



“National Stock Exchange of India Limited
Q3 FY '23 Quarterly Analyst Conference Call”
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MANAGEMENT OF NATIONAL STOCK EXCHANGE OF INDIA (NSE):

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Moderator: Ladies and gentlemen, good day, and welcome to the Quarterly Analyst Conference Call of National Stock Exchange of India Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note, this conference is being recorded.

I now hand the conference over to Mr. Yatrik Vin, Group CFO and Head Corporate Affairs, NSE. Thank you, and over to you, sir.

Yatrik Vin: Thank you, and good afternoon, everyone, and welcome to NSE's earnings call to discuss the results of Q3 of FY 2023. Do note that the conference is being recorded and a transcript of the same will be available on our website. The financial results and investor presentations are also available on our website.

Joining us today on this earnings call is NSE's leadership team, consisting of Ashishkumar Chauhan, MD and CEO, Ms. Priya Subbaraman, Chief Regulatory Officer, Mr. Shiv Kumar Bhasin, Chief Technology Officer, Mr. Sriram Krishnan, Chief Business Development Officer, Mr. Somasundaram K S, Chief Enterprise Risk Officer, Mr. Shharad Dhakkate, Chief Human Resources Officer, Mr. Vikram Kothari, MD, NSE Clearing, Mr. Hari K, Head Business Development, Mr. Vasudev Rao, General Counsel, Mr. Mayur Sindhwad, Head, Technology Operations, Mr. Viral Mody, Head Technology, Applications and Development, and Mr. Rohit Gupte, Company Secretary.

Along with us, we also have other colleagues from the Finance and Investor Relations team. Please note that NSE does not provide any specific revenue or earnings guidance. Possibly, anything said on this call may reflect NSE's outlook for the future or which may be construed as a forward-looking statement, and the same must be reviewed in conjunction with the risk that the company faces.

With that, I would like to hand over the call to Mr. Ashish Chauhan, MD and CEO of NSE. Over to you, sir.

Ashishkumar Chauhan: Thank you, Yatrik. Good afternoon, and welcome you all for joining this quarterly NSE call today. As mentioned during the last quarter, we continue with our endeavor to conduct the investor call every quarter after publishing the results of the company. It is heartening to inform that NSE's business and financial performance for the quarter ending December 2022 continues to remain robust.

Before I move on to the details of the business and financial performance of the company, I would like to take this opportunity to congratulate each one of us as Indian Capital Markets achieved complete transition to T+1 settlement cycle in equities market on January 27, 2023 without any hitch. It is an important milestone in the history of Indian Capital Markets. This historic achievement would not have been possible without the continuous guidance provided

by SEBI and the relentless efforts taken by all the stakeholders, including my colleagues at NSE. The shortening of the settlement cycle will bring in significant capital efficiencies to the investors and improve risk mitigation for the entire industry.

Further to this, I am also happy to share that NSE continues to be the world's largest derivatives exchange for calendar year 2022 for the fourth consecutive year in terms of number of contracts traded. NSE has also been ranked third in the world in equity segment in terms of number of trades in calendar year 2022 by World Federation of Exchanges. Our exchange continues to maintain its leadership across asset classes in domestic as well as global markets.

The quarter ended December 2022 saw global markets recoup some of the losses made in the earlier part of the year, while Indian markets eased off after a sustained performance of three quarters. Expectations of global central banks slowing the pace of monetary tightening amid signs of inflation cooling off pushed investors' sentiments.

Despite the rebound in the December quarter, global equities ended the calendar year 2022 with steep reductions in the range of 19% to 22% due to a series of factors like Russia-Ukraine war, supply chain bottleneck, COVID-induced uncertainty, economic concerns surrounding cyclicity and tightened financial conditions, et cetera. Indian equities outperformed global markets in calendar year 2022 by a significant margin, benefiting from strong economic fundamentals and robust domestic participation.

I shall now come to the financial update for the quarter ending December 31, 2022. As stated, the financial results of the company continue to remain robust for the quarter. NSE's total revenue on a standalone basis for the quarter increased by 34% from INR 2,115 crores to INR 2,834 crores as compared to the corresponding quarter of the previous year. The operating revenue for the current quarter was at ~93% of the total revenue. The net profit after tax for the quarter grew by 35% from INR 1,162 crores to INR 1,568 crores as compared to the corresponding quarter of the previous year.

Further, during the first nine months of the current financial year, NSE collected and deposited close to INR 18,200 crores to the Exchequer in the form of securities transaction tax. This amount is close to 1.5% of the total direct tax collection of the government of India for the first nine months of the current financial year as per the budget estimates. Of the total STT collected, almost 25% pertains to equity options. Further, during the first nine months, NSE collected and deposited INR 1,492 crores to the exchequer in the form of stamp duty for all states put together.

In terms of volumes, the average daily turnover in cash equity segment stood at INR 53,759 crores. While this is 19% reduction from the average daily turnover of INR 66,670 crores during the quarter ending December 2021, this remains significantly above the pre-COVID levels. This reduction is mainly attributed to hardening of positions on the geopolitical front, un conducive global economic environment mainly marked by inflationary pressures and aggressive monetary tightening, posing challenges for economies worldwide. We have also observed that the trading activity from retail investors, which had slowed in the last few months, has started to pick up

again in December. NSE continues to maintain its market share of close to 93% in cash equities for the nine months ending December 2022.

NSE's average daily turnover in equity index and stock futures decreased by 9% from INR 1,22,063 crores during quarter ended December 2021 to INR 1,10,641 crores during quarter ended December 2022. NSE's average daily turnover in equity index and stock options on premium value of options traded increased by 54% from INR 28,715 crores during quarter ended December 2021 to INR 44,242 crores during quarter ended December 2022. NSE continues to remain the most preferred destination for equity derivatives market in India with market share of almost 100%.

NSE's average daily turnover in currency futures increased by 65% from INR 29,073 crores during quarter ended December 2021 to INR 48,069 crores during quarter ended December 2022. NSE's average daily turnover in currency options on premium value of options traded increased by 150% from INR 99 crores during quarter ended December 2021 to INR 248 crores during quarter ended December 2022. NSE continues to be the market leader with a market share of 69% and 96% in currency futures and currency options, respectively. Alternatively, from an open interest perspective, the market share of NSE in currency futures and currency options is 82% and 98% respectively.

These volumes in cash equity segment, equity derivative segment, currency derivative segment and other products like debt, interest rate futures earned NSE, the transaction charges revenues of INR 2,367 crores for the quarter ending December 2022, a marginal reduction of 6% quarter-on-quarter on a high transaction charge base of the previous quarter and an increase of 31% year-on-year.

In line with the increase in transaction revenues, NSE also saw an increase in revenue from co-location charges. Co-location charges revenues for the quarter ending December 2022, stood at INR 161 crores, which increased by almost 42% from INR 113 crores for the quarter ending December 2021. On quarterly basis, revenues from co-location charges increased by 7%. These co-location charges of INR 161 crores include rack rental charges of INR. 25 crores and INR 136 crores on account of connectivity charges.

NSE's income from listing services that includes listing fees, book-building fees, and processing fees for the current quarter, stood at INR 43 crores. This includes listing fee income of INR 26 crores. During the current quarter, ending December 2022, NSE saw listing of 20 IPOs on its main board, raising funds to the tune of INR 16,418 crores. NSE's EMERGE platform, which provides an opportunity for SMEs to go public and access capital, saw listing of 18 IPOs raising funds to the tune of INR 466 crores. The market capitalization of NSE emerged as of December 2022 is around INR. 56,000 crores.

During the quarter, NSE and the government of Odisha have signed a memorandum of understanding to spread awareness amongst MSMEs of the state regarding fundraising by IPO mechanism using NSE SME platform - EMERGE. NSE also witnessed listing of other issuances with around 400 commercial papers raising funds of INR 1.53 lakh crores and 121 issuances on

electronic bidding platform, raising funds to the tune of INR 1.08 lakh crores during the quarter ending December 2022. On the NSE Mutual Fund platform front, there were 1.02 crores transactions amounting to INR 42,256 crores during the quarter ended December 2022.

During the quarter, Exchange Traded Funds (ETFs) in India achieved a new milestone with listing of 150th ETF. The Exchange Traded Funds began their journey in India way back in 2002 and in 20 years of their existence, attained the mark of 150 listed ETFs in the country. In the last one year, a lot of activity has been seen in the ETF space with 41 ETFs getting listed on NSE. This was made possible because of the support of Government of India and market regulator, Securities and Exchange Board of India for enabling amicable policies which helped to stimulate growth of the ETF industry.

NSE's treasury income was INR 220 crores during the quarter ending December 2022 as compared to INR 93 crores during the quarter ending December 2021. This has mainly increased on account of increase in the yields, especially at the shorter end of the yield curve and also due to increment in available surplus.

Further, NSE continues to remain focused on its cost, which is a key in any platform business, to bring in the maximum operating leverage. The total expenses of the company increased by 40% from INR 564 crores in December 2021 to INR 792 crores for the current quarter ending December 2022.

Further, in one of the important developments, Honorable Securities Appellate Tribunal after a detailed hearing has now passed order dated January 23, 2023 in one of our long-standing colocation matter. Just to recall, SEBI had passed an order dated April 30, 2019, inter alia directing NSE to disgorge an amount of INR 624.89 crores along with interest at the rate of 12% per annum and also prohibiting NSE from accessing securities market for a period of six months. While NSE had decided to adhere to the non-monetary directives of SEBI, NSE had appealed against the monetary aspect of the same with Honorable SAT. Honorable SAT vide its interim order in May 2019, directed NSE to deposit the disgorgement amount with SEBI which would be subject to the result of the appeal.

The total deposit amount with SEBI is currently INR 1017 crores. Honorable SAT has set aside the order for disgorgement while it has upheld the non-monetary directives. Honorable SAT vide its order also observed that there were certain lapses on the part of NSE in terms of proper policies and procedures and levied a penalty of INR 100 crores as against the previously SEBI imposed penalty of INR 624.89 crores-plus interest. NSE has decided to adhere to the directions of the Honorable SAT and the penalty of INR 100 crores has been included as expenses for the quarter ending December 2022.

The increase in expenses is mainly on account of increased trading activity which led to increase in clearing and settlement charges paid to our subsidiary company NSE Clearing Limited, license fees for index paid to our subsidiary company NSE Index Limited, SEBI regulatory fee and investor SMS services as well as penalty in co-location matter of INR 100 crores as mentioned above.

If these variable expenses linked to volumes and the penalty are excluded, the total expenses of the company increase only by around 3% from INR 346 crores for the quarter ending December 2021 to INR 358 crores for the current quarter ending December 2022.

As you know, NSE maintains one of the largest technology enabled platform and to cater to such high volumes, NSE needs to invest in technologies. In the quarter ending December 2022, company has spent about INR. 219 crores towards technology related operational expenses including depreciation and amortization.

In terms of profitability, for the quarter ending December 2022, EBITDA margin was at 75% and PBT margin was at 72%. NSE standalone net worth, as of December 2020, stood at INR 14,863 crores.

I shall now cover few aspects of our key subsidiary companies.

NSE Clearing Limited has received reaffirmation of its CRISIL AAA/ Stable credit rating which indicates the highest degree of strength. NSE Clearing continues to manage the risk in clearing and settlement with stringent norms for selection of members, robust margining system and risk-based position limits. NSE Clearing Limited continues to have a robust market share of 94% for clearing and settlement for cash equities, moving up from last quarter of 92%. While for equity derivative segment and currency derivative segment, the market share is 96% and 82%, respectively. The figures here are post-interoperability.

NSE Indices, one of the core entities of NSE that owns the flagship indices like Nifty 50, Bank Nifty, et cetera, have been doing quite well.

Total asset under management of ETFs and index funds in India tracking Nifty indices is INR 4.58 lakh crores. Currently, there are 221 passive products tracking Nifty indices in India and 13 ETFs listed internationally tracking Nifty Indices. During the last quarter, 33 passive products tracking Nifty Indices were launched.

NSE Data, which manages and disseminates the exchange data, has seen an expansion and its client base for both real-time data and historical data. It has further augmented its offering as a managed service provider to CERSAI for CKYC. As of December 2022, more than 66 crores individual KYC records and more than 43 lakh legal entity KYC records were uploaded on CKYC with over 50 crores downloads. Further, as of December 2022, 6,274 entities were live on CKYC of which 621 entities have gone live during April to December 2022. With the maturity of the CKYCRR database, the growth in the number of records has flattened however, the count of records being downloaded and updated has significantly increased.

NSE IFSC, which is our wholly owned subsidiary of NSE at GIFT City at Gandhinagar undertook a series of measures to enhance product offerings, improve liquidity and widen participation. NSE- IFSC also launched an exclusive International Sustainability Exchange Platform, a first of its kind ESG platform in India at GIFT IFSC with an objective to support the

sustainable financial ecosystem by providing better access to sustainable capital and ensuring greater transparency.

In this direction, a joint press release between NSE and SGX highlights full scale operation of the NSE-IFSC-SGX Connect is targeted to be ready by the end of second quarter of 2023. The transition of trading of SGX Nifty to NSE IFSC via the Connect is expected to take place shortly thereafter with dollar denominated Nifty contracts to be exclusively traded on NSE IFSC. To date, 14 SGX clearing members have been onboarded and work will continue to onboard remaining members progressively. NSE and SGX Group will engage the trading community to ensure a smooth transmission. During the calendar year 2022, daily average traded value in SGX Nifty was USD 3.9 billion and open interest at the end of December 2022 was ~USD 8 billion.

NSE Group also has its presence in other asset classes including Power Exchange, Receivables Exchange (Trade receivable discounting System (TReDS) platform regulated by RBI), and Gas Exchange et cetera. NSE is committed to these new areas and is constantly working with partners for the growth of these platforms.

Now moving to financial performance at the group level. NSE Group financials as of December 2022 includes the performance of our 16 subsidiaries and 9 associates. Total revenue on a consolidated basis for the quarter ending December 31, 2022 increased by 35% from INR 2,416 crores to INR 3,263 crores as compared to the corresponding quarter of the previous year.

In line with the growth in the revenues from the main exchange business, we have witnessed robust growth from the adjacent index, data and terminal business. The operating revenue during the current quarter was at 92% of the total revenue.

In terms of profitability, for the quarter ending December 2022, EBITDA margin was at 76%, profit before tax margin was at 73% and PAT margin stood at 56% for the consolidated financials.

NSE Group earning per share for the quarter ending December 2022 is INR. 36.9 per share and net worth as of December 2022 stood at INR. 18,561 crores.

We continue to work towards launching new products in various domains subject to regulatory approvals such as electronic gold receipt, bond index futures, electricity futures, IFSC exchange et cetera and become more responsive to the changing market conditions and needs of its stakeholders.

NSE has always played a pivotal role in capital formation of the country and further in this direction it gives me immense pleasure to inform you that we have received an in-principle approval from SEBI to set up a Social Stock Exchange as a separate platform of the exchange. We believe this platform will immensely benefit the social enterprises contributing to the sustainable development goals.

As I had mentioned in my earlier call, we have actively started the process to move away from non-core businesses within NSE Group, given that the core exchange business requires

significant focus, relentless efforts, resource commitment and innovation. The process to de-clutter management bandwidth from non-core businesses is the best suited option which is also in line with the recommendations of Mahalingam Committee report that has been recently accepted by SEBI Board. This process is expected to be completed in due course of time.

Our endeavor is to continue to build a robust and efficient marketplace with strengthened regulatory and compliance activities including implementing and operationalizing the recommendations of Mahalingam Committee report in the areas of governance. Technology and Regulatory functions remain core to the business and there is constant effort to maintain seamless operations and strengthen core regulatory and compliance activities.

We are continuing to focus on providing world class, low cost, uninterrupted, highly regulated and yet fully compliant, orderly trading clearing and settlement systems, as well as remain fully compliant with all regulations in letter and spirit.

With this overview, let me welcome all of you once again and invite you for the question-and-answer-session. Thank you.

Moderator: We have a first question from the line of Avinash from Emkay Global Financial Services.

Avinash: A couple of questions. The first one, do you have some sort of a probability or a plan on the proposed or planned IPO, that's number one. And second, I mean, in most of the business segment, you are there, you almost have a dominant market share. So, I mean, from a medium-term perspective, what are the areas or new avenues, whether it's a product or some business segment entry that could augment revenue? Because I mean, your cash equities or derivative, like you are almost a market. So, which have a new appeal as well, that could be meaningful of even if it's a new product or for the immediate term. So, these are my two questions. Thank you.

Ashishkumar Chauhan: The IPO as I had said last time also and today as well, that as soon as the approval for the IPO is received from SEBI, we will do the IPO. For us IPO is more of a procedural activity post approval, but the approval is in the hands of the regulator. And as and when it is received, we will do the IPO as soon as possible.

On the new areas for growth, basically with 7 crores unique PAN numbers registered with NSE today and almost 22 crores accounts, but if you dedupe them, you ensure that duplicate get removed, we have 7 crores investors uniquely registered with us with separate PAN number for each of them. And that is around 3% to 4% of India's population. I mean, at 140 crores, it's around probably close to 5% of India's total population. So, we have much more to grow in getting more people involved, but 7 crores itself is a very large number in terms of the community that has been created, which trusts NSE and which trusts NSE for their money, which is quite important. And they trade with us quite regularly. So how do we kind of ensure that first gets enhanced and more-and-more people save as well as participate in capital formation for themselves as well as for the country, which creates jobs as well.

So that is largely our main perspective. In terms of growing into newer areas, we are trying to grow in NSE IFSC. We are also trying to increase our activities in currencies, as also in bonds, bond futures, social areas like social stock exchange, in electricity, futures, gold, spot, even in commodities, we are now trying to work harder than before. Mutual Funds is also another area where we are trying to work. And so there are many opportunities including carbon trading is allowed to exchange, we will be there.

So, whatever is allowed by SEBI to exchanges, we hope that they would also be allowed to NSE being an exchange. And we will work on that area. We will not be working on any other areas which SEBI does not regulate or allow. So, I just wanted to reiterate, although I spoke and told in my speech, but I'm just reiterating that now onward, NSE will not participate as per Mahalingam committee report that has been accepted by SEBI board. Exchange is not allowed to get into unrelated activities and NSE will clearly not be participating in areas which SEBI does not allow us to go.

- Moderator:** We have next question from the line of Srivathsan from Spark Capital.
- Srivathsan:** I just wanted to get a sense. FinNifty has gone paid from January. Just wanted to get a sense, has there been a meaningful drop in volumes posted being paid product?
- Ashishkumar Chauhan:** We have not seen any drop in volumes because our charges are so small that there is no visible difference between the pre and post charging.
- Srivathsan:** Sure, and just one more question. In terms of now that this 100 crores SAT judgment has come, I just wanted to understand, is there a time limit by when SEBI can appeal if they decide to appeal? Just wanted to get a sense what the next steps would be?
- Ashishkumar Chauhan:** As per the timelines, as per my reading, I think there are six weeks to apply for, I mean, against the SAT order. It remains to be seen what happens.
- Srivathsan:** Sure, so I heard six weeks you said, right? Maybe we can just round it up to two months.
- Ashishkumar Chauhan:** Yes, so again, basically six weeks is minimum, probably. And what we have read in the newspapers is that SEBI plans to contest. So, I think that will be the last thing for next day newspapers.
- Moderator:** We have next question from the line of Devesh Agarwal from IIFL Securities.
- Devesh Agarwal** Firstly again on this colocation case, the SAT order that has come in. So has the money been released, this INR 1,100 crores from the SEBI or now that we know that SEBI is likely to challenge this, there could be delay in clearing this money of INR 1,100 crores?
- Ashishkumar Chauhan:** Yes, money has not been released.
- Devesh Agarwal** And you expect this to be released or you think because it's one of the challenges, it is unlikely that it will be released?

- Ashishkumar Chauhan:** We do not have the visibility yet.
- Devesh Agarwal** And sir, does this order any ways help in getting a better clarity on the IPO or this was not the end?
- Ashishkumar Chauhan:** Till the time IPO approval comes, we have to continue to wait.
- Devesh Agarwal** And sir, I just wanted to know how much would be the interest income that you would have earned on the margin money in the quarter?
- Ashishkumar Chauhan:** That would be basically part of the NCL and in some ways it would not be greatly significant on the overall consolidated assets, but I would request my colleague from NCL to or probably finance team...
- Yatrik Vin:** It's around INR 100 crores.
- Ashishkumar Chauhan:** INR 100 crores for the quarter, which has been earned from margins.
- Devesh Agarwal** And sir, there have been some SEBI consultation paper which said that there could be some ASBA type mechanism for the secondary transaction. So instead of transfer of money, the margin money can be blocked in the client's account. So will that have an impact on this income and what is the status on that?
- Ashishkumar Chauhan:** As of now SEBI has issued a consultation paper on that. But there is one more circular they have issued as an interim measure before ASBA comes in, which states that all the brokers have to place all the money received from customers to the clearing corporation. That was issued last week, you might like to study that. But for us, these are not significant numbers vis-a-vis the other numbers that we have, so we do not see too many sorts of negatives or positives in this kind of things, except the fact that it would increase the comfort of the final retail investors.
- Devesh Agarwal** And lastly, sir, on SGX Connect, just wanted to know what is the update and progress out there? It's been six, seven months, so how many members of SGX have started using the Connect? And how much of the volume has been transferred from there to this platform?
- Ashishkumar Chauhan:** As I spoke in my speech at the beginning, 12 clearing members have been onboarded. As per the joint press release issued between SGX and NSE IFSC around December of 2022, it was said that by the end of quarter 2 of 2023, all the processes will be completed to transfer the entire business that is happening on SGX as a trading venue, they will shift to NSE IFSC. And recently also we had a meeting to review that. We have reasons to believe that we are on track for that.
- And we think in the first few weeks of the quarter 3, we should be able to shift all that. That doesn't mean that SGX will stop trading. It's just that all the orders will be routed onto NSE IFSC and the matching will happen either with the counter order from the SGX side or from the NSE-IFSC's domestic or the local members of their customers. And so it will be a much larger market going forward. So, it's still probably a few months away. And we think we are now having a reasonable brief over that movement going forward.

I would request everyone to stick to one question, which is one single rather than have an interaction. And then so that everyone gets to ask questions.

Moderator: We have next question from the line of Ashutosh Somani from JM Financial.

Ashutosh Somani: I just wanted to hear your thoughts on what's driving the extraordinary volume in options and what's our current contribution from option revenues as a percentage of total consolidated revenue, whether there's any risk to this revenue whether you expect it to normalize over time, if you can.

Ashishkumar Chauhan: Broadly speaking, the impetus came from a lot of retail participation that came in during COVID times. And many of them also started trading in options specifically, given the fact that the downward risk for any option buyer is very limited. So many of the retail traders prefer options as a mechanism to curtail their risk or limit their risk and that seems to be the main reason why they have started trading more often on the options market. In terms of the numbers, I will request our CFO to speak about it.

Yatrik Vin: So, the contribution of transaction charges on options to the total revenue for first nine months is about 60%.

Ashutosh Somani: So, 60% of your transaction charges is driven by options.

Yatrik Vin: 60% of the total revenue is on account of options.

Ashutosh Somani: And this number used to be a lot lesser two years back is what I am able to understand before the pandemic?

Management: Yes.

Moderator: We have next question from the line of Sagar from Alchemie Ventures.

Sagar: You mentioned about the SAT case. Is there any other legal or regulatory matter pending for which the IPO is delayed or is hindered?

Ashishkumar Chauhan: There are many legal matters pending across many courts in the country which may or may not have bearing on the IPO at all. So I think these are two independent issues in some ways. But they might be connected too in some ways. So I would not hazard a guess on what are the legal cases that connect to the IPO. We have no information on that.

Sagar: No sir, I didn't understand. But then does it mean that we can file for an IPO irrespective of the judgement from the SAT or are there any other matters which can still be a hindrance?

Ashishkumar Chauhan: We continue to try, just for your information, we will continue to try for IPO. However, we can actually execute the IPO only after we get the approval.

Moderator: We have next question from the line of Amit Chandra with HDFC Securities

Amit Chandra:

My question is on the transaction charges. If I see the contribution of transaction charges to the overall revenues somewhere around 70% to 80% and within that we have heavy dependence on the options and the futures. In terms of the diversification strategy, how we are trying to diversify from this and if I see the derivative to the cash multiplier, so it is at around 250x, which was around 40x two years back. And it is one of the highest in the world, right? And also in terms of our revenue from data feeds and Index licensing, which is only 3%, which is around 20% for some of the global exchanges. So what is our strategy in terms of revenue, to diversifying the risk and our dependence on options?

Ashishkumar Chauhan:

I do not understand the 250x part, what I have mentioned in my speech, which will also be available for you also in the part of the transcript. I think the futures continues to be the highest volume for us. Then equities comes and then the options come in terms of the premium traded. So, I think either your calculations are wrong, or your information is wrong, whatever be the case, the facts are available on our website and also probably in our presentation too, but we'll also put it in the transcript and our speech, so you can take that up. In terms of diversification, we do not have much of a say in what products we can go now onwards or what new areas we can go into except what SEBI explicitly in writing or approves, and only that activity we can do.

So, within that, we'll continue to strive to bring mutual funds, commodity derivatives, as and when the approvals come for the electricity or carbon, spot gold has already come, we are also working on that. And so, we'll continue to go into new areas which SEBI allows us to, but beyond that we do not have the capabilities. And as you rightly observed, all the numbers were wrong, that these are in a way function of market conditions.

Today market conditions are conducive to people trading in options. And also, the market size in terms of number of participants has grown quite substantially over the last three years. It may not remain, that growth may not remain or the propensity to trade may also not remain so. So those are the things you need to count in your modeling. But in both areas, NSE does not have too much of a scope except that it will continue to allow entry of new investors and to help its members to go out into the hinterland and get as many investors, which means investors and not traders specifically because the government and SEBI also want to have more investors.

And that's why basically we will continue to encourage. We'll continue to spend money on creating investor awareness about these products being available to them. And that would hopefully take us into larger number of unique investors from current 7 crores to probably 3x, 4x more over next 5, 10 years.

Moderator:

We have next question from the line of Sanjay Kular with Acme Private Limited.

Sanjay Kular:

Ashishi bhai, compliments to you for delivering superlative results under your excellent leadership. I have a couple of questions, sir. Are you planning to increase or revise transaction charges anytime soon? What is our position normally? At what intervals do we revise the charges?

Ashishkumar Chauhan: Compliments to all of you, as you would have figured out by now that the Mahalingam Committee and also SEBI want us to be more like regulators and less of anything else. So, of course the profits have increased, and profits will probably continue to increase because of the hard work all of you put in. So, compliments to all of you. But the transaction charge is one such issue given the NSE's very high EBITDA margins.

It is hotly debated in policy circles about reduction rather than increase. And so be very considerate and be aware that there are other issues, – because this is pretty much the largest exchange by huge margins in the country and that's why there is onus on NSE to do things slightly differently and I would basically not go beyond that, but just to give you that in fact, there are other situations which may take the transaction values in different directions.

Moderator: We have next question from the line of Niket Shah from Motilal Oswal AMC.

Niket Shah: Just two questions. One is on the market timing itself. Globally, markets are open, depends on country-to-country between four hours all the way to eight hours and we are about six hours, 15 minutes. So any thoughts on that or we will continue to operate with the six hours, 15 minutes at least in the next two to three years?

Ashishkumar Chauhan: In that, basically I think my views are clear they have been published, that the information which you have given is wrong. There are markets which run 16 hours and there are markets that run 24 hours. For example, Singapore Exchange runs 16 hours. And there are many such markets. I think people take information which support their views and ignore other counter views. So, I would request whoever gives this information to look at all these numbers of market hours in totality and provide you that information.

But having said that, India being a developing country and we have in a way exported large portion of our market from outside as well as the fact that India is already trading till 12 in the night in the commodities. Same brokers are trading in those markets and it has been proven over last almost 20 years now that those markets seem to be functioning and not so badly. So effectively, basically India being a developing country wanting to bring a large portion of trading and, also clearing settlement activities on a more regulated domestic market, and to also ensure that the pricing of Indian markets remains there to the extent possible.

We would rather want to work longer hours, already people are working on commodities for long hours. In the current situation the, same brokers are trading for long hours, why people have issues just adding few more products? We do not know. But we are working on it. We will move in the direction after consultation with our members. I think SEBI Chairperson has also announced that SEBI has already issued circulars on that on the number of trading hours.

Just for your information, SEBI wants equities market as per those circulars 9 a.m. to 5 p.m. maximum and in derivatives they have allowed from 9 a.m. to 12 in the night, 11.55 p.m. in the night. So that is the number which SEBI has already announced long back. We have not moved forward but now we are working with our members and taking their feedback on what all needs

to be done so that finally India starts being counted for its own pricing, sort of price formation in the world.

Moderator: We have next question from the line of Manan from ICICI Securities Limited.

Manan: Sir, I had one question. What specific efforts are we making for the commodity market, for the mutual fund market? If you can highlight something specifically for these two markets?

Ashishkumar Chauhan: We have, basically, we have created, I mean we have got now many more people at senior level who have joined our sales teams in the business development and our products. So, they are preparing new technologies, they are preparing new tie-ups and so hopefully, we will be able to come out with newer products in addition to what we are currently offering in mutual fund and commodities. And hopefully some of that will bear fruit going forward.

Manan: So sir, the nature of these tie-ups, are we incentivizing on the tech, are we incentivizing on the cost or we are doing both and much more?

Ashishkumar Chauhan: Means currently we are already incentivizing I think in commodities but those whatever is allowed by SEBI, we will continue to try but we are also going to have some more actions coming up over next quarter, we will announce as and when we are ready.

Moderator: We have next question next question from the line of Mehul Patel from M J Patel Share & Stock Brokers Limited.

Mehul Patel: Congratulations on great numbers. I just have this one question. I'm sorry for repeating it again. It's in regards to the IPO. Is there any kind of feedback that you have gotten from SEBI as to why they are not giving this permission or what is the delay and I mean something concrete as to what is the reason they are not willing to give NSE to go ahead for the IPO?

Ashishkumar Chauhan: We had written to them before I joined, and they had written to us about various issues which we have replied to them with quite a lot of consideration. And we await their response in this regard.

Moderator: We have next question from the line of Karan Thakkar from PM Securities.

Karan Thakkar: Just one question from my side with regards to colocation. Colocation has been a problem for NSE. Whenever there is a phase opening up, there is barely any time before the entire, racks getting filled up and it's a good source of revenue, however, the space limitations have caused the smaller capacities to open up. So are there any plans, is there any viability of doing any green fields or the trading infrastructure to a larger space and possibly colocation revenues can be increased by a multiple fold and what they are right now?

Ashishkumar Chauhan: Yes, we are working on that framework. In the meantime, whenever that happens, because it will require a lot of discussions, debate, approvals, considerations, and all, with all stakeholders including regulators. But in the meantime, we are increasing the space available at, core space available at NSE BKC premises.

- Moderator:** We have next question from the line of Vineet Sharma from Saankhya Funds.
- Vineet Sharma:** Ashish sir, just wanted your comments on the budget allowing issuance of P notes out of GIFT City and what impact that might have on our business with SGX going forward. Thank you. And also a related question, do we have a breakup of revenue in the F&O segment from institutional versus retail investors? Thank you.
- Ashishkumar Chauhan:** I think institutional versus retail, if you look at our monthly report on, Market Pulse. It will give you reasonably detailed track also, I think, of time series if you go through the past Market Pulse reports, you will get all those details. In terms of the budget declaring overseas derivative instruments as allowable security in GIFT City, I think it's a welcome move. And it will again bring some of the lost pricing or price formation activities and also the trading volumes onto the GIFT City IFSC, which we lost out to other countries.
- Moderator:** We have next question from the line of Karan Mehta from Nizar Securities.
- Karan Mehta:** So I just wanted to know what is the breakup of transaction revenue segment wise for nine months FY '23 and the same breakup for FY '22?
- Ashishkumar Chauhan:** Segment-wise...
- Management:** So, I think it will take some time to speak out all that. But, since its part of our results, we'll put it on the website.
- Yatrik Vin:** But very quickly, I can just say that the total transaction charges December '22, nine months is INR 7,152 crores of that INR 611 crores is cash equity segment, INR 809 crores is futures and INR 5,644 crores is options. Remaining is on currency. So far as nine months ended December '21 is concerned, the total transaction charges were INR 4,676 crores of that INR 718 crores was in cash equity segment, INR 803 crores was futures and INR 3,101 crores was options. Remaining obviously was currency and other.
- Moderator:** We have next question from the line of Rajiv Pathak from GeeCee Holdings.
- Rajiv Pathak:** I think, sir, you have articulated that you would be open to doing many products in the future which will fall under the SEBI umbrella. But if you can just give it a sense that do you think that these products can start contributing to say 10% to 15% of the transaction charges over a one-year period?
- Ashishkumar Chauhan:** I don't think so. If you look at the history of markets, also launching of products, including in developed markets like CME, which are highly successful. Out of probably 20, 30, 50 products launched, only one becomes successful. And nobody knows which one. So, it's very difficult. And it happens, actually many of those products will become successful are nurtured by various ways over 10, 15, 20 years before they become successful.
- So, anything to become successful in a short time, I think, is a wrong expectation. But even to think that something will be successful in the long run is also long shot. Although NSE has a

tremendous track record of launching very successful products like derivatives, currencies, and many other interesting products like options and they're like drawing huge amount of revenues, but that's not necessary that in future whatever we launch will immediately become successful.

Moderator: We have next question from the line of Gajendra Manavalan with Composite Investments Private Limited.

Gajendra Manavalan: Regarding your subsidiaries, one of the subsidiaries is Market Simplified India Limited. So are you exiting that company? I heard from the market that NSE is exiting Market Simplified. And if you are exiting, what is the price of exit? Price per share?

Ashishkumar Chauhan: Market Simplified is one such company which we need to exit because of the new regulations. And for pricing part, I think you might like to talk to a team which works on it offline.

Moderator: We take last question from the line of Saurav Bhootra from Chryseum Advisors LLP

Saurav Bhootra: Hi, this is Saurav from Chryseum Advisors LLP. My question is on the dividend payout expected for this year. Last year against the 105 we did a dividend payout of INR 42 per share. Looking at the current revenue run rate and the healthy cash flows, could we expect a better percentage payout for this year?

Management: Yes, please.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I'd now like to hand the conference over to Mr. Yatrik Vin, for closing comments. Over to you, sir.

Yatrik Vin: Thank you, everyone, for joining this particular call. Indeed, it was very nice to interact with all of you. And thank you for all your support.

Ashishkumar Chauhan: Thank you, guys.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of NSE, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.