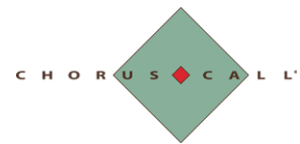




“National Stock Exchange of India Limited

Q4 FY '23 Earnings Conference Call”

May 16, 2023



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

MS PRIYA SUBBARAMAN, CHIEF REGULATORY OFFICER- NATIONAL STOCK EXCHANGE OF INDIA LIMITED

MR. SRIRAM KRISHNAN – CHIEF BUSINESS DEVELOPMENT OFFICER – 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. MUKESH AGARWAL – MANAGING DIRECTOR, ANALYTICS AND DATA BUSINESS – NATIONAL STOCK EXCHANGE OF INDIA LIMITED

MR. SHIV KUMAR BHASIN – CHIEF TECHNOLOGY OFFICER, TECHNOLOGY INFRASTRUCTURE – NATIONAL STOCK EXCHANGE OF INDIA LIMITED

MR. VIRAL MODY-HEAD TECHNOLOGY, APPLICATION DEVELOPMENT - NATIONAL STOCK EXCHANGE OF INDIA LIMITED

MR. VASUDEV RAO – GROUP GENERAL COUNSEL – NATIONAL STOCK EXCHANGE OF INDIA LIMITED

MR. ROHIT GUPTA – COMPANY SECRETARY – NATIONAL STOCK EXCHANGE OF INDIA 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, Q4 FY23 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 conference call, please signal an operator by pressing star then zero on your touchtone 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, NSE. Thank you and over to you, sir.

Yatrik Vin: Thank you. Good afternoon everyone and welcome to the NSE's earnings call to discuss the results of Q4 of FY23. 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 Sri Ashishkumar Chauhan, MD and CEO; Mr. Vikram Kothari, MD, NSE Clearing; Ms Priya Subbaraman, Chief Regulatory Officer, Mr. Sriram Krishnan, Chief Business Development Officer; Mr. Somasundaram, KS, Chief Enterprise Risk Officer; Mr. Shharad Dhakkate, Chief Human Resource Officer; Mr. Mukesh Agarwal, MD, Analytics and Data Business; Mr. Shiv Kumar Bhasin, Chief Technology Officer, Technology Infrastructure; Mr. Viral Mody- Head Technology- Application development, Mr. Vasudev Rao, Group General Counsel; Mr. Rohit Gupta, Company Secretary of NSE; Mr. Tirthankar Patnaik, Chief Economist; And Mr. Arijit Sengupta, Head, Corporate Communications. Along with us, we also have other colleagues from the Finance and Investor Relations team and Secretarial teams.

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

Ashishkumar Chauhan: Thank you, Yatrik. Good afternoon, everyone. I welcome you all for joining this quarterly investor's call today. It is heartening to inform that NSE's business and financial performance for the quarter ending March 23 has remained 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 highlight a few of the key developments during the quarter. NSE, during the quarter, has signed a data licensing agreement with CME Group to list, trade and settle rupee denominated domestic NYMEX WTI Crude oil and natural gas derivatives contracts for Indian market participants.

Addition of these contracts has expanded NSE's product offering in the energy basket as well as its overall commodity segment. Post receipt of approval from SEBI, these contracts have begun trading on NSE's platform since yesterday, May 15, 2023.

NSE has received final approval from SEBI to set up the Social Stock Exchange as a separate segment of the exchange. The Social Stock Exchange platform will provide new avenues for social enterprises to enhance social initiatives, provide them visibility and bring in increased transparency in fund mobilization and utilization by social enterprises. In this direction, to bring in awareness about this segment, NSE has been conducting various events and hand-holding social enterprises at various stages of onboarding on the exchange.

Further, I am also happy to inform that full-scale operation of NSE-IFSC-SGX Connect will commence on NSE-IFSC platform from July 3, 2023, which will lead to the development of vibrant and liquid market at GIFT-IFSC. SGX NIFTY will now be called GIFT NIFTY with effect from July 3, 2023. NSE-IFSC-SGX GIFT Connect is a catalyst in achieving the Government of India's objectives of on-shoring the offshore and is an important step toward making GIFT-IFSC a global finance hub for capital market activities. The Connect will broaden the international and domestic participant base and further strengthen the capital market ecosystem in GIFT City. I would like to thank the Government, the regulators and all the stakeholders for their continuous guidance and support.

I am happy to share that NSE continues to be the world's largest derivatives exchange for the fourth consecutive year. It is truly a matter of pride for each one of us in this country. Our exchange continues to maintain its leadership in majority of asset classes in domestic as well as global markets. The market capitalization of companies listed on NSE as of March 31, 2023, stood at INR256 trillion, which was around INR4 trillion when NSE started its operations in 1995. NSE currently has around 7.3 crores unique PAN numbers, accounting for close to 20% of Indian households. I shall now come to the financial update for the quarter and full year ending March 31, 2023. In terms of volumes during the quarter, NSE's average daily turnover in cash equity segments stood at INR49,302 crores, which is a 22% reduction from the average daily turnover of INR62,973 crores during the quarter ending March 22. This, however, remains above the pre-COVID levels. We have observed that retail participation has been significantly lower as compared to the same period last year.

NSE's average daily turnover in equities index and stock options on premium value of options traded increased by 43% from INR41,458 crores during the quarter year ended March 22 to INR59,330 crores during the quarter year ended March 2023. The average daily turnover in equity index and stock futures decreased by ~14% from INR130,343 crores during the quarter ended March 2022 to INR112,614 crores during the quarter ended March 2023.

NSE's average daily turnover in currency futures increased by 3% from INR39,028 crores during the quarter ended March 2022 to INR40,114 crores during the quarter ended March 2023. NSE's average daily turnover in currency options on premium value of options traded increased by 38% from INR161 crores during the quarter ended March 2022 to INR222 crores during the quarter ended March 2023. These volumes in cash equity segment, equity derivative segment, currency derivative segment and other products like debt, interest rate, futures and NSE's

transaction charges revenues of INR3,021 crores for the quarter ending March 2023 showing a growth of 32% over quarter ending March 2022.

Further, I would also like to inform you that the board of NSE in March 2023 has decided to roll back the increase of 6% in transaction charges in cash equities market segment and equities derivative segment with effect from April 1, 2023. The charges were earlier increased by 6% with effect from January 1, 2021, partly to augment NSE Investor Protection Fund Trust, NSE IPFT, corpus in view of certain market exigencies due to broker defaults at that point in time. Further, with an objective to systematically augment the corpus of NSE IPFT, it has also recalibrated the contribution to NSE IPFT by trading members. This rollback of increase partially offset by recalibration to contribution of IPFT will lead to effective reduction on overall transaction charges in trading members by around 4%. The corpus of NSE IPFT as of March 31, 2023, stood at INR1,596 crores.

NSE's income from listing services which include listing fees, book building fees, processing fees for the current quarter stood at INR50 crores, out of which listing fee income was INR29 crores. During the current quarter ending March 23, NSE saw listing of 4 IPOs on its main board raising funds to the tune of INR890 crores. During FY 23, total 39 main board listings were witnessed where the companies had collectively raised INR ~53,000 crores.

NSE's Emerge platform that provides an opportunity for SMEs to co-publish and access capital saw listing of 62 IPOs in FY23 raising funds to the tune of INR1,330 crores. The market capitalization of NSE Emerge platform as of March 23 is around INR21,524 crores. During the year, 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 Emerge platform. NSE also witnessed listing of other securities with around 1,800 commercial papers raising funds to the tune of INR7 lakh crores during the year ending March 23.

NSE's traded income was INR249 crores during the quarter ending March 23 as compared to INR113 crores during the quarter ending March 22. The increase is on account of improvement in the yields especially at the shorter end of the yields and due to increment in available surplus.

NSE's income from co-location services was INR165 crores during the quarter ending March '23 as compared to INR126 crores during the quarter ending March '22. This is increased on account of additional co-location tax provided by the exchange and the 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. The total expenses of the company increased by 45% from INR772 crores in March '22 to INR1,113 crores for the current quarter ending March '23. 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 Indices Limited, SEBI regulatory fee and investor SMS services. Further, the Board of Directors of the Company in their meeting in March 2023, approved the voluntary contribution of Rs. 203.45 crores to the Core Settlement Guarantee Fund to maintain corpus of the said Fund based on the assessment of the current

trends in volumes and overall increase in market activities.. The total balance of settlement guarantee fund maintained by NSE Clearing now stands at INR5,283 crores. Further, we plan to take it to INR10,000 crores over the next few years in a phased manner to strengthen our risk management posture and boost investor confidence.

As you know, NSE maintains one of the largest trading technology platforms and to cater to such high volumes, NSE needs to periodically invest in technology. In the quarter ending March '23, the company has spent INR258 crores towards technology-related operational expenses including depreciation and amortization. NSE's operating revenue on a standalone basis for the quarter increased by 32% from INR2,501 crores to INR3,295 crores as compared to the corresponding quarter of the previous year. The operating revenue for the current quarter stood 93% of the total revenue.

NSE reported an operating EBITDA of 69% for the quarter, versus 73% in the corresponding quarter last year on a stand-alone basis. The net profit after tax stood at INR1,810 crores which grew up by 19% as compared to the corresponding quarter of the previous year. In terms of the full year performance, NSE's stand-alone operating revenue for this financial year stood at INR1,1181 crores which was up by 44% over the previous year. Profit after tax stood at INR7,233 crores. Profit after tax excluding subsidiary dividend at INR6,400 crores and earnings per share of INR146 per share of face value INR1 was observed.

NSE's stand-alone net worth as on 31, March 2023 stood at INR16,676 crores. The board recommended a dividend of INR80 per equity share of INR1 each amounting to pay-out of INR3,960 crores subject to the approval of the AGM. Further, it has also decided to appropriate an amount of INR6,583 crores from retained earnings to separate reserve within equity towards adequate risk capital management including strengthening the settlement guarantee fund.

During the financial year 2022-23, NSE contributed INR28,989 crores to the Exchequer of which STT comprised of INR21,965 crores, Stamp Duty INR1,987 crores, GST INR1,655 crores, Income Tax INR2,687 crores and SEBI fees INR695 crores. In the last five years, cumulative contributions from NSE to National Exchequer and SEBI works out to INR98,268 crores, close to INR1 lakh crores.

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

NSE Clearing has maintained a rating of AAA from CRISIL since 2008 which indicates the highest degree of strength. NSE Clearing continues to have a robust market share for clearing and settlement in cash equity segment, equity derivatives segment, currency derivatives segment and many others. NSE Clearing continues to manage the risk in clearing and settlement with its stringent norms for selection of members, robust margin system and risk-based position limits. Net settlement of obligations arising out of capital market segment and futures and options segment on expiring of stock derivatives has been implemented from March '23 expiry. Such netting is likely to provide better alignment of cash and derivatives segment, mitigate price risk and bring in netting efficiencies for market participants.

NSE Indices, one of the core entities of NSE that owns the flagship indexes like NSE Nifty 50, Bank Nifty etcetera, have been doing quite well. Total AUM of ETFs and Index Funds in India tracking Nifty Indices is INR4.66 lakh crores. Currently there are 248 passive products (ETFs and Index Funds) tracking Nifty Indices in India and 13 ETFs listed internationally tracking NSE Indices. In the current quarter, NSE Indices has also introduced the country's first Municipal Bond Index. The Nifty India Municipal Bond Index which will track the performance of municipal corporations across maturities and having investment-grade credit rating.

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. It has further augmented its offering and is now a managed service provider to CERSAI for CKYCRR. As of March '23, more than 69 crores individual KYC records and more than 60 lakh legal entity KYC records were uploaded on CKYCRR with over 58 crores downloads. Further, as of March '23, 6,522 entities were live on CKYCRR, of which 869 entities have gone live during FY23. 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 have significantly increased.

NSE IFSC Limited, a wholly owned subsidiary of NSE at GIFT City, Gandhinagar, undertook a series of measures to enhance product offering, improve liquidity, and widen participation. As of March 31, 23, NSE IFSC had 59 registered trading members and 41 members enabled for trading. The aggregate turnover for FY '23 was \$255.80 billion. During the year, 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 finance ecosystem by providing better access to sustainable capital while ensuring greater transparency.

NSE Group also has its presence in other asset classes including power exchange, receivables exchange (TReDS) and gas exchange. NSE is committed to these new areas and is 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 March '23 include the performance of our 16 subsidiaries and nine associates. Total operating revenue on a consolidated basis for the quarter ended March 31, '23 increased by 31% from IN2,635 crores to INR3,453 crores as compared to the previous quarter ended March '22. In line with the growth in revenues from main exchange business, we have witnessed robust growth from adjacent index and data and terminal business.

Operating revenue during the current quarter was at 92% of total revenue. Net profit of tax stood at INR2,067 crores which grew by 31% as compared to the corresponding quarter of the previous year. In terms of full year performance, NSE consolidated operating revenue for the financial year stood at INR11,856 crores which is up 43% over previous year. Profit after tax stood at INR7,356 crores and earnings per share at INR148.58 per share of face value of INR1.

NSE consolidated net worth as on 31, March '23 stood at INR20,478 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, etcetera and become more responsive to the changing market conditions and needs of its stakeholders.

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 declutter management bandwidth from non-core business is the best suited option which is also in line with the recommendations of the Mahalingam Committee report. This process is expected to complete in due course of time and in line with this, the education business and technology business of NSE Group as required under the Accounting and Disclosures Framework have been classified as discontinuing operations and asset held for sale.

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 the Mahalingam Committee report in the areas of governance. The technology and regulatory functions remain core to the business and there is a 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, orderly yet fully compliant, trading clearly and settlement systems and remain fully compliant with all regulations in letter and spirit.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Yes, good afternoon. Great set of performance. So, two questions. The first one is, I mean, nearly in the segment of products that matter, I mean, you have a very, very kind of a large market share. Now, coming to that, I mean, the exchange transaction charges, what is your view, I mean, because eventually you alone are the kind of market in that segment. So, how do you sort of fine-tune, your transaction charges going forward that ensures, I mean, of course, your growth and profitability at the same time, or regulator, or anything else, you sort of cannot see that sort of a kind of, that, okay, being unacceptable. That's number one.

And secondly, is there kind of any sort of update or like your timeline of plans on the listing? Thank you.

Ashishkumar Chauhan: So, let me answer the charges part first. Currently, although we don't have any plan to change our charges soon, but we remain sensitive to regulatory concerns and member concerns etc., and therefore we'll continue to fine-tune our charges going forward. On, the listing, currently we do not have any idea of when the approvals will come, but as and when the approvals come, we will be able to do the process of listing.

Avinash Singh: Okay, that answers it. Thank you.

Moderator: Thank you. The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Yes, hi. Thanks for taking my question and congrats on the quarter. Sir, I have just two, three questions. Firstly, given the surge we have seen in options trading, there are also, media articles

that SEBI is also thinking about some remedial action. So, in your interactions with them, what steps are they thinking about to curb sort of, let's call it unnecessary part of options trading or speculative part of it?

Ashishkumar Chauhan: Mostly, I think most of it is there in newspapers. People are concerned actually at regulatory level and also at policy circles, and it remains to be seen what all measures are taken. I think one measure you might have observed is that the STT was increased by 25% on the stock options recently. And so, various measures probably not in tandem, but one at a time or even in tandem might come up. But we are not fully aware of finally what will happen.

Piran Engineer: Okay. And secondly, on NSE IFSC, the SGX Nifty, contracts, any sort of sense you can give us that if the volumes remain constant, what sort of a transaction income can we get on a quarterly basis or annual basis?

Ashishkumar Chauhan: Basically, I hope that the volumes remain similar or increase because the NSE IFSC also has its own 60 -70 members, who are going to trade in addition to the SGX members currently trading at SGX. So, hopefully it might actually have some increased volumes. But whatever the case, we have revenue share for the first five years with SGX. So, lion's share would go to SGX because they are in a way transferring their business to us.

And so, there will be what I call a significant number of overall revenue, but also there will be significant expenses, which will be basically giving the revenue share to SGX and of course, the cost of running the exchange etcetra. So, overall, it remains to be seen. I keep my fingers crossed and hope that everything works out well. Everything has been tested well over the last few months. Our team has been sitting in Singapore most days. We also had several delegations from Singapore visiting us at IFSC. Also all approvals are currently in place as far as we know. So, hopefully we'll make it good.

Moderator: Thank you. Mr. Engineer, may we request that you return to the question queue for follow-up questions? The next question is from the line of Pritesh Vora from Mission Holdings. Please go ahead.

Pritesh Vora: Sir, thank you very much for giving me the opportunity. I have just a very quick question. Before that, I just want to congratulate NSE for an enormous contribution towards the National Exchange, around INR29,000 crores, which you highlighted in your presentation. My first question is about this. The extra-ordinary item in this is INR100 crores towards the SEBI penalty towards the core location, and INR203 crores which is the core SGF which we have put. So, I understand a total of INR300 crores of money which we have to adjust in this P&L.

On top of it, my second question is about this GIFT City. Is it fair to assume that we have put a pipeline basically from SGX to GIFT City so that local Singaporeans transacting on the Singapore Exchange will not know whether the trade is being done at SGX or GIFT City? And is it fair to assume the entire 2,200 crores business which SGX does right now on the NIFTY at the SGX can be transformed from July onwards to GIFT City? Thank you very much.

Ashishkumar Chauhan: So, I'll leave the adjustment part to our CFO, but this INR2,200 crores looks slightly exaggerated. Not slightly, but quite large. So, basically it cannot be so much, but effectively the

assumption of the linkage is correct. There is a link which has been set up and a backup also. A backup link has been set up between Singapore and GIFT IFSC, that is NSE IFSC offices where the trading system resides, and so all those orders will be transmitted at the speed of light into NSE IFSC. And so the user experience at Singapore will remain similar to what they are currently experiencing, but the matching will happen in GIFT City where people sitting in GIFT City will also be able to place orders. So, that will enhance the liquidity. Now, I'll tell our CFO to tell you about the adjustment question you have asked.

Yatrik Vin: So, the INR100 crores penalty is emanating out of that order by Hon'ble SAT on the co-location where we were asked to levy the penalty, and which we have actually paid and recognized as expenditure. And Rs 203 crores is the contribution to core SGF, which the board decided that effective March 23 financial year onwards, 2% of the transaction charges will be actually transferred to core SGF to systematically build the SGF balance. And as MD also mentioned in his speech that we have some thinking and plans currently increasing the core SGF contribution in a phased manner, even beyond this 2% of the transaction charges.

Moderator: Thank you, Mr. Vohra. May we request that you return to the question queue for follow-up questions. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Yes, congrats on a great set of numbers. Just a follow-up firstly on the previous question, the 2% transaction charges will happen on every quarterly basis that will be accounted in the P&L statement, and over and above that, you will also additionally remove money for SGF to be taken to INR10,000 crores. Could we have some timelines around this?

Ashishkumar Chauhan: Yes, basically, over the next few years, we'll go from ~INR5,000 to INR10,000 crores. And this INR200 crores is basically, that's a 2%, that's why it's coming to that much amount. But that will continue unless there is some large issue coming up so that the corpus gets built, which is sufficient to sort of show to the investors community and also give comfort to the regulators that we are doing this. We also have a large settlement guarantee fund in addition to the margins of the customers, which will be able to take care of any eventual defaults and other things.

Moderator: Thank you. We'll take the next question from the line of Rishabh Parekh from Sunidhi Securities and Finance. Please go ahead.

Rishabh Parekh: Thanks for the opportunity. My question is around the same thing about, you mentioned that about INR6,300 crores will be reclassified from retained earnings to a separate reserve within the balance sheet, and a part of which will go to augmenting core SGF. So how much would that be? And, you know, would that help us take us to INR10,000 crores?

Ashishkumar Chauhan: Basically, it will happen over the next few quarters and probably slightly further also. So basically, the board will decide when to transfer how much, depending on how the year goes.

Rishabh Parekh: Cash will move from our own treasury to SGX. That would be the entry, right?

Ashishkumar Chauhan: Correct.

Moderator: Thank you. Mr. Parekh, may we request that you return to the question queue for follow-up questions? We'll take the next question from the line of Jagannadham Thunuguntla from TechPro Ventures. Please go ahead.

Jagannadham T: Thanks, sir, for taking our questions. About the SGX development, one quick query is that any impact you see on the derivative volumes of the NSE exchange itself? Any possibility that any FII'S may choose to keep sitting over NSE?

Ashishkumar Chauhan: In a sense, they are already trading. Whoever is not in India, they are trading through SGX in Singapore already, right? So broadly speaking, if there are new FPIs that don't want to come into the domestic area but want to stay in Singapore, that is a possibility. India does provide many more options vis-à-vis the GIFT City, IFSC, because we have bonds, we have stock trading also, and of course, many other instruments, including REITs and InvITs. So slowly, the GIFT-IFSC market will also develop, and probably the FPIs will have a choice to either trade there or here in the domestic market.

There might be many of them who may like to trade on both sides, and that remains to be seen. So it's not going to be a kind of a zero-sum game, but it may actually end up enhancing the overall market size.

Moderator: Thank you. The next question is from the line of Gurpreet Singh from Consolidated Technical Services, India. Please go ahead.

Gurpreet Singh: Hello. Good afternoon, everyone. The question is regarding the IPO. There are some issues that are pending that he has noted. When can we expect the issues to be resolved and the IPO will come?

Ashishkumar Chauhan: Currently, the noting part we are not aware, but whenever the approvals come, we will be able to do the IPO.

Moderator: Thank you. The next question is from the line of Karan Thakkar from PM Securities. Please go ahead.

Karan Thakkar: Good afternoon, Ashish ji and team. Congratulations on so many products being launched. You know, one after another, it's really happening to see so many changes happening. So, a lot of people on the call spoke about SGX, but I wanted to get some idea on the NYMEX crude contract being introduced. What sort of end clientele are we expecting on that? Are we expecting some sort of connects with GIFT also? Could we see some sort of international parity with the NYMEX contracts outside where the hedge for external contracts could happen? What is the sort of end clientele and what is the expectation from that?

And second, with regards to SGX, is there any benefit to clients trading from Singapore to move to Indian brokers and rather trade via GIFT? Is there any additional benefit that they get from doing that instead of routing the orders through? You know, initially there might be resistance and they would stick to Singaporean ways of trading, but do you see that happening and could that bring any additional benefit to NSE GIFT operation? And also, after five years, what will

happen since you said that for the first five years there is a revenue share? Are these contractual terms in public domain regarding how it will progress beyond that?

Ashishkumar Chauhan: So, the five years is the first part of the term and then it will be extended on mutual agreement basis. So, it will remain like that in some ways. There will be some sort of minor changes or major changes that may happen after five years. So, we don't know what kind of terms that will come up, but five years is what we know. It's not in public domain and the additional benefits currently we don't see any.

And so, most probably people who are trading from Singapore will continue to trade once they get comfortable. And the newer products which are available on GIFT City like ODI and other things probably might attract them to come directly to the GIFT City. So, it remains to be seen how that thing works. Otherwise, the GIFT IFSC has an aspiration to become a prime IFSC in the Asian region. And for that, whatever is required in terms of the products, the participants, the entities, the types of entities, all those things will continue to be introduced going forward in the GIFT IFSC as we have been told by the authorities.

Moderator: Thank you. The next question is from the line of Ritika from Ocean Dial. Please go ahead.

Ritika: I missed your answer on the launch of the NYMEX?

Ashishkumar Chauhan: So, we just launched yesterday the crude oil and natural gas contract based on the NYMEX. And similar contracts are already running in India in the other exchange. So, people are used to those contracts. Yesterday, we did around INR135 plus crores of transactions. Today, probably still half the day is remaining because in commodities, we trade till I think 11.55. And so, still some time to go. But the liquidity is good. It's comparable to other exchange which is trading similar contracts in terms of the quotes and other things.

So, slowly, people are coming. More than 50, members traded yesterday. Today also, I think 70 members have traded. So, effectively, we have 70 plus members trading equities today. So, we have, again, a long way to go. But FPIs are joining, the algo traders will be joining. And so, everybody is slowly kind of getting ready. Post it has been launched, the first day has been good, I think slowly people realize that this is a credible platform even for commodities trading going forward.

Moderator: Thank you. The next question is from the line of the Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal: Yes, good evening, sir. Thank you for the opportunity. Two questions. First, I wanted to understand, you said that although the overall tariff cuts are 6%, this recalibration of contribution to IPFT from members will lower the tariff cut. So, are there, again, some fee that you will be charging to the members on the volume basis? Or how is this, and how will this reduce the tariff cut?

Ashishkumar Chauhan: From April, when it got started, 2% of the transaction fees which we were levying, earlier, is actually now being contributed directly by members to the IPFT.

Moderator: Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Good evening, sir. Just an open-ended question. How has been the experience with the interoperability on the clearing side in the last few years? Any fresh flow of gates coming to our clearing house or going outside the clearing house across products? If you can share anything on this.

Ashishkumar Chauhan: It has been a nice experience. Basically, it has created what I call a fault-tolerant architecture for the Indian markets. You can clear through any clearing house. It also provides margin efficiency. And it has also, of course, helped everyone feel more comfortable. Now, we have also implemented one more project, which is under what I call weekend testing with 50 brokers, 60 brokers every weekend, where in case any clearing house, one of the exchanges goes down, the other exchange will be able to even clear for that clearing house, which has gone down.

So, it's like not only a disaster recovery, but this is beyond, because you are actually having a software, which is very different from the original software. And we are training our members on the BSE, the ICCL, that is Indian Clearing Corporation's software, in case our clearing corporation goes down. In case their clearing corporation goes down, their members will also be able to clear through our software. And so, this is like SEBI's plan to create higher resiliency by ensuring that no technical glitch can affect overall smooth trading, clearing and settlement in the Indian markets.

Moderator: Thank you. The next question is from the line of Saurabh Bansal from Star Finvest Private Limited. Please go ahead.

Saurabh Bansal: Hello, sir. Good afternoon and thank you for the opportunity. I wanted to ask one question regarding the capital use of the company. So, on the balance sheet, we currently have INR49.5 crores of capital and our reserves are more than INR20,000 crores. So, do you think that there is any merit in capitalizing the reserves by way of a bonus issue and shoring up the capital base of the company? Because, prima facie, it looks very less as compared to the size of the whole balance sheet that we carry. So, your thoughts on capitalizing the reserves maybe? Your views on that, sir?

Ashishkumar Chauhan: No, it is a good idea. We will take it up with the board.

Saurabh Bansal: Alright. Okay. Thank you.

Moderator: Thank you. The next question is from the line of Kunal Kaul from Blue Edge. Please go ahead.

Kunal Kaul: Hi, good afternoon. Firstly, congratulations on a stupendous set of results. I just wanted to kind of get an understanding from you. I mean, NSE is probably one of the highest ROE exchanges in the world, and I am sure it is by design and very depth handling by the management team. In light of that, the question is that now that it is very clear that non-core business investments will not be on the horizon and our cash flows have ballooned over the past few years, how do you guys think of the balance sheet going forward?

What is the balance that you are thinking of maintaining between core reserves for opportunistic investments versus stepping up like you have already done this quarter, and we note that in terms of stepping up on the dividend cash flow? So on a steady state basis, are you thinking actively on increasing dividend payout ratios to maintain these two or three objectives while managing the balance sheet numbers?

Ashishkumar Chauhan: Broadly, you are on the right track in thinking that basically in some ways, we now would not be allowed to invest in any inorganic activities unless the regulator explicitly wants us to, and we cannot go into any unrelated areas which are not regulated by our regulator. Having said that, the regulator also wants us to have a robust risk management framework, so they want us to increase continuously our settlement guarantee fund, our investor protection fund, our risk capital. These three being taken care of, then whatever is the additional profit, a large portion of that would be kind of distributed as dividends, and that is what has been done even this year.

Moderator: Thank you. The next question is from the line of Pratyush from Futuregrow Spectrum Radiation Private Limited. Please go ahead.

Pratyush: Good afternoon, sir, and congratulations on a brilliant quarter. So with regards to the recent thrust of BSE with their options trading and derivative segment, do we see some sort of a push on our market for the derivative segment?

Ashishkumar Chauhan: It's a good idea. Let us see how it works out.

Pratyush: Right. No worries.

Moderator: Thank you. The next question is from the line of Jeevan Patwa from Sahasrar capital. Please go ahead.

Jeevan Patwa: I have only one request. Right now, the shares are getting traded in the unlisted market, but whenever there is a trade, there has been some approval required from the NSE side, which takes almost three or four months. So just one request is why do we need to have this process? Because once it is traded on the exchange, I don't think we are going to do that. So why to do it now? Can we remove this requirement?

Ashishkumar Chauhan: These are regulatory requirements. They want exchanges to be held only by people who are fit and proper, which means they don't want it to be held by unfit and improper people. Having said that, we have now streamlined the process, and it will happen very fast. So I think three to four months is what I call an anachronistic activity. Now it will happen much faster. If you have any issue in getting it in probably a week max, please write to us. We'll look into it and get it done.

Jeevan Patwa: So you're basically saying it will happen maybe in a week or two weeks, you're saying now?

Ashishkumar Chauhan: Yes, even less than that.

Jeevan Patwa: Perfect, perfect. This is very helpful, sir. Thanks.

Moderator: Thank you. The next question is from the line of Vineet Sharma from Saankya Funds. Please go ahead.

- Vineet Sharma:** Congratulations on outstanding numbers. Thank you on behalf of shareholders for raising the dividends. I just wanted to ask if there is any feedback on our consultation and initial efforts on increasing trading hours for the exchange. Thank you.
- Ashishkumar Chauhan:** Yes, the consultations are going on, and the brokers are still figuring out how to phase it and what all products should come in and all. So as and when they make up their mind, we'll come back. We'll have to take SEBI approvals, and once those approvals come, we'll have to gradually kind of move into increasing the timings. Currently, the process is still on.
- Moderator:** Thank you. The next question is from the line of Rushabh Doshi from Nimiti Investment Advisors. Please go ahead.
- Rushabh Doshi:** Yes, hi. Good afternoon. And congratulations on a good set of numbers. So I just wanted to understand, like, in order for us to compete with MCX, how easy is it for us to gain a market share? Like, especially, the commodity segment is much more concentrated. Like, brokers like AngelOne have around 55% market share in terms of retail clients. So, like, do we need any separate onboarding process for the end customer, or it's automatically done with our prior registration with NSE?
- Ashishkumar Chauhan:** Each segment of an exchange, SEBI wants a specific approval in writing by the investor to the broker. So it will be like, although they don't have to fill in, like, hundreds of forms, but they still need to give a specific approval to participate in a particular new segment of an exchange. So even if a member, and if a client is trading on, say, NSE's derivatives for the same broker, if they want to trade on commodities, they will have to actually sign some piece of paper, which is required. And that is not automatic. That will be required. We are encouraging our members to get more-and-more clients onboarded every day. And also get their trading system, clearing system, risk management, and other things in place.
- Because many of them have not traded on NSE's commodities for pretty much the entire duration since we were not present in commodities for quiet long. This is the first time they're getting an exciting product, which they are used to trading somewhere else, at a much lower cost, which allows them to also use the margins available on the NSE system more efficiently.
- And, of course, participating in a much larger liquidity that comes through because of the FPIs that have been registered with NSE, all the custodians that are going to provide those facilities to FPIs, those algo traders, which are there on the NSE. So there are many benefits of trading on NSE, even in commodities, and actually the liquid products. So my understanding is that early days, currently it looks that there is some traction. In the first two days, we have like 70 members, 75 members who have traded. And hopefully we'll have more-and-more members and their customers, their investors joining going forward.
- Moderator:** Thank you. The next question is from the line of Arun Gopalan from Kredere Wealth Partner. Please go ahead.
- Arun Gopalan:** First of all, I'd like to congratulate you for another set of wonderful numbers. Several years on a track now. So when I look at what the profile of expenditure to income looks like, pre-COVID

and post-COVID, I find that the expenditure to income ratio has significantly come down after COVID. Is there any explanation to this and how sustainable would this be?

Ashishkumar Chauhan: See, basically, this is a platform business, okay. And in a way, you can say a substantial portion of our total costs are fixed costs. Even if you have very little revenue, still those costs will remain. And if you have very large revenue, still those costs will remain very similar. Of course, there are variable costs which go up like clearing, settlement, index charges, even SEBI fees and other kinds of things. But some large portion is fixed because the revenues have gone up. The total expenses have not gone up constantly. That's why you feel that we have been able to reduce expenses as a percentage of our revenue. But ours is not what I call a manufacturing business which is like an ad valorem basis situation. It's more a platform business.

Arun Gopalan: As an extension to this, I just wanted to understand. Retail participants have come down significantly. The number of retail participants who have been active has come down significantly now. Do you see traction coming in from elsewhere that will make up for this?

Ashishkumar Chauhan: In a way, you might have seen that the volumes still have held up. Although, the number of retail investors trading, because what happens is the traders, retail traders, sometimes when the markets go up, many of them join in to trade. But when the markets become slow, many of them don't find it that attractive to trade. But overall, the volumes have held up for a variety of reasons. They have not gone down as much as the number of participants that have gone down. And it remains to be seen how the rest of the calendar year and the financial year happen. In case there is a reasonable comfort coming up in the growth side, you might have many more participants joining going forward.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Thanks for the opportunity, sir. Mr. Chauhan, after you joined, what we observed is basically we are getting really a very positive attitude towards existing shareholders. You are trying for better dividend of cash flow, which is not now going to be invested in any unrelated acquisition and all these things. Sir, one thing I just would like to know is, SEBI is stopping us from getting listed. So as a shareholder, if we can be aware about what are the reasons, what are the logic they are reasoning, they are not giving us permission for IPO. So if we can do something as a shareholder?

Ashishkumar Chauhan: We will continue to – basically, set examples of the frontline regulators that we are. And you and I both know that in the past there have been instances where NSE has not stood up to the standards that SEBI expects NSE to follow. And that's where I think SEBI wants to be more comfortable going forward before allowing anything.

But overall, my understanding is, given the new regulations that are coming up, including Mahalingam Committee report that has been accepted, and other things, broadly any CEO of NSE would have taken similar decision as we are taking. It's not my own decision alone. It's a collective decision of the board of directors. And so we need to thank the board instead of a

particular person for all the decisions that are taken. Only the management executes what the board kind of decides. That includes the relevance and usage of capital and so on and so forth.

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

Yatrik Vin: Thank you, everyone. Indeed, it's really a privilege to interact with all of you. And we'll continue to interact in future after every quarterly results that we announce. Thank you for your participation. Thank you for your time. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of National Stock Exchange of India, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.