



National Stock Exchange of India

Industry: Stock Exchange

Date: 16th September, 2026

Rating
NEUTRAL



Issue Highlights

NSE IPO is a book build issue of Rs 22,561.57 crores.

The issue is entirely an offer for sale of 12.64 crore shares of Rs 22,561.57 crore at an upper band price of Rs 1,785 per share.

List of Corporate Selling Shareholders:

Particular	No of Shares
State Bank of India	15,969,410
Canada Pension Plan Investment Board	11,874,060
Aranda Investments (Mauritius) Pte Ltd	11,246,336
MS Strategic (Mauritius) Limited	11,000,000
The New India Assurance Company Ltd	10,500,000
SBI Capital Markets Limited (SS)\$	8,780,590
Bank of Baroda	7,690,375
Stock Holding Corporation of India Limited	6,187,500
General Insurance Corporation of India	6,187,500
United India Insurance Company Limited	6,000,000

Data Source: Company filings & CSEC Research



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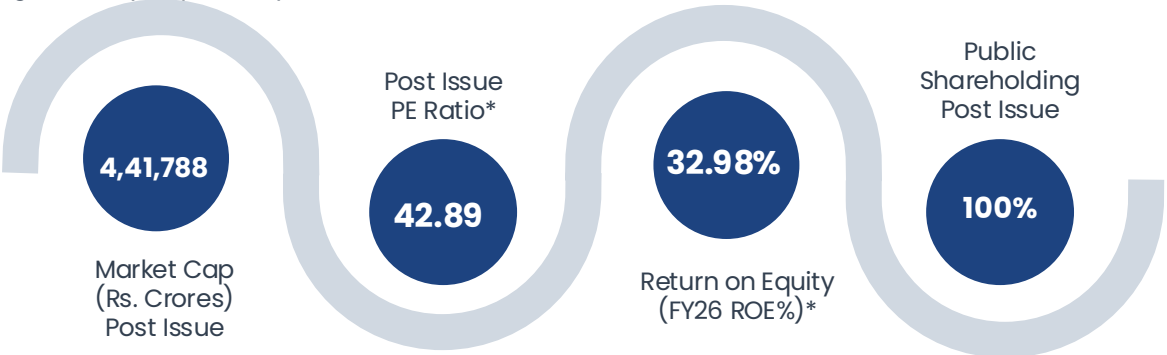
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ISSUE CLOSES

ISSUE DETAILS	
Price Band	Rs 1,700 to Rs. 1,785 per share
Face Value	Rs. 1 per share
Total Offer Size	12,64,36,650 shares (aggregating up to Rs. 22,562 Cr)
Offer For Sale	12,64,36,650 shares (aggregating up to Rs. 22,562 Cr)
Issue Type	Book-building IPO
Minimum lot	8 shares
Listing on	BSE

Outlook

- NSE is India's largest stock exchange and the world's largest derivatives exchange by number of contracts traded for seven consecutive years, benefiting from strong network effects, deep liquidity, and a dominant position across India's capital markets.
- The exchange maintains a leadership position across key segments, with FY26 market share of 92.99% in cash equities, 99.79% in equity futures, 74.71% in equity options, and 85.65% in corporate bond trading, creating significant entry barriers for competitors.
- As of March 31, 2026, NSE served 129.09 million unique registered investors, 253.66 million investor accounts, 1,325 trading members, and 2,978 listed entities, creating a large and highly scalable ecosystem.
- Its vertically integrated business model spanning trading, clearing, settlement, listing, data analytics, connectivity, licensing, and index services supports diversified revenue streams and operating leverage.
- While Indian capital markets offer strong long-term growth potential, driven by rising financialization of savings, increasing investor participation, passive investing, and capital formation, NSE's earnings growth has moderated in recent years.
- Compared with BSE, NSE continues to enjoy significantly higher trading volumes, liquidity, and market share; however, BSE has recently reported stronger earnings growth due to its smaller base and faster monetization of derivatives and data businesses.
- Relative to global exchange operators such as Nasdaq and ICE, NSE's earnings growth has been comparatively modest, while its valuation reflects a meaningful premium, making growth re-acceleration important for sustaining current valuation expectations.
- Given NSE's dominant franchise and market leadership, balanced against moderating earnings growth and demanding valuations, we assign a '**NEUTRAL**' rating to the NSE IPO. However, for long term investors, it offers a good entry opportunity.



Indicative Timeline

	On or before
Finalization of Basis of Allotment	Tue, Sep 22, 2026
Unblocking of Funds	Wed, Sep 23, 2026
Credit of shares to Demat Account	Wed, Sep 23, 2026
Listing on exchange	Thu, Sep 24, 2026

IPO Reservation

QIB Shares	Maximum of 50% of the net offer.
HNI Shares	Minimum of 15% of the net offer.
Retail Shares	Minimum of 35% of the net offer.

Lot Size

Application	Lots	Shares	Amount
Retail (Min)	1	8	Rs. 14,280
Retail (Max)	14	112	Rs. 1,99,920
S-HNI (Min)	15	120	Rs. 2,14,200
S-HNI (Max)	70	560	Rs. 9,99,600
B-HNI (Min)	71	568	Rs. 10,13,880

Company Overview

- National Stock Exchange of India Limited (NSE) is India's largest stock exchange and one of the world's leading multi-asset exchange platforms. The exchange has consistently maintained its leadership position in India in terms of cash market turnover and equity derivatives turnover from FY11 to FY26, and in exchange-traded currency derivatives from FY09 to FY26. On a global scale, NSE was the largest multi-asset class exchange by number of trades in cash equities and contracts traded in equity derivatives in FY26, with a global market share of 11.38% in cash equity trades and 51.18% in equity derivative contracts traded.
- NSE operates a vertically integrated exchange ecosystem, providing a one-stop platform for trading, clearing, settlement, listing, risk management, market data, licensing, and regulatory compliance services. The exchange offers a diversified range of products across multiple asset classes, including cash equities, equity derivatives, commodity derivatives, currency derivatives, mutual funds platform, wholesale debt market, and interest rate futures. Its operations are supported by proprietary technology infrastructure designed to facilitate high-speed, high-frequency trading while ensuring resilience, security, and seamless market operations.
- Established in 1992, NSE has played a pivotal role in transforming India's capital markets through technology-led innovation and wider investor participation. The exchange's Unique Registered Investor base grew at a CAGR of 26.9% from 30.87 million in FY20 to 129.1 million in FY26, while the market capitalization of listed entities on its platform increased at a CAGR of 24.1% during the same period. As of March 31, 2026, NSE supported 253.66 million registered investor accounts, 129.09 million unique registered investors, 1,325 trading members, and 2,978 listed entities, with an aggregate listed market capitalization of approximately Rs. 411.25 lakh crore.
- The exchange continues to maintain dominant market share positions across key segments. In FY26, NSE held market shares of 92.99% in cash equities, 99.79% in equity futures, 74.71% in equity options, 99.48% in currency futures, and 100% in currency options. Additionally, the exchange accounted for 85.65% of corporate bond trading volumes settled through Indian clearing corporations, reflecting its strong network effects and market leadership.
- A key competitive advantage of NSE is its integrated multi-asset trading ecosystem, which enables market participants to trade, hedge, and manage risk across various securities and asset classes through a single platform, membership framework, and risk management system. This integrated structure improves capital efficiency, liquidity utilization, and operational convenience for participants while reducing transaction and compliance complexities.
- **Robust Technology Infrastructure:** NSE's operations are backed by a highly scalable and secure technology infrastructure capable of processing 12-14 billion messages daily and handling approximately 5 million messages per second with ultra-low latency. The exchange operates seven data centres, supported by real-time data replication, a fully mirrored disaster recovery site, and a nationwide connectivity network spanning over 30 locations. Supported by strong cybersecurity frameworks and having reported zero data breach incidents during FY24-FY26, NSE's resilient technology platform ensures uninterrupted market operations and remains a key competitive advantage.
- **Market Leadership and Liquidity Advantage:** NSE is India's largest stock exchange, maintaining leadership in cash equities and equity derivatives since FY01 and currency derivatives since FY09. It was also the world's largest derivatives exchange by number of contracts traded for seven consecutive years as of FY26. Its dominant market share and deep liquidity across asset classes create strong network effects, making it the preferred trading platform for investors, traders, and institutions.

Capability Matrix:

- **Trading and Transaction Services (78.6% of the Total Revenue in FY26):**

- Transaction charges constitute NSE's primary revenue stream and are earned across a diversified range of products and asset classes, including cash equities, equity derivatives (futures & options), currency derivatives, mutual fund platforms, commodity derivatives, wholesale debt markets, and interest rate futures. The exchange operates a comprehensive multi-asset trading ecosystem that enables market participants to trade, invest, hedge, and manage risk through a single platform. NSE enjoys dominant market positions across key segments, with market shares of 92.99% in cash equities, 99.79% in equity futures, 74.71% in equity options, and 85.65% in corporate bond trading in FY26, supporting a diversified and scalable revenue stream.

- **Listing and Issuer Services (2.12% of the Total Revenue in FY26):**

- The exchange provides a comprehensive platform for listing, capital raising, and issuer services across Mainboard companies, SMEs, REITs, InvITs, non-profit organizations, and fixed-income issuers, generating revenue through listing, processing, book-building, and annual fees. In FY26, the exchange was the preferred listing venue, with 78 out of 111 dual-listed IPOs, REITs, and InvITs selecting it as the designated stock exchange, translating into a 70.27% market share, which increased to 90.24% for issues above Rs. 1,000 crore.
- As of March 31, 2026, the platform hosted 2,387 Mainboard-listed entities and 554 SME-listed companies through its NSE EMERGE platform. It also operates the Social Stock Exchange (SSE), which enables non-profit organizations and social enterprises to raise funds for social causes, while offering listing and trading facilities for a wide range of fixed-income securities. This diversified issuer ecosystem strengthens its position as a leading capital-raising platform in India.

- **Data Centre and Colocation Services (1.24% of the Total Revenue in FY26):**

- This service enables trading members to host their servers in close proximity to the exchange's trading infrastructure, thereby reducing latency and facilitating faster trade execution. Revenue is generated through rack rentals and related colocation charges. As of March 31, 2026, the exchange operated 1,680 FRE racks with the capacity to host more than 12,000 member servers. It also offers Colocation as a Service (CaaS), a managed colocation solution that enables smaller trading members to access colocation facilities without significant infrastructure investment or operational complexity. As of March 31, 2026, 89 members were onboarded under the CaaS model, further expanding access to low-latency trading infrastructure.

- **Data Connectivity (6.80% of the Total Revenue in FY26):**

- These charges are the fees paid by market participants (such as brokers, institutional investors and high-frequency traders) to establish and maintain a physical or virtual link to connect and transact on the exchange's trading system, with charges determined based on subscription to different categories of Messages Per Second (MPS) per asset class

Capability Matrix:

- **Data Feed and Terminal Services (2.83% of the Total Revenue in FY26):**

- The exchange, through NSE Data & Analytics Limited (NSE DAL), provides Data Feed and Terminal Services that distribute real-time, snapshot, historical, and corporate market data across its cash and derivatives segments. These services cater to a diverse customer base, including data aggregators, asset management companies, researchers, algorithmic trading firms, media houses, and software providers. Additionally, through its wholly-owned subsidiary Cogencis Information, the exchange offers market data terminals and analytics solutions, with its flagship Cogencis Workstation supporting trading, research, and investment workflows across multiple asset classes.

- **Index, Licensing and Data Analytics Services (0.91% of the Total Revenue in FY26):**

- NSE through its subsidiaries, provides Index, Licensing, and Data Analytics Services under the widely recognized Nifty brand. Its index portfolio includes broad market, sectoral, thematic, fixed-income, and strategy indices, with flagship indices such as Nifty 50, Nifty Bank, Nifty Next 50, and Nifty 500 serving as key benchmarks for India's capital markets. As of March 31, 2026, the Nifty family of indices was tracked by 265 index funds and 230 ETFs in India, along with 33 international ETFs and index funds. Revenue is generated through index licensing, data subscriptions, customized index creation, and analytics services provided to asset managers, financial institutions, exchanges, and other market participants. The exchange has also expanded into ESG ratings and analytics services through its subsidiary, while offering customized indices and research solutions that support portfolio construction, benchmarking, risk management, and investment products.

- **Clearing and Settlement Services (1.51% of the Total Revenue in FY26):**

- The exchange, through its subsidiary National Securities Clearing Corporation Limited (NCL), provides clearing, settlement, collateral management, and risk management services for trades executed across Indian stock exchanges. NCL acts as the central counterparty to trades, thereby assuming counterparty credit risk and ensuring smooth settlement of transactions. The platform is supported by a comprehensive multi-layered risk management framework that includes real-time position monitoring, margining systems, collateral management, stress testing, prudential exposure limits, and a robust Settlement Guarantee Fund (SGF). These mechanisms help safeguard market integrity, minimise settlement risks, and ensure the efficient functioning of India's capital markets.

- **Other Services & Operating Revenues (5.93% of the Total Revenue in FY26):**

- NSE also offers specialized services through its subsidiaries and regulatory initiatives. It serves as the PaRRVA Data Centre, designated by SEBI to provide standardized risk and return verification for recommendations made by investment advisers, research analysts, and algorithmic trading providers, thereby enhancing transparency for retail investors. Additionally, through its subsidiary NSE International Exchange (NSEIX) and NSEIX Global Access Provider (NSEIXGA), the exchange enables Indian and international investors to access global investment opportunities through a single digital platform. Established in GIFT City, NSEIXGA was the first entity to receive a Global Access Provider licence from the IFSCA and, as of March 31, 2026, facilitated investments in the United States market through a seamless digital onboarding and investment platform.

Risks

- **Market Activity and Trading Volume Risk:** NSE's revenue is largely dependent on trading volumes and market activity across its exchange platforms. Any decline in investor participation, trading volumes, market liquidity, or new listings due to adverse economic conditions, market volatility, geopolitical events, regulatory changes, or shifts in investor preferences towards alternative asset classes could negatively impact transaction revenues and overall financial performance. Additionally, disruptions such as cyberattacks, infrastructure failures, or prolonged market closures may adversely affect the exchange's growth prospects and profitability.
- **Derivatives Revenue Concentration Risk:** The exchange derives a significant portion of its revenue from transaction charges, which contributed 78.65%, 79.55%, and 82.07% of revenue from operations in FY26, FY25, and FY24, respectively. Within this, options and futures trading account for a substantial share of revenues, making the company's financial performance highly dependent on derivatives market activity. Any decline in trading volumes due to regulatory changes, lower market participation, adverse investor sentiment, reduced market volatility, or changes in trading behaviour could adversely impact revenue growth and profitability.
- **Trading Member Concentration Risk:** NSE derives a significant portion of its revenue from a limited number of trading members, with the top 10 trading members contributing 46.78%, 44.48%, and 45.26% of revenue from operations in FY26, FY25, and FY24, respectively. Consequently, the exchange's financial performance is partly dependent on the trading activity, financial health, and continued participation of these members. Any decline in trading volumes, financial distress, regulatory action, industry consolidation, migration of key trading members to competing platforms, or inability to onboard new trading members could adversely impact transaction revenues and market activity on the exchange.
- **Regulatory and Compliance Risk:** NSE operates in a highly regulated industry and is subject to continuous supervision, inspections, and audits by SEBI, as well as oversight from RBI, IFSCA, and other statutory authorities. The company has received observations, show-cause notices, administrative warnings, deficiency letters, and advisory letters from regulators relating to areas including internal controls, technology, data governance, surveillance, risk management, and regulatory compliance, with certain findings resulting in enforcement actions and settlement proceedings. Inability to satisfactorily address these observations or comply with applicable regulatory requirements could result in penalties, operational restrictions, or adverse regulatory action, which may materially affect its business, financial condition, and growth prospects.
- **Outstanding Litigation Risk:** The exchange, its subsidiaries, directors, key management personnel, senior management, and certain group companies are involved in various legal and regulatory proceedings before courts, tribunals, and regulatory authorities. Any adverse outcome in such matters could result in penalties, monetary liabilities, operational restrictions, increased provisions, reputational damage, or diversion of management resources. Failure to successfully defend or resolve these proceedings could adversely affect the company's business, financial condition, cash flows, and future growth prospects.
- **Technology Infrastructure and System Failure Risk:** NSE's operations are highly dependent on the uninterrupted functioning of its technology infrastructure, trading platforms, clearing systems, and communication networks. Any system failure, software malfunction, cybersecurity incident, connectivity disruption, operational error, or failure of third-party service providers could disrupt trading, clearing, and settlement activities, adversely affecting market confidence and exchange operations. The company has experienced technology-related disruptions and technical glitches in the past, some of which resulted in trading interruptions, regulatory scrutiny, and financial disincentives. Any future technology failures or cyber incidents could lead to regulatory actions, financial penalties, reputational damage, and adverse impacts on business performance.

Financials

Income Statement (Rs. Cr)	Q1FY27	FY26	FY25	FY24
Revenue from Operations	4,560	16,601	17,141	14,780
Other Income	692	2,112	2,036	1,572
Total Income	5,252	18,713	19,177	16,352
Expenses	1,009	5,376	4,260	3,169
EBITDA	3,551	11,225	12,881	11,611
<i>EBITDA Margin</i>	<i>77.86%</i>	<i>67.61%</i>	<i>75.15%</i>	<i>78.56%</i>
Depreciation	163	624	547	440
EBIT	3,388	10,601	12,334	11,171
Finance Cost	-	-	-	-
Profit before Tax	4,169	13,896	15,475	11,184
Tax	1,048	3,716	3,869	2,778
PAT	3,122	10,180	11,606	8,406
EPS	12.6	41.6	49.2	33.6

Balance Sheet (Rs. Cr)	Q1FY27	FY26	FY25	FY24
Equity and Liabilities				
Share Capital	248	248	248	50
Other Equity and Reserves	34,997	31,866	30,106	23,925
Non-Current Liabilities	31,617	35,394	20,725	25,734
Other Liabilities	24,473	20,430	18,388	15,756
TOTAL EQUITY AND LIABILITIES	91,334	87,937	69,467	65,465
Assets				
Fixed Assets	1,372	1,236	1,168	1,067
CWIP	113	113	113	113
Cash & Cash Equivalents	44,276	47,245	27,514	29,129
Other Assets	45,573	39,233	40,733	35,187
TOTAL ASSETS	91,334	87,827	69,528	65,494

Operational metrics and KPIs:

Particulars	Q1FY27	FY26	FY25	FY24
EBITDA Margin (%)	77.9%	67.6%	75.1%	78.6%
Return on Equity (RoE) (%)	9.3%	32.9%	44.9%	37.4%
Return on Capital Employed (RoCE) (%)	11.55%	42.8%	52.1%	45.5%

Average Daily Trading Volumes:

Particulars (Rs in crores)	Q1FY27	FY26	FY25	FY24
Cash Market	1,35,949	1,05,517	1,12,963	81,721
Equity Futures	1,53,079	1,59,443	1,85,902	1,34,000
Equity Options	64,352	57,662	62,448	61,779

Segment Wise Revenue Bifurcation:

Products	Q1FY27		FY26		FY25		FY24	
	(Rs in Cr)	% of revenue from operations	(Rs in Cr)	% of revenue from operations	(Rs in Cr)	% of revenue from operations	(Rs in Cr)	% of revenue from operations
1) Transaction charges	3,623	79.44%	13,057	78.65%	13,636	79.55%	12,130	82.07%
a) Cash Market	502	11.01%	1,555	9.36%	1,689	9.85%	1,236	8.36%
b) Futures	367	8.06%	1,480	8.92%	1,727	10.08%	1,249	8.45%
c) Options	2,744	60.17%	9,998	60.22%	10,194	59.47%	9,550	64.62%
d) Mutual Fund	6	0.14%	18	0.11%	13	0.08%	10	0.07%
e) Others	3	0.06%	7	0.04%	13	0.07%	85	0.57%
2) Listing Services	78	1.72%	352	2.12%	314	1.83%	223	1.51%
3) Data Centre (Rack charges)	59	1.30%	205	1.24%	154	0.90%	134	0.91%
4) Data connectivity charges	258	5.66%	1,129	6.80%	1,104	6.44%	825	5.58%
5) Data feed and Terminal services	150	3.28%	470	2.83%	407	2.38%	339	2.30%
6) Licensing Services	44	0.97%	152	0.91%	120	0.70%	98	0.66%
7) Clearing and Settlement Services	82	1.81%	251	1.51%	321	1.87%	135	0.91%
8) Others	32	0.69%	143	0.87%	126	0.75%	86	0.57%
Total	4,326	94.87%	15,760	94.93%	16,183	94.42%	13,968	94.51%
Other Operating Revenues	234	5.13%	842	5.07%	957	5.58%	812	5.49%
Total	4,560	100.00%	16,601	100.00%	17,141	100.00%	14,780	100.00%

Operational Metrics, Trading Metrics & Listing Metrics:

Particulars	Units	Q1FY27	FY26	FY25	FY24
Operating Metrics					
Unique Registered Investor	Million	132.37	129.09	112.81	91.75
Listed Entities on Exchange		3,005	2,978	2,719	2,438
Market Capitalisation of Listed Entities	Trillion	474.08	411.25	410.87	384.21
Total AUM of India Passive Funds Linked to Nifty Indices	Trillion	8.95	8.14	7.63	6.3
Colocation Member Racks	(Full rack equivalent)	1,868	1,680	1,300	934
Nifty Indices		435	425	412	388
Trading Metrics					
Average Daily Trading Volume					
Cash market	Million	13,59,487.29	10,55,166.67	11,29,632.46	8,17,212.91
Equity futures	Million	15,30,788.97	15,94,432.13	18,59,014.41	13,40,003.40
Equity options (premium value)	Million	6,43,517.81	5,76,617.54	6,24,486.60	6,17,788.39
Equity options (notional value)	Million	24,92,12,892.88	258,284,696. 91	312,838,244. 22	32,35,69,230.43
Listing Metrics					
No. of IPOs					
Mainboard		8	108	79	75
SME		14	111	163	138
Total Equity Raised	Trillion	1.29	4.78	4.5	2.43
Total Debt Raised	Trillion	4.9	15.55	14.18	11.42
Total Fund Mobilisation	Trillion	6.19	20.33	18.68	13.86

Peer Comparison:

Particulars	Companies	NSE Ltd	BSE Ltd
	Units	FY26	FY26
Unique Registered Investors	millions	129.1	NA
Listed Entities on Exchange		2,978	5,955
Market Capitalisation of Listed Entities	Rs in Trillions	411.3	411.6
Trading Metric			
Average Daily Trading Volume			
Cash market	Rs in millions	10,55,167	79,500
Equity futures	Rs in millions	15,94,432	3,422
Equity options (premium value)	Rs in millions	5,76,618	1,95,227
Equity options (notional value)	Rs in millions	25,82,84,697	18,71,53,751
Listing Metric			
No. of IPOs			
Mainboard		108.0	109.0
SME		111.0	146.0

Industry Outlook

- **Indian Capital Markets:** India's capital markets have evolved into one of the world's largest and fastest-growing financial ecosystems, supported by strong economic growth, increasing financialization of savings, rapid digital adoption, and a robust regulatory framework. The market capitalization of companies listed on the National Stock Exchange (NSE) has increased by nearly 102x over the last three decades, helping India emerge as the fourth-largest equity market globally as of April 2026. The country has also established itself as a global leader in equity derivatives trading, with NSE remaining the world's largest derivatives exchange by number of contracts traded.
- **Rising Financialization of Household Savings:** India's capital markets are benefiting from the increasing financialization of household savings, with the share of financial assets in gross household savings rising from 39.59% in FY12 to 46.74% in FY24, while net household savings grew at a CAGR of 7.3% between FY19 and FY24. This trend has been driven by growing financial awareness, widespread digital adoption, simplified investment processes, and increasing acceptance of market-linked investment products. Reflecting this shift, NSE's unique investor base expanded from 39.9 million in FY21 to 129.1 million in FY26, while the number of demat accounts in India increased more than fourfold from 55.1 million in March 2021 to 224.5 million in March 2026. As of March 2026, India had over 139 million stock market investors, representing an investor penetration of approximately 13.5% of the adult population, indicating significant headroom for further growth. Additionally, retail participation has expanded beyond metropolitan areas into Tier-II and Tier-III cities, supported by digital investment platforms and a growing preference for financial assets over traditional savings avenues such as gold and real estate.
- **Growing Importance of Domestic Investors:** Domestic investors have emerged as a key pillar of stability in India's capital markets, supported by rising financial awareness and growing participation in market-linked investment products. Individual investors contributed net inflows of approximately Rs. 4.49 lakh crore into Indian equities between FY21 and FY26, while the ownership of non-promoter individual investors in NSE-listed companies increased to 18.7%, valued at nearly Rs. 76.5 lakh crore as of March 2026. The mutual fund industry has also witnessed robust growth, with assets under management (AUM) rising to Rs. 73.7 lakh crore as of March 2026, registering a CAGR of 18.6% since FY21. Meanwhile, SIP contributions increased significantly from Rs. 96,080 crore in FY21 to Rs. 3.5 lakh crore in FY26, reflecting the growing adoption of systematic investing among retail investors. The increasing share of domestic investors has enhanced market resilience by providing a stable source of capital and reducing the market's dependence on foreign portfolio flows.
- **Significant Headroom for Expansion:** Despite strong growth, India's capital markets remain underpenetrated compared to global peers, providing substantial scope for long-term expansion. Corporate funding continues to be dominated by traditional bank lending, with outstanding credit to the industry and services sectors amounting to approximately Rs. 106.4 lakh crore as of March 2026, compared to an outstanding corporate bond market of around Rs. 59.1 lakh crore. India's corporate bond market accounts for only 17.1% of GDP, significantly lower than countries such as China (38.4%), the United States (38.2%), and South Korea (75.7%), highlighting a large opportunity for debt market deepening. In addition, exchange-traded foreign exchange and interest-rate derivatives markets remain at a relatively early stage of development, while rising corporate bond issuances, increasing participation from institutional investors, and ongoing regulatory reforms are expected to support the development of a broader and more diversified capital market ecosystem in the years ahead.

- **Rise of Passive Investing:** Passive investing has emerged as one of the fastest-growing segments of India's asset management industry, driven by increasing investor preference for low-cost, transparent, and index-linked investment products. As of March 2026, total passive assets under management (AUM) stood at approximately Rs. 11.6 lakh crore, comprising Rs. 9.6 lakh crore in equity passive products and Rs. 2.0 lakh crore in debt passive products. The Nifty family of indices continues to dominate the passive investing ecosystem, accounting for approximately 72.5% of total index fund and ETF AUM and 76.9% of all index fund and ETF schemes in India. Despite the strong growth witnessed in recent years, passive AUM represented only 3.3% of India's GDP in FY26, significantly lower than the United States, where ETF AUM accounted for approximately 43.5% of GDP, indicating substantial headroom for future growth. Increasing investor awareness, greater adoption of systematic investing, expanding product offerings, and continued digital penetration are expected to further accelerate the growth of passive investing in India.
- **Strong Capital Formation Opportunity:** India continues to be one of the most active capital-raising markets globally, with total fund mobilization through NSE reaching approximately Rs. 20.3 lakh crore in FY26, including Rs. 1.78 lakh crore raised through IPOs and Offer for Sale (OFS) transactions. NSE ranked among the top five stock exchanges globally by IPO fundraising during the year, highlighting the depth and maturity of India's primary market ecosystem. The long-term outlook remains favorable, supported by a vibrant entrepreneurial landscape with over 223,000 DPIIT-recognized startups as of March 2026, more than 50% of which originate from Tier-II and Tier-III cities. Additionally, India's MSME sector comprises over 80 million enterprises, while only a small fraction is publicly listed, creating a significant pipeline for future listings, capital formation, and broader market participation.
- **Expanding Derivatives and Alternative Investments:** India has emerged as the global leader in equity derivatives trading, with approximately 37 billion equity derivative contracts traded in FY26, supported by growing participation from retail investors, institutional investors, proprietary traders, and algorithmic trading firms. This increasing market activity has strengthened liquidity, price discovery, and risk-management capabilities across asset classes. Simultaneously, the alternative investment ecosystem is witnessing rapid growth, with commitments to Alternative Investment Funds (AIFs) increasing from Rs. 4.05 lakh crore in December 2020 to Rs. 15.74 lakh crore in December 2025. Venture capital commitments also doubled during the same period, reflecting the expanding startup and private market ecosystem. As these investments mature, they are expected to create a robust pipeline of future IPOs and listed companies, further deepening India's capital markets.
- **Outlook:** India's capital markets are expected to witness robust long-term growth, supported by increasing participation from retail and institutional investors, rising financial awareness, greater adoption of market-linked investment products, and continued digitalization of financial services. Growing household preference for financial assets over traditional savings avenues, expanding mutual fund penetration, increasing popularity of passive investing, and a vibrant startup and entrepreneurial ecosystem are expected to deepen market participation and enhance capital formation. Furthermore, the under-penetration of segments such as corporate bonds, passive investment products, alternative investments, and equity ownership provides significant opportunities for future expansion. Supported by a strong regulatory framework, technological advancements, and favorable economic and demographic trends, India's capital markets are well positioned to continue their evolution into a deeper, broader, and more diversified financial ecosystem.



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