

# Insights Unwrapped

*Enhancing Market Liquidity: Potential Impact of New F&O Scrips Addition*



23rd November 2024

## Addition of New Stocks to F&O

- The NSE is set to expand its Futures and Options (F&O) segment by adding 45 new stocks, effective 29 November 2024, following approval from SEBI
- This addition marks a historic milestone, as it is the first time such a large number of stocks have been included in the F&O segment, bringing the total number of F&O stocks to 223
- Diverse Sector Representation- The newly added stocks encompass various sectors, including financial services (e.g., LIC, Jio Financial Services), and technology (e.g., Zomato, Paytm)
- The combined market capitalization of these 45 stocks is approximately INR 40 Lakh Crore (~\$475 Billion), significantly contributing to market liquidity and trading volume

# How much of equity F&O are serious investors?

## How much of the equity F&O market is driven by individual investors?

Year	No. of investors in F&O (in lakhs)			Notional Turnover in the F&O segment (in ₹ lakh crores)		
	Individual	Total	% of total	Individual	Total	% of total
FY22	51.35	51.51	99.7%	12,125	33,905	35.8%
FY23	66.96	67.13	99.7%	26,531	76,447	34.7%
FY24	95.75	95.93	99.8%	48,479	1,59,855	30.3%

The notional turnover includes both sides, i.e. notional turnover of buyer and seller combined

Source: SEBI, Finshots

*While individual investors form the largest group by number, they contribute only 30% of the notional F&O turnover in FY24, with the remaining 70% driven by serious investors (corporates, hedge funds, proprietary traders, algo-traders).*

## Benefits of F&O for Stock

- 1) It offers **greater liquidity** due to the higher volumes that F&O attracts in India as compared to the cash market
- 2) Institutional investors and proprietary traders often engage in cash-future arbitrage, thereby contributing to **increased cash market volumes** in the associated stocks.
- 3) Stocks included in the F&O list are **exempted from price circuit filters** and are only circumscribed by the quantity freeze limits in F&O and the index level filters.
- 4). Inclusion in the F&O segment typically leads to a **substantial increase in delivery volumes**, as highlighted in the subsequent slide.

## Historic Pattern of F&O Inclusion Stocks

Over the past four years (2020–2024), around 25 scrips were added to the F&O segment. Significant growth in cash segment volumes was apparent in most of these scrips post such inclusion, leading to enhanced market depth.

***Data shows that these 25 stocks experienced an average 90% increase in average volumes and 31% increase in average delivery volumes within six months of their inclusion.***

Stocks inclusion in Equity F&O between 2020-2024			
S. No.	Company	% Change in Average Volumes (Post inclusion)	% Change in Average Delivery Volumes (Post inclusion)
1	Indian Energy Exchange Ltd.	298%	146%
2	Hindustan Aeronautics Ltd.	82%	88%
3	Ipca Laboratories Ltd.	75%	80%
4	Multi Commodity Exchange Of India Ltd.	126%	57%
5	The Indian Hotels Company Ltd.	143%	51%
6	Metropolis Healthcare Ltd.	85%	49%
7	Honeywell Automation India Ltd.	46%	34%
8	Persistent Systems Ltd.	42%	30%
9	JK Cement Ltd.	102%	20%
10	Dr. Lal Pathlabs Ltd.	105%	18%
11	Oberoi Realty Ltd.	39%	16%
12	Aarti Industries Ltd.	58%	15%
13	Dixon Technologies (India) Ltd.	74%	9%
14	Indiamart InterMesh Ltd.	51%	9%
15	Delta Corp Ltd.	51%	6%
16	Syngene International Ltd.	25%	2%
17	Polycab India Ltd.	57%	0%
18	Abbott India Ltd.	36%	-2%
19	Aditya Birla Capital Ltd.	14%	-2%
20	Aditya Birla Fashion and Retail Ltd.	44%	-3%
21	Can Fin Homes Ltd.	64%	-6%
22	Coromandel International Ltd.	18%	-6%
23	Oracle Financial Services Software Ltd.	-7%	-14%
24	Dalmia Bharat Ltd.	24%	-24%
25	HDFC Asset Management Company Ltd	-28%	-43%
<b>AVERAGE INCREASE</b>		<b>90%</b>	<b>31%</b>

Source: ACE Equity/NSE



# Inclusion of Stocks in F&O: Current Facts

S.No	Company Name	Market Cap (INR Cr) #	Public Holding Value (INR Cr)#	95% of Market Wide Position Limit (MWPL)^	Avg 6M Delivery Volumes ('000)**	Avg 6M Delivery Percentage (%)**
1	Zomato Ltd.	2,35,709	71,043	44,785	25,166	47.7
2	Adani Green Energy Ltd.	1,81,593	40,786	13,477	747	44.6
3	JIO Financial Services Ltd.	1,99,557	48,792	20,050	8,479	49.2
4	BSE Ltd.*	63,561	33,325	12,077	633	44.4
5	PB Fintech Ltd.	78,786	25,196	14,969	1,104	57.3
6	Yes Bank Ltd.	59,972	20,864	11,395	50,579	37.1
7	Indian Railway Finance Corp.	1,85,050	21,207	4,796	13,160	29.3
8	Avenue Supermarts Ltd.	2,35,539	18,631	11,345	340	58.4
9	One97 Communications Ltd.	53,864	19,482	10,234	2,969	36.5
10	CG Power and Industrial Solutions Ltd.	1,08,678	17,291	8,658	1,460	49.3
11	Varun Beverages Ltd.	2,11,967	17,339	15,038	2,097	60.1
12	Central Depository Services (India) Ltd.	32,277	16,029	5,213	941	36.3
13	Tata Elxsi Ltd.	40,448	14,177	4,311	79	45.9
14	Life Insurance Corporation of India	5,58,023	12,165	3,711	1,111	43.4
15	APL Apollo Tubes Ltd.	39,846	9,499	5,427	393	62.9
16	NHPC Ltd.	79,717	9,821	4,938	19,997	40.2
17	Angel One Ltd.	24,514	9,656	2,999	374	36.3
18	HFCL Ltd.	18,372	8,889	2,226	9,610	27.8
19	Supreme Industries Ltd.	57,752	8,438	5,613	86	53.8
20	KPIT Technologies Ltd.	35,349	7,805	4,065	515	46.6

S.No	Company Name	Market Cap (INR Cr) #	Public Holding Value (INR Cr)#	95% of Market Wide Position Limit (MWPL)^	Avg 6M Delivery Volumes ('000)**	Avg 6M Delivery Percentage (%)**
21	NCC Ltd.	17,090	7,655	2,533	2,091	40.9
22	FSN E-Commerce Ventures Ltd.	47,979	7,600	4,359	3,992	47.9
23	Tube Investments of India Ltd.	68,500	7,871	7,162	180	59.7
24	JSW Energy Ltd.	1,22,064	7,299	7,115	1,630	44.7
25	Adani Energy Solutions Ltd.	83,813	5,046	4,787	1,227	44.8
26	Union Bank Of India	87,863	6,256	4,214	6,617	49.8
27	Jindal Stainless Ltd.	53,976	5,862	4,052	873	56.1
28	Poonawalla Fincorp Ltd.	28,009	5,818	2,029	1,283	49.0
29	HUDCO	40,268	5,489	1,913	4,707	33.4
30	CAMS	22,334	5,545	4,243	134	39.6
31	KEI Industries Ltd.	34,231	5,419	4,093	145	53.0
32	Kalyan Jewellers India Ltd.	73,397	5,593	5,174	2,068	44.6
33	Oil India Ltd.	79,078	5,108	6,512	2,750	41.5
34	SJVN Ltd.	40,673	4,669	1,403	5,240	33.4
35	IRB Infrastructure Developers Ltd.	27,683	4,288	3,660	20,085	44.4
36	Adani Total Gas Ltd.	66,247	3,975	3,172	854	41.0
37	Delhivery Ltd.	25,507	4,186	4,846	1,599	63.2
38	Max Healthcare Institute Ltd.	96,207	3,685	13,940	1,224	62.4
39	Cyient Ltd.	19,724	3,700	2,880	231	55.9
40	Bank Of India	46,164	3,296	2,335	4,317	48.2
41	Sona BLW Precision Forgings Ltd.	42,497	3,166	5,810	1,013	55.8
42	Indian Bank	71,450	2,729	3,551	931	50.5
43	CESC Ltd.	22,667	2,709	2,063	2,508	37.3
44	Prestige Estates Projects Ltd.	71,064	2,267	5,274	679	51.0
45	Macrotech Developers Ltd.	1,23,018	1,119	6,519	767	54.7
<b>TOTAL (INR Cr)</b>		<b>39,12,080</b>	<b>5,50,783</b>	<b>3,18,963</b>		

**Source: ACE Equity/ BSE**

# Closing price as on 21st Nov Closing; Shareholding as on September quarter (BSE)

^ MWPL (Market wide position limit) is usually set by exchanges and is 20% of non-promoter holdings

\* Balance shareholding as "Others"

\*\* Average 6 Months volumes on NSE between 22nd May-21st Nov'24

## Implication of 45 new stocks entering F&O

- The total market Capitalization of these 45 stocks: ~INR 40 Lakh Crore (\$475 Billion)
- Free Float (non promoters, non FIIs, non DIIs) or only public float: ~INR 5.5 Lakh Crore (\$65 Billion)
- Market Wide Position Limit (MWPL)- to be decided by the exchange but usually it is 20% of non-promoters holding and considering 95% of it: ~INR 3.2 Lakh Crore (\$38 Billion)
- ***Our estimates indicate that the additional liquidity generated from the inclusion of these 45 scrips could be approximately INR 3.2 Lakh Crore (MWPL). If 25-30% of this liquidity is utilized for leveraged trades, it could inject about \$10-12 Billion into the equity markets. This additional inflow within the system may create a solid foundation for a potential uptick in CY2025, as more capital flows in from private and individual investors.***
- ***Historical data shows that inclusion in the F&O segment typically leads to an average increase of 90% in trading volumes and a 30% rise in delivery volumes for individual scrips. This significant boost enhances market depth and encourages greater participation from institutional investors. Additionally, with the recent exclusion of some weekly contracts on the BSE and NSE in the F&O segment, this move could help compensate for the reduced offerings and provide the necessary depth in the market.***



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