

May 16, 2023

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

Symbol: BSE
INE118H01025

ISIN:

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

Sub: Transcript of the Conference Call held on May 11, 2023

Dear Sir/ Madam,

With reference to our letter dated May 04, 2023, intimating you about the conference call with Analysts/Investors held on May 11, 2023, please find attached the transcript of the aforesaid conference call.

This intimation will also be available on the website of the Company: www.bseindia.com.

This is for your information & record.

For BSE Limited

Vishal Bhat
Company Secretary and Compliance Officer

Encl.: a/a





BSE LIMITED
Q4 FY 22-23 Earnings Conference Call



May 11, 2023

BSE LIMITED

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

Moderator:

Ladies and gentlemen, good day, and welcome to BSE Limited Q4 and FY '23 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anand Sethuraman, Head Investor Relations, BSE Limited. Thank you, and over to you, sir.

Anand Sethuraman:

Thank you so much, Faizan. Good evening, everyone. This is Anand from Investor Relations, and welcome to BSE's earnings call to discuss Q4 and FY 2023 results.

Joining us today on this earnings call is BSE's leadership team consisting of Mr. Sundararaman Ramamurthy, Managing Director, and CEO; Mr. Nayan Mehta, Chief Financial Officer; Mr. Sameer Patil, Chief Business Officer; Mr. Girish Joshi, Chief of Trading Operations and Listing Sales; Mr. Subhash Kelkar, Chief Technology Officer; and Mr. Kersi Tavadia, Chief Information Officer.

Do note that this conference is being recorded and the transcript of this call, along with the earnings release and presentation can be found in the Investor Relations section of the BSE India website. Before we get started, I will have to once again take this opportunity to remind you that our remarks today will include forward-looking statements. Actual results may differ materially from those contemplated by these forward-looking statements. And any forward-looking statements that we make today on this call are based on assumptions and BSE assumes no obligation to update these statements as a result of new information or future events.

With this, I will now request Mr. Sundararaman Ramamurthy, MD and CEO, to give a brief overview of the company's financial and business performance for FY 2023.

Sundararaman Ramamurthy:

Thanks, Anand. Good evening, everybody, and thanks a lot for joining the call today. It gives me great pleasure, as always, to address you all today. It's been an interesting journey for me since Jan 4, 2023, when I joined as MD and CEO of BSE. As you may recall in the last quarter earnings call, I had informed that my primary priority is to make BSE a vibrant exchange. I'm glad that we

entered the FY 2023, having made progress in this regard. The major priority areas driving our road map are trading segments of equity, currency derivatives and equity derivatives segment.

Some of the changes that we have brought are as follows. In equities cash segment, BSE has reduced the tick size for scrips below 100 to Rs. 1 paisa from Rs. 5 paisa. As you know, this is unique for BSE. In currency derivatives, we have introduced another unique feature new strike price intervals of Rs. 10 paisa for our USDINR contracts in addition to the existing Rs. 25 paisa strike prices. The Equity Derivatives segment, I'm happy to inform that we are relaunching Sensex and Bankex derivative contracts with lower lot size and a different expiry on Friday, from the traditional Thursday expiry. We believe that these changes will bring more traction. This relaunch is happening on May 15, 2023.

It is early days. Still, I'm happy to inform you the changes in equity cash and USDINR options that we have already brought in have been well received by the market. We are seeing some positive traction in this regard. I also want to update you that BSE has discontinued the liquidity enhancement schemes that were ongoing for equity derivatives and commodity derivatives with effect from April 1, 2023.

In addition, BSE has discontinued software services and hardware infrastructure services that were being offered under the technology program with effect from May 1, 2023. On the stand-alone level for these schemes and services, BSE had incurred cost of about Rs. 32 crores in FY 2023. The relaunched equity derivatives contract we feel will attract volumes and hence, we have discontinued the LES.

Let me now start with the financial updates. FY 2023 was a challenging year. As I mentioned earlier, we have, however, made good progress on our main priorities and setting ourselves up to deliver better results in the days to come. Surpassing all previous year's performance, I'm happy to inform that BSE delivered a record year again in terms of revenues to reach a total revenue of Rs. 954 crores for FY 2023 as compared to Rs. 864 crores in FY 2022, a growth of 10%. Similarly, BSE's operational revenues have grown by 10% to Rs. 816 crores from Rs. 743 crores.

The net profit attributable to shareholders of the company stands at Rs. 221 crores from Rs. 254 crores in the previous year, which is a decline of 13%. The decline is due to the added contribution to the core settlement guarantee fund or the core SGF, to the tune of Rs. 55 crores at a consolidated level. This is an increase of 89% year-on-year. This is on account of added contribution to the currency derivatives and EGR segments.

I will now share some of the key financial numbers on a consolidated basis for the year ended March 31, 2023, as compared to the previous year.

The clearing and settlement operational revenues increased by 64% from Rs. 45.3 crores to Rs. 74.3 crores. Treasury income from clearing and settlement funds have increased by 51% from Rs. 55.1 crores to Rs. 83.2 crores. Other operating revenue, which includes data dissemination fees, training income, software income has increased by 32% from Rs. 68 crores to Rs. 90 crores. Investment income increased by 12% from Rs. 97.5 crores to Rs. 109.3 crores. The operating EBITDA for FY 2023 stands at Rs. 197.4 crores from Rs. 213.1 crores last year. Operating EBITDA margin reducing to 24% from 29% earlier. The net profit margin stands at 22% as against 28% last year as a result of increased in computer technology-related expenses, an increase in core SGF as stated earlier.

On back of these financial results, it's my pleasure to inform you that the Board of Directors of BSE Limited has recommended a final dividend of Rs. 12 per equity share, having a face value of Rs. 2 for the financial year 2022-23, subject to the approval of shareholders in the ensuing Annual General Meeting. The total payoff with the dividend Payout ratio of 98.8% of the current year's profit would be Rs. 165 crores on a stand-alone basis.

I'm confident that as we enter FY 2024. We are well positioned to meet the evolving needs of our customers and create value for our shareholders.

On the business side, let me start by covering our primary market segment.

Fund raising by India continues to be buoyant and BSE platforms continue to remain as well as the preferred choice by Indian companies to raise capital. In FY 2023, the BSE platform has enabled issuers to raise Rs. 14.4 lakh crores to issue of equity bonds, commercial papers, municipal bonds, InvITs, etc. The total number of investor accounts registered with BSE now stands at 13.05 crores, which was 10.15 crores in the previous year, a growth of 29%.

As you may be aware, the equity cash segment has experienced a period of subdued performance in FY 2023, likely attributed to challenging market conditions. But Mutual Fund segment at BSE has been showing interesting and sustained growth.

For the year ended March 31, 2023, the average daily turnover in equity cash segment stands at Rs. 4,132 crores, down by 22% as compared to last year. The average daily turnover in equity derivatives segment stands at Rs. 1.38 lakhs crores, down 48% as compared to the last year. The average daily turnover in currency futures stands at Rs. 18,569 crores, registering growth of 50% as compared to the last year. The average daily turnover in currency options stands at Rs. 7,030 crores. and with the changes that we have brought in, there will be growth in this segment.

Moving on to our mutual fund business, BSE Star MF, a comprehensive platform, continues to generate compounding revenue growth and delivered another year of record revenues and

performance, up 56% year-on-year to reach Rs. 78.6 crores. The strong growth is a testament to the strategic broadening of our business model. This gives us the ability to deliver growth through an array of macroeconomic environment and BSE's continued commitment with the equities market and mutual funds in India.

The total number of transactions processed by BSE Star MF grew by 43% to reach 26.5 crores transactions in FY 2023 from 18.5 crores the last year. BSE's market share stands at 87% among exchange distributed platforms. The BSE Star MF has been consistently reaching new highs in terms of transactions in the platform, processing a new high of 52.3 lakh transactions in a single day in April 2023. On an average, the platform process over 2.2 crores transactions per month in FY 2023 as compared to 1.54 crores in FY 2022. This demonstrates the scalability and reliability of BSE's platform Star MF.

Now I shall cover developments to our subsidiary companies.

India International Exchange IFSC or India INX, the BSE Promoter International Exchange at Gift City, the average daily trading turnover stands at USD 13.1 billion with a market share of over 90% for FY 2023. India INX has about USD 70 billion medium-term notes established and about USD 50 billion of bond listings till date. India INX Global Access platform for investors wanting to invest in global securities has grown to reach a total trading turnover of USD 27.1 billion for FY 2023.

On the insurance distribution front, BSE Ebix Insurance Broking where BSE holds 40% stake through its subsidiary, BSE Investments is now integrated with 26 insurance companies. The total premium collected is Rs. 24.3 crores for FY 2023, a growth of 103% compared to the previous year. BSE e-agricultural markets called BEAM a transparent commodity spot trading platform to facilitate spot commodities transactions across the value chain has now enrolled 1,342 members and executed trades were Rs. 148 crores in Agri and steel segments on the platform during the year. The company is working very closely with several governments and their agencies for direct procurement and disposal of commodities.

In closing, I can say FY 2023 was a challenging but pivotal year for BSE. We have made important progress on our priorities, and we have taken significant steps to improve our product profile.

As we move forward, we see that there is a significant opportunity to continue to expand and evolve the products and services within our core business. The continued investment in our mutual fund business to the innovations that we bring to our trading systems and market data products, BSE is well positioned for long-term success and growth, I'm really focused on doing this in a way that helps BSE as well as the market participants, and this will stay our theme for

the years to come and will make BSE more vibrant. We are set up well to build on this work in 2024 as we continue investing for future growth while remaining focused on delivering strong financial performance. With these updates, I now hand over the call back to Anand.

Anand Sethuraman:

Thank you so much, sir, for these updates. With this overview, let me now welcome you all once again for the Q&A session. Now handing over the call to Faizan.

Moderator:

Thank you very much. The first question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

And first, let me congratulate on a great set of numbers. So just a question on the financials. So if I look at the revenue or the income line items, there are some like other securities services from Rs. 26 crores to Rs. 35 crores on a Q-on-Q basis. Other operating income has doubled in from Rs. 18 crores to Rs. 35 crores. And so, as the other income jumped from Rs. 6 crores to Rs. 12 crores on to play growth. So, can you explain these line items as what has caused the jump in these line items?

Nayan Mehta:

Prayesh, just covering one-by-one, which as you said?

Prayesh Jain:

Other security services has gone up from Rs. 26 crores to Rs. 35 crores Q-on-Q. Other operating income going up from Rs. 18 crores to Rs. 35 crores and other income going up from Rs. 6 crores to Rs. 12 crores?

Nayan Mehta:

So Prayesh, the other security services income comprises from the revenue which we are deriving from other group companies in terms of not only treasury income from clearing and settlement, its clearing and settlement charges. And it also includes various fees such as your admission fees, processing fees and all other fees. So, this is a, because this year, there was an increase in the margins and deposits also which we received and the overall clearing activity, which happened. So, there is an increase in the other securities services. Other operating income basically comprises of income which we have received, which have considered with respect to our subsidiary, BTPL, our technology subsidiary, which is the BSE technologies and BSE Institute. So

there our technology services firm technologies actually had a better year ended actually its revenue rose significantly during the current period, current year. And that was the reason why you see a big comp from Rs. 18 crores to Rs. 35 crores there.

And other income, the hike which you are seeing, that is arising mainly out of the income tax refund, which we have received, the interest thereon, which is considered as an income for the current year. And there is a minor reversal of about Rs. 2 crores with respect to certain expenses of earlier year, which has added to about Rs. 6 crores, Rs. 7 crores of the overall increase.

Prayesh Jain:

So the other security services, as I said in other operating income run rate, is this sustainable at this rate? Or should you think about it differently?

Management:

More or less, it is a forward-looking statement which you have been asking for. But I think we try to do as much it as we can.

Prayesh Jain:

Just reframing this question, forward-looking one. Out of the Rs. 35 crores in the other securities services and Rs. 35 crores of other operating income, is there any one-off items in these line items?

Nayan Mehta:

No, there is no one-off item in this one.

Prayesh Jain:

Okay. Great. And the other question was on expense line items. So, if I look at your employee expense run rate has been trending down. We are at Rs. 42 crores in this quarter. And also, technology cost has gone off on a sequential basis, but on a Y-o-Y basis is still higher. So how should we think about the line items from FY '24 perspective?

Nayan Mehta:

FY '24 perspective, again Prayesh employee cost. Obviously, I mean we need to retain talent. We need to have new talent to come up with to manage the new initiatives and obviously, there will be an upward pressure, which will be normal, which can be seen in any of the organizations. Same as technology costs also, while we in do our level best to manage costs to the best of our abilities. But I mean, there are normal escalations which cannot be avoided year-on-year. And obviously, there are certain improvements which we need to keep updating, which you need to make year-

on-year, which will be there as usual. So obviously, the budget cannot be the same as the previous year in the subsequent year.

Prayesh Jain:

Okay, got that. And just one more thing on the tax side. Could you guide us on tax rate for next year?

Nayan Mehta:

Tax rate will be around 35%. We have a huge MAT which is unutilized as on date and for that, we are investing heavily, whatever we are investing, we are investing in taxable securities. So we will attract maximum marginal tax rate for, probably for the foreseeable future.

Moderator:

Move on to the next question from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra:

Sir, my question is on the steps that we are taking to revive the market share in the cash and also the steps we are taking on the currency side. And also, we are launching a new derivatives contract. So, all these steps obviously are on the positive direction and we are seeing improvement in our numbers and margins also. But how confident are we in terms of gaining that market share in the cash segment which with the initiatives that you are taking? and also, we have spent on the LES schemes over the last many years, and we have tried that earlier also be 5 years back on the derivative side. And again, we are again trying on the derivative side to gain some market share. And as of now, we have no market share there. So, what's your thoughts on these two segments?

Sundararaman Ramamurthy:

Thanks for this question, Amit Chandra. My replay may be slightly founding philosophical. The efforts whether we believe it will bring the market share. Any one effort in itself is not going to bring market share. We just narrated only a few of the efforts that we are making. Market share is a function of how much of market participation happens. And there will be multiple interventions that would be required from a market perspective for this to effectively happen.

This not only includes making changes, but also making members aware of the requirements and importance and talking to them and bringing them back and getting attention into the BSE's platform from the larger public aspect. It is all what we are trying to do at this stage and more and

more every day new things emerge for us, giving us ideas as to how we can better be out to the marketplace.

So, if you ask us whether we are confident that we were doing that, of course, yes, we have to feel confident about whatever we are doing and we go into the right direction. At some point of time, all the efforts that we are putting in will fructify and we will gain back whatever we have seeded away in the past. That is the feeling. The second question is, well, LES was there. It was discontinued now. A lot of efforts were made in the past. We are relaunching what is our view about it - when I think about it, I actually remember a story in the past. I'm not sure you would have heard about the story as all of Robert Bruce, who lost multiple times war against the King of England, and he ran away from one of the battles into a cave when they were sitting, and he was watching a spider. It was trying to climb up the wall of the cave. It was going on falling down. But the spider never gave up, it tried multiple times on the seventh and eighth attempt, it succeeded and then climbed up.

This is an actual story of 1300's, I'm sure if Google, you'll be able to see. Then Robert Bruce went back and with rejuvenated energy fought back and he won the battle. The method is try, try, try again once or twice though you may fail, try try again till you succeed try again. And we are doing it with rejuvenated energy - trying changes, which may look very simple but which may be very material. We have taken market participants into confidence. We have requested them as to what market changes would bring in. So maybe what did not work in the past may work. That is the confidence and expectation with which we are proceeding. I hope I have answered your question.

Amit Chandra:

No, sir. It was a very comprehensive answer. And I also expect BSE to do well in these segments. But the second question would be on the cost side. So historically, we have spent on several initiatives which are not yielding results. So, are we becoming more cognizant on the spending that we are doing on these initiatives mostly from an ROI perspective? and if you can throw some more light on what is happening on the INX side. Is there some consolidation happening like one exchange there? and on our expense that we are doing on INX, can you see some drop there also in terms of expenses there?

Sundararaman Ramamurthy:

Yes. So every decision in respect of listed corporates like us, if you look at it, are taken collectively considering the facts that are available at that point of time. The best interest of the corporate entity. All the expenditures that would have been made prior to me coming and joining here would have been done or were done in that same spirit. And some of them worked, some of them

did not work. The liquidity enhancement scheme is one of the measures that was tried. In retrospect and in hindsight when we look at it probably it has not delivered us results. So, what is not delivering results should be abandoned and we should try something new. That is why we are now thinking about product differentiation and product interplay which is what we should highlight to try to garner volumes that is what we are trying to do now. When you do that, incidentally what happens. There is a better position in the balance sheet and profit and loss and there is a better return on investment. It is just not only the return on investment which is driving you to cut down expenditure. It is also what is effective, what is not effective, what is the cost, what is the benefit. That type of an analysis is what is driving us to take these types of steps. That is one part.

On the INX part, it is a very, very important question that you have asked. It is very close to our heart because it is a national priority and therefore, we would like to ensure and do anything that is possible that we as India are able to provide a place where all the foreigners are able to converge and trade with us with no export of Indian markets abroad. This noble thought has made us to start the exchange first and clearing corporation, well capitalise it and we are running it well with a good amount of market share as you would have seen with 90%. So, this is just a starting in my opinion. Lot of changes are happening in that space, and we are going to be present there in whichever way we can ensure that the national dream of having a GIFT City in India materialises and BSE is as always, a leading part in this noble effort.

Amit Chandra:

Yes. Thanks for that and one last question. So, this is an answer. So, we have seen the operating cash flows being negative for this year. Can you please explain what has led to this?

Nayan Mehta:

Amit, as you are aware that this year was the bad for capital markets. All exchanges trading volumes went down not only in India globally also and it has a cascading effect on all our revenues across the board. So, since the operating income has hit, operate also affects our operating EBITDA and operating margins. At the other side, our core settlement guarantee fund, we had to make an additional contribution of Rs. 26 crores over and above our previous year. So, we have made Rs. 56 crores of contribution to core settlement guarantee fund in the current year which was one of the main factors resulting in our operating income actually showing a dip as compared to what you would have expected.

Moderator:

Thank you, Mr. Chandra. May we request that you return to the question queue for follow-up questions? The next question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal:

Good evening, sir, and thank you for the opportunity and many congratulations on the good set of numbers. Firstly, sir, I would like to know this discontinuation of liquidity enhancement scheme and the support that we were giving to software and hardware services. The total saving together is Rs. 32 crores or just the liquidity enhancement of Rs. 32 crores in FY '23?

Management:

It is close to Rs. 32 crores, the savings which we expect due to discontinuation of the scheme.

Devesh Agarwal:

Okay. And, sir, the way we have discontinued for FY '24, are you having any target in terms of start charging on some of the segments where you are not charging? So, is there any thought process around that?

Sundararaman Ramamurthy:

So, that's a very good point that you are making. There are two objectives always for any entity like us. One is improving liquidity in a market segment so that we are serving better the market. That's a very primary objective. That's our commitment to the marketplace. Commitment to the shareholder is making revenue out of it. While both of them run hand-in-hand, the timing will have to be very apt to manage that both are fulfilled properly.

So, while we today have some of the services where we are not getting any revenue which is given free, we are not in any case having any market share. So that is the place where we are trying to sort of increase our presence and we are trying to get more liquidity there. And once we are able to get some traction, we will of course be charging so that we serve the second interest. That is now the interest which we need to take care of the shareholders. So, it goes hand-in-hand.

Devesh Agarwal:

Understood, sir. But no numbers that you can share that probably this level, once we have 5% market share or something like that, that we would look to charge so that we have some indicators which we can track?

Sundararaman Ramamurthy:

That's a very valid question that you are asking. I wish I am able to provide you a number. I will, if it is anything which BSE as an entity can give us an answer, we would have immediately given. It is all purely market driven as you would certainly appreciate. You are from a securities firm. I'm sure you appreciate what I say. So, it's a question of evolution, right? So, we have to see from May 15, how the equity derivative segment is shaping up. The changes that we brought are all from March only. So, it is just 1.5 months. And we need to do more. We need to wait and watch. So, I will not be able to say at what level of market share I will be able to start charging more in respect of whatever new segments that I am not charging.

In equity derivatives options, already I am charging. It's a smaller number. It will be revisited soon. In equity futures, equity index futures, I'm not charging anything. Once there is some traction, we will charge. Some of the charges we have already started, as you may be knowing, whatever free services were there in respect of co-location, today we are already charging to defray the cost at least to start with, and over a period of time to convert it into a profit centre. So, it will be baby steps. It will be in the right direction. It will not take too much time, but it will take some time to ascertain.

Devesh Agarwal:

Sir, SGF has been a big hitter in FY '23 to our profits. Based on the exit run rate, do you think that there could be further contributions that could be required under SGF or for the time being we don't see any significant contributions coming in?

Nayan Mehta:

Devesh, contribution to SGF depends on many, many parameters. One is your total volumes, concentration of positions, open interest, volatility in the scripts, contracts. So frankly, it is simply impossible for us to judge or project anything about the next year because we are ourselves don't know.

Moderator:

The next question is from the line of Pankaj from Ace Lansdowne Investments. Please go ahead.

Pankaj:

Hi. Thanks for the opportunity. Congratulations for the great set of number. So, yes, my first question is, so you mentioned that we did some changes in last quarter around the tick size, like for equities and for the currency options. So, in the last couple of months, have we noticed any traction in the volumes because of it, or is this too early to guess that?

Sundararaman Ramamurthy:

No, it's a fair question that you're asking. What we have seen is in respect of tick size, the market, there are multiple things which we have seen. The overall impact cost in respect of these securities, we have found as coming down. If you look at it, what was the origin? The origin is up to Rs. 15, whatever securities were there, we had a tick size of 1 paisa. We found in respect of these securities, we had a better market share, better delivery percentages, and also, we have a better impact cost in respect of these securities.

We thought that is very beneficial to the market. We wanted to mimic it for slightly a higher number of securities. So, we went up to Rs. 100. Whatever is up to Rs. 100, the tick size was changed. We find all the three things holding good. We find the impact cost has come down. Our market share in these securities used to be around 9%. Now it is around 11%. A 2% increase in two months, which is short of, I can say, 20%, is an increase in the volume in the market share, because from 9% to 11% is roughly that way. It is still a long way to go, but certainly it has started showing green shores.

And in terms of delivery percentages, we are very happy to tell you around 80% of the total trades in respect of securities up to Rs. 100 at BSE results in delivery. When you compare it with the national average of 19% in other exchange, I think it's a very big number, I feel. So, I think, the purpose for which we launched this is materializing. But as you also rightly pointed out, it is early days. There will be some more traction happening.

In respect of currency options, what we found is, in respect of this 10 paisa strike price intervals, around 65% of the trading is happening in these strikes. So that means we have made some difference. We have started making some meaningful difference in respect of multiple new participants who are entering into this market. So, these are some early indicators for us. Currency options came around March 6, I guess. It's early days, but I think we are making the dent.

Pankaj:

Okay. Thanks for that, sir. My second question is around that ASBA implementation in the secondary market. So, what can be the possible impact for our treasury revenue with ASBA implementation in the secondary market?

Sundararaman Ramamurthy:

It will be too early to comment, Pankaj, because you are talking about ASBA implementation where the contours of the regulatory change in itself is not becoming evident. You may like to

note that this is not an exercise on SEBI's side to increase the revenue of MIIs. It is an exercise from the regulatory side for improving the investor protection. So, the angle from which it is looked in itself is very different, and contours are not clear, so it will be very difficult to give any comment on this stage.

Pankaj:

Okay. No problem. The last question is what is the cash and cash equivalent as on 31, March, own cash and cash equivalent?

Nayan Mehta:

So, Pankaj, as you know that we distribute more or less the entire income which we receive during the year. So and our capex is not very high as compared to many other organizations. So, we still have Rs. 1,400 crores as we would have told you last year also, and all calls we have been telling this, and we continue to have over Rs. 1,400 crores of free cash for shareholders in our standalone books.

Pankaj:

Okay, sorry, if I'm not, I think that last to last quarter it was around Rs. 2,200 crores...

Nayan Mehta:

Yes. That is the total cash in our books, but when you talk about cash in books, I generally understand that it is meant to be free cash for shareholders.

Pankaj:

Correct. Okay, got it. Thank you. That's all from my side. Thank you very much.

Moderator:

Thank you. The next question is from the line of Rishab, an individual investor. Please go ahead.

Rishab:

Could you please guide me regarding the fee structure in the StAR MF platform?

Nayan Mehta:

What happens, Rishab, is that what we recover from the AMC that towards the services comprises of two parts. One is the transaction charges for processing the transaction the orders, and the second is the recovery of the cost which we incur in handling those and processing those transactions. So, there are various slabs which become applicable to different parties depending

on different levels of operations. So, I can tell you one thing that the overall recovery for us is about Rs. 4 per transaction.

Sundararaman Ramamurthy:

Nayan, if I may add, Rishab, if your question is whether there is any cost to the retail investors, there is no cost. If you are asking whether there is any cost to the intermediaries, there is no cost. It is what is the recovery, what we make from AMCs for the services we render to the AMCs.

Rishab:

Yes, I'm saying that during, in terms of the core SGF, can I know the reason for that?

Sundararaman Ramamurthy:

As Nayan told some time back, the SGF computation is based on a complex algorithm that works. It takes into account multiple things like volatility, cleared volumes, etc. So that is the reason because of which based on that algorithm, the number changes, a number is arrived at, and if we have to contribute, we have to contribute. That is SEBI stipulated algorithm and based on which this happens.

Moderator:

Thank you, Mr. Rishab. May we request that you return to the question queue for follow-up questions? We'll take the next question from the line of Vikram Kotak from Ace Lansdowne Investments. Please go ahead.

Vikram Kotak:

Thank you. Hi, Sundar sir. Hi, Nayan. Hi, everyone at BSE. First of all, congratulations for a good set of numbers, and I can see a lot of sweat in the numbers and lot of small changes which you are doing is paying somewhere. So, I have two questions. One is the – I don't know whether I joined late, so maybe if it's answered, then you can – sorry for that. So, one question which you brought with 1 paisa tick size, how do you see this as kind of helping – did you took a survey for brokers? How is it helping you to kind of get more closer to the investors and the broker community? That's my question number one.

Management:

Can I answer it? Yes, see, actually, you missed the answer. I have a very elaborate answer for it. I will just repeat it in a sort of summarized form. The three guiding factors which because of which we thought we should do this is one is the impact cost, improving delivery percentage, and third is, no, accessing more investors through market share. All the three we are finding some traction.

The delivery percentages in respect of these securities at BSE is 79%, around 80% you can take. The impact cost has significantly reduced in respect of these stocks as we compare it with the other exchange, and our market share, which was hovering around 9% before the change, has gone up to around 11% in these securities, overall market share. That is a 2% increase over a base of 9% increase.

Vikram Kotak:

Right. Got it. And Sundar sir, second question for you is that I know you started a few months back and you have gone through the first one full quarter. And where do you see in terms of transition and where do you see in terms of low-hanging fruit or in terms of strategy? You see a long way to go or you are seeing that things are panning out quite quickly? And this is a difficult year, so it's not easy to really implement and really see the result because the tough year for capital market. Do you see whatever steps you are taking, whether it's a good year of bull market or good run on the equity market, do you see the more operating leverage will be playing out to what changes you brought till now and what are the more changes in the offing? That's my question. Thank you.

Sundaraman Ramamurthy:

No, I'm honestly not able to answer your first part. If you are asking for what changes in the operating, that is easier to answer. I'm sorry I did not understand the first part of your question. Can you simplify it in a single line?

Vikram Kotak:

Yes, I'll simplify it. That whatever changes you have taken, done in the last three months, whether it's a 1 paisa transaction, 1 paisa thing or putting the currency derivatives, stop bringing more products, right? It's a tough year, so you can't get all the benefits in the tough year. So, if the year was good, do you see a huge operating leverage there to play out in all these areas of changes which you brought? That's my first question.

Sundaraman Ramamurthy

Okay. The simple answer to it is, yes, it was a tough year, and I joined in the last quarter, and the moment you join, immediately you don't hit the ground running. It takes some time, notwithstanding that we have tried to bring in in the first quarter in itself multiple changes. And as you may be aware, we are relaunching rather Sensex and Bankex derivatives in slightly a modified form based on market feedback from Monday onwards. I'm sure you'll be tracking it.

And incidentally, if any of you are trading, we would like your full support to BSE and these derivatives contracts. We feel that they are wonderful contracts for multiple reasons. Sensex, as

you know, is one of the oldest Index in India. It represents 30 stocks and 12 sectors. And since there are 20 stocks less than two sectors less than this, this is quick. This is Sensitive Index. That's why it's called a Sensex. It incorporates the market price into the price information into the Index very fast. And therefore, that in itself creates a situation of lead and lag with the other big market Index, which is Nifty, giving a lot of product interplay possible between Nifty and Sensex, which is a Sensex derivative of pair trading. Apart from that, because our contract is expiring one day later, in respect of people having positions on Nifty options on Thursday, if they feel that they should recover the theta by waiting one more day, they will be able to transform the position of Nifty options to Sensex options by paying a smaller theta and probably landing up in the money.

These are just two strategies I'm talking about. There are multiple strategies. This is the reason why we have carefully selected Sensex 30 and Bankex derivatives. Bankex is very akin to Bank Nifty. And as you know, both of them enjoy a 99.96% correlation with the other Indices of the other exchange. And they have better volatility profile, and the return profile of Sensex is far superior. And its CAGR has been a very high percentage in the last five years. All this you will be aware of. The reason for bringing this is to rejuvenate the market and bring in vibrancy. You're asking me whether we have belief that it will change the operational capability. The honest answer is, yes.

As far as what the future plans are, which is the second question that you asked, multiple changes could be there and multiple products could come. We are only talking about two products now, and they are both Index products. Today, if you look at the market, the market is suffering from a very big concentration risk. The entire volumes are concentrated in a single trading venue, in a single segment, in a single product with around two or three indices alone, taking care of almost everything in the market. This is a huge concentration risk.

We are seeing in order to provide vibrancy, it's trying to address this risk for the nation and for the investing public, by providing in new products. We are starting with Index. We are sure in the days to come, we'll be having more equity-related products coming in derivatives, more indices, broad-basing the market, and providing protection to the market from the concentration risk which they are suffering today. This is the vision that we have, and it is not going to happen in a day, as you would appreciate. It will take some time. The entire tenure of mine, which is next to four years, is there for me to contribute whichever way I can to the growth of the nation and BSE.

Vikram Kotak:

Super. All the best, Sundar sir, and all the best BSE. Thank you so much for your elaborate answers. Thank you.

Sundaraman Ramamurthy:

Thank you.

Moderator:

Thank you. The next question is from the line of Rahul Kumar from New India. Please go ahead.

Rahul Kumar:

Good evening, sir. My question is, what is the future of gold exchange and social exchange? Are we in the future going to get some revenue in this, two segment?

Sundaraman Ramamurthy:

Sorry, which? Gold, what you said?

Rahul Kumar:

Gold exchange and social exchange.

Sundaraman Ramamurthy:

Gold exchange and social exchange. See, social exchange, you will not be able to get any. That's not a revenue-making exercise. That is a contribution to the society as a corporate citizen, what we all need today. From social stock exchange, at least at this point of time, I am not expecting any revenue. I am here to serve the larger part of the sections of the society through SSE.

Gold Bullion exchange is a separate exchange, which is shareholding of multiple other exchanges. So, it is a fledgling exchange. Gold has a great potential in India. We are talking about 800 tons and what not, but still, we are not the price setter. So, India is having interest in trying to make India the price setter for gold. I am sure since it's a single exchange with multiple people joining together to promote this exchange, this being in GIFT City, which is very close to our heart and nation's interest, I'm sure in the coming days it will grow well. I'm not sure whether you are tracking our EGR. That is another effort for onshore participants we have put in place. It is early days. There are some teething troubles in terms of taxation and other areas. We feel we will be serving the market better very soon with some changes if it comes through the e-gold assets as well within India.

Rahul Kumar:

My next question is how much revenue we get from power exchange? We have some shareholding in Hindustan Power Exchange. Do we get some revenue from that?

Nayan Mehta:

So, Rahul, right now we are not earning any revenues or share of revenue from HPX. It is still in the process of, it's a new exchange and it will take its own time to grow up and revenues. So, it will be very difficult to say, what type of revenue share or profit share we can get from them. However, we are providing technology to them through our group company, BSE Technologies, and that is the revenue which we earn against our services to them. So, we will probably have to wait for some time before we get some returns from the investments which we have made in HPX.

Rahul Kumar:

Okay, thank you.

Moderator:

Thank you. Ladies and gentlemen, we will take the last question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

Yes, hi. Thanks for the opportunity again. Firstly, on the existing businesses of transaction charges or listing fees, any thoughts on increasing the rates in FY '24?

Sundararaman Ramamurthy:

See, I probably do not understand the question. Are you talking about transaction charges or listing fees? Which one are you talking about? What are both?

Prayesh Jain:

Both. I am asking whether there is any thoughts of increasing them in times to come?

Sundararaman Ramamurthy:

See, the rates are sort of competitive rates as far as listing is concerned. So unilaterally to make a comment that we will increase is not possible. It is not any sort of joint effort to increase or decrease, but the market is very competitive. So accordingly, the pricing gets made. So, it will be a function of multiple things where the entire market is moving towards in terms of capital raising, IPOs that come into market, buybacks that come into the market and on and on. And so therefore, it is not a unilateral point of time decision to say that, yes, indeed, we will be raising listing fees. That is one part.

On the transaction charges, I am not sure whether you missed the point which I was making slightly earlier. We do charge subsidized rates in multiple areas, and we do not charge in some areas. If you look at it, for example, in equity options, our charges are very low. Currency options, our charges are almost one-tenth, I guess, compared to the competitor. And in respect of equity futures, we do not charge anything at all.

At this point of time, it is not making a difference because we are not having much of a market share to boast. But we are doing everything to ensure that we will get some market share. So as and when we get market share, will we be revising the charges? Will we be introducing charges? Yes, we will be introducing. We have already started charging certain services which we were not charging before. Like for example, in colo, it was all free earlier, which was in a way taking some amount of the P&L, right? So, which was talked about, the technology scheme which was talked about. So today, we have started defraying the cost. So, like that, in currency futures again, to mention, our charges are one-fifth of what the competition charges. So, there are scopes for us to increase. We are trying to deepen the market. And once we are deepening the market, certainly we will be working towards increasing the charges and taking care of the shareholders' revenues increase as well.

Prayesh Jain:

This helps. On the StAR MF, you mentioned an answer that it's Rs. 4, but if I look at FY '23, it's far lower than that. So, is that the run rate that we should look forward going ahead or how should we think of that?

Nayan Mehta:

It's like this that over a period of time as our volumes increase, the lowest labs will get applicable. And to that extent, there will be a downward trend with respect to the average charges which we are earning per transaction. But as you'll note that we are able to increase our revenue by almost 55% from Rs. 50 crores to Rs. 78 crores in this current year. So obviously, with higher transactions coming on us, obviously that can have an upward impact on our revenues.

Prayesh Jain:

Got that. Yes, that's it from my side. Thank you and all the best.

Moderator:

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

Anand Sethuraman:

Thank you, Faizan. And thank you, everyone, for joining us today. If you have any further questions, please feel free to reach out to us at bse.ir@bseindia.com. Thank you so much.

Moderator:

Thank you. Ladies and gentlemen, on behalf of BSE Limited that concludes the conference. Thank you for joining us, and you may now disconnect your lines.