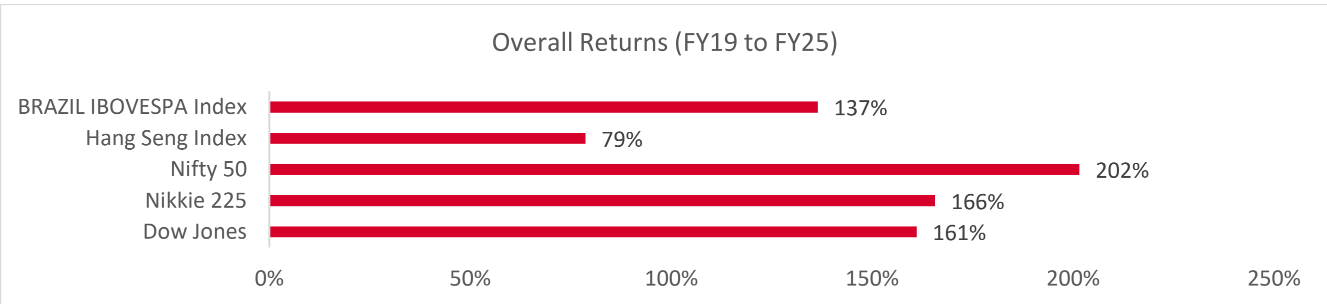


Note: Indices indexed to 100 in Fiscal 2019

Source: NSE, BSE, CRISIL Intelligence

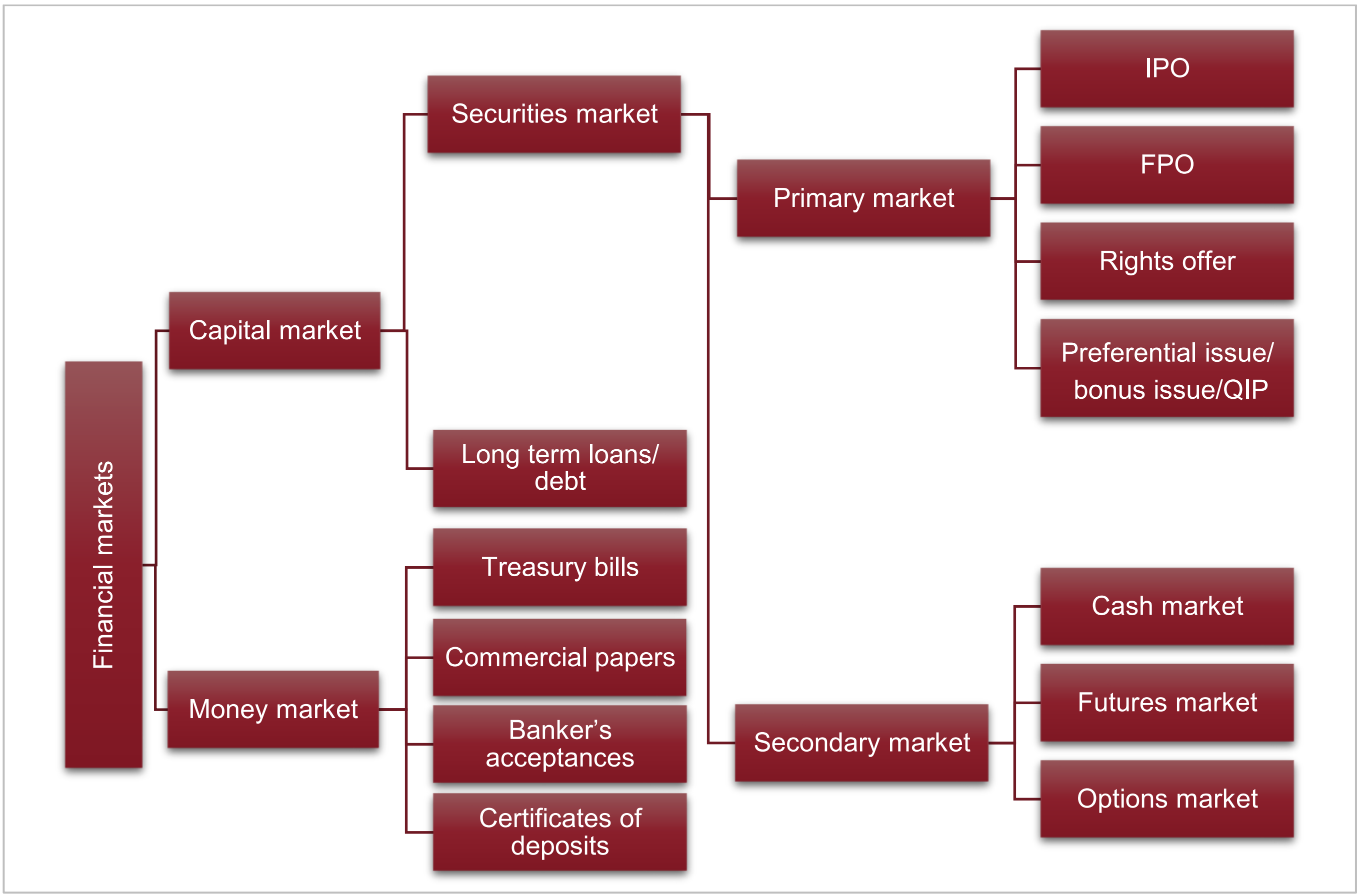
At the end of March 2024, both Nifty and Sensex experienced growth substantial growth of 28.6% and 24.9% compared to March 2023. In fiscal 2025, NIFTY and Sensex had further grown by 5.3% and 5.1% respectively. The P/E ratios for S&P BSE Sensex and Nifty rose to 21.0 and 20.3 respectively in March 2025. Despite geopolitical tensions among nations, challenging interest rate scenario, the Indian stock market performed well during FY23-25. The bullish sentiment in the stock market can be attributed to India's strong GDP growth in FY25.

Nifty 50 gave the highest overall return from Mar-19 to Mar-25 among the major indices



Source: SEBI Bulletins, CRISIL Intelligence

Classification of financial markets in India



Source: CRISIL Intelligence

I. Money market

The money market refers to the market where borrowers and lenders exchange short-term funds to solve their liquidity needs. This market encompasses trading and issuance of short-term, non-equity debt instruments including treasury bills, commercial papers (CPs), banker's acceptance, certificates of deposits, etc.

Features of money market are:

i. Low default risk

ii. Maturities under one year

iii. High marketability

II. Capital market

Capital market is a market for long-term debt and equity shares. In this market, capital funds comprising both equity and debt are issued and traded. This also includes private placement sources of debt, equity or convertible securities, as well as organised markets like stock exchanges. Capital market includes debt financial instruments with more than one year maturity.

Securities market: The securities market refers to markets for those financial instruments that are commonly and readily transferable by sale. This market has two inter-dependent and inseparable segments; the primary (new issues) and secondary (stock) markets.

i. ***Primary market:*** This provides the channel for sale of new securities. The issuer of securities sells securities in the primary market to raise funds for investment and/or to discharge some obligation. The primary market is of great significance to the economy of a country, as it is through this market that funds flow for productive purposes from investors to entrepreneurs. The latter use the funds for various purposes like expansion, creating new products, rendering services to customers in India and abroad etc.

The strength of an economy is gauged by the activities of its stock exchanges. The primary market creates and offers merchandise for the secondary market.

Types of issues in primary market

- Initial public offer (IPO)
- Follow-on public offer (FPO)
- Rights offer, such as securities offered to existing shareholders
- Preferential issue/ bonus issue/qualified institutional buyer placement
- Composite issue, that is, mixture of a rights and public offer, or offer for sale (offer of securities by existing shareholders to the public for subscription)

ii. ***Secondary market:*** This market enables those who hold securities to transact their holdings in response to changes in their assessment of risk and return.

It essentially comprises stock exchanges which provide the platform for purchase and sale of securities by investors. The trading platform of stock exchanges are accessible only through intermediaries. The stock market or secondary market ensures free marketability, negotiability and price discharge. The secondary market has further components:

- **Spot market:** where securities are traded for immediate delivery and payment.
- **Futures market:** where securities are traded for future delivery and payment.
- **Options market:** where securities are traded for conditional future delivery. Generally, two types of options are traded in the options market, i.e., the call and put option. A put option permits the owner to sell a security to the writer of the option at a pre-determined price before a certain date. A call option permits the buyer to purchase a security from the writer of the option at a particular price before a certain date.

Key intermediaries of capital markets in India

I. Primary market intermediaries

a) **Merchant bankers:** Any person who is engaged in issue management, either by making arrangements regarding selling, buying or subscribing to securities, or acting as manager, consultant, adviser, or rendering corporate advisory service in relation to such issue management.

b) **Depositories:** A depository is an organisation which holds securities (like shares, debentures, bonds, government securities, mutual fund units etc.) of investors in electronic form at the request of the investors through a registered depository participant. It also provides services related to transactions in securities. At present two Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) are registered with SEBI.

c) **Registrars and share transfer agents:** Persons appointed by a body corporate or any person or group of persons for:

- Carrying on activities of collecting applications from investors in respect of an issue
- Keeping a proper record of applications and monies received from investors or paid to the seller of the securities
- Assisting body corporate or person or group of persons in determining the basis of allotment of securities in consultation with the stock exchange
- Finalising list of persons entitled to allotment of securities
- Processing and dispatching allotment letters, refund orders or certificates and other related documents in respect of issues

d) **Stock exchanges:** They provide the platform for purchase and sale of securities by investors. The trading platform of stock exchanges are accessible only through brokers, and trading of securities is confined only to stock exchanges.

e) **Underwriters:** An entity that handles sale of new securities which a company or municipality wishes to sell, to raise money. Underwriters will guarantee subscription to securities, say, an issue of equity from the company at a stated price. They are under an obligation to purchase securities up to the amount they have underwritten and are not subscribed by the public.

f) **Bankers to issue:** A scheduled bank carrying on all or any of issue-related activities such as:

- Acceptance of application and application money
- Acceptance of allotment or call money
- Refund of application money

g) **Debenture trustees:** A trustee of a trust deed for securing any issue of debentures of a body corporate.

II. *Secondary market intermediaries*

a) **Stockbroker:** Stockbroker means a member of the stock exchange. A stockbroker plays a very important role in the secondary market, helping both seller and buyer in the securities market to enter into transactions.

b) **Stock Exchanges:** Stock exchanges provide platform for purchase and sale of securities by investors. The trading platform of stock exchanges are accessible only through brokers and trading of securities is confined only to stock exchanges.

c) **Sub-brokers:** Any person who is not a member of a stock exchange, but who acts on behalf of a stockbroker as an agent or otherwise for assisting investors in buying, selling or dealing in securities through such stockbrokers.

d) **Portfolio managers:** Any person who, pursuant to a contract or agreement with a client, advises or directs or undertakes on behalf of the client (whether as discretionary portfolio manager or otherwise), the management or administration of a portfolio of securities, or the funds of the clients

e) **Investment adviser:** Any person, who, for consideration, provides investment advice to clients or other group of persons. It includes any person who holds out himself as an investment adviser, by whatever name called.

Below is the extent of participation of market intermediaries in capital markets as of March 31, 2025

Market Intermediaries as of March 2025

Particulars	March 2025
Stock Exchanges (Cash Market)	3
Stock Exchanges (Derivatives Market)	3
Stock Exchanges (Currency Derivatives)	3
Stock Exchanges (Commodity Derivatives Market)	4
Depositories	2
Foreign Portfolio investors (FPIs)	11,866
Credit Rating Agencies	7
Bankers to an issue	60
Debenture Trustees	25
Venture Capital Funds	161
Foreign Venture Capital Investors	276
Mutual Funds	49
Merchant Bankers	230
Registrar to Issue and Share Transfer Agent	77
Portfolio Managers	470
Approved Intermediaries (Stock Lending Schemes)	2
KYC Registration Agency (KRA)	5
Custodians	17
Alternative Investment Funds	1,526

Investment Advisors	925
Research Analysts	1,500
Collective Investment Schemes	0

Note: Number represent count. The table represents other intermediaries' presence as of March 2025
Source: SEBI, CRISIL Intelligence

Type of asset classes available for dematerialization

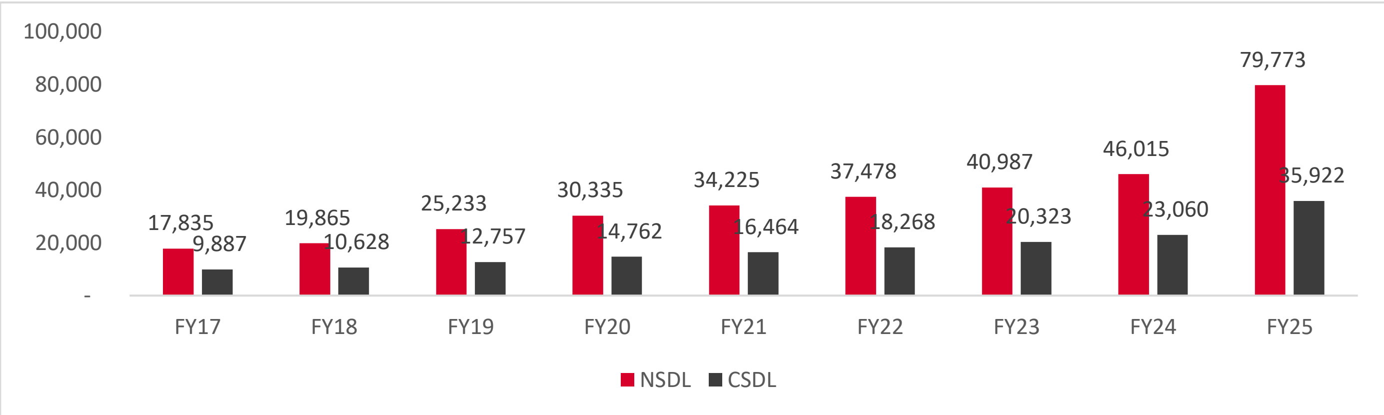
Depository Statistics for NSDL and CDSL witness a steady growth trajectory

Securities such as common equity shares, preferential shares, mutual fund units, debt instruments, government securities, certificates of deposit, commercial papers and others are available to be held in electronic or dematerialized (demat) form by the investors. The number of companies having their securities in demat form have seen an increase from 17,835 in fiscal 2017 to 79,773 in fiscal 2025 seeing a growth at 20.6% CAGR for NSDL and 9,887 to 35,922 from fiscal 2017 to fiscal 2025 growing at a ~17.5% CAGR for CDSL.

Amongst the depositories, NSDL holds a dominant market share in terms of progress in dematerialisation

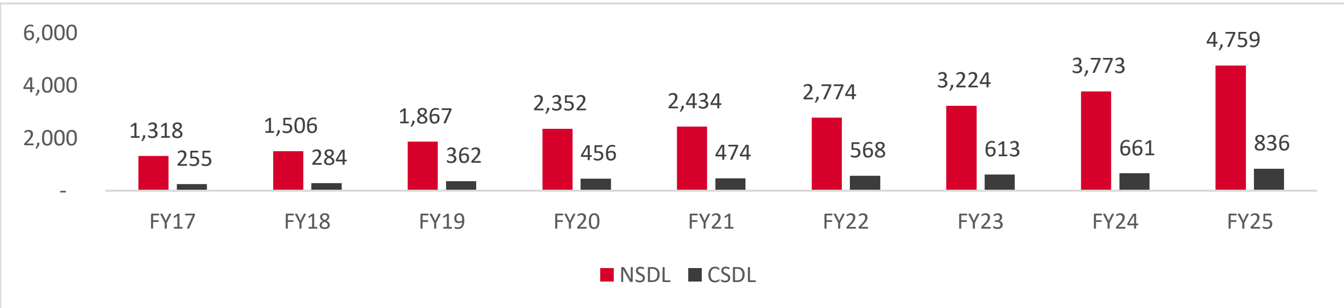
NSDL holds a higher share compared to CDSL amongst the two depositories across the number of companies available for demat, the quantity and value of securities held in demat form.

Trend of number of companies signed up and available for demat (listed and unlisted)



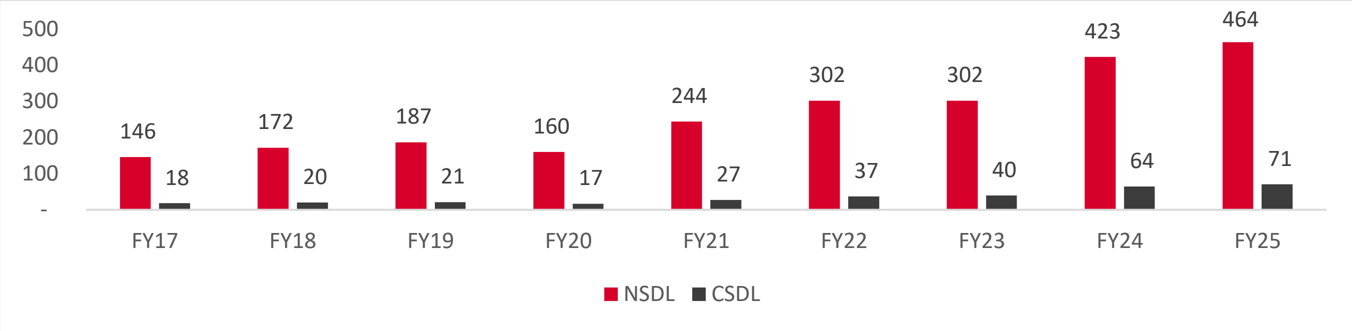
Source: NSDL, CDSL, SEBI Bulletin, CRISIL Intelligence

Quantity of securities held in demat form (in billion)



Source: NSDL, CDSL, SEBI Bulletin, CRISIL Intelligence

Value of securities in demat form (₹ in trillion)



Source: NSDL, CDSL, SEBI Bulletin, CRISIL Intelligence

Key trends in capital markets

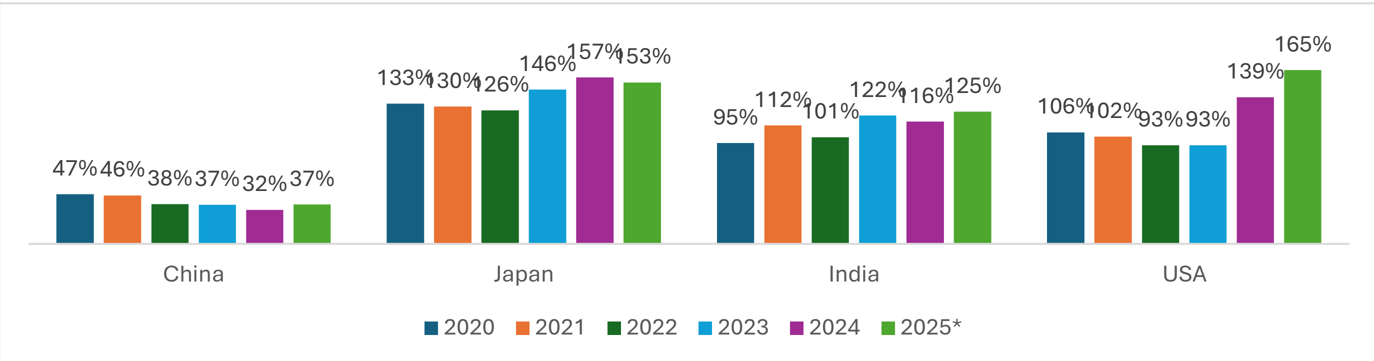
After a meteoric rise in fiscal 2021, market capitalization to GDP stabilized fiscal 2022 onwards

In Fiscal 2025, the equity markets in India have achieved record levels in terms of market capitalization of listed companies and the benchmark index performance. India's market capitalization to GDP stands at ~124% as of fiscal 2025. India's market capitalization rose to Rs 410.9 trillion as of March 31st, 2025. This translates into an annualized growth of 30% in the last five years from fiscal 2020-2025.

Indian capital markets by market capitalization as a proportion of GDP in comparison with other major economies

India's stock market capitalization to GDP has increased from 76.3% in 2019 to 125% in 2025. USA's stock market capitalization to GDP ratio is highest among the countries compared in 2025.

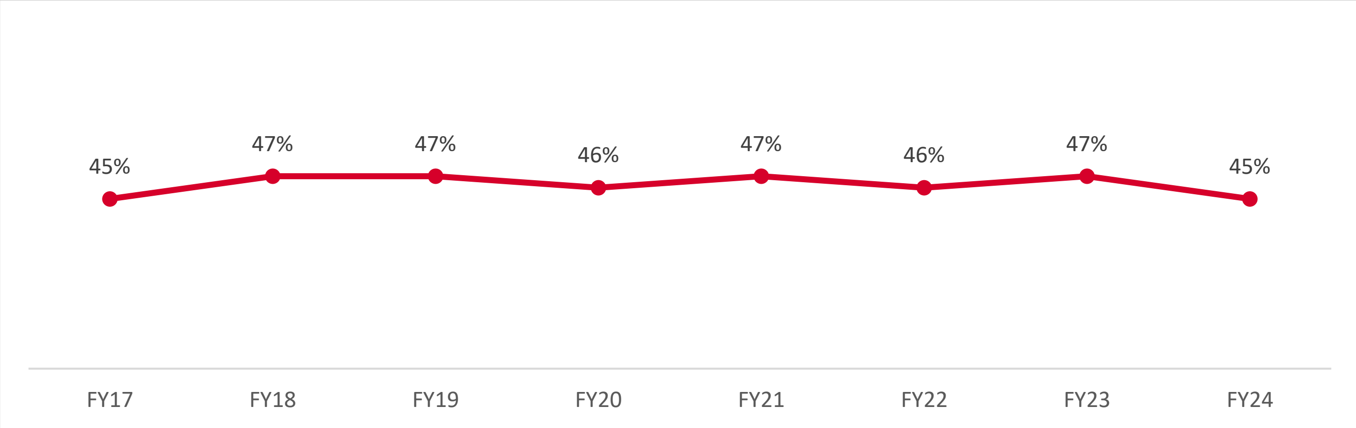
Market capitalization as % of GDP



*Note: * Data is as of Nov'24 as per World Federation of Exchanges (WFE), Market capitalization of Shanghai stock exchange, Japan exchange group, National stock exchange of India and New York stock exchange has been considered. GDP data taken as per IMF database (April).*

Source: World Federation of Exchanges (WFE), IMF, CRISIL MI&A

Free float market capitalization as a percentage of total market capitalization seeing a marginal decrease

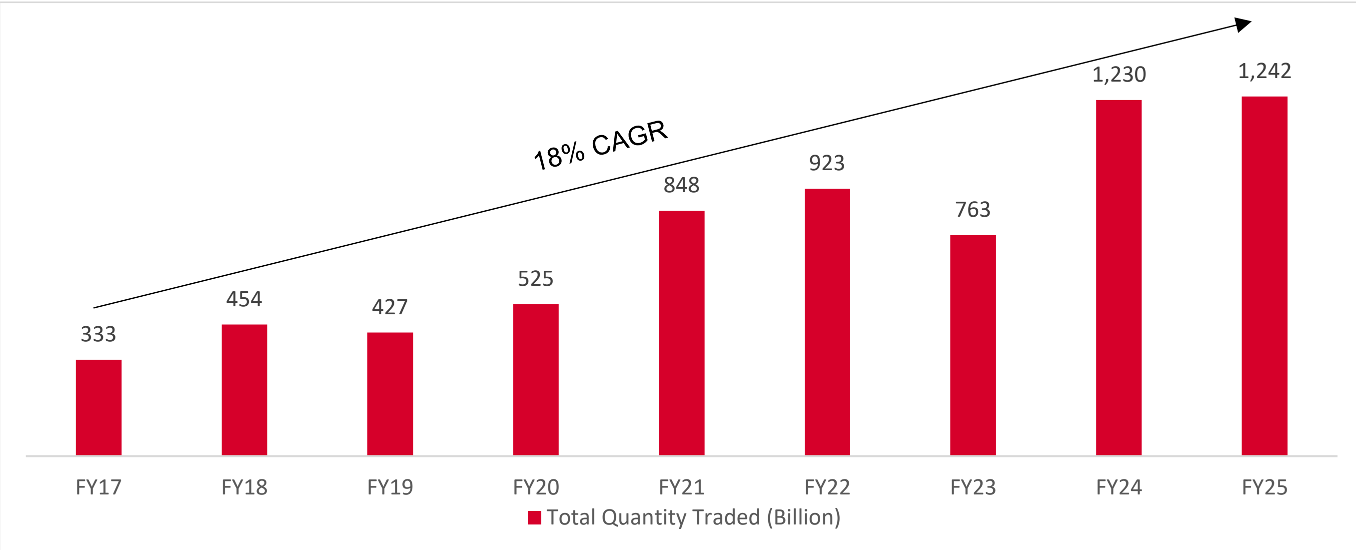


Source: SEBI, CRISIL Intelligence

Equities traded in the secondary market have seen a robust growth

A key trend that had emerged post the Covid-19 pandemic was the substantial rise in secondary market participation. The volume of equity traded in the secondary market saw a meaningful increase reaching record high levels as of fiscal 2022 at 923 billion traded quantities. It has further increased in fiscal 2024 and fiscal 2025 to 1,230 billion and 1,242 billion traded quantities, respectively. The increase in participation was propelled by a multitude of factors including increasing retail investor participation driven by digitalization with higher adoption of mobile and digital investing, financial awareness, increasing participation in IPO subscriptions and the need to invest capital in an asset class yielding high returns amidst a low-interest environment.

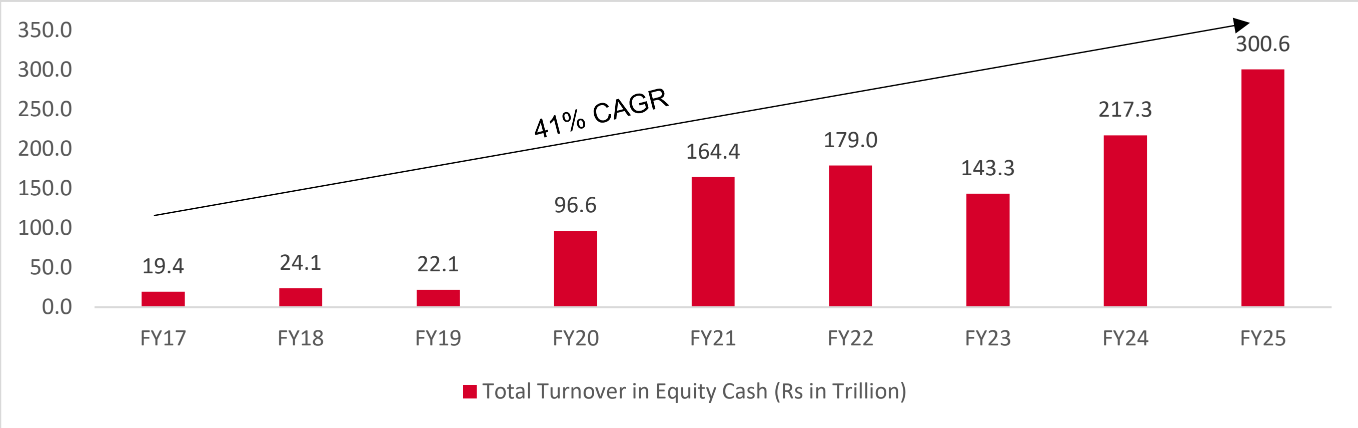
Quantity of equities traded in the secondary market reached record high in fiscal 2025



Source: SEBI, CRISIL Intelligence

Total turnover (in ₹ trillion) of equities in the secondary market saw a sharp increase over the years

Turnover in equity cash segment, grew at ~41% CAGR over fiscal 2017 to fiscal 2025 period. The growth was primarily driven by the increase in retail participation due to ease of trading through mobile applications. As of Fiscal 2025, total equity cash segment turnover stood at Rs. 300.6 trillion. In fiscal 2023, the total turnover of equities decreased to Rs. 143 trillion from Rs. 179 trillion in fiscal 2022 on account of reasons such as investors shift to derivative trading, market volatility and increased retail participation with smaller trade size.



Source: SEBI, CRISIL Intelligence

Capital raised in primary markets showed strong performance in fiscal 2025

Funds raised through equity and debt have seen a steady growth over the years. Equity capital saw a strong 13.8% CAGR from fiscal 2017 to fiscal 2025 in terms of volume. The total volume of equity capital issuances as of fiscal 2025 stood at 1,543 issuances and value at ₹ 4,299 billion. Volume of debt issuances was seeing a downward trend over the years de-growing at ~8% CAGR from fiscal 2017 till fiscal 2025. Since the value and volume of debt capital contributed to the lion's share in the capital market, the muted performance of the debt market is reflected in growth of the overall market as well.

Capital raised in primary market through equity gained more traction when compared to debt

Particulars	FY17		FY22		FY25		8 Yr. CAGR (FY17-25)	
	Volume (In number)	Value (₹ in Billion)	Volume (In number)	Value (₹ in Billion)	Volume (In number)	Value (₹ in Billion)	Volume	Value
Equity	549	855	542	2,310	1,543	4,299	13.8%	22.4%
Debt	3,392	6,700	1,433	5,996	1,702	9,947	-8.3%	5.1%
Total	**3,941**	**7,555**	**1,975**	**8,306**	**3,245**	**14,246**	**-2.4%**	**8.3%**

Source: SEBI, CRISIL Intelligence

Equity offerings through primary markets see stupendous growth

The volume of transactions in rights issues recorded the highest CAGR at 35% from fiscal 2017 to fiscal 2025.

The total volume of equity offerings (including QIPs) during fiscal 2025, in the Indian exchanges were 555 and the total value of the offerings were ₹ 3,458 billion. Higher primary market offerings, due to the increase in volume of shares issued, would subsequently lead to more income for depositories and other stakeholders in the capital market ecosystem.

Resource mobilization through public and rights issues have seen a notable growth over the years

Particulars	FY17		FY22		FY25		8 Yr. CAGR (FY17-25)	
	Volume (In number)	Value (₹ in Billion)	Volume (In number)	Value (₹ in Billion)	Volume (In number)	Value (₹ in Billion)	Volume	Value
IPOs (A)	105	290	120	1,125	320	1,723	15%	25%
FPOs (B)	1	0.10	1	0.15	2	181.5	9%	155%
Public Issues (A+B)	106	290	121	1,125	322	1,905	15%	27%
Rights Issues	13	37	43	263	142	197	35%	23%
Total Public and Right Issues	**119**	**328**	**164**	**1,388**	**464**	**2102**	**19%**	**26%**
QIPs	20	84	29	314	91	1,356	21%	42%
Total (including QIPs)	**139**	**408**	**193**	**1,702**	**555**	**3,456**	**19%**	**31%**

Source: SEBI, CRISIL Intelligence

Trend of REITs and InvITs issued in volume and value

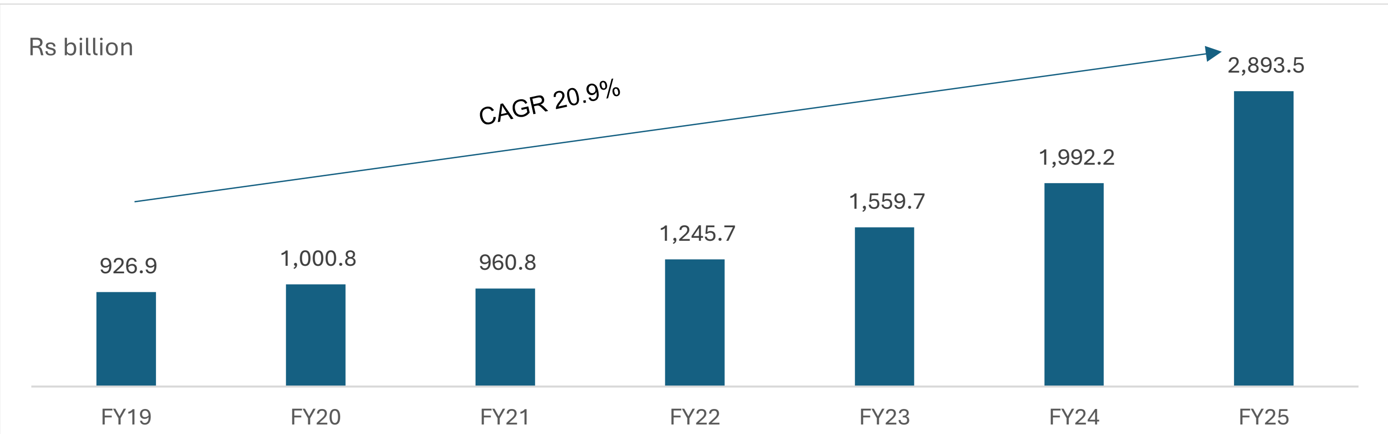
Particulars	FY22		FY25	
	Volume (In number)	Value (₹ in Billion)	Volume (In number)	Value (₹ in Billion)
Real estate investment trust (REITs)	0	0	2	47.28
Infrastructure Investment Trusts (InvITs)	4	138	11	267.15

Source: SEBI, CRISIL Intelligence

Mutual fund penetration is upward bound

In recent years, mutual fund assets in India have seen robust growth, largely driven by a growing investor base. This is due to increasing financial awareness, strong performance of capital markets, technological progress, and regulatory efforts aimed at making mutual fund products more transparent and investor friendly. Moreover, the rising awareness among the population about different capital-market related instruments including ELSS, SIPs, ETFs, theme-based investing building customized bucket of stocks as per clients' requirement, etc. have been a key driver in increasing mutual fund penetration in the market. SIPs are preferred by individuals who like to invest in equity with a long-term investing horizon. SIP contribution in fiscal 2025 stood at Rs. 2,893.5 billion.

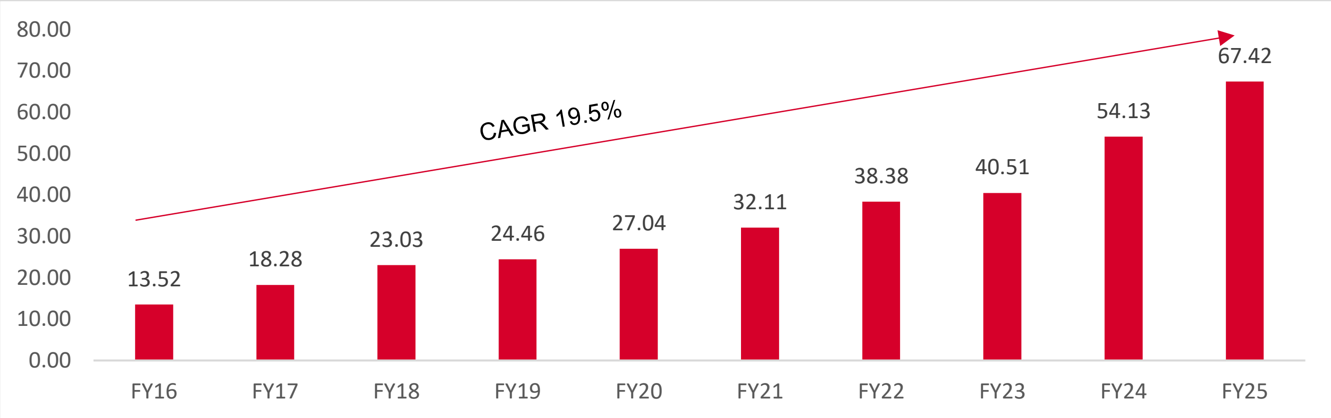
SIP Contribution witnessing a growth over the years (in ₹ billion)



Source: AMFI, CRISIL Intelligence

Overall mutual fund AUM increased from around Rs. 24.46 trillion in fiscal 2019 to Rs. 64.42 trillion at end of Fiscal 2025 logging CAGR of 18.4% between the fiscal 2019 and 2025. SIP amount (monthly average) has also increased from Rs 77.2 bn in FY19 to Rs 241.1 bn in FY25 with the CAGR of ~20.9%. Total SIP amount has increased from Rs 927 billion in FY19 to Rs 2,893.5 billion in FY25 registering CAGR of 20.9%.

Growth in overall AUM of mutual funds (in ₹ trillion)



Note: Values in the above chart are based on quarterly average AUM

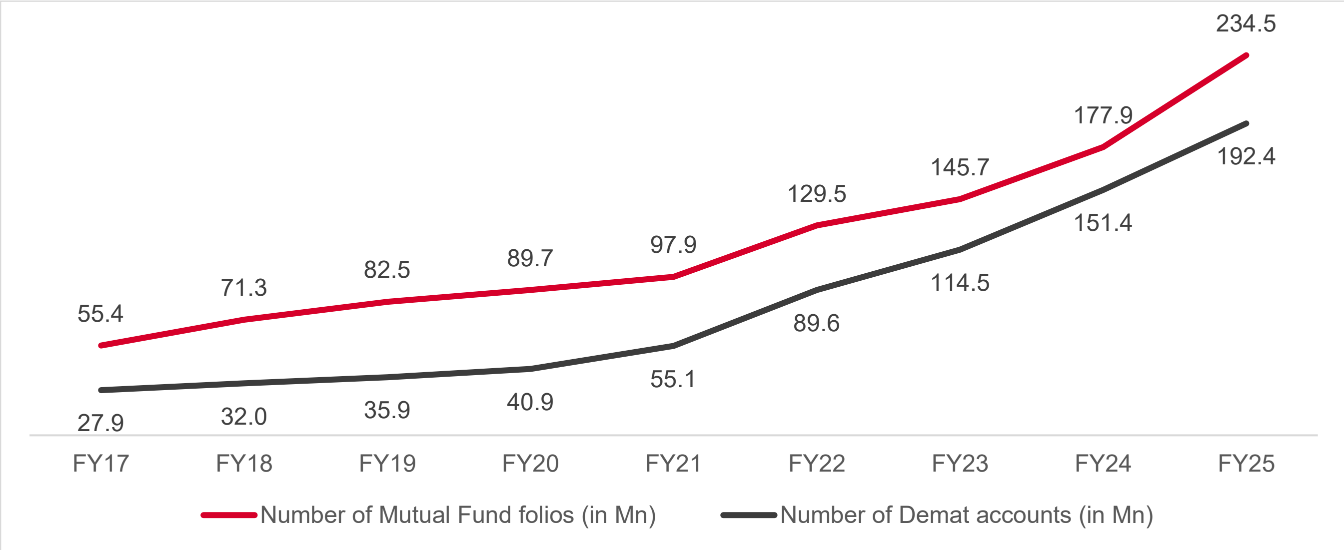
Source: AMFI, CRISIL Intelligence

Opportunity for direct equity to tap into total addressable market

Participation by retail investors in the capital markets witnessed a strong increase from fiscal 2022 to fiscal 2025 as indicated by the increase in the number of demat accounts held by investors during the period. The same is likely due to a multitude of factors including the improving financial awareness & technological proficiency of individual investors, increasing presence of new age fin-tech brokers or discount brokers and the higher-than-expected returns yielded from capital market instruments than from other modes of investments like bank deposits.

Though the preference for mutual funds is higher than that of direct equity investments, there exists a significant opportunity for direct equity investments to tap into the total addressable market. Demographically, India is a young country with the median age of its population at ~28 years. Of India's population, more than 60% is in the working age group, which is 19-59 years of age. The participation of this age group with new age fin-tech brokers or discount brokers had constituted the majority and would propel further growth for the overall ecosystem. Going forward, CRISIL Intelligence expects the trend of increasing retail participation in the capital markets to continue considering the increasing internet penetration, financial awareness, the young demographic, and the advent of several new age fin-tech brokers or discount brokers that have revolutionized the industry with their low-cost digital business model.

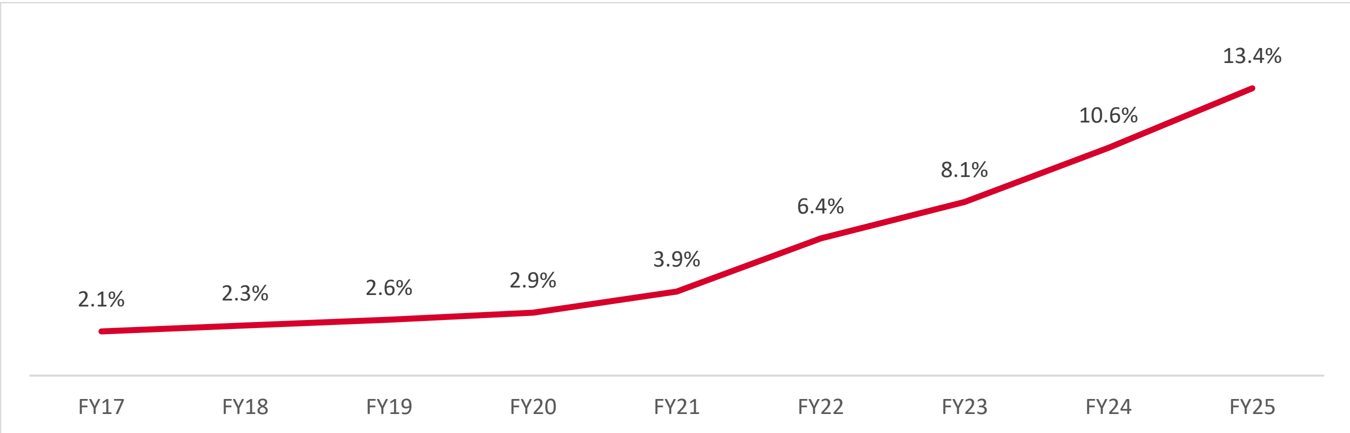
Mutual fund folios have seen a sharper increase over the years



Source: SEBI, CRISIL Intelligence

The Demat Account penetration in India is 13.4% in the months ended March 31, 2025.

Demat account penetration is low but steadily growing (% of population holding a demat account)

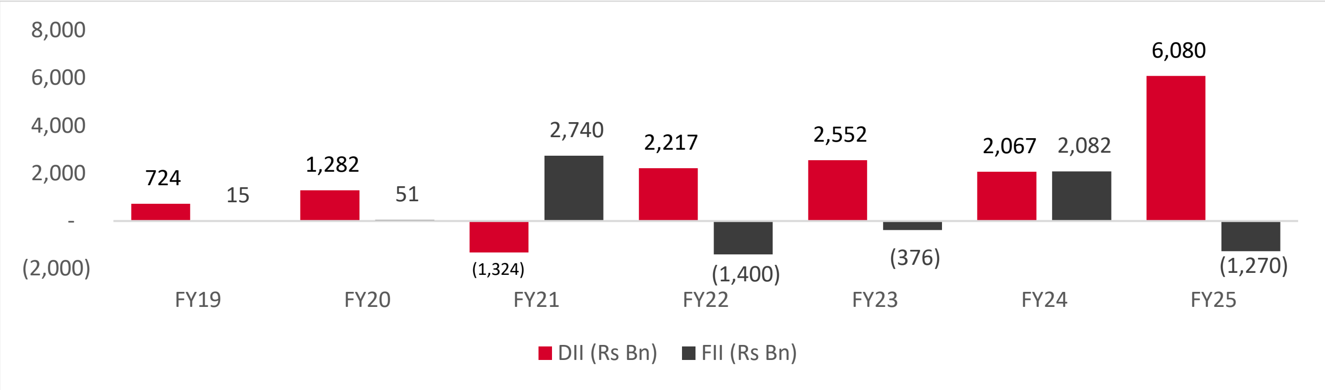


Note: E: estimated, Source: SEBI, World Bank, United Nations, CRISIL Intelligence

Institutional Investment into Equities

With strong participation in Indian capital markets, both FIIs and DIIs maintained record level of inflows in Indian equities due to robust macroeconomic fundamentals and significant return delivered by Indian market in recent years. DIIs remained strong buyers of Indian equities for the fourth year in a row, with net inflows of approximately Rs 6.08 trillion in fiscal 2025, aggregating to total net buying of more than Rs 10.5 trillion in the last three years. FIIs turned aggressive buyers of Indian equities in fiscal 2024 with net inflow of 2.1 trillion. In fiscal 2025, FIIs were net seller.

Net Buying Patterns of DIIs and FIIs over the years (Rs. Billion)



Source: NSE, SEBI, CRISIL Intelligence

Although, proprietary traders constitute the majority share across different categories of players in the market and have seen the highest growth across both exchanges.

Category-wise share of Turnover in Equity Cash Segment (BSE) (in %)

Category	2016-17	2023-24	2024-25
Proprietary	16.03	34.4	37.4
FPI	14.23	13.0	6.7
Mutual Funds	5.29	3.3	3.1
Banks	0.10	0.1	0.0
Others	64.35	49.1	52.9

Category-wise share of Turnover in Equity Cash Segment (NSE) (in %)

Category	2016-17	2023-24	2024-25
Proprietary	16.91	28.2	29.2
FPI	20.27	14.4	14.7
Mutual Funds	6.21	7.8	9.1
Banks	0.42	0.2	0.2
Others	56.19	49.3	46.9

Source: SEBI, BSE, NSE, CRISIL Intelligence

FPI investments in capital markets

Sustained capital inflows - portfolio and direct - are a prerequisite for any economy. In particular, the challenge is to create favourable conditions for continuous inflow of foreign capital, to retain and utilise it for productive purposes like infrastructure and other investment needs. The foreign portfolio investor (FPI) regime commenced with effect from June 1, 2014, wherein the existing FIIs, sub-accounts, and qualified foreign investors (QFIs) were merged to form a new investor class termed as FPI.

Advantages of FPIs

- Enhanced flow of equity capital
- Improving capital markets
- Improved corporate governance
- Managing uncertainty and controlling risks

- Reduced cost of equity capital
- Deepening of knowledge
- Improvement in market efficiency

Foreign investments in the country can take the form of investments in listed companies (FII investments), investments in listed/unlisted companies other than through stock exchanges (through the foreign direct investment or private equity (PE)/foreign venture capital investment route), investments through American depository receipts/global depository receipts, or investments by non-resident Indians and persons of Indian origin in various forms.

As on March 31, 2025, NSDL serviced almost 100.00% (99.99)% of the value of equity, debt and other securities held by foreign portfolio investors in dematerialized form in India.

FPI/FII net investment details

FY	₹ Bn				
	Equity	Debt	Debt-VRR	Hybrid	Total
FY18	256.3	1,190.4	0.0	0.1	1,446.8
FY19	-0.9	-423.6	0.0	35.1	-389.3
FY20	61.5	-487.1	73.3	77.0	-275.3
FY21	2,740.3	-504.4	332.6	102.5	2,671.0
FY22	-1,400.1	16.3	126.4	35.0	-1,222.4
FY23	-376.3	-89.4	58.1	-1.8	-409.4
FY24	2,082.1	1,210.6	-29.7	127.7	3,390.7
FY25	-1,270.4	1,364.3	67.4	44.3	200.18

Source: NSDL, CRISIL Intelligence

FPIs Assets Under Custody (AUC) data

AUC as of Mar'25 (₹ Bn)	Equity	Debt	Debt-VRR	Hybrid	Total
	66,794	**4,656**	**1,618**	**533**	**73,708**

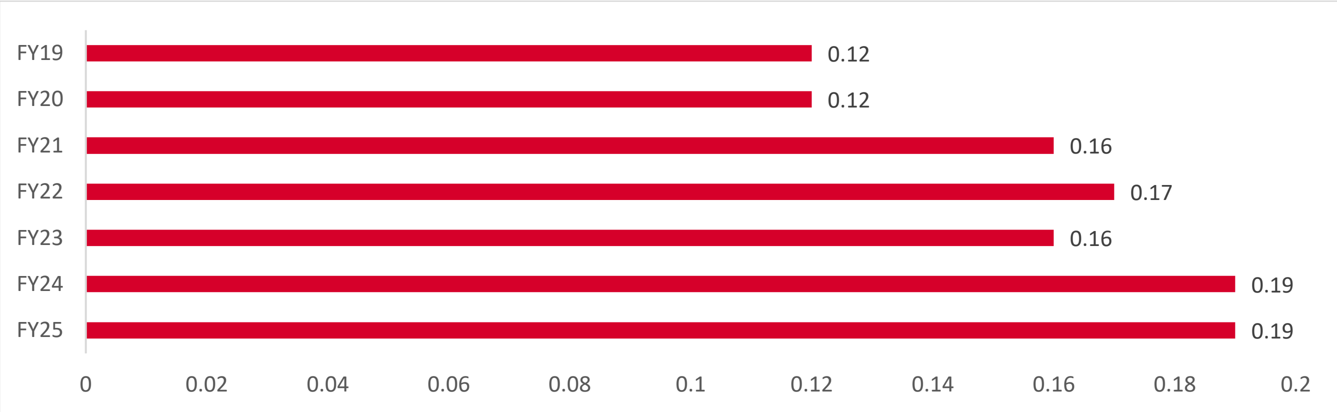
Source: NSDL, CRISIL Intelligence

Growth drivers for players in the capital market industry

Number of companies incorporated is on the rise

In fiscal 2025, the Ministry of Corporate Affairs (MCA) registered the highest ever number of company incorporations at 0.19 million companies as compared to 0.17 million companies in fiscal 2022. Government initiatives including Ease of Doing Business, make in India and Start up India have accentuated this trend by building a conducive environment for incorporating businesses and is expected to further improve the start-up climate in the country.

Number of Indian companies incorporated saw a rise (million)



Source: Ministry of Corporate Affairs, CRISIL Intelligence

Increasing participation of domestic players in investments

With strong participation in Indian capital markets, both FIIs and DIIs maintained record level of inflows in Indian equities due to robust macroeconomic fundamentals and significant return delivered by Indian market in recent years. DIIs remained strong buyers of Indian equities for the third year in a row, with net inflows of approximately Rs 6.08 trillion in fiscal 2025, aggregating to total net buying of more than Rs 10.5 trillion in the last three years. FIIs turned aggressive buyers of Indian equities in fiscal 2024 with net inflow of 2.1 trillion. This trend is indicative of the prominence that DIIs are gaining, thus acting as a driving force in the Indian capital market. Increase in participation from domestic players in the market would further improve growth of other stakeholders in the ecosystem including depositories, depository participants, RTAs, investors etc wherein, the increase in volume of transaction would lead to higher transaction charges, improved market sentiment and would encourage more businesses to get listed on Indian exchanges thereby resulting in higher custodial fees as well.

Regulations and initiatives by SEBI and Exchanges to aid the penetration and growth in capital markets

SEBI has over the past systematically looked to make the Indian Capital Market a more safe and secured industry for investor. The regulator has over time introduced many newer regulations and evolved the existing ones. Some of the regulations and initiatives from the regulator are:

Application Supported by Blocked Amount (ASBA) which is a mechanism used for applying to Initial Public Offerings (IPOs) or Follow-on Public Offerings (FPOs). This mechanism creates a direct channel for flow of funds between the clearing corporation and the investors and ensures reduction in any fraud in handling of investor money by brokers.

Block mechanism facility which involves blocking of shares in the investors' demat whenever he/she wants to make a sale.

Shorter settlement cycle: The markets were functioning on a T+2 settlement cycle for the longest time. In January 2023, T+1 settlement cycle was brough into effect by SEBI. This meant that the trade settlement will be done within a day or 24 hours. The move was made in view of operational efficiency, faster fund remittances, quicker share delivery, and ease of the market participants. The introduction of the depository system brought about a notable transformation in trade settlement practices on stock exchanges and played a pivotal role in the implementation of rolling settlements in India. Prior to NSDL's incorporation, trades were settled on a weekly basis under the account period settlement framework. NSDL's scripless book entry system played a pivotal role in enabling the gradual reduction of settlement cycles and the subsequent implementation of rolling settlements in India. In 1998, SEBI introduced the concept of rolling settlements based on a T+5 timeline, which was further reduced over time following SEBI's decision to implement a T+1 settlement for all traded securities in January 2023. With effect from March 28, 2024, NSDL implemented a beta version of T+0 settlement with 25 scrips and since January 31, 2025, NSDL implemented an option of T+0 settlement in a phased manner to cover additional top 500 scrips based on market capitalization as on December 31, 2024, for all brokers. This places India among the select countries to achieve such an efficient settlement system and NSDL's contributions have been instrumental in realizing this achievement.

SGX Nifty shifts to GIFT city; GIFT city on the path to become a global hub

The SGX Nifty was shifted to the GIFT city, Gandhinagar in mid-2023. NSE IFSC – SGX Connect was launched in July 2022 which marked the beginning of a transition of liquidity riding on SGX Nifty to NSE IFSC. Starting from July 2023, the SGX Nifty Index was structured from NSE IFSC in Gift City, Gujarat, and was known as the GIFT NIFTY Index, widening the liquidity pool for Nifty products there. This means, that the derivative contracts worth approx. $750 crore which were earlier traded from Singapore shifted to India. GIFT Nifty includes, GIFT Nifty 50, GIFT Nifty Bank, GIFT Nifty Financial Services and GIFT Nifty IT derivative contracts

There are many initiatives underway with respect to GIFT International Exchange that will help Indian markets extend their reach among global investors through direct engagement. It's expected that Indian entities will soon be allowed to directly list on NSE IFSC. This would help Indian companies access capital from global investors. This brings GIFT city a step closer to the becoming a global competitor to other financial hubs such as Dubai, Mauritius, Singapore etc.

Increasing Smartphone Penetration in the country will drive growth in mobile stock trading

The rise in smartphone penetration will continue to aid growth of mobile trading among the retail participants. The rise in mobile trading will especially benefit the brokers which continuously invest in Technology and Platforms and thus will be able to provide a superior trading and investing experience as compared to their peers.

Increasing Share of Non-Institutional and Retail Investors to drive growth for the industry

Individual investors (i.e., excluding promoters and institutions) ownership in NSE listed companies has increased steadily over the years, reflecting growing confidence in Indian equity markets. From March 2017 to March 2024, overall retail mutual fund AUM and retail equity mutual fund AUM has increased at a CAGR of 20.8% and 22.9% respectively. Going forward, CRISIL Intelligence expects a significant potential for direct equity investments as the total addressable market including mutual fund folios has seen significant growth in recent times. Moreover, with the increase in financial literacy of investors, direct equity ownership is expected to see an increase in the future.

Wider offering of value-added services & technological innovation to provide reliable and robust infrastructure

In addition to the core services of electronic custody and trade settlement services, depositories provide other services like pledge & hypothecation of securities, automatic delivery of securities to clearing corporations, web-based services like SPEED-e (submission of delivery instructions, freezing of accounts) and IDeAS (viewing of Instructions and holding), distribution of non-cash corporate benefits (such as bonus, rights, and IPOs), stock lending, etc. Moreover, technological innovation at NSDL has played a pivotal role in driving capital market participation such as –

- Introduction of distributed ledger technology (DLT) Blockchain Powered Security & Covenant Monitoring Platform
- Digitization of customer journeys leveraging Mobile First Approach
- Offering B2B2C model to NSDL Partners via APIfication of Services
- Building Platform agnostic, scalable and secure solutions providing high availability

Providing these additional services have added value and have helped depositories such as NSDL, strengthen their position in the capital market ecosystem by endeavouring to redefine the digital journey for capital market participants.

Outlook on Indian capital markets looks encouraging

The Indian stock market recorded a strong performance in CY2024 reaching all-time highs in both indices - Nifty 50 and Sensex, despite facing several headwinds such as fluctuations in crude oil prices, weakness in the rupee and staggering inflationary pressure. Further, CRISIL Intelligence has a constructive outlook on the capital markets largely driven by:

- Initiatives taken by financial regulators towards financial education would empower investors in making informed decisions and encourage participation in the market
- The push towards the new tax regime as implied in the Union Budget of fiscal 2025 would provide investors with a higher investable surplus, thereby enabling higher investments
- Reduction of fiscal deficit and the market borrowing were in line with market expectations thereby having limited impact on government yields. Moreover, with interest rates at peak, the bond market would be conducive to lock in a yield for debt instruments.
- The removal of tax on income up to ₹12 lakh would boost disposable income, encouraging higher savings and investments in capital markets, driving retail participation, and enhancing liquidity in equities and mutual funds.

In a bid to grow the bond market, the government is encouraging cities to float municipal bonds. Further, the financial market measures towards market-linked debentures and listed debentures will plug tax loopholes and would attract investor flows in the future.

3. Depository System in India

Emergence of depository system in India

Till early 1990s, ownership of equity shares in Indian companies was represented through share certificates in the physical mode, wherein transactions in securities markets were settled based on physical movement of paper. Clearing and settlement of sale of securities were only on 'accounting period basis'. It used to take roughly 10 to 14 days for a seller to receive payment and for a buyer to receive deliver of securities. Such a longer settlement cycle involved higher market and credit risk and therefore higher transaction cost.

In 1970s and 1980s, the Indian capital market grew rapidly with more and more companies accessing capital markets through public issue, rights and bonus issue, private placement, etc. and hence, the supply of share certificates increased greatly. Till early 1990s, retail and small investors were dominant. In the early 1990s, the market opened with entry of private MFs and foreign institutional investors (FIIs) and the turnover in primary and secondary markets grew manifold. This caused disturbances in clearing and settlement, owing to large movement of paper which made trading a prolonged process. This process used to increase market and credit risk and affected smooth functioning of stock exchanges. Along with this, there were multiple problems in dealing with physical shares such as theft, fake or wrong transfer, delay in transfer of shares due to mismatch in signatures, a lot of paperwork requirements in buying, selling and transfer leading to costs of handling, storage and transportation. Hence, there was an urgent need to shift to electronic method of settlements.

Generally, worldwide, depositories hold securities in two forms:

Immobilization – wherein securities are held in physical form, but transfer is done electronically through book entries

Dematerialization – wherein certificates are destroyed once they are admitted to depository and corresponding credit is given in the account which is maintained electronically.

Dematerialisation is the process by which an investor's physical certificates are converted to an equivalent number of securities in electronic form. A system was devised whereby all securities get stored and only debit and credit entries are passed, representing the status of ownership of securities. To overcome delay in settlement, loss in transit, stolen certificates, litigation, etc. a new system, i.e., a depository system was introduced, which facilitates investors to hold securities in electronic form and trade in these securities.

Thereafter, Depositories Act, 1996 was enacted to provide for regulation of depositories in securities and for other related matters. Consequent to the enactment of Depositories Act, 1996, the first depository in the country, namely, National Securities Depository Limited (NSDL) was set up which pioneered the dematerialization of securities in India in November 1996. NSDL was one of the initial few depositories globally to directly implement dematerialization, bypassing the traditional two-step process of immobilization and subsequent dematerialization. NSDL began the process of dematerialization of securities with 3 participants and 5 securities eligible for dematerialization in November 1996. Currently, there are two depositories in India, NSDL and Central Depository Services Limited (CDSL). CDSL was set up in 1999.

The introduction of the depository system brought about a notable transformation in trade settlement practices on stock exchanges and played a pivotal role in the implementation of rolling settlements in India.

In a rolling settlement, all trades outstanding at the end of day have to be settled, which means that the buyer has to make payments for securities purchased and the seller has to deliver securities sold. In India, we moved from T+5 rolling settlement and uniform settlement cycle to T+1 settlement cycle in which a transaction entered on Day 1 had to be settled on Day 1 + 1 working day. The process of migration to T+1 settlement cycle started in February 2022 and complete migration took place in January 2023. SEBI introduced the T+0 rolling settlement beta version in March 2024, allowing same-day trade settlement in select equity stocks. This initiative aims to enhance liquidity, reduce settlement risks, and improve market efficiency, aligning India's capital markets with global standards.

Key milestones in Indian depository system

Month & Year	Milestones
Aug 1996	Depositories Act published
Oct 1996	NSDL was granted certificate of commencement of business
Nov 1996	NSDL inaugurated
Dec 1996	Trading in Demat Securities on NSE commenced
Dec 1997	Trading in Demat Securities on BSE commenced
Jan 1998	Compulsory trading in demat for 200 scrips T+5 Rolling Settlement introduced in the demat segment of stock exchange
Jan 1999	Compulsory trading in dematerialized securities for all investors
Feb 1999	CDSL was granted certificate of commencement of business
Jul 1999	CDSL starts operations
Apr 2002	Introduction of T+3 rolling settlement
Nov 2002	SEBI mandates the removal of account closure charges
Apr 2003	Introduction of T+2 rolling settlement
Feb 2005	SEBI mandates the removal of charges associated with account opening, credit of securities, and custody of securities payable by the BOs to their DPs.
Jan 2006	SEBI mandates the removal of charges levied by the depository, on the BOs and DPs for shifting of accounts between DPs and depositories
Apr 2006	SEBI mandates the requirement of the PAN card, for all demat account holders, as a Know Your Client (KYC) norm for opening of demat accounts
Sep 2007	Warehousing (Development & Regulation) Act, 2007
Oct 2010	The Warehousing Development and Regulatory Authority (WDRA) was setup
Dec 2011	SEBI releases KYC Registration Agency regulations to grant registrations to KRAs
Sep 2015	Merger of FMC (Forward Markets Commission) with SEBI. SEBI started regulating commodity derivatives market in India
Jun 2017	Warehousing development and regulatory authority (Electronic negotiable warehouse receipts) regulations, 2017
Oct 2018	SEBI introduced amendments related to structuring, shareholding, and governance of depositories in SEBI (Depository and Participants) regulations MCA notified that every unlisted public company shall issue the securities only in demat form and facilitate demat of all existing securities
Jan 2023	Introduction of T+1 rolling settlement
Oct 2023	MCA notification for mandatory dematerialization of securities by all private companies excluding small companies. Current deadline June 30, 2025.
Mar 2024	Launch of Beta version of T + 0 rolling settlement cycle in equity market
Sep 2024	Value of securities held in dematerialized form at NSDL reaches ₹500 lakh crore (US $ 6 Trillion)

Growth of capital market in India

As discussed in previous sections, capital market has witnessed a growth at a fast pace between fiscal 2017 till fiscal 2025. The total turnover in the cash market was around ₹ 60 trillion in FY17 reached ₹ 300.6 trillion in FY25, similarly total turnover in equity derivatives was ₹ 943 trillion in FY17 reached ₹ 105,916 trillion in FY25. As of FY25, Capital Raised from the Primary Market through Public and Rights Issues stood at Rs. 2.18 trillion with 505 issuances.

Highlights on depository market in India

The growth of depository market is linked to several factors such as rising participation from investors, rising digital services which are being provided by brokers and depositories, reducing cost of transactions, rising awareness about capital markets, etc.

The depository market in India is a duopoly with high barriers to entry as each of the current depositories are promoted by large institutions. As the first and leading depository in the country, NSDL introduced the concept of dematerialization of securities, revolutionizing the securities landscape in India. NSDL is the largest depository in India in terms of number of issuers, number of active instruments, market share in demat value of settlement volume and value of assets held under custody as of March 31, 2025. CDSL is the largest depository in terms of the demat accounts as of March 31, 2025.

The depository market in India grew at rapid pace in past 3 years. Total client accounts grew at ~27.4% CAGR between FY17 to FY25 and is expected to grow at 11-12% CAGR between FY25 to FY27. Standalone income of depositories in India is around ₹ 17.16 Bn in fiscal 2025 and grew at CAGR ~22.4% between FY18 to FY25 and is expected to grow at CAGR of 11% to 12% from FY25 to FY27 to reach ₹ 21 Bn to ₹ 22 Bn by FY27 assuming there will not be any regulatory impact on pricing of products and services.

Impact of technology in the depository system of India

Technology has transformed the securities business in India. It has helped depositories to provide efficient and time-bound services. The depository system has several benefits over physical settlement system due to technology, such as:

1. **Wide DP network and online DP services** – An investor who wants to avail of the services offered by the depository, must open an account with the DP. A DP functions as a bridge between the depository and investors. The number of DPs help to increase the business of any depository. Therefore, every depository tries to increase the depository services across the country. Currently, DPs are located all over the country enabling investors to select DPs of their choice. As of March 2025, there are total 294 and 574 DPs registered with NSDL and CDSL with 65,391 and 18,918 DP service centres respectively across the country. With the help of technology, DPs across different locations are connected to depositories, thereby providing on-line and efficient service to investors. Depositories offer the unique facility for the DPs to extend the services directly through their branch network to reach investors even in the remote areas. SEBI has directed DPs to connect electronically all the branches with the centre for the benefit of the investors through faster settlements.
2. **Wide spectrum of securities available for demat** – The equity shares of all companies are available for dematerialisation on the depository, consisting of all listed companies. These securities include equities, bonds,

MF units, government securities, CP, CDs; etc. Thus, an investor can hold securities in one account with a depository. MCA and several unlisted companies are also taking initiative to dematerialize their securities.

3. **Elimination of bad deliveries and risks associated with physical certificates** – Online trading system has improved efficiencies in working of stock markets by means of:
   - Elimination of bad deliveries - In the depository system, once holdings of an investor are dematerialised, the question of bad delivery does not arise, i.e., they cannot be held "under objection". In the physical environment, buyer was required to take the risk of transfer & face uncertainty of the assets purchased.
   - Elimination of all risks associated with physical certificates - Dealing in physical securities have associated security risks of theft of share certificates, mutilation of certificates, theft/loss of share certificates during movement through and from the registrars, thus exposing the investor to the cost of obtaining duplicate certificates etc. This problem does not arise in the depository environment.
4. **Immediate transfer and registration of securities** – In the depository environment, once the securities are credited to the investors account on pay-out, he/she becomes the legal owner of the securities. There is no further need to send it to the company's registrar for registration. When securities are purchased in physical form, an investor must send it to the company's registrar so that the change of ownership can be registered. Previously, the process took around three to four months and was rarely completed within the statutory framework thus exposing the investor to opportunity cost of delay in transfer and to risk of loss in transit.
5. **Faster settlement cycle** – Depositories facilitated faster rolling settlement on T+1 (shortened from the previous cycle of T+5, T+3 and T+2). This has enabled faster turnover of stock, more liquidity with less risk to the investor. SEBI introduced the T+0 rolling settlement beta version in March 2024, allowing same-day trade settlement in select equity stocks.
6. **Faster disbursement of non-cash corporate benefits like rights, bonus, etc.** – Depository provides for direct credit of non-cash corporate entitlements to an investors account, thereby ensuring faster disbursement and avoiding risk of loss of certificates in transit.
7. **Reduction in handling of huge volumes of paper** - As the ownership gets transferred electronically, there is no need for handling large volumes of paper.
8. Periodic status reports to investors on their holdings and transactions, leading to better controls.
9. **Elimination of problems related to change of address of investor** - In case of change of address, investors are saved from undergoing the entire change procedure with each company or registrar. Investors have to only inform their DP with all relevant documents and the required changes are made in the database of all the companies, where the investor is a registered holder of securities.
10. **Elimination of problems related to transmission of demat shares** - In case of dematerialised holdings, the process of transmission is convenient as the transmission formalities for all securities held in a demat account can be completed by submitting documents to the DP whereas, in case of physical securities, the surviving joint holder(s)/legal heirs/nominee had to correspond independently with each company in which shares are held.
11. **Elimination of problems related to selling securities on behalf of a minor** - A natural guardian is not required to take court approval for selling demat securities on behalf of a minor.
12. **Ease in portfolio monitoring** - since statement of account gives a consolidated position of investments in all instruments.

Indian depositories are continuously evolving in technology

The financial services industry demands latest technology adoption to safeguard and protect data of customers. In line with the industry trend, the depositories in India are continuously not only trying to enrich existing services but also providing new services that can enhance customer convenience and their revenue earning potential. Since depository is a highly regulated industry, compliance and risk management sits at the core of their business, which is being addressed and made more efficient and secure by means of technology adoption.

Central Server

Both NSDL and CDSL have installed its core depository system based on a centralised architecture due to which data is available to the user instantaneously.

Periodic status report and electronic transaction facility

Both NSDL and CDSL provide periodic status report related to their holdings and transactions and also facilitate electronic transaction facility to investors. These can be accessed through websites as well as mobile applications.

Particular	NSDL	CDSL
Online viewing of statements and account balances	IDeAS	EASI (Electronic Access to Securities Information)
Electronic facilitation of Transaction	SPEED-e enables account holders and CM to submit delivery instructions electronically (SPICE: Submission of Power of attorney-based instructions for Clients Electronically)	Easiest (Electronic Access to securities information and execution of secured transaction)
Straight through processing of trade information	STeADY – enables encrypted straight through processing of trade information to market participants electronically	

Comparison with developed countries

The first depository in the world, Depository Trust Company (DTC) was started in USA, in 1973. South Korea established its Central Securities Depository (CSD) in 1974 followed by Japan in 1984, Taiwan & Malaysia in 1990, Thailand 1992, and India & UK in 1996. Many early entrants including USA, Japan and Korea chose to immobilise securities while some preferred to dematerialise them.

India is one of the few countries to achieve a fast pace of dematerialisation. In less than 3 years (1996-1999), India transformed almost 51% of market capitalisation and 94% settlements in demat form. These two indicators as of December 2000, stood at 60% and 99.5%. The accelerated adoption was primarily because dematerialization was being made mandatory in a progressive manner by the SEBI.

Snapshot of depositories in developed economies in comparison with India

USA	UK	Singapore	India
• Depository Trust Company (DTC) was set up on May 11, 1973, to immobilise and settle securities in the US. In 1999-2000, DTC and National Securities Clearing Corporation merged to form Depository Trust Clearing Corporation (DTCC). • Services offered: Institutional trade processing, clearing services, settlement and asset services, services for wealth management companies, repository and derivative services, data services	• In the UK, CRESTCo LTD was established in 1995 and inaugurated on July 15,1996 to undertake activities of central securities depository. • CRESTCo was merged with Euroclear in 2002. Euroclear was the central securities depository for Euronext- the Paris, Amsterdam and Brussels exchanges. • Services offered: Settlement, transaction reporting, stamp duty collection, settlement discipline, corporate actions, securities lending and borrowing, order routing, margin call support, open position management	• The Central Depository Pte Limited (CDP) is a wholly owned subsidiary of the Singapore Exchange Ltd (SGX) established in 1980. • The company provides integrated clearing, settlement and depository facilities in the Singapore Securities Market, including both equities and fixed income instruments. • Services offered: integrated clearing, settlement and depository services, securities borowing and lending, handling of corporate actions, asset safekeeping and administration	• India has a unique model of central securities depository system, featuring 2 depositories - NSDL and CDSL - that became operational in 1996 and 1999 respectively. • Services offered: account maintenance, dematerialization, margin pledge, inter-depository transfer, corporate action, e-voting, CAS, dividend distribution, facilitate securities lending and borrowing, SMS alert, e-delivery instruction slip, depository account validation

One of the key differences between Indian depositories vis-à-vis depositories in some other countries is that Indian depositories (NSDL and CDSL) have a segregated account structure where account of the end investor is opened with the depository as compared to omnibus account structure which is being followed in some other countries.

Growth drivers for depositories in India

Depositories to benefit from rising capital market participation

India’s inherent strengths such as large population, growing middle-income households, initiatives taken by the government and SEBI to push for financial literacy, increasing awareness, millennials entering the space for better returns, etc. are benefitting capital markets in India and hence depositories. Details are provided below:

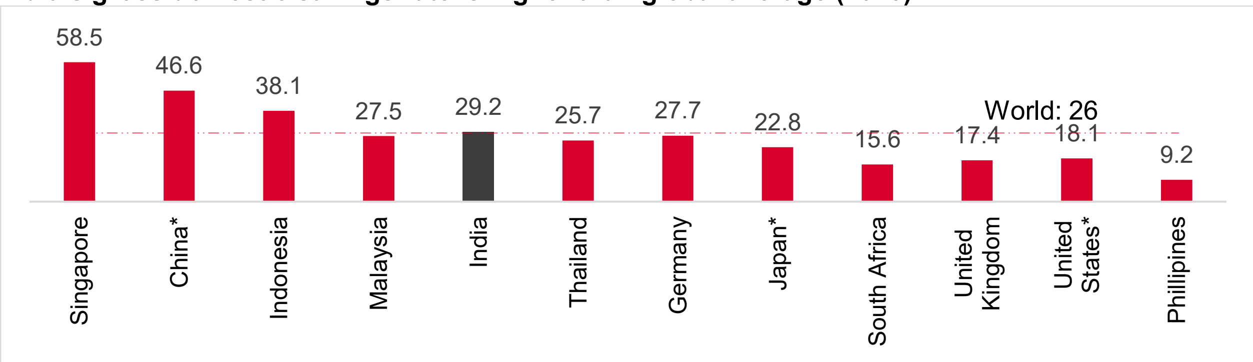
Favourable demographics, increasing per capita GDP and household financial savings

As discussed in the earlier section detailing ‘Macro-economic scenario in India’, as of calendar year 2020, India has one of the largest young populations in the world, with a median age of 28 years and as per IMF’s estimates, India’s nominal GDP per capita (at constant prices) was ₹ 0.134 million in FY25 and is projected to grow further. Both these factors could contribute to increase in financial savings and therefore there shall be an increase in demand for depositories.

Household savings expected to increase

In 2023, India's gross domestic savings as a percentage of GDP rose to 29.2%, reflecting an upward trend from 2022 when it reached 28.4%, highlighting the economy's recovery and improved income levels. However, in 2020, this percentage had declined to 27.3% due to the economic disruptions caused by the pandemic. India remains favorable in terms of gross domestic savings rate compared with most other emerging market peers at 29% in 2023, greater than the world average of 26% in 2022.

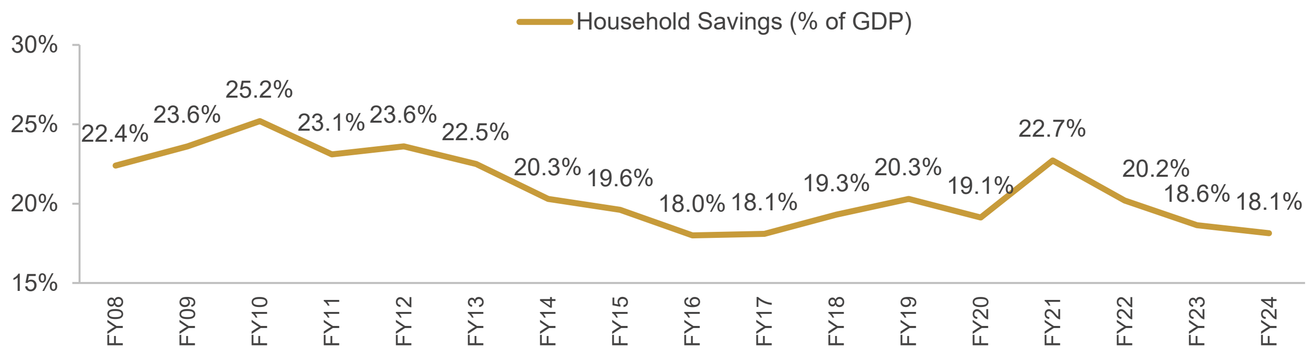
India's gross domestic savings rate is higher than global average (2023)



*Note: The savings rate is in %, * Data as of 2022*
Source: World Bank, CRISIL Intelligence

Household savings (% of GDP) increased from 19.1% in fiscal 2020 to 22.7% in fiscal 2021 during the pandemic. However, there has been a decline in household savings which moderated in FY22 (20.2%) and FY23 (18.6%) and FY24 (18.1%). This decline may be attributed to households borrowing at the faster pace than they have been saving since the Covid pandemic, significant retail credit push by lenders, an increased willingness among individuals, particularly the younger demographic, to borrow, and enhanced access to lenders facilitated by technological advancement. CRISIL Intelligence expects India to continue being a high savings economy owing to higher gross domestic savings rate as compared to world average.

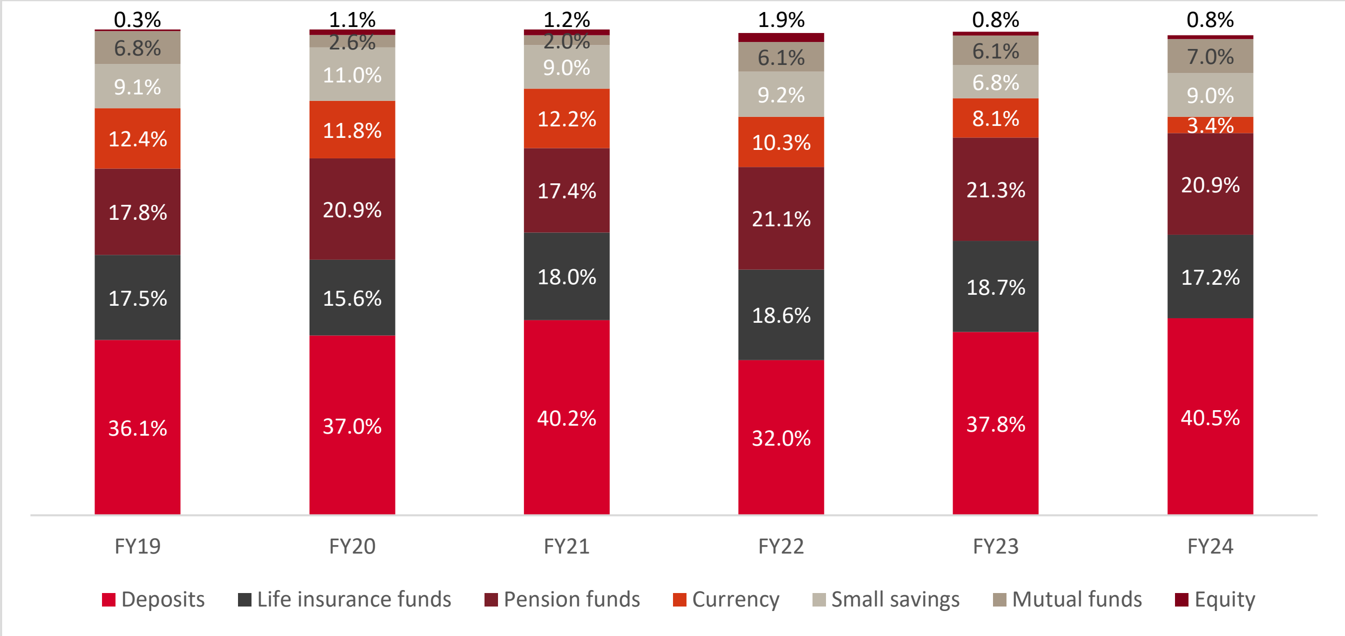
Household savings as a percentage of GDP have increased to 22.7% in fiscal 2021, declined in fiscal 2023 and fiscal 2024



Source: Ministry of Statistics and Programme Implementation (MOSPI), RBI, CRISIL Intelligence

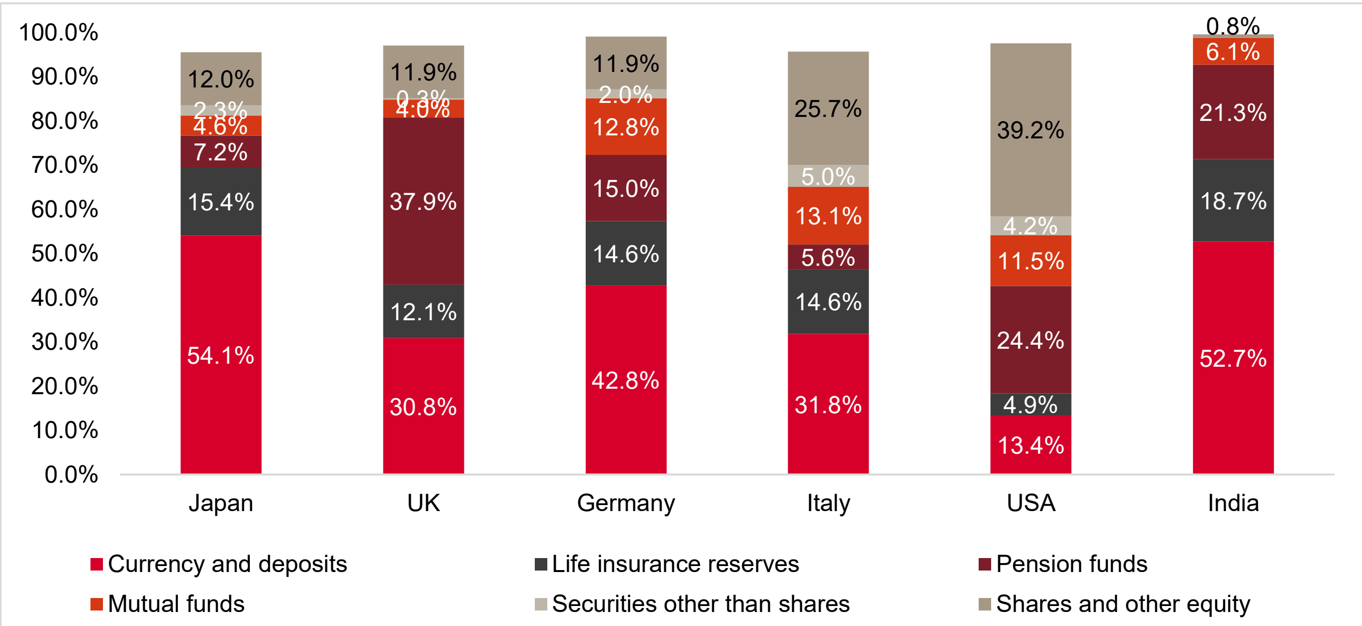
Going forward, CRISIL Intelligence expects the share of financial assets as a proportion of net household savings to increase over the next five years as elevated inflation after the pandemic could have further goaded investors to move to higher-yielding instruments in real terms. Interestingly, households are also preferring to keep more cash with themselves after enduring the pandemic shock. Investments through systematic investment plans (SIPs), mostly opted by individuals in the country, continued to rise in fiscal 2023. For households, among financial instruments, there is gravitation from savings in deposits to equities, mutual funds and small savings. Going forward, if the amount of savings deployed in securities market sustained, it is expected to boost the capital markets and economy.

Share of equity investments in household financial assets during the year is yet to grow



Note: Data may not add up to 100%. Source: RBI, CRISIL Intelligence

Share of equity investments in household financial assets for some other countries are higher than India



Note: Data may not add up to 100%.
Source: OECD data, CRISIL Intelligence; Note: FY23 Data for India is considered, for other countries CY22 data is considered. For India, Small savings have been added in Currency and deposits category.

Initiatives by SEBI to boost capital market participation

The government, SEBI and other capital market participants are also taking several initiatives such as investor awareness workshops, media campaigns, development of educational materials, etc. As part of promoting investor activity in the capital market, SEBI combines investor education and promotion of financial literacy along with regulatory measures to boost participation in the capital markets. SEBI collaborates with Market infrastructure institutions (MIIs) such as exchanges, depositories, and various trade bodies such as investors' associations to conduct several regional seminars/webinars. These programmes focus on creating awareness among investors/general public about the basic concepts related to securities market, understanding the risks involved, rights and obligations of investors, grievance redressal mechanism in the securities market, etc. These awareness programmes are conducted free of charge for the participants and in various languages besides, Hindi and English.

Besides campaigns, SEBI has embarked on broadcasting important messages to investors through TV, radio, print media and bulk SMSs. These messages are intended to educate people about the SEBI's grievance redress mechanism named SCORES (SEBI Complaints Redress System) and its toll-free helpline. Its main aim is to caution investors about schemes seeking to mobilise capital for speculative purposes by offering unrealistic returns. It also urges investors not to go by hearsay while investing and do proper due diligence.

Adoption of multi-depository system led to faster growth

The multi depository system adopted in India has led to competition among the depositories and resulted in the following advantages:

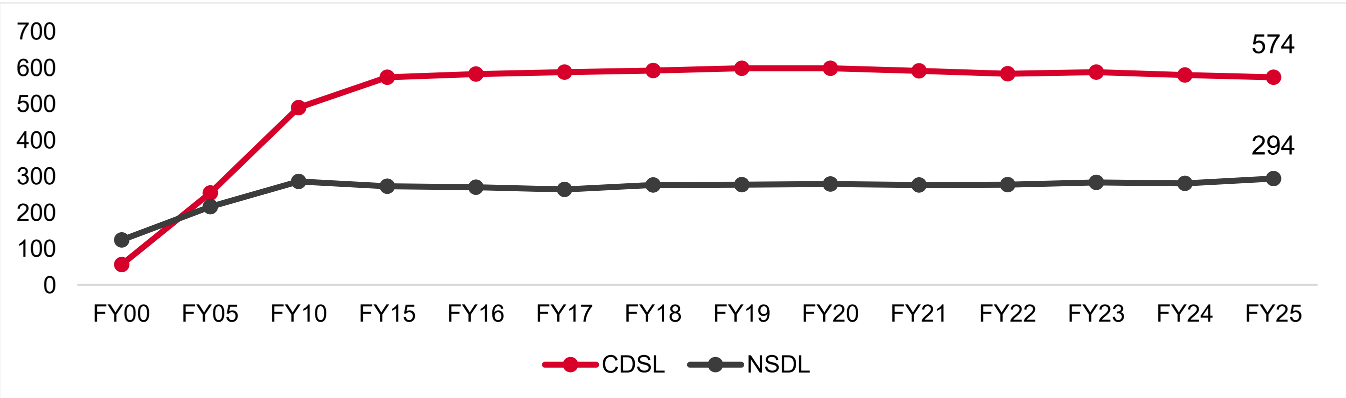
Ease in achieving dematerialisation

Companies admit their securities with depositories to enable security holders to hold and transact them in electronic form. More number of companies available for demat indicates exponential growth of the depository. Therefore, every depository tries to augment its list of securities which is made available for dematerialization.

Increasing number of DP service centres

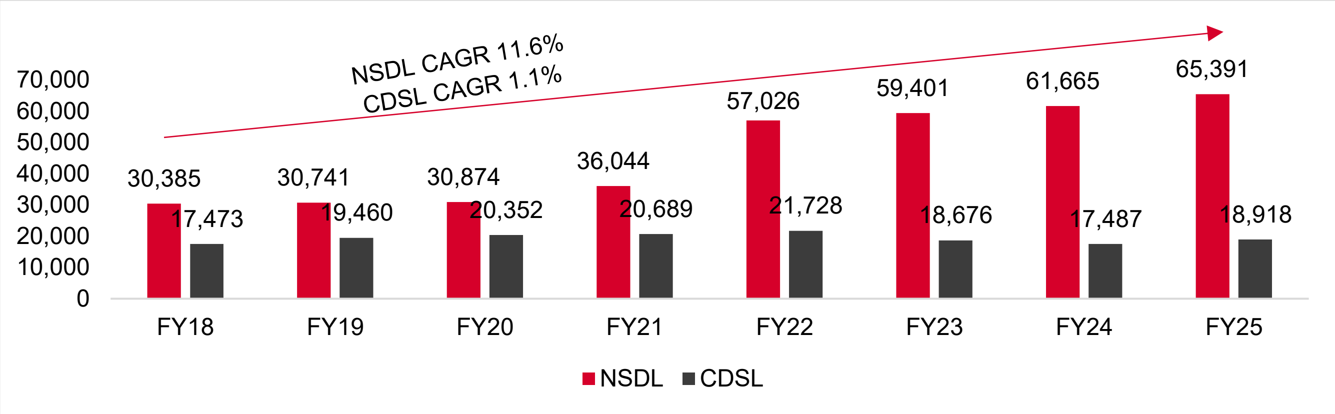
A Depository Participant (DP) is an agent of the depository through which an investor can open a demat account. A DP acts as a link between the company and investor through the depository. The DP maintains securities account balances and intimates' status of holding to account holders from time to time. The number of DPs have increased in the initial years; however, the numbers have stabilized in past few years. Though, the number of DPs with NSDL is lower as compared to CDSL, total number of DP service centres for NSDL (65,391) is higher than CDSL (18,918) as of fiscal 2025.

Number of DPs increased rapidly in initial years, however, stabilized over past few years



Source: SEBI Bulletin, CRISIL Intelligence

Number of DP service centres grew at CAGR (FY18-FY25) of ~11.6% and 1.1% for NSDL and CDSL respectively

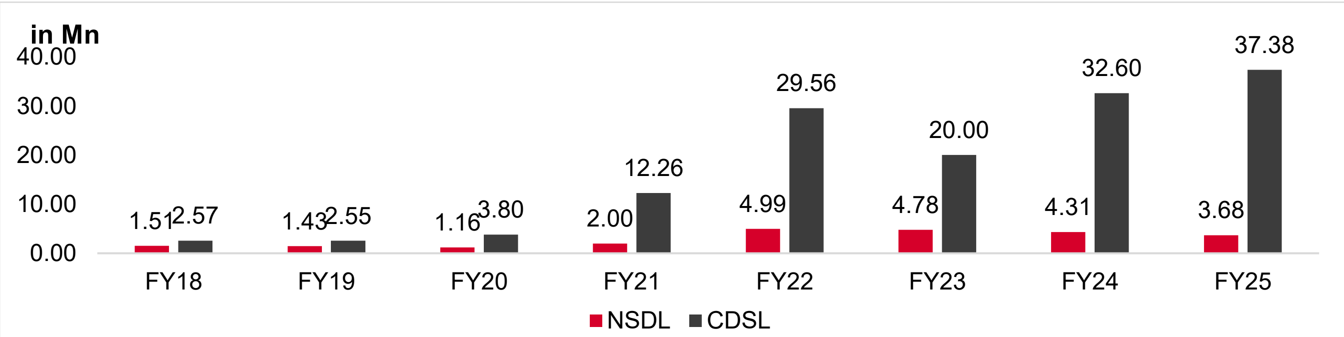


Source: SEBI Bulletin, CRISIL Intelligence

Rapid growth in investors account in recent years

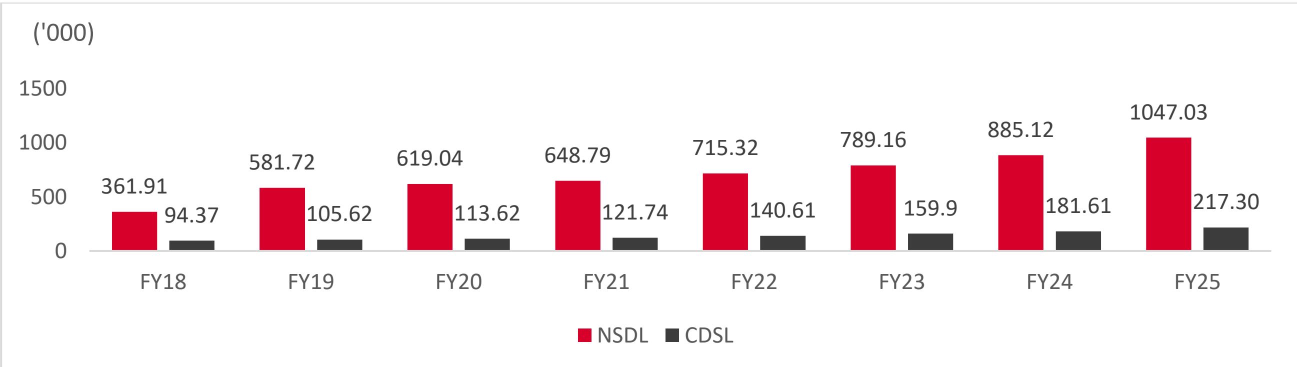
There is a significant scope for the growth of depository business considering that the number of new demat accounts opened with depository participants in India in financial year 2025 was 41.06 million as compared to 4.96 million in financial year 2020. Investors accounts have increased rapidly in FY22 and FY25 due to ease of account opening process and attractive returns the capital market witnessed in between these years.

New investors' accounts increased rapidly since FY21, reaching record in fiscal 2025



Source: SEBI Bulletin, CRISIL Intelligence

Investors' accounts (other than resident individuals)



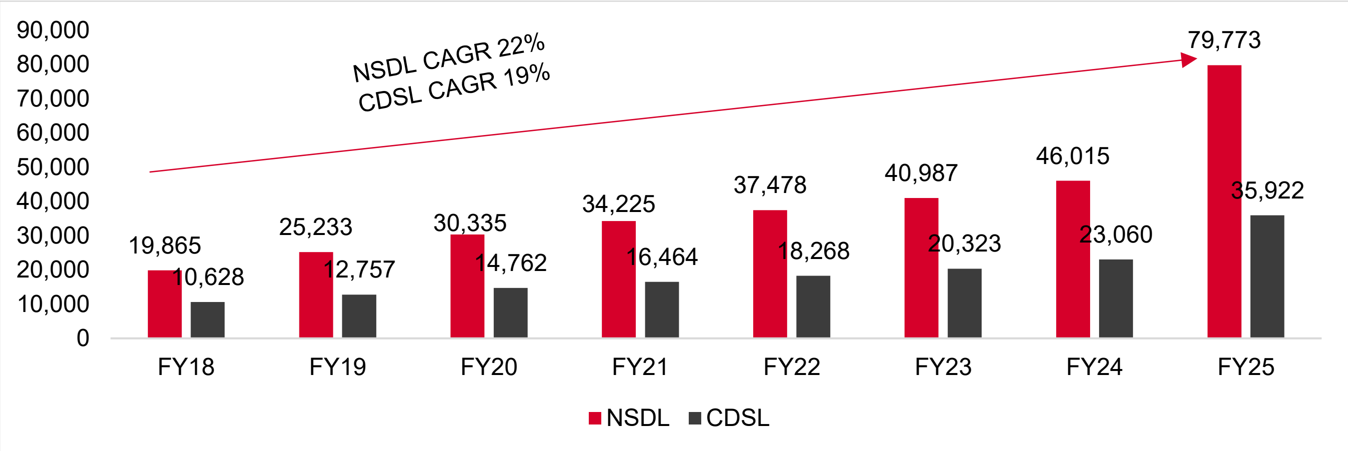
Source: SEBI Bulletin, CRISIL Intelligence

NSDL has higher number of clients (other than resident individuals) which to some extent makes revenue model of NSDL more stable as compared to CDSL which has higher number of individual clients. It could be due to higher risk-taking capacity of non-retail clients, large portfolio size and more financial awareness than retail clients that make them valuable customers even during market downturn.

Increasing number of companies opting for dematerialization

A total of 79,773 and 35,922 listed and unlisted companies are live for dematerialisation at NSDL and CDSL, respectively as of March 2025. The number of companies with securities in dematerialised form grew at a CAGR of about 22% for NSDL and ~19% for CDSL from FY18 to FY25.

Number of companies live (Listed + Unlisted) on platforms grew at CAGR (FY18-FY25) 22% and 19% for NSDL and CDSL respectively



Source: SEBI Bulletin, CRISIL Intelligence

As per Ministry of Corporate Affairs (MCA), the total number of companies registered in the country as on January 31, 2025, was 28,05,354, out of which were 18,17,222 were active. Additionally, as per MCA notification in October 2018, all unlisted public companies (except Government companies, Nidhi companies and wholly owned subsidiaries) have to compulsorily get their securities dematerialized. Therefore, there is immense scope for depositories to increase number of companies on their platforms for dematerialization.

As of FY25, NSDL had over 39.45 million demat accounts held with 294 depository participants registered with it. Further, NSDL has an aggregate of 79,773 issuers registered with it, and its standalone operational revenue per investor account was ₹156.80, being substantially higher than its competitor. Whereas as of FY25, CDSL had over 152.98 million demat accounts held with 574 depository participants registered with it. Further CDSL had an aggregate of 35,922 issuers registered with it and its standalone operational revenue per accounts was Rs. 55.44. As of December 31, 2024, the number of accounts which are common between NSDL and CDSL is 2.35 million.

NSDL has a greater number of unlisted companies registered with it as compared to CDSL. The number of unlisted companies at NSDL grew at CAGR 29.7% between FY18 to FY25. As of FY2025, NSDL had 68,223 unlisted companies registered with it as compared to CDSL with 25,187 unlisted companies.

Market share in number of unlisted companies (equity) registered with NSDL and CDSL

Particulars	No. of unlisted companies at NSDL	No. of unlisted companies at CDSL	Market share of NSDL	Market share of CDSL
FY18	11,022	2,905	79.14%	20.86%
FY19	15,816	5,915	72.78%	27.22%
FY20	21,075	7,900	72.74%	27.26%
FY21	24,910	9,397	72.61%	27.39%
FY22	27,920	10,897	71.93%	28.07%
FY23	31,245	12,623	71.23%	28.77%
FY24	35,416	14,594	70.82%	29.18%
FY25	68,223	25,187	73.04%	26.96%

Source: SEBI Bulletin, CRISIL Intelligence

The demat value of unlisted companies at NSDL grew at CAGR of 17.2% as compared to CDSL which grew at CAGR of 9.6% between FY18 to FY25. As of FY25, the demat value of unlisted companies at NSDL and CDSL stood at Rs. 19,367.58 billion and 2,146.07 billion respectively.

NSDL's market share in terms of number of unlisted companies (equity) registered with a depository was 73.04% during fiscal 2025, and in terms of value of shares settled in demat form was 66.03%.

Market share in demat value (equity) of unlisted companies registered with NSDL and CDSL

Particulars	Demat value of unlisted companies at NSDL (₹ Bn)	Demat value of unlisted companies at CDSL (₹ Bn)	Market share of NSDL	Market share of CDSL
FY18	6,390.24	1,128.13	85.00%	15.00%
FY19	8,695.01	1,394.08	86.18%	13.82%
FY20	10,121.57	1,285.41	88.73%	11.27%
FY21	10,991.20	1,395.84	88.73%	11.27%
FY22	13,544.98	1,522.46	89.90%	10.10%
FY23	14,840.26	1,648.70	90.00%	10.00%
FY24	16,276.19	1,704.15	90.52%	9.48%

FY25	19,367.58	2,146.07	90.02%	9.98%

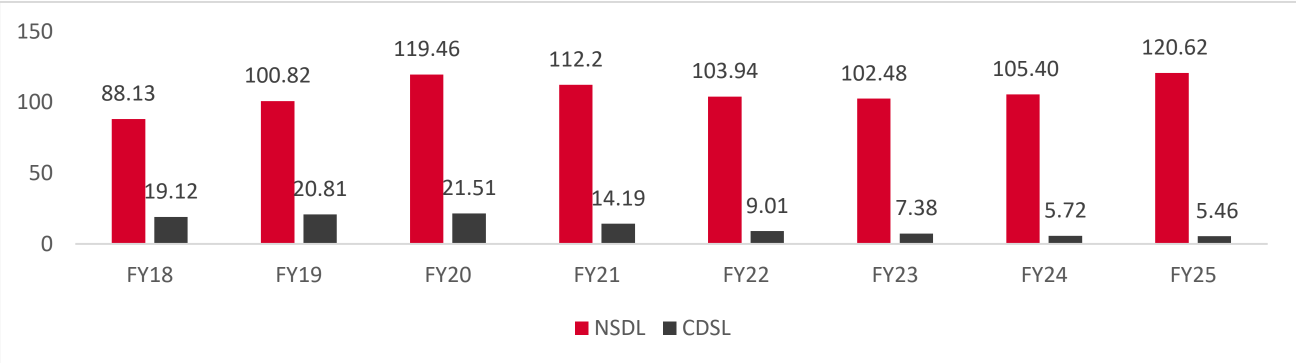
Source: SEBI Bulletin, CRISIL Intelligence

Market share in demat quantity (equity) of unlisted companies registered with NSDL and CDSL

Particulars	Demat quantity of unlisted companies at NSDL (Bn)	Demat quantity of unlisted companies at CDSL (Bn)	Market share of NSDL	Market share of CDSL
FY18	670.64	106.71	86.27%	13.73%
FY19	854.55	143.67	85.61%	14.39%
FY20	1,014.81	162.91	86.17%	13.83%
FY21	1,150.66	175.99	86.73%	13.27%
FY22	1,421.96	206.99	87.29%	12.71%
FY23	1,630.52	210.62	88.56%	11.44%
FY24	1,766.83	218.31	89.00%	11.00%
FY25	2,162.47	273.74	88.76%	11.24%

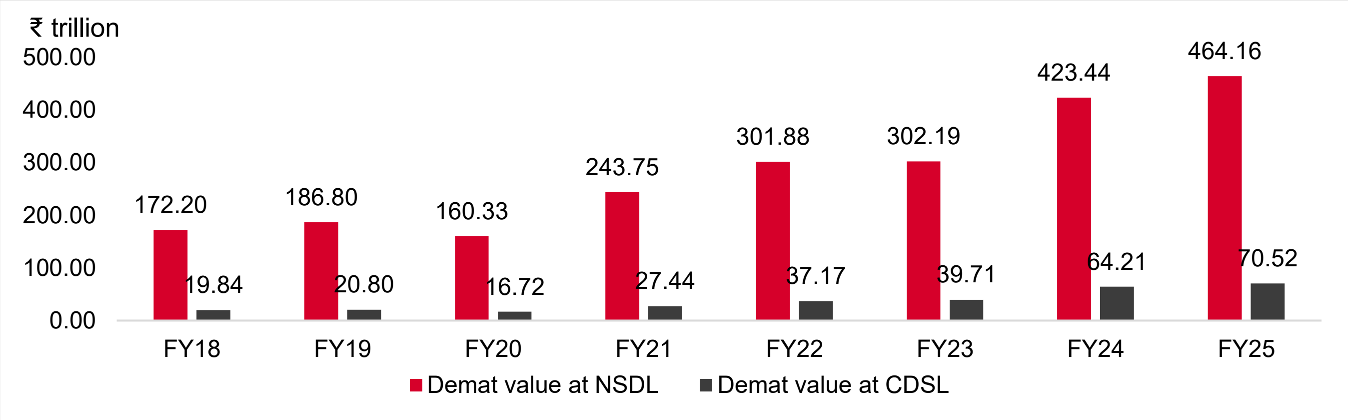
Source: SEBI Bulletin, CRISIL Intelligence

Demat quantity per investor account for NSDL and CDSL ('000)



Source: SEBI Bulletin, CRISIL Intelligence

Market share of players in total demat value



Source: SEBI Bulletin, CRISIL Intelligence

As of March 31, 2025, NSDL held approximately 85.06% and 86.81% of total securities in terms of numbers and values, respectively.

NSDL achieved the milestone of having assets under custody (demat value of securities) of over ₹ 1,00,000 billion in June 2014 i.e. after 18 years of operations, with the next ₹ 1,00,000 billion assets under custody being achieved in November 2020 and thereafter added another ₹ 1,00,000 billion in December 2021. In September 2024, NSDL had assets of over ₹500,000 billion under our custody. Furthermore, as of March 31, 2025, NSDL held assets in custody in relation to individuals and HUFs aggregating to ₹70,167.65 billion, constituting 67.90% of the total value of such assets under custody in dematerialized form, whereas CDSL held assets in custody in relation to individuals and HUFs aggregating to Rs. 33,178.76 billion, As of March 31, 2025, NSDL held assets in custody in relation to non-residents Indians aggregating to ₹4,676.01 billion, constituting 85.56% of the total value of such assets held by non-residents Indians under custody in dematerialized form across depositories whereas CDSL held assets in custody in relation to non-residents Indians aggregating to Rs 789.13 billion. NSDL also had a market share of 97.84% of the dematerialized value of listed corporate debt securities in custody aggregating to ₹36,524.88 billion, as of March 31, 2025.

The table below sets forth the average value of assets held in Demat Accounts with NSDL as compared to the overall, as of March 31, 2025. The average value of Assets held in Demat Accounts with NSDL as of March 31, 2025 is ₹ 11.77 million and the average value of Assets held in Demat Accounts with CDSL is Rs. 0.46 million as compared to an overall average of ₹ 2.78 million. In relation to Individuals and HUFs, average value of Assets held in Demat Accounts with NSDL as of March 31, 2025, is ₹ 1.79 million and average value of Assets held in Demat Accounts with CDSL is Rs. 0.22 million , as compared to an overall average of ₹ 0.54 million held by Individuals and HUFs in a demat account.

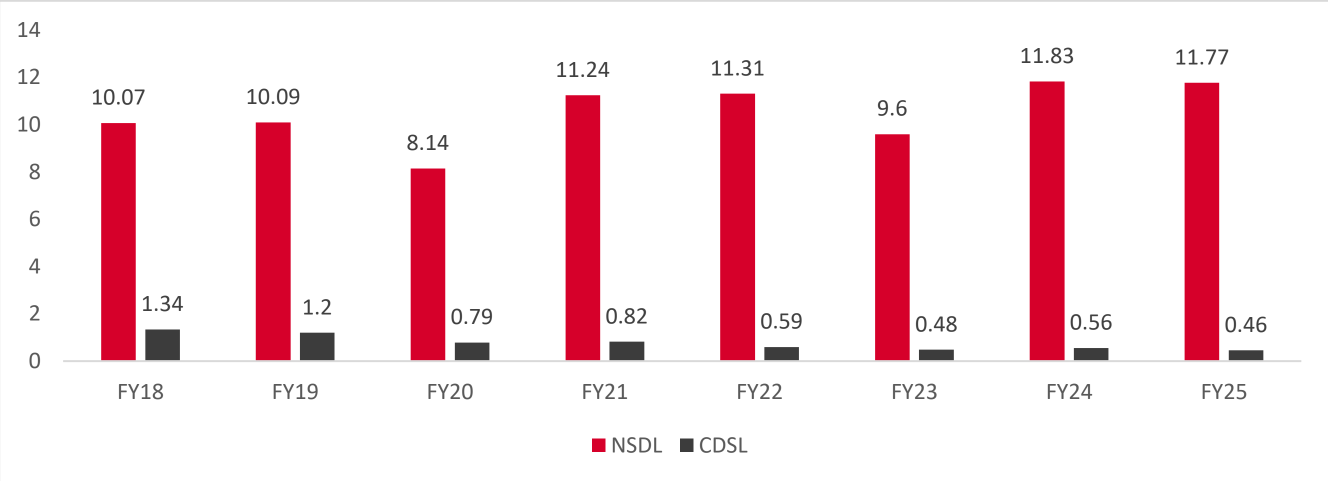
Value of assets held in demat accounts

Particulars (FY25)	Holding per Demat Account (In ₹ million)	Holding per Demat Account (held by individuals including NRIs and HUFs) (In ₹ million)
Average Value of Assets (held in Demat Accounts with NSDL)	11.77	1.79

Average value of Assets (held in Demat Accounts with CDSL)	0.46	0.22
Industry average value of assets	2.78	0.54

Source: SEBI Bulletin, Company websites, CRISIL Intelligence

Demat value per investor account for NSDL and CDSL (Rs. Mn)



Source: SEBI Bulletin, CRISIL Intelligence

Settlement volumes

Value of shares settled in demat form at NSDL increased to ₹ 103,222 Bn in FY25 from ₹ 76,590 Bn in FY24 and quantity of shares settled stood at 282.8 Bn in FY25 and 256.5 Bn in FY24. Similarly, for CDSL, value of shares settled in demat form increased to ₹ 53,113 Bn in FY25 from ₹ 36,917 Bn in FY24 and quantity of shares settled in demat stood at 435.1 Bn in FY25 and 409 Bn in FY24. NSDL has larger market share as compared to CDSL in terms of demat value.

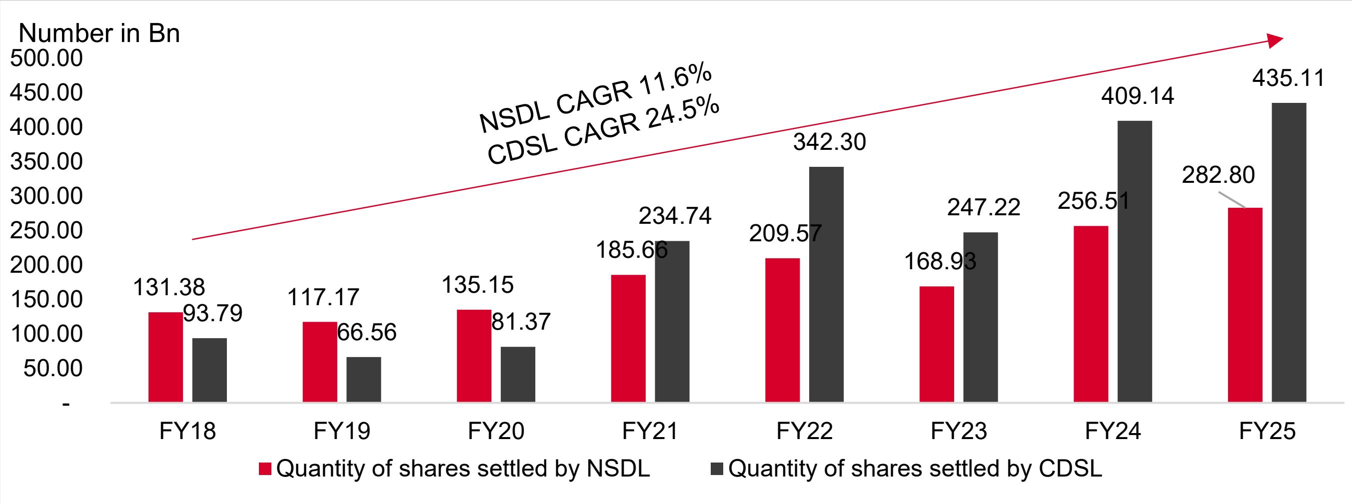
Value of shares settled in demat form

Particulars	Value of shares settled in demat form at NSDL (₹ Bn)	Value of shares settled in demat form at CDSL (₹ Bn)	Market share of NSDL	Market share of CDSL
FY18	32,537.52	9,391.19	77.60%	22.40%
FY19	31,162.30	6,975.46	81.71%	18.29%
FY20	33,081.13	7,465.80	81.59%	18.41%
FY21	43,221.64	19,332.59	69.09%	30.91%
FY22	54,720.22	30,746.20	64.03%	35.97%

FY23	49,602.93	22,874.86	68.44%	31.56%
FY24	76,590.08	36,917.93	67.48%	32.52%
FY25	103,222.58	53,112.63	66.03%	33.97%

Source: SEBI Bulletin, CRISIL Intelligence

Quantity of shares settled in demat form



Source: SEBI Bulletin, CRISIL Intelligence

Increased activity by market participants

The companies/issuers have been increasingly tapping the capital market for their fund's requirements through various instruments. Number of debt instruments at NSDL and CDSL increased at ~6.6% and 5.3% CAGR respectively between FY18 to FY25. Number of dematerialized equity instruments at NSDL and CDSL increased at ~20% and 18.5% CAGR respectively during the same period.

NSDL's market share in terms of the total active instruments was 65.27% for the fiscal year 2025.

Market share of players in total active instruments

Particulars	Instruments at NSDL				Instruments at CDSL				NSDL market share	CDSL market share
	Debt	**Equity**	**Other**	**Total**	**Debt**	**Equity**	**Other**	**Total**		
FY18	17,291	23,447	37,225	77,963	10,786	9,938	19,974	40,698	65.70%	34.30%
FY19	17,080	28,979	41,063	87,122	10,402	12,049	21,685	44,136	66.37%	33.63%
FY20	16,747	34,075	41,190	92,012	10,619	14,018	23,392	48,029	65.70%	34.30%
FY21	18,354	38,203	32,278	88,835	11,644	15,619	22,984	50,247	63.87%	36.13%
FY22	19,474	41,771	33,649	94,894	12,147	17,336	23,364	52,847	64.23%	35.77%

FY23	21,170	45,473	34,289	100,932	13,176	19,304	23,871	56,351	64.17%	35.83%
FY24	23,936	50,304	53,831	128,071	14,378	21,576	35,413	72,367	63.90%	36.10%
FY25	27,082	83,907	73,990	184,979	15,495	32,584	50,397	98,436	65.27%	34.73%

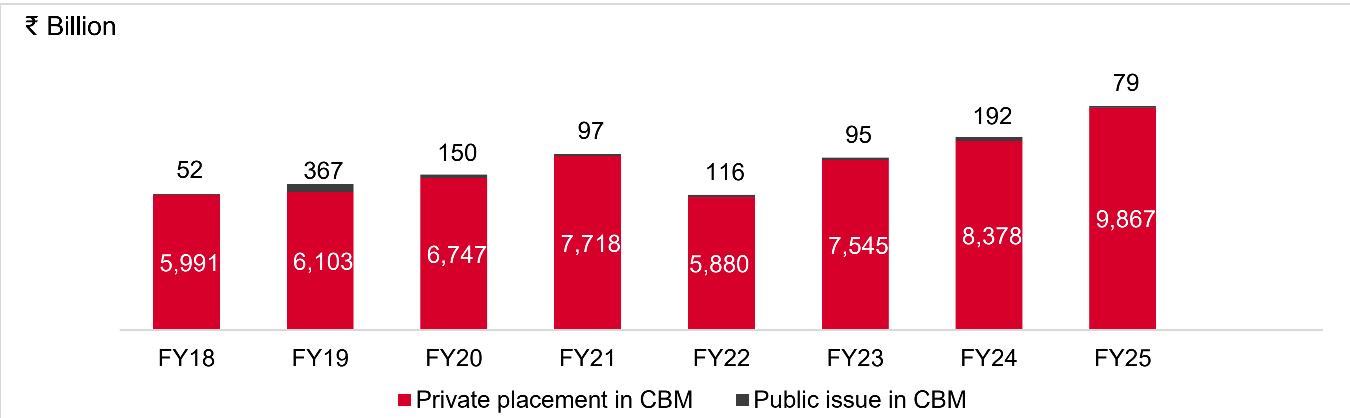
Source: SEBI Bulletin, CRISIL Intelligence

Deepening of corporate bond market

Development of corporate bond market assumes crucial importance for India, especially in the context of channelling funding to long-term infrastructure and other industry projects. Corporate bond market not only provides an alternative to bank finance but also lower the cost of long-term funding. An efficient bond market with lower costs and quicker issuing time can offer an efficient and cost-effective source of longer-term funds for corporates. Also, it provides institutional investors such as insurance companies and pension funds with long-term financial assets.

Over the last few years, total issue size in corporate bond market increased except in FY22. Further, over the years, there has been a steady increase in mobilization of resources through the corporate bond route.

Funds mobilized from corporate bond market (CBM)



Source: SEBI, CRISIL Intelligence

Trend in debt securities

Total demat value of debt securities (at NSDL and CDSL together) was ₹ 29,677 Bn in FY18 and grew at CAGR 9% to reach ₹ 53,822 Bn in FY25 and NSDL has almost 97% market share of the industry in demat value of debt securities (listed and unlisted). Number of debt issuing companies at NSDL grew at 12% CAGR between FY18 to FY25 while at CDSL number of debt issuing companies increased at CAGR ~9% between FY18 to FY25. NSDL accounts for ~75% of market share in number of debt issuing companies as of FY25.

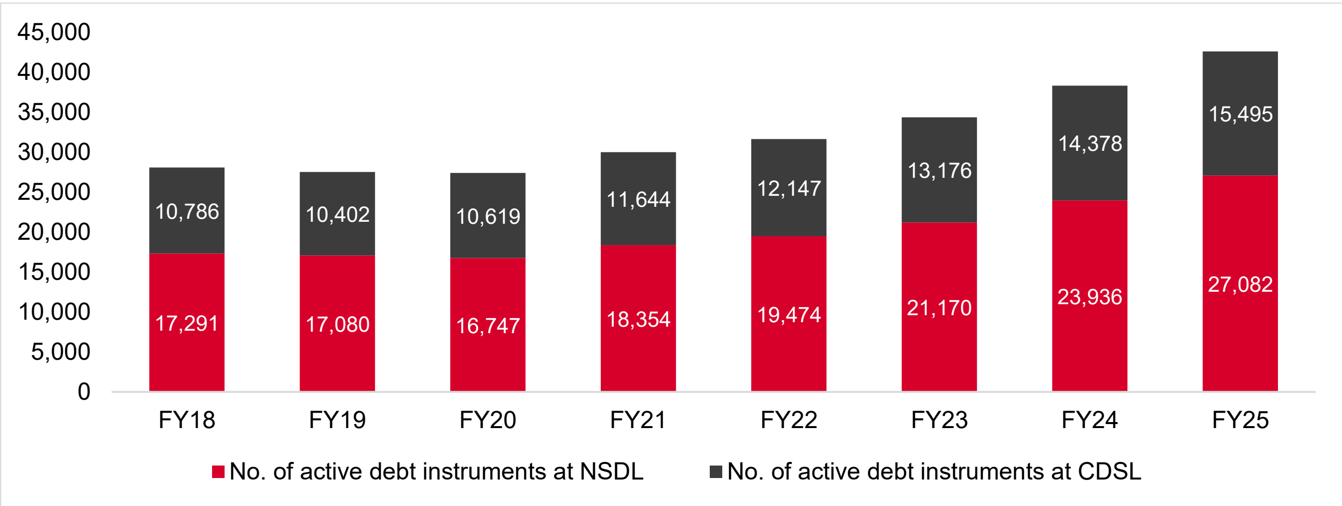
Market share of players in demat value of debt securities and number of debt issuers

Particulars	Total demat value of debt securities	Total demat value of debt securities	Market share of NSDL in demat value	Market share of CDSL in demat value of	Number of debt issuers at NSDL	Number of debt issuers at CDSL	Market share of NSDL in number of debt issuers	Market share of CDSL in number of debt issuers

	at NSDL (₹ Bn)	at CDSL (₹ Bn)	of debt securities	debt securities				
FY18	28,881.26	796.28	97.32%	2.68%	2,238	891	71.52%	28.48%
FY19	31,342.51	982.91	96.96%	3.04%	2,546	963	72.56%	27.44%
FY20	33,101.75	1,078.02	96.85%	3.15%	2,782	1,006	73.44%	26.56%
FY21	37,062.04	1,213.08	96.83%	3.17%	3,192	1,094	74.48%	25.52%
FY22	39,325.67	1,167.45	97.12%	2.88%	3,528	1,241	73.98%	26.02%
FY23	42,144.64	1,341.02	96.92%	3.08%	3,846	1,390	73.45%	26.55%
FY24	45,883.36	1,444.67	96.95%	3.05%	4,218	1,493	73.86%	26.14%
FY25	52,195.07	1,626.68	96.98%	3.02%	4,935	1,646	74.99%	25.01%

Source: SEBI, CRISIL Intelligence

Number of active instruments in debt



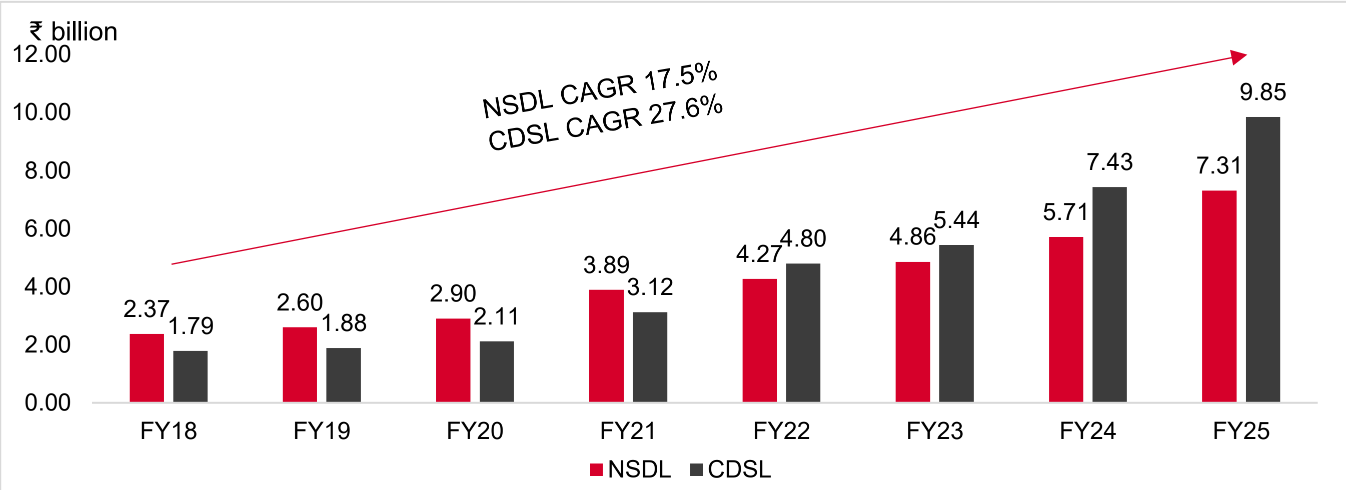
Source: SEBI, CRISIL Intelligence

Revenue mix of depositories in India

The depositories derive their business mainly from activities in primary and secondary capital markets. Revenue of depositories majorly constitutes transactional charges, custodial charges and annual charges. In addition to the core services of electronic custody and trade settlement services, depositories provide other services like pledge of securities, automatic delivery of securities to CC, distribution of non-cash corporate benefits (such as bonus, rights, and IPOs), stock lending, etc. These services have added value in the whole ecosystem of capital markets and depositories could diversify their revenue streams.

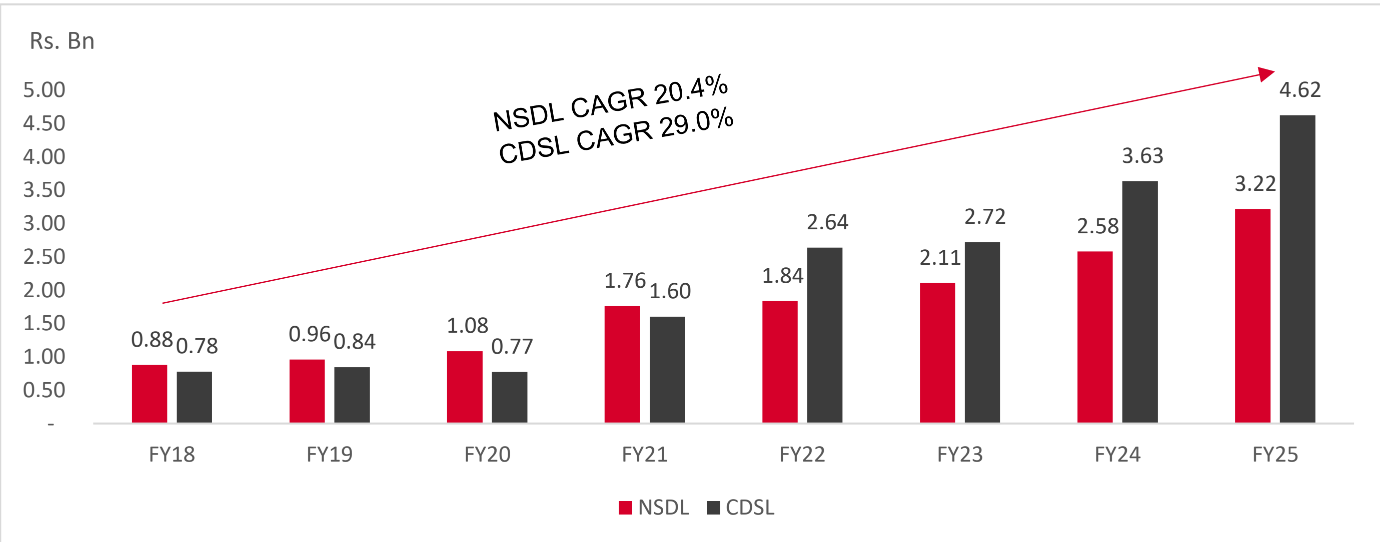
Total Standalone income of depositories in India is around ₹ 17.16 Bn in fiscal 2025 and grew at CAGR ~22.4% between FY18 to FY25 and is expected to grow at CAGR of 11% to 12% from FY25 to FY27 to reach ₹ 21 Bn to ₹ 22 Bn by FY27 assuming there will not be any regulatory impact on pricing of products and services.

Total income (standalone) of NSDL and CDSL grew at 17.5% and 27.6% CAGR between FY18-FY25



Source: Company annual reports and financial statements, CRISIL Intelligence

Total profit after tax (standalone) of NSDL and CDSL grew at 20.4% and 29.0% CAGR between FY18-FY25

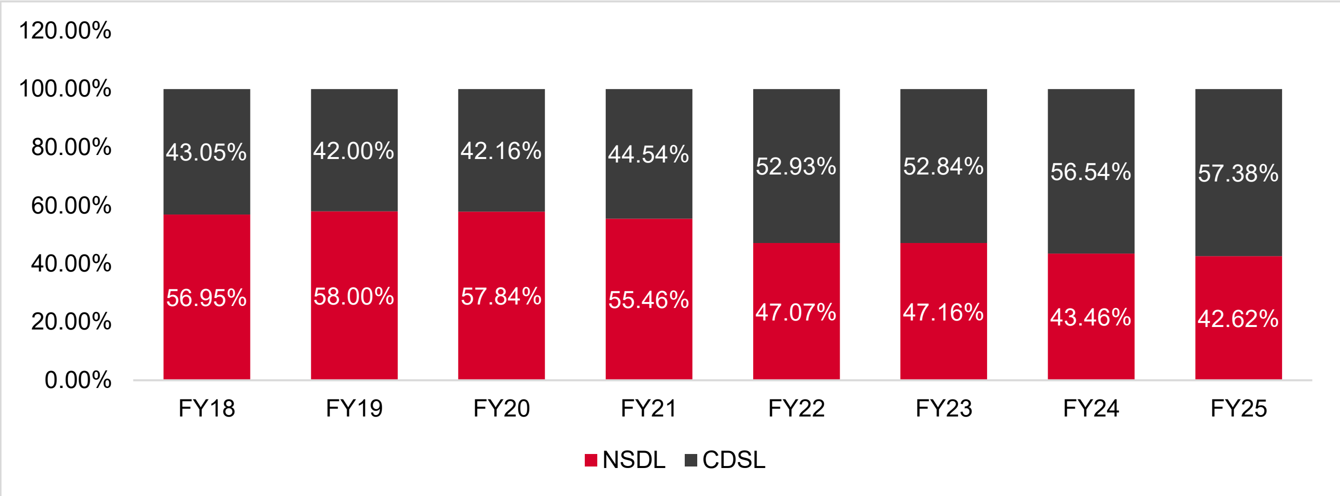


Source: Company annual reports and financial statements, CRISIL Intelligence

Market share of depositories in India with respect to revenues

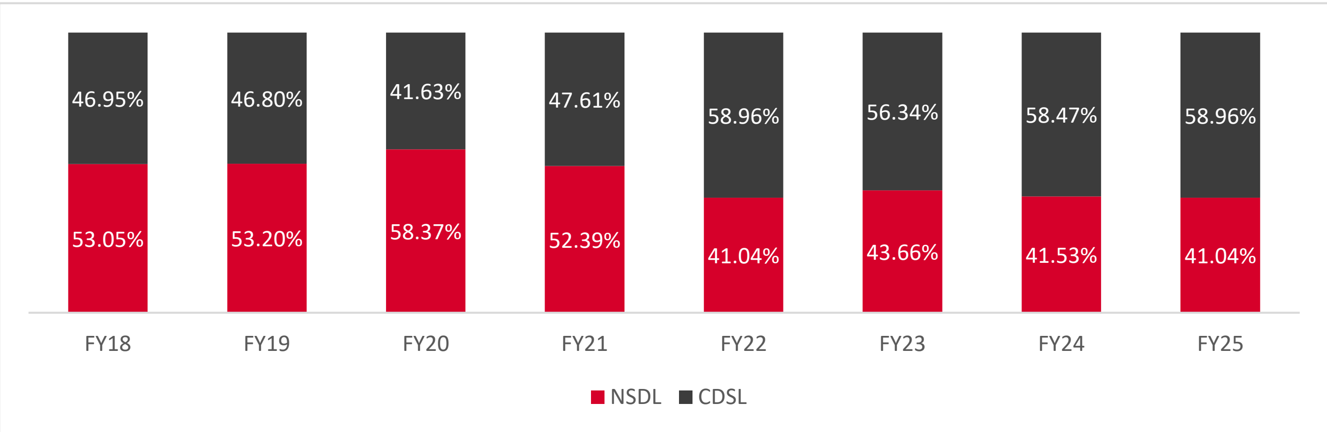
Share of NSDL's and CDSL's standalone total income stood at 42.62% and 57.38% respectively in fiscal year 2025.

Total Income (standalone) Share



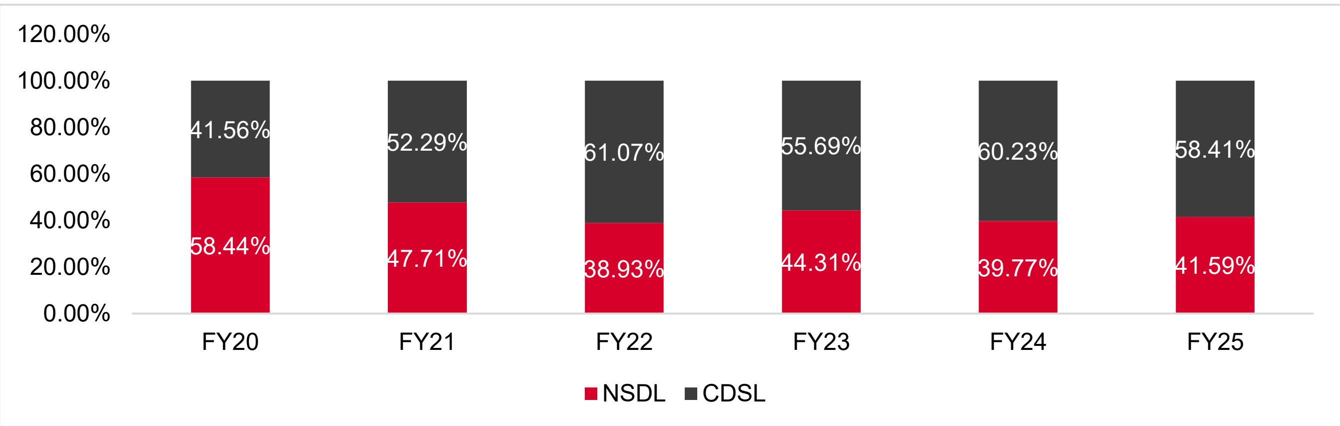
Source: Company annual reports and financial statements, CRISIL Intelligence

Total PAT (standalone) Share



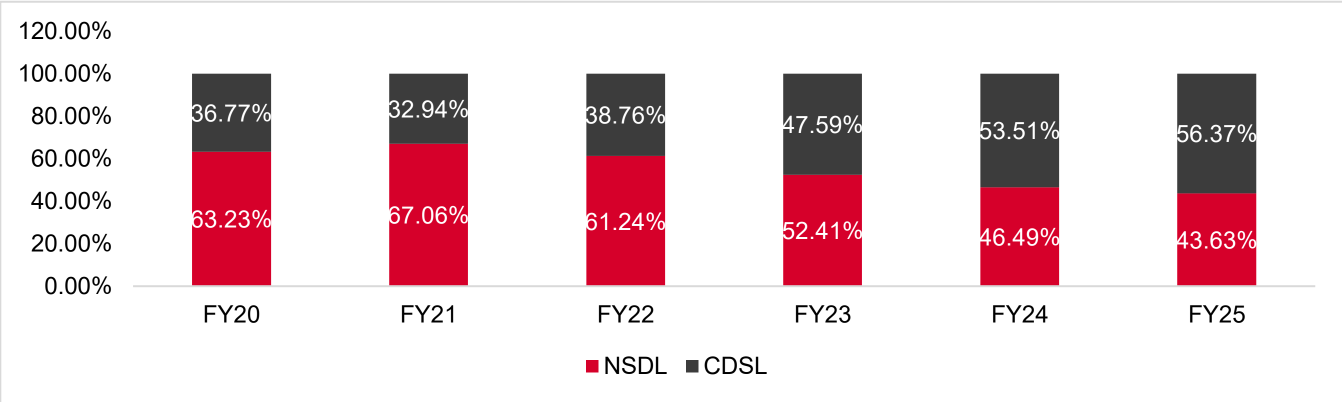
Source: Company annual reports and financial statements, CRISIL Intelligence

Share of NSDL's and CDSL's transactional revenue in depositories' total transactional revenue



Note: FY25 numbers for CDSL are calculated approximately Source: Company annual reports and financial statements, CRISIL Intelligence

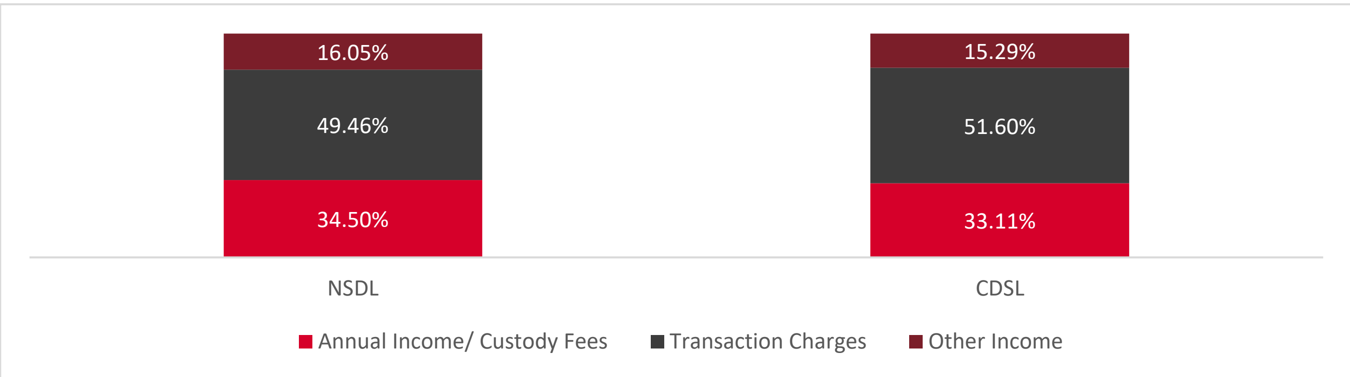
Share of NSDL's and CDSL's annual charges and custody revenue in depositories' total annual and custody charges stood at 43.63% and 56.37% for FY25 respectively



Note: FY25 numbers for CDSL are calculated approximately Source: Company annual reports and financial statements, CRISIL Intelligence

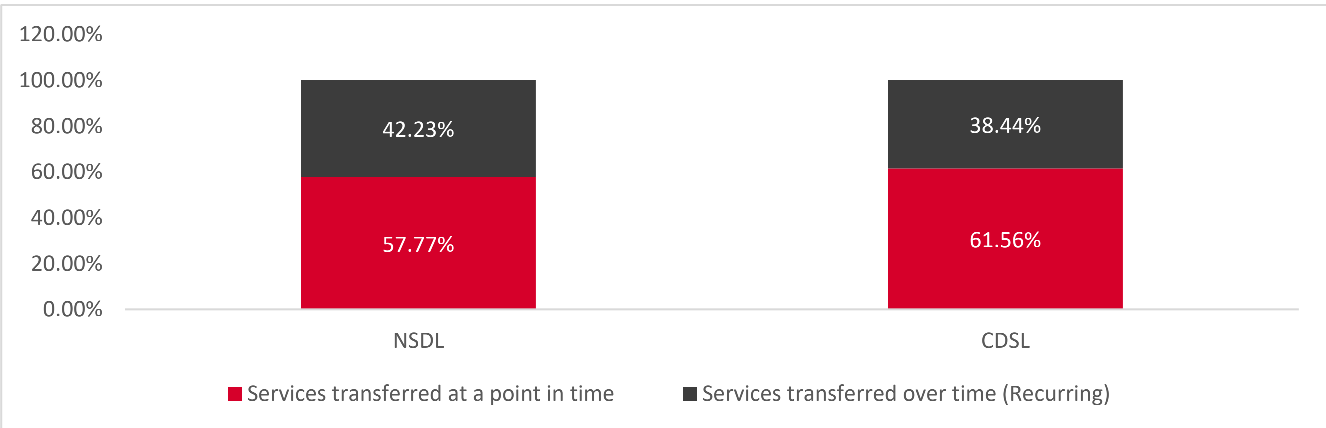
Revenue from annual and custody fee is considered as more stable and recurring kind of revenue source as it is lesser dependent on market cycle as compared to revenue from transaction charges.

Share of annual and custody charges (in standalone income) for NSDL and CDSL (FY25)



Note: Annual and custody charges include Annual fee and Custody fee, Transaction charges include Transaction fee, E-voting charges, CAS charges and corporate action/IPO charges. FY25 numbers for CDSL are calculated approximately.
Source: Company annual reports and financial statements, CRISIL Intelligence

Share of recurring revenue in standalone operational revenue from contracts with customers



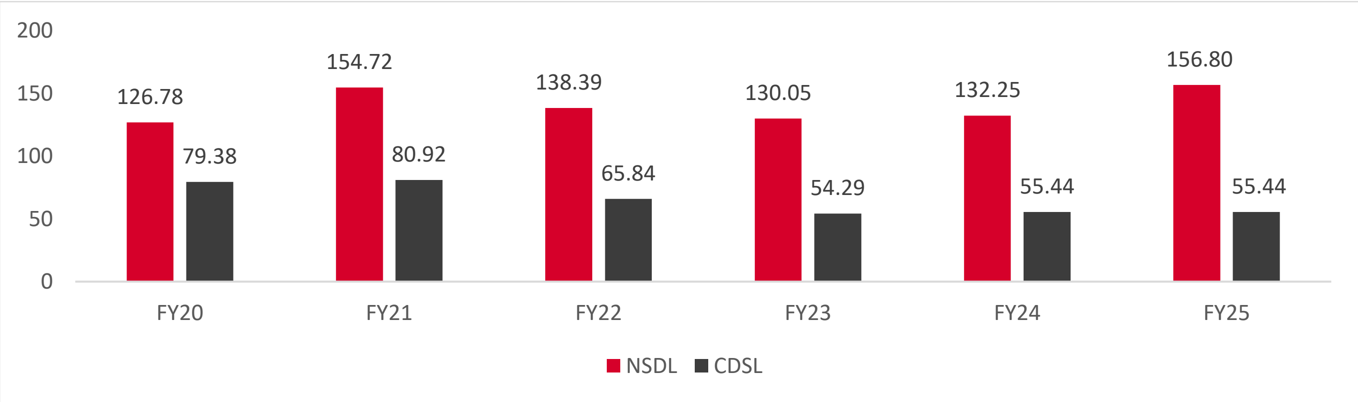
Note: FY25 numbers for CDSL are calculated approximately Source: Company annual reports and financial statements, CRISIL Intelligence

Share of recurring revenue in standalone operational revenue from contracts with customers for NSDL in FY25 was 57.77%.

Transaction revenue and operational revenue per account

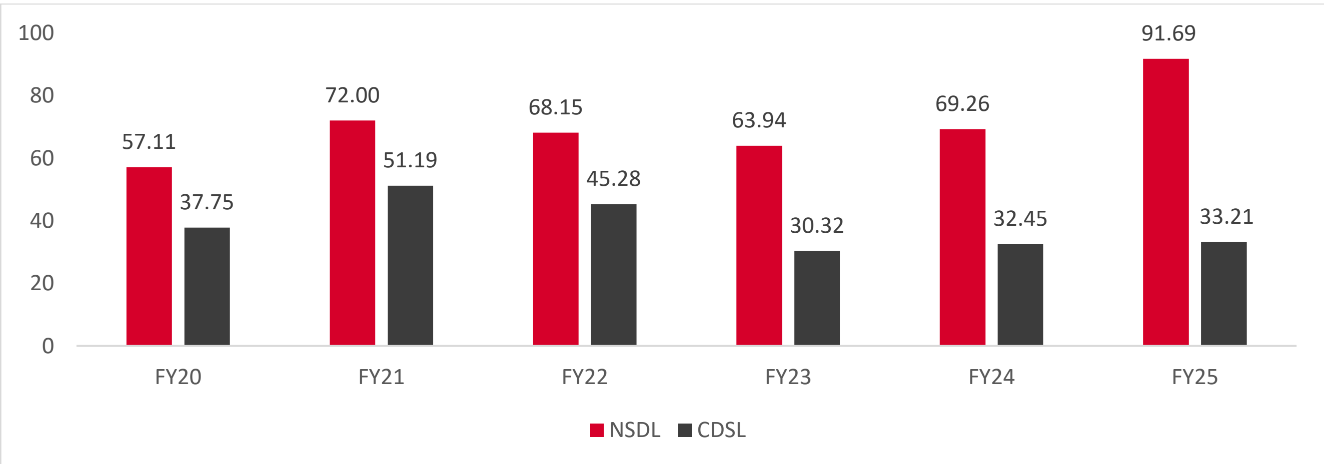
Transaction revenue per account shows the quality of investors accounts depository possesses. As of March 31, 2025, NSDL's standalone operational revenue per investor account was ₹ 156.80, as compared to ₹ 55.44 for CDSL standalone. Recurring revenues from the wide base of market participants lends stability to financial performance.

Standalone operational revenue per investor account (Rs.)



Source: Company annual reports and financial statements, CRISIL Intelligence

Standalone transaction revenue per account (Rs.)



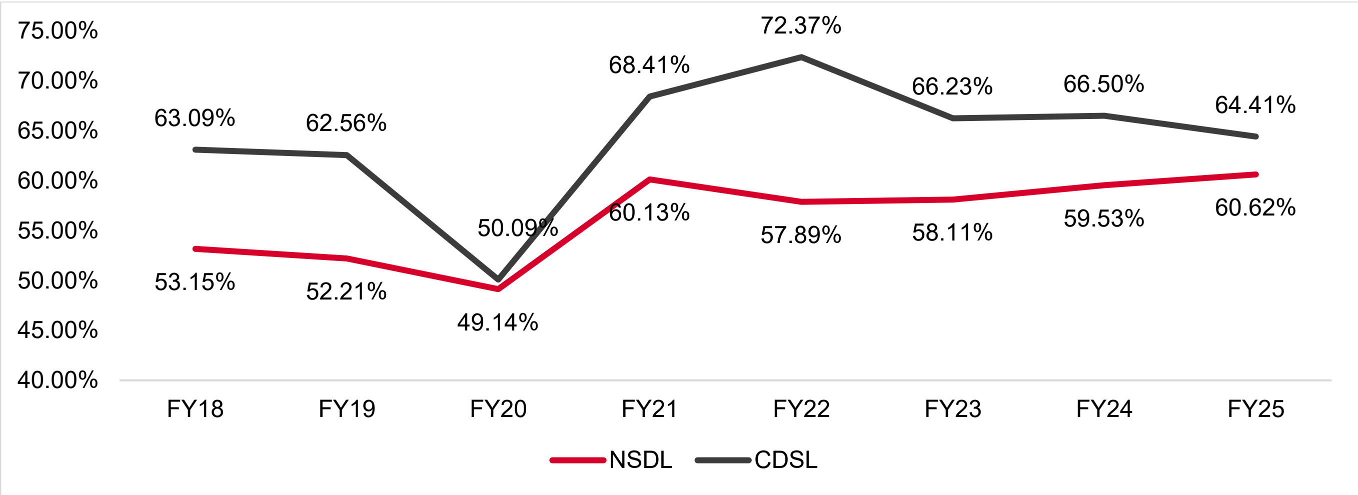
Note: FY25 numbers for CDSL are calculated approximately. Transaction revenue includes transaction charges, pledge fee for margin, E-voting charges, CAS, corporate action/IPO charges.

Source: SEBI Bulletin, Company annual reports and financial statements, CRISIL Intelligence

Trend in operating margins and profitability (standalone) for depositories

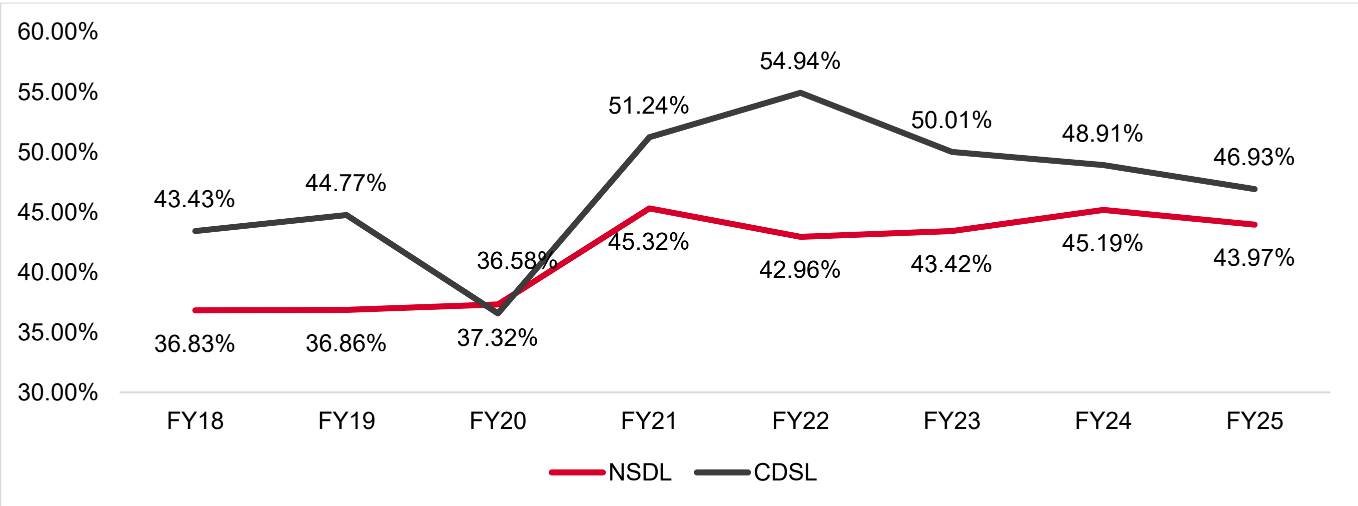
Margins in depository business are dependent on the scale at which they operate. Due to sudden increase in number of investors accounts and their active participation in markets during FY21 and FY22, it can be observed that the margins of depositories have also increased as compared to previous years. EBITDA margin for NSDL have increased to 60.62% in fiscal 2025 from 57.89% in fiscal 2022, showcasing an upward trend.

EBIDTA margins of industry improved after dip in FY20



Source: Company annual reports and financial statements, CRISIL Intelligence

PAT margins of industry improved after dip in FY20



Note: Data is on standalone basis

Source: Company annual reports and financial statements, CRISIL Intelligence

Allied businesses of depositories in India

To facilitate and strengthen capital markets community in India, depositories have introduced a number of products, value-added services and initiatives that have resulted in emerging as key enablers for the securities market in India.

In August 2007, NSDL was the first depository to introduce instant messaging alerts (over SMS) to investors. The full-fledged roll out of this facility for all investors commenced from September 2007. CDSL introduced the SMS facility in October 2007.

NSDL has leveraged their technological infrastructure to cater to the diverse needs of the securities market in India and introduced several additional products, e-services and ancillary value-added services and initiatives through NSDL and its subsidiaries NSDL Database Management Limited (NDML) and NSDL Payments Bank Limited (NPBL) thereby emerging as a key enabler for the financial market in India. Similarly, CDSL has also introduced several products and value-added services through its subsidiaries CDSL Ventures Limited (CVL) and Centrico Insurance Repository Limited.

Allied businesses	Description
Electronic delivery instruction platform	It is a common internet infrastructure that enables Depository Participants to provide depository services to their clients. This facility is used extensively by Depository Participants (DPs) to offer an electronic instruction submission facility to their clients. This brings convenience to investors which reduces the risk for DPs as well as to investors. It also provides customer delight thus enhancing the overall customer experience. Demat account holders (including Clearing Members) subscribing to this service can submit delivery instructions to their participants electronically through website instead of submitting Delivery Instruction Slips in paper form.
Power of attorney-based Instructions	Submission of Power of attorney-based Instructions for Clients Electronically facility is in respect of demat accounts operated on the basis of Power of Attorney (POA). Many investors execute POA in favour of their stockbrokers. Based on the POA, Clearing Members (CMs) submit instructions to the Participants (where clients maintain demat accounts) to debit the demat accounts of the Clients. The facility enables such CMs to submit digitally signed instructions to Participant thereby eliminating the need to give paper-based delivery instructions to Participants. The facility enables Clearing Members to debit Client account and credit CM Pool account. For non-POA accounts, the transaction gets authorized only after providing TPIN and OTP which reduces the risk of frauds.
Electronic voting, Virtual annual general meeting and Electronic notices	The e-Voting platforms of depositories have facilitated many leading companies to offer e-Voting services to their Shareholders and thus, have empowered their Shareholders to exercise voting rights by casting their votes electronically. This has enabled investors to take an active part in the company's overall decision-making process by participating in voting. The platforms offer the

	companies live-streaming of meeting proceedings and instantaneous results. In addition to this, it also offers tab-based e-Voting services at the AGM venue itself and e-notices service to the companies availing e-Voting platform. Number of Companies which entered into agreement with NSDL for availing e-Voting services is 4,988 as on March 31, 2025. Number of occasions on which companies availed E-voting facility (NSDL) till fiscal 2025 is 32,144. As on March 31, 2022, total 6,145 companies have signed agreements with CDSL to conduct e-Voting.
ISIN Numbering Agency	NSDL issues the International Securities Identification Number (ISIN) for all securities issued in India regardless of the type of security viz., equity, debt, mutual funds, money market instruments, etc. and therefore has extensive experience of issuing ISINs in India. ISIN is a globally accepted unique identifier for securities. SEBI is the National Numbering Agency (NNA) for India and a member of the Association of National Numbering Agencies (ANNA). SEBI has delegated the responsibility to NSDL for issuance and maintenance of ISIN, Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) codes and reporting to ANNA and to undertake other related activities. ISIN, FISN and CFI codes are defined as per ISO standards. While NSDL has been the traditional NNA in India, CDSL also facilitates ISIN-related services. CDSL can issue ISINs for certain securities or work in tandem with NSDL depending on the issuer's preference or exchange affiliation.
Securities and covenant monitoring using distributed ledger technology	With an intent of strengthening the regulatory framework for corporate bonds in the Indian market infrastructure domain, NSDL upon guidance from SEBI, is the first company in India to develop a DLT blockchain based platform for the debenture security and covenant monitoring system. The platform has received positive response from industry with numerous issuers and securities onboarded since its launch. CDSL has also developed the same (DLT System). The platform enables issuer and debenture trustees to manage the entire lifecycle of corporate bonds and facilitate the monitoring

	of the security given and the covenants to bring about greater transparency in this market segment.
Corporate bond market database	Depositories have developed a corporate bond market database which provide information on corporate bonds. NSDL has pioneered the same.

Digital LAS

Loan against securities (LAS) is a loan where anyone can pledge their shares, mutual funds or life insurance policies as collateral to the lender against loan amount. It enables funding against securities without selling securities in the market. It is helpful in getting instant liquidity and in sourcing funds for any personal requirements. Financial institutions in India have started providing digital loan against securities which automates and speeds up the process of getting a loan. This has been made possible due to depositories. Financial institutions collaborate with depositories to create a seamless customer experience. Digital LAS empowers the customers to design their own loan against shares at their convenience and avail of the facility within minutes. Customers with shares in their portfolio can leverage it when there is an urgent need for money, for example a medical emergency.

Depositories receive instructions from investors and process it in electronic form. Integration of depositories and lenders' technology reduce the TAT for getting the loan from the lenders.

NSDL has implemented Collateral Management System for LAS product. The banks which are Depository Participants of NSDL can avail this facility to provide online loan to their customers against securities held by the customers in their respective demat accounts. NSDL has enhanced the product feature, which facilitate investors / demat account holders, having demat account with any DP of NSDL, to avail loan against their securities in a digital form with Banks/NBFCs. Investor can continue to maintain their demat account with their existing DP of NSDL for availing Loan against securities with Banks/NBFCs. CDSL also offer Application Programming Interfaces (APIs) for depository participants (DPs), which act as CDSL's agents and offer depository services to the BO of the securities to offer online loan against share facility, facilitating secure, electronic pledging of Demat securities as collateral for loans from lenders, streamlining the process between DPs and CDSL.

Consolidated account statement for one view of portfolio of investors

As a first step towards creating one record for all financial assets of every individual and as per SEBI's instructions, depositories and asset management companies (AMCs)/MF-RTAs created a system to facilitate generation and dispatch of single consolidated account statement (CAS) for investors having mutual fund investments and holding demat accounts.

A consolidated account statement (CAS) is the single statement of all investments in the securities market and includes investments in equity shares, preference shares, mutual funds, bonds, debentures, securitised instruments, money market instruments and government securities held in demat form. All investments held in single or joint names are mentioned in CAS. CAS is being sent to investors on a monthly basis, however, if there are no transactions during the month, then CAS is being sent on a half-yearly basis. CAS is sent to investors electronically using email primarily.

More number of financial products and features can be added in CAS such as details of dematerialized insurance policies, annualized return to provide information on return on investors' investments, etc.

Benefits of CAS to investors

Investment review: Given that CAS provides comprehensive data on summary of all the investments and financial transactions in mutual funds and other securities held in demat form, it offers convenience to investors in keeping track of their investment portfolio. CAS enables investors to monitor their portfolio effectively and accordingly take informed decisions.

Paperwork reduction: CAS minimizes the paperwork requirements of investors as they can monitor their portfolio under one statement, instead of several separate statements for different investments.

Keeps informed: The CAS summarizes investors' detailed information on investments and ensures that investors stay informed about their investments and their performance.

IFSC GIFT City

Being one of the fastest growing economies of the world, India is a large user of the international financial services. International Financial Services Centre (IFSC) will provide a platform to expand its economic and strategic activities globally in an efficient manner. The efforts to develop an IFSC at Gujarat International Finance Tec-City (GIFT City) started in April 2015, to help India realize its potential in the international financial services industry.

An IFSC centres deal with the flow of finance, financial products and services across borders. It is set-up to undertake financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches/subsidiaries of Indian financial institutions.

Potential for IFSC in India

As India is a large purchaser of International financial services, IFSC can be a major contributor for achieving self-reliance in international financial services raising overseas bonds / capital, trading in INR-USD derivatives. It can become India's gateway to world financial market. It also provides opportunity to global investors to set up business in the areas of asset management, banking, investments, insurance and reinsurance.

Participants in IFSC capital markets

Stock-broker, sub-broker, Underwriter	Merchant banker, Trustee	Registrars, Share transfer agent
Investment advisors, Portfolio manager, Clearing member	Depository participant, Custodian, Credit rating agency	Alternative investment funds, Mutual funds, PMS

List of products traded on IFSC exchanges

BSE and NSE have set up their exchanges in GIFT city – India INX Ltd. and NSE IFSC Ltd. respectively.

<table>
<tr><th>Index Futures & Options</th><th>Single stock Futures & Options</th><th>Commodities futures</th><th>Currencies Futures & Options</th><th>Debt</th></tr>
<tr><td>NIFTY 50 Index</td><td>India INX – 100+ F&O stock</td><td>Gold</td><td>Euro – USD</td><td>Medium term notes</td></tr>
<tr><td>NIFTY Bank Index</td><td>NSE IFSC – 200+ F&O stock</td><td>Silver</td><td>Pound – USD</td><td>FCY Bonds</td></tr>
<tr><td>NIFTY IT Index</td><td>Global stocks – 5+ F&O stock trading offered</td><td>Copper</td><td>Japanese Yen – USD</td><td>Depository receipts</td></tr>
<tr><td rowspan="2">S&P BSE Sensex</td><td rowspan="4"></td><td rowspan="2">Brent crude oil</td><td>Australian Dollar – USD</td><td rowspan="2">Green/Social/Sustainable bonds (FCY)</td></tr>
<tr><td>Switzerland Franc – USD</td></tr>
<tr><td>S&P BSE India 50</td><td rowspan="2">Access through INX Global access platform</td><td>Quant – INR</td><td rowspan="2">Masala Bonds (INR)</td></tr>
<tr><td>India50</td><td>INR – USD</td></tr>
</table>

Other developments

Real estate investment trusts (REITs) and Infrastructure investment trusts (InvITs) incorporated in FATF[2] (Financial Action Task Force) compliant jurisdictions permitted to list on the stock exchanges in IFSC. Also, eligible listed companies permitted to raise capital through issuance and listing of DRs on the stock exchanges in IFSC.

All these developments would lead to a large business opportunity for depositories which can provide wide range of services related to financial securities. Depositories can earn revenue from transaction charges, account maintenance and settlement levy paid by depository participants.

India International Bullion Holding IFSC Limited

NSDL has become a MII consortium partner after taking necessary regulatory approvals. MII consortium promoted India International Bullion Holding IFSC Limited (IIBH), in which NSDL holds 20% stake. IIBH has a wholly owned subsidiary i.e. India International Bullion Exchange IFSC Limited that is undertaking the Exchange business for Bullion and IIBH also owns majority stake in India International Depository IFSC Limited (IIDL) which will be acting as depository for both Equity and Bullion products. NSDL has provided the software system to IIDL for Equity products, which has facilitated it to issue Unsecured Depository Receipts (UDR) on various NASDAQ & NYSE listed companies, which are traded on NSE IFSC in GIFT City.

[2] *FATF is the global money laundering and terrorist financing watchdog. It sets international standards that aim to prevent these illegal activities and the harm they cause to society.*

Crisil Intelligence

4. Outlook for Depository System in India

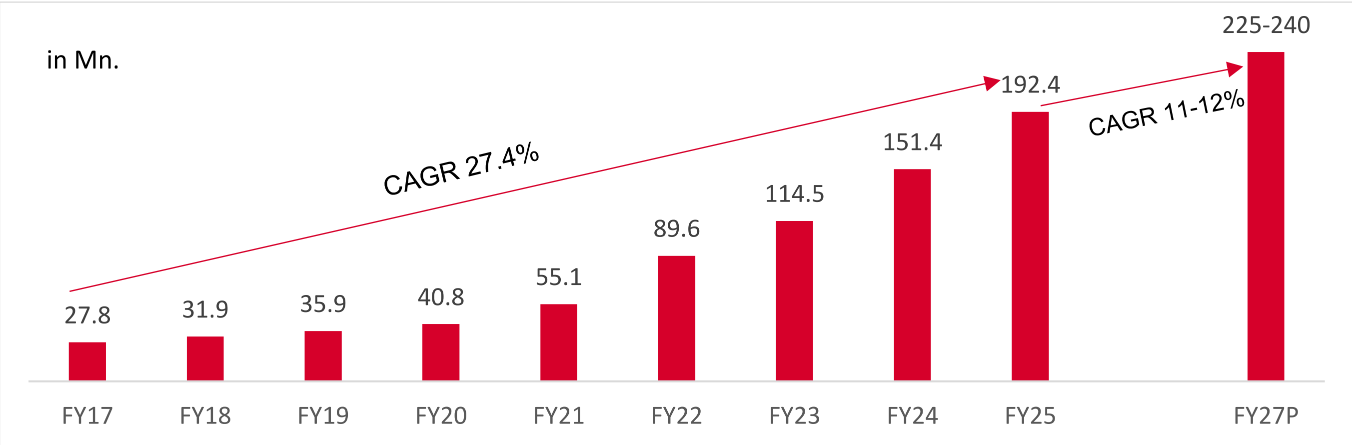
Industry outlook

The growth for the depository system is closely intertwined to the rising penetration and participation from various stakeholders such as investors and brokers. The rise of digital services has made access to capital markets easier and reduce the overall cost of transactions for investors. Additionally, due to increasing financial literacy and rising awareness about capital markets, investments in financial assets are gaining preference. This shift in investment strategies by people is attributable to various programmes which are being undertaken by SEBI, AMFI and other market participants.

Total Client accounts' growth

Total client accounts (demat accounts) grew at 27.4% CAGR between FY17 to FY25 to reach 192.4 Mn as of March 2025. The number of demat accounts opened with depository participants in India increased at CAGR of ~36.4% from FY20 to FY25. The demat accounts increased rapidly during pandemic (FY22 and FY23) due to lockdown, attractive returns delivered by equity market, easier digital onboarding of customers, increase in usage of smartphones, however, the growth rate is expected to moderate in the next few years as some loss of momentum could be there on account of higher base.

Number of total client accounts to grow at ~11-12% CAGR between FY25-FY27



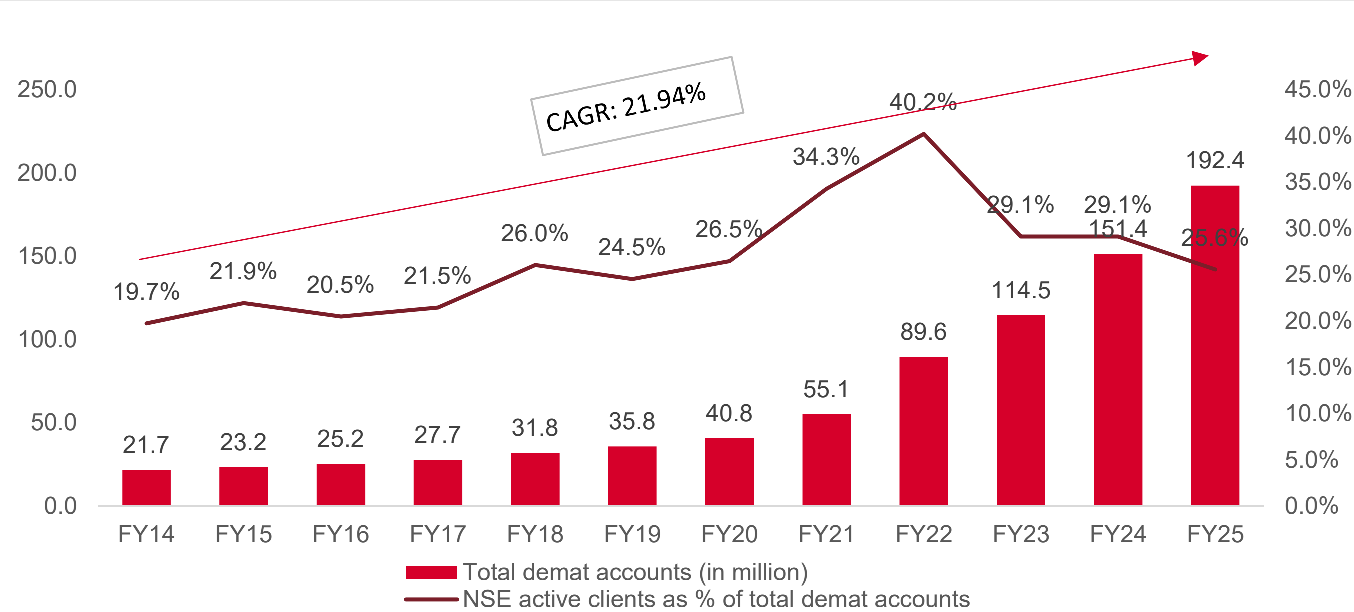
Note: P = Projected
Source: Company websites, CRISIL Intelligence

Growth Drivers

Retail participation trend in capital markets

The retail participation in capital markets saw significant rise in FY21 primarily due to higher adoption of mobile and digital investing platforms, spread of investment culture in Tier-3 and Tier-4 cities and prominence of equity as an asset class The NSE Active Client Basis as a % of Demat Accounts increased from almost 19.7% in Fiscal 2014 to 25.6% in Fiscal 2025. Going forward, CRISIL Intelligence expects the demat accounts to grow at strong growth over the next five years and Active Client Base on NSE as a % of demat accounts to increase around 45-50%. Increased participation from retail investors is one of the key drivers for capital markets growth. Retail participation is one of the key enablers of rising demand for equity issuances.

Growth in Demat Accounts since Fiscal 2014 onwards and Active Client Base (as % of Demat Account) has improved substantially during last five years

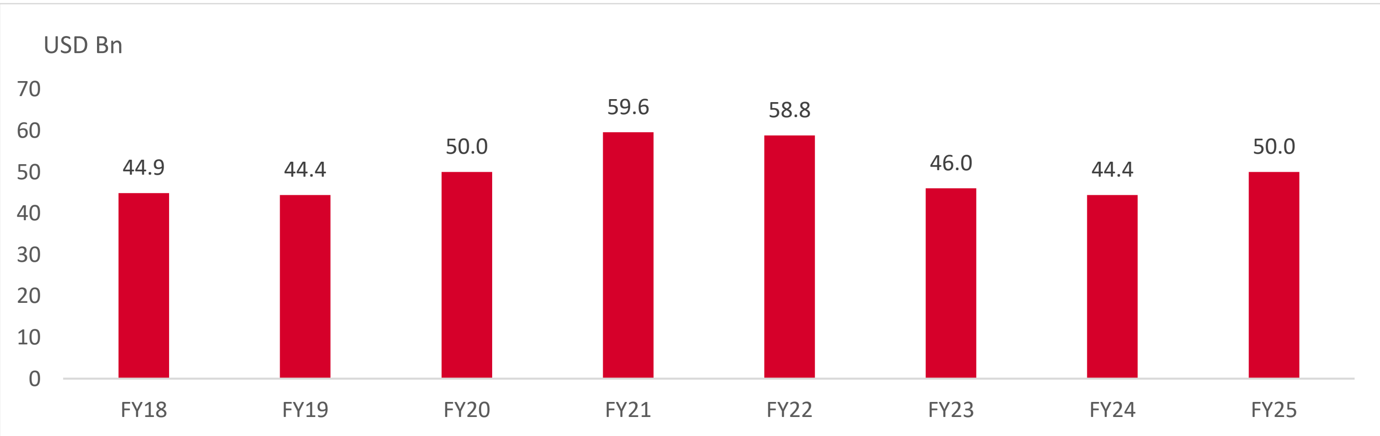


Source: NSE, SEBI, CRISIL Intelligence

Global inflow of funds to India

India has been one of the preferred destinations for global funds. In fiscal 2022, FDI equity inflows to India was around USD 58.8 Bn. In fiscal 2025, FDI equity inflows was around USD 50.0 Bn due to subdued global and market conditions.

FDI equity inflows to India during a financial year



Source: DPIIT, CRISIL Intelligence

Growth in FPI/FII funds invested in India

India is one of the leading countries in attracting foreign investments. Since 1992, India's FPI/FII investments during a financial year have remained positive except for FY09, FY16, FY19, FY20, FY22 and FY23. Total FPI/FII investments in India till March 2025 is more than ₹ 16.37 trillion.

Initiatives by SEBI for investor education and financial literacy

One of the prime mandated objectives of SEBI is protection of investors' interests. As part of promoting investor activity in the capital market, SEBI combines investor education and promotion of financial literacy along with regulatory measures to boost participation in the capital markets. SEBI' investor education and awareness programmes focus on creating awareness among investors/general public about the basic concepts related to securities market, risks involved, rights and obligations of investors, grievance redressal mechanism, etc. These awareness programmes are conducted free of charge for the participants in different languages. Apart from programmes, SEBI also spreads awareness through modes like mass media, mobile app, etc.

Investor awareness programmes/workshops

Investor education and awareness programmes are conducted through various modes like regional seminars jointly with market infrastructure institutions (MIIs), SEBI recognized investor associations (IAs) and securities market trainers (SMARTs). All five stock and commodity exchanges, namely, NSE, BSE, MSE, MCX and NCDEX and both depositories, NSDL and CDSL, and AMFI are associated with SEBI for conducting regional seminars/webinars.

Regional seminars/webinars in association with MIIs and AMFI

Particulars	2020-21	2021-22
MIIs		
Total regional seminars conducted	652	642
Number of participants in regional seminars	79,583	53,463
AMFI		
Total regional seminars conducted	33	22
Number of participants in regional seminars	15,925	24,555

Source: SEBI, CRISIL Intelligence

Investor awareness programmes by IAs

Particulars	2020-21	2021-22
Total programmes conducted by IAs	125	380

Total participants of IAs programmes	9,524	22,979

Source: SEBI, CRISIL Intelligence

Since 2010, IAs have conducted 1,979 awareness programmes covering 97,000 participants.

Awareness programmes by SMARTs

Particulars	2020-21	2021-22
Total programmes conducted by SMARTs	287	1,797
Total participants of SMARTs programmes	15,000	1,81,834

Source: SEBI, CRISIL Intelligence

As on March 2022, SEBI has empanelled a total of 168 SMARTs across 23 states and union territories. Since its inception in 2020, SMARTs have conducted 2,084 investor awareness programmes covering over 0.2 million participants.

Media campaign by SEBI

In view of the growing market and increasing participation in Initial public offerings (IPOs), several focused media campaigns were carried out to stress on the importance of due diligence while investing in primary and secondary market and risks involved in the securities market before making any investment decisions.

New initiatives by SEBI

During 2021-22, SEBI has undertaken various new initiatives such as SEBI launched Saarthi, mobile app on investor education, SEBI has developed Investor charter for the protection of interests of investors and SEBI has developed educational materials like booklets, presentations, etc. related to Indian securities market for imparting investor education.

Mass media campaigns

Besides campaigns, SEBI has embarked on broadcasting important messages to investors through TV, radio, print media and bulk SMSs. These messages are intended to educate people about the SEBI's grievance redress mechanism named SCORES (SEBI Complaints Redress System) and its toll-free helpline. Its main aim is to caution investors about schemes seeking to mobilise capital for speculative purposes by offering unrealistic returns.

Trends in new income streams for depositories

Depositories have been diversifying their revenue streams such as facilitating instant LAS, providing platform for conducting e-voting and AGM, database management, etc. These are allied services of depositories' business and can be expanded to earn huge revenue. Additionally, depositories also have set-up insurance repositories to facilitate holding of all types of insurance policies in electronic form in a single e-insurance account. All such services are expected to generate good amount of revenue for depositories.

Income streams	Description
Digital LAS	Depositories are facilitating collateral management system for Loan against Securities (LAS) product. The Banks which are DPs of NSDL can avail facility to provide online loan to their customers against securities held by the customers in their respective Demat accounts. NSDL facilitates investors / demat account holders, having demat account with any DP of NSDL, to avail loan against their securities in a digital form with Banks/NBFCs. CDSL provides APIs to DPs to enable demat account holders to pledge shares in their CDSL demat account directly from the website of the DPs.
E-voting and online AGM	The e-Voting platforms of depositories have facilitated many leading companies to offer e-Voting services to their Shareholders and thus, have empowered their Shareholders to exercise voting rights by casting their votes electronically. This has enabled investors to take an active part in the company's overall decision-making process by participating in voting. The platforms offer the companies live-streaming of meeting proceedings and instantaneous results. In addition to this, it also offers tab-based e-Voting services at the AGM venue itself and e-notices service to the companies availing e-Voting platform.
Database management services	Database management services include services like National Skills Registry to IT / ITeS industry and transactions services like SEZ Online system on behalf of Ministry of Commerce & Industry, KYC registration agency (KRA) for centralization of the KYC records in the securities market and operations pertaining to the Repository of Insurance Policies.
Payments Bank	NSDL Payments Bank, a subsidiary of National Securities Depository Limited (NSDL), offers depositors a new revenue-generating platform through digital banking services, including zero-balance savings accounts, digital debit cards, and remittance facilities. It promotes financial inclusion and provides depositors access to banking transactions like AePS, and Micro ATMs. This creates opportunities for depositors to earn through transaction fees and partnerships with fintech and government entities.

5. Regulatory Framework Guiding the Depository System in India

Key aspects under regulations

Legal framework

The legal framework for establishment of single or multiple depositories is laid down in the Depositories Act, 1996. To be eligible for providing depository services, the company must be formed and registered under the Companies Act, 2013 and seek registration with the SEBI. It also needs to obtain a 'certificate of commencement of businesses' from SEBI, on fulfilment of the prescribed conditions. Investors opting to join the depository are required to enter into an agreement with the depository through DPs, who act as its agent. Agencies such as custodians, banks, financial institutions, large corporate brokerage firms, non-banking financial companies etc. can act as DPs.

A depiction of the regulatory framework for the depository business in India

- The Depositories Act, 1996
- SEBI (Depositories and Participants) Regulations, 1996 now amended to SEBI (Depositories and Participants) (Amendment) Regulations, 2018
- Bye-laws of Depository
- Operating Instructions/ Business Rules of Depository

Depositories are also governed by certain provisions of:

- The Companies Act, 2013
- The SEBI Act, 1992
- The Securities Contracts (Regulation) Act, 1956
- The Benami Transaction (Prohibition) Amendment Act, 2016
- Payment & Settlement Systems Act, 2007

The Depositories Act, 1996

The Depositories Act, 1996 lays down the conditions and eligibility for a depository service to work effectively in the country. It elucidates the objectives behind forming the Act, eligibility and rights of depositories, and aspects of fungibility. Powers of the SEBI, offences, and appeals are also spelt out in detail.

Objectives

The act aims at:

- Providing a legal basis for the establishment of depositories, to conduct the task of maintaining ownership records of securities, and effecting changes in ownership records through book entry;
- Making the securities fungible
- Making the shares, debentures, and any interest thereon of a public limited company freely transferable

Eligibility to provide depository services

According to the Act, in order to be eligible to provide depository services, any company or other institution must:

- Be formed and registered as a company under the Companies Act, 2013.
- Be registered with SEBI as a depository under the SEBI Act, 1992.
- Have framed bye-laws with the previous approval of SEBI.
- Have one or more DPs to render depository services on its behalf.
- Have adequate systems and safeguards to prevent manipulation of records and transactions to the satisfaction of SEBI.
- Comply with the Depositories Act, 1996 and the SEBI (Depositories and Participants) Regulations, 2018.
- Meet eligibility criteria in terms of constitution, network, etc.

Fungibility

Section 9 of the Act states that securities in depositories shall be in fungible form.

That is, it envisages that all certificates of the same security shall become interchangeable. Dematerialised shares do not have any distinctive numbers. Thus, all the holdings of a particular security will be identical and interchangeable. It is akin to withdrawing money from the bank, without bothering about the distinctive numbers of the currencies.

Rights of depositories and Bos

In the depository system, the ownership of securities dematerialised is bifurcated as RO and BO. According to the Act, RO means a depository whose name is entered as such in the register of the issuer. A BO means a person whose name is recorded as such with the depository. Thus, although the securities are registered in the name of the depository holding them, the rights, benefits, and liabilities in respect of the securities held by the depository remain with the BO. For the securities dematerialised, CDSL/NSDL is the RO in the books of the issuer, but ownership rights and liabilities rest with the BO.

Powers of SEBI

Section 18 of the Act provides that, in the public interest or in the interest of investors, the SEBI may by order in writing to call upon any issuer, DP or BO to furnish in writing, such information relating to the securities held in a depository as it may require. It also has powers to authorise any person to make an enquiry or inspection in relation to the affairs of the issuer, BO, depository or DP, who shall submit a report of such enquiry or inspection to it within such period, as may be specified in the order.

Powers of SEBI

Power to give directions

- The SEBI may issue directions to any depository or DP or any person associated with the securities market or to any issuer, as may be appropriate in the interest of investors or the securities market

Power to adjudicate

- The SEBI shall appoint any officer not below the rank of a Division Chief of SEBI to be an adjudicating officer for holding an inquiry in the prescribed manner
- The SEBI is empowered to call for and examine the record of any proceedings

Power to grant immunity

- Section 22B empowers the central government to grant immunity, on recommendation by the SEBI, if the government is satisfied

Power to make regulations

- Section 25 of the Act, read with Section 30 of the SEBI Act, 1992 empowers SEBI to make regulations for carrying out the purposes of the Act, by notification in the Official Gazette

SEBI (Depositories and Participants) Regulations, 2018

The SEBI issued the SEBI (Depositories and Participants) Regulations, 1996 on 16th May of that year, applying to depositories and its DPs. The regulations were amended several times in the past, and recently were amended on March 02, 2023.

These regulations contain provisions for operations and functioning of depositories, prescribes forms for application and certificates used, schedule of fees for DPs, etc. It also contains provisions for registration of depository and DPs, rights and obligations of various users and constituents, inspection, and procedure for action in case of default. Entities desirous of becoming DPs, need to apply to the SEBI through the depository in which the entities propose to act as participants. The depositories forward the application to the SEBI along with is recommendations and certifications that the participants comply with the eligibility criteria as per these regulations and bye-laws of depositories. If approved and registered by SEBI, the DP can be admitted to the depository. The depository also has to formulate its own set of criteria for selection of DPs.

The depository is also required to ensure that sufficient safeguards are in place to protect the data available with it and with the DPs. To reduce risk in operations, the regulations stipulate that adequate insurance cover be provided by the depository and its DPs as well.

The regulations also require for reconciliation to be carried out on a daily basis. Further, the depository and the RTA are required to reconcile balances on a daily and a periodic basis.

Bye-laws of depositories

Section 26 of the Depositories Act, 1996 deals with the power of depositories to make bye-laws. A depository is required to frame its bye-laws with the prior approval of the SEBI, consistent with the provisions of the Act and the regulations made by the SEBI thereunder.

The SEBI has, however, the powers to direct the depository to amend or revoke any bye-laws already made, wherever it considers expedient to do so. If the depository fails or neglects to comply with the directions of the SEBI, it may make the bye-laws or amend or revoke the bye-laws on its own.

Contents of the bye-laws

As per sub-section 2 of Section 26 of the Act, the bye-laws of a depository would include:

- The eligibility criteria for admission and removal of securities in the depository.
- The conditions subject to which the securities shall be dealt with.
- The eligibility criteria for admission of any person as a DP.
- The manner and procedure for dematerialisation of securities.
- The procedure for transactions within the depository.
- The manner in which securities are to be dealt with or withdrawn from a depository.
- The procedure for ensuring safeguards to protect the interests of DPs and BOs.
- The conditions of admission into, and withdrawal from a DP by a BO.
- The procedure for conveying information to the DPs and BO on dividend declaration, shareholder meetings and other matters of interest to the BOs.
- The manner of distribution of dividends, interest and monetary benefits received from the company among BOs.
- The manner of creating pledge or hypothecation in respect of securities held with a depository.
- Inter-se rights and obligations among the depository, issuer, DP and BO.
- The manner and the periodicity of furnishing information to the SEBI, issuer and other persons.
- The procedure for resolving disputes involving depository, issuer company, or a BO.
- The procedure for proceeding against the DP committing breach of the regulations and provisions for suspension and expulsion of DPs from the depository and cancellation of agreements entered with the depository.
- The internal control standards including procedure for auditing, reviewing and monitoring.

Operating instructions and business rules of depository

Business rules/ Operating Instructions are also framed by the depositories and are an addition to the provisions of the Depositories Act, 1996, the SEBI Act, 1992, the SEBI (Depositories and Participants) Regulations, 2018 and the bye Laws of the depository. Business rules (read in conjunction with the bye Laws) shall be applicable to all the users of the depository, as well as the clients, to the extent specified therein.

Depositories have their own **'Operating Manual/Instructions'** document for DPs, issuers, and RTAs. The document specifies the working of the company, charges, and fees applicable for the various offerings and penalty structure for RTAs too.

Impact on pricing of services

The Depositories Act confers rights on depositories to frame their own bye-laws and business rules. The bye-laws are approved by the SEBI. While the bye-laws define the scope of the functioning of depositories and its business partners; the business rules outline the operational procedures to be followed by the depositories and its business partners. The business rules govern pricing of the depository services.

Owing to the multi-depository system in India, prices are not only competitive, but services rendered too are better in quality.

Key fees payable by DPs to depositories

Services		NSDL charges (₹)	CDSL charges (₹)
Entry fee at the time of submitting application		25,000/-	20,000/-
Settlement fee	Credit received in CM account from CC	1.0/- per instruction subject to minimum 1500/- and maximum 5000/- per quarter per CM account	500/- per month
	Inter-settlement transfers in the CM account(s)	5.0/- per debit instruction	
	Transfer from CM account to CM account of another clearing member	5.0/- per debit instruction	
Tariff for debit transaction		4/- per debit transaction	3.5/- per debit transaction
Creation of Pledge		25.0/- per instruction	12.0/- per instruction
Closing of pledge		0	12.0/- per instruction

Annual maintenance – Corporate accounts	500/- per corporate account per annum	500/- per corporate account per annum
Minimum fee to participants	8,000/- per month	8,000/- per month
CAS	0.75/- per transacted BO demat account for email CAS, 8.0/- per transacted BO demat account for physical CAS	0.5/- per transacted BO for E-CAS, 6.0/- per transacted BO for physical CAS

Source: Company tariff documents; Note: The list of charges above is not an exhaustive list

Key fees payable by issuers to depositories

Services		NSDL charges (₹)	CDSL charges (₹)
Joining fee	For listed companies	20,000/-	20,000/-
	For unlisted companies	15,000/-	15,000/-
Distribution of non-cash corporate benefits	Corporate action – for debit or credit to accounts	10.00/- per record, subject to minimum 1000/- per corporate action	10.00/- per record, subject to minimum 1000/- per corporate action
	Issue of commercial paper and short-term debt instruments	10,000/- for five instruments. Additional fee of 10,000/- for every additional five issues	10,000/- per annum for CPs issued in electronic form For CDs in electronic form 1000/- per allotment or 25,000/- for all issues in financial year
Appointment as a designated depository to facilitate listed company to monitor foreign investment limits	Companies in Nifty 500 or BSE 500 as on March 31st of previous financial year	25,000/- per annum	25,000/- per annum
	Other listed issuers	10,000/- per annum	10,000/- per annum

Source: Company tariff documents; Note: The list of charges above is not an exhaustive list.

Annual Custodial Fees

Annual custody/issuer charges are based on SEBI's circular dated December 9, 2015 and is applicable to both CDSL as well as NSDL. As per the SEBI, issuers must pay an annual custodial fee to the depositories at the rate of ₹ 11.00 per folio based on average number of folios, International Securities Identification Number (ISIN), during the previous financial year or the minimum amount.

This amount is subject to a minimum amount as mentioned in the table below (refer **'Nominal Value of Securities admitted (₹)'**). The average number of folios (ISIN positions) for an issuer is arrived at by dividing the total number of folios for the entire financial year by the total number of working days in the said financial year. However, temporary ISIN is not considered for the purpose of computing the annual charges.

Nominal value of securities admitted (₹)	Annual custodial fee payable by an issuer to each depository (₹) (*)
Upto 2.5 Cr (applicable only for issuer of unlisted shares)	5,000/-
Upto 5 Cr	9,000/-
Above 5 Cr and upto 10 Cr	22,500/-
Above 10 Cr and upto 20 Cr	45,000/-
Above 20 Cr	75,000/-

Source: SEBI and Company tariff documents
*Note: *plus taxes as applicable*

The presence of a multi depository system in India has resulted in a competitive scenario and helped in reducing the transaction charges for the investors. Although prices are planned by the depositories, the SEBI still has a right to govern and regulate them, as and when required. But at the same time this industry has a strong entry barrier as each of the current depositories are backed by large institutions i.e., CDSL by the BSE, SBI, Bank of India and some other banks and NSDL by IDBI, UTI and NSE.

6. Database Management Services

Insurance repository

The insurance regulator and development authority of India (IRDAI) is considering steps towards mandating electronic issuance and dematerialization of all insurance policies in electronic insurance account (e-IA) maintained by insurance repository (IR). Dematerialization will reduce the physical paperwork requirements, and the policies will be issued digitally and stored in an e-insurance account (e-IA). Dematerialization of insurance policies would allow a policyholder to create a portfolio of insurance policies and store them in an electronic form with an insurance repository. The e-IA would help policyholders get access to their policies (life and non-life) digitally and keep track of insurance policies under one platform.

Currently, four companies are performing the function of insurance repositories. These companies are:

- NSDL Database Management Limited
- CAMS Repository Services Limited
- Centrico Insurance Repository Limited
- KARVY Insurance Repository Limited

Insurance repositories perform an array of functions for policy holders who have been issued a policy in electronic form. These services to the policy holders are free of cost, convenient and secure and hence are more desirable for them. Even subscribers not holding an electronic policy can have an account with the insurance repository and opt for conversion of physical policy into electronic policy through the repository. The insurance repository provides basic policy related services free of costs to the subscribers. However, for premium services, it can offer extended services against fees. Examples of basic services include online policy maintenance and access, policy status updates, printing facility, annual statements in electronic form, mini statement, etc.

For the insurers, the basket of services are provided by the repositories such as issuance / servicing of policies to the insured against agreed fees help them focus better on the core business capabilities.

Benefits for policyholders

Convenience in policy servicing - Insurance repositories offer mechanism where all the details can be accessed online, and service requests can be raised. In addition, provision of timely alerts and updates across all the insurers are also provided. The number of service touch points are increased.

Ease of Usage – Policyholders do not face any hassle of storing the policy in physical form as the storage is done online. This helps save paper and eliminates storage risks.

Simplification of claims process – Policyholders can have a single view and details of all the policies with the repository. This makes the process of claims easier and more systematic.

Nominee Access – Policyholders can use Insurance Repository as a tool for enabling access of their insurance policies to policy nominees.

Benefits for insurers

Insurance service centres and online platform – Enables insurers to digitally interact with their customers and issue them electronic policies and address service requests. Reduces cost and overheads of physical channels as well as improve customer experience.

Business related activities – Repositories can assist insurers for managing business-related activities by using various technology solutions.

Renewal revenue management services – Insurers can use repositories services to facilitate the customers to pay the renewal premiums with ease.

Issuance of policies in electronic form

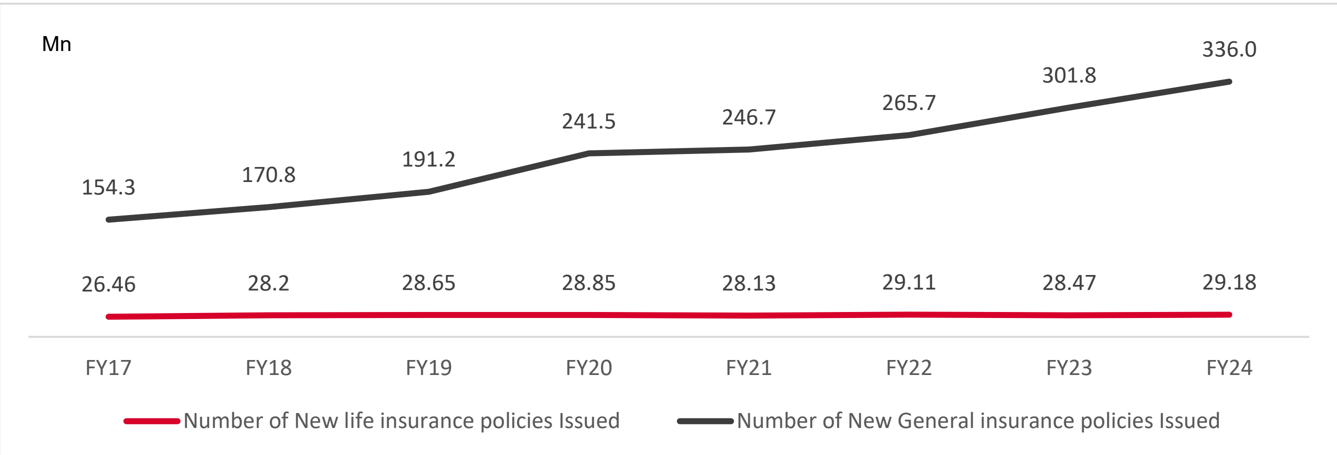
As per IRDAI's master circular on Protection of Policyholder's Interests, 2025, insurer on acceptance of the premium, will have to issue all insurance policies in electronic form.

IRDAI also permitted the players to offer discounts in the premium rates to policyholders for electronic insurance policies, in accordance with the rates filed under the product-approval guidelines. The reason for this was the lowered cost of e-insurance policy issuance, maintenance and handling as against a physical copy. However, a large part of policy holders demands a physical copy in addition to the electronic policy.

Revenue model

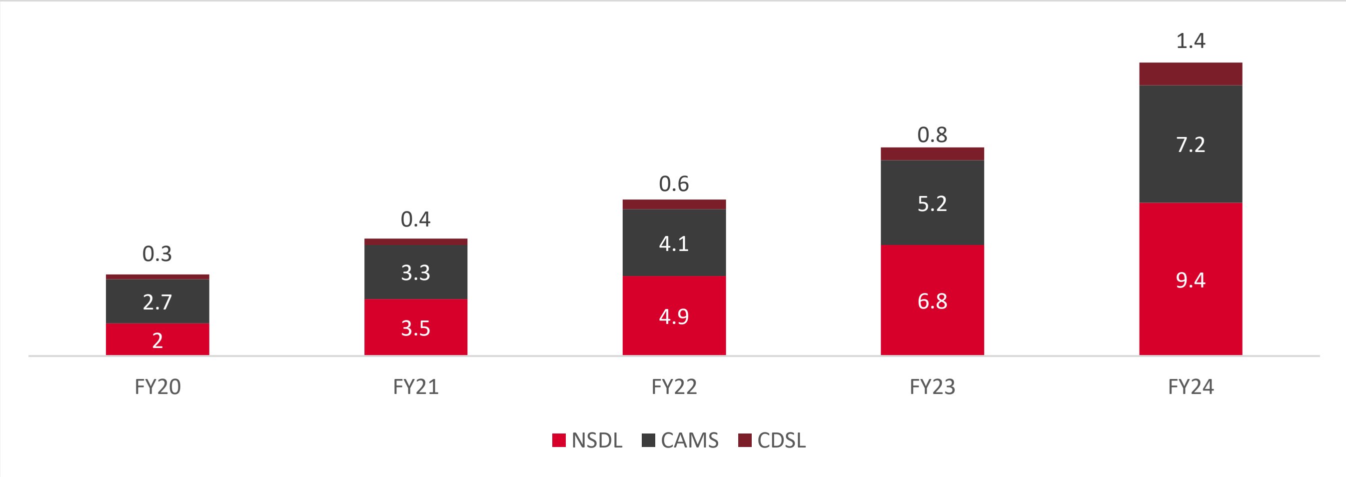
The system enables policy holders buy and keep insurance policies in electronic form and eliminate paper and associated risks. The repositories are paid directly by the insurers and policy holders are not charged. The revenue model of insurance repositories is based on both new policy issuance, existing policy conversion and annual maintenance charges to insurers.

Tremendous scope for repositories considering number of policies generated every year in India



Source: IRDAI, CRISIL Intelligence

Cumulative count of policies dematerialized (Mn)



Note: Data for Karvy Repository not available
Source: Company annual reports, CRISIL Intelligence

At end of Fiscal 24, nearly 18 million policies have been dematerialized, however, every year around 25 million to 30 million polices are generated by all life insurance companies. Therefore, there is a huge opportunity which is yet to be filled by insurance repositories.

KYC Registration Agency (KRA)

With a view to bring uniformity in the KYC requirements in the securities markets, SEBI has stipulated uniform KYC requirements to be adopted by all SEBI registered market intermediaries for their clients and has also issued the SEBI {KYC (Know Your Client) Registration Agency (KRA)}, Regulations, 2011. These Regulations create the framework for maintenance and inter-operability of KYC records amongst SEBI registered intermediaries.

KRAs are facilitating registration and maintenance of KYC records, inquiry of KYC status and download of KYC information to intermediaries through various interfaces including Application Programming Interface (API). KRAs work like a depository of KYC records and facilitates single point of updation and access for investors and intermediaries. Currently, there are five different KYC registration agencies in place to help the investors

- NSDL Database Management Limited (“NDML”)
- CAMS Investor Services Private Limited (“CISPL”)
- NSE Data & Analytics Limited (formerly Dotex International) (“NDAL”)
- Karvy Data Management Services Limited (“KDMSL”)
- CDSL Ventures Limited (“CVL”)

Maintenance of KYC of investors in KRA system is mandatory for SEBI registered intermediaries. The KRA system significantly reduces the efforts in repeated KYC process and also ensures consistency and market wide updation of KYC records. KRA system also provides an additional layer of check on the KYC data and documentation followed by intermediaries.

NDML KRA holds KYC records of more than 18.8 million investors as of Fiscal 2025. Growth of KYC records is closely linked to growth of investor participation in securities’ markets.

KYC User Agency

Authentication User Agency (AUA) is an entity engaged in providing Aadhaar Enabled Authentication Services to market intermediaries using Aadhaar based authentication. KYC User Agency (KUA) means a requesting entity which, in addition to being an AUA, uses e-KYC facility provided by the UIDAI (Unique Identification Authority of India) to facilitate Aadhaar based secure and online e-KYC of the Aadhaar holders. Aadhaar based e-KYC is one of the most convenient, secure and prevalent method for customers to establish their identity in an online manner and complete KYC requirements. There are several AUA, KUA companies which have received approval from UIDAI to facilitate the intermediaries to perform Aadhaar based e-KYC. NDML has also received approval from UIDAI to operate as a AUA and KUA.

Payment aggregator

India's digital payments industry has been growing rapidly. As discussed in the earlier section, between FY21 and FY25, the volume of digital payments transactions increased from 43.7 billion to 222.0 billion, growing at a CAGR of ~50%. During the same period, the value of digital transactions has increased from Rs. 1,414.6 trillion in FY21 to Rs 2,862.0 trillion in FY25 at a CAGR of 19.3% between the same period.

Payment aggregators (PAs) play an important role in facilitating digital payments transactions. PAs are entities that facilitate e-commerce sites and merchants to accept various payment instruments from the customers for completion of their payment obligations. As on 13th June 2025, the RBI has issued certificate of authorization to 55 entities to operate as Online Payment Aggregator in India. They are granted 'authorisation' under Section 7 of the Payment and Settlement Systems Act, 2007. NDML has been granted certificate of authorisation on May 22, 2024, to operate as an online payment aggregator. RBI has advised submission of System Audit Report (SAR) within specified time. All payment aggregators also have to comply with other requirements under the Guidelines and fulfil additional conditions, if any, stipulated by RBI.

NDML was appointed by Ministry of electronics and information Technology to serve and support government departments and bodies in providing online payment collection services from citizens for Govt. to citizen services. In March 2020, RBI had decided to bring the non-banking entities collecting online payments on behalf of the merchants to be regulated under Payment and Settlement System Act on Payment Aggregators. Accordingly, NDML complied with RBI guidelines for payment aggregators and has since been authorized to operate as a payment aggregator by RBI. NDML is further expanding its reach of operations from traditional e-Governance for government departments & ministries to Government run educational institutions, universities & colleges, urban local bodies, credit co-op societies, Insurance sectors & capital markets to support digital payments with its stack of technology enabled solutions. NDML also competes with other payment aggregators registered with RBI.

Registrar and Transfer Agents (RTAs)

SEBI guideline makes it mandatory to appoint Registrars to an issue (RTI) and Share transfer agent (STA), in relation to the management of public offer introduced by the body corporate in general public, and to service the shareholders. Registrar and transfer agents are agencies that record and maintain a complete record of investors & their transactions on behalf of the companies. RTAs also help the companies in ensuring compliance to various regulatory, legal provisions related to disclosures and investor services. RTAs also facilitate the companies to connect with depository system for servicing the investors through depository system.

Registrar to an issue – The registrar to an issue is responsible for collection of applications from investors with respect to an issue, proper maintenance of applications and assisting the corporate body in terms of determining the basis of allotment of securities, finalizing the list of persons entitled to allotment of securities, processing and dispatching allotment letters and executing other related documents in respect of the issue.

NDML is registered with SEBI as a Registrar & Transfer Agent and is supporting various issuers with depository connectivity and security holder record maintenance and servicing aspects.

Given the concentrated nature of this market, CRISIL Intelligence believes that there is a significant growth opportunity to further develop this business.

Accreditation Agency

The class of investors who understand various financial products and the risks returns associated with them and therefore, can take informed decisions regarding their investments, is recognized by many securities and financial market regulators around the globe. These investors are typically termed as Accredited Investors (AIs) or Qualified Investors or Professional Investors. Accredited Investors are capable of dealing in relatively riskier investment products due to their financial capacity, ability to absorb financial losses and understanding of financial products. They may either possibly be well advised due to their ability to hire expert managers/ advisors or be well informed with sufficient financial acumen. SEBI introduced the concept of Accredited Investors with a light-touch regulatory framework for the various securities market products and services envisaging that it may be beneficial to the Indian securities market.

Persons desirous of being reckoned as AIs need to approach an Accreditation Agency for accreditation. Accreditation Agencies are responsible for:

- verification of documents submitted by applicants for accreditation
- timely processing of applications for accreditation and issuance of accreditation certificate
- maintaining data of accredited investors
- verification of accreditation status
- maintaining confidentiality of investor information at all times
- any other responsibilities as may be specified by SEBI from time to time

To fulfil these responsibilities SEBI mandated that Accreditation agencies should have the requisite infrastructure including systems and manpower. Subsidiaries of recognized stock exchanges (with some conditions) and subsidiaries of depositories are eligible to carry out the accreditation process after making an application to the SEBI. Following are names of the companies which are Accreditation agencies in India which can provide Accredited status to investors:

- NSDL Database Management Limited

- CDSL Ventures Limited

The renewal of recognition of Accreditation agencies are subjected to their satisfactory performance. Approval of NDML as an accreditation agency has been renewed by SEBI in May 2025 till May 2028.

National Skills Registry

National Skills Registry (NSR) is a data depository project of NDML in association with nasscom, playing key role in the IT/ITeS industry in recruitment, background checks and employee engagement lifecycle. Many large companies in IT/ITeS industry have adopted NSR registration as a requirement for new employee onboarding. NSR as an industry model enables a good use case and framework for “Employer – Employee – Job Applicant – Background Checker” engagement, facilitate and strengthen recruitment and background check practices throughout the employee onboarding lifecycle.

Around 325 companies had been onboarded on NSR as “Subscriber” companies as of March 31, 2025. These companies participate in the NSR system by registering new employees as well as by accessing information of existing registered professionals. These companies add up to significant employee strength in the Indian IT / ITeS industry. At end of Fiscal 2025, 2.47 million knowledge professionals have registered on NSR and have IT Professional Identification Number (ITPIN). In Fiscal 2025, 0.09 million Knowledge Professionals joined NSR.

Registration Count (million)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY 25
Cumulative Registration count	1.6	1.74	1.88	1.95	2.21	2.33	2.38	2.47
NSR Registration Count	0.11	0.15	0.14	0.07	0.26	0.12	0.05	0.09

Source: Company websites, Annual Reports, CRISIL Intelligence

Digital customer onboarding platforms

Digital customer onboarding platforms facilitates online customer onboarding process primarily for financial services of intermediary companies. Such platforms facilitate these companies in opening of client accounts and perform client identification and verification by performing e-KYC. The platform supports various channels of horizontal and vertical integrations to support services such as verification of Email / Mobile / PAN / DigiLocker / Aadhaar XML / Bank verification / Video IPV / documents upload / KRA integration / e-Sign integration etc. Further, the platform can get integrated with various KRAs to provide KYC data of the client to the companies. The platforms could be evolved further with technological upgrades and systemic integrations to cater to custodians, mutual fund distributors, asset management companies, portfolio management solution providers and the banking industry. Increasing demand for financial services in India could represent increase in opportunity for companies providing digital customer onboarding services as KYC process is mandatory to avail almost all financial services. NDML has also developed a digital customer onboarding platform “Instigo” to assist brokers and depository participants with onboarding new customers.

SEZ Online

SEZ policy intends to make SEZs an engine for economic growth supported by quality infrastructure and administrative support with single window clearance. To install confidence in investors and signal the Government's commitment to a stable SEZ policy regime, the SEZ Act, 2005, supported by SEZ Rules, came into effect in February 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments.

On behalf of Ministry of Commerce and Industry, NDML has developed an integrated e-governance solution that facilitates the nationwide processing of transactions by SEZ developers, co-developers, and units with SEZ administration. It was introduced in 2010 and portal facilitates the establishment of SEZs, SEZ units and the submission and approval of multiple clearances. The system also supports online submission and approval of various customs related import, export declarations such as Bill of Entry / Shipping Bill which are subjected to online review and approval by Customs officers in SEZs. SEZ Online system is implemented across 250+ SEZs in the country.

Crisil Intelligence

7. Peer Comparison

In this section, CRISIL Intelligence has analysed the operational performance and key financial indicators of players providing Depository, Insurance Repository, KYC-Registration Authorities, RTAs, Skill registry and database management services, on a standalone basis, like National Securities Depository Limited (NSDL), Central Depository Services Limited (CDSL), NSDL National Insurance Repository (NIR), Centrico Insurance Repository Limited (CIRL) CAMS Insurance Repository Services Limited , KFin Technologies Limited (KFintech), MUFG Intime India Private Limited (Formerly Link Intime India Private Limited), CDSL Ventures Limited (CVL) and NSDL Database Management Limited (NDML).

Depository & Insurance Repository Segment

NSDL and CDSL are share depositories that handles most of the securities held and settled in dematerialized form in the Indian capital market. NSDL through its subsidiary National Insurance Repository (NIR), CDSL through its subsidiary Centrico Insurance Repository Limited and CAMS through its subsidiary CAMS Insurance repository services limited provides database services for insurance policies. Insurance Repository system, introduced by Insurance Regulatory and Development Authority of India (IRDAI), provides policyholders a facility to keep insurance policies in electronic form and to undertake changes, modifications and revisions in the insurance policy with speed and accuracy in order to bring about efficiency, transparency and cost reduction in the issuance and maintenance of insurance policies. In this segment we are comparing three players.

Registrar and Transfer Agents (RTA)

Registrar and Transfer Agents (RTA) are SEBI registered institutions associated with a company to maintain investors' records. The functions of the RTAs are to track and keep record of investors' transactions related to buying, redeeming, and switching in/out in mutual fund, bank mandate and updating personal information. RTAs are equipped with professional and skilled maintenance of investor and AMC data. In this segment we are comparing two players KFin Technologies Limited (KFintech) and MUFG Intime India Private Limited (Formerly Link Intime India Private Limited).

KYC Registration Authority (KRA):

KYC (Know Your Customer) Registration Authorities (KRA) act as repository of KYC data in the securities market and are responsible for storage, safeguard, and retrieval of KYC documentation as per requirement. With a vision to bring uniformity in the KYC requirements in the capital & security market, SEBI, in its circular dated Dec'2011, has mandated uniform KYC guidelines and requirements to be adopted by all SEBI registered market intermediaries for their clients. These regulations create and formalize structure for sharing of KYC records among SEBI registered intermediaries. NSDL Database Management Limited which is a subsidiary of NSDL is focused on Digitalization, Automation, Transformation & End-to-end Integration of businesses in the Financial Sector, e-Governance, Citizen Services & Industry Projects and provides KYC Registered Agency and is SEBI registered Registrar and Transfer Agents. CDSL Venture Limited is a subsidiary of CDSL which also act as KRA.

Financial performance of players (FY25)

Revenue from operations for players (in ₹ million) (FY25)

Segment	Players	FY20	FY21	FY22	FY23	FY24	FY25
Depository	National Securities Depository Limited	2,495.86	3,355.78	3,692.82	4,091.69	4,730.57	6,186.28
	Central Depository Services Limited	1,681.52	2,705.84	4,148.03	4,506.00	6,409.57	8,482.09
Insurance Repository	NSDL National Insurance Repository	22.01	21.96	23.28	48.33	56.46	46.93
	Centrico Insurance Repository Limited	4.47	3.57	3.53	5.09	7.14	NA
	CAMS Insurance Repository Services Limited	209.35	148.72	187.77	177.90	174.86	195.9
Registrar & Transfer agents	KFintech	4,405.76	4,717.90	6,247.09	6,964.50	8,108.27	10,554.99
	MUFG Intime India Private Limited (Formerly Link Intime India Private Limited)$	437.95	485.31	NA	NA	NA	NA
KYC Registration Agency#	CVL	557.60	719.00	1,349.31	1,029.46	1,696.56	NA
	NDML	705.60	685.90	927.49	728.63	765.18	823.10

Note: $Financial year is ending June 2019 and 2020, Above numbers are on a Standalone basis, NA= Not Available, Source: Company Reports, Crisil Intelligence. # The revenue represents the revenue of the entities and not specifically for KYC Registration business.

Financial performance for peers (FY25)

CDSL had the highest PAT margin of 46.93% in FY2025 followed by NSDL which had 43.97% of PAT margin on a standalone basis in the depository segment among the peer group for which data is available. In the insurance repository segment, CAMS Insurance Repository Services Limited had a negative PAT of (17.95%) in FY2025. In the Registrar & Transfer agents (RTA) business, Kfintech reported a PAT margin of 29.89% in FY25. In the KYC Registration Authority (KRA) business, NDML had PAT margin of 34.97% in FY2025

PAT margin - Profitability of Peers (FY25)

Segment	Players	FY20	FY21	FY22	FY23	FY24	FY25
Depository	National Securities Depository Limited	37.32 %	45.32 %	42.96 %	43.42 %	45.19 %	43.97 %
	Central Depository Services Limited	36.58 %	51.24 %	54.95 %	50.01 %	48.91 %	46.93 %
Insurance Repository	NSDL National Insurance Repository	(6.28 %)	(37.30 %)	32.39 %	34.65 %	25.91 %	3.09%
	Centrico Insurance Repository Limited	30.78 %	57.30 %	58.54 %	42.51 %	41.35 %	NA
	CAMS Insurance Repository Services Limited	(2.03 %)	11.15 %	20.65 %	6.91 %	3.25 %	(17.95 %)
Registrar & Transfer agents	KFintech	2.82%	(12.71 %)	24.15 %	27.51 %	29.40 %	29.89 %
	MUFG Intime India Private Limited (Formerly Link Intime India Private Limited)$	15.09 %	17.02 %	NA	NA	NA	NA
KYC Registration Agency	CVL	42.17 %	46.95 %	49.65 %	42.50 %	45.56 %	NA
	NDML	36.50 %	38.33 %	44.60 %	37.62 %	37.59 %	34.97 %

Note: $Financial year is ending June 2019 and 2020. Above numbers are on a Standalone basis, NA= Not Available, Source: Company Reports, CRISIL Intelligence

CDSL had the highest EBITDA margin of 64.41% in FY2025 followed by NSDL which had 60.62% of EBITDA margin on a standalone basis in the depository segment among the peer group for which data is available. EBITDA margin for CDSL saw high variation whereas for NSDL it was stable. .In the Registrar & Transfer agents (RTA) business, Kfintech reported EBTIDA margin of 46.11% in FY25. In the insurance repository segment, CAMS Insurance Repository Services Limited reported a negative EBITDA of (14.72%) in FY2025. In the KYC Registration Authority (KRA) business, NDML had an EBITDA margin of 51.00% in FY2025.

EBITDA margin of Players (FY25)

Segment	Players	FY20	FY21	FY22	FY23	FY24	FY25
Depository	National Securities Depository Limited	49.14%	60.13%	57.89%	58.11%	59.53%	60.62%
	Central Depository Services Limited	55.09%	68.41%	72.36%	66.23%	66.50%	64.41%
Insurance Repository	NSDL National Insurance Repository	6.89%	(22.05%)	39.06%	40.63%	39.06%	12.32%
	Centrico Insurance Repository Limited	75.80%	59.66%	53.34%	58.03%	48.20%	NA
	CAMS Insurance Repository Services Limited	24.95%	16.67%	30.35%	13.29%	4.63%	(14.72%)
Registrar & Transfer agents	KFintech	36.81%	44.96%	46.81%	43.93%	45.77%	46.11%
	MUFG Intime India Private Limited (Formerly Link Intime India Private Limited)$	27.49%	30.83%	NA	NA	NA	NA
KYC Registration Agency	CVL	58.44%	63.14%	66.25%	63.14%	58.44%	NA
	NDML	50.58%	53.05%	61.30%	54.26%	54.58%	51.00%

Note: $Financial year is ending June 2019 and 2020. Above numbers are on a Standalone basis, NA= Not Available; Source: Company Reports, CRISIL Intelligence

At end of fiscal 2025, NSDL saw a decline of employee cost as a % of revenue from operation to14.19% from 17.25% reported in the preceding year. Within the depository segment, CDSL had a relatively low employee cost of 11.99% in FY25 moving lower than 12.52% reported in FY24. Kfintech also saw a decline in the cost to 34.75% in FY25 as against 36.65% reported in the previous fiscal. In the Insurance Repository segment, CAMS Insurance Repository had relatively higher employee cost of 84.23% in FY25, a significant jump from 75.86% in FY24. NDML had a 26.03%of employee cost as a % of revenue from operations at the end of FY25.

Employee cost as a % of revenue from operations (FY25)

Segment	Players	Emp Cost as a % of Revenue					
		FY20	FY21	FY22	FY23	FY24	FY25
Depository	National Securities Depository Limited	23.00%	19.33%	18.71%	18.06%	17.25%	14.19%
	Central Depository Services Limited	23.77%	12.63%	9.90%	15.21%	12.52%	11.99%
Insurance Repository	NSDL National Insurance Repository	33.83%	68.95%	32.31%	31.98%	33.20%	42.14%
	Centrico Insurance Repository Limited	50.69%	130.39%	67.60%	49.06%	106.95%	NA
	CAMS Insurance Repository Services Limited	51.81%	62.02%	46.48%	60.76%	75.86%	84.23%
Registrar & Transfer agents	KFintech	42.54%	38.91%	36.01%	39.10%	36.65%	34.75%
	MUFG Intime India Private Limited (Formerly Link Intime India Private Limited)$	44.02%	42.83%	NA	NA	NA	NA
KYC Registration Agency	CVL	8.12%	6.12%	4.16%	8.66%	7.26%	NA
	NDML	14.06%	19.30%	17.31%	23.09%	23.96%	26.03%

Note: $Financial year is ending June 2019 and 2020. Above numbers are on a Standalone basis, NA= Not Available.
Source: Company Reports, CRISIL Intelligence

CDSL Ventures Limited (CVL) had the highest cumulative KYC records of 70.7 million in FY24 whereas NDML had 17.4 million KYC records in FY24 and 18.8 million KYC records in FY25. CVL had total of 2,734 registered intermediaries in FY24 from 2,140 in FY18 whereas NDML had grown to more than 1,550 registered intermediaries in FY24 from 1,195 in FY18.

Operational parameters for KRAs (FY25)

Particular		FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Cumulative KYC Record (millions)	NDML	8.3	9.2	10	11.6	14.6	16.3	17.4	18.8
	CVL	17.1	18.8	21.6	28.1	43	53.7	70.7	NA
Registered Intermediaries	NDML	1,195	1,299	1,339	1,395	More than 1,500	More than 1,550	More than 1,550	1,728
	CVL	2,140	2,598	2,266	2,767	2,097	2,671	2,734	NA

Source: Company websites, Annual Reports, CRISIL Intelligence

8. Payment Banks

Overview of Payment Bank Licence

In 2013, the RBI constituted a committee to study “Comprehensive Financial Services for Small Businesses & Low-Income households” headed by Dr. Nachiket Mor. The focus of the committee was to recommend innovative solutions to accelerate financial inclusion in unbanked and underbanked section of the society in a cost-effective way. The committee recommended setting up of a specialized bank (“Payments Bank”) to cater to the low-income groups. The draft guidelines for setting up Payments Bank were issued by the RBI in July 2014, and comments were sought from various participants by August 2014. Finally, the RBI has released the final guidelines for licensing of Payments Bank in November 2014. The guidelines were announced with aim to create a banking entity which is adequately capitalised, financially inclusive and has a competitive business model.

Guidelines for Payments Bank Licence

Parameters	Guidelines
Objective	• Widening the spread of payment services and deposit products to small businesses, low-income households, migrant labour workers and other unorganized entities by enabling high volume low value transactions in deposits and payments/remittance services in a secured technology-driven environment.
Eligible Promoters	• The eligible entities which can set up a payment bank include an existing non-bank, prepaid instrument issuers (PPI) & other entities such as individuals / professionals; Non-Banking Finance Companies (NBFCs), corporate BCs, mobile telephone companies, super-market chains, companies, real sector cooperatives; that are owned and controlled by residents; and public sector entities. • The promoter/promoter group can also enter into a joint venture with an existing scheduled commercial bank to set up a payment bank. If the promoter succeeds in obtaining a payment’s bank licence, it would be required to set up the payment bank under a separate structure unless it is an existing PPI licence holder opting for conversion into a payments bank.
Scope of activities	• The payments bank shall confine its activities to further the objectives for which it is set up. Therefore, the payments bank is permitted to set up its own outlets such as branches, Automated Teller Machines (ATMs), Business Correspondents (BCs), etc. to undertake only certain restricted activities permitted to banks under the Banking Regulation Act, 1949. • The payment banks can accept demand deposits (Non-NRI deposit), issue ATM/ debit cards/PPIs, offer remittance services (incl. cross-border remittances) and internet banking services, act as a BC for another bank and undertake non-risk sharing simple financial services activities not requiring any fund commitment, such as distribution of MFs, insurance products,

	pension products, etc. and undertake utility bill payments. • Given that the primary role of payments bank is to provide payments and remittance services and demand deposit products to small businesses and low-income households, payments banks are restricted to holding a maximum balance of ₹ 100,000 per individual customer. On 7th April 2021, the limit was further increased to ₹ 200,000 per individual customer.
Deployment of Funds	• The payments bank cannot undertake lending activities. Apart from amounts maintained as Cash Reserve Ratio (CRR) with RBI on its outside demand and time liabilities, it will be required to invest minimum 75 per cent of its "demand deposit balances" in Government securities/Treasury Bills with maturity up to one year that are recognized by RBI as eligible securities for maintenance of Statutory Liquidity Ratio (SLR) and hold maximum 25 per cent in current and time / fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.
Capital Requirement	• The minimum paid-up equity capital of the payments bank shall be ₹ 1 Bn. The payments bank shall be required to maintain a minimum capital adequacy ratio of 15 per cent of its risk weighted assets (RWA) on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time. Tier I capital should be at least 7.5 per cent of RWAs. Tier II capital should be limited to a maximum of 100 per cent of total Tier I capital.
Promoter Contribution	• When the payments bank reaches the net worth of ₹5 Bn, and therefore becomes systemically important, diversified ownership and listing will be mandatory within three years of reaching that net worth. • The promoter's minimum initial contribution to the paid-up equity capital shall be at least 40% for the first 5 years.
Foreign Shareholding	• Foreign shareholding has been allowed up to 74% (automatic route up to 49% of the paid-up capital and approval route beyond that till 74%) • At all times, at least 26 per cent of the paid-up capital will have to be held by residents. In the case of Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs), individual FII / FPI holding is restricted to below 10 per cent of the total paid-up capital, aggregate limit for all FIIs /FPIs / Qualified Foreign Investors (QFIs) cannot exceed 24 per cent of the total paid-up capital, which can be raised to 49 per cent of the total paid-up capital by the bank concerned through a resolution by its Board of Directors followed by a special resolution to that effect by its General Body. • In the case of NRIs, the individual holding is restricted to 5 per cent of the total paid-up capital both on repatriation and non-repatriation basis and aggregate limit cannot exceed 10 per cent of the total paid-up capital both on repatriation and non-

	repatriation basis. However, Non-Resident Indian (NRI) holding can be allowed up to 24 per cent of the total paid-up capital both on repatriation and non-repatriation basis provided the banking company passes a special resolution to that effect in the General Body.
Other Conditions	• At least 25% of a Payments Bank's physical access points (own or others' network; not branches) have to be in rural centres

Source: RBI, CRISIL Intelligence

In August 2015, the RBI gave "in-principle" licences to eleven payment banks. These new banks were expected to accelerate financial inclusion in India. However, of the 11 in-principle payment licensees, three withdrew their application subsequently. Aditya Birla Idea Payments Bank also closed their operations in September 2019.

The payments bank which are currently operational include Airtel Payments Bank, India Post Payment Bank (IPPB), Fino Payments Bank, PayTM Payments Bank, NSDL Payments Bank and Jio Payments Bank. PayTM Payments Bank was issued a directive by RBI on January 31, 2024, to restrict accepting new deposits or allowing credit transactions after March 5, 2024. However, there was no restriction placed on withdrawal of deposits.

Payments Bank in India

Name of the Payments Bank	Year of Incorporation	Year of Commencement of Operation
Airtel Payments Bank	November 2016	November 2016
Fino Payments Bank	April 2017	June 2017
PayTM Payments Bank	November 2017	November 2017
Jio Payments Bank	November 2016	April 2018
India Post Payments Bank	September 2018	September 2018
NSDL Payments Bank	August 2016	October 2018

Source: Company Website, CRISIL Intelligence

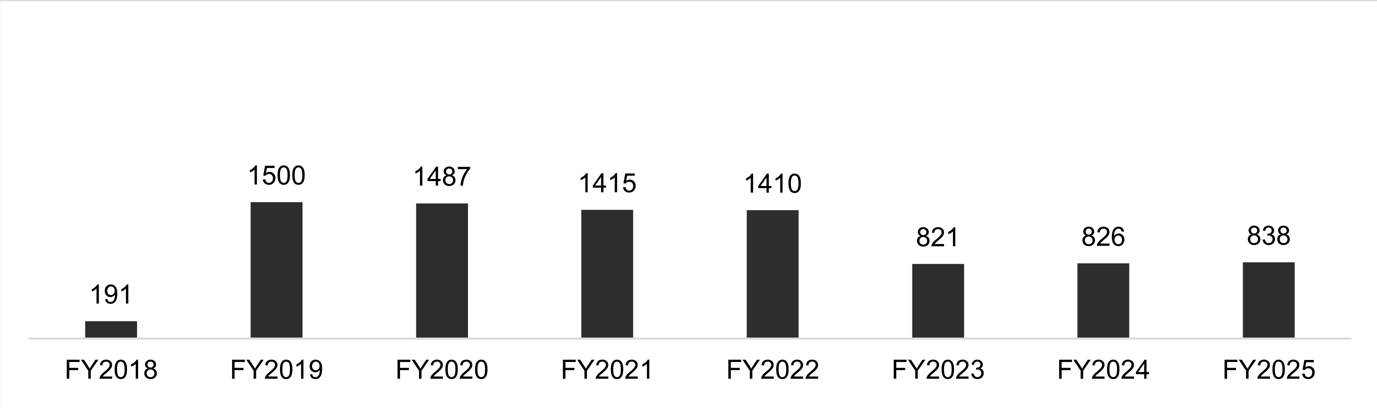
As per the guidelines for on-tap licensing of small finance banks (SFB) in the private sector, released in December 2019, payments banks can also apply for conversion into SFB after five years of operations, if they are eligible otherwise based on the guidelines.

Payment Banks have led to proliferation of non-branch type touchpoints

After granting of Payment Bank licence, it is seen that, true to the form, the payment banks have set up a vast network of touchpoints by leveraging established nature of some of their parent network and through collaboration. This extensive alternative banking channel has brought about a paradigm shift in the way people used to avail banking services. Now, the customers need not travel long to go to a traditional bank branch, instead, they can visit the local banking touchpoint at their convenience and avail assisted digital banking services such as new account opening, deposit, withdrawal, money transfer and utility bill payments.

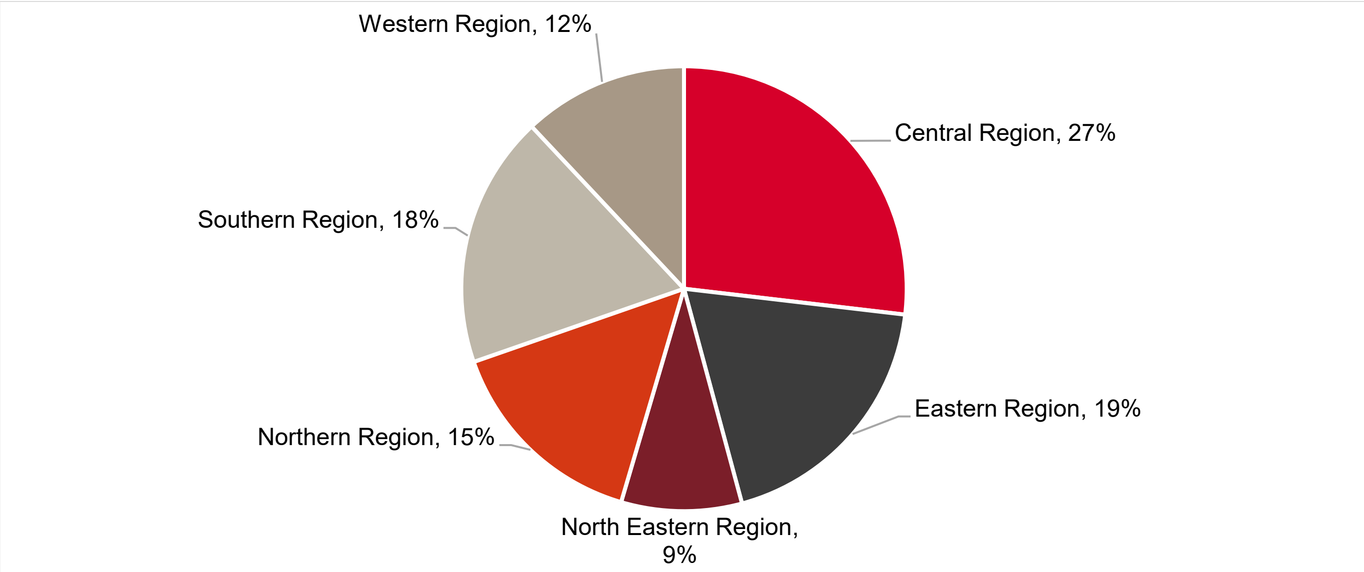
For instance, NSDL Payments Bank has partnered with 50 plus corporate BCs to offer digital banking services, thus ensuring quick rollout across the country. Fino Payments Bank has widened its network through collaboration and partnerships with Bharat Petroleum to use their outlets as digital banking points. Airtel Payments Bank, on the other hand, has leveraged its parent's network of retailers and Kirana shops and India Post Payment Bank has enabled the post offices in India to provide payment banks services.

Functioning offices of payments banks in India as at end of FY25



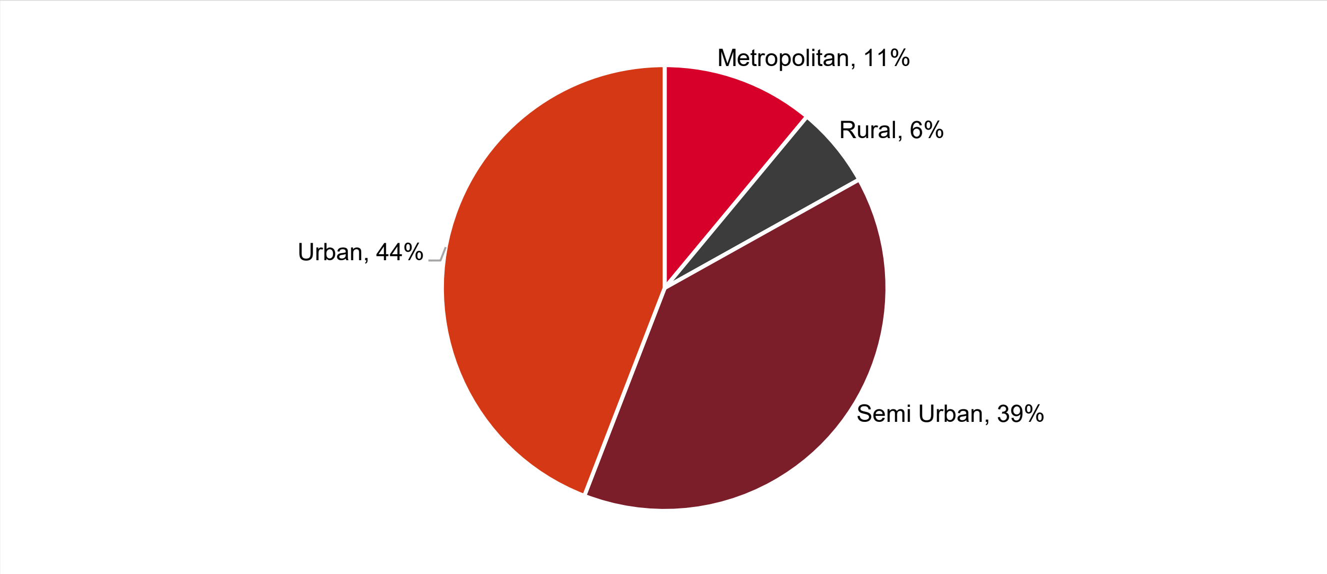
Note: Data includes only functioning offices and no banking touchpoints; Source: RBI, CRISIL Intelligence

Region-wide distribution of the offices of payments bank (FY25)



Note: Data includes only functioning offices and no banking touchpoints; Source: RBI, CRISIL Intelligence

Population group wise distribution of payments bank offices (FY25)



Note: Data includes only functioning offices and no banking touchpoints; Source: RBI, CRISIL Intelligence

Rural areas have the least presence of payments bank functioning offices, whereas urban areas have the highest number of functioning offices as of FY25. However, CRISIL believes that with the relatively under penetration in rural centres and increased focus of government towards financial inclusion, the functioning offices of payments bank is likely to witness growth in rural areas.

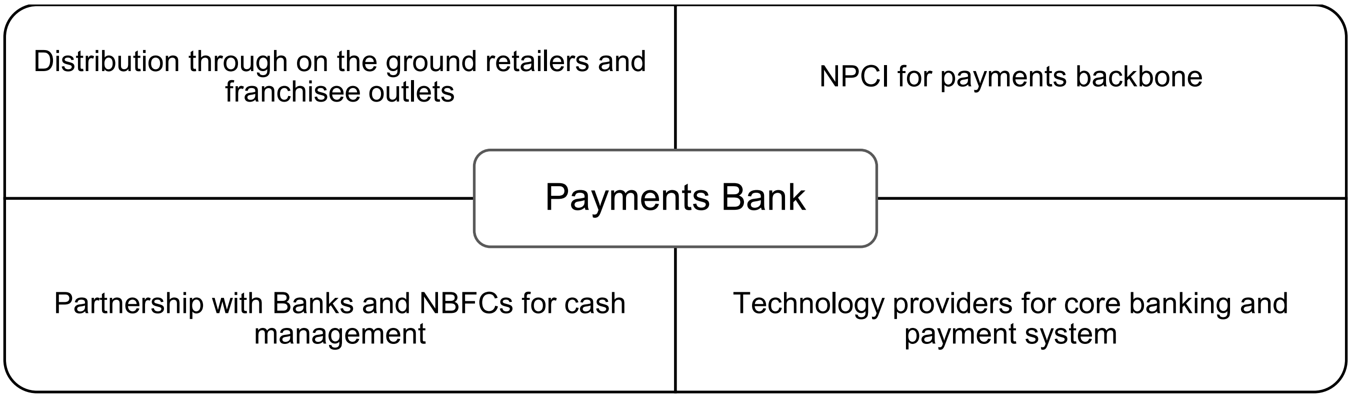
In the current scenario, these functioning offices form a very small proportion of total number of touchpoints of payments banks, as they leverage on their vast network of merchants and doorstep service providers to provide banking and related services in the last mile. For instance, NSDL Payments Bank had 1.0 million active touchpoints of March 2024 while the Paytm Payments bank had 21 million touchpoints across India as of FY21 as per latest available data. India Post Payments Bank had a network of 0.16 million access points and its doorstep bankers who provide financial service to the customer at the end of fiscal 2024. Airtel Payments Bank, which is the only payments bank with a mobile network operator (MNO) parent had approximately 0.5 million banking touchpoints, leveraging on its parent's existing network of retailers who provide mobile connections and recharges at their shop. These touchpoints have enabled payments bank to garner an increasing share of the deposits pie.

NSDL Payments Bank is looking to increase additional CASA accounts through its BC channels and via Owned banking channel, to get scale up account opening and in turn cross sell other banking products. It is also working towards expanding its network of customer service points, enrolling new business partners across the nation, and increasing the breadth of its banking products and services to reach and cater to a larger set of customers.

The Payment Banks Ecosystem

To build a comprehensive suite of low-cost banking and payment services for the huge customer base, payment banks collaborate with multiple partners across distribution networks, the national payment infrastructure, technology providers and banking and payment providers. Payment banks rely heavily on the use of various interoperable platforms through services enabled by NPCI for facilitation of digital transactions.

India's Payment Banks Ecosystem



Source: CRISIL Intelligence

To summarise, payment banks leverage distribution, technology and partnerships to maximise their outreach and effectiveness as it allows them to go Phygital i.e., have a mix of physical outlets via merchant networks and partnerships combined with digital platform enabled solutions/offerings at these merchants. This operating model allows potential customers with a choice of availing financial services with assistance from agents at the banking outlet/touchpoints or availing self-service through the mobile banking application.

Payment banks’ make use of the phygital model in rural areas

Banking transactions are largely a trust affair, and therefore, banks have traditionally relied upon a physical branch along with digital presence to be able to build trust with customers. However, physical models have not worked in rural banking due to high costs, while India’s rural customers are not ready to go completely digital financially. Hence, the banks are relying upon the phygital model (also known as an assisted-digital model) – a combination of digital channel and human touch at the front end to assist customers – to address the pain points of a rural customer – limited accessibility, financial and digital literacy.

Some of the key advantages of using phygital model include:

1. **Digitization of customer cash:** Cash transaction is the primary reason for account dormancy in rural India. The local banks and other financial institutions, through their Phygital model could digitize customer income and expenses, which could drive account primacy and encourage banking behaviour.
2. **Phygitisation of local merchants:** The financial institutions could leverage the local merchant or kirana stores as a trust point, where the customer will get assistance in adopting digital mode of using financial services i.e. helping the customer in downloading the application, checking their balances and making a fund transfer. The familiarity of the merchant and the handholding will boost customer confidence of being able to manage such transaction on their own. The financial institutions can later elevate these local merchants to the status of a banker, thereby establishing their touchpoint and trust-point in a scalable and cost-effective manner.

The phygital model thus has created new value propositions and helped companies respond with far greater efficiency. Going forward, this model of operation is expected to build organizational resilience through more anytime, anywhere touchpoints and increase opportunities for mutually beneficial partnerships with various stakeholders.

However, not all payments banks operate in the rural and semi-urban regions, indicating variations in their business model and target customer segments. For instance, NSDL Payments Bank has a stronger focus on large cities and urban areas and primarily operates through digital channels. On the other hand, Fino Payments Bank uses the phygital model (assisted digital model) to drive business through scale in the rural and semi-urban regions.

Customer segment and products of Payments Banks

Payment banks generally focus on four key customer segments – unbanked, underbanked, small size businesses and youth in semi-urban areas through differentiated value propositions. During the start of their operations, the primary channel for payment banks is usually agents, who help their customers in understanding the digital models and gradually shift them to a self-service digital channel to avail banking services using a mobile application.

Customer segment & value proposition of payment banks

Customer segment	Unbanked	Underbanked	Small Size Business	Youth in Semi-urban regions
Target customers	Low-income individual, domestic workers and migrant workers	Low-income individual, domestic workers and migrant workers	Mobile network operator agents, small merchants and Kirana stores, Agri-traders & small service providers	Youth, students who are well acquainted with mobile wallets
Products	Savings A/c & Mobile wallets, Loan disbursements through tie-ups with Banks and NBFCs and distribution of Insurance & investment products	Savings A/c & Mobile wallets, Loan disbursements through tie-ups with Banks and NBFCs and distribution of Insurance & investment products	Savings A/c, Current A/c, Loan disbursements through tie-ups with Banks and NBFC and distribution of insurance & investment products	Mobile wallets, CASA
Transaction type	Domestic money remittance, Cash-in and Cash-out, Bill payments	Domestic money remittance, Cash-in and Cash-out, Bill payments	Cash-in and Cash-out, Bill payments, Money Transfers	Digital transactions through wallet
Primary Channel	Agents are primary touch points	Agents are primary touch points	Agents, Self-service	Self-service

Source: CRISIL Intelligence

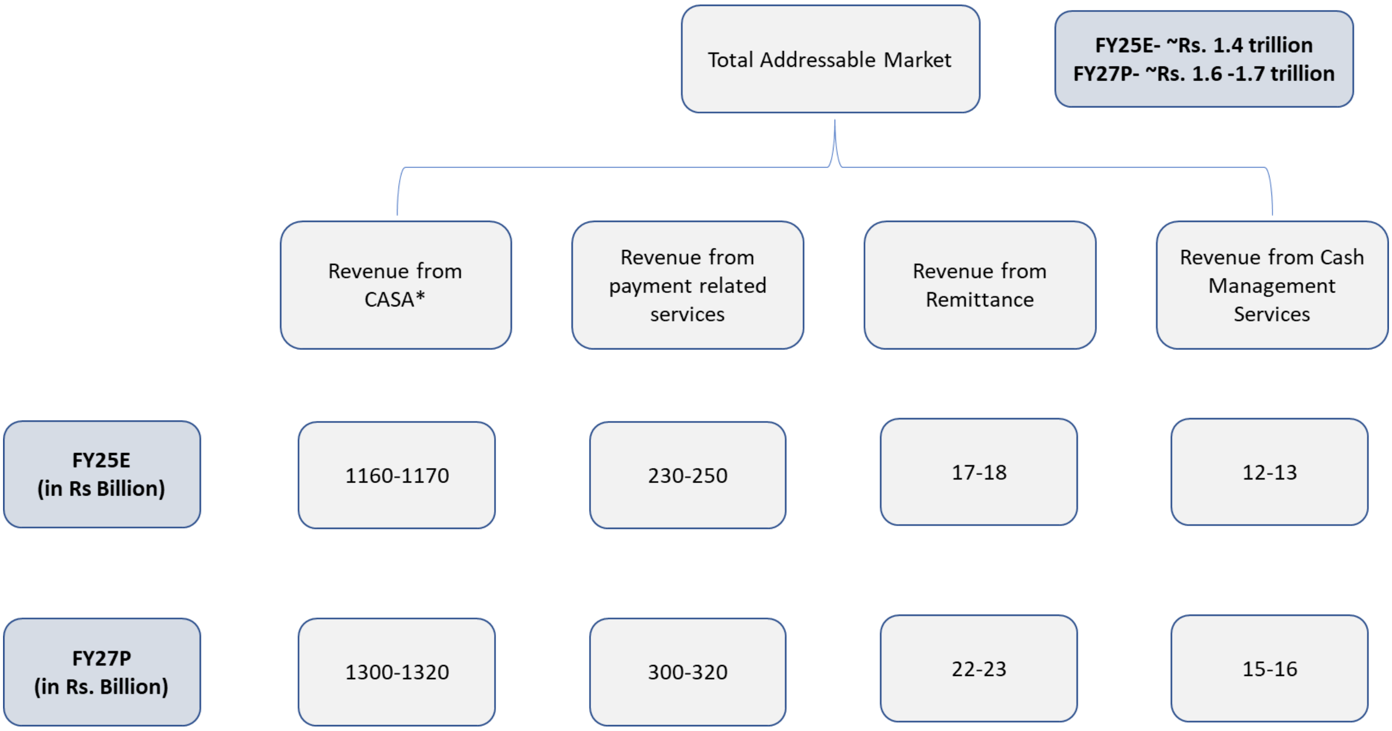
Apart from the payments bank, there are other players who provide similar services such as cash-in cash out, remittance services, ticket bookings, recharges and bill payments.

Addressable market (revenue from CASA for rural & semi urban region, payment services, remittance and cash collection and management) expected to grow at 7-8% CAGR between FY25 and FY27

Addressable market refers to the potential revenue pool available for an entity focused on providing CASA deposit accounts in rural and semi-urban areas and the entire range of payment and remittances-related services across urban, semi-urban and rural areas. CRISIL Intelligence estimates the addressable market to be approximately ₹ 1.4

trillion in Fiscal 2025. We project this market to grow at a CAGR of 7-8% over the next few years to reach ₹ 1.6 - 1.7 trillion by Fiscal 2027, largely driven by strong growth in the payments space due to technology and changing consumer behavior.

Total addressable market is estimated to be at ₹ 1.4 trillion in Fiscal 2025



Note: E: Estimated. P: Projected; Revenue from CASA is for rural and semi-urban regions Source: RBI, Company Reports, Company Website, CRISIL Intelligence estimates*

Deposits for payment banks grew by ~55% year on year in Fiscal 2025

Deposits collected by payments banks grew by 55% in Fiscal 2025. Cumulatively, the quantum of deposits rose from ₹ 25.7 billion as at the end of FY19 to reach ₹ 250.5 billion as of FY25.

In the last three financial years (FY22 to FY25), the payments business (considering only UPI and IMPS) has grown over a 278% in terms of the number of transactions processed and more than 163% in terms of transactions value.

During FY2021-24, payment banks witnessed a 26% CAGR growth in revenues. Their operational expenses also increased by 17% over the last three fiscals owing to expansion in banking touchpoints, which has increased the aggregate consolidated losses of payment banks. In aggregate, the six payment banks made net losses to the tune of ₹ 0.58 billion at end of FY24.

Payment's bank focusing on increasing volumes, touch points with customers and cross sell to turn profitable

While payment banks in India cumulatively are not profitable, PayTM Payments Bank, Airtel Payments Bank Fino Payments Bank, NSDL Payments Bank and India Post Payments Bank are having profitable operations. Payment banks are leveraging their strength to reach out to their core customer base, enhance volumes and turn profitable.

They have been launching new products to provide a bouquet of products and services to their customers under the payment banks umbrella and ensure stickiness.

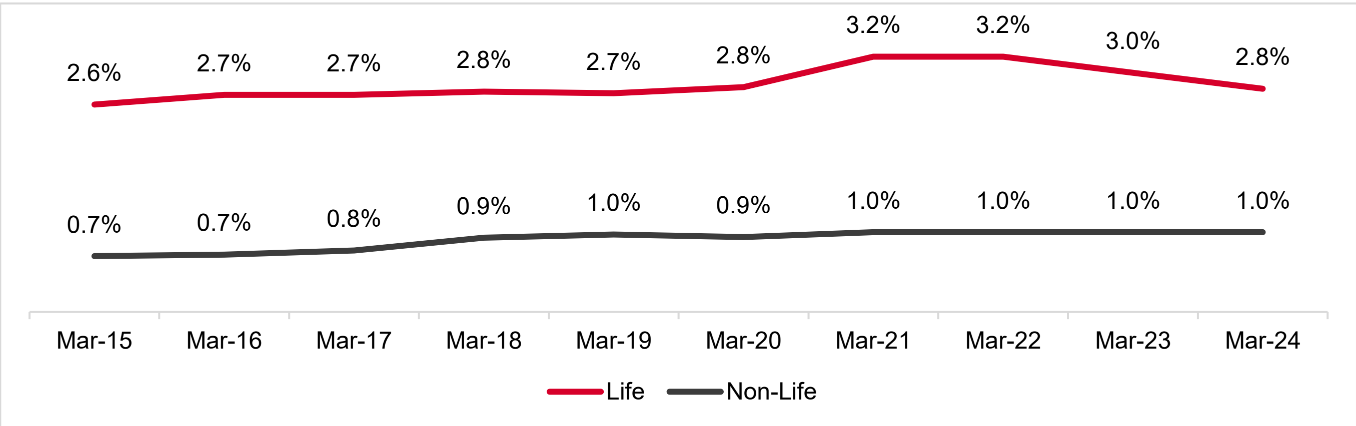
For instance, IPPB, due to its massive distribution network has set up a full suite of banking services and launched its new digital payments app “DakPay” to cater to the financial needs of various sections of the society – be it sending money or making payments enabling cashless ecosystem using a virtual debit card. The DakPay service is aimed at providing not only banking services, but also postal financial services at doorstep, through the postman of Indian Post. Apart from this, IPPB is also focusing on pan India government to customer (G2C) payments, especially rural direct benefit transfers.

Fino Payments Bank is also looking to utilise its massive network to reach out to customers and has enabled microcredit and gold loans on behalf of various banking partners. It has also leveraged its strong capability to manage bulk and retail cash on behalf of various MFIs and NBFCs, which has increased its cash management business.

Airtel Payments Bank has been leveraging its network of retailers to cross sell financial products. It has also entered a partnership with Mastercard to develop customised financing products for farmers and MSMEs in India. One such product is a digital platform to educate farmers on advance farming methods and provide them with means to connect to the marketplace, while enabling them to receive payments directly in their Airtel Payments Bank account.

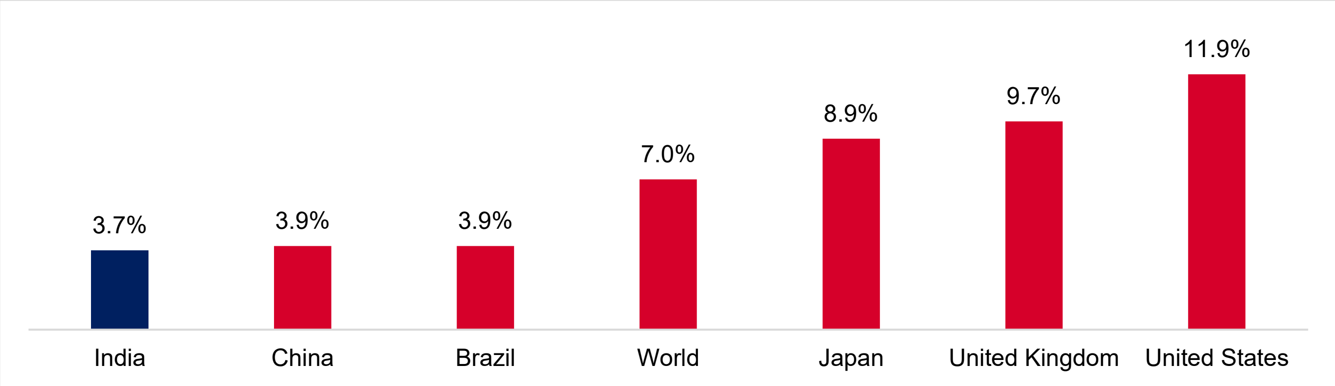
With credit penetration (share of total credit outstanding is about 9% in rural areas, 14% in semi-urban and 77% in urban areas as of March 31, 2025) as well as the penetration of insurance and mutual funds still at a very low level, cross sell to retail unserved and/or underserved customers remains an attractive opportunity for payment banks. For example, although mutual fund penetration (mutual fund AUM as a percentage of GDP) has grown to ~19.9% in Q3 CY2024, penetration levels remain well below those in other developed markets, which presents an opportunity for payments banks to cross sell investment products to customers in rural and semi-urban areas.

Lower insurance penetration presents headroom for growth of insurance products



Note: Insurance penetration is measured as ratio of premium to GDP
Source: IRDA, Swiss Re Sigma, CRISIL Intelligence

Insurance penetration in India is low compared to other countries (CY2023)

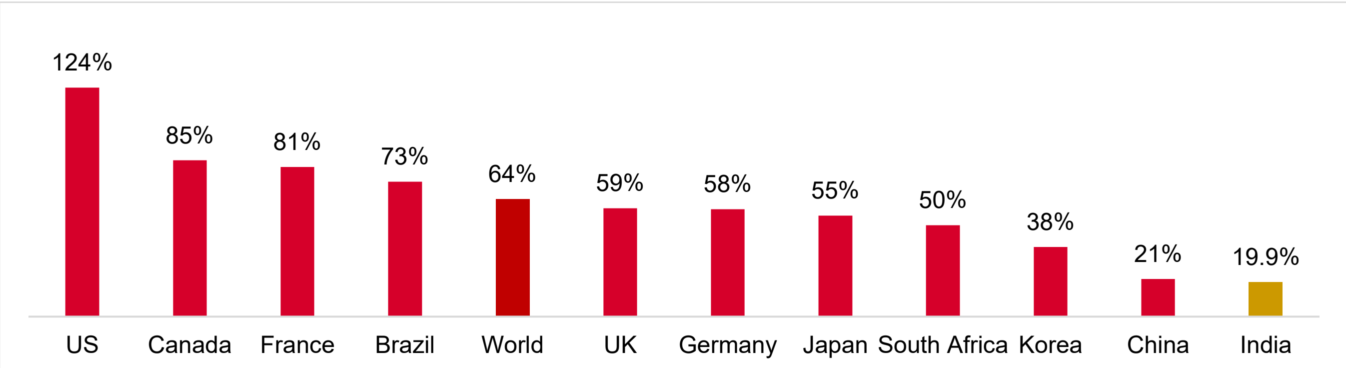


Note: Insurance penetration is measured as ratio of premium to GDP
Source: Swiss Re, IRDA, CRISIL Intelligence

Mutual fund penetration in India is lower as compared to other countries

In terms of Mutual fund penetration and its comparison with global peers, India still has long way to go as its mutual fund penetration is currently at 19.9% as of fiscal 2025.

Mutual Fund penetration (MF AUM as a % of GDP) in India versus global markets (Q3 CY2024)



Note: AUM data as of September 2024 for all countries; only open-ended funds have been considered. Includes, equity, debt and others, GDP taken from IMF (Gross Domestic Product at current prices). Penetration calculated as Mutual Fund AUM divided by GDP, For India the value is calculated as Mutual Fund AUM to GDP (at current prices).

Source: IMF, IIFA, RBI, AMFI, CRISIL Intelligence

9. Peer Comparison of Payments Banks

NSDL Payments Bank (NPBL) faces close competition from other payments banks such as Fino Payments Bank, PayTM Payments Bank, Airtel Payments Bank, India Post Payments Bank and Jio Payments Bank on parameters such as customer penetration capabilities, efficiency of service provision, technology-integration and satisfactory customer support services. In this section, we have compared these payments banks operating in India based on publicly available information.

Peer comparison (FY2025)

Players	Customer Deposits (in ₹ Billion)	Net worth (in ₹ Billion)	CRAR (%)	Branches*
Airtel Payments Bank	34.18	6.45	38.0%	28
Fino Payments Bank	19.39	7.19	80.5%	152
India Post Payments Bank	193.45	15.39	49.2%	650
Jio Payments Bank	NA	NA	NA	4
NSDL Payments Bank	**1.79**	**1.48**	142.5%	2
PayTM Payments Bank	NA	NA	NA	3

*Note: * Functioning offices data as of March 2025 basis RBI data, Table is arranged based in alphabetical order.*
Source: Company Website, Company Reports, RBI, CRISIL Intelligence

Operational performance of payments banks

The tables below show the transaction done using cards issued by payments bank at ATMs, POS and Online (e-com).

Volume and Value of transactions and card issued (FY25)

Players	Debit cards outstanding (In million)	Value of transaction at ATM & POS (In ₹ million)	Volume of transaction at ATM &POS (In million)
Airtel Payments Bank	6.02	17,476.98	5.87
Fino Payments Bank	10.33	92,569.75	28.31
India Post Payments Bank	24.56	1,087.17	3.87
Jio Payments Bank	0.56	1,909.96	0.65
NSDL Payments Bank	0.69	10,698.48	5.07
PayTM Payments Bank	30.60	29.73	0.03

Note: Data for value and volume of transactions includes transaction done through both ATM & POS; Table is arranged based in alphabetical order.
Source: RBI, CRISIL Intelligence

Volume and Value of transactions and card issued (FY24)

Players	Debit cards outstanding (In million)	Value of transaction at ATM & POS (In ₹ million)	Volume of transaction at ATM &POS (In million)
Airtel Payments Bank	2.03	6,932.40	3.43
Fino Payments Bank	9.08	88,802.34	28.02
India Post Payments Bank	15.41	2,467.60	4.79
Jio Payments Bank	0.0001	0.05	0.00
NSDL Payments Bank	0.91	890.50	0.55
PayTM Payments Bank	32.30	80,174.71	26.04

Note: Data for value and volume of transactions includes transaction done through both ATM & POS; Table is arranged based in alphabetical order.
Source: RBI, CRISIL Intelligence

Volume and Value of transactions and card issued (FY23)

Players	Debit cards outstanding (In million)	Value of transaction at ATM & POS (In ₹ million)	Volume of transaction at ATM &POS (In million)
Airtel Payments Bank	4.16	2,340.00	2.92
Fino Payments Bank	6.63	70,230.00	23.54
India Post Payments Bank	9.72	3,710.00	4.74
Jio Payments Bank	-	-	-
NSDL Payments Bank	0.53	380.00	0.41
PayTM Payments Bank	37.95	1,15,870.00	46.88

Note: Data for value and volume of transactions includes transaction done through both ATM & POS; Table is arranged based in alphabetical order.
Source: RBI, CRISIL Intelligence

Volume and Value of transactions and card issued (FY22)

Players	Debit cards outstanding (In million)	Value of transaction at ATM & POS (In ₹ million)	Volume of transaction at ATM &POS (In million)
Airtel Payments Bank	1.96	3,113.40	3.70
Fino Payments Bank	4.42	36,273.87	13.35
India Post Payments Bank	4.79	2,501.06	4.32
Jio Payments Bank	-	-	-
NSDL Payments Bank	0.33	208.67	0.27
PayTM Payments Bank	36.62	1,16,054.54	53.59

Note: Data for value and volume of transactions includes transaction done through both ATM & POS in fiscal 2022; Table is arranged based in alphabetical order.
Source: RBI, CRISIL Intelligence

Volume and Value of transactions and card issued (FY21)

Players	Debit cards outstanding (In million)	Value of transaction at ATM & POS (In ₹ million)	Volume of transaction at ATM &POS (In million)
Airtel Payments Bank	1.73	2,698.37	4.47
Fino Payments Bank	2.27	17,122.16	6.92
India Post Payments Bank	1.11	374.38	0.70
Jio Payments Bank	-	-	-
NSDL Payments Bank	0.14	127.12	0.21
PayTM Payments Bank	63.78	84,533.42	46.06

Note: Data for value and volume of transactions includes transaction done through both ATM & POS; Table is arranged based in alphabetical order
Source: RBI, CRISIL Intelligence

Payment Infrastructure for Payment Banks

As of March, 2025, NPBL was second in India in terms of deployment of micro-ATM devices in banking industry having deployed more than 3,07,200 across India, whereas Fino Payments Bank has the highest number of M-ATM deployments (4,52,778). Moreover, NPBL’s AePS ranked second in India as an acquiring bank in terms of AePS transaction value for January 2025. As on March 31, 2025, NPBL ranked 42nd UPI remitter and 35th UPI beneficiary in the UPI ecosystem.

Bank Name	Number – Outstanding (as of March 2025)
	Micro ATMs
Airtel Payments Bank	1,48,211
Fino Payments Bank	4,52,778
India Post Payments Bank	1,93,051
Jio Payments Bank	-
NSDL Payments Bank	3,07,247
PayTM Payments Bank	-

Note: Table is arranged based in alphabetical order
Source: RBI, CRISIL Intelligence

Product mix of various payments banks

The table below details the products and services being offered by various payment banks in India. Apart from the offering a suite of products and services to customers in the hinterland, payment banks also act as a correspondent for partner banks and enables digital financial transactions for customers at the bottom of the pyramid on behalf of various banking partners.

PayTM Payments Bank was issued a directive by RBI on January 31, 2024, to restrict accepting new deposits or allowing credit transactions after March 5, 2024. However, there was no restriction placed on withdrawal of deposits.

Product wise comparison

Products	Fino Payments Bank	Airtel Payments Bank	India Post Payments Bank	PayTM Payments Bank	NSDL Payments Bank
Savings & Current A/C	✓	✓	✓	✓*	✓
Sweep Account Facility	✓	✓	✓	✓	✓
Mobile Wallet	✓	✓	✗	✓	✗
Debit Card	✓	✓	✓	✓	✓
Payments	✓	✓	✓	✓	✓
Cash Management Services	✓	✓	✓	✗	✓
Insurance	✓	✓	✓	✗	✓
Doorstep Banking	✓	✓	✓	✓	✗
Business Correspondent Business	✓	✓	✓	✓	✓

Note: (*) Restrictions on accepting new deposits by RBI. Source: Company Website, CRISIL Intelligence

Business segment wise comparison

Products	Fino Payments Bank	Airtel Payments Bank	India Post Payments Bank	PayTM Payments Bank	NSDL Payments Bank
CASA Business	**Savings and Current A/C, Sweep Account**	**Savings and Current A/C**	**Savings and Current A/C, Sweep Account**	**Savings and Current A/C, Sweep Account**	**Savings and Current A/C**
Remittance	**Mobile Wallet, Money Transfer**	**Mobile Wallet, Money Transfer**	**Money Transfer**	**Money Transfer**	**Money Transfer**
POS/Payments	**Debit card**	**Debit card**	**Debit card**	**Debit card**	**Debit card**
Cash Management Services	**Cash collection**	**Cash collection**	**Cash collection**	**NA**	**CMS through Business Correspondent**

Financial Product Distributor	Insurance	Insurance	Insurance, Mutual Fund	NA	Insurance, Mutual Fund
Banking Service	**Doorstep Banking and Business Correspondent**	**Doorstep Banking**	**Doorstep Banking**	**Doorstep Banking**	**Business Correspondent**

Source: Company Website, CRISIL Intelligence

Profitability of Payment Banks

Fiscal 2022

Players	Net Worth (In ₹ Billion)	Total Equity (In ₹ Billion)	Customer Deposits (In ₹ Billion)	Revenue (In ₹ Billion)	Net Profit (In ₹ Billion)	RoE (%)
Airtel Payments Bank	3.47	23.48	9.92	9.24	0.09	2.67%
Fino Payments Bank	4.77	0.83	5.03	9.94	0.43	13.56%
India Post Payments Bank	4.73	14.55	36.92	3.90	-1.60	-34.79%
Jio Payments Bank	1.23	2.64	0.19	0.07	-0.34	-27.21%
NSDL Payments Bank	1.36	1.80	0.13	3.00	-0.08	-5.39%
PayTM Payments Bank	4.53	4.00	47.69	24.88	0.18	4.12%

Note: Players are arranged in alphabetical order, RoE calculated as profit after tax divided by average total equity

Source: Company Reports, CRISIL Intelligence

Fiscal 2023

Players	Net Worth (In ₹ Billion)	Total Equity (In ₹ Billion)	Customer Deposits (In ₹ Billion)	Revenue (In ₹ Billion)	Net Profit (In ₹ Billion)	RoE (%)
Airtel Payments Bank	3.95	23.74	16.79	12.59	0.22	5.83%
Fino Payments Bank	5.42	0.83	9.17	11.83	0.65	12.61%
India Post Payments Bank	8.93	16.55	62.92	6.72	0.20	2.95%
Jio Payments Bank	1.59	3.44	0.27	0.13	-0.44	-31.53%
NSDL Payments Bank	1.44	**1.80**	0.22	5.41	0.08	5.77%
PayTM Payments Bank	4.68	4.00	32.85	26.06	0.15	3.16%

Note: Players are arranged in alphabetical order, RoE calculated as profit after tax divided by average total equity

Source: Company Reports, CRISIL Intelligence

Fiscal 2024

Players	Net Worth (In ₹ Billion)	Total Equity (In ₹ Billion)	Customer Deposits (In ₹ Billion)	Revenue (In ₹ Billion)	Net Profit (In ₹ Billion)	RoE (%)
Airtel Payments Bank	5.04	24.13	26.31	17.92	0.35	7.68%
Fino Payments Bank	6.28	0.83	14.13	13.99	0.86	14.42%
India Post Payments Bank	11.77	21.05	115.52	10.96	0.34	3.31%
Jio Payments Bank	1.04	3.48	0.88	0.30	-0.59	-44.50%
NSDL Payments Bank	1.46	**1.80**	0.59	7.20	0.02	1.09%
PayTM Payments Bank	3.12	4.00	5.89	24.61	**-1.56**	-40.06%

Note: Players are arranged in alphabetical order, RoE calculated as profit after tax divided by average total equity

Source: Company Reports, CRISIL Intelligence

Fiscal 2025

Players	Net Worth (In ₹ Billion)	Total Equity (In ₹ Billion)	Customer Deposits (In ₹ Billion)	Revenue (In ₹ Billion)	Net Profit (In ₹ Billion)	RoE (%)
Airtel Payments Bank	6.45	24.65	34.18	26.47	0.63	10.90%

Fino Payments Bank	7.19	0.83	19.39	17.47	1.08	15.59%
India Post Payments Bank	15.39	23.55	193.45	17.81	1.34	9.86%
Jio Payments Bank	NA	NA	NA	NA	NA	NA
NSDL Payments Bank	**1.48**	**1.80**	**1.79**	**7.22**	**0.02**	**1.26%**
PayTM Payments Bank	NA	NA	NA	NA	NA	NA

Note: Players are arranged in alphabetical order, RoE calculated as profit after tax divided by average total equity

Source: Company Reports, CRISIL Intelligence

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