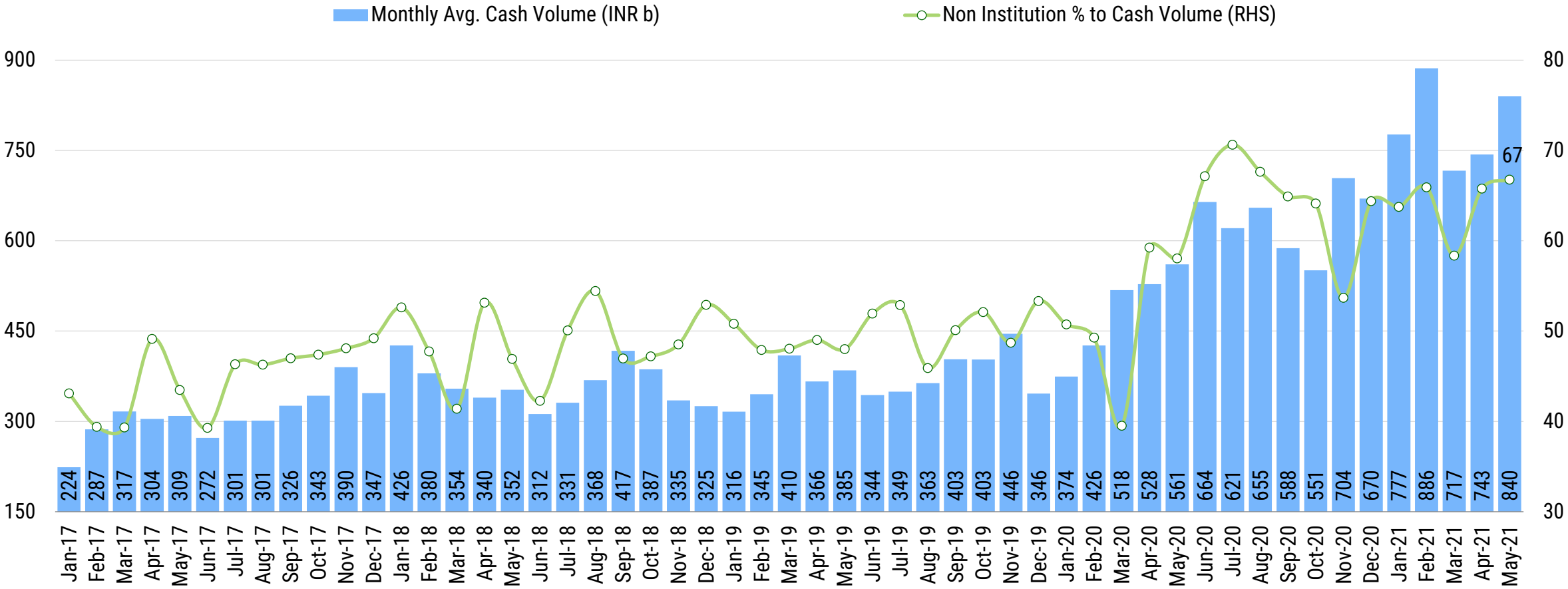


Indian Robinhood investing...a flash in the pan or a durable trend?

What does growth of non-institutional investors mean for markets?



Big jump in trading volumes & retail participation over last year or so

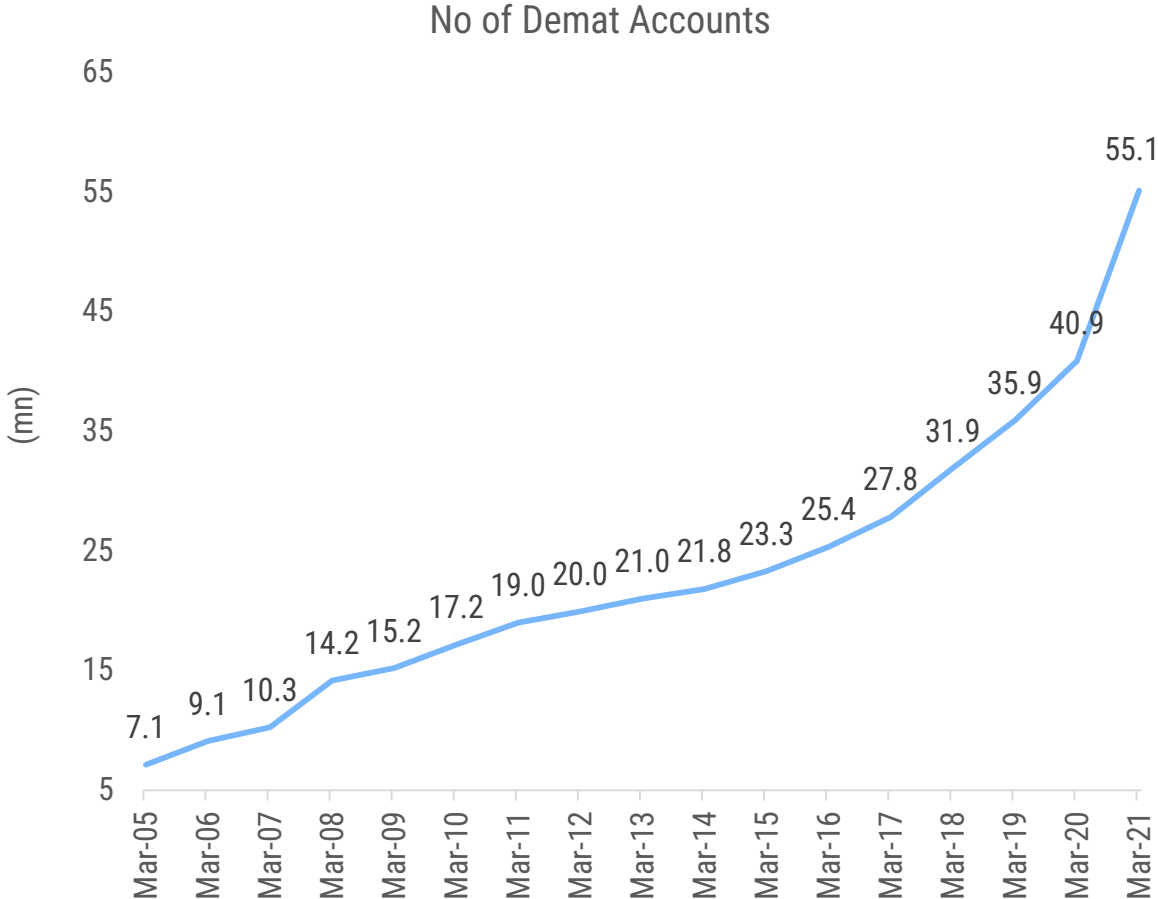


Source: MOSL

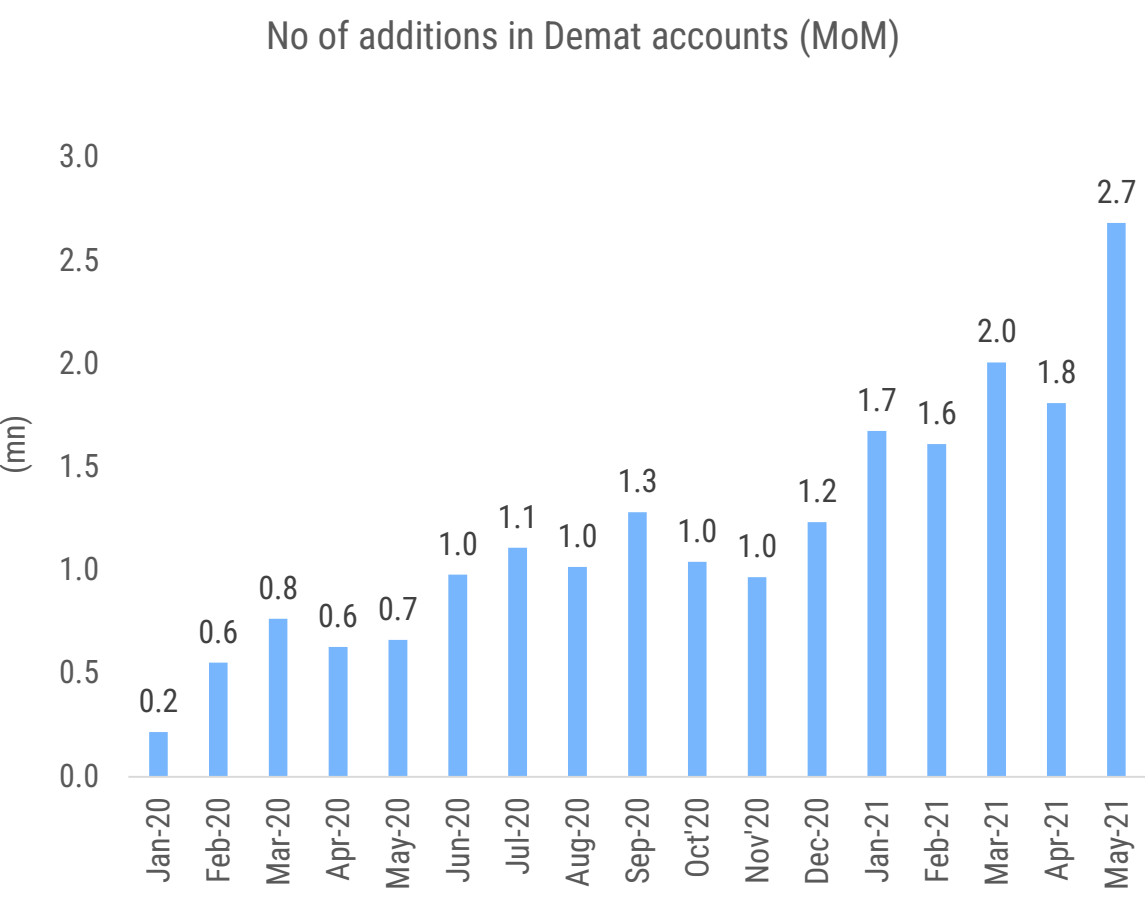
Depository accounts have seen a huge rise in recent times



Big jump in new demat accounts in FY21



Acceleration in new account openings...May21 almost 4x May20

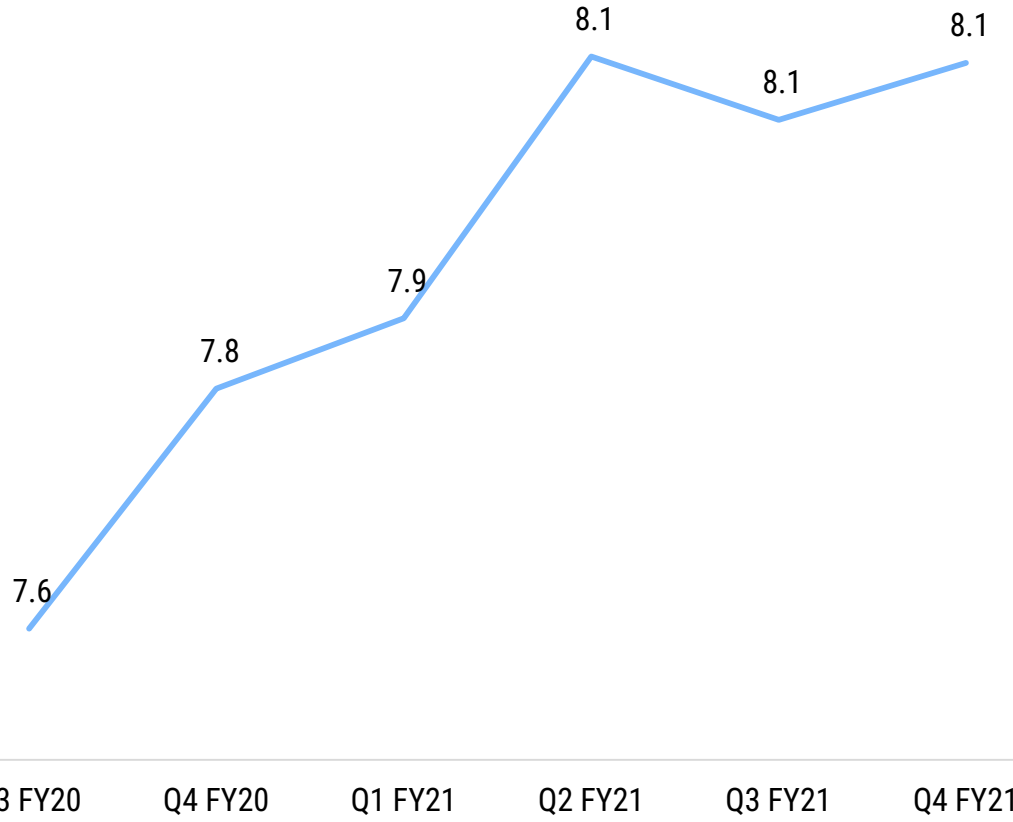


Source: NSDL, CSDL, I-Sec Research

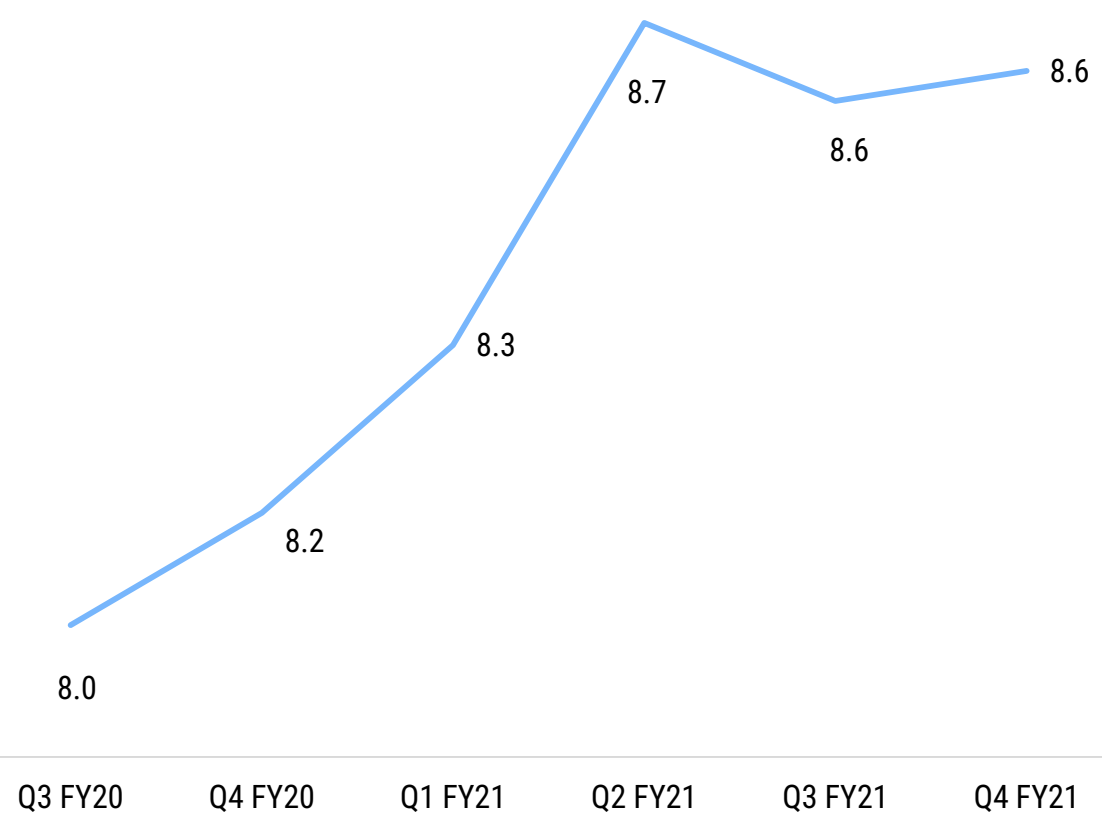
...And it's not all day trading- Public ownership is creeping up in Indian companies....



Public Holding (%) - Nifty 50



Public Holding (%) - NSE 500

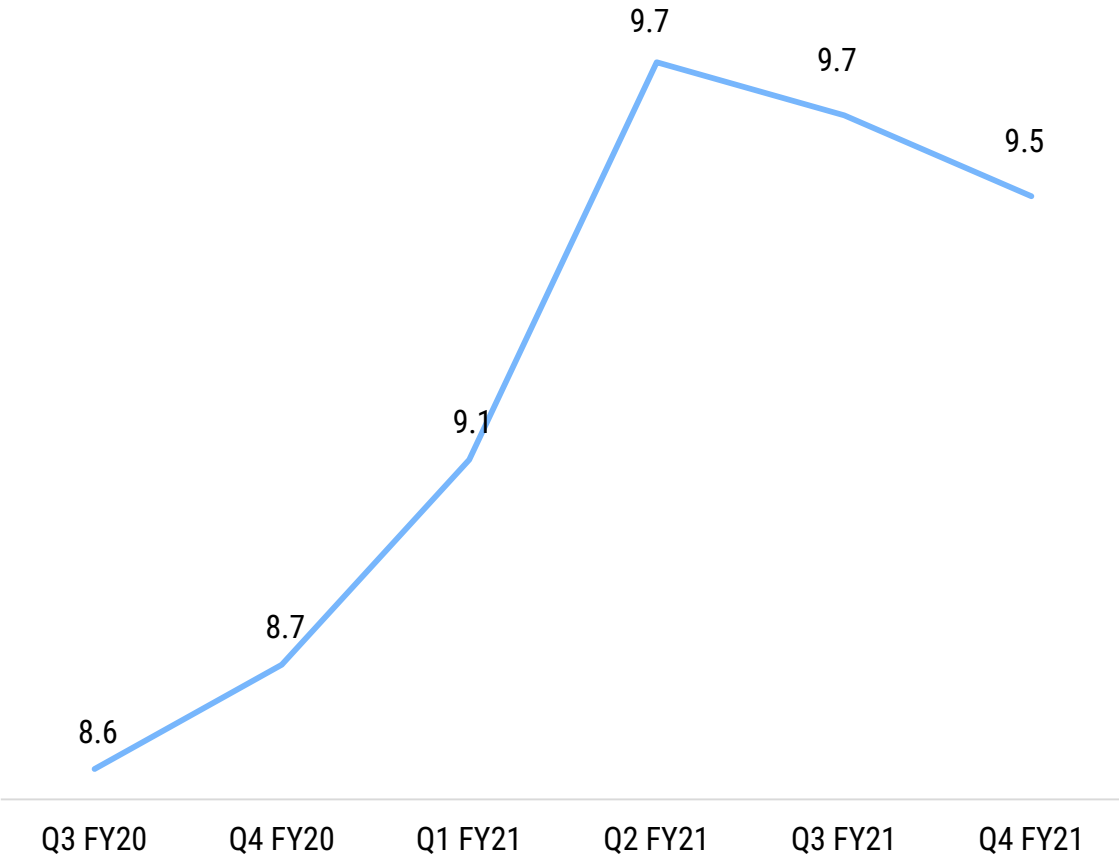


Source: Yes Securities Research

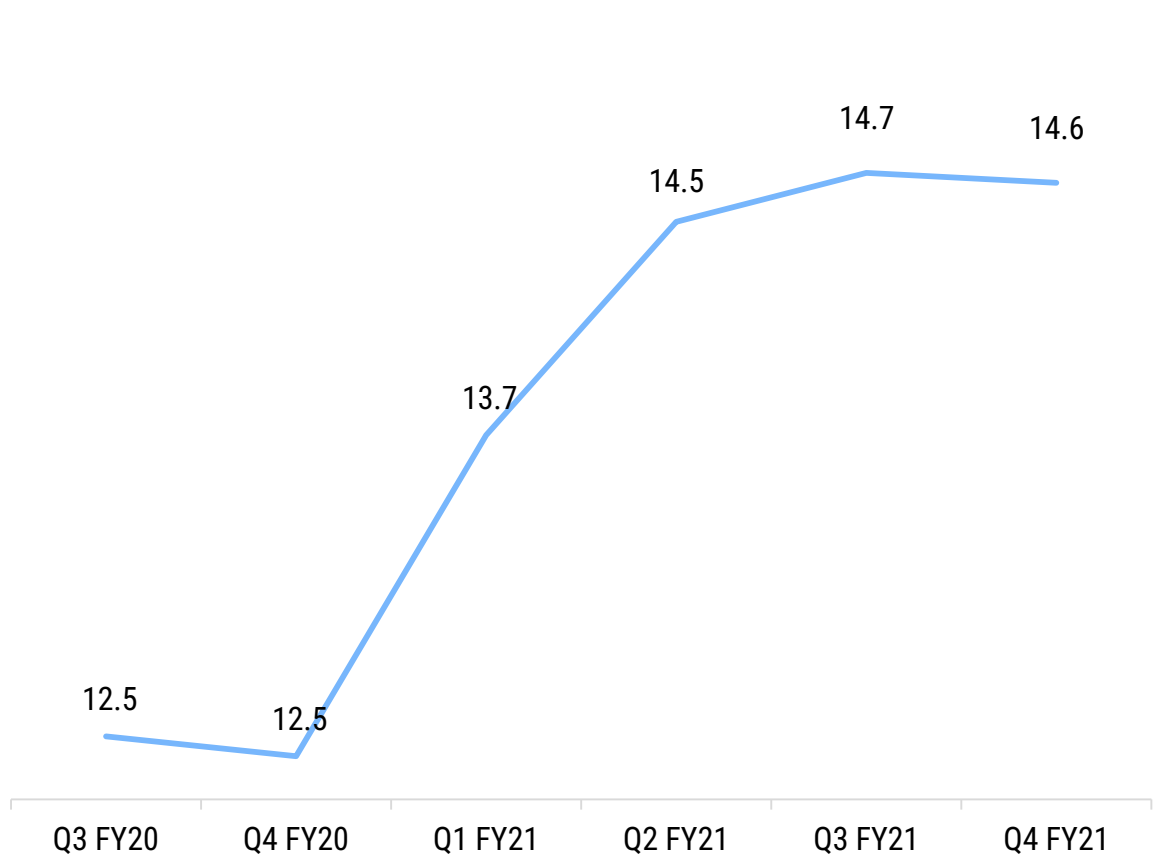
...And this trend is more evident in small cap & mid cap universe....



Public Holding (%) - NSE Midcap 100



Public Holding (%) - NSE Smallcap 250



Source: Yes Securities Research

Now, what does it mean for markets? ...in the near term?



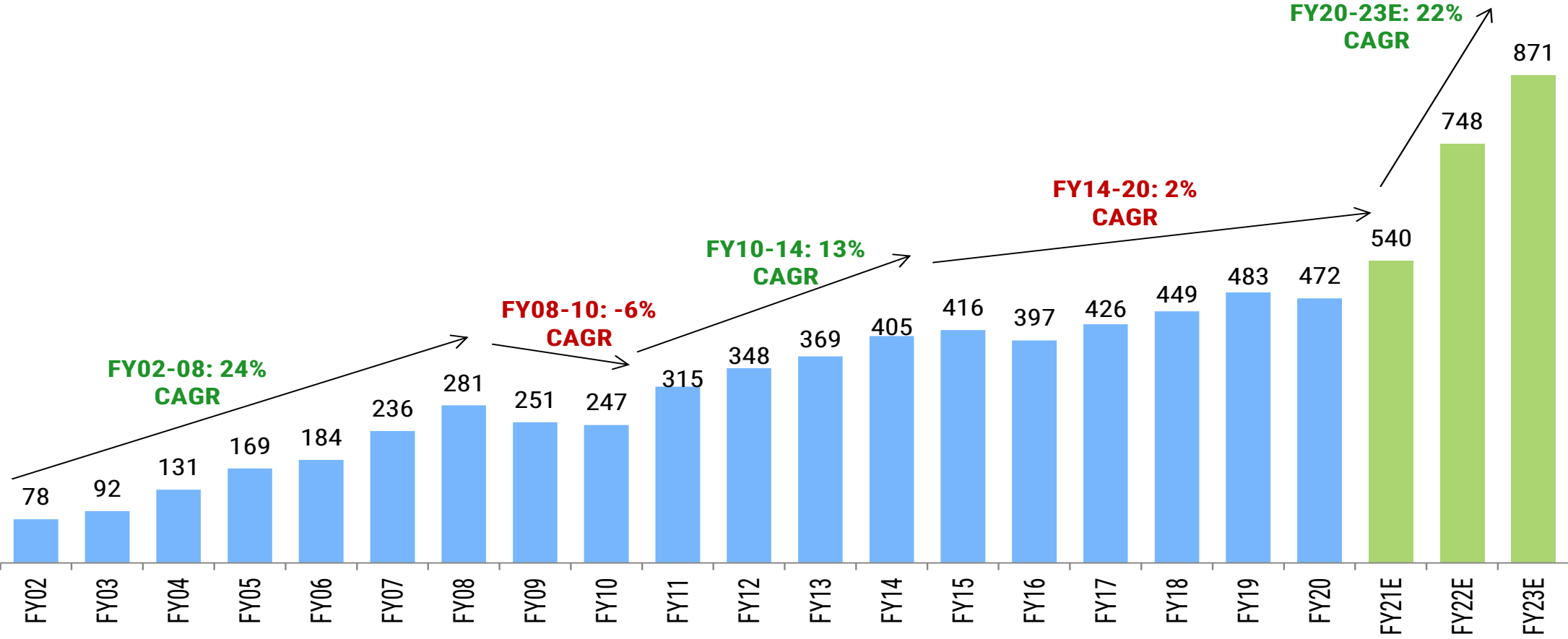
- * Rise in volatility making navigating the markets challenging
- * Amplification of cycles by adding to the momentum
- * Beware that this will likely happen both on the way up as well as on the way down!

....And, in the medium to long term?



- * It is not impossible that this phenomenon may fizzle out when markets turn less benign
- * But it is also possible that it can potentially lead to a benign development for Indian equity markets by truly democratizing equity investing.
- * In the best-case scenario, Indian equities might develop a third source of liquidity : **non-institutional investors** in addition to **FPIs** and **DII**s

Our medium-term view remains constructive...based on higher expected EPS growth trajectory



Source: MOSL

However, be prepared for air pockets of higher volatility & corrections along the way



- * Higher non-institutional participation leading to heightened volatility....
- * High absolute returns over past few quarters make markets vulnerable to corrections....
- * Mid/small caps will likely continue to outperform large caps over medium/long term but remember we have already travelled some distance on this path over 18m
- * Headwinds
 - * Oil
 - * Inflation, tapering, rate cycle changes
- * We cannot and do not predict short term market directions
- * Instead, our focus is on building a resilient portfolio of quality businesses

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