

'Broking industry revenues may be healthy in FY24'

The run-up in the Indian markets since their March 2023 lows has been mostly led by foreign investor flows. **DHIRAJ RELLI**, managing director (MD) & chief executive officer (CEO), HDFC Securities, tells **Puneet Wadhwa** in an email interview that foreign institutional investors (FIIs) could broadly remain bullish on Indian equities. This is because India remains a bright spot among emerging economies. Edited excerpts:

How do you see FY24 playing out for the broking industry?

After a subdued April 2023, trading volumes have remained healthy. Foreign portfolio investor (FPI) flow-driven market rally has attracted local traders and investors and action has spread to broader markets. Futures and options (F&O) volumes continue to touch new highs. With state and central elections due over the next two-three quarters, markets will not be short of expectations and triggers — both positive and negative. This could keep driving volumes with some lull for a couple of weeks in between. As trading volumes are likely to be firm, broking industry revenues could be healthy in financial year 2023-24 (FY24), even as yields may not fall further.

HDFC Securities had plans to launch a discount broking / fintech platform. Where are we on this?

The new fintech platform will largely cater to do-it-yourself (DIY) traders/investors, who need minimal support and offer flat brokerage rates. And, the traditional full-service platform (InvestRight) will continue to provide curated plans for various types of investors along with managed services. We will be able to provide market

participants an ecosystem of their choice.

Will the discount brokers be able to sustain operations as costs rise?

The key to success in this space is volumes and mix and market share. This is even though technology and compliance costs are on the rise. Once the infrastructure is in place, additional volumes could straightaway result in a higher bottom line as the costs are largely fixed. HDFC Securities, with its brand, parentage, tech expertise, and experience over the past 23 years, aims to be a leader in the broking space in a couple of years. Robust technology, simple plans and convenient 3-in-1 account will help it achieve scale soon.

Are investors warming up to the primary markets now after the run up in the secondary markets?

IPO (initial public offering) markets have seen some recovery this financial year though we are yet to see a flood of large-sized IPOs. Investors, during the recent IPOs, have made money and are keen to participate in future offers that are not

too aggressively priced. Indian markets, over the past few months, have been catching up with its earlier relative underperformance, aided by flows. With a lot of triggers ahead and rising participation, markets could remain firm with occasional corrections thrown in between. In terms of valuation, on a historical comparison basis, Indian markets don't seem cheap. A lot of transformation has happened at the macro and micro levels over the past few years. This necessitates relooking at the traditional methods of valuation, especially because interest rates globally seem to be peaking out. In case, the El Nino pattern plays out negatively and/or the political situation becomes messy, we may see markets correcting and waiting for the situation to become clear by early/ mid-2024.

What's the road ahead for FII flows into Indian equities?

FIIs could broadly remain bullish on Indian equities given the fact that India remains a bright spot among emerging economies (with China struggling to regain economic momentum).

Some correction in the markets may, however, be due and FPIs could book some profit after markets see a straight rise. Political nervousness ahead of the elections in states and the Centre could also result in some profit taking by both FIIs and local investors.



DHIRAJ RELLI

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