

Headline: NSE Likely to command a valuation of Rs 18k to 19k crore

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ON SOLID GROUND NSE, given its profitability record, could get valued at earnings multiple varying between 18 and 20 times

NSE Likely to Command a Valuation of ₹18k-19k crore

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ET Intelligence Group: If the earnings multiple that listed global stock and commodity exchanges currently command is anything to go by, the National Stock Exchange (NSE) — India's most profitable stock exchange — could be valued anywhere between ₹18,000 crore and ₹19,000 crore.

To ascribe this valuation, ETIG compiled a list of prominent exchanges that were listed in the past two decades. The compilation reveals that although listed exchanges from emerging markets like Russia, Brazil and South Africa trade at lower earnings multiples, NSE (given its profitability track record) could get valued at earnings multiple varying between 18 and 20 times.

Some of the established bigger exchange groups including CME group, Intercontinental Exchange (ICE), Hong Kong Exchanges & Clearing House (HKEX) and London Stock Exchange currently trade at earnings multiple of about 20 to 33 times. The reason behind their higher price-to-earnings (P/E) multiple seems to be the average returns provided by these exchanges since their listings. For instance, the

stock price of HKEX has on average doubled every year since its listing in 2000 while the CME group has also clocked in average return of 73% since 2002.

Bourses that were listed post the 2008 meltdown have received a comparatively lower valuation.

In case of NSE, the valuations may also be supported by the recent deci-

sion of the market regulator to exempt Indian bourses from setting aside 25% of their annual profit to the core Securities Guarantee Fund (SGF). The removal of this condition means that the earning per share (EPS) of NSE for fiscal 2015-16 stands at ₹208 a share compared to ₹97.6 after adjusting for SGF as an exceptional item.

When Exchanges Get Listed

Exchanges listed post crisis have given moderate returns

Exchange Group	Current Market Cap (\$B)	P/E Ratio	Avg % Price Gain Since Listing
CME Group	32.8	24.3	73.5
Intercontinental Exchange	29.3	20.0	50.3
Hong Kong Exchanges & Clearing	28.8	28.2	133.4
Deutsche Borse	15.8	21.1	18.5
London Stock Exchange*	11.7	32.8	36.2
NASDAQ*	10.4	19.0	30.4
BM&FBOVESPA*	9.1	13.4	5.9
Australian Securities Exchange	6.4	20.7	53.9
Japan Exchange Group	6.1	13.9	64.8
Singapore Exchange	5.8	21.5	28.9

*Returns calculated based on first trading price available

SOURCE: Bloomberg