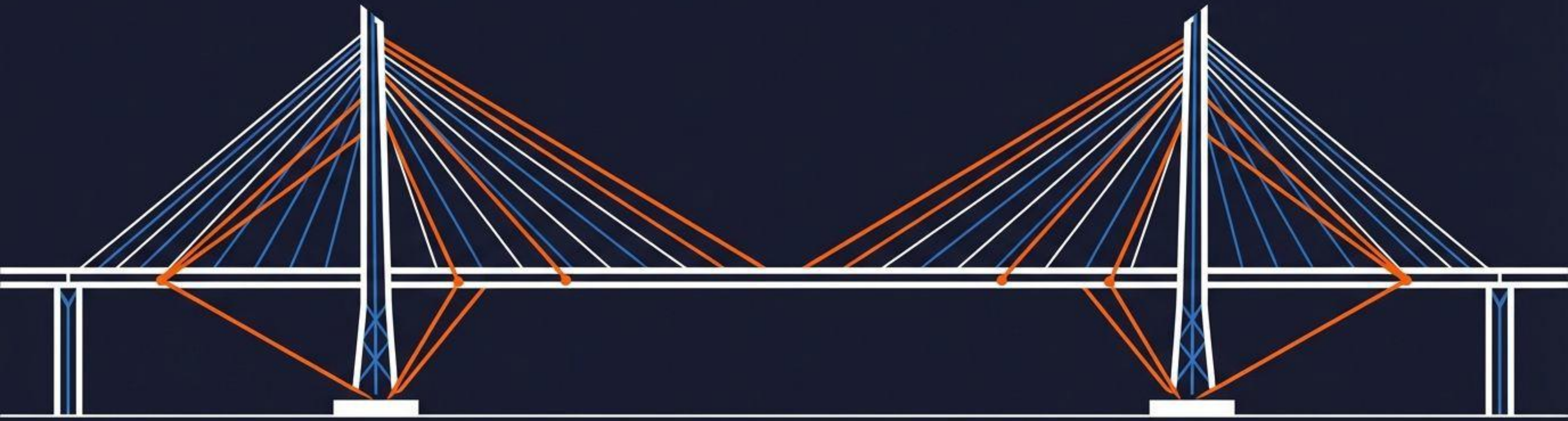
ZERODHA'S STRATEGIC PIVOT: PRESERVING 'ZERO' IN A REGULATED ERA

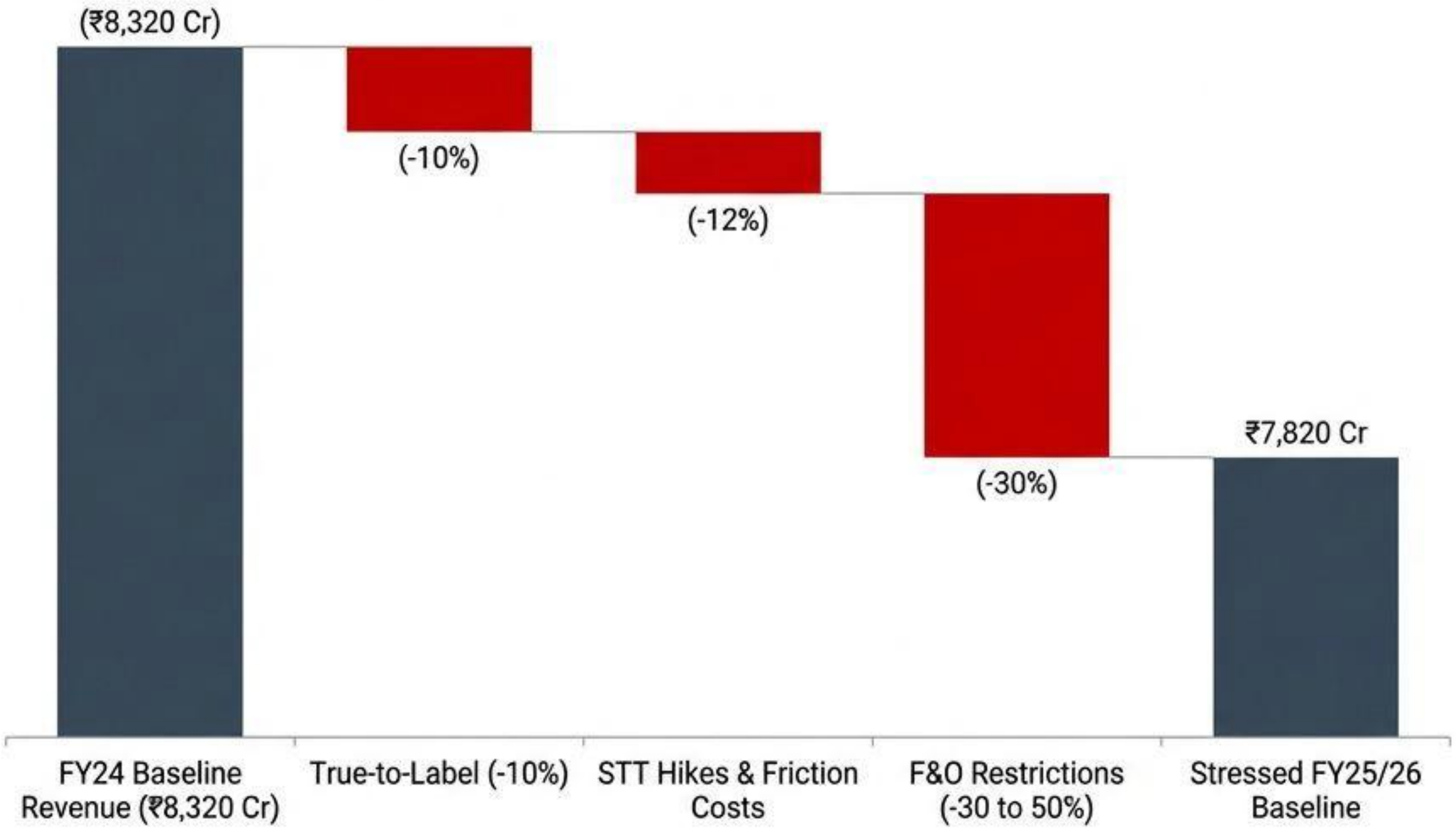
Securing ₹8,240 Cr base-case revenue without compromising the 16-million user trust moat.



Param Parekh | Vaishali Jain | Chandana Shivanand | Dinesh Kumar

The Regulatory Squeeze

SEBI's structural reforms have permanently compressed the F&O and MII rebate profit pools, exposing our turnover-linked vulnerability.



- **MII True-to-Label**: Elimination of slab-wise exchange rebates.
- **Index Derivatives Overhaul**: Restriction to 1 weekly expiry, ₹15L minimum contract sizes, upfront premium collection.
- **Friction Costs**: Budget 2024/25 STT hikes compressing high-frequency options scalping.
- **BSDA Threshold**: Increase to ₹10L holding value, squeezing demat AMC revenues.
- **The Reality**: 91% of retail F&O traders incur net losses. SEBI's posture against speculative intensity will not reverse.

Source: [SEBI Circular No: SEBI/HO/MRD/TPD/P/CIR/2024/132] | [SEBI Circular No: SEBI/HO/MRD/TPD-1/P/CIR/2024/92] | [Z-Connect Founder Updates: Business updates 14 & 15 years]

Any Monetization of the 'Free' Promise Risks a Catastrophic Churn Spiral

Stealth monetization = catastrophic churn. Any shift that looks like a hidden tax on the the core promise will instantly destroy a **decade of compounded goodwill.**

Source: Zerodha, SEBI, Company Filings

The Entire Industry Is Pivoting from Execution Fees to Balance-Sheet Revenue

The Schwab Template

- Schwab generates 49% of its revenue from net interest, proving balance-sheet monetization scales safely.

The Robinhood Playbook

- Robinhood Gold subscription tiers generated $179M in Q1 2024, monetizing power users without taxing the base.

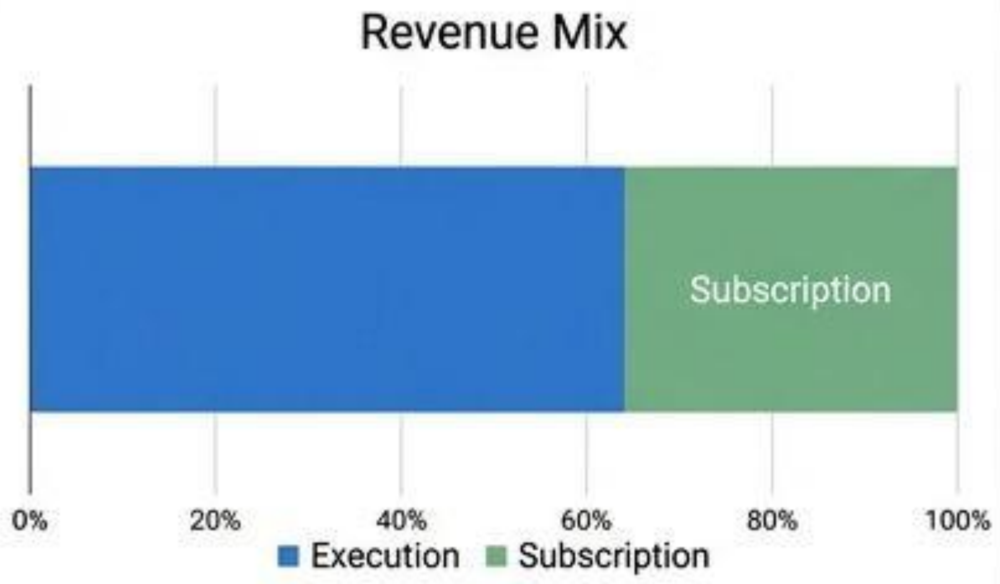
Source: SEBI circulars; Angel One FY25; Schwab 2025; Robinhood Q1 2024

Competitor Strategies & Market Responses

Incumbents and digital peers are aggressively diversifying to **offset F&O losses; MTF** and wealth are becoming the de facto survival engines.

Upstox (Feature-Tiering)

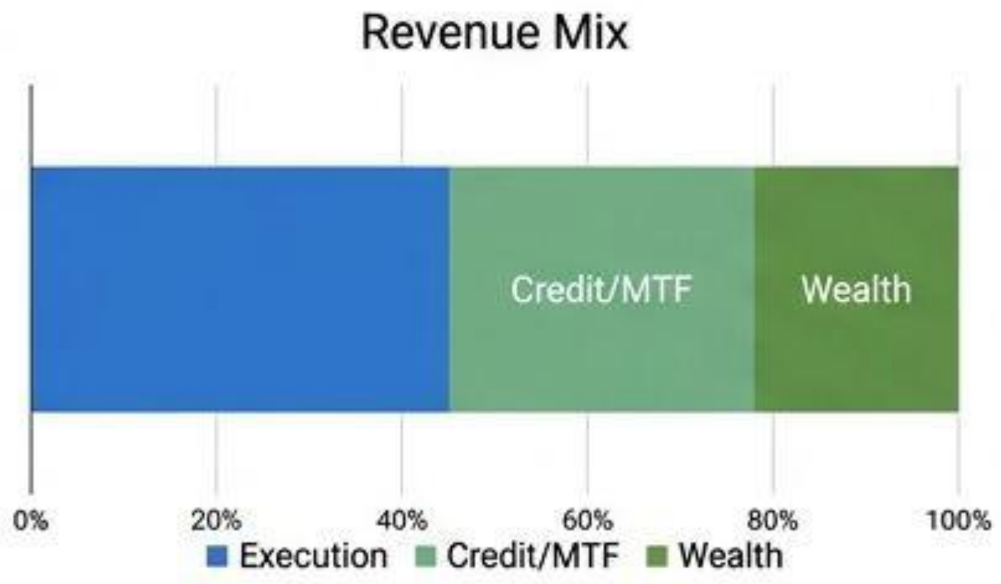
'Upstox Plus' introduces higher base brokerage (₹30 vs ₹20) bundled with advanced tools. Opt-in price discrimination.



Groww (Super-App Compounding)

Intense focus on MTF (~14.95% p.a.), commodities, and wealth platforms to monetize their 1.25Cr active users.

Broking revenue dropped to ~79.5% by mid-2025. Volume-led credit. ⚠

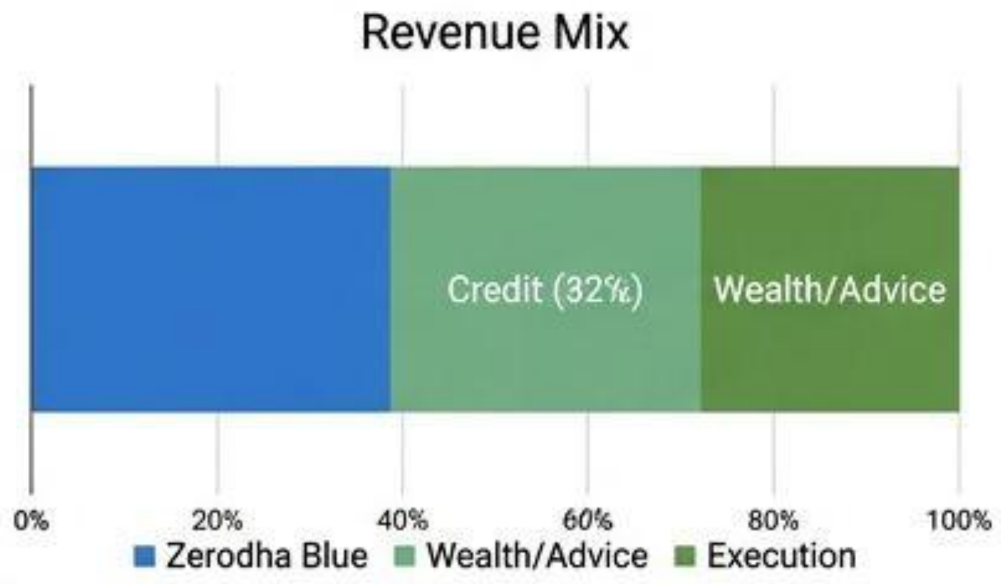


Angel One (Hybrid Advice + Credit)

32% of gross income now derived from interest (client funding/deposits).

Leaning heavily into ARQ Prime advisory and Ionic Wealth.

Yield + Cross-sell.



Source: [Competitor Pricing Pages: Upstox / Groww / Angel One] | [Groww IPO Note IDBI Capital / Angel One Q2FY26 Earnings Call]

Adapting Market Levers to Zerodha's DNA

We can adopt industry-validated monetization levers, but they must be **surgically adapted** to pass our **strict "fairness"** and **risk criteria.**

Market Lever	Required Zerodha Adaptation	Revenue Upside vs. Trust Risk
Tiered Pricing (Extracts ARPU from power users)	Gated advanced features (APIs, complex options tools), NOT raising base delivery fees.	Upside: High Risk: Low
MTF / Credit (Recurring NIM income)	Rebrand as **'Kite Credit'**, apply 10% tighter LTVs than competitors to ensure systemic safety.	Upside: Massive Risk: Medium
Wealth Monetization (AUM-linked annuity)	Push passive-only ZFH and Ditto without aggressive RMs or mis-selling.	Upside: Enduring Risk: Low

Source: [Competitor Strategies in the Indian Brokerage Industry PDF] | [Internal Strategic Assessment]

The Pricing Constitution: Transparency Is Zerodha's Greatest Monetization Asset

Insight

Trust is the real edge — not product features. Competitors match features; they cannot match belief.

Commitment

Publish binding Pricing Constitution. Guarantee ₹0 delivery + no hidden MII charges, forever.

The Litmus Test

Fairness Test. Can Nithin explain this in a blog post and have users nod? If not, it fails.

Source: Angel One FY25; Upstox & Groww; Internal estimates

Solution Architecture: The Trust-Preserving Pivot

Pillar 1

Monetize Power Users with Kite Plus — Never Touch What's Already Free

FY28 Impact: ₹350–500 Cr/yr

Investor

₹99–149/mo

- Capital gains tracking, portfolio curves, priority support for incidents.

Trader [RECOMMENDED]

₹199–299/mo

- Advanced option chains, multi-leg payoff views, strict risk limit alerts.

Pro

₹499/mo

- Full Kite Connect APIs, extended WebSocket limits, dedicated developer support hours.

- Opt-in premium subscriptions isolate the willingness-to-pay of heavy traders.
- Rule: Zero existing features ever move behind a paywall.

Source: Competitor benchmarking; user surveys; cost estimation models

Pillar 2

97% Pay ₹0 — The Top 3% Who Strless Infrastructure Fund It

FY28 Impact: ₹200–400 Cr/yr

- **The Model:** Provide ₹0 for the first 200–300 orders/month. Charge ₹1–3/order beyond that threshold.
- **The Framing:** Positioned purely as platform sustainability and infrastructure load-balancing, not a brokerage fee.

Source: Internal trade data; SEBI True-to-Label Circular (Oct 2024)

Pillar 3

Scaling MTF from ₹5,000 Cr to ₹30,000 Cr Is the Single Biggest Revenue Lever

FY28 Impact: ₹1,600 Cr/yr

1. **Rebrand:** Launch 'Kite Credit' to separate the product from legacy margin stigma.
2. **Contextual Nudges:** Integrate one-click MTF options directly into the buy-order window.
3. **Automation:** Introduce GTT Auto-Credit for opportunistic dips.
4. **Safety:** Maintain unyielding risk controls with automated Group-I collateral haircuts.

Source: Zerodha Financials; SEBI Reports; NSE/BSE Data

Pillar 3

₹6 Lakh Cr AUM Is an Untapped Annuity Engine Sitting Inside Zerodha

FY28 Impact: ₹300+ Cr/yr

Source: Zerodha Internal Data; Public Disclosures; Internal Projections

The New Revenue Mix Is Structurally Safer, More Recurring, and Regulator-Resilient

Less Volatile:
Recurring Net Interest Margin (NIM) and subscriptions replace daily trading volume reliance.

More Defensible:
Regulators are targeting speculative execution, not asset-backed lending and wealth advisory.

Brand Aligned:
Generates higher ARPU without taxing the bottom 90% of retail investors.

Source: BCG Strategy Modeling; Zerodha Internal Projections

Base, Bear, and Bull Scenarios: Engineering the Path Back to ₹8,240 Cr

Source: Financial modeling; Zerodha Public Statements

Premium Executive Presentation

The Diversified Portfolio Insulates Zerodha Against Future Derivatives Crackdowns

OLD MODEL RISK: FRAGILE & VULNERABLE

- Extreme exposure to lot-size hikes, expiry limits, and STT taxation.

NEW MODEL ARMOR: RESILIENT & REGULATED

- MTF is governed by RBI/collateral norms (stable).
- Wealth is AUM-based (stable).
- Subscriptions are SaaS-based (immune).

Eliminates the single point of failure. Aligns Zerodha's financial incentives with SEBI's mandate for long-term wealth creation rather than short-term speculation.

Source: SEBI Consultation Papers; BCG Risk Framework

Executing the Pivot: A Phased 12-Month Deployment Strategy

Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12

Phase 1: The Foundation

Publish the "Pricing Constitution". Secure public trust. Rebrand MTF to Kite Credit.

Phase 2: Opt-In Value

Roll out Kite Plus Subscriptions. Introduce new advanced UI features for paying tiers.

Phase 3: Infra Recovery

Enact the Fair-Use Fee once new tools are established and market conditions stabilize.

Golden Rule of Rollout: Never introduce a new fee in the same quarter as a feature deprecation.

Ensure value delivery precedes any friction introduction.

Source: Internal Product Roadmaps; BCG Execution Playbook

Premium Executive Presentation

The Business on the Other Side Is Better, Safer, and Highly Defensible

Revenue Restored

Confirmed path to **₹8,240 Cr** base-case without derivative reliance.

Moat Protected

16 million users experience ZERO disruption to their core equity and mutual fund workflows.

AUM

Capital Activated

₹6 Lakh Cr AUM transformed from a dormant metric into an active yield engine.

Ethos Preserved

Every new revenue stream passes the **Nithin Blog Post Fairness Test.**

Zerodha's brand was never 'free.' It was 'fair.' That distinction is the entire strategy.

Source: Internal Analysis, BCG Frameworks; SEBI Data