

**Date: May 23, 2019**

To,  
Listing Department  
**National Stock Exchange of India Limited**  
Exchange Plaza, 5<sup>th</sup> Floor, Plot No. C/1  
G Block, Bandra-Kurla Complex, Bandra (E)  
Mumbai – 400 051

**Symbol: BSE**

**ISIN: INE118H01025**

**Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**Sub: Transcript of the Conference Call held on May 7, 2019**

Dear Sir/ Madam,

With reference to our letter dated April 30, 2019, intimating you about the conference call with Analyst/Investor held on May 7, 2019.

Please find attached the transcript of the aforesaid conference call.

This is for your information & record.

For **BSE Limited**

  
 **Nayan Mehta**  
Chief Financial Officer

Encl: a/a



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BSE LIMITED

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Q4 FY 18 - 19 Earnings Conference Call



*May 7, 2019*

*BSE LIMITED*

*25th Floor, P.J Tower, Dalal Street, Fort, Mumbai 400 001*

**Operator**

Ladies and gentlemen, welcome to the BSE's Q4 FY 2019 Earnings Conference Call. My name is Daniel and I will be the moderator for today's conference. As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentations conclude. [Operator Instructions] Please note that this conference is being recorded.

I now hand the conference over to Mr. Yogesh Joshi, Head-Investor Relation, BSE Limited. Thank you and over to you sir.

**Yogesh Joshi**

Hello, everyone and welcome to BSE's earnings call to discuss Q4 FY 2019 results. This is Yogesh, Head-Investor Relations. Joining us today on this call is BSE's leadership team consisting of Shri Nayan Mehta and Shri Ashishkumar Chauhan, who will be joining in sometime. 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.

I will now request Shri Nayan Mehta to give a brief overview of the company's performance followed by a question-and-answer session. Please note that BSE does not provide specific revenue or earnings guidance. Anything said on this call will reflect BSE's outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

With that, I would like to turn the call over to Mr. Nayan Mehta.

**Nayan Mehta**

Thank you, Yogesh. Good morning, good afternoon and good evening to all of you wherever you are.

We are happy to share with you that the board of BSE has recommended a payment of dividend of Rs.25 per equity share of face value of Rs. 2 each. The proposal is subject to approval of shareholders at the ensuing 14th Annual General Meeting scheduled to be held on July 15, 2019. After taking into account the interim dividend of Rs.5 per equity share paid in the month of December 2018, the total dividend for the financial year stands at Rs. 30 per equity share of face value of Rs. 2 each. The dividend pay-out ratio is 97%. The record date for determining eligibility for the final dividend is June 28, 2019 and the payment will be made on or before August 13, 2019.

BSE also proposes to buyback its fully paid equity shares of Rs. 2 each at Rs. 680 per equity shares through tender offer route, subject to passing of a special resolution by the shareholders of the company. The total amount of buyback price would be a maximum of Rs. 460 crores. The company proposes to buyback 67,64,705 equity shares at a buyback offer price which represents 13.06 percentage of the total equity paid up capital of the company. The buyback offer price represents 24.73% of the aggregate total paid up capital and free reserves of the company based on the standalone audited financial statement of the company as of March 31, 2019.

Over the last few years, you would have observed that how BSE is steadily growing itself by expanding a services portfolio.

Earlier BSE was dependent only on one trading segment, i.e. equity. Then after research, we set up trading platform in various other trading segments like SME, currency derivative, interest rate derivatives, commodity derivatives and startup. It has also created electronic distribution platform for distribution of financial products like mutual funds, bonds, equity related book building. Taking advantage of the opportunity to grow at a global scale BSE has also setup a stock exchange and clearing corporation at Gift City, Gandhinagar. Further it has tied up with Power Trading Corporation and ICICI Bank to set up a power trading exchange. BSE has tied up with EBIX Inc., a leading international supplier of On-Demand software and E-commerce services to insurance and other industries to setup an insurance broking joint venture. Financial services and electronic platform tend to grow at non-linear scale over time. However, some of such initiatives take time to mature. In this context, let me start with updating you on the mutual fund segment.

BSE has started the mutual fund segment in the year 2009. This segment enables mutual fund intermediaries to process, purchase and submit redemption request of mutual fund units from the clients across India on a fully automated electronic platform. While the intermediaries earn their fees / commissions for their services, the mutual funds pay BSE for processing of transactions. Over last five years, this segment has exponentially grown at a CAGR of 117%. BSE started charging to mutual funds for its services since financial year 2017-18. The income in this segment has grown by 194 percentage from Rs. 9.90 crores in financial year 2017-18 to Rs. 29.10 crores in financial year 2018-19.

The number of registered mutual fund distributors in mutual segment increased by 195% to 23,760 as of April 30, 2019 as compared to 8,046 as of April 30, 2018. This exclusive network is over and above BSE's 1,400 member backed by more than two lakh authorized representatives and other intermediaries covering length and breadth of our country. The total number of SIPs registered under this segment increased by 9% to 4.81 lakh for the year ended March 31, 2019 from 4.40 lakh for the year ended March 31, 2018. The



total number of XSIPs registered under this segment increased by 75% to 16.06 lakhs for the year ended March 31, 2019 from 9.16 lakhs for the year ended March 31, 2018.

The total number of orders processed in the mutual fund segment increased by 111% to 3.60 crores for the year ended March 31, 2019 from 1.70 crores for the year ended March 31, 2018. The total value of orders processed in mutual fund segment increased by 36% to Rs. 1,60,601 crores for year-ended March 31, 2019 from Rs. 1,17,824 crores for the year ended March 31, 2018.

Further the total number of orders received in the month of March 2019 is higher by 57% as compared to orders received in the month of March 2018.

BSE's market share in this segment for the year ended March 31, 2019 stands at 79%.

BSE StAR MF, India's largest mutual distributor platform recorded a new high of 7.2 lakh transactions on March 11, 2019. BSE StAR MF surpassed the earlier highest of 6.4 lakh transaction in a single day, which was registered on December 10, 2018. So the new high is 7.2 lakh transaction.

The continuous growth in the mutual fund segment is in line with our expectations. BSE continues to pursue the strategy of appointment of distributors and optimal pricing for its services in this segment to maintain the rapid growth in business and revenues as witnessed for the last few years.

I'll now move on to commodity derivative segment. As you must be aware BSE has successfully launched commodity derivative segment with the launch of gold and silver futures on October 1, 2018. Thereafter, BSE has launched contracts in Oman Crude Oil futures on October 26, 2018, Copper contracts on November 2, 2018, Guarseed and Guargum on February 6, 2019 and finally Cotton futures on February 18, 2019.

Commodity derivative trading platform with futures trading in gold and silver contracts hit a fresh all-time peak with traded value logging Rs. 621 crores in October 2018.

Guarseed also witnessed it's highest market share of 43% and the highest turnover in the first 15 days of its launch. The turnover in commodities derivative segment has been steadily improving and till date we have registered a turnover of 32,084 crores in this segment.

Over the past one year BSE has tied up with various associations in the commodities business for growth and development of commodities derivatives business in India. The entities with whom BSE has tied up includes renowned entities including the Federation of Indian Export Organization, London Metal Exchange, Dubai Mercantile Exchange, Bombay Metal Exchange, Cotton Association of India, Federation of Indian Spices Shareholders, Agriculture Price Commission, Gems Jewellery Council, Bullion Federation etc. BSE also entered into an agreement with Dubai Mercantile Exchange, a premier energy-focused commodity exchange in middle East, for the growth and systematic development of commodity derivatives market in the Crude Oil Complex.

BSE has registered 230 trading members and 31 clearing members in the commodity segment as on March 31, 2019. Many more members are in various stages of admission process to membership.

I now move on to currency derivative segment. BSE's average daily turnover in currency derivative segment has increased by 65% to Rs. 30,271 crores for the year-ended March 31, 2019 from Rs. 18,291 crores for the year ended March 31, 2018. The total contracts too have grown by 52% to 105.25 crore contracts as on March 31, 2019 from 69.02 crore contracts as on March 31, 2018. The growth has been aided by increase in turnover in both currency future contracts as well as currency options contract. The Average Daily Turnover in currency futures segment has increased by 61% to Rs. 13,195 crores for the year ended March 31, 2019 from Rs. 8,196 crores for the year ended March 31, 2018. The Average Daily Turnover in currency options segment has increased by 69% to Rs. 17,075 crores for the year ended March 31, 2019 from Rs. 10,095 crores for the year ended March 31, 2018. BSE's market share in this segment for the year ended March 31, 2019 stands at 46%.

With respect to listing of securities, the number of companies listed with their equity capital on our exchange which are available for trade are 4070 as of May 3, 2019. BSE has the highest number of companies listed on any exchange around the globe. Market capitalization of companies listed on BSE is above Rs. 152 lakh crores. The total number of investors registered on BSE at unique level, exceed Rs. 2.65 crores.

BSE has been undertaking calibrated increases in listing fees over last few years to meet the same comparable to the charges levied by competing exchange as well as to cover increasing costs of compliance. With effect from April 1, 2019 BSE has increased its annual listing fees charged to exclusively listed companies by Rs. 50,000 if their listed capital is up to Rs. 100 crores and by Rs. 25,000 in case their listed capital is between Rs. 100 crores to Rs. 200 crores.

BSE has launched an electronic book mechanism called as the BSE BOND for issuance of debt securities on private placement basis above Rs. 500 crores on July 1, 2016. SEBI has revised the threshold limit downward to debt insurances above Rs. 200 crores with effect from April 1, 2018. Issuers in this segment include renowned corporates from public, as well as private sectors in India. During the year ended March 31, 2019 amount raised on BSE BOND platform grew by 64% to Rs. 3,42,251 crores as compared to Rs. 2,08,906 crores for the corresponding period in the previous year. The BSE BOND platform has enabled issuance of debt securities of more than Rs. 6.39 lakh crores since July 1, 2016.

I now move on to BSE SME platform. BSE SME platform has 295 companies listed on this platform as on date, as compared to 291 companies listed as on March 31, 2019 and 235 companies listed as on March 31, 2018. Of the total number of companies listed in BSE SME platform, 60 companies have migrated to BSE main board as of March 31, 2019. 56 companies were listed on this platform during the year ended March 31, 2019. 125 market makers are registered with BSE SME platform for providing liquidity. The total amount of money raised through this platform is Rs. 2,986 crores as of March 31, 2019. SME IPO Index launched on December 14, 2012 with a base value of a 100 stood at 1,857 as of March 31, 2019 registering a stupendous gain 1758%.

BSE's market share in listing of companies in SME segment stood strong at 60% as of March 31, 2019.

India International Exchange ("India INX") is a wholly owned subsidiary of BSE and continues to expand its footprints through various listings, credit offerings and growth of turnover.

Average Daily Turnover in India INX, that is the India International Exchange, witnessed a phenomenal growth of 615% to USD 766 million for the year ended March 31, 2019 from USD 107 million for the year ended March 31, 2018. The turnover comprises of significant contribution by Equity Derivative segment as well as Commodity Derivative segment. The Equity Derivative segment contributed to 73% of the average daily turnover and the Commodity Derivative segment contributed to 27% of the average daily turnover for the year ended March 31, 2019.

You may notice that India INX's market share in the Derivative segment for the year ended March 31, 2019 is 71%.

As of March 31, 2019, India INX's Global Securities Market has cumulatively established medium term notes also known as MTN amounting to USD 42.5 billion and listed debt securities including masala bonds and green bonds amounting to above – USD 14.7

billion. Above 35.3% of Indian issuers of the debt securities in international markets have listed on India INX's global securities market.

Several large Indian corporate entities, public sector units, banks and financial institutions have established medium-term Notes and/or listed debt securities on the global securities market of India INX. These include Export-Import Bank of India, Housing and Urban Development Corporation, Indian Railways Finance Corporation, IndusInd Bank, National Highways Authority of India, National Thermal Power Corporation, Power Finance Corporation, Rural Electrification Corporation, State Bank of India, and Yes Bank.

On April 3, 2019, India has signed a memorandum of understanding with the Moscow Exchange with the aim of connecting investors' community and companies in both countries and allowing the capital information platform on larger scale. BSE and India INX are the first Indian exchanges to enter into the MOU with the Moscow Exchange.

BSE along with Power Trading Corporation of India Limited and ICICI Bank Limited, have filed a petition with a power market regulator, Central Electricity Regulatory Commission in September 2018 for a grant of license for setting up of a new power exchange. The said petition has been admitted and the shareholder agreement has been signed between the said shareholders in the previous month. This proposed institutional exchange subject to necessary regulatory approvals would leverage on the experience and expertise of the other shareholders and stakeholders in their field, their knowledge of the power sector, funding of the power project, associated infrastructure and setting up and running various exchanges and platforms in India and also after the market participants, a credible power trading platform.

BSE has set up a joint venture with EBIX Incorporated, named BSE EBIX Insurance Broking Private Limited for conducting insurance broking business, where BSE holds equity stake of 40% through its subsidiary, BSE Investments Limited. The regulatory approval from Insurance Regulatory and Development Authority, IRDA for the same is awaited.

Interoperability among Clearing Corporations necessitates linking of multiple clearing corporations. It allows market participants to consolidate their clearing and settlement functions at a single counterparty, irrespective of the stock exchange on which the trade is executed. It is expected that the interoperability of clearing corporations would lead to efficient allocation of capital for the market participants, thereby saving on costs as well as provide better execution of trades.

SEBI vide circular in November 2018, approved suitable amendments to the Securities Contracts Regulation, Stock Exchanges and Clearing Corporation Regulations, we also call

it SEBI SECC regulations to, inter alia, enable interoperability among clearing corporations and have issued guidelines to take all necessary steps to operationalize interoperability among clearing corporations but not later than June 1, 2019.

The interoperability framework shall be applicable to all recognized clearing corporations excluding those operating in the International Financial Services Centre at GIFT City, Gandhinagar. All the products available for trading on the stock exchanges except commodity derivatives shall be made available under the interoperability framework.

Now I'll move on to the consolidated financial. On a consolidated basis, the total revenue for the quarter ending March 31, 2019 is higher by 3% to Rs. 182 crores as compared to the previous quarter. The net profit for Q4 FY2019 is higher by 4% to Rs. 52 crores as compared to Rs. 50 crores for Q3 FY2019.

The increase in revenue and profit during the quarter ended March 31, 2019 is mainly attributable to increase in income from operations by 11% to Rs. 116 crores. Over time, the operational revenue to total revenue has been increasing and it stands at 64% for the quarter ended March 31, 2019.

The operating EBITDA for the quarter ended March 31, 2019 has increased by Rs. 6.93 crores to positive Rs. 2.38 crores as against negative of Rs. 4.55 crores in the previous quarter. The net profit margin is constant at 28% in the current quarter ending March 31, 2019 as well as the previous quarter.

On a standalone basis, the total revenue for Q4 FY2019 is higher by 1% to Rs. 158 crores as compared to Q3 FY2019. The increase in revenue during the quarter ended March 31, 2019 is mainly attributable to increase in income from operations by 12% to Rs. 98 crores. Over time, the operational revenue to total revenue has been increasing and it stands at 62% by the quarter ended March 31, 2019.

The operating EBITDA for the quarter ended March 31, 2019 has increased by Rs. 5.61 crore to Rs. 7.73 crore as against Rs. 2.12 crore in the previous quarter.

As on April 30, 2019, the total balance lying in settlement guarantee fund maintained by our clearing corporation is Rs. 394 crores. During the quarter, we have made the provision of Rs. 2.5 crore towards the impairment of investment in IL&FS and another Rs. 1.54 crore in another strategic investment, BSE Sammaan CSR.

And with this, I would like to welcome you once again and invite all of you for question-and-answer. And before that let me inform you that our MD Shri Ashishkumar Chauhan has joined the conference call. And we both will be willing to happy to take your queries.

### **Question-and-Answer Session**

#### **Operator**

Shall I open the floor for Q&A sir?

#### **Ashishkumar Chauhan**

Yes, please.

#### **Operator**

[Operator Instructions] First question comes from Sandesh Gadawale. Sandesh, your line is unmuted. You may speak.

#### **Sandesh Gadawale**

Hello. Am I audible?

#### **Nayan Mehta**

Yeah, please.

#### **Sandesh Gadawale**

Yeah. Thank you, sir. Thanks for the opportunity. I'll just have one question. Where admin and other expenses have increased, so whether IL&FS exposure included in that or not...

#### **Nayan Mehta**

Yeah. So for the purpose of reporting we need to show it as a part of our admin and other expenses. It forms a part of the admin and other expenses. though actually it is not an operating expense, but then IND AS doesn't provide for reporting otherwise.

Sandesh Gadawale

Okay, okay. And how much – total amount is Rs. 17 crores, so almost 70% we have provided.

**Nayan Mehta**

So out of the Rs. 17 crores we have provided for Rs. 12.54 crores.

**Sandesh Gadawale**

So we're getting any interest on that.

**Nayan Mehta**

Can you please repeat?

**Sandesh Gadawale**

Interest, interest.

**Nayan Mehta**

Interest. Interest, we have not received. At in any case, we are not even accruing that income now.

**Sandesh Gadawale**

Okay, okay. Thank you, sir.

**Operator**

Thank you, Mr. Sandesh. Next question comes from Nalin Shah. Mr. Nalin, your line is unmuted. You may speak.

**Nalin Shah**

Yeah. At the outset Nayanbhai and Ashish Chauhanji, many, many congratulations for a very, very outstanding performance. I have a couple of questions to ask you. One is that this buyback amount you have enhanced. Last time I think you have done a buyback for some Rs. 166 crores if I remember correctly.



**Nayan Mehta**

Right, right.

**Nalin Shah**

So this year, I think this time we have enhanced the amount to whooping Rs. 460 crores, just I mean this is a very good, but I just want to understand what is our strategy going to be going forward on this account. Second, my question is that, when do you feel because you have been doing extremely well other than the equity segment, lot of other segments are developing. And BSE is I think almost posing as number one exchange in many respects. So when do you feel that will come out of this grew of about Rs. 200 crores to Rs. 250 crores kind of profitability, and I mean like breakout from this level, that is second question.

My third question is that you mentioned somewhere that now we have some 2.65 crore customers if I remember correctly, we're servicing the exchange. So is there a possibility that the BSE can take its own license of a payment bank or small finance bank or something do this, because we have enough in-house crowd available, which can be a very, very good business proposition. Just if you can give some idea on that.

**Ashishkumar Chauhan**

Okay. So good evening, good morning, and good afternoon, wherever you are. My name is Ashish Chauhan. I'm the CEO of BSE. Yeah, basically buyback is slightly different when we came with IPO also we didn't need money, we had a huge cash surplus on the balance sheet. So we did OFS and we have been having investors writing to us saying that, you need to return the capital. And that's why we did the buyback last year of Rs. 166 crores. Why we did Rs. 166 crore not more is because we had to do it quick and without the AGM approval it allowed only 10%, that's why, we went on the unencumbered cash, reserves of 10%, that was Rs. 166 crores. This year, the Board has decided to provide for 25% of the close to that unencumbered cash reserves which is just become close to Rs. 1800 crore now.

That's why we are going to basically have almost Rs. 460 crores, almost 13% plus of the devaluation that will happen. So 87% shares will remain after we extinguish the bought back shares. So, 15th July is the date on which the AGM would be, after that we will, basically, do the process, if AGM approves that. Why we did this, because even after that we will still have like Rs. 1,300 crore plus as unencumbered cash reserves which will remain in the balance sheet and we are not doing any large investments, which are basically of requiring huge cash. So, all our investments or our activities are basically not

requiring that kind of numbers and will continue to provide capital and also income which we receive, almost the entire amount in the form of dividends. So, if you look at our dividend pay-out ratio is also in excess of 94%, 95% for last five, six years as per the policy and this year also, almost the entire income post tax has been distributed or is being proposed to be distributed as a dividend. And that's what we'll continue going forward. In terms of the profitability, currently, basically what is going to happen is – because we are returning capital, our investment income is going to go down over several years and if we continue to do the capital sort of returns, then our income from that is continues to go down. Against that, our operating income has to grow up commensurately to come out of that Rs. 200 crores to Rs. 250 crores max range. And hopefully, one or two successes like, mutual funds or India International Exchange or commodities or bond distribution or SMEs or EIPOs. So, some of them, if they grow up well, then probably will come out of the framework, but currently our focus is more on making ourselves more broad based getting more and more of market share.

And then as and when the market power permits, we will start charging, because in many cases NSE is subsidizing for not charging at all. And one way for us is to go to Competition Commission win cases, but it takes 25 years, like you have seen in case of MSCI, which went to Competition Commission against NSE they won, then they went to the Appellate Tribunal – Supreme Court. So one way to go is to fight and not be successful, despite you think you win. Other way is to continue to fight, continue to generate market power and then start charging when you can, like what we have done in mutual funds, where NSE is not charging. We're charging and we have been able to generate Rs. 29 crores to Rs. 30 crores of revenue last year.

We are growing 100% year-on-year. So for us, idea is to generate more and more newer businesses, which can create more revenues going forward at pretty much the lowest cost leveraging on our current technology expertise and also operational expertise. That's what our focus will be going forward, in terms of the number of investors, we have unique customer code almost 4.13 crore customers, which is pretty much the double the next exchange in the country. If we take unique customer, they would be in the range you said 2.65 crore.

And we have thought through this, about payments and other things. In fact, the parties which are having 30 crore, 40 crore customers like, the telecom companies, which also have customers which are talking to them, talking through them every moment, are not being able to be successful in payment bank and things like that. We think basically there is a better way to utilize our framework using distribution of financial products to begin with and that's where mutual fund has been successful. Now we have applied to IRDA, with EBIX, to allow us to do insurance distribution, and if we are successful, we will also go into many more other areas because our operational sort of expertise and our

technology expertise, is what we will plan to leverage. But your ideas are correct that we must leverage otherwise we'll continue to remain or continue to – increasingly become irrelevant, while as, now that we have become relevant in certain areas, how do we get more volumes in the trading markets that is commodities, currencies, equity derivatives and equity, and how do we get more and more revenues out of our market share, even the non-trading market, which is basically the distribution markets. So those are the strategies we have and we hope, will be able to generate more revenues going forward in many of these areas.

**Nalin Shah**

Excellent. Congratulations once again for the rewarding the investor in excellent manner. Thank you.

**Ashishkumar Chauhan**

Thank you sir.

**Operator**

Thank you Mr. Nalin. The next question comes from Mr. Shriram Shrinivasan. Mr. Shriram your line is unmuted. You may go ahead.

**Shriram Shrinivasan**

Very congratulations to your number, sir first of all. I'd just like to get some clarifications, actually we are having a tie up with EBIX in terms of insurance broking, right?

**Ashishkumar Chauhan**

Yes, please.

**Shriram Shrinivasan**

Yes, they're having tie up with EBIX, may I know that what will be the contribution that we can expect once the business has been commenced, in terms of our revenue. Because we are losing our lot of market share in equity segment nearly from 92 – we have been doing from 8% to now we are doing in 5%. As well as in terms of commodities market also we are leading with 75% apart from the transaction charges we are looking forward of other things where we can get an ideology to boost up our revenue, right?

**Ashishkumar Chauhan**

Yes. So basically, you have questions which are slightly different, you are asking questions on EBIX but you are asking question, how do you basically generate more revenues, right?

**Shriram Shrinivasan**

Yes. Might getting into insurance broking business.

**Ashishkumar Chauhan**

Correct. So insurance distribution, we are going to be minority shareholder 40%. So it won't be adding into our top line it may add to our bottom line or in value which we may be able to create. But currently we do not have approvals to get into that, as in when the approval comes, we have already prepared a technology along with EBIX and hopefully we'll be able to start quickly using our brokers network as the distribution framework. We have recently started charging on mutual funds and that has given us around Rs. 28 crores, Rs. 29 crores of revenues last year. And that is a significant increase in revenues because otherwise we are basically charging zero till now and that is in some ways people don't count. In terms of the listing fees we have been receiving reasonable listing fees and this year also we will continue to receive the listing fees.

In IPOs we do very well, in equity and equity derivatives, we have not done well, but currency derivatives now we have been very dominant today – as of today on May 7th, we had 65% market share in currency derivatives. Commodity derivatives we started around six, eight months back and we are doing very well agricultural commodities and some days in gold also, currently we are not charging. So as and when we become large we will start charging. Till that time, will have to provide the subsidized services there. So overall, whenever we become market leaders and we have a substantial market power we will continue to charge, where we do not have market powers we won't be able to charge because NSE uses their revenues coming out of the equity and equity derivatives trading volumes to subsidize other markets where they don't charge and so we are forced not to charge.

In Gift City, they have been paying for order flow. They got approvals from SEBI to pay for order flow and we had to actually provide for the similar stuff. But despite NSE paying more, we are still 80% of the market, 75% to 80% of market in Gift City. As and when Gift City, becomes large and profitable, we'll again be able to charge some transaction charges and become large there. So overall, we have got many businesses which are green shoots. Some businesses like mutual funds, we are now seeing some good upside on the revenues. But overall, in equity and equity derivatives we have not been able to do well. Listings,

we are doing well, EIPOs we are doing well. So, in traditional businesses, currencies, equities, IPO, we are doing well. Listings, we are doing well. Two businesses, which is equity and equity derivatives, which you think is the only business we are not doing well, but overall, our revenues have been growing. Our operating revenues have been growing and that's what probably for me, the proof of feeding is.

**Shriram Shrinivasan**

So, one more thing that I like to ask you. Sir, actually if you compare the average daily turnover year-on-year basis for 2019, we can see a straight line of decline in that say, may I know the reason behind that, it maybe respective of market conditions?

**Ashishkumar Chauhan**

Yes, please.

**Shriram Shrinivasan**

Hello?

**Ashishkumar Chauhan**

Yes, please. You're correct.

**Shriram Shrinivasan**

Yes, in respective of market conditions, okay. Sir, as well as in the past year, the trends have been showing that – after the election years, it has been boosting up, whether we can expect some kind of 10% to 15% of boost in the average daily turnover?

**Ashishkumar Chauhan**

I hope it happens, if we have what I call a stable government, probably you might see more IPOs and more IPOs will mean more revenues for BSE.

**Shriram Shrinivasan**

Yes. Okay. So I asked that, just meant get the string of that, what is the percentage of contribution that the equity F&O has been giving to the total daily turnover value.

**Ashishkumar Chauhan**

Equity F&O is zero daily turnover.

**Shriram Shrinivasan**

Okay. So it's in zero percent. It's not that much providing, right.

**Ashishkumar Chauhan**

Yes.

**Shriram Shrinivasan**

Okay, sir. Fine, thanks a lot, sir.

**Ashishkumar Chauhan**

Thank you

**Operator**

Thank you, Mr. Shriram. Next question comes from Ms. Drishti Shah. Your line is unmuted. You may go ahead.

**Drishti Shah**

Good evening, sir. Sir, my question is related to the equity segment. So if you see that our market share has been declining in that segment and that segment itself contributes 30%, 35% to the total revenue from operations. So if we expect this market share to decline further how do we view our revenue from operation going forward, at least for the next year or a couple of years? Because I don't think that the other segments would buck up for the decrease in the revenue – cash segment. So what are your views on that? And my second question is that if other segments are so lucrative for us and we've been gaining market share at later stage in our life, do we expect a high competitive pressures from NSE even in those segments?

**Ashishkumar Chauhan**

See, high competitive pressure is there in all segments. Where we are winning is despite high competitive pressures and huge amount of money spent by competition, right, so

that will continue and still we will have to have market power to make money like in mutual funds we are making. The other question which you had was on equity segment, we're losing market share but we are not losing absolute numbers, so which means our volumes if it remains currently, NSE's volume go up our market share may go down but the absolute value, which we're getting will remain similar, right. So you are mixing up between the absolute number vis-à-vis the percentage number. Understand. Are you getting it ?

**Drishti Shah**

If so but the transaction...

**Ashishkumar Chauhan**

The other expectation, you have is that we will not able to increase our revenues from other sources, just for your information, last year around Rs. 29 crores, Rs. 30 crores came out of the mutual fund segment, which was not there, neither it is in your model. So once you put it in the model, you realize that slowly, if you're growing 100% year-on-year in that business, what kind of revenues would come out of that, right? So many times, we create models and we think the models have to be correct and reality has to somehow fit into that, sometimes models have to be changed to fit to the realities.

**Drishti Shah**

Thank you.

**Operator**

Thank you, Ms. Drishti. The next question comes from Mr. Amit Chandra. Your line is unmuted. You may go ahead.

**Amit Chandra**

Yes. So thanks for the opportunity. So my question is related to the interoperability of the Clearing Corporation. So as you said that it will be beneficial for BSE in terms of some volumes can shift from NSE to BSE, so it will be better if you please explain that how it can happen. For example, anyone who is trading on NSE, after the interoperability coming in, why the volumes will shift Sir?



**Ashishkumar Chauhan**

So basically, today if you trade, say, you buy ACC share on NSE and you sell on BSE, you have to have ACC shares to actually do that, because you are selling on one place. You pay double the margins, you settled double, right, twice. Once the interoperability comes, you buy on NSE, sell on BSE, you pay zero. You don't pay any margins because it's settled on net as if you are trading on one exchange, right. So, it is a huge paradigm shift, which many of us are not been able to comprehend as of now, because, but assume you're trading on one exchange instead of two, what will happen to the.., means, It's like one exchange has two segments, A and B, and it will start trading like that.

So it will clearly reduce people's need for funds to trade on other exchange, people's hassles of, trading on the other exchange. And also, if the clarification comes, even the STT will be reduced for the things which are not settled. So people today, who are not willing to place orders on BSE assuming that they can't come out of BSE on the derivatives, tomorrow, if they buy ACC Futures on BSE and sell ACC Futures on NSE, they have a net position which is zero. Right? And that way people who are not currently willing to trade on BSE will start trading.

That is how, basically, overall it will benefit everyone on their efficient utilization of margins, less efforts on settlements and less, actually zero worry on coming out of positions. Only thing which will not work is that index of BSE is different from index of NSE and that's where we won't have a complete setoff. But otherwise this is going to be very, very beneficial to people who are basically trading and are neutral to ACC, we tell many people, that if you buy a ACC shares on NSE does it get more dividend vis-à-vis if you buy ACC share on BSE? No. Right. But today when you go to buy even if it is 15 paise costlier or one rupee costlier on NSE, today you buy there because your margin is lying there. Tomorrow you won't worry about it because it is interoperable. Right?

**Amit Chandra**

Okay. So you think that the shift of volume that happened because of the derivative being on the NSE. So, that loss of market share that we had in the last four or five quarters of six quarters. So that can recover after this interoperability comes in. And are we taking any steps in terms of educating the dealers or the investors or taking any steps to make sure that the volumes shift from NSE, some volume from NSE to BSE after this interoperability comes in.

**Ashishkumar Chauhan**

Yes. Basically we are going from city to city, our clearing team, because also we need to make a more members on the clearing side, that is Indian Clearing Corporation, that is 100% subsidiary of BSE is now going to compete with the NSE subsidiary called NSCCL, So they are also meeting people, they're meeting people like hundreds, and literally, like – on Friday we had a seminar in BSE hall where 500 people came. And similarly in Ahmedabad, Delhi, Kolkata all such places, we have had several seminars, and continue going forward because, once the clearing member decides, where he wants to clear through, finally, the member, all their customers will have to clear through that and they will get huge benefits of, the sort of margins set off and, even settlement set offs going forward. And so it's an ongoing process. But BSE has taken leadership in thinking about it, in implementation of it, and BSE clearly has a much better technology compared to other exchanges is in this area and other areas. So we think we have a good thing up our sleeve, but it remains to be seen how it finally translates into the higher volumes.

#### **Amit Chandra**

Okay, sir. As you mentioned that you're going to setup a power trading exchange along with ICICI bank, so you know, just to give a picture, what is your timeline for that and how much investment is required for that?

#### **Ashishkumar Chauhan**

So, we have basically committed Rs 12.5 crore, we will eventually probably have 25% of the overall equity, PTC will have 5% and ICICI will have 10% and then the remaining will go to other shareholders. We have already funded the company as of last week between three players around Rs 25.5 crores, which means other people have also putting money. And now, CERC has asked for those details. So once as and when approval happens, within a few months we should be able to go live, given the pedigree that it has of PTC and BSE.

#### **Amit Chandra**

So our investment is INR 12.5 crores. So on the total cost if you see for FY2019 excluding the one offs that we had in FY2019 due to IL&FS, on the one-off last quarter, total cost has gone up by around 10% and the employee cost has gone up 16% y-o-y FY2019. So what is the outlook? Because FY 2019 was bad year in terms of our overall revenue growth, but we were not able to maintain the cost. So what is the outlook from here and how do we see the cost structure going forward?

#### **Ashishkumar Chauhan**

See basically last year we did many, many things including, commodities transactions, which started. Also, the commodities trade for much longer hours than the equities. So, in a way we had to basically invest in people. Also, it's a continual cost because the fact that every day we have to run those markets for longer hours and so on and so forth. That's where, basically you've seen little bit more than the normal increase, otherwise, average employee costs goes up 10% a year-on-year. And then, SEBI also forced us to charge the Investor's Services people cost into BSE instead of separate fund, which they have been forcing us to make. So large part of our listing revenue goes there, and we were charging those people's salaries to that fund. Now from this year, i.e. from FY 18-19, we have started charging their salaries also under the BSE, that's why also you see some increase, sort of in that area. But overall you will see around 8% to 10% increase in employee costs going forward, unless there is some specific sort of instruction from SEBI to charge some more and stuff like that.

**Amit Chandra**

Okay. So the overall cost 8% to 10%, we can assume, the growth.

**Ashishkumar Chauhan**

And IL&FS, we have basically Rs. 12.5 crore charge we have taken and on Sammaan CSR, we have taken Rs. 1.54 crore.

**Nayan Mehta**

This is one time.

**Ashishkumar Chauhan**

This is one time. And even IL&FS is one time, and then debtors, one time we have taken Rs. 7. Crore. So that's how, basically, many of these costs are not annual recurring. But today, because of the way it is presented in IND AS, in fact last quarter you might recall, we have taken the increase in the – on the profits out of the investments as other income, but losses on investment as operating expense that's why you made us into EBITDA negative, right?

**Amit Chandra**

Right sir.

**Ashishkumar Chauhan**

So that's how the IND AS end up playing very good games with all of us and unless we go into further details, so end up we're not sort of allocating totally wonky numbers to everything.

**Amit Chandra**

Okay, sir. Thanks, and all the best for the future.

**Operator**

Thank you, Mr. Amit. Next question comes from Ashish Chopra. Your line is unmuted. You may go ahead.

**Ashish Chopra**

Yeah. Hi. Thanks for the opportunity. I had a couple of questions. So firstly, Ashish, this year we saw – I think the liquidity enhancement scheme towards INX of around Rs. 13 odd crores. And you mentioned that you would like to see the volumes go up, but does the LES kind of continue INX in this fiscal also?

**Ashishkumar Chauhan**

See, till the time NSE continues, we'll have to continue. And although on a rupee to rupee basis we are getting five times more volume. NSE spends more for lesser volumes by almost 80%, 90%. And till the time NSE does it, we'll have to do it. So it's a, in that sense, an investment we are making to remain in the race and continued to be – not only remain remain, but – continue to lead by almost four or five times?

**Ashish Chopra**

Okay. And you mentioned that maybe some more time before you start charging in terms of volumes, and volumes are anyway picked up nicely now to maybe USD756 million ADT, but what is the level of volumes that which you feel that it's adequate enough to maybe start monetizing the exchange?

**Ashishkumar Chauhan**

Not yet clear because that is a frictionless market, right? So anyone paying money to them, people may shift there. And so we will have to continue to watch till the time, what I call market power is at you. Right? And that is pretty far away currently.

**Ashish Chopra**

Okay. And so just...

**Ashishkumar Chauhan**

But it will be very frugal given our lack of resources vis-à-vis NSE, but we'll continue to be more effective as we have done in the past.

**Ashish Chopra**

Fair enough. And sir, on the interoperability side, if you could just share some little bit more light on the timelines as we progress on there. Sir you mentioned that maybe, not after 1st of June, the participants will have to be ready. But then what happens after that if you could just throw some clarity on that. It will be helpful.

**Ashishkumar Chauhan**

Boss! Participants actually don't have to do much. Today, they are settling through two clearing corporations, on June 1 onwards, they'll settle through only one clearing corporation, right.

**Ashish Chopra**

Okay.

**Ashishkumar Chauhan**

Otherwise, they don't have to be, they will just have to make a decision, which clearing corporation they want to start with initially, later on if they want to change probably, they will be able to change. But instead of going to two schools today, they'll have to decide on one school, but the teacher will teach both subjects in the same school.

**Ashish Chopra**

Right. So, interoperability actually goes live from June 1, I was under the impression that maybe a couple of more approvals from SEBI that may be needed before it actually goes live. So, that was all I was wanting to clarify?

**Ashishkumar Chauhan**

Yes. So, competing exchange has been creating doomsday scenario and sky falling type of stuff, because they worry a lot about losing their monopoly and stuff like that. And that's why they have been also spreading many rumors and they have been also using many associations are Indian and foreign brokers and all. But it has been like five, six years since this is being discussed, several committees. And so hopefully, this will not be delayed any further.

**Ashish Chopra**

Got it. And on the insurance broking distribution segment, could you just share what would be the kind of capital outlay that you would have budgeted for?

**Ashishkumar Chauhan**

We have put in – I mean we have 40% of the equity, which will work out to probably five or something max.

**Ashish Chopra**

Okay. And would you expect any operational expenses? So once the approval comes in place, I mean, just wanting to know what other kinds of investments that go into people or any other investments.

**Ashishkumar Chauhan**

Well, that company will have to do it. That will have to do it, it's already ready and EBIX provides technology. We provide some amount of technology and managerial support and that basically, that company takes up all cost of servers and connecting to insurance companies. Already, they are ready with the technology, then we just need to get approval and they start kicking off.

**Ashish Chopra**

Got it, got it. Thanks so much for answer my questions and all the best.

**Ashishkumar Chauhan**

Thank you.

**Operator**

Thank you, Mr. Ashish. Next question comes from Manan Patel. Mr. Manan, your line is unmuted. You may speak.

**Manan Patel**

Thank you for the opportunity, sir. So, my first question is related to your StAR MF platform. So, as last time, I understand your charges per transaction was around rupees nine. So, what was it in this in Q4?

**Ashishkumar Chauhan**

Same.

**Manan Patel**

Okay. And what is your vision like going three to five years down the line for this?

**Ashishkumar Chauhan**

Basically, we want to go be, like close to one or two crore transactions a month from currently 43 lakhs. Right, so that basically you can figure out the revenues on that basis and if you're able to increase some part of the transaction charge per transaction, it will add into that revenue, right.

**Manan Patel**

Understood, sir. Sir, my next question is related to India Inc. So, you mentioned the market share for FY19 was around 71%. Is it right?

**Ashishkumar Chauhan**

Correct. Now probably, this last two months we are doing much better.

**Manan Patel**

Yes. And from what I understand, it was 83% in FY18. So why was the significant loss in market share?

**Ashishkumar Chauhan**



Basically, what happened is NSE started paying for order flow, so that's where they got some portion of order flow diverted to them. But this financial year, again, despite their pain, people are coming more to us.

**Manan Patel**

Understood. So, my last question is what would be your unencumbered cash as of March 31st?

**Ashishkumar Chauhan**

Around Rs. 1800 crores.

**Manan Patel**

Rs. 1800 crores.

**Ashishkumar Chauhan**

Yes, please

**Manan Patel**

And sir, one observation, I'm still not able to find the investor presentation for this quarter on your website or on NSE. So, I think it will be great if you can upload the presentation a couple of hours before the call, so that we can analyze the things and then come up better questions.

**Ashishkumar Chauhan**

Fair

**Manan Patel**

Thank you.

**Ashishkumar Chauhan**

I think they have uploaded, but probably, I have told them to somebody is just not gone again to checkout and reload probably if required.

**Manan Patel**

Sure. Thank you sir.

**Operator**

Thank you, Mr. Manan. Next question comes from Jayesh Gandhi. Your line is unmuted. You may go ahead sir.

**Jayesh Gandhi**

So, all my questions have been answered. Thank you very much.

**Ashishkumar Chauhan**

Thank you, Mr. Jayesh.

**Operator**

Thank you, Mr. Jayesh. Next question comes from Maulik Madhu, your line is unmuted. You may speak.

**Maulik Madhu**

Sir, good evening everybody. So, I have two questions on the StAR MF platform. My call got disconnected, so I don't know if these questions had been answered. But I will be quick. So one, is it possible for you to provide some estimate on what is the likely growth for revenue for the StAR MF platform in 2019-2020. And given that 2018-2019 was the first full year, when charges were levied on the StAR MF platform, would it be reasonable to expect that in the coming financial year, the increase in revenue, if any, is more likely to be driven by increase in transactions rather than the increase in the charges per transaction.

**Ashishkumar Chauhan**

That's a fair understanding. And we have been growing 100% year-on-year for last several years, but on a lower base. So it remains to be seen going forward whether mutual fund distribution grows that kind of numbers then of course, it is also a function of market conditions. If people don't invest in mutual funds, then although we may have a larger market share that numbers may not grow up that well, but if it does, then clearly the

number of transactions is what is going to drive the – basically the revenues going forward.

**Maulik Madhu**

Okay. But is it possible to give some estimated revenue growth number for FY20?

**Ashishkumar Chauhan**

You can try like, just to give you a perspective on March 2018 close for the month, we did 37 lakhs transactions. On April close we did 43 lakhs, so you can see the growth there also, right. In some ways in just one month and the fact is that April was not a great month for mutual funds. Right?

**Maulik Madhu**

Okay, right. Yes, yes. But the transaction – the rates of transaction...

**Ashishkumar Chauhan**

We seem to be growing faster than the industry for last 10 years by pretty much miles, but that doesn't mean that path is a good guide to the future.

**Maulik Madhu**

Yes, true. That was it. Okay. Thank you.

Okay,

**Operator**

Thank you, Maulik Madhu. Next question comes from Mr. Shriram Shrinivasan, your line is unmuted. You may go ahead.

**Shriram Shrinivasan**

Hello.

**Ashishkumar Chauhan**

Yes, please.

**Shriram Shrinivasan**

Sir, as you said about the interoperability of clearing corporation have been now going to commence from June 2019 right? Actually, we have already spoken about the portion of equity derivatives contribution to the Average Daily Turnover, which is nil, but once things happens, whether we can expect some growth in the segment?

**Ashishkumar Chauhan**

I hope, I am internal optimist. But who knows, if it does then it will like, take off. We have the best technology, we have the best services, we have the lowest cost, the issue is monopolistic practices of the existing dominant players and STT both, put together it just becomes too much. Interoperability might put a dent on some of those costs and other things and also worries about just not being able to come out. If it actually comes true, then we think, we will, like we have done in currencies, nobody gave us chance right, in 2014 when we went live and today, we are much larger than other exchanges in currencies, right? So - and we see that kind of traction happening slowly in commodities. And hopefully we'll see in equity derivatives going forward.

**Shriram Shrinivasan**

Yes, fine sir. Thank you. Thanks a lot sir.

**Ashishkumar Chauhan**

Thank you, guys.

**Operator**

Thank you Mr. Shriram. [Operator Instructions] No further questions from the participants sir.

**Ashishkumar Chauhan**

Okay Thank you guys, I hope this is useful.

**Nayan Mehta**

Okay, thank you everyone.

**Operator**

Shall I conclude the call sir.

**Ashishkumar Chauhan**

Yes.

**Operator**

Okay. That does conclude the conference for today. Thank you for participating on Reliance Conference Bridge. You may all disconnect now. Thank you all.

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