



“National Stock Exchange of India Earnings Call”

July 28, 2023



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Moderator: Ladies and gentlemen, good day and welcome to the Quarterly Investor Conference Call of NSE.

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 ‘*’ then ‘0’ 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. Thank you and over to you, sir.

Yatrik Vin: Thank you and good afternoon everyone and welcome to NSE’s Earnings Call to discuss the results of the first quarter of the financial year 2023-24. Do note that the conference is being recorded and the 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. Sriram Krishnan – Chief Business Development Officer; Shri. Somasundaram – Chief Enterprise Risk Officer; Shri. Shharad Dhakkate – Chief Human Resource Officer, Shri. Vikram Kothari – MD, NSE Clearing; Shri. Mukesh Agarwal – MD, NSE Indices & Data Business; Shri. Neeraj Kulshrestha – MD & CEO, NSE IFSC Clearing; Shri. Rohit Gupte – Company Secretary; Shri. Vasudev Rao – Head Legal; Shri. Arijit Sengupta – Marketing and Corporate Communication Head; Shri. Tirthankar Patnaik – Chief Economist. We also have our other colleagues from Finance, Investor Relations and Secretarial team joining this call.

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 of 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 Shri. Ashishkumar Chauhan – MD and CEO of NSE. Over to you, sir.

Ashishkumar Chauhan: Thank you, Yatrik. Good afternoon everyone. I welcome you all for joining us for this Quarterly Investor Call. NSE’s business and financial performance for the quarter ended June 2023, 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. The full scale operations of NSE IFSC-SGX Connect commenced on NSE International Exchange in GIFT City with an open interest of US \$8.05 billion in Nifty Futures and US \$1.04 billion in Nifty Options, is a first of its kind high performance financial corridor between Singapore and India driving deeper liquidity for the GIFT Nifty products. NSE International Exchange offers access to GIFT Nifty, GIFT Nifty bank, GIFT Nifty Financial Services and GIFT Nifty IT Derivatives contracts on NSE International Exchange as on date. The contracts are available for

almost 21 hours overlapping Asia, Europe and US trading hours. It is a momentous milestone for the Indian Capital Market as GIFT IFSC is now the official gateway to the world as far as investments and investment related products into India are concerned.

Trading turnover, NSE International Exchange has been growing exponentially since the commencement of full scale operation and witnessed an all-time high single day turnover of US \$12.39 billion on July 25th 2023 with even higher open interest. As India's economy is projected to become the world's third largest, the NSE IFSC-SGX Connect presents an innovative pathway for international investors to gain exposure to the Indian equities market. The NSE IFSC-SGX Connect becomes a symbolic event of opportunity, innovation and unparalleled access between India and the world. It is a major step forward for India to be a price setter of the financial world as envisioned by our honorable Prime Minister Shri. Narendra Modi. I would like to thank the government, the regulators and all the stakeholders for their continuous guidance and support towards making the NSE IFSC-SGX Connect a possibility.

NSE has also launched the WTI Crude Oil and Natural Gas Futures contract with effect from May 15th 2023 for trading on the commodity derivatives segment of NSE. The addition of these contracts has expanded NSE's product offerings in the energy basket as well as its overall commodity segment. These contracts have witnessed participation from 101 members since its launch. The average daily turnover in WTI Crude Oil Futures is around Rs. 48 crores whereas the Natural Gas contract is Rs. 12 crores till 15 July 2023.

The mutual fund platform of NSE is also witnessing good traction with more than 17,900 registered mutual fund distributors, independent financial advisors and registered investment advisors as of June 2023. It has a base of more than 1 crores investors spread across 5,500 locations in India as well as globally.

NSE aims to empower common investors with knowledge, toolkit and data for taking informed decisions while investing. NSE follows a "Digital First" approach while disseminating information to the common investors. Investors awareness campaigns through a combination of electronic media, advertisements in social media are conducted for disseminating information on investment products, risks and market dynamics. NSE's Outreach program is geographically spread across all states and union territories. Its program is conducted in 18 regional languages. During the quarter April to June 2023, 385 investor awareness programs were conducted with educational institutes, women group and general public in addition to several thousand with overall investor population.

During the quarter, NSE has also signed an MoU with Government of Maharashtra and Moneybee Institute to create awareness amongst the public about the various aspects of investing in the capital markets, provide relevant and practical knowledge to investors which will enable them to make informed investment decisions.

SEBI had announced moving to a T+1 Settlement Cycle for all scrips which would result in all trades being settled one day after the date of the trade instead of the 2 days settlement cycle. I would like to mention that NSE has already achieved this. Further, SEBI has also indicated to rollout ASBA like facility for secondary market trading and also to eventually move to a T+0, or same day settlement. NSE believes that these path breaking moves by SEBI will safeguard the investors and make the Indian Securities market more efficient and transparent.

I shall now come to the financial update for the quarter ended June 2023:

In terms of the volumes during the quarter, NSE's average daily turnover in cash equity settlements stood at Rs. 58,593 crores, which grew marginally by 4% over previous quarter ended June 2022. NSE saw participation from 8.9 million investors in June '23 and the number of active investors trading in secondary market continued to remain reasonably high above the pre-pandemic levels. NSE's average daily turnover in equity index and stock options and premium value options traded increased by 33% at Rs. 54,210 crores during the quarter ended June 2023. The average daily turnover in equity index and stock futures decreased by 13% from Rs. 119,196 crores during the quarter ended June 2022 to Rs. 104,056 crores during the quarter ended June '23. NSE's average daily turnover in currency futures decreased by 19% to Rs. 29,821 crores during the quarter ended June '23. NSE's average daily turnover in currency options on premium value of options traded increased by 19% to Rs. 154 crores for the quarter ended June '23. Amongst others, NSE also offers futures and options on the Pound Sterling-Indian rupee currency pair. In recent months, liquidity as well as open interest significantly increased in this product. Record number of 6.4 lakhs futures contracts and 47,000 options contract were traded on June 27, 2023 and June 26, 2023 respectively.

During the quarter ended June '23, NSE earned the transaction charges revenues of Rs. 2,525 crores showing a growth of 12% over corresponding quarter ended June 2022. This increase in trading income is post the roll back of increased transaction charges which came into effect from April 23. NSE's income from listing services that includes listing fees, book-building fees and processing fees for the current quarter stood at Rs. 45 crores, out of which listing fee income was Rs. 27 crores. During the current quarter ended June '23, NSE saw listing of 4 IPOs on its main board raising capital to the tune of Rs. 5,853 crores. NSE's EMERGE platform that provides a platform for SMEs to go public and access capital, saw listing of 21 IPOs in this quarter raising capital to the tune of Rs. 710 crores.

During the quarter ended June '23, NSE and Government of Madhya Pradesh have signed an MoU to spread awareness amongst MSMEs regarding fund raising by IPO mechanism using NSE EMERGE platform. NSE also witnessed listing of other securities with around 248 commercial papers raising funds of Rs. 1.65 lakh crores during the quarter ended June '23. We saw about 117 private placements of NCDs raising Rs. 1.64 lakhs crores and 17 public issues of NCDs raising Rs. 1,100 crores during the quarter ended June 2023.

NSE's treasury income was Rs. 303 crores during the quarter ended June '23 as compared to Rs. 75 crores during the quarter ended June 22. The increase is on account of improvement in yields and higher investible surplus. NSE's income from co-location services was Rs. 194 crores during the quarter ended June '23 as compared to Rs. 138 crores during the quarter ended June 2022. This has increased on account of addition of colocation racks provided by the exchange and connectivity charges.

Further, NSE continues to remain focused on the cost which is a key in any platform business to bring in maximum operating leverage. NSE on a standalone basis incurred total expenses of Rs. 970 crores, which grew by 51% on a year-on-year basis. 30% of these total expenses accounting to Rs. 288 crores at about SEBI turnover fees, SEBI settlement 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 subsidiary company NSE Indices Limited on account of increased trading activity.

As you know, NSE maintains one of the robust and largest trading technology platforms and to cater to such high volumes, NSE needs to periodically invest in technologies. In the quarter ended June 2023, the company has spent about Rs. 250 crores towards technology related operational expenses including depreciation and amortization.

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 Rs. 5,000 crores to Rs. 10,000 crores over next few years in a phased manner, the Board of Directors have decided to infuse funds in NSE Clearing Limited amounting to Rs. 1,400 crores kept aside for the same towards contribution to be made by NSE Clearing Limited to the corpus of core Settlement Guarantee Fund. During the quarter ended June '23 NSE contributed Rs. 51 crores and NSE Clearing contributed Rs. 41 crores to this corpus. The total balance of Settlement Guarantee Fund maintained by NSE Clearing as on June '23, stands at Rs. 5,447 crores.

NSE's operating revenue on a standalone basis for the quarter increased by 14% from Rs. 2,488 crores during the quarter ended June 2022 to Rs. 2,833 crores during the quarter ended June '23. The operating revenue for the current quarter stood at 91% of the total revenue. NSE reported an operating EBITDA margin of 69% for the quarter ended June '23. The net profit after tax stood at Rs. 1,598 crores, which grew by 7% as compared to the corresponding quarter of the previous year. Earnings per share for the quarter on a standalone basis stood at Rs 32.28. NSE standalone net worth as of 30th June '23 stood at Rs. 18,283 crores.

During the first quarter of financial year 24, NSE contributed Rs. 7,889 crores to the exchequer of which STT comprised of Rs. 6,411 crores, stamp duty Rs. 503 crores, GST Rs. 475 crores, income tax Rs. 225 crores and SEBI charges including settlement charges of Rs. 275 crores.

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

NSE Clearing Limited continues to play a pivotal role in protecting the interest and safeguarding assets of investors in the securities market. As part of the upstreaming process specified by SEBI, all funds received by intermediaries from their clients are now required to be transferred to the Clearing corporation, to ensure safe-keeping. Our market share continues to be robust at 91% for clearing and settlement for cash equity segment, 95% for equity derivatives segment and 85% for currency derivatives segment.

NSE Indices, one of the core entities of NSE, has also been doing well. Total AUM of ETFs and Index funds in India tracking Nifty indices is Rs 5.15 lakh crores. Currently, there are 253 passive products, ETFs and Index funds, tracking Nifty indices in India. In International markets, there are 16 ETFs, 3 Index Funds and 2 ETNs tracking Nifty indices with a total AUM of USD 1.5 Billion. During the quarter ended June 2023, 6 passive products tracking Nifty indices were launched in India including two new fixed income indices. There has been an increase in the interest for launching India based ETFs and Index Funds by global asset managers. 5 new passive products which included 3 ETFs in Korea and 2 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 offering and is a managed service provider to CERSAI for CKYCRR. As of June 30th 2023, more than 74 crores individual KYC records and more than 74 lakhs legal entities KYC records have been uploaded on CKYCRR with over 67 crore downloads. Further as of June 30, 2023, 6,739 entities were live on CKYCRR, of which 216 entities have gone live during the quarter ended June '23.

NSE International Exchange post the launch of NSE IFSC and SGX Connect has seen an increase in participation. As of June 30, 23, NSE International Exchange added 61 registered members and 43 members were enabled for trading. The aggregate turnover for the quarter ended June '23 was US \$68.82 billion. As of June 30, 23, debt issuers on NSE IX DSM platform had established total aggregate medium-term Notes (MTN) worth US \$45.8 billion. NSE IX introduced trading in US stocks through unsponsored deposit received last year. NSE IX **Receipts** is an innovative offering to Indian retail investors by providing them with an opportunity to diversify their investment in top performing companies of global economies using the LRS route. During the quarter, NSE International Exchange has received a further extension of one year for this product under regulatory sandbox framework by IFSCA.

NSE Group also has its presence in other asset classes including Power Exchange, Receivables Exchange (TREDS platform) regulated by RBI 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 Financial for the quarter ended June '23 includes the performance of our subsidiaries and associate companies. As I had indicated in my earlier interactions, we have decided to

completely focus on the core business of the exchange and have started the process to exit the non-core business. 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 have been classified as discontinuing operations.

Total revenue on a consolidated basis for the quarter ended June '23 increased by 22% from Rs. 2,749 crores to Rs. 3,357 crores. We have further witnessed robust growth from adjacent clearing, index, data and terminal business. The operating revenue during the current quarter was at 89% of the total revenue. The net profit after tax stood at Rs. 1,844 crores, which grew up by 9% as compared to the corresponding quarter of the previous year. The earning per share for the quarter ended June '23 was Rs. 37.26 per share on consolidated basis. The consolidated net worth as of June 30, 23 stood at Rs. 22,293 crores.

We continue to work towards launching new products in various domains subject to regulatory approvals and become more responsible to the changing market conditions and needs of stakeholders. Our endeavor is to continue to build a robust and efficient market place which strengthens regulatory and compliance framework. Technology and regulatory functions remain core to the business and there is constant effort to maintain seamless operations and strengthen **core** regulatory and compliance activities. We 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 letter and spirit. With this overview, let me welcome all of you once again and invite you for the question and answer session. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shrinivas Aiyer from Rockfort Consultant. Please go ahead.

Shrinivas Aiyer: My question is regarding the process of buying the shares of NSE even after submitting second stage documents 45 days back, still I did not get the shares in my account. Sir can you rectify this slightly and also I will suggest why there is no response given by any of your team members for the delay on the mails?

Ashishkumar Chauhan: Please accept my apologies. Broadly, we have streamlined, the process now. The past transactions might take some more time, but your case is unique of 45 days. Our company Secretary's name is Rohit Gupte, if you can write to him on rgupte@nse.co.in and write to me with cc ashish.chauhan@nse.co.in. We will try to ensure that the process is expedited and we reply to you as soon as possible, sir.

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

Ashutosh Somani: My first question is on the augmentation of SGF, sir just a clarification here, the interest that accrues on this fund is that a part of SGF, so when we say will augment it from 5,000 crores to

10,000 crores, the interest will also be a part of this increase? And secondly I think you mentioned something like 1,400 crores in your opening commentary since it was rushed this thing? So can you just repeat the 1,400 crores number, was it for this year the contribution for SGF? That is my first question.

Ashishkumar Chauhan: Any other question you have?

Ashutosh Somani: The second question is on the IPO, sir. So if the Supreme Court try to settle this case by SAT and SEBI, is there any other hurdle because there was another article recently in the Economic Times stating that a new case of 2013 regarding a tap has been opened in co-location case, so is that a part of the Supreme Court judgment that will come or is this is a separate one?

Ashishkumar Chauhan: So let me answer the second one first, that is a separate case. On the SGF part, this 1,400 crores was actually part of the announcement we made last time and also the money was kept aside for the last financial year '22-23. So this is just a process of transferring the funds. Of course, that would not add up to the 10,000 crores. So naturally over a period it will be increased in a systemic manner and systematic basis and of course the interest will continue to accrue to the SGX, which will also be counted in the 10,000 crores.

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

J. Thunuguntla: First question is about that 1,400 crores contribution to the SGF, so how will that be accounted, will it get routed through P&L or will it be through some balance sheet recategorization of provisions that is first question? And the second question is drop in margins, this time the expenses have moved up and there is a drop in margins, what are the key reasons for fairly significant drop in margins?

Ashishkumar Chauhan: Yatrik, you would like to explain both?

Yatrik Vin: Answer to the first question, is 1,400 crores will be actually transferred to NSE Clearing. – This would potentially not entail profit and loss account because it would be an additional investment in an existing subsidiary. Eventually they would be funding the SGF through these funds.. **To** the second question, the major areas where the expenses have gone up are two-pronged, one is obviously the clearing and settlement charge that we actually share with our subsidiary. Second one is the Index licensing fee that we give it again to our subsidiary. The third major area is the technology expenses which has gone up quarter-on-quarter and there are 2 items which are additional items, one is Rs. 50 crores of SEBI settlement fee that we have paid in the current quarter and second is the contribution to core SGF of Rs 50 crores in the first quarter, so they are probably the areas of increase in the expenses. Of course, depreciation has also marginally gone up by about Rs. 5 crore because of the additional capitalization. The other important area close to about Rs. 103 crores incrementally period-on-period is on account of SEBI regulatory

fee that we pay as an exchange to the regulators. So these are some of the broad areas why the expenses have gone up.

Moderator: Thank you. The next question is from the line of Sanjay Kular from Acme Private Limited. Please go ahead.

Sanjay Kular: First of all, I would like to compliment the NSE team for delivering good set of numbers. Sir I have following questions, can we have Instinet kind of platform where some highly liquid names can be traded post market like in US or developed markets is being traded, for example Meta, Google, Amazon, Apple, they get traded post market hour, they have some sensitive information like buyback results. Second question, MSEI, which is on the verge of non-existence, can we explore some tie up with them because they have some really good scrip listed on them because SEBI asked some companies listed on regional exchanges to migrate compulsorily on the main board, so they have got some good scrip, we can have tie up and list some of these scrips on our exchange if that can be considered. What are your views? Third, can we consider listing our shares on NYSE or NASDAQ as much smaller Indian companies are also listed on that platform? Thank you.

Ashishkumar Chauhan: In terms of the MSEI tie up, we do not envisage anything in the near future. Good companies can approach NSE and if they meet the criteria, NSE would usually allow them to list on NSE. So it will be a company-related activity rather than in terms of exchange to exchange related activity. MSEI is an exchange in Mumbai itself called Metropolitan Stock Exchange which has several companies listed. NYSE listing is something which we do not want to do because we are highly regulated. We are also ourselves regulators and that is why we are awaiting basically all the approvals from within. We are known in India, so we would rather do things in India. In fact, now you might have also heard that many of the people who had gone abroad want to do reverse flip to come into India and list in Indian market for whatever reasons they have. So these are right things to do. In terms of longer trading hours like Instinet, we have already started the consultation with brokers on how to increase our trading time at least in a more convenient way for the office goers to trade in the evening , We will work with the regulators to increase the timing and if the approval comes, we will be able to slowly expand the timing for some of the derivative contracts at most and as far as those Instinet and other things are concerned, India do not provide what we call tools or other things which are allowed in Laissez-Faire market, I would not call them developed markets, but those markets have their own methodologies. Indian markets have always gone for complete transparency and all order matching on the screen itself, so those are kind of different philosophies and probably many of you might be able to appreciate that.

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

Vineet Sharma: I came across an interview recently wherein the regulator praised NSE for reverting its bank Nifty expiry decision from Friday back to Thursday and that this would benefit the ecosystem

by reducing single entity risk, a comment was also made herein that if the market is concentrated with the single entity and incident such as a cyberattack can be more disruptive to the system, can management kindly comment if it was under pressure from the regulator to shift market share to competition and if management aware of enhanced cyber security threat perception?

Ashishkumar Chauhan: Management is aware of the cyber security perception across India as well as across the world. India remains second most attacked country in terms of cyber security as of now for last almost 2-3 years and number of cyberattacks which are received are phenomenal, I wouldn't number them, but in some way we have enhanced our security capabilities due to which we are able to withstand those attacks and we will continue to withstand. In terms of the bringing back the bank Nifty from Friday expiry to now Wednesday was basically due to the request from BSE which has been appreciated by the regulator and we are talking to them, but there has been no pressure from the regulator. Of course, many people think that exchanges are like Coke and Pepsi, they have to fight every day on some of the things seriously but actually 99.999% of our time goes in talking to each other and collaborating because we have to finally service all the investors in India together under a larger regulator. We are also frontline regulators and so most of our work is about collaboration, co-operation rather than competition, but many times most shareholders and other people get carried away by this competition analogy, but I would say it is largely co-operation, little bit of competition and that is how we help each other.

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

Devesh Agarwal: Couple of questions from my side, first the sequential decline in the derivative volumes that we have seen, your thoughts on that was the equity has decreased, reason for this and how can we offset that and your move to shift the bank derivatives to NSE would that help in this regard, so that would be my first question? The second question is on the regulatory expense that you touched upon, but nearly 30% of the expenses are regulatory in nature now, so are there any one-off expense in this regulatory expense in the first quarter or this is the run rate that you expect from now on? And lastly on the SGX now that you have fully commercialized the IFSC and SGX Connect, if you could share some more details around the revenue model, revenue sharing and what could be the contribution from this?

Ashishkumar Chauhan: On the SGX connect, the revenue share would accrue to the subsidiary and this subsidiary is currently a loss making subsidiary, so hopefully those losses will come down. Broadly on a long-term basis as announced by SGX, revenue share is around 50:50, but there would be initial differential because we are bringing business from that side fully. So that is for the SGX connect.

On the regulatory expenses, there is one time SEBI settlement fees. My colleague Yatrik will tell us exact amount, I think it was in the range of Rs. 70 plus crores, but otherwise it is a standard regulatory fees which is actually turnover based and the few other things, but that will continue. If we grow, we will have to continue to pay larger absolute amounts for the regulatory fees. On the question of sequential decline in derivatives trading, it is wrong to assume that or even if I have given that impression to you I was wrong to give that impression. There has been actually

an increase on a sequential basis in the derivatives revenue, but if you look at the future revenues, they have gone down, whereas the options revenues have gone up. So in some way, probably you might have heard something and might have made an assessment on the entire derivatives segment, but overall last quarter we have actually took on derivatives. At the same time given the various initiatives on derivatives trading by regulator and the policy makers, it remains to be seen what additional regulations come in terms of derivatives, so that will have to be taken into account by every analyst who watches this stock.

Moderator: Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Sir, my question is on the transaction charges and breakup, so what was the contribution of options in the transaction income and you mentioned that the options revenue has gone up, so is it Y-o-Y, because sequentially I am saying that the options premium has come down, despite there is a rise in notional volume, so is there any specific reasons for this and also if you can share your views on the transaction charges, I know for many years it has not been changed, but as we have reached such a scale in terms of revenues and margins, so are we seeing any regulator risk in terms of pricing on options or overall pricing risk from the regulator?

Ashishkumar Chauhan: In a way, we have already reduced the transaction charges by I think 6% if I am correct, I think my colleague Yatrik will tell you the details, but overall as the scale grows up, more participants come in, we will have to assess whether we need to increase or decrease the prices and accordingly we will continue to do that. In terms of the sequential decline from previous quarter to this quarter, let me request Yatrik to also clarify on that because I am slightly away from other team.

Amit Chandra: Also sir, in terms of the diversification in terms of revenues, obviously we are taking multiple steps, but in terms of say like 2-3 years, how we see the revenue diversification is planning out and what steps you are taking to reduce the dependence on the single segment?

Ashishkumar Chauhan: You might have observed this quarter, the equities market has picked up quite a lot in terms of the underlying market, so there are enough segments which will continue to move up or down, but overall we are trying to bring newer products like commodities, natural gas and crude oil plus we are trying to also apply or we have applied for corporate bond index futures and few other things, so as and when these markets actually pick up, then we are able to charge, so these are like long term over 2-3 years, we don't have much of a view on how the markets would go because if the markets don't do so well usually the trading volumes also don't do so well and if markets do really well, then trading volumes also go up, but then there are regulatory conditionalities that would also apply, so those are plays probably you will be better aware of how to model all those things. So Yatrik, you would like to comment on the details?

Yatrik Vin: Yes, sir. So Amit, the first question that you asked was the broad breakup of transaction charges, so about 82% of our total transaction charges comes from options. About 9% is CM and another

9% is futures. That is the broad breakup of transaction charges. The second question you asked was surrounding quarter-on-quarter growth that is March '23 quarter to June '23 quarter what has been the behavior of the overall volume. So in terms of cash equities, the overall volume has gone up by 18%, but its futures and options quarter-on-quarter that has fallen each by 8%.

Moderator: Thank you. The next question is from the line of Anuj Paul from John Deere. Please go ahead.

Anuj Paul: Just one question, when can we expect NSE IPO?

Ashishkumar Chauhan: Currently, we don't have any visibility on the approval process. So as and when SEBI is comfortable, we will come to know and at that time we will of course inform the market, but currently we are not aware of when such approvals can be a possibility.

Moderator: Thank you. The next question is from Pritesh Vora from Mission Street India Private Limited. Please go ahead.

Pritesh Vora: Congratulations, you maintained the Y-o-Y performance, although sequentially volume have come off after long period of time, so probably go for consolidation, but apart from that sir, I just wanted to know about this Rs. 1,400 crores SGF you said, if I consider Rs. 5,000 crores of SGF pool, so I assume here the interest rate accrued to Rs. 5,000 crores may be at 8%, may be Rs. 400 crores will be from this interest pool of existing amount and remaining Rs. 1,000 crores will be pooled up from our other kitty of company's profit, is that the right way to assume this Rs. 1,400 crores payout?

Ashishkumar Chauhan: No, Rs. 1,400 crores goes straight away, it goes to the clearing corporation as equity and this amount is post payment of taxes for the last year. This was just sitting in the balance sheet, now it goes into NCL that is NSE Clearing Limited's balance sheet as equity and from there they will be giving their contribution towards additional SGF. Now onwards, like Yatrik said Rs. 50 crores has gone directly to SGF. So NCL have to do some proportionate infusion of their own funds which is what this Rs. 1,400 crores is, but it is already gone through the previous year's P&L. It is a tax paid amount sitting on the balance sheet of the NSE which is being transferred.

Moderator: Thank you. The next question is from Krish Mehta from Enam Holdings. Please go ahead.

Krish Mehta: Sir, my question was on the technology spend, so would you be able to sort of breakup the technology spend into what you spend on replacement versus sort of growth CAPEX in this Rs. 250 crores and going forward, how do you see this technology spend ramping up and if you could just provide the breakup as to how to expense this on the balance sheet as well as the income statement?

Ashishkumar Chauhan: Broadly speaking, we are the largest exchange in terms of number of transactions in the world now, number of orders per day, number of trades per day and the growth that has been seen over last several years is not seen this year which means our additional CAPEX for enhancement of

the technology is currently not visible in some clear way, but in case something comes up we will probably talk about that in the forthcoming quarters. As of now, broadly what you see, there is going to be a secular need to upgrade, update, replace, our infrastructure and also acquire some of the sort of larger systems for data warehouse and other things, but I don't see anything which is very significant as of now on the payables. In case, something comes up we will let you know.

Krish Mehta: And would you be able to provide some detail on the balance sheet as to how much has been added to gross block due to the technology spends?

Ashishkumar Chauhan: Before that on the data center which we currently host at the NSE building in Bandra Kurla Complex Mumbai, we have a plan to shift it out because of the tremendous demand of new data center space by the brokers and also lack of availability of generator sets for back up in case required in Bandra Kurla Complex premises. We are in the process of going out of BKC and for that we have budgeted, so that might actually increase the CAPEX going forward to that extent. On the other side, I will request Yatrik to answer that question.

Yatrik Vin: So frankly in the first quarter, about Rs. 150 crores has been capitalized to the gross block and in terms of the broad breakup you asked about the technology expenses, about close to 65% of the expenses are in the nature of repairs and maintenance, AMCs, licenses, tools and some of the technology outsourced manpower related expenses. About 9% of the expenses are surrounding the connectivity and the lease rent charges and remaining about 15% is more in terms of network infrastructure and other hosting charges.

Moderator: Thank you. The next question is from Sandeep from CTSI LLP. Please go ahead.

Sandeep: So just one question from my side. Most developed markets globally tend to have multiple stock exchanges and as you are saying with the huge amount of volumes NSE is doing in the way Indian economy is growing, do you expect the regulator to see a concentration risk at NSE and perhaps give licenses to more operators for operating stock exchanges?

Ashishkumar Chauhan: No, this concentration risk is a reality in most markets because liquidity is a situation which doesn't develop usually in any other competitive markets unless there are some sort of new conditions which have not been seen before and the incumbent does not have the where with all or need to kind of react to that. But, your statement that developed markets have multiple exchanges is actually turning out to be false because if Japan is considered developed market, they merged 2 exchanges one is called Osaka other is called Tokyo into one Japan Stock Exchange Market and that is true with Australia, if you consider Australia also as developed market. Europe, many markets actually merged into one rather than having multiple exchanges and so on and so forth. So when you see US, you start generalizing for the rest of the world because they are developed and we are less developed at least in our minds and that is where we make up these assumptions. I am just trying to give you some general knowledge, it has no relevance to the actual status, but overall concentration risk is a clear and present issue and the regulators do try to take actions which they deem fit, but at the same time liquidity is a difficult

thing to dislodge if the incumbent is allowed and does things which are correct and also matches with all the actions.

Moderator: Thank you. The next question is from Sagar Tanna from Alchemie Ventures. Please go ahead.

Sagar Tanna: Sir my question is directed to Yatrik bhai, you mentioned 18% growth in cash volumes and 8% de-growth in futures and options volume, what would be the pricing impact? Because from one of the statements which Mr. Chauhan mentioned that there is a 6% price cut, is it across all the segments?

Yatrik Vin: Yes, Sagar, so it is across all the segments and the annual impact of this 6% at current volume would be in the range of about Rs. 600 crores, so in first quarter it would be about close to Rs. 150 crores.

Moderator: Thank you. The next question is from Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Couple of questions, firstly there was this order of one of the brokers on regards to its associated persons network, I understand it is one specific broker, but the purpose to ask this question is this more widespread thing and a more systemic risk to the ecosystem of the broking community? And how do you kind of see this evolving and whether the risks are too high in that system? And secondly when we talk about restriction of the derivatives for the retail investors in some form the regulator might be considering, any thoughts as to you know what could be those measures or what could be the areas that could be thought upon?

Ashishkumar Chauhan: On the AP part, I think it is more to do with the broker has been responsible for their APs, it is like sub-brokers, they are agents of the brokers and that is where some of the actions that get taken by exchanges as a frontline regulator as well SEBI as the main regulator happen, right so is about the customer protection and things like that, otherwise the APs are allowed in India and their regulations etc. which you might have seen. On the retail restrictions on derivative side, one thing already you have seen is that immediately after the budget, proposal was introduced and approved for increasing the STT on equity derivatives of course not on commodities or otherwise, but that was also part of probably this process that is how I would sort of presume, but it remains to be seen what else could be done by the regulators or the policymakers.

Moderator: Thank you. The next question is from the line of Narendra from Robo Capital. Please go ahead.

Narendra: Most of my questions have been answered, just wanted a clarification regarding the transactions charges breakup, so the 82% is for options and 9% is for futures and pertain to only equity derivatives or is it all the derivatives that are trading on your exchange?

Ashishkumar Chauhan: It is on the entire derivatives, index and stocks both, futures and options.

Moderator: Thank you. The next question is from Pritesh Vora from Mission Street India. Please go ahead.

- Pritesh Vora:** Sir regarding this Rs. 1 lakh crores announcement of the GIFT City, how do we read this one day volume which you announced recently. What was the options percentage and what was the futures percentage out of that and is the NSE or GIFT City NSEs offtake on that amount is in similar line with what NSE charges in India is higher or lower?
- Ashishkumar Chauhan:** SGX GIFT is actually a day-to-day affair. It started with around \$1.5 or \$1.3 billion a day volume on July 3 and towards the end of the month when people rollover, it happened on \$8 billion on one of the days and then next day which has not been highlighted because people, actually media get tired of showing the achievements everyday of somebody, so it is actually \$12.39 billion next day, so it was not a one day affair and of course third day it was probably \$3.4 or \$4.3 billion if I recall correctly. So effectively what had happened is when SGX trades were to move to GIFT City, people were rightfully apprehensive about the technology whether it will work because first time in the world different countries not geographically located together were trying to do this, so it is hypothetical and now probably after 15, 20 days of working, they have figured that everything is working fine, there are no technological complaints, there are no risk management issues, there are no other issues on basis of which probably they are coming back, so the open interest is also now quite a lot more than 1 lakh crores as per the press release issued (you might like to follow NSE IX GIFT Nifty on the Twitter) and also checkout on their website periodically to see what they announce, but effectively the options is currently very small portion while as the futures is more than 99.9% probably and one of the reasons is there is no STT in GIFT City.
- Moderator:** Thank you. We take the next question that is from the line of Rajiv Pathak from GeeCee Holdings. Please go ahead.
- Rajiv Pathak:** Sir on the transaction charges, you indicated that you reduced the fees by around 6% which is going to cost you an annual impact of Rs. 600 crores, but if I were to just look at this quarter, your NSE option premium turnover is down 9% quarter-on-quarter, but the transaction fees you make on this is down by 19%, so this is not the case for the cash on the Future, so is that much of the impact of this reduction is on the options segment?
- Ashishkumar Chauhan:** Yatrik, would you like to comment on the details?
- Yatrik Vin:** Actually how it works is that our transaction charges on options are slab based, so what happens is that as the volume grows high, it goes from one slab to another, the second to third so on and so forth, so because of that, the overall realization comes down, so the reduction in the volume and reduction in the transaction charges need not mathematically always move in tandem and that is why you are observing this difference.
- Moderator:** Thank you. The next question is from Dhairy Trivedi from DJIT Investments. Please go ahead.

- Dhairya Trivedi:** What is your plan on countering the increase in market share of BSE because in the last quarter sequentially, BSE has kind of increased its share from about 5% to 7%-8% especially in stocks which are of lower value, so do you have any plans on countering that?
- Management:** No, they have actually 2,000 more stocks and the total value of those stocks traded daily is around Rs. 100 crores compared to the total traded value if probably both exchanges put together you might like to checkup because sometimes the percentages may mislead, but just now the NSEs own trading volume in equity is now close to Rs. 70,000 crores per day or something, so the low value stocks account for very low percentage literally sort of fraction of a fraction of the total overall volume.
- Moderator:** Thank you. Ladies and gentlemen that would be our last question for today. I now hand the conference back to Mr. Vin for closing remarks. Thank you and over to you.
- Yatrik Vin:** Thank you everybody for participating in this call. Indeed, we are privileged and thank you so much for your time and thank you for asking us some questions, queries and hope that we have responded to all of them to your expectation and satisfaction. Thank you everybody.
- Ashishkumar Chauhan:** Thank you everyone.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of NSE that concludes this conference. Thank you all for joining us and you may now disconnect your lines.