



“National Stock Exchange of India Limited  
Q2 FY '24 Earnings Conference Call”  
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**MANAGEMENT:**

**MR. ASHISHKUMAR CHAUHAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**MR. YATRIK VIN – GROUP CHIEF FINANCIAL OFFICER AND HEAD, CORPORATE AFFAIRS – NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**MR. SRIRAM KRISHNAN- CHIEF BUSINESS DEVELOPMENT OFFICER- NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**MR. VIKRAM KOTHARI – MANAGING DIRECTOR, NSE CLEARING – NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**MR. MAYUR SINDHWAD – CHIEF TECHNOLOGY OFFICER, OPERATIONS – NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**MR. VIRAL MODY— CHIEF TECHNOLOGY OFFICER, APPLICATIONS – NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**MR. SOMASUNDARAM, KS – CHIEF ENTERPRISE RISK OFFICER –  
NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**MR. SHHARAD DHAKKATE – CHIEF HUMAN RESOURCE OFFICER –  
NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**MR. NEERAJ KULSHRESHTHA- MANAGING DIRECTOR & CEO, NSE  
IFSC CLEARING LIMITED**

**MR. ASHISH KRISHNA– MANAGING DIRECTOR, NSE INVESTMENTS  
LIMITED**

**MR. TIRTHANKAR PATNAIK – CHIEF ECONOMIST – NATIONAL STOCK  
EXCHANGE OF INDIA LIMITED**

**MR. ARIJIT SENGUPTA – HEAD, CORPORATE COMMUNICATIONS –  
NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**Moderator:**

Ladies and gentlemen, good day and welcome to the National Stock Exchange of India, Q2 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yatrik Vin, Group CFO and Head, Corporate Affairs. 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 for the second quarter of the financial year 2023-24. I am Yatrik Vin, Group CFO and Head, Corporate Affairs. 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 Shri Ashishkumar Chauhan, MD and CEO, Shri Somasundaram KS, Chief Enterprise Risk Officer, Shri Shharad Dhakkate, Chief Human Resources Officer, Shri Mayur Sindhvad, Chief Technology Officer, Operations, Shri Vikram Kothari, MD, NSE Clearing, Shri Arijit Sengupta, Senior Vice President, Marketing and Corporate Communication, Shri Tirthankar Patnaik, Chief Economist, Shri Ashish Krishna, MD, NSE Investments. We also have our other colleagues from the Finance, Investment Relations, and Secretarial teams. Shri Sriram Krishnan, Chief Business Development Officer, Shri Viral Mody, Chief Technology Officer, Applications, and Shri Neeraj Kulshreshtha, MD & CEO, NSE IFSC Clearing have joined the conference call online.

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

company faces. With that, I would like to hand over the call to Sri Ashish Kumar Chauhan, MD, and CEO, NSE. Over to you, sir.

**Ashishkumar Chauhan:** Thank you, Yatrik. Good afternoon, everyone. I welcome all of you for joining us for this quarterly investor call today.

NSE's business and financial performance for the quarter ended September 23, has remained robust and continues to be on a growth trajectory. Before I move on to the details of the business and financial performance of the company, I would like to take this opportunity to highlight few of the key business developments. In one of the major developments of our international exchange at GIFT City, the full-scale operations of NSE IX-SGX GIFT Connect, commenced on July 3, 2023, SGX Nifty re-christened as GIFT Nifty witnessed a staggering open interest of US\$8.05 billion in Nifty futures and open interest of US\$1.05 billion in Nifty options in NSE International Exchange, following the 100% liquidity switch. With India's economic voice to become the world's third largest, Gift Nifty serves as an innovative pathway for international investors seeking exposure to the Indian equities markets. A few of the major milestones that we have seen include a single-day trading activity of 386,000 plus contracts with a peak notional volume of US\$15.25 billion on September 26, 23.

Further, we have achieved a record open interest standing at 318,667 contracts worth US\$12.50 billion on September 25, 23. During the quarter, Gift Nifty achieved total cumulative volume of over 4.92 million contracts and total cumulative turnover of US\$191.5 billion. In July 23, Hon'ble Union Finance Minister Shrimati Nirmala Sitharaman had announced that the government has taken a decision to enable direct listing of listed and unlisted companies on the IFSC exchanges. IFSC authorities and regulators have been working on the same to operationalize the framework.

The mutual fund platform of NSE continues to witness good traction with more than 18,500 registered mutual fund distributors, independent financial advisors, and registered investment advisors as of September '23. It has a base of more than 1.18 crores investors spread across 5,500 locations in India as well as globally.

NSE aims to empower common investors with knowledge, toolkits, and data for taking informed decisions while investing. NSE follows a digital first approach while disseminating information to the common investors. Investor awareness campaigns through a combination of electronic-based media as well as advertisements and social media is conducted for disseminating information on various investment products, risks, and market dynamics. NSE's outreach programs are geographically spread across all states and Indian territories. In the quarter July to September '23, 1,462 investor awareness programs were conducted with Educational Institutes, Women's Group and General Public. These programs covered 345 districts in 12 languages and 88,444 participants benefited out of these programs. NSE has also established an investor protection fund with the objective of compensating investors in the event of defaulter's assets not being sufficient to meet the admitted claims of investors, promoting investor education, awareness, and research. The corpus of NSE IPFT as of September 23 stood at INR1,766 crores.

On the Clearing Corporation side, a development was on SEBI's move to improve transparency. SEBI has mandated online bond platform providers to register with exchanges and place orders through the Request for Quote platform. NSE Clearing Limited has introduced payment mechanisms like UPI, net banking to transfer funds directly to clearing corporations.

On July 28, 23, Hon'ble Finance Minister launched Tri-Party Repo on corporate bonds developed by AMC Repo Clearing Limited, facilitated by NSE. The risk management, clearing, settlement of repo market trades is being handled by NSE Clearing on behalf of ARCL.

In terms of the volumes, during the quarter, NSE's average daily turnover in cash equity segments stood at INR77,757 crores, which grew by a robust 33% over the previous quarter, ending June '23 and 40% over the same period last year. After a drop in 22-23 retail participation in the Indian equities market, in terms of active investors, has been steadily rising this year. NSE saw participation from a monthly average of slightly over 10 million retail investors in the quarter ended September 23, up from around 8 million in the previous quarter ended June 23. The registered investors on the exchange have surpassed 8 crores unique PANs. These registrations are not restricted to only metros, but are also witnessed significantly beyond Tier 2 cities.

Within the cash equity segment, daily average turnover in SME stocks witnessed increase of 80% to INR108 crores during the quarter ended September 23 as compared to June 23.

Exchange traded funds daily average turnover increased by 27% quarter on quarter from INR526 crores during the quarter ended June 23 to INR667 crores during the quarter ended September 23.

NSE's Average daily turnover in equity index and stock options on premium value of options traded during the quarter ended September 23 increased by 33% year on year at Rs 60,621 crores.

Average daily turnover in equity index and stock futures increased by 18% quarter on quarter basis from INR1,04,056 crores during the quarter ended June 23 to INR1,23,019 crores during the quarter ended September 23.

NSE's average daily turnover in currency futures decreased by 22% year-on-year to INR31,990 crores during the quarter ended September '23 but increased by a modest 7% quarter-on-quarter. NSE's average daily turnover in currency options on premium value of options traded also declined by 13% year-on-year to INR156 crores for the quarter ended September '23.

The US dollar Indian rupee currency option contract specification was also reviewed and final strike intervals of INR0.1250 were introduced. The new strike intervals now account for more than 22% of premium turnover and 28% of contracts in USD INR option pair for the quarter ended September '23.

In commodity derivatives segment after receiving necessary approvals from SEBI, your exchange has launched 21 new contracts since the beginning of the current financial year including seven contracts of options on commodity futures. With this exchange product, offering has reached 28 commodity contracts. NSE's is also the only domestic exchange offering

derivatives contracts on three energy commodities namely WTI Crude oil and natural gas and Brent crude oil.

I shall now come to the financial update for the quarter ended September '23. During the quarter ended September '23, NSE earned the transaction charges revenues of INR3009 crores showing a growth of 19% over the corresponding quarter ended September '22. This increase in trading income is post the rollback of increased transaction charges which came into effect from April '23.

NSE's income from listing services which include listing fees, book building fees and posting fees for the current quarter stood at INR58 crores out of which listing fee income was INR31 crores.

During the current half year ended September '23, NSE saw a listing of 27 IPOs on its main board raising capital to the tune of INR22,444 crores. NSE's EMERGE platform, which provides a platform for SMEs to go public and access capital saw a listing of 57 IPOs in this half year raising capital to the tune of INR1,803 crores.

NSE also witnessed listing of other securities with around 927 commercial papers raising funds of INR3.25 lakh crores during the half year ended September '23. We saw about 186 pilot placements of NCDs raising INR2.39 lakh crores and 80 public issues of NCDs raising INR4,700 crores during the half year ended September '23.

On the debt segment side, NSE launched the ARCL Tri-Party Repo on July 28, '23. The product has witnessed transactions worth INR980 crores during the quarter ended September '23.

NSE's treasury income stood at INR310 crores during the quarter ended September '23 as compared to INR169 crores during the quarter ended September '22. The increase is on account of improvement in the yields and higher investable surplus.

NSE's income from co-location services was INR220 crores during the quarter ended September '23 as compared to INR150 crores during the quarter ended September '22. This has increased on account of additional co-location racks provided by the exchange and connectivity charges.

Further, NSE continues to remain focused on its cost which is a key in any platform business to bring in the maximum operating leverage. NSE on a stand-alone basis incurred total expenses of INR1,623 crores that grew by 135% on a year-on-year basis. 50% of these total expenses amounting to INR804 crores are towards SEBI turnover fees contribution to IPFT and contribution to core SGF.

Apart from this regulatory nature of expenses, the increase in expenses is on account of increased technology spend, increase in clearing and settlement charges paid to our subsidiary company NSE Clearing Limited, license fees for index paid to our subsidiary company NSE Indices Limited on account of increased trading activity.

As you know, NSE maintains one of the most robust and largest trading technology platforms in the world to cater to such high volumes, NSE needs to periodically invest in technologies. In

the quarter ended September 2023, the company has spent about INR252 crores towards technology related operational expenses including depreciation and amortization. In terms of the number of trades per day, basis the available data, NSE has become the largest exchange in the world.

As informed during the last investor call held on May 16, '23 regarding augmentation of the core Settlement Guarantee Corpus from current level of around INR5,000 crores to INR10,000 crores over next few years in a phased manner, the Board of Directors have approved the voluntary contribution at 2% of the transaction charges onto the Core Settlement Guarantee Fund. To maintain corpus of the core SGF based on the assessment of the current trends in volume and overall increase in market activities.

Further, during the current quarter, the Board has approved allowed-hoc contribution of INR500 crores to the core SGF. Accordingly, during the quarter and half year ended September 2023, NSE has recognized an expense of INR560.18 crores and INR610.67 crores respectively towards contribution to the core SGF in the financial results. The total corpus of the core SGF now stands close to INR6000 crores.

NSE's operating revenue on a standalone basis for the quarter increased by 22% from INR2770 crores during the quarter ended September '22 to INR3386 crores during the quarter ended September '23. The operating revenue for the current quarter stood at 92% of the total revenue. NSE reported an operating EBITDA margin of 54% for the quarter ended September '23.

The net profit after tax excluding subsidiary dividend stood at INR1562 crores which was up by 2% as compared to the corresponding quarter of the previous year. Earnings per share for the quarter on a standalone basis was INR36.44 per share. During the current quarter, NSE also made a payout of INR3960 crores towards dividend of necessary approvals from shareholders.

NSE's standalone net worth as of 30th September '23 stood at INR16,117 crores.

During the first half of financial year 24, NSE contributed INR18,744 crores to the exchequer which comprised of STT INR14,058 crores, Stamp duty INR1,156 crores, GST INR975, crores income tax INR1,252 crores and SEBI charges INR503 crores.

I shall now cover few aspects of our key subsidiary companies. NSE Clearing Limited continues to play a pivotal role in protecting the interests and safeguarding the assets of investors in the securities market. While retail participation is seen growing in equities, the same is yet to be seen in bond markets. NSE Clearing post interoperability continues to have a robust market share of 92% for clearing and settlement for cash equity segment, 95% for equity derivatives segment and 81% for currency derivatives segment.

NSE Indices, one of the core entities of NSE that owns the flagship indices like Nifty 50, Nifty Bank and others have been doing quite well. Total AUM of ETFs and index funds in India tracking Nifty Indices is INR5.36 lakh crores. There are 264 passive products, ETFs and index funds tracking Nifty Indices in India. In international markets there are 16 ETFs, four index funds and two ETNs tracking Nifty Indices with a total AUM of \$1.6 billion.

During the last quarter, 12 passive products tracking Nifty Indices were launched in India. There has been an increase in the interest for launching India based ETFs and index funds by global asset managers.

In calendar year 2023, total six new passive products- (three ETFs in Korea and three index funds in Japan), were launched tracking Nifty Indices.

NSE Data, which manages and disseminates the exchange data has seen an expansion in its client base for both real-time data and historical data. NSE Data has further augmented its offerings. It is a managed service provider to CERSAI for CKYCRR. As of September '23, more than 78 crore individual KYC records and more than 88 lakh legal entities KYC records have been uploaded on CKYCRR with over 78 crore downloads. Further, as of September '23, 6916 entities were live on CKYCRR of which 401 entities have gone live during the half year '24.

NSE International Exchange post the launch of NSE IFSC- SGX Connect has seen an increase in participation. As of September '23, NSE International Exchange has 65 registered trading members and 45 members enabled for trading.

As of September '23, debt issuers on NSE's IX DSM platform had established total aggregated medium-term notes worth \$45.8 billion, NSE IX introduced trading in US stocks- (NSE IX receipts) through unsponsored depository receipts last year.

During the quarter, the aggregated turnover in NSE IX receipts was \$0.4 million while the figure stood at \$0.54 million for the half year ended September '23. Post the NSE IX SGX Connect liquidity switch during the quarter, NSE IX has started earning revenues and has posted a positive EBITDA of INR3 crores for the quarter ended September '23.

NSE Group also has its presence in other asset classes including Power Exchange, Receivables Exchange (Trades Receivable Discounting System (TReDS), Platform regulated by RBI) and Gas Exchange. All these businesses of NSE are performing well. You may note that NSE has participated in the offer for sale of Protium eGov Technologies. With this participation, NSE's stake in Protean will be ~20% in the coming. Similarly, NSE shall also be participating in the offer for sale of NSDL mainly to meet the regulatory requirements. NSE is committed to these businesses and constantly working with partners for the growth of these platforms.

Now moving on to the financial performance, at the group level, NSE Group financials for the quarter ended September '23 include the performance of our subsidiaries and associate companies. As I indicated in my earlier introduction, we are already in the process of moving out of non-core businesses. As indicated earlier, these non-core businesses include our businesses in education and technology.

Total revenue on a consolidated basis, for the quarter ended September '23 increased by 28% from INR3,149 crores to INR4,023 crores. We have further witnessed robust growth from adjacent clearing, index, data and terminal businesses. Operating revenue during the current quarter was at 91% of the total revenue.

The net profit after tax stood at INR1,999 crores, which grew by 12% as compared to the corresponding quarter of the previous year. The earning per share for the quarter ended September '23 was INR40.38 per share. NSE consolidated net worth as at 30, September '23 stood at INR20,310 crores.

We continue to work towards launching new products in various domains subject to regulatory approvals and become more responsive to the changing market conditions and needs of stakeholders. We remain committed to build a robust and efficient marketplace with a strengthened regulatory and compliance framework.

Technology and regulatory functions remains core to our business and there is constant effort to maintain seamless operations and strengthen core regulatory and compliance activities. We continue to focus on providing world-class, low-cost, uninterrupted, highly regulated yet fully compliant orderly trading, clearing and settlement system and remain fully compliant with all regulations in labour and spirit.

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

**Moderator:** Thank you very much. We take the first question from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

**Devesh Agarwal:** Good afternoon everyone and thank you for the opportunity. Sir, my first question is, we see on a consolidated basis, there is a sharp increase in the business cases, almost 65% increase on a Y-o-Y basis. One, if you can explain that and along with that, I wanted to understand in terms of clearing and settlement on a consolidated basis, what is the income that we are generating, say for the settlement fees and clearing for BSE and what is the amount that we are paying to BSE?

**Yatrik Vin:** So can you just repeat your first question please?

**Devesh Agarwal:** Sir, first question is, the reason for the increase in other overheads, which has increased from INR400 crores to INR650 crores on a Y-o-Y basis, what is driving that? And of that, what component is the clearing and settlement fees that we will be paying to BSE? That is the first one.

And the second part of the question is, the income that we generate from the clearing and settlement income that is coming from BSE, how much is that and how do we charge that?

**Yatrik Vin:** The increase in clearing and settlement charges on a consolidated basis is mainly because of the increase in transaction charges, and what actually we receive and pay to the other exchange is potentially less than 2% of the total income. The first question of INR400 crores to INR650 crores, can you please re-articulate?

**Devesh Agarwal:** Sir, the first question was on other expenses?

**Moderator:** Devesh, I'm sorry to interrupt, but your voice is not very clear. If you're on a hands-free, request you to use the handset.



**Devesh Agarwal:** Yes. So my first question was, these sharp increase in other expenses, what is driving that? Almost 65% increase in other expenses from INR400 crores to INR650 crores in this quarter, what is driving that? And secondly, I think you said that the clearing and settlement income that you're earning from BSE is 2% of your total income. So are we seeing 2% of INR2,000 crores? Is that the number? Or INR3,600 crores?

**Yatrik Vin:** Okay, so the specific number that we actually earn from the other exchange is about INR25 crores. The answer to your first question, other expenses increasing from INR400 crores to INR650 crores is mainly on account of (A) technology expenses, and (B) the distinct regulatory expenses in terms of the investor awareness programs that we do, the SMSs that we send on every trade that happens, and obviously some of the other routine expenses on a standalone basis. But they are largely due to the overall trading activity.

**Moderator:** Thank you. The next question is from the line of Jagannadham Thunuguntla from TechPro Ventures. Please go ahead.

**J Thunuguntla:** Thanks for the opportunity. Just a couple of queries. One is, good that you have given detailing this time about Core SGF and its contribution and breakup and so on. Just a query related to that. So from the current level around INR6,000 crores and reaching to INR10,000 crores. I understand, it's discretionary and ad hoc kind of thing, but any color on that in terms of, how many years and what kind of amounts and this INR500 crores this time came in ad hoc. Is it any indicator that similar kind of thing can happen in future courses or future years?

**Ashishkumar Chauhan:** Basically, the question is on Core SGF going from INR5,000 crores to INR10,000 crores. And this quarter, we have provided a specific amount and also till what time it will continue. So basically, there is a proposed framework that we are working with SEBI on. And as you would have seen in the last few years, our business has increased many fold. And due to which the open interest also has increased many fold, which has resulted in the risk increasing and SEBI is of the opinion that the Settlement Guarantee Fund has to move up appropriately. So on that basis, this INR5,000 crores to 10,000 crores is being worked on.

And that's where this INR500 crores provided for this quarter is basically part of that. So as and when we meet SEBI's specific criteria, then naturally, we will not add further. But in case the risk increases by any sort of models, which we work with SEBI on, then again, we will have to increase the corpus because this provides the basis for risk management.

It provides the safety of the settlements. And that is of prime importance to our business, to run in a risk-free way. In a way, that contribution is increasing our robustness. And as and when required, this contribution may also be increased later on.

**Moderator:** Thank you. The next question is from Ashutosh Somani from JM Financial. Please go ahead.

**Ashutosh Somani:** Hi, thanks for taking my question. Sir, I just wanted your thoughts on the recent loss in market share in the F&O segment. And what's the kind of strategy, we are looking to arrest this loss in market share or reclaim some of this market share in F&O? Any new product launches or anything that you have in mind?

**Ashishkumar Chauhan:** In a way, you might have seen the market share, which NSE has. You've not seen the presentation. So I will just tell you, in capital markets, we have 93% market share in this quarter. In equity futures, we have 99.9% market share. In equity options, we have 99.3% market share on premium value. In currency futures, we have 71% market share. In currency options, 99%. In interest rate futures, we have 94%. In debt, we have 98%. In Mutual Fund, we have 32% market share.

So in a way, we have a reasonably large market share in most segments, we operate. And naturally, any competition which comes up will have that market share increase. And we'll continue to work hard to provide the best products and services to all our members, investors, and hope that they continue to trade more on NSE. But again, it will also depend on the circumstances and also how the competition behaves.

**Moderator:** Thank you. The next question is from the line of Rajesh Jain from Motilal Oswal. Please go ahead.

**Rajesh Jain:** Yes, hi, a couple of questions. Firstly, on the previous question itself, it's an extension of that. We've seen that, the competitor has launched a couple of products on Friday, one is on Friday, and the other is on Monday in terms of expiry. You have three products on Tuesday, Wednesday, and Thursday.

How do you see this panning out over the period of the next couple of years? And what kind of market share trajectory do you think that a launch of any other product on any of these expiries like a Friday or a Monday can help you maintain your leadership position. That's the first one.

And secondly, on the clearing and settlement income that has jumped, that is more than doubled, out of which BSE has possibly contributed to some part of it. But, just having INR25 crores in this quarter is not an easy mover. What are the other elements that has contributed to it? And how do you see this moving ahead?

**Ashishkumar Chauhan:** Again, I think your question is factually incorrect. The first question, we do have products on Mondays too, Monday expiry, in addition to Tuesday, Wednesday, Thursday. And you might like to look out your facts. But basically, organizations like exchanges are allowed by SEBI to do things and on that basis only we can do. We are not free to launch products the way we feel like, whenever we feel like.

These are extremely highly regulated activities and that's what, whatever is required, we will continue to ask from the regulator. And if approvals come, we'll continue to add products, provide more services. And as I mentioned, we have launched several commodity futures and options on futures in recent times and we hope that there will be enough traction on those accounts also.

So, somewhere there is a perception, probably in your mind, that there is only one market called equities options, while there are many more markets in which NSE operates. On the clearing and settlement front, I'll tell my colleague, Yatrik, to elaborate.

**Yatrik Vin:** Yes. So, two pointers for clearing and settlement income. One is the clearing and settlement charges has gone up from corresponding September '22 to September '23 by almost close to INR200 crores. This is essentially because of the higher volumes in the market activity.

And another dimension to clearing corporation income going up is due to treasury income, which is because of the higher yield and increased investable surplus because of upstreaming of margin funds. That has gone up about INR75 crores. So, combined, it has gone up on six months of previous year to six months of current year by about INR275.

**Moderator:** Thank you. The next question is from Harsh Seksaria from TPG NewQuest. Please go ahead.

**Harsh Seksaria:** Hi. Thanks for taking my question. So, as a follow-up to one of the other questions that was asked previously on the Core SGF. So, on the voluntary ad hoc contribution that you've made for INR500 crores this quarter, could you provide some guidance on what do you see the ad hoc contribution could be like for the rest of this year? And is there any target that we want to achieve the INR10,000 crores in the next x number of years? You know, firstly on that, and then another question, but I'll queue up again.

**Yatrik Vin:** So, it's a right observation that in the current quarter, we have contributed INR500 crores ad hoc contribution. At this point in time, based on the data and the computation and the independent research that we are doing, it looks that, in the process of augmenting from INR5,000 crores to INR10,000 crores, or currently we are at INR6,000 crores to INR10,000 crores in the next two years to three years, if we have to contribute.

In the current financial year, we expect that the way we have contributed INR500 crores in the current quarter, for the next two quarters also, we may have to potentially continue that journey. So, in the current year, we may contribute INR1,000 crores additionally in the next six months.

In addition to that, as in our earlier earnings call, we had indicated that Clearing Corporation also is likely to contribute to Core-SGF. So, in the current year, they will also independently contribute about INR1,400 crores. So, that potentially will take our overall size of Core-SGF by March 2024 to INR8,000 crores plus. And from there, when we want to move to about INR10,000 crores, I think in the next one year or two years, we will have to shore up that number.

**Moderator:** Thank you. The next question is from the line of Karan Mehta from Nirzar Securities. Please go ahead.

**Karan Mehta:** Thank you, sir, for giving me this opportunity. So, BSE is gaining market share in derivatives. So, are we losing any market share to BSE? And our margins are also down in trading services, Y-o-Y. So, is this a possible reason that we are losing market share? And what would be the sustainable range going forward?

**Ashishkumar Chauhan:** In a way, I had answered this question earlier. I will read out again from the slide three of the presentation uploaded on our website, that in capital markets, NSE continues to maintain 93% market share. Equity futures, it is 99.9%. Equity options, it is 99.3% on premium value. Currency futures, it is 71%. Currency options, it is 99%. Interest rate futures is 94%. In debt, RFQ platform

is 98%. NSE mutual fund, 32%. So, although your perception due to whatever things you have in your mind might be different, this is a reality.

And in some ways, when the two exchanges become large, then actually there is a lot more arbitrage that happens, out of which a lot more volumes may get generated. So, effectively, from there, perceptions may not be reality. And whatever you think, even if it happens, may actually generate more volumes and sometimes more profits for both the competitors. So, from there, I think your question, I just wanted to use slightly more color to what may happen in the future.

**Yatrik Vin:** On the second question of yours about trading services margin going down, so while the overall volumes have grown, the transaction charges have also grown, it has nothing to do with the market share that actually is slightly looking slightly sober. Having said that, three or four items of expenses need to be carefully analysed. One is the clearing & settlement charge that we actually share with our own subsidiary, which is variable in terms of the transaction charges.

Second one is the SEBI Regulatory Fee, which is also again linked with the volumes and the income that we earn. The third part is the contribution to Core SGF that also is allocated to the trading as a segment. Fourth one is the license fee that we share with our own subsidiary index company. And obviously, in this particular six months and the earlier quarter, we had a small settlement amount of INR50 crores that we had paid to SEBI. So, these are some of the four or five reasons why the trading services as a segment that is uploaded on the website, you are finding the overall margins coming down.

**Moderator:** Thank you. The next question is from the line of Jeel Thakkar, who is an individual investor. Please go ahead.

**Jeel Thakkar:** Good afternoon, sir. Thanks for the opportunity. I just wanted to ask, is there any one-off in clearing services profits? And what would be the sustainable margin percentage going forward?

**Ashishkumar Chauhan:** Can you come again?

**Jeel Thakkar:** Sir, I just wanted to ask, is there any one-off in clearing services profits?

**Ashishkumar Chauhan:** Of expenses or revenues?

**Yatrik Vin:** No. So, actually, frankly, as I explained earlier, that the increase in the overall revenues and profits of clearing corporation is because of two reasons. One is the clearing and settlement fees, which they have received from parent company NSE has gone up by about INR200 crores because of the higher volumes and the transaction charges.

And second one is the INR75 crores increase is towards the treasury income because of the higher yield and investable surplus going up because of upstream of the funds to the clearing corporation. There is nothing significant which is one-off in nature, except for this one small SEBI settlement-related expenditure of INR22 crores but increase in income is largely attributed to these two reasons.

**Moderator:** Thank you. The next question is from Jayant Kharote from Jeffries. Please go ahead.

- Jayant Kharote:** Thank you. And congratulations, sir, for a good set of numbers. Two questions from my end. One is, if you can split the transaction charges into equity option and other three segments? And the second is a follow-up on the earlier discussion on the increasing sort of competitive intensity in this space. Very small, I know, from our end, but how do you see this evolve over the next two, three years? And just if you could elaborate on what is the process to take a SEBI approval if you want to launch a product, say, on any of the days? What is the process? And is there any product in pipeline that you have at SEBI stable rate?
- Ashishkumar Chauhan:** In terms of the process, basically, we have to write to SEBI giving reasons, economic justification why we want to launch a particular type of product, including the days on which it will expire, how long is the expiry period, or things like that. And if there are new instruments to be launched, like Electricity Futures or Tri-Party Repo, just things take much longer because the committees are set up by SEBI and sometimes by government. And after the deliberations, the regulations are created and then we have to apply and then the sort of the approvals come.
- So, in a way, each product will have its own sort of nuances of how the applications happen. And each product, SEBI will take a call based on their understanding of the need and the merit of the product at that point in time and give us the approval or not give us the approval. So, broadly, our job is to apply. And sometimes we get the approval, sometimes we don't.
- Yatrik Vin:** In terms of your other question, the breakup of transaction charges, out of the total TC, 10% is cash equities, another 10% is futures, and 80% is options.
- Moderator:** Thank you. The next question is from Abhijeet Sakhare from Kotak Securities. Please go ahead.
- Abhijeet Sakhare:** Yes, good afternoon, everyone. So, I have a clarification question on regulations. Between the two exchanges, do regulations allow cross-margin benefits when they trade derivatives?
- Ashishkumar Chauhan:** Yes, please. In certain products, there are 100% cross-margins. Certain products, there are less than 100% cross-margin benefits.
- Abhijeet Sakhare:** And clients are already using those benefits because you have the size and scale benefit on the equity options front? My question was on the equity options front.
- Ashishkumar Chauhan:** Basically, all the benefits that are available accrue to the customers who actually have positions in those instruments automatically.
- Moderator:** Thank you. The next question is from Krish Mehta from Enam Holdings. Please go ahead.
- Krish Mehta:** Thank you for taking my question. My question is on your technology spend for this quarter. So, if you could break up your INR252 crores by your P&L versus balance sheet spend in terms of capex and opex?
- Yatrik Vin:** Okay. So, out of the total expense of INR252 crores or so, about INR81 crores is surrounding the depreciation and amortization. Remaining are the operating and the revenue expenses, which largely are surrounding various AMCs on the hardware and software, the software licenses.

Also, some of the manpower charges who actually support our data center and trading operations. And rest all are the routine technology.

**Moderator:** Thank you. Next question is from Kiran from Kiran Investments. Please go ahead.

**Kiran:** Thank you for giving me an opportunity, sir. My question is, in coming three years, will the NSE get listed in IPO? Are you planning for the IPO? Secondly, sir, what is the position of our co-location case with the SEBI?

**Ashishkumar Chauhan:** In both cases, in IPO, again, we will wait for SEBI's signals. As and when they are comfortable, we will apply for IPO. In co-location cases, there are several cases at different forums, including in Supreme Court, in Securities Appellate Tribunal as well as within SEBI's adjudication process. So, each of them would take their own time and also whatever is the judgment on that would have to be followed by all parties involved.

**Moderator:** Thank you. Next question is from Amit Chandra from HDFC Securities. Please go ahead.

**Amit Chandra:** Yes, sir. Thanks for the opportunity. So, my question is on the clearing services and clarification required. So, you mentioned that on this quarter, you received INR25 crores from BSE for clearing services. This must be for both cash and derivatives segment combined. So, can you provide me with the number of what this number was last quarter?

**Ashishkumar Chauhan:** Yes. We are taking out the number. Can we take the next question and meanwhile, we'll answer this?

**Moderator:** Sure. The next question is from Deepak Agrawal from Saraff Infotech. Please go ahead.

**Deepak Agrawal:** Yes. Deepak Agarwal, thank you for giving me the opportunity. May I know what is the expected date of NSE IPO?

**Ashishkumar Chauhan:** We do not know the expected date of IPO.

**Moderator:** Thank you. Next question is from Nitin Mehta from Twin Earth Securities. Please go ahead. Mr. Nitin Mehta, you may go ahead with the question. We'll move to the next question. The next question is from Koushik, who is an individual investor. Please go ahead.

**Koushik:** Thanks a lot for taking my question. This is Koushik. I have a special question on the SGF. And I'm referring to footnote eight that they provide here. The footnote eight, specifically states that SEBI has advised the stock exchange to transfer 25% of its annual profits to Core SGF. And whereas the number of 10,000 crores is what the management has talked about, how do you reconcile those numbers and what is the implication of this 25% share of the profits being transferred to the Core SGF? Could you just clarify that, please?

**Ashishkumar Chauhan:** So, broadly, what I understood your question is that how will the Core SGF be built as per the SEBI processes or SEBI's mandates. So, this is basically an ongoing process. It's not a fixed amount because if the risk which comes out of the open interest at any point in time in the ecosystem, if it goes up or the volatility goes up, the risk will go up.

Based on this broadly two parameters, there are models which justify or suggest what should be the overall risk and on basis of which what should be the overall Settlement Guarantee Fund. So, this will be a continual evolution of the Settlement Guarantee Fund and also as and when more understanding about the risk behaviour will happen, as well as the models change, all these things will continue to change.

In terms of the BSE's contribution to the NCL's revenues, it has gone up from INR5 crores in quarter 1 to INR20 crores in quarter 2. I think Amit's question was that.

**Moderator:** Thank you. Next question is from Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Greetings, Mr. Chauhan. Firstly, sir, what are the kind of capex that we are emphasizing for strengthening our network, especially the telecom part and in terms of AI implementation also? What have we outlined going ahead and what are the steps the management is taking to deepen the debt market? RBI has been concentrating on deepening the debt market by participation from retail as well as from the HNI category as this segment is totally being a corporate segment. So, in these two parameters, these two categories, what are the thought processes of the National Stock Exchange?

**Ashishkumar Chauhan:** On the second question on deepening the debt market, already you would have seen we have launched Tri-Party Repo and other things. And we will continue to launch as many products as we are allowed by the regulator, which is for us SEBI, and we will continue with our regulator to continue to deepen the market as much as in terms of the products that are allowed to us.

In terms of the for-IT systems and network, what we are doing, we are in the process of moving away our data center, which is there in the NSE building currently to another location because the need for the space for data center is increasing quite substantially and our current building and the facilities available may not be sufficient for future demand. That's why we are currently evaluating how to move forward.

We already have had discussions with the regulator and have their signal to move ahead with that process. So, over the next 1.5 years, two years, we will be acquiring new data centers for ourselves as well as our members. And that would be what I call larger capex. On top of that, we continue to have our own new investments in increasing our capacity per engine. We have 16 engines in the derivative side for matching and five engines in capital markets, which all of them can take up to 200,000 orders a second. We are trying to increase that to a 1 million orders a second kind of numbers to handle the peak load that is coming.

And so, these are all long-term activities, not very deterministic, but I'm just giving you a flavour of what we do. Of course, on a horizontal basis, we can increase our capacity anytime if the mode comes across multiple instruments. But in the same instruments, I need to have an ability to go to very high level. And that is why we need to continue to invest in what we call very, very high-end activities, which are not very deterministic, which are not commercially done. We have to move on.

Currently, as I said in my initial speech, NSE is the largest exchange in the world in terms of the number of trades per day as per the currently available statistics. And so, you can imagine there

is nothing to look to the rest of the world. And instead, we will continue to move on our own path. And that, again, will keep us on our toes. But there are many such things that continue to happen in NSE's trading systems in software, hardware, and network areas that we continue to upgrade. But we don't see very large capex happening compared to what we currently have, except in the new data center going forward.

**Moderator:** Thank you. Next question is from Ivian from Omers. Please go ahead.

**Ivian:** Thanks for taking my question. A bit of a follow-up from the previous, what you responded, co-location and migration of data center. So, we are seeing quite a big, substantial increase in co-location demand. Are we now constrained by our current capacity? And can we see a substantial increase after we migrate the data center? And subsequently, are we seeing the growth in co-location? Is it driven by price more than the volume?

**Ashishkumar Chauhan:** In a way, the growth is increasing because more participants are coming and same participants are asking for more servers. We have also tried to optimize our offerings to ensure that our members are able to use the same racks more efficiently in terms of the power usage and also access. And that would also, in a way, increase more order flow without increasing too much of demand on co-location space. But nevertheless, we are able to currently provide over the next one year or two years the need for co-location racks and other facilities within our building.

In the meantime, we have planned for this movement into new data center. And that's where, hopefully, we will be able to shift that over the next one year or two years. And so, we are trying to estimate our growth, which is increasing very rapidly. And you would have seen in our increasing the volumes of business that capital markets have gone up by 20%. Equity options have gone up by 31% and so on and so forth. So, in a way, there is a large increase happening because more Indians are coming to invest in markets, but also many more foreign investors and HFT players are also coming into our markets because of which we have to plan in advance and do all these things.

**Moderator:** Thank you very much. We'll have to take that as the last question. I would now like to hand the conference back to Mr. Yatrik Vin for closing comments.

**Yatrik Vin:** Thank you so much. And thank you, everyone. It was indeed a pleasure to interact with all of you. Thank you for joining the call. And on behalf of NSE, wishing all of you a very, very happy Diwali. Thank you so much.

**Ashishkumar Chauhan:** Thank you.

**Moderator:** Thank you very much. On behalf of National Stock Exchange of India, that concludes the conference. Thank you for joining us, ladies, and gentlemen. You may now disconnect your lines.