

Smaller brokerage houses confront existential crisis

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SMALLER BROKERAGE HOUSES riding the retail boom in the derivatives market in the past few years have to now reckon with a new reality – the Securities and Exchange Board of India (Sebi) has decided to make things harder for such entities.

And for a good reason: With over 90% of retail investors losing money in the futures and options (F&O) market, the regulator sees no reason for giving them entry into this segment – quite similar to the approach that the government has taken in case of cryptocurrencies and now gaming firms.

Therefore, the option with them is limited – either merge with other brokers or expand business in areas such as wealth management, distribution of financial products and, even launching their own fund houses. “This downturn had a pronounced impact on the performance of securities broking companies,” said Icra. Its sample set of nine securities broking firms saw net revenue fall by 19% year-on-year (YoY) and the profitability to the lowest level in the past 12 quarters.

Sebi’s reforms led to a decline in trading in index options, which had grown exponentially. It severely reduced participation from investors with smaller capital bases. The cash and margin trading facility (MTF) segments also slowed significantly. The regulator’s determination to build a transparent, investor-friendly market means

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■ With Sebi keen on curbing retail enthusiasm, M&As or widening biz models are available options

■ Larger independent brokerages may acquire strained smaller firms



■ Fintech firms evaluating online brokers

■ Large discount brokers evaluating smaller tech-led brokerages

brokers shifting from transaction-focused roles to advisory-driven models, said Kotak Securities in a recent note.

A top executive at Motilal said there could be more deals like the Mirae Asset deal with 25-year-old Sharekhan, a pioneer in online trading. The ₹3,000-crore deal gave exit to French financial giant BNP Paribas, which continues to own above 20% stake in domestic equity brokerage Geojit. BNP Paribas is now reducing its stake in Geojit via selling in open markets. Among others, Bain Capital-backed 360 ONE WAM bought Batlivala & Karani (B&K) for ₹1,884 crore in early 2025.

InCred Money purchased discount broker Stocko for around ₹300 crore in June 2025.

Avendus is in talks with Japan’s Mizuho to sell a controlling stake. PAG, the private equity (PE) major with a significant stake in Nuvama Wealth, had appointed JP Morgan and Morgan Stanley as advisors to exit the holding acquired in 2021 for \$325 million. These deals are stuck on valuations.

Industry players say that firms like AngelOne, Upstox and 5Paisa are actively scouting to take over smaller tech-led brokerages, several of whom have attracted venture funds. Tejas Khoday, promoter of FYERs, a discount-broker, said both larger discount brokers and private equity firms are looking to buy smaller tech-savvy brokers. “There are also deals being explored by institutional brokerages to buy retail brokerages to expand there.”

“Financial services firms from Japan, China, South Korea and the West Asian nations have high interest to acquire a stake or even buyouts,” said Arun Poddar, promoter of Choice International, an independent brokerage that acquired smaller brokerages to gain scale.

The steep rise in retail trading after lockdown was largely captured by discount brokerages. Groww, the industry leader in clientele (13 mn), and Anand Rathi, with a large wealth management arm, are IPO-bound.

Nithin Kamat-led Zerodha (with 8 million clients) is now India’s largest unicorn, valued at over \$8 billion.