Global Economic Overview

In recent years, the global economy has faced numerous challenges, which include the pandemic, supply chain disruptions, and muted growth rates. As economies worldwide navigated the volatile conditions, geopolitical tensions worsened with the outbreak of the Russia-Ukraine war. This further escalated commodity prices, leading to higher production costs, elevated prices for goods and services, and food grain scarcity. According to the International Monetary Fund (IMF)'s World Economic Outlook (WEO), published in July 2023, global inflation reached its peak at 8.7% in 2022, largely driven by the prevailing volatile conditions. Central banks worldwide expressed concerns about these heightened levels of inflation and responded by implementing tighter monetary policies, increasing interest rates, and causing greater financial market volatility.

However, with policymakers resiliently addressing the various challenges, a positive outlook is on the horizon. The gradual tightening of monetary policy is anticipated to mitigate inflationary pressures. Recent publications suggest, inflation is expected to decline more rapidly than anticipated, leading to reduced requirements for stringent monetary policies. Moreover, a significant driving factor for the projected disinflation in 2023 is the expected decline in international commodity prices. The cooling fuel and commodity prices will play a role in reducing global inflation to 6.8% in 2023 and further down to 5.2% in 2024. Additionally, global commodity demand may also demonstrate greater resilience. To secure a more stable future, it is crucial for global economies to collaborate and address key supply chain issues and geopolitical tensions. These coordinated efforts will greatly influence the trajectory ahead.

(Source: https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023)

Indian Economic Overview

During 2022-23, the Indian economy demonstrated resilience amidst global volatility emerging as one of the fastest-growing economies with an annual GDP growth rate of 7.2% during 2022-23. However, the economy was also impacted by escalating geopolitical tensions between Russia and Ukraine, which resulted in inflation levels exceeding the upper tolerance level of 6%. In response to the escalating inflationary trend, the Reserve Bank of India (RBI) has implemented a series of effective measures, progressively elevating the repo rate by 250 basis points during 2022-23. As on March 31, 2023, the rate stands at 6.5%. This measured and strategic approach has successfully contributed to a gradual easing of inflationary pressures.

India's strong economic fundamentals are contributing to a positive long-term economic outlook. The Government's dedication to growth-enhancing policies, exemplified by initiatives like the Production-Linked Incentive Scheme, Aatma Nirbhar Bharat, and increased investments in infrastructure, is leading to a more potent multiplier effect on various aspects such as job creation, income growth, productivity, and efficiency. During the past few years, the Government has concentrated on capital expenditure with a two-fold objective: first, to bridge infrastructure gaps, and second, to attract private investment by divesting public sector enterprises and leveraging idle public sector assets.

On the back of the policies adopted by the Government, the IMF has projected a growth of 6.1% in 2023-24 for India. Thereby, retaining its position as the fastest-growing major economy, globally. At the same time, the economy is maintaining a cautious approach owing to the global geopolitical tensions and high inflationary levels. Furthermore, India's significant investments in technology, infrastructure, and energy is expected to position it towards becoming one of the world's leading economies in the coming decade.

(Source: IMF, PIB, RBI Estimates, NSO Estimates)

Indian Financial Services Industry

The Indian financial services industry comprises various sectors which include commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. Among these, the banking sector holds a significant market share, with commercial banks alone accounting for over 64% of the total assets held by the financial system. In recent years, the Government has introduced several initiatives aimed at both expanding the industry size and implementing efficient regulations. These measures include the Credit Guarantee Fund Scheme for Micro, Small, and Medium Enterprises (MSMEs), providing guidelines to banks concerning collateral requirements, and establishing the Micro Units Development and Refinance Agency (MUDRA). Additionally, the Government has introduced a nationwide initiative called MSME BHARAT MANCH, aimed at creating an empowering ecosystem to significantly boost the growth of the MSME sector. Under this programme, a wide range of solutions will be offered, including unsecured & secured finance, encompassing working capital, free loan audit & SME insurance audit, marketing & sales support, HR & Technology support, credit rectification, credit rating support, assistance for Samadhan, awareness on MSME schemes & subsidies, tender and bill discounting, investment banking support, NPA revival, pitch deck, training, coaching, consulting, and various other professional business support services.

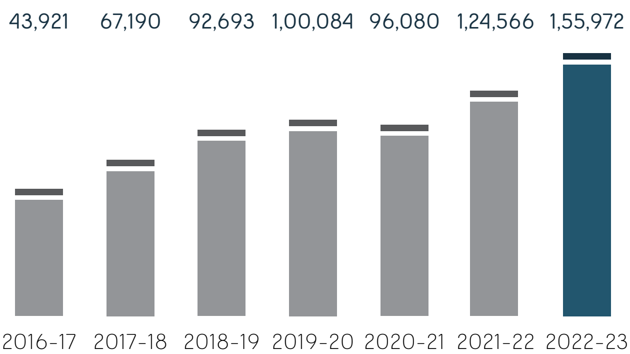
In terms of compliance, Indian financial regulators have played a significant role in building one of the most resilient banking and financial systems globally. As per the Union Budget 2023, there are plans to create a national financial information registry, serving as a centralised repository for financial and related data. This initiative aims to facilitate smoother credit flow, boost financial inclusion, and ensure greater financial stability. Furthermore, the authorities responsible for financial sector regulation will be mandated to conduct a comprehensive evaluation of current legislation with the goal of reducing expenses and streamlining compliance procedures.

With the rapid advancement of technology, the financial sector is increasingly prioritising superior customer service and bolstering its digital infrastructure to elevate the overall customer experience. This strategic approach provides banks and other financial institution with a competitive edge.

Indian Mutual Fund Industry

During the past few years, the Indian mutual fund industry has experienced strong growth. The Indian mutual fund industry's AUM has grown from INR 22.86 trillion as on June 30, 2018 to INR 44.39 trillion as on June 30, 2023, amounting to a nearly two-fold increase in a span of five years. This growth can be attributed to a thriving domestic economy, substantial inflows, and an increasing number of retail investors actively participating in the market. Even though India's mutual fund industry is substantial and expanding, it remains underpenetrated, with a mutual fund penetration rate (the ratio of period-ending mutual fund assets under management to GDP) exceeding 25% as of March 2022, in contrast to the global average of 70-80%. India's share in the global mutual fund industry is less than 2%, indicating a considerable potential for growth. Furthermore, Systematic Investment Plans (SIPs) have been gaining popularity among Indian mutual fund investors with SIP contributions rising from INR 1.24 trillion in 2021-22 to INR 1.56 trillion during 2022-23.

SIP Contribution (INR Crores)



(Source: AMFI, CareEdge Research)

Indian Equity Market

The Indian equity market has been a captivating destination for investors over the years. It continues to expand in terms of listed companies and market capitalisation, creating a broader landscape for brokerage firms. The sophisticated products segment, especially derivatives trading, is experiencing significant growth. In 2022-23, the NSE and BSE had 2,137 and 4180 active listed companies, respectively. During 2021, the total number of IPOs (Initial Public Offerings) stood at 125, while in 2022, the number of IPOs saw a growth of 21%, standing at 151.

In 2022, global investors reduced their allocation to equities, leading to a significant outflow of capital from prominent equity markets, including India. Foreign institutional investors withdrew nearly USD 16.5 billion from the Indian equity markets during the year 2022. This FIIs outflow was led by rising expectations of US-fed rates to combat inflation and high volatility in the market. However, the Indian equity market has undergone a substantially transformation, as retail investors have significantly increased their involvement in equity markets. In 2022, Indian stocks demonstrated their strength as the second-best performers, with Brazil securing the top position. The domestic benchmarks Nifty 50 and Sensex displayed positive growth with gains of 4.3% and 4.4%, respectively, during the same year. On the contrary, major indices in the US, Europe, China, Hong Kong, Taiwan, South Korea, and Russia experienced notable declines, ranging from 9% to 39% in the mentioned period.

(Source: IBEF, CARE Edge, Livemint, ET Markets)

Non-Banking Financial Corporations

In recent times, NBFCs have emerged as significant players in India's financial sector and have consistently achieved higher credit growth compared to Scheduled Commercial Banks (SCBs). Typically, NBFCs stand out from banks due to their lower transaction costs, innovative product offerings, faster decision-making processes, customer-centric approach, and prompt service standards. Non-Banking Financial Companies in India have played a crucial role in promoting financial inclusion by extending their lending services to underprivileged segments, including rural households and small businesses. Their pivotal contribution lies in driving inclusive growth and facilitating wider availability of formal credit.

There have been improvements in factors such as asset quality, resulting in a broad reduction in SMA (Special Mention Accounts) numbers. Public sector NBFCs have reported a lower GNPA (Gross Non-Performing Assets) ratio compared to their private sector counterparts. Moreover, the large NBFCs (NBFC-UL) group achieved a higher year-on-year credit growth of 18.8% and a better GNPA ratio of 3.7% as of March 2023 compared to the overall NBFC sector. 2022-23, NBFCs and HFCs (Housing Finance Companies) remained the primary issuers of listed bonds, while banks and body corporates were the main subscribers.

The country has nearly 10,000 licensed NBFCs as of March 31, 2023. The vast majority are small finance companies operating in a particular state or region. However, 49 were authorised to accept term deposits and make loans.

Asset Management Industry

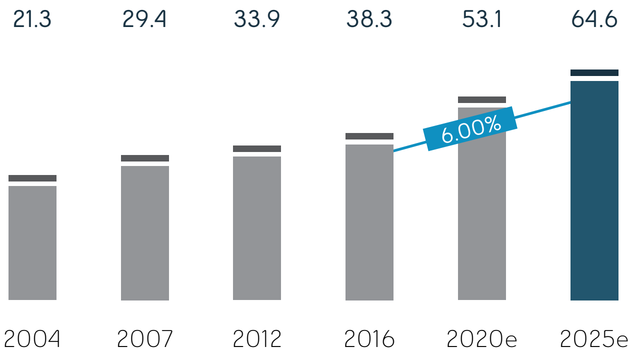
The asset management industry is an integral component of the financial system, serving as a medium through which investors achieve their financial goals. The industry comprises a large number of diverse firms that offer a wide array of investment strategies across various asset classes. According to projections by PwC – 'Asset & Wealth Management Revolution: Embracing Exponential Change', it is estimated that by 2025, Assets under Management (AUM) will have almost doubled – rising from USD 84.9 trillion in 2016 to USD 145.4 trillion in 2025. Furthermore, it is anticipated that alternative asset classes shall more than double in size, as investors diversify to reduce volatility and achieve specific outcomes.

If current growth is sustained, the industry's penetration rate (managed assets, as a proportion of total assets) will expand from 39.6% in 2016 to 42.1% by 2025. The growth of the asset management industry is being driven by several factors, including the increasing wealth of individual investors and their growing confidence in entrusting their financial assets to professional managers. This trend is further strengthened by the rising accessibility and awareness of various financial instruments, particularly in rapidly emerging economies like India.

Distribution of Global Assets Under Management (USD Trillion)

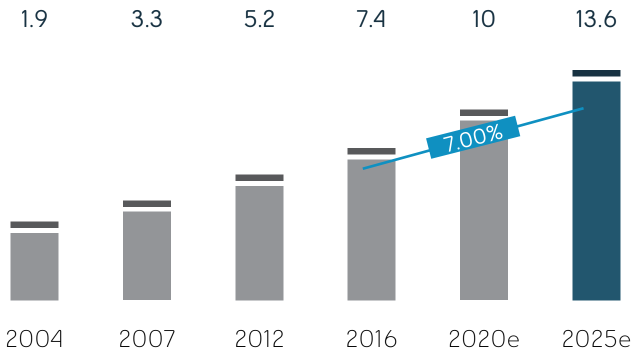
e: Estimate CAGR

Pension Funds



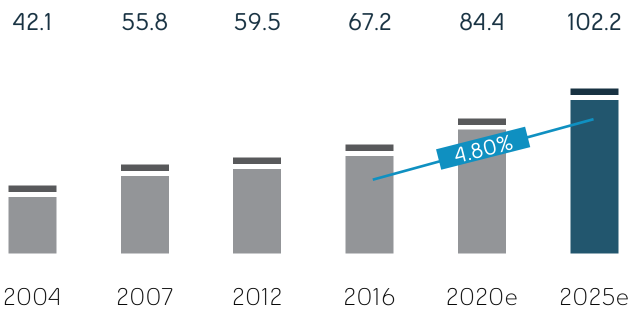
Clients

Insurance Companies



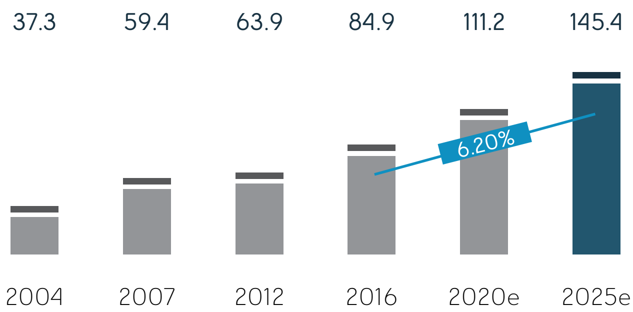
Clients

Sovereign Wealth Funds (SWF)



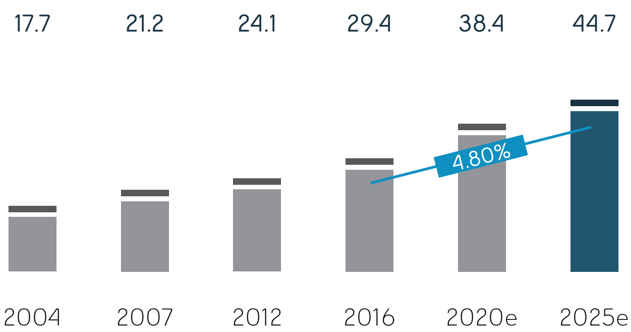
Clients

HNWI



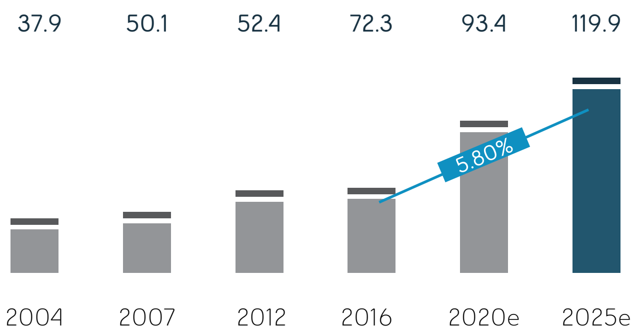
Clients

Mass Affluent



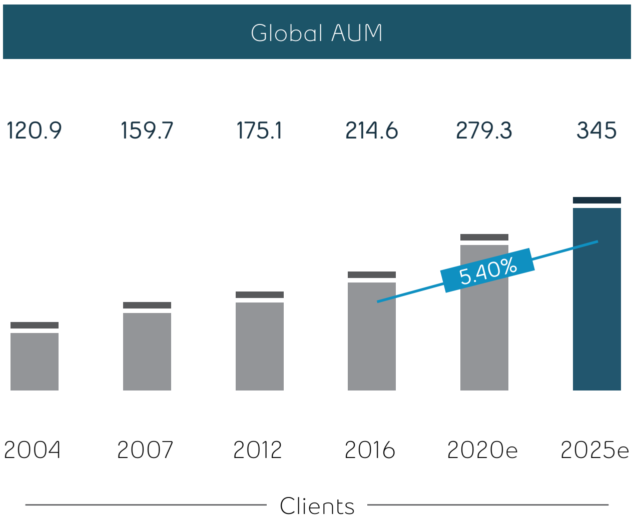
Clients

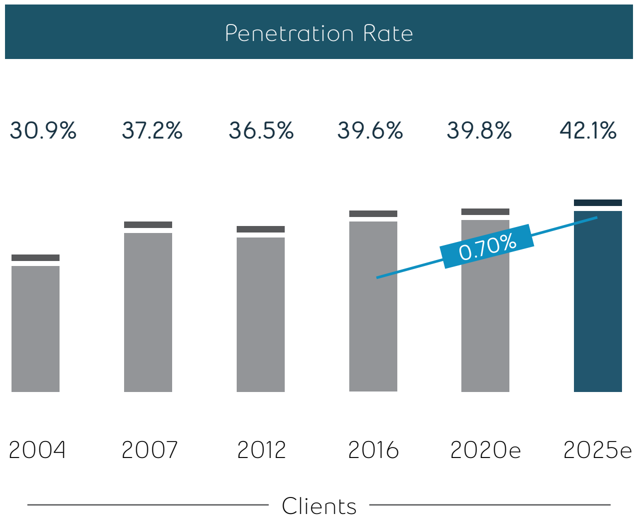
Total Client Assets



Clients

e: Estimate





(Sources: PwC AWM Research Centre Analysis. Past data based on Lipper, ICI, Preqin, Hedge Fund Research, EFAMA, City UK, Insurance Europe, Financial Stability Board, Credit Suisse, Towers Watson, OECD and World Bank.)

With increasing competitive intensity across the industry, investors now have access to a diverse range of investment solutions. Moreover, the rising number of High-Net-Worth Individuals (HNIs) globally has generated interest in alternative products like Market-Linked Debentures (MLDs) and portfolio management solutions. Emphasising technology as a key differentiator in the industry, leading players shall advance by adopting digital solutions throughout the value chain, encompassing new client acquisition, customised investment advice, research and portfolio management, middle and back-office processes, distribution, and client engagement.

(Source: https://www.pwc.com/jg/en/publications/asset-and-wealth-management-revolution.html#download)

Indian Commodity Markets

The Indian commodity markets hold a significant role in the country's growth and development. With a diverse geography and abundant resources, India produces a wide range of commodities, establishing itself as a noteworthy player in the global commodity market. India hosts three key commodity exchanges: the Multi Commodity Exchange (MCX), National Commodity and Derivatives Exchange (NCDEX), where trading encompasses various commodities, including agricultural products, metals, energy, and other essential goods.

Over time, the commodity trading landscape in India has evolved due to technological advancements and the introduction of innovative trading products. Electronic trading has gained popularity, enabling traders to engage in online buying and selling from anywhere globally. Additionally, derivatives trading, featuring options and futures contracts, has grown, offering hedging and speculative opportunities for managing commodity price risks. This evolution has increased participation and trading volumes in the commodity markets. As these markets continue to evolve, they not only enhance participation and trading volumes but also provide a valuable avenue for market participants to respond promptly to international price dynamics, solidifying their status as a flexible and indispensable part of India's financial ecosystem.

(Source: Times of India)

Currency Arbitrage Market

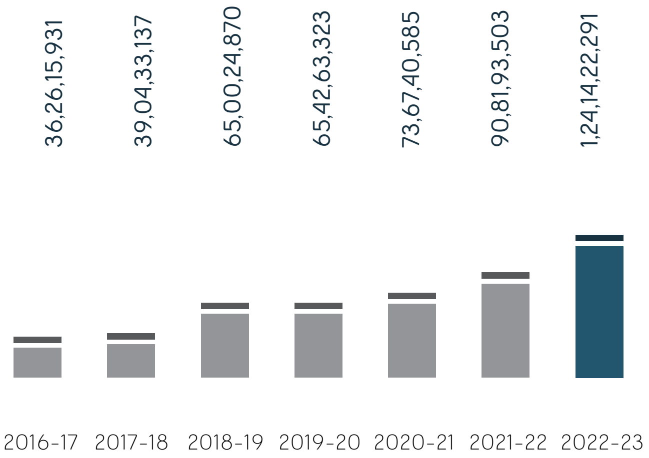
The foreign exchange market stands as a massive and highly liquid space where trillions are exchanged daily. Currencies have been widely regarded as a valuable asset class for portfolio diversification. Unlike stocks and bonds, which are closely tied to local economic conditions, currency values pivot on global economic and geopolitical factors.

Currency arbitrage refers to the practice of taking advantage of exchange rate differences in various foreign exchange market venues to make a net profit. This plays a significant role in global finance and contributes to forex market efficiency by facilitating pricing alignment across different currency pairs and markets. To engage in currency arbitrage effectively, traders require advanced technology and rapid execution capabilities to seize fleeting exchange rate discrepancies.

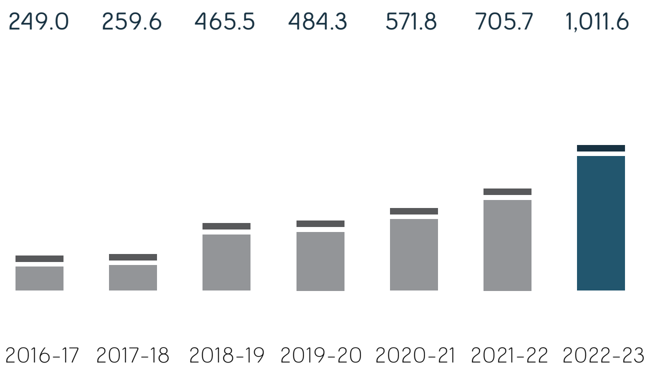
Currency arbitrage traders often turn to automated systems and algorithms to identify and execute trades across different markets simultaneously. This strategy provides a unique way to benefit from currency fluctuations, offering both opportunities and efficiency benefits in the world of global finance.

Currency Futures

No. of Contracts

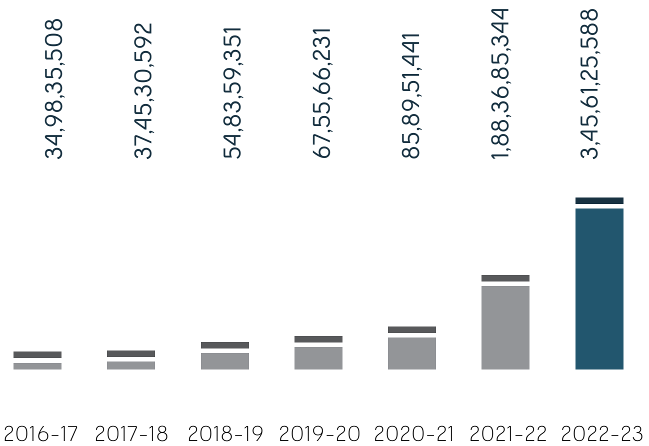


Turnover (INR billion)

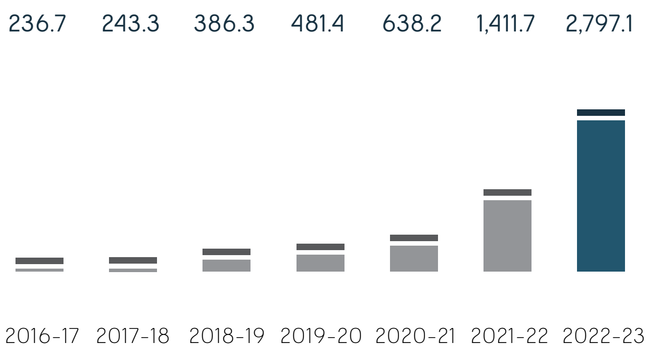


Currency Options

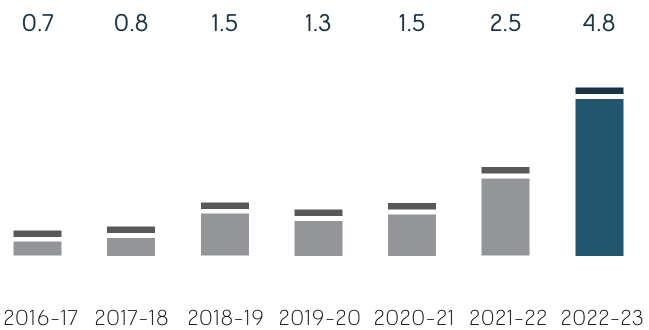
No. of Contracts



Notional Turnover (INR billion)



Premium Turnover (INR billion)



(Source: NSE, CareEdge Research)

Remittance Services

The global remittance market serves as a dynamic arena facilitating the transfer of money across international borders, a practice commonly referred to as international money transfers. This vital aspect of our interconnected global society has gained significant traction due to the escalating trend of international migration for employment and education. As such, the demand for remittance transactions has surged, exerting a significant impact on the development of emerging economies worldwide. This market's growth trajectory is buoyed by influential trends, including rapid technological advancements and the expansive footprint of global businesses.

Remittance transfers can be initiated through a diverse array of channels, encompassing banks, money transfer entities, and online platforms. The recipients of these funds have the flexibility to access them in various forms, including cash disbursement, bank deposits, or mobile wallet balances. This convenience does come with associated costs, as remittance service providers typically levy fees or commissions. The precise charges vary, contingent upon factors such as the transfer amount, destination country, and chosen mode of transfer.

Banks currently wield substantial influence as a preferred channel for remittance transactions, firmly establishing their dominance within the industry. Key players in this arena encompass notable institutions such as Bank of America Corporation, Citigroup Inc., J.P. Morgan Chase & Co., as well as prominent entities like Ria Financial Services Ltd., Western Union Holdings, Inc., MoneyGram International, Inc., and TransferWise Ltd., among others.

The prevailing landscape of the global remittance market is valued at approximately USD 948.99 billion in 2023, and its growth trajectory remains promising, with projections indicating a value of USD 1250.91 billion by 2028, reflecting a compelling compound annual growth rate (CAGR) of 5.68%. Delving further, the UK's remittance market is poised to attain a valuation of USD 55.61 billion in 2023, and this figure is anticipated to escalate to USD 74.74 billion by 2028, embracing a CAGR of 6.09% as it continues to flourish.

Company Overview

About the Company

In 2009, Abans Holdings Ltd. (AHL) embarked on its journey as a commodity trading company, founded by Mr. Abhishek Bansal. Since then, we have evolved into a global financial services conglomerate. Our diverse portfolio encompasses a wide range of financial businesses, including institutional broking, asset management, lending, and remittance services. AHL has established a formidable global presence, with operations spanning India, the United Kingdom, Dubai, Shanghai, Hong Kong, and Mauritius. Notably, in 2022, AHL proudly secured listings on both the BSE and NSE, marking a significant milestone in our path to becoming a leading financial services brand.

Empowering Financial Ambitions

At the heart of our asset management business lies a visionary commitment: to create wealth with unwavering integrity. This commitment empowers both individuals and businesses to reach their financial ambitions. It's this dedication to excellence that has fuelled AHL's remarkable growth. Our Assets Under Management (AUM) skyrocketed from INR 995 Crores in 2021-22 to INR 1,665 Crores in 2022-23, a testament to the trust our clients place in us. This trust is a result of our consistent investment performance, robust client relationships, and effective marketing efforts.

Global Reach and Seamless Access

To provide seamless asset management services, AHL holds memberships in leading exchanges in India and key international exchanges. This strategic positioning allows us to offer our institutional clients easy access to global markets.

Innovation in Global Expansion

AHL's strategic move to introduce a customised remittance service for our global clients is a pivotal step in our global expansion strategy. This service streamlines fund transfers, facilitating efficient foreign exchange transactions and timely payments to trading partners.

Future Growth and Expansion

As AHL advances, our mission is to continue expanding our client base across institutional, High-Net-Worth (HNI), and retail segments. We also keep an eye out for strategic acquisitions which will fuel our growth inorganically. We plan to enrich our product portfolio by introducing new funds and investment offerings. Expanding our global presence through new exchange memberships remains a top priority.

AHL proposes to be an investment manager of alternative investment funds on shore and in IFSC. We are working on several projects to introduce diverse services in Gift City which will further push our profits north and firm up our position as leading asset managers.

Diverse Financial Services

Our finance business vertical encompasses the lending and finance operations of AHL, primarily through our subsidiary, Abans Finance Pvt. Ltd. This RBI-registered Non-Banking Financial Company (NBFC) provides secured and unsecured loans and financing facilities across India. As of March 31, 2023, our asset portfolio stood at INR 670 Crores, reflecting significant growth. The portfolio diversifies across commodities, financial services, and other industries.

Exemplary Credit Risk Management

AHL is proud to report an exemplary history of credit risk management within our loan portfolio. As of March 31, 2023, our total gross Non-Performing Assets (NPA) remained nil, underlining our efficient management of loans and minimal defaults.

Robust Financial Performance

Our Net Interest Margin (NIM) has exhibited remarkable growth, increasing from 5.71% in 2020-21 to an impressive 8.06% in 2022-23. This substantial improvement underscores our capacity to generate profits through prudent lending operations and effective management of interest-earning assets.

Expansion through Acquisition

To further expand our offerings, AHL recently acquired the Portfolio Management Services (PMS) business of SATCO Capital Markets Ltd., adding an AUM of INR 60 Crores to our portfolio. This strategic move enhances the diversity and depth of services available to our valued clients.

Revenue and Profit Categories

For a clearer understanding of our business, we have categorised our revenue and profits into three main segments:

Agency Business: This segment encompasses asset management income, AUM fees, performance fees, brokerage income, remittance fees, and more. We operate funds in multiple jurisdictions focussing on arbitrage and other risk-based strategies, based on the risk profile of the investor. We also offer portfolio management services and investment advisory services to our clients. We provide all the support services namely, brokerage and back office support which becomes the infrastructure for asset management services.

Lending Business: Representing interest income generated by our NBFC, this segment plays a crucial role in our financial services. We provide a wide range of secured and unsecured loans tailored to meet the financing needs of underserved segments like SMEs, traders, individuals, and new-age enterprises across India.

Capital Business: This segment encompasses treasury income derived from managing our net worth and liquidity. We undertake trades across equities, currencies, commodities, and other asset classes aimed at generating steady returns within defined risk thresholds. Our trading is focussed on liquid instruments that provide the flexibility to efficiently rebalance positions as needed.

Growth in Agency Business - Revenue from Operations

INR 23.54 Crores → INR 42.97 Crores (82.5% Growth)

March 2022 | March 2023

Total AUM

INR 995 Crores → INR 1,665 Crores (67% Growth)

March 2022 | March 2023

Profit before Tax

INR 66.16 Crores → INR 75.95 Crores (14.79% Growth)

March 2022 | March 2023

As we embark on our journey to create a comprehensive and informative first annual report, we look forward to engaging with our valued shareholders and stakeholders. Thank you for being a part of our exciting journey of growth and excellence.

Competitive Strengths for a Bright Tomorrow

At Abans Holdings, our distinct competitive strengths define our trailblazing presence. These include:

Integrated Financial Services Platform

As a diversified financial services provider, we offer an integrated platform across financing, institutional trading, private client broking, asset management, and investment advisory services. This unique integration allows us to leverage client relationships and product knowledge across our businesses to cross-sell multiple services and products to the same client base. Our presence across Indian and global markets also provides wider geographical access and diversification options to our clients.

Strong Human Capital

A seasoned management team that navigates the intricate financial landscape with over 17 years of experience. Our management's deep understanding of diverse global financial markets enables us to seize evolving opportunities and effectively mitigate inherent risks.

Global Exposure and Innovative Products

Our global operations and exchange memberships provide us the capability to offer clients access to innovative and complex financial products like CFDs. It also opens up unique arbitrage and investment avenues for our treasury and proprietary trading activities.

Robust Client Relationships

Through dedicated servicing and tailored solutions to institutional clients, HNIs, and trading counterparties over the years, we have developed long-standing relationships and gained client loyalty. This provides us with an edge in acquiring clients and generating repeat business.

Standardised Processes

We have implemented standardised processes across functions that lend scalability and replicability to our business model across geographies. The process orientation enhances productivity and strengthens risk management and controls.

Technology Leverage

Our extensive technology leverage provides us with a competitive edge in areas like real-time data access, risk analytics, and employee productivity. Our robust IT systems and infra also enable rapid scaling up of operations as we expand globally.

Risks and Concerns

Nurturing Growth, Managing Risks

Our journey isn't without challenges, but our risk management prowess fortifies our foundation. Market, credit, liquidity, operational, legal, and compliance risks are vigilantly managed, empowering us to drive growth with stability.

We face risks across various parameters:

Risks	Impact	Mitigation
Market Risk	Our revenues are exposed to volatility in commodity prices, securities markets, and foreign exchange rates which can impact profitability.	We mitigate such risks through diversification across asset classes, dynamic hedging strategies, and maintaining prudent exposure limits.
Credit Risk	We are exposed to credit default risks from borrowers and counterparties which can affect loan recovery and obligations fulfilment.	We have robust credit approval processes, continuous credit monitoring mechanisms, and appropriate margin requirements to minimise such risks.
Liquidity Risk	We may face cash flow mismatches or inadequate cash to meet payment obligations due to asset-liability tenor gaps.	Our treasury department closely monitors the overall liquidity position and we maintain adequate working capital credit lines to mitigate such risks.
Operational Risk	Gaps in internal processes, technology failures, cyber-security breaches, and employee frauds, among others can disrupt operations.	We invest extensively in internal controls, process standardisation, business continuity planning, and technology risk management to address such risks.
Legal and Compliance Risks	Regulatory changes, litigation risks, and instances of non-compliance can have financial and reputational impacts.	Our dedicated compliance team strives to proactively identify and minimise such risks through ongoing regulatory monitoring and adopting higher governance standards.
Reputational Risk	Negative publicity and brand erosion due to service failures can impact our market position.	We mitigate such risks by focussing extensively on service quality, customer-centricity, effective public communications, and strong governance practices.

We have a dedicated risk management team employing people, processes, and technology to monitor, evaluate and mitigate risks across parameters. Effective risk management is a strategic priority for us to deliver robust growth with financial stability. Our Board and management remain committed to fostering a strong risk management culture across the organisation.

Internal Control Systems

At Abans Holdings, we have implemented a robust framework of policies, procedures, and organisational structures to ensure strong internal controls across our operations. This includes an independent compliance function, headed by senior management and reporting to the Board, to ensure regulatory compliance and process integrity. We have comprehensive policies related to financial reporting, accounting, anti-money laundering, insider trading prevention with Chinese wall procedures, segregation of duties, maker-checker controls, and periodic internal audits that actively promote financial integrity, transparency, accountability and prevent fraud. Ongoing monitoring by our management and Audit Committee provides oversight on control assurance and compliance effectiveness. Our compliance specialists, periodic training, localised regulatory expertise in international hubs, and overall control framework strengthen our capabilities to ensure ethical conduct, prevent fraud and maintain the integrity of financial information through stringent internal controls.

Financial Overview

Consolidated Income Statement

Amounts in INR Crores	2022-23	2021-22
Revenue	1,151.0	638.6
PBT	76.0	66.2
PAT	70.3	61.8

During 2022-23, we witnessed a remarkable growth of 80.24% in our revenues which grew from INR 638.6 Crores in 2021-22 to INR 1,151.0 Crores in 2022-23. Our Profit Before Tax (PBT) and Profit After Tax (PAT) witnessed growth with PBT levels rising from INR 66.2 Crores in 2021-22 to INR 76.0 Crores in 2022-23 and PAT rising from INR 61.8 Crores in 2021-22 to INR 70.3 Crores in 2022-23, reflecting our unwavering commitment to financial excellence.

This is Abans Holdings Ltd., where financial aspirations converge with boundless opportunities. We are not just making waves; we're charting a transformative path in the world of finance.

Cautionary Statement

The Management Discussion and Analysis Report may contain 'forward-looking statements' as per relevant laws and regulations, outlining the Company's objectives, projections, estimates, expectations, or predictions. However, actual results might significantly differ from those expressed or implied. The Company's operations could be influenced by crucial factors such as demand-supply conditions, alterations in Government and international regulations, tax regimes, economic developments in India and globally, and other considerations like litigation and labour relations.