

## BROKING

# Low cost advantage

Stock-broking has re-engineered the way it provides services

**F**rom an open outcry system to automated order processing, stock markets have got transformed in a big way over the years. Evolution essentially means synchronising with the times that are. And there is no better example of that than the Indian stock markets.

A recent phenomenon that has put stock brokers into business once again is the low-cost discount broking model. The markets are increasingly shifting towards this model, thanks to a cost-conscious, click-and-tap happy clientele that they are servicing. In fact, a bulk of the trades, especially post demonetisation has shifted to the discount broking platforms.

Existing and new entrants in the discount broking arena have found their business improve over the past six months. Among the most popular in this area are Bengaluru-based Zerodha and Mumbai-based Master Capital Services and RKSVM. These firms have been pioneers in discount broking and have managed to capture a good share of the market.

Zerodha reportedly has about 60 per cent of the market share and is the largest among the lot. As on January 2017, the company contributed up to 5 per cent of retail trading volumes on Indian stock exchanges, generating daily trading turnover crossing \$2 billion. It handles a client base of 200,000 plus customers, and an average daily turnover of ₹10,000-12,000 crore in equities and ₹1,000 crore in commodities.

The Mumbai-based RKSVM is another leading online broker that offers trading in cash, F&O, commodities and currencies. The company has clocked a daily turnover of over ₹6,000 crore and is a close competitor worth naming in this segment. RKSVM recently unveiled Upstox, its trading platform, which provides universal search on instruments, hyper fast



Gagnani: aiming big

streaming quotes, simplified order entries and other features.

But things are rapidly changing. Traditional brokerages have recognised the importance of this segment and have either independently floated arms or have begun to provide discount broking services through their existing outfits.

## Steady growth

Take, for example, 5paisa.com. The firm, which entered into the business in September last year, already has a turnover of close to ₹1,000 crore a day across all segments in the equity market. This was primarily driven by the lowest cost offered by the platform to investors. It serves customers at almost half the price offered by existing discount brokers.

5paisa comes from the Indiainfoline stable. The demerger of this company took place in September 2016 and it will be listing in June 2017. The swap ratio for the demerger has been fixed at 25 shares of 5paisa Capital Ltd for every share held in Indiainfoline.

While 5paisa.com has a fully digitised platform for selling various asset classes, in a short span the company has seen a growth of close to 100 per cent quarter-on quarter (q-o-q) both in terms of revenues and

client additions. Customer acquisition has been very robust. As of now the company has a customer base of about 10,000 and which is growing at a healthy pace. The flow of customers has gone up particularly after *dabba* trading came to a halt following demonetisation.

"Business has been growing at a fairly decent pace and we are looking at adding 50,000 new customers over the next 12 months," says Pragatish Gagnani, CEO, 5paisa.com, when asked about the prospects of the business. Aggressive growth plans have been drawn up by 5paisa.com to acquire a sizeable market share, which is now concentrated in the hands of a couple of players, including Zerodha.

The company is aggressively moving towards becoming the fastest growing digital financial company over the next 12 months. "With our unique offering, robust platform, innovative products and strong brand we intend to become the biggest financial player in the next three years," adds Gagnani, expecting to cross the 100,000 customers' point this year and looking at the rate of customer acquisition that looks quite possible. Its Robo Advisory platform is also picking up well and this will help in improving and aggressively growing its mutual fund AUM.

In the US, 70 per cent of retail volume happens through discount brokers. In India discount broking has finally picked up big time, especially over the past two years. Fast evolving and easy accessibility and availability of higher bandwidth have seen growing use of the internet, especially on handheld devices like smart phones through mobile apps. This has revolutionised the way investors today are trading the markets. Add to this the beauty of lower costs and one sees why discount broking outfits have been gaining currency.

While the market for discount broking heats up, players will have to keep pace with changing technology and be well prepared for price war in this segment too. That will be the challenge for anybody in this business in the coming times.

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