

**NSE****Informal Meeting of Shareholders****30/5/2022****– Chairman - NSE:**

- Good afternoon ladies and gentlemen. On behalf of the committee members, I, the Chairman of the board and of Stakeholder's Relationship Committee of NSE, welcome you all to the Informal Shareholders' Meeting of National Stock Exchange of India Ltd. I want to thank you for taking the time out to join us today. I hope you and your family are safe and in good health. This meeting has been organised with a view to engage with shareholders prior to the AGM and to offer an opportunity to shareholders to recommend names of individuals to be appointed as Shareholder Directors. We have with us today Mr. Vikram Limaye, MD & CEO and member of Stakeholder's Relationship Committee, Ms. Sunita Sharma – Shareholder Director and member of Stakeholder's Relationship Committee attending from New Delhi NCR and Mr. Veneet Nayar – Shareholder Director and member of Stakeholder's Relationship Committee attending from Noida. Apart from them, we also have Mr. Yatrik Vin, Mr. Ravi Varanasi and Mr. Rohit Gupte. This meeting is being recorded. So, to begin with, I request Mr. Yatrik Vin for a brief presentation on the financials.

**– Mr. Yatrik Vin – CFO, NSE:**

- Thank you sir. Indeed, at the outset, it's an honour and privilege to present the summary financials to the members of the company. Indeed, FY22 has been significantly good in terms of overall market performance as well as the financial performance of the company. Our company has shown significant growth in terms of revenue and profits. The results are already shared and available on our website, and some of the brief presentation slides are also part of it. I would take this opportunity to quickly present and run through them to the members.
- When we look at the overall market, the overall market growth in terms of Cash Equities market year on year was about 9% increase. In terms of market size of Equity Futures, it was 9%. Equity Options in FY22 showed a significant growth of around 114%. So, the Options market almost doubled in FY22 over FY21. Currency Futures and Currency Options markets also grew respectively by about 24% and 54%. The extreme right box largely talks about NSE's market share across the different asset classes. Our market share has either remained constant or has significantly improved including Equity Futures and Equity Options where we continue to maintain our leadership position of 100% market share. NSE continues to be the world's largest derivative exchange for the third consecutive year globally. Apart from Cash Equities and Derivatives, even in Currency there has been a market share of 70% and 95% respectively, and in Debt RFQ platform our market share is at 99%.

- With that, the NSE standalone revenue, year on year has grown by 55% to Rs. 8,164 crores. Operating Revenue has increased from 92% in the earlier year to 95% in FY22. Overall Operational Revenue stood at Rs. 7,763 crores. On the Expenditure front, the overall expenses stood at Rs. 2,281 crores, of which cash expenses was close to Rs. 2,000 crores and ratio of expenses to income stood at 28%. With that, the NSE standalone Operating Profitability Margin stood at 71% and EBITDA margin stood at 75%, and PAT margin stood at 54%. Members may kindly recall that the Face Value of NSE share is Re. 1 and the overall Earning Per Share stood at Rs. 93.36 and the NSE standalone networth stood at Rs. 11,548 crores with a book value of Rs. 233 per share.
- There are 3-4 broad areas of revenue, starting with Transactional Charges which contributes almost 85% of our total income at Rs. 6,965 crores. Treasury Income, which contributes about 5% of the total P&L is about Rs. 423 crores. Colocation Charges in the areas of rack and connectivity charges stood at Rs. 433 crores, and Listing Fee which includes annual listing fee, book building and processing fee, stood at Rs. 184 crores, which is roughly about 2% of the total income.
- On the expenses side, while the Total Expenses stood at Rs. 2,281 crores, the important part to look at is the bar chart on the lower half of the slide. As can be seen, the overall ratio of expenses to income, in the earlier 3-4 years which used to hover around 35-36%, for the last 24 months has been in the range of 26-28%. So, there is roughly about 7-8% overall reduction, which indicates that there is an operating leverage that we are able to successfully draw out of our platform business that we are in. Large part of our expenses continue to be in the technology area as well as in the regulatory area, including the SEBI turnover fee that we have to pay to the regulator. Rest of the expenses year on year either have remained steady or have actually gone down.
- Moving further with the trend analysis of ratios, the overall operating margin, as I said, hovers around 71-72% for the last 24 months, which in the earlier period used to be about 58-60%. So as also the EBITDA margin which stood at 75-77% for the last 24 months, which used to be around 69-70%. And you can see a similar trend in the PAT margin which, from 42-43% of the overall range of 3-5 years back, has improved to 55-56%.
- Apart from the NSE standalone, members may kindly recall that we have a number of subsidiaries as well as associates. We have done line by line consolidation for all of our subsidiary companies and also at profit level for our associate companies. We have 17 subsidiaries as of March 2022 and 9 associates as of that date. At a group level, the overall revenue stood at Rs. 9,500 crores, which was year on year 52% higher. Also, the Operating Income which was 59% higher year on year, stood at 94% of the total income. Previous year for March 2021, the Operating Income to Total Income at a group level was 91%. There is 3% improvement in terms of contribution of Operating Income to the overall group income. Treasury at group level stood at Rs. 800 crores. With that we have a group EBITDA of Rs.7,251 crores, group PBT of Rs. 6,912 crores and group Profit After Tax of Rs. 5,198 crores. EPS per share of Face

Value of Re. 1 of NSE stood at Rs. 104.95, close to about Rs. 105 per share. Also, in terms of the margins on the right hand side bar chart, the EBITDA margin at a group level stood at 76%, the PBT margin stood at 73% and PAT margin stood at 55%. Each of the three margin ratios have improved compared to NSE standalone. As we see, after adding subsidiary and associate performances, the profitability percentages look better. The overall group level Networth is at Rs. 15,418 crores and the book value is Rs. 311.

- We see similar ratios and trends when we look at NSE group. In terms of Operating Margin 69%, in terms of EBITDA Margin 76% and group PAT margin at 55%.
- We also take this opportunity to share with the members how we benchmark NSE group vis-à-vis some of the global peers that we have. Our global peers are spread across American, European and Asian jurisdiction. About 8-9 exchanges right from ICE, NASDAQ to EURONEXT to LSE to Singapore Stock Exchange, Hong Kong Stock Exchange and Australian Stock Exchange. When we benchmark our performance vis-à-vis those exchanges across the globe, we find that, with the NSE group PBT margin at 73%, the global peer range is between 17% to 73%. Obviously, 73% is us. The PAT margin is at 55%, whereas the global range again is 11% to 55%. Return on Net Worth is at 34%, whereas the global range is as low as 3% to 34%, again 34% is ours and Return on Capital Employed (ROCE) is 21% vis-à-vis the global range of 8% to 21%.
- In terms of dividend payout trend in FY22, the per share dividend distribution is Rs. 42. So, in terms of percentage, it is 4200 % distribution of dividend, and the total absolute amount that we will be distributing will be Rs. 2,079 crores. In FY21, the actual distribution of cash in the form of dividend was Rs. 1,225 crores. So, there is almost a 70% increase in the dividend distribution in FY22 over FY21. Thank you so much.
- **Chairman - NSE:**
- Thank you Yatrik. If there is any query related to the financials, shareholders can raise it at this juncture, otherwise, we move forward.

There is a chatbox. So, if you can put your queries in the chatbox, we would be able to reply to them after some time. In the meantime, some of the shareholders have expressed their desire to speak on this occasion on certain issues which they feel should be addressed. In fact, I'll take the names of those who had expressed their desire to speak. Mr. Sunil Kothari, Sourav Chand Dhanani, Mr. Nityanand Bhat and Mr. Shyamsunder Suri. These are the four shareholders who had expressed their desire to speak. After they speak, Mr. Vikram Limaye – MD & CEO, would be able to reply to their queries and raise certain other issues which we intended to discuss with them. So, I would request Mr. Sunil Kothari to present his queries or to say whatever he wants to say. Mr. Sunil Kothari.

- **Mr. Sunil Kothari –Speaker Shareholder:**
- Good afternoon. A very warm and hearty congratulations to your team and Mr. Limaye and the NSE team for the way they are performing. It is something which

is very remarkable and very difficult for anybody to copy or match up to. So, hearty congratulations for everything you are doing. There are just 2-3 things I would like to convey or would seek your reply on. Sir, what is the status of our listing at the exchanges? What is the procedure we are following and what is the status, could you highlight something on that? Sir, the second question is, basically we are getting really good benefit of our scale and our operating leverage, but yet, some expenses are going up like Other Expenses. Our revenue consolidated has gone up by 58%, but our Other Expenses has gone up by almost 74%. There would definitely be a genuine reason for that, so please explain why it has gone up so much and how will it stabilise over a period. My last and third point is, I would like to request our board, our Chairman, our MD regarding what are we doing to re-establish our reputation and trust which we already have and we gained. But in between, some issues have cropped up and the government and some of the regulators are trying to fix those things. How are we ensuring nothing as such happens again in future? So, these are some of my points of view on which I would seek your comments. Thanks a lot and wish you good luck sir!

– **Chairman - NSE:**

– Thank you Mr. Kothari. Mr. Sourav Dhanani.

– **Mr. Sourav Dhanani–Speaker Shareholder:**

– Good afternoon everybody. I hope everyone is fine over there.

– I have certain questions and suggestions. Firstly, I wanted to understand the status and management’s view on co-lo and outage issue and its bearing on the IPO. Last, in the AGM the management had conveyed that they are in discussion with SEBI regarding the IPO and would come out with something concrete within a couple of months from the AGM. Secondly, after the outage fiasco, how well are we prepared to avoid such incidents in future? Thirdly, since NSE is one of the promoters and large shareholders of NSDL, it should nudge the NSDL management to take aggressive and corrective measures to regain its depository market share. It used to be a leader and currently is a distant second. I would also like to suggest to come out with our quarterly results within 2 weeks of the end of the quarter, as is done by far more big and complex tech companies like TCS and Infosys. And lastly, I would also suggest to reduce the gap between the declaring and disbursing of dividends. Thank you very much.

– **Chairman - NSE:**

– Thank you very much. Mr. Nityanand Bhat.

– **Mr. Nityanand Bhat –Speaker Shareholder:**

– Thank you all and good afternoon to everyone and hope everyone is keeping healthy and safe. Thank you for having this Shareholder Committee meeting and including the shareholders on the call. First of all, I want to make a suggestion again that if the management team of NSE, not necessarily the board... but, if the management team can hold a quarterly update for the shareholders after the results, that would be

really helpful for the shareholders, just to go over the financials and any update or development on the company front on a quarterly basis as if we were a publicly listed company. That would really be helpful. I had a couple of quick questions as well. The first is, if this Stakeholder Committee could address the status of the new CEO search... Vikram has done a fantastic job over the last 5 years. And, as we transition, we would love to hear who are the candidates who have applied for the position and where are we in terms of hiring the right person to lead NSE? The second question I had is more related to the Risk Management Committee at the board level. If you look at the total trading and options, both single stock and index, the total options outstanding at the end of the day and the average traded value has gone up significantly. So, if you compare the value of options traded on a daily basis say over the last 12 months and compare it to our peers, it seems that we've grown a lot and it's become a significantly large number. How does the Risk Committee view this from a business perspective if there is a significant slowdown or if there is any kind of impact on volumes? And my final question is, has the management team and the board evaluated the number of associates and the number of subsidiaries that we have, it seems like a very large number at 17 and 9, if I'm not mistaken. And, from a pure management bandwidth perspective, are all those businesses necessary to be under the group umbrella when our focus should be capital markets and all? Those were my questions. Thank you so much.

– **Chairman - NSE:**

– Thank you Mr. Bhat, thank you very much. Mr. Shyamsundar Suri.

– **Mr. Shyam Suri –Speaker Shareholder:**

– First of all, congratulations to all the teams for the stupendous results, as well as being the largest derivative exchange for the third time. Congratulations for that sir. Most of my questions were already covered by the previous questions. I just want to add, before the management committee embarks on the IPO, probably how you want to communicate to crores of stakeholders about our reputation and that all the systems and processes have been set to lead the next stage of academic extension of India? Because NSE is going to play a very crucial institutional role in the growth of the Indian economy. So, before we embark on the IPO, how would you like to communicate to millions of stakeholders and then bring the brand value to the level it is supposed to be at? And secondly, if you can just comment a bit on the share transfers. I think it is taking some time in terms of the share purchase transaction being consummated? And then, if you can just comment a bit on whether NSE is doing something to quicken the transfer? Thanks a lot sir, and all the best!

– **Chairman - NSE:**

– Thank you Mr. Suri. Has Mr. Sachan joined?

– **Speaker:**

– No.

– **Chairman - NSE:**

- So, these were the four shareholders who had expressed their desire to give their views. Now, I would request Mr. Vikram Limaye – MD & CEO, to reply to the queries raised by the shareholders, and to add up 1-2 more items which we would like to highlight at this juncture.
- **Mr. Vikram Limaye - MD & CEO, NSE:**
- Thank you Chairman and good afternoon everyone. It's always a pleasure to interact with shareholders and thank you very much for all your suggestions, inputs, questions, and also thanks a lot for your wishes and to the entire NSE team for all the hard work that they've put in. I'll address some of the questions that you'll have raised. The first one which was raised, I think by more than one person today, is towards the IPO. On that, as we have said repeatedly whenever we have been asked this question now for the last couple of years, this is something that really is in SEBI's court in terms of giving an NOC for us to be able to proceed with the IPO. As you are aware, the colo matter is pending decision at SAT, and that's been pending for some time. There are few other matters in SAT relating to the same colo order where hearings have not yet begun. SEBI hasn't really given us any clarity on when they will give the NOC for the IPO. I would say, in light of the recent events surrounding the February order that SEBI issued, again relating to a historical matter on exchange of emails, it seems difficult that SEBI will give an NOC anytime soon relating to the IPO, till matters settle down. As shareholders are aware, CBI is also investigating the matter surrounding colo as well as the recent SEBI order surrounding exchange of emails, etc. So, it's not clear when SEBI will issue the NOC for the IPO. From our standpoint, really there's nothing more that we're able to do, because these are matters that are outside our control in terms of when SEBI is comfortable issuing the NOC, what will trigger that issuance of NOC, is it the SAT order on colo, is it the completion of CBI investigation, is it all of the above and something more? Unfortunately, we don't really have clarity from SEBI in terms of what needs to fall into place for SEBI to be able to give us the NOC. So, unfortunately, I'm not able to give you anymore clarity because we don't have clarity or any visibility on the timeline for when SEBI will give us the clearance for the IPO. The Chairman can add to that now or later. Chairman, if you have any more comments surrounding the IPO matter, in terms of any discussions or anything that you maybe picking up from SEBI as well?
- **Chairman - NSE:**
- Thanks Vikram. In fact, as you have clarified, whatever has to be done from our side, we have already done. We are in constant touch with SEBI trying to convince them that the NOC should be provided to us for the IPO, but somehow, we have not succeeded so far. We will continue trying our best basically to see what could be done from our side to satisfy SEBI. Somehow, it looks like they have certain issues, some of them are pending in the court where they also do not have control. So, they just keep saying that once those issues are settled, then we would consider the request of NSE for IPO. So, basically, this is all entangled amongst so many players where each one is not able to say when finally everything will get settled and fall into the respective grooves, and SEBI would issue No Objection for the IPO. But at this juncture, the situation is a little uncertain and as soon as things get clarified, we



would like to come back to the stakeholders and convey to them. Till then, we have to just keep waiting and keep our best efforts with SEBI to try to satisfy them relating to whatever is to be done from our side. This is all I can say. It basically remains uncertain and we are just not able to say anything for sure when would this fructify.

– **Mr. Vikram Limaye - MD & CEO, NSE:**

- Just for an additional thing from the shareholder's standpoint, as some of you would be aware, as the Chairman pointed out, we have obviously been interacting with SEBI very regularly and also periodically with the Ministry of Finance, to talk about the IPO and liquidity for shareholders, etc. So, we have been doing that consistently over the last more than 2 years. Shareholders have also been talking to SEBI and the Ministry periodically in order to assess what is going on and the timing, etc. So, I think that conversation will continue and we have to work collectively to see how we can try and get the approval as soon as possible. So, that is as it relates to the IPO related matter. There was a question surrounding Other Expenses having gone up relative to the increase in revenues. Yatrik can give some details regarding Other Expenses, but broadly, the point I want to make is, as Yatrik said, operating leverage is obviously evident because from 34-35% expense to revenue ratio, we are down to 26-28%. I think, it's important to understand that as a critical market infrastructure institution, we will continue to invest in areas that are important for us to deliver a robust technology platform which is the crux of what we're supposed to provide in addition to all the other aspects surrounding our regulatory role and products and things of that nature. And, technology is an area that we will continue to invest in. This year we'll also see large investments in technology. Shareholders are obviously aware that volumes over the last 2 years have gone up substantially. Just to give you some order of magnitude, we used to process about 2 billion order messages a day around COVID time in March 2020. That's gone up to approximately 12-13 billion. So, that's a 6X increase in the processing that is required. And obviously, we have been able to deliver these kind of volumes seamlessly in the market because obviously we look at things proactively and we're investing in technology, and we have a robust technology platform. So, we will need to continue to invest in technology. There are some large projects that are already underway which require investments, which we have already invested in, we will continue to invest in. And so, in the next year or so, in 12-18 months, we'll see significant investments in technology. And as a result of that, obviously our expenses will also go up, whether it's Operating Expenses on technology or the associated depreciation relating to the capex spend on technology, etc. The hope obviously is that markets continue to grow and volumes continue to grow etc. to take into account potentially or the expected increase in expenses and depreciation over the next couple of years, but specifically other expenses, Yatrik will just clarify what the reason for increase in other expenses relates to.

- **Mr. Yatrik Vin – CFO, NSE:**

- Thanks MD. So the broad break up is, if you recall we had overall increase in expenses about close to Rs. 900 crore. Obviously that spread is across multiple line items, but out of that, roughly around Rs. 700 crores were relating to some six or seven major items. First being obviously the clearing and settlement charges that

NSE shares with its subsidiary that has gone up by about Rs. 173 crores, which is largely because of the higher volumes and the higher transaction charges fee that NSE earned that needed to be shared. The second important item was SEBI regulatory fee, which exchange has to pay to the regulator based on the overall turnover and the volume in cash equities and derivatives market, obviously since the volumes have been significantly higher in FY22 over FY21 and it's a slab based charge, we have hit the uppermost slab and then it becomes variable to the volumes and therefore about Rs. 128 crore is essentially because of that. The third important item as MD mentioned was about some technology expenses so year on year it has gone up by about Rs. 80 odd crores. The 4th item was contribution to IPFT.

- Members may kindly recall that as per SEBI's stipulation, we need to maintain at least Rs. 1,500 crore of the overall IPFT corpus. So, to the extent that we find that we have certain claims in the pipeline to be settled and therefore if the Rs. 1,500 crore upper amount we think is going to fall down, then we need to create provision for the same. So about Rs. 150 crores odd was the contribution to IPFT and the another Rs. 40 odd crore is the license fee that we share with our index company on the overall derivatives volume on the Nifty, bank Nifty and other indices that they have licensed to us. So broadly these are some of the four or five areas which contribute close to about Rs. 700 crores of the overall increase in the expenses out of the Rs. 900 crore. As it can be seen that either they are variable in nature or they are regulatory in nature and at one level rest of the other expenses, the depreciation or some of the administrative premises and facilities related charges or some of the areas of employee cost etc. in fact year on year as a percentage of revenue has come down. So that's the reason why the overall operating leverage as we see in terms of the platform business continues to grow for the company.
- **Mr. Vikram Limaye - MD & CEO, NSE:**
- Thanks Yatrik. I think I will take the next question which is related to reputation impact because of recent events and therefore you know what we plan to do in terms of communication surrounding that etc. So just to put things in perspective, the order that SEBI came out with in February of this year relating to some email exchange and sharing of information by the previous MD & CEO is something that relates to 7-8 years ago in terms of what has happened. We have obviously had extensive conversations with all relevant stakeholders in this regard, whether it's the government, whether it's shareholders, whether it's trading members etc., and obviously SEBI is an important stakeholder, but it is SEBI's order as well and the one thing that I would like to assure shareholders is that everybody recognizes that this is something that relates to what happened 7-8 years ago, it is not a reflection of the state of affairs at NSE over the last five years, it is not a reflection of current state of governance controls or board oversight, management etc. relating to NSE as it stands today or over the last few years. It is nevertheless unfortunate that this order in February did cause a lot of negativity in the media surrounding what had happened at NSE in the past etc. and we have spoken to media post that event.
- We issued a press release I said we have had conversations with both stakeholders to explain what had happened and the timing and you know what it relates to etc.



So we've done a lot in terms of communication whether it's with the press or with relevant stakeholders. As you would have seen over the last month and a half or two, the negativity has died down significantly. There is obviously ongoing investigation of the matter as you all would keep reading in the press surrounding what CBI maybe doing or ED may be doing etc., that I think you should expect that there will be something or the other that comes up surrounding that in the media because that's an ongoing investigation and it's not possible to do anything with that because depending on what happens with the investigation, the press will put out something, but it's I think at least important for all of us to recognize that the confidence in NSE is very much intact. The trust in NSE is very much intact.

- All the members who trade with us and in fact when members talk to their clients, there is no evidence of any impact in terms of the trust that people have in NSE, in terms of what it provides as a platform or as regulatory mandate or the governance, management, board, etc. So all that is very much intact and people have reassured us that they recognize that this is something to do with events that are old that have unfortunately come into light right now because it takes time for regulators to complete their investigations and come up with orders etc. As is the case with colo, colo also relates to a period of 2010 to 2014, does not relate to anything to do with the current events and I think people have seen a significant difference in terms of how the organization has transformed in terms of whether it's access, transparency, governance, availability of information, interaction, how it comes across in dealing with all stakeholders, so there is visible change that people have certainly observed and appreciated. So I just want to reassure shareholders that trust in NSE is very much intact. The negativity in the media surrounding the February order was unfortunate. Prior to that you know things were quite stable because the colo related matter had also died down because everybody was awaiting the order from SAT and there was nothing incremental happening on that front. The negativity surrounding the recent February order also in the last month and a half or two has died down as various things have been done by the investigation agencies etc. but the more important thing is that we have been communicating actively with all stakeholders and with media, obviously highlighting all the good work that we've been doing and we will continue to do. Our emphasis on making sure that governance, standards, transparency, and controls etc. are best in class and those are areas that we have focused on a lot over the last several years. We will continue to make sure that there is enough oversight and supervision over those areas. So that is something that I want to reassure our shareholders.
- The next point that I wanted to address was about the robustness of technology because there was a question asked surrounding the February 2021 outage. Again as it relates to that outage just to put things in perspective that really wasn't a reflection on the robustness of technology per say, it had to do with an event where a vendor actually went and did something without informing us, which did not conform to our design specifications and requirements and this is something that has been reviewed in great detail not only by us, Standing Committee on Technology, but SEBI's Technical Advisory Committee as well as NCIIPC, the board etc. and as I said that event is not a reflection on the robustness fault tolerance or high availability of our technology. It really had to do with a vendor going and

embedding a configuration into our system that was not in line with our design specifications. We tested the system in great detail, but this is something that got triggered in a way that could not have been picked up despite the elaborate testing that was done not only by us, but by the vendor as well who also actually certified that the testing also conforms to everything that we had asked for and that he has delivered per our specifications. So, I think as I've said before over the last two years you have seen volumes go up 6X and nothing has happened in the market in terms of being able to provide seamless service whether it's from a trading perspective or clearing settlement standpoint. So again I want to reassure shareholders that technology is a very large focus area, receives a lot of time and attention from management, from Standing Committee on Technology, from the board, and obviously from others who have oversight over us including SEBI and NCIIPC and there is a lot of investments that we make into technology to make sure that we are future ready and that we are investing in all the areas that are important whether it's infrastructure, operations, people, which is obviously very critical and we ramped up the employees strength not only in terms of number of people, but seniority and in the right areas and all around this is an area that we continue to see significant investments because we have to be prepared for growth in markets and we're taking advantage of the evolution of technology and making sure that we're using best in class technology, best in class vendors, and investing whatever is required from a people perspective and from an infrastructure perspective to make sure that our technology platform continues to be best in class, robust, highly available, and fault tolerant. So that is as it relates to the questions surrounding technology.

- NSDL is something that we're working with and as you know six months ago or maybe it was a bit longer nine months ago, NSDL also had a new CEO who was brought in. We've had two or three rounds of meetings between our business team and NSDL CEO and their business team in order to see how we could help them with the incremental growth in demat accounts that would happen as we continue to add more retail investors to the market so that going forward they're able to get back some of the market share that they've lost to CDSL. I think from a value standpoint NSDL is still the leader although in terms of number of demat accounts in the last couple of years CDSL has obviously got the largest share of incremental demat accounts that are being opened. In terms of the value of assets that exists between the two depositories, NSDL continues to have 80% of the assets in terms of value and obviously in terms of number of accounts CDSL has got many more in the last couple of years and I don't want to get into the issues surrounding why NSDL lost out in the last couple of years etc. It also has to do with significant ramp up in some of the retail brokerages and the discount brokerages etc. and some of these guys linking with CDSL versus NSDL that's why I said our business teams are in close contact with the NSDL CEO and the NSDL business team to see how we can help NSDL get their fair share of the incremental demat accounts that get opened. So we are in touch with NSDL to see how we can be helpful in that regard.
- The next question surrounding a number subsidiaries associates etc. that we have. If you look at our structure, you know we have SEBI regulations as well. There are certain things that NSE can do, there are certain things that can be done only through a subsidiary structure and the structure that we have and the entities that

we have partly reflects regulation, partly reflects diversification of business. So if you look at it the large subsidiaries or the large businesses that we're involved in our data, index, technology, education, those are the four areas really and those four areas are in four different subsidiaries. Data and index are obviously very closely tied with the exchange business. Education to some extent is closely tied with the exchange business because we also use the entity for trying to develop programs for investor education things of that nature. NSE IT which is our 100% technology subsidiary also works closely with NSE on NSE's needs in various areas of the exchange business or otherwise, but it also serves other BFSI and other clients in the broader landscape.

- Those are the four non exchange businesses if you like that we're in, which are held through NSE investments which is 100% subsidiary and that reflects the regulatory requirement of having subsidiaries through an investment holding company. Then we have associates which are historical, but some of them are strategic in nature. So for instance, we have NDSL which is an associate. Now we were founders of NDSL which as you know was the first depository in the country. We continue to have a 23% stake, we're supposed to go down to 15% by regulation. Once we drop below 20%, it will cease to be an associate, therefore it will also not get consolidated. Likewise several years ago, I think almost 10-15 years ago, we started a power exchange that again is a strategic area because it's another area in the exchange space that we invested in and therefore that is another associate entity where we have almost 30%-33% stake that again is supposed to come down by regulation and we are in the process of trying to figure out how we can get outside investors to bring that down, but that again has become profitable over the last few years relative to what it was doing much earlier, so that's another associated entity. We used to have CAMS, which we've divested, we have another associate entity which is in the process of going public, once it goes public our shareholding will come down and it will cease to be an associate and then we have some subsidiary structures that we've set up to take into account our Gift City and IFSC business. That again is a growth area as you know, one is our own exchange there which is 100% subsidiary, but we've also set up an international bullion exchange where we hold 20% and therefore that becomes an associate. Now that is a unique partnership where all five MIIs have come together to form an international bullion exchange and that is something that we have invested in last year and that's an area that is expected to grow going forward. So that's an investment and a business diversification that I think is important and we certainly believe has growth prospects.
- Another strategic stake that we've taken in partnership with IEX is in the Indian gas exchange, which is again a strategic area for diversification, it's an exchange business but where we hold 26%. So the point I'm trying to make is that we obviously look at our structure and we look at businesses to see which ones we need to be and which ones we need to get out of. We have a board subcommittee also that looks at this, the board also looks at it, and we will keep looking at our structure and entities and see whether there is room for rationalizing the structure because there are areas that we don't want to be in or want to get out of or some areas like I said will go public or because of regulation we will have to bring down our stake and some of these entities will therefore cease to be associates going forward.

- The next question actually relating to disclosing our quarterly results within two weeks. We disclose our results only after the board meeting and typically we have the board meeting in the first week of the month following the quarter end. So it's generally say five weeks not two weeks. Can we have a board meeting within two weeks of the closure of the quarter? We will try, but the challenge there again is because we have to consolidate various subsidiaries and associate entities etc. not all of them are audited by the same audit firm. It's not that seamless in terms of just NSE being ready. NSE from an information perspective will be ready, but it is not only NSE because we have to also do consolidated accounts and so while on a standalone basis it's much easier for us to get it done fairly quickly we are also dependent on other audit firms and other entities who have to finalize their accounts. It takes us about five weeks after the quarter end when we have the board meeting to declare results. We'll try and tighten that timeframe, but again like I said it's not entirely within our control. Declaring and disbursement of dividend there was a question whether the timeframe surrounding that could be tightened. That as you know is again a function of approval of the dividend at the AGM and so soon after the AGM, we end up disbursing the dividend within 5 days of the AGM the dividend is paid. So now the question really is how soon can we have the AGM after the annual results because 5 days after the AGM the dividend is paid. The annual accounts as you know have already been approved at the board meeting on 6<sup>th</sup> of May, which is one week after the end of month after quarter end. For the AGM there is a process including the fact that you have to give a three-week notice to shareholders. There's also an annual report to be prepared, so it takes some time to do that. This year we are planning to have the AGM in the first half of July before the 15<sup>th</sup> of July. We will come back with an exact date. Last year we had the AGM sometime in August. So we will try and keep tightening that timeframe, but as it relates to holding of the AGM and then payment of dividend, the dividend payment actually happens within five days of the AGM. I don't know whether it can be tightened further, but that is reasonably tight in my view, maybe we can cut down a day or two, but there's not much room there. The real crux of it will be how soon we can have the AGM after the annual results are approved by the board. So that timeframe between the first week of May and the first week of July, whether that time frame can be shrunk in terms of having the AGM is something that we will look at.
- Then there was a question surrounding the risk in the options market and what impact it could have on the business. Obviously Nitya as you point out, you're right that options in the last couple of years has become a significantly higher share of our business relative to what it used to be and in fact you know this is something that obviously we're very sensitive to for more than one reason. One is obviously the business mix that options involve. Second is also from a regulatory perspective because you know there is concern surrounding the participation in options by retail investors and whether people are really aware of the risks they're taking and therefore the investor education elements surrounding making sure that, the product is well understood and brokers are also doing their bit to educate investors in terms of the risk on options before they participate. So we're looking at the options market from more than one perspective, not only from a business perspective, but also in terms of our regulatory mandate to make sure that investors are aware of what they're doing. Having said that, there are reasons why the

options market has really grown in this way. Part of it has to do with volatility, part of it has to do with the fact that people probably find it a lot cheaper to replicate strategies that they were otherwise doing through futures and the cash market with an options type of strategy because you know it's the premium that people have to pay various versus what it takes in the futures market including the changes in margins and other regulatory changes that have happened in recent times. In the options volumes, do we see anything currently from a regulatory perspective or otherwise that indicates to us that the options market is likely to suddenly collapse for any reason, the answer is no. Do we worry about the fact that obviously there is a retail participation in options and depending on how that goes whether there are regulatory implications because of which things could get impacted, the answer is yes and therefore we are obviously working hard to make sure that we do our bit to educate the market and make sure that people are aware of the risk on options. I'm not sure that it answers your question, but there was also a detailed discussion at the risk management committee and the board meeting on the 6<sup>th</sup> of May where this was specifically the area that was discussed in terms of the risk surrounding options from a variety of standpoints, business, as well as regulatory and other areas. So we are on top of this and you know we will obviously do whatever we can that is within control to make sure that this market develops in a disciplined way and if there are any risks relating to this market that you know we're on top of it to see how we can manage those risks, but as you know we're not really in control beyond the point in terms of what people decide to do in terms of their trading strategy. So that is only something that is a function of what is going on in the external environment, what's going on from a macro perspective, what's going on from a fund flows perspective, what's going on in terms of the different kinds of participation in the F&O market. One thing I can tell you we've been saying this for some time that institutional participation in F&O in fact is much lower than where it needs to be because you don't for instance see insurance companies participating in the derivatives market for a variety of reasons including competency, comfort, their own talent to trade in derivatives, regulatory in terms of what IRDA will permit or not permit. Likewise mutual funds are not as active in the derivatives market as they can. So if you ask me if institutional participation in derivatives were to be where it should be and we hope overtime it develops in that way that will in fact result in a growth in the derivatives market and it would also be a cushion to the volatility surrounding retail participation, which obviously will be more volatile than institutional participation for a variety of reasons. So we'll see how the market evolves, but currently that's the situation as it relates to the options market.

- There was a question surrounding share transfers and the fact that it's taking time for transfer of shares. Now as you know earlier on we had to approve all share transfers then a few months ago SEBI came out with a clarification where now we don't have to do all the detailed fit and proper checks etc. that we had to do on every share transfer that came to us, so we have to look at only transfers that are 2% or higher because those are also ones that need to be reported to SEBI. So Rohit, if you want to just elaborate.



- **Mr. Rohit Gupte -- Company Secretary, NSE:**

- So while SEBI said that the onus is on the shareholders now to confirm that they are fit and proper, in a listed environment what happens is typically in the contract note the shareholders declares that they are fit and proper and since ours is unlisted or off market, typically we request shareholders to provide us declarations that they are fit and proper. The number of applications that we have been getting for transfer of shares is really quite significant and we have to still monitor the shareholding percentage limits that are applicable to us as a Stock Exchange. So to ensure that the holding for the trading member, clearing member limits is not beyond the permissible limits, which is basically something that takes time and more importantly given that we cannot simply do this checking of limits and a fit and proper for only more than 2%, we cannot open our ISIN to be freely traded by people in the off market scenario. As you know we provide requests to NSDL and CDSL to actually do the transfer of or debit/credit of shares and there is some amount of time lag also at their end because this is a process which they have to do manually and it's not a straight through at their end and that's the reason why the share transfers has been taking some time.

- **Mr. Vikram Limaye - MD & CEO, NSE:**

- Okay, so there are a few more questions that have come up on the chat that I'll take up. One related to some clarity surrounding what is going on with the SGX situation and Gift City, so there as you are aware we've already announced this we are very much in the process of transitioning the liquidity from SGX to our Gift City exchange. The first phase of that has already been operationalized couple of weeks ago where the negotiated large trades have already started happening in Gift City, those actually comprise about 20% of the volumes on SGX. We are in the process of transitioning the rest of the market that exists on SGX in phases from July and the technology is actually now currently being operationalized so that various members that currently trade on SGX can start transitioning to Gift City. So that is very much in progress and it is actually very heartening to know that it's been more than three years that we've been at it and we've operationalized the first phase. Second phase is not too far away and very soon we will have the entire market transition to Gift City. As it relates to the revenue sharing and the fee arrangement etc. which was the question, what we've done on that element is based on the volumes that existed on SGX and at NSE, we've tried to make sure that we protect our existing revenue and then depending on the upside and depending on the growth, there will be a share of revenues between NSE and SGX. So we tried to keep the arrangement revenue neutral based on the known volumes that exist on SGX and NSE and then as those volumes grow, which we expect will happen once the entire ecosystem transitions to Gift City. The volumes we certainly expect will grow on the IFSC exchange then there will be a revenue share for the incremental revenues between NSE and SGX.
- Second question hope I have understood it right, but relates to reasons for not disassociating or separating NSE from individuals charged in Colo. So as you are aware the colo order that SEBI actually passed in April of 2019 had several



individuals of NSE that were being investigated. Now as it relates to the order of SEBI in 2019 surrounding all employees of NSE were exonerated by SEBI in the order. The previous two MD & CEOs were separately investigated and there was a separate order that SEBI has surrounding Chitra and Mr. Ravi Narain. So that is a matter as you know we are in SAT Appeal and SAT has not yet come out with their own order. There was a dark fiber and another governance related matter where again NSE and employees have appealed against the SEBI order and SAT has stayed that order, but hearings have not yet begun on those two matters at SAT. So, it's not clear when those hearings will begin and when those two matters will get resolved. The SAT order surrounding the IPO is now pending for some time as I said earlier when I talked about the IPO matter.

- There was a question surrounding dividend policy and what is the dividend expected in 2023. The dividend Yatrik already mentioned as it relates to FY22. Expected dividend for 23 really is a function of financial performance of FY23 and so that is very difficult for us to predict at this point. As you have seen over the last five years, we have paid dividend that has been growing year on year, it is certainly our expectation that, that will be the case going forward, but we will have to see how the year evolves and what our financial results are for FY23 before we can give you any clarity on that. As it relates to the dividend policy that has already been stated on our website and that is a decision that is made by the board in terms of what is the prudent dividend to be paid that is sustainable, that will be a growing dividend after taking into account various aspects of what is required for the business in terms of prudent amount of capital and what may be required for any inorganic opportunities, investments in technology, and various businesses of the exchange etc. etc. So that is something that the board decides based on the financial performance and what is required for the business. It's important for shareholders to also know that there was a detailed exercise that was conducted in this last fiscal year surrounding what is actually the amount of risk capital that is required for the business and this was conducted in a scientific way with the help of an international consultant who has expertise in this area and the risk capital that is required for the business also gets factored in, in looking at therefore what is the surplus cash available for distribution. Currently, at least based on where we are today, broadly the range of risk capital that is deemed prudent and required for NSE is somewhere in the range of Rs. 4,200 to Rs. 5,200 crores and that takes into account various aspects of risk whether it's operational risk, market risk, broker default risk, core settlement guarantee fund, IPFT etc. etc. So these are things that are taken into account before deciding on what is a prudent dividend and what is the cash flow available for distribution to shareholders. I think that would also address a question that was asked surrounding the large amount of cash balance that we have, and can a higher amount be paid as dividend. As I said the free cash flow available for distribution has to be taken into account after factoring in what I mentioned is the potential risk capital that is required for the business and anything else that is required from a growth perspective and an investment perspective in technology as well as the businesses that we are in for the next few years. So, the board has decided on a dividend payout after taking into account all these aspects as a prudent amount of distribution taking into account all these factors.

- The question surrounding CEO appointment we will take up last. I will ask the Chairman to address that.
- There is a question surrounding significant growth in the revenue due to increase in transaction volumes or whether there was any other factor that played a role. See the reality is that all our businesses have been growing so obviously transaction revenues have grown a lot. But all our other businesses have also grown, so our data business, index business, all these areas have grown and obviously the volumes have gone up significantly and transaction charges is a significant part of our revenues and those have also grown in a very robust way. So that I think is also in our presentation, on our website as well as what Yatrik presented in terms of what is the share of transaction revenues versus listing revenues. As you know FY22 was a very robust year also for IPOs, so listing revenues also went up. As I said some of our subsidiary business revenues have gone up. Then we keep providing additional infrastructure to our members in terms of co-location facilities. So the connectivity and charges that we get from co-location have also gone up. So all areas have grown in FY22, transaction charges obviously is a very significant percentage of the consolidated revenues so those have also grown significantly. But the breakdown of all that is available in our presentation and on our website.
- So question on relaxing KYC norms for existing shareholders who want to buy more, can we keep same KYC on record for 12 months to avoid repeated submissions. It is not easy for us to just give a 12 month window and assume that every time somebody is acquiring shares that they are assumed to be fit and proper because the requirement is that we have to make sure that somebody acquiring is fit and proper at the time of acquisition. So, I don't think regulatorily it will be possible for us to give a 12 month window to say that KYC once done will be valid for 12 months even though you may keep acquiring shares during those 12 months. So unfortunately, you will have to bear with this process, if you are a repeat acquirer of shares at short intervals.
- Does the pending litigation preclude NSE from reducing its stake in NSDL? The short answer is no, but obviously we will see when NSDL decides to go public. Regulatorily, as I said we will be required to bring down our shareholding from what is currently 23% to 15%, and so once NSDL decides to go public we will decide how much we want to offload in the IPO, how much we want to offload post IPO. But there is nothing that comes in the way of NSE reducing its stake in NSDL.
- There is a question on impact on volumes after the implementation of the new margin rule and the reason behind many NSE brokers surrendering their membership. We haven't really seen any major impact so far post implementation of the new margin rules. I think one thing that we want to say is that you know it is important that the market grows in a disciplined way. I think the shareholders of NSE obviously appreciate that we have a dual role, one is obviously a business role in terms of making sure that the markets develop, we look at new products, we look at how we grow our business and how we are profitable and things of that nature in terms of enhancing shareholder value. The other is an equally important mandate in addition to market development of market regulation, and that also we take very seriously. And it is in the interest of everybody that the market develops in a

disciplined way, we have seen the explosion in retail participation is sustainable only if trust in markets is strengthened and maintained. And, therefore, some of these changes in regulations, whether it is margin related or whether it is investor asset protection etc., are in the interest of market development and in the interest of long term development of markets because we want trust in markets to strengthen and to be sustained. So I think these are important measures. We haven't seen any kind of impact on volumes as yet as a result of some of these regulatory measures.

- What are, the reasons behind NSE broker members surrendering? I think it is really a function of, there is no generic reason per se. I think it is fair to say that actually in the last 24 months since Covid, most of the broking businesses have actually benefited, whether it is mid size brokers or large size brokers because overall trading volumes have gone up and overall retail participation has gone up. So all types of brokers have benefited from the increasing volumes and participation in markets. I don't think there is any one reason why some intermediaries maybe exiting the market. It really depends on how the specific broker is positioned and what they see as attractive or not attractive about the market. There could well be over time consolidation in terms of intermediaries and brokers, etc., also because of capital requirements, compliance requirements things of that nature, and depending on the size of the broker and whether his business is expanding or not, if his costs are expanding then it is really upto each entity to take a call, whether it is really profitable to continue to be in the business or not.
- Is margin penalty part of NSE's profit? The answer is no, it gets transferred to core SGF and the core SGF as you know is a settlement guarantee fund so it is not available for distribution. The penalty doesn't go to our P&L in any way.
- The question surrounding whether the vendor that was involved in the February glitch, what kind of action has been taken, etc. I think it is important to understand that this is a vendor that we have worked with for 10-15 years. It is a best-in-class vendor for the service that they were providing. We have obviously taken it up at the senior most levels since it is a global vendor with the global CEO of that entity, there is obviously an enhanced contract with that vendor in terms of the kind of service that the vendor would provide us including the quality of resources, etc, etc. I am not at liberty to get into details of what our discussions and arrangements are with that vendor surrounding this specific matter. But I think it is important to say that we have certainly taken it up at the highest levels. We are addressing the issues that have risen as a result of the February '21 glitch that happened because of this vendor. Obviously we have done a lot in terms of various measures that we have taken internally to strengthen our own processes, our ability to switch to the disaster recovery site in less than 45 minutes, tightening of SLAs including with the telecom service providers, building in further redundancy in terms of telecommunications, not only telecom providers but also in terms of bandwidth and other things, SOPs have been strengthened, quality of resources have been strengthened. So there's a bunch of things that we have done at our end as well in addition to taking it up with the vendor and strengthening the service levels, resources and other measures that we have discussed with the vendor surrounding that matter.

- There are some questions that have been asked for which I will not be able to provide an answer. One surrounding some question about NCDEX related merger that I am not at liberty to discuss or answer that question. As you know NSE is a promoter of NCDEX, we own 15% in NCDEX and obviously agricultural market is an important marketplace from a national standpoint and we are committed to growing the commodities market, agri and non-agri. So we will see how we work on the commodities piece.
- Then there is a question surrounding whether there are any plans to make acquisition of shares as an unlisted entity. There are no plans currently for NSE to acquire shares from shareholders at this point in time.
- I think I have answered all the questions that were raised as well as those that came in on the chat box. There is only question that remains which I said I will request the Chairman to take up which relates to the new MD/CEO search process and where things stand on that matter.
- **Chairman - NSE:**
- Okay, thank you, Vikram, before we take up shareholder director issue with them, I will provide a brief reply to the selection process of new MD/CEO. As all of you know that this is governed by SECC regulations and we had to provide two recommended names approved by the board to SEBI two months before the date of appointment. So we had to provide two names to SEBI before 16<sup>th</sup> May, that we have done and the decision is lying with SEBI. We are all waiting what decision they take and beyond that there is nothing more for us to say at this juncture. So the process was completed as per SECC regulations and names have been provided to SEBI.
- So I think, Vikram, you can take up the shareholder director matter now.
- **Mr. Vikram Limaye - MD & CEO, NSE:**
- There was just one other point that we wanted to mention is that as you'll are aware from a board perspective currently we have two shareholder directors, Mr. Venet Nayar who joined the board last year and Ms. Sunita Sharma who has been our shareholder director for a long time as a nominee of LIC which as you know is the single largest shareholder in NSE with little over 11% stake. We would like to add two more shareholder directors. The MD/CEO is also counted as a shareholder director, so effectively from a regulatory perspective we have 3 shareholder directors and we have 5 PIDs. We have the ability to add two more shareholder directors because by regulation PIDs have to be equal to or more than shareholder directors. So since we have 5 PIDs and 3 shareholder directors we can add maximum of 2 shareholder directors which we would like to do. Unfortunately, the shareholder directors that we got approval from the AGM last year were not cleared by SEBI because of certain conflict related issues as it relates to the shareholders who nominated the directors having some connection with a trading member/clearing member. Although, the shareholder directors who were approved by the AGM were not actually nominees of the shareholders who gave their letter of support for the shareholder directors to be put up for voting in the AGM. Nevertheless, SEBI is

reluctant to approve these although they are not nominees of the shareholders because of the conflict issue that I mentioned. We therefore have to get two more shareholder directors appointed at the upcoming AGM. And in that regard as you are aware last year as well we ran a very transparent inclusive process and it involves getting suggestions from shareholders in addition to obviously the directors on the board suggesting who might be appropriate through their own networks and through people they know. The board would obviously also suggest names that would be appropriate. But what we would request is if shareholders could also suggest any names that they think would be appropriate for a shareholder director appointment on NSE, particularly in two areas of competence or skill set, one is regulatory skill set, the second is knowledge of markets. In these two areas if shareholders are able to suggest names that they think would be appropriate to be shareholder directors on NSE then we would request shareholders to please give suggestions by 7<sup>th</sup> of June so which is one week from now. If you could send in your suggestion

- to the secretarial email id, etc., Please give your suggestions by the 7<sup>th</sup> of June, the process we will follow is the same as we followed last year. After getting suggestions from shareholders as well as any other names that directors, etc., would suggest, the NRC will go through the names, develop an appropriate shortlist and talk to people, figure out who is willing to be a director, who is not willing to be a director etc., and then come up with a final list that would be finalized by the NRC and the board. It will then have to go for shareholder approval at the AGM and we will put up the final two names that the NRC and board have zeroed in on as appropriate names for the NSE board in terms of shareholder directors. Those two names would have been voted by the shareholders at the AGM and then post AGM we will submit those two names to SEBI for approval. We have already said that we are trying to have the AGM before the 15<sup>th</sup> of July. So that is the process that we will follow, that is the process that we followed last year as well. We want to make it inclusive, we want to get suggestions of shareholders and so please I would request you if you'll have any thoughts and any suggestions on who might be appropriate names, again I am repeating please focus on two skill sets, knowledge of markets and regulatory knowledge of, certainly regulatory knowledge of markets is relevant as opposed to knowledge of insurance as an example. Because they have to have knowledge of capital markets regulations as well. So 7<sup>th</sup> of June is the deadline till which we will wait for suggestions from shareholders and then we will take the process forward from there.
- So that was the last point that we had to make, Chairman. Do you have anything else you want to add?
- **Chairman - NSE:**
- No, it is all right, I believe the points have been covered exhaustively, there is nothing more.
- **Mr. Vikram Limaye - MD & CEO, NSE:**
- Anything on the chat? Or anything you want Veneet or Sunita to say?

- **Chairman - NSE:**
- Anything more, Veneet or Sunita, if you want to add to address the shareholders or we move on?
- **Ms. Sunita Sharma:**
- I think it was great, I don't have to say anything.
- **Mr. Veneet Nayar:**
- I just wanted to make a small comment. A lot of queries keep coming to me as the member of the board. The Board is very keen to get the IPO on the way which Vikram and the Chairman addressed. The external factors have to be considered when this happens, just that simple point.
- **Chairman - NSE:**
- Thank you, Veneet. So I believe we have come to the end of this interaction part. So thank you all, thanks to all the shareholders who have participated in this interaction. We have been really benefited by the queries which they have made I hope a lot of them would have been satisfied by the replies provided by the management and hopefully we would continue our interaction periodically in future also. Thank you all, thanks very much.
- **Mr. Vikram Limaye - MD & CEO, NSE:**
- Thank you.