

May 13, 2024

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

ISIN: INE118H01025

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

Sub: Transcript of the Conference Call held on May 8, 2024

Dear Sir/ Madam,

With reference to our letter dated May 3, 2024, intimating you about the conference call with Analysts/Investors held on May 8, 2024, 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.

Thanking you,

Yours faithfully,

For BSE Limited

Vishal Bhat
Company Secretary and Compliance Officer
Encl: a/a



BSE LIMITED
FY24 Earnings Conference Call



May 8, 2024

BSE LIMITED

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

Moderator:

Ladies and gentlemen, good day, and welcome to BSE Limited FY '24 Investor 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 the 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Anand Sethuraman:

Thank you so much, Sagar. Good evening, everyone, and thank you for joining with us today.

This is Anand from Investor Relations at BSE to discuss BSE's earnings call for FY24. Joining us on this call is BSE's leadership team consisting of Mr. Sundararaman Ramamurthy, Managing Director and CEO; Mr. Deepak Goel, Chief Financial Officer; Mr. Sameer Patil, Chief Business Officer; Ms. Kamala K, Chief Regulatory Officer; Mr. Girish Joshi, Chief of Listing and Trading Development and other members of our Business, Finance, and Investor Relations team.

Do note that this conference is being recorded. 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 once again remind you that our remarks today may include forward-looking statements. Any 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 ventures.

With this, I will now request Mr. Sundararaman Ramamurthy, Managing Director and CEO to give a brief overview of the company's financial and business performance for the year FY 2024.

Sundararaman R:

Thanks, Anand. Good evening, everybody, and a warm welcome to all our esteemed shareholders for joining the call today.

It is with great pleasure that I stand before you today, having completed my first full financial year as the MD and CEO of BSE. This past year has been full of challenges, opportunities and most importantly, a period of immense learning and growth for both me and the entire organization. But overall, I'm happy to say that the last year has been crucial in laying the foundations for the future growth of BSE.

There were several new highs and announcements for the Indian capital markets as well. The combined market capitalization for all listed stocks on BSE hit the INR 400 lakh crores milestone for the first time ever, owing to the buoyancy in the Indian economy and participation across the spectrum.

When I joined BSE, registered investors based on unique client code stood at 12.1 crores, which has since increased to 17.1 crores as on date, a growth of 41%. This is a testament to the growing confidence and interest in the capital markets, and it is our responsibility to help them navigate the financial landscape.

As we witnessed a surge in investor registration, I want to acknowledge a crucial aspect of our responsibility, which is investor education and inertial protection. We have taken concrete steps to enhance and safeguard the ecosystem of Indian capital markets.

The company through its Investors Protection Fund was instrumental in conducting 13,780 investor awareness programs throughout the country the financial year 2023-24.

We have also adopted through digital and social media as a means of spreading awareness as it is the trend seen amongst investors. As a part of digital strategy, BSE successfully made 11 videos on various topics related to securities market in Hindi language with the videos evolving around one common character called Mr. MANE. These Mr. MANE videos became very popular in short span of time with total views across social media and YouTube exceeding 10.75 crores views.

We have also sent investor awareness messages with an embedded video through WhatsApp to over 4.5 crores active investors registered with BSE on various topics related to securities market. Moving on to some notable regulatory initiatives in the area of investor protection.

The Investor Risk Reduction Access, IRRA platform is an initiative, conceptualized and implemented by market infrastructure institution under the guidance of SEBI to reduce risks

faced by investors in the eventuality of technical glitch, a trading member and at both primary sites and disaster recovery sites.

On the listing side, we streamlined the IPO listing process with introduction of T+3-day listing for IPOs. The fastest turnaround time benefits both companies seeking to raise capital and investors eager to participate in new offerings. Coming back to the updates pertaining to the exchange.

I am happy to share that BSE recorded its strongest year in its history with a record revenue of INR 1,618 crores on a consolidated basis. We have successfully relaunched our index options segment and continue to improve its performance while also delivering strong results in our equities, mutual funds and clearing and settlement business. We have also announced plans to launch new products and services to further strengthen our offerings. The investments we are making in our infrastructure will create an even stronger platform for long-term sustainable growth. I will now share some of the key financial numbers on a consolidated basis for the year ended March 31, 2024, as compared to the previous year.

For the first time in history, BSE group revenue crossed INR 1,500 crores to reach a total revenue of INR 1,618 crores, up 70% compared to the previous financial year. This growth is led by strong performance in transaction related income, treasury income from clearing and settlement services and investment-related income. Similarly, BSE's operational revenue have grown by 70% to INR 1,390 crores from INR 815 crores. The net profit attributable to shareholders of the company excluding CDSL stake sale stands at INR 411 crores from INR 221 crores in the previous year, a growth of 86%. The operating EBITDA for FY '24 stands at INR 399.9 crores from INR 197.4 crores last year with operating EBITDA margin expanding to 29% from 24% earlier. The net profit margin, excluding CDSL sales stands at 25% as against 22% last year.

The clearing and settlement operational revenues increased by 70% to INR 126 crores from INR 74 crores. Treasury income from clearing and settlement funds has increased by 121% to INR 184 crores from INR 83 crores. Other operating revenue, which includes data determination fee, trading income, software income, has increased by 3% to INR 91.7 crores from INR 89.5 crores. Investment income increased by 85% to INR 202.4 crores from INR 109.3 crores.

I also want to appraise you of two key factors that impacted our profitability. One is contribution to Core SGF. BSE's clearing arm ICCL has to contribute an amount of INR 91.7 crores for FY '24 towards its equity and currency derivatives segment, which is 67% higher compared to previous financial year. Second is clearing and settlement charges. As you know, these charges are a function of the fee levied on the clearing and settlement services provided by clearing

corporations. BSE has incurred a cost of INR 206.5 crores on a stand-alone basis compared to INR 61.7 crores in the previous year.

As many of you may be aware, BSE has received a letter from our market regulator, SEBI, dated 26th April 2024 with respect to differential regulatory fee for the past periods along with applicable interest. We are currently looking into the matter and pending finalization of the outcome based on the prudence the company has provided in the current period, an amount of INR 170 crores towards differential regulatory fees.

On back of these financial results, it is my pleasure to inform you that the Board of Directors of BSE Limited has recommended a final dividend of INR 15 per equity share having a face value of INR 2 for the financial year 2023-24, subject to the approval of shareholders in the ensuing Annual General Meeting. The total payout with a dividend payout ratio of 71.3% of the current year profits would be INR 206 crores on a stand-alone basis.

I would now like to share updates pertaining to business. For specific numbers pertaining to turnover, kindly refer to the BSE website and the investor presentation.

Let me start by covering our primary market segment. BSE platforms continue to remain the preferred choice by Indian companies to raise capital by enabling issuers to raise INR 21.3 lakh crores by means of equity, debt, bonds, commercial papers, etc.

Moving on to our Trading segment. On the 15th of May, next week, we will mark 1 year since the relaunch of Index Derivatives segment. This relaunch was a watershed moment for BSE. And I am incredibly pleased of what we have achieved collectively in the past year. In less than 1 year, BSE ranks second amongst exchanges globally and our flagship index SENSEX now ranks fourth in terms of derivatives contracts traded according to the data published by the Futures Industry Association, (FIA). More importantly, BSE earned INR 176 crores from this segment despite having promotional offerings of lower transaction charges of INR 500 per crores of premium for Bankex and far-week contracts.

Further, BSE has implemented a new fee structure for SENSEX and Bankex options contract which will be effective from 13th May 2024. It also gives me pleasure to inform you that SENSEX Derivatives is continuing to grow, and it broke its own record on third May 2024 when more than 52 crores contracts traded, representing a notional turnover of over INR 388 lakh crores, and a premium turnover of INR 30,750 crores.

The Bankex contracts has also generated significant interest since its expiry date change to Monday from October 16, 2023, by creating a new record with 19 crores contracts traded,

representing the notional turnover of INR 160 lakh crores. Since relaunch, more than 400 members have traded BSE Derivatives, representing 36 lakh active clients.

In my last earnings call speech, I had announced regarding our strategic plan with respect to the expansion of core data centre, and I'm happy to update that we have completed Phase 1 of our expansion allowing us to accommodate more clients and ensure unmatched serving continuity.

With this price revision, as mentioned earlier, we will be able to ensure continued investments in product innovation and necessary technology upgrades for the trading systems and the data centre capacity.

BSE has recently announced its foray into single stock derivatives space, effective 1st July 2024, all stock derivatives contract at BSE will expire on the second Thursday of the month. This is in line with our strategy to improve our product suite to complement the existing product offerings available in the market.

Moving on to our mutual fund distribution segment, BSE Star MF delivered yet another year of record revenues and performance, up 63% year-on-year to reach INR 128 crores. The total number of transactions processed at BSE StAR MF grew by 55% to reach 41.1 crores transactions in FY '24 from 26.5 crores in the previous year. On an average, the platform processed 3.4 crores transactions per month in FY 2024 as compared to 2.2 crores in FY 2023. The platform also processed a new high of 4.73 crores transactions in April 2024.

Given the growth, we are going to continue investing in StAR MF and improve it in terms of scalability, functionality and order processing and introduce a new platform called StAR MF 2.0 next quarter, that is Q2 FY 2025.

Moving on to our subsidiary businesses now. I also would like to update that S&P Dow Jones Indices LLC is in discussion with BSE for divestment of its equity stake in Asia Index Private Limited, a 50-50 joint venture with BSE. This will be an important area of focus in the coming years given the growth of passive investments in India.

The BSE group directly or via subsidiaries also has its presence in other related business including India International Exchange (India INX), BSE's Exchange at GIFT City, BSE-Ebix, The Hindustan Power Exchange (HPX), BSE's E Agricultural Markets (BEAM), spot platform for trading commodities and BSE Administration and Services Limited (BASL).

BSE is committed to these new areas and is constantly working with partners for the growth of these businesses. As we move forward, we see that there is a significant opportunity to continue to expand and evolve these businesses.

Looking back at the last one year, I'm happy to say that we have done well in our objective of a vibrant trading platform. We have created a strong portfolio of businesses, a rapid pace of innovation and the strategy that is well understood.

Now it's time to widen and deepen our existing product offerings, we feel that we are on the right track. With these updates, I now hand over the call back to Anand.

Anand Sethuraman:

Thank you so much, sir, for the brief update. I would now like to throw the floor open for question and answers. Thank you so much.

Moderator:

The first question is from the line of Pranav Thakker from -- who is an Individual Investor

Please go ahead. Mr. Pranav, your line is unmuted. You can please proceed with your question. As there is no response from the line of the current participant, we'll move on to our next question.

Our next question is from the line of Narayanan R. from Fintrek Research. Please go ahead.

Narayanan R:

So there used to be a slide which was there in your previous investor deck, where you had given market share across your segments. That doesn't seem to be there in the current release. So, I just wanted to get a sense of why it has stopped? And what is the market share in futures and options for this quarter? And how do you measure it? Similarly, what's your market share for the StAR MF in Q4?

Sundaraman R:

Okay. Thanks very much for the question, Narayanan Ji.

As I always see in respect of derivatives, we do not measure the market share at BSE in a normal way in which the market measures it. The reason is the products are different. The case of cash equities, we can talk about market share. In the case of the derivatives, it's very difficult to talk about market share. Our goal has always been that what we do in terms of number of members, number of investors and the number of foreign participants who trade. There, you know the numbers are available in our presentation.

And also, other volumes are available regularly in our website in case you would like to compare it as a market share, it will be easier for you to do. But we are measuring our vibrance in terms of

how much we are extending. Today, we have around 400 members. We always like to grow to 500, 600 members. Today, we have around 3 million UCCs are trading with us. We always aspire for a bigger number there.

Today, we have around 100 FPIs. We want to scale it to at least 200 to 250 FPIs. Today, we had only 2 index products. Now we are slowly making our entrance to stock derivatives. We want to get into more products. Today, a few weeks before or a few months before, our near month expiry was liquid, now that it's slowly getting into the next week and next month as well. This is the way we are measuring our progress.

Narayanan R:

Got it. So, the market share that you used to disclose that was based on what in the past?

Anand Sethuraman:

Sir, it was based on notional turnover for the derivatives market.

Narayanan R:

Okay. Got it. And in BSE StAR, what was the market share in Q4?

Sundararaman R:

We continue to have the same type of a market share of around 85% to 90%.

Narayanan R:

Okay. Got it. Got it. And just 1 follow-up. On this BSE StAR MF 2.0 that you spoke about, what are the key differences between the current platform and the ones that we are planning to launch? And how is it proposing to help us?

Sundararaman R:

Yes. So, if you will recall, the mutual fund industry underwent a lot of regulatory changes and has been evolving over a period of time. So, when you start with the code and we start upgrading it with new changes happening, it's always important in order to ensure the following things namely, functionality, features, resilience, governance, sustainability and growth. We need to always relook into whatever codes we have written and rewrite the platform so that we can reinvent and start from the beginning. So, this is a modular platform, which helps in scaling up different parts differently, and addresses all the areas that you just mentioned in terms of

functionality and other things in this platform. That is what is the major change. So, it will be very helpful for the market in providing stability and functionality for growth.

Moderator:

The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

Firstly, on if I look at your active customer base, you mentioned it's about 3 million. And for the other player also, it's about 4 million. So, I think a large portion of that has been kind of penetration has been reached. Do you think that the ticket size is different, and we can still have a higher growth there, is it possible. And that's the first question. I'll ask the second one after that.

Sundaraman R:

So yes, we feel that there could be further growth in, because of multiple reasons. Because what we find is there is a good amount of significant interest from the institutional players in equity derivatives who are coming in, that is one part. And even with these 3 million players, what we are talking about, while the number may be looking good, the way which you're talking about deepening and widening and broadening what we are talking about in terms of futures volume, next to next month, next month all done. There is a long way to go. That is why we feel that we should extend the customer base to such of those people who have a longer time horizon and therefore the product will be deepened and broadened.

Prayesh Jain:

Got it. Sir, secondly, on the SEBI letter and follow-up price hike, is that completely compensating for further incremental charges firstly that. And secondly, you mentioned that you will be kind of representing to the regulator or probably considering your options on that, if -- is there any possibility of a reversal there? And if there is, then would you cut back the prices?

Sundaraman R:

See, we have brought the prices of the transaction charges of BSE on par with what is the market's existing charges now. In a way, if you look at the SEBI letter, yes we have received a letter on April 26, 2024, wherein we are informed that the SEBI turnover fee should be computed based on the notional value and not on premium. And it just should be done for the last 18 years. It clearly predates my coming into BSE, I am just 15 months old here. And this topic is about 18 years. When I look back at the records that are available with BSE, based on expert opinion taken from time to

time, BSE has been paying it based on premium and not on notional turnover. Now that the letter has come, we will be requesting and representing and submitting and appealing to the regulators to reconsider this decision. And we are very hopeful that we will be heard by the regulator. So that is our request to the regulator. And if it happens, it will be really good. And you also will know that one another major area, which is eating away all the gains that we are making is the charges made by the other clearing corporation, which is very huge. Because of it, a significant part of our earnings are going towards the clearing and settlement charges.

We are also appealing that, that should be reviewed, and it should be reduced. So we hope that this happens, which will help us to get some profit so that we can improve more and more in creation of infrastructure and facilities for the market participants.

Prayesh Jain:

Okay. And sir, lastly, what new index products you think you can bring on? And your competitor has also launched a new contract now. So whether any such index contract is something that you are looking forward to launch that would be helpful.

Sundararaman R:

So it's a very, very interesting and important question that you are asking us. Yes, our products are just -- if you look at it, Sagar the SENSEX derivative is just 1 year old -- going to become 1 year old. And Bankex derivatives is yet to become 6 months old. We are -- so it is too early to be just going on introducing products. Nevertheless, based on market demand, we have introduced to stock derivatives, as you know, which will be a monthly product, but expiring in the mid-month. So similarly, we have quite a few product ideas. We are developing on every one of those ideas. I'm sure we will be coming with one behind the other as and when we feel the products that we have introduced are going on stabilizing. If you recall, I have always been telling that once our product is stabilized, we'll always come out with a new product. We feel that by and large, SENSEX and Bankex are stabilizing now. Therefore, we have come with the stock product. Once we feel that the stock products are going to stabilize, we'll come out with more products as we have a lot of ideas there.

Prayesh Jain:

That's helpful. what is your view on the colocation revenues? And how should we think about this from FY '25 and '26 perspective? And whether these will be profit contributors to these years. That's it from my side.

Sundararaman R:

So one request from my side. There is a big queue. If every person could restrict just to two questions, it will be helpful. I understand the enthusiasm, I really appreciate it. So let this be the last caller who is asking 4 questions. Otherwise, everybody they could restrict it to 2 questions, it will be -- we'll be highly obliged.

As far as colocation is concerned, we feel that it is an important part and parcel of developing, deepening, and widening the market base. Yes, you may know that we started with around 100 racks when we just started the derivative segment. All those 100 racks are consumed. The Phase 1 of our expansion we had undertaken, and I'm happy to say that it is complete, and we are in the process of allocating those racks. And as and when demand comes, we will be building more and more colocation to cater to the market needs. We are here to serve the market as market infrastructure intermediaries. We will be very conscious of it, and we will fulfil our duties.

Moderator:

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

Devesh Agarwal:

My first question is, sir, the tariff increase that you're talking about will be effective from May 13th. Now this -- is basically for the increase in the regulatory costs that we have seen, we had to take this. Otherwise, earlier, we wanted to be more gradual in terms of tariff increase. So my question here is do you expect any impact on the volumes because of this tariff increase given that this is a the exchange fee is a significant part of the auction training cost?

Sundararaman R:

I'm not -- so you are right in telling that we have increased the tariff from May 13th. See, this is very essential for us to increase the cost at this point of time because the clearing and settlement costs are already very high. And there is an increase in the SEBI turnover fee as well. So we've gone ahead and do this so that we are able to break even and able to cater to the increasing needs of provision of infrastructure. So we have done that. And therefore, we feel that it was an essential element of growing the market.

Devesh Agarwal:

But no sense in terms of a likely impact on the volume or too early to talk about it?

Sundaraman R:

It will be like market forces which will decide, I'm sure. I will not be able to see how the market will decide. Our feeling is the charges are in line with what the market is already paying. So we have not changed it in any fashion whatsoever. It was at a discount earlier, a significant discount we have now brought it on par.

Devesh Agarwal:

Right, sir. And sir, my second question would be in terms of this INR 85 crores of clearing and settlement costs that you have paid, how much of that would be for equity options. And of that, how much is paid to NSE?

Sundaraman R:

I do not know where you're getting the number INR 85 crores.

Devesh Agarwal:

Talk about the standalone number for Q4?

Sundaraman R:

Only for the 1 quarter you are talking about. Yes. Got it. A significant portion of it is coming from the option side.

Devesh Agarwal:

And how much will be paid to NSE, sir, of this INR 85 crores?

Sundaraman R:

Significant portion again, goes to NSE around INR 63 crores or around INR 64 crores has gone to NSE from this. What I meant was NSE's clearing house not NSE.

Moderator:

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

Amit Chandra:

My question is on the options profitability. So obviously, after the SEBI fees and the price hike, the option profit -- the option profitability has been impacted. And one of the prime reasons for

that is the lower options realizations that we have versus against it. And we earlier talked about the increase in the options realization maybe on the non-expiry days. So what steps are we taking in terms of increasing the premium to notional ratio? And also, is it fair to assume that with colocation coming in, the overall depth will increase and we'll see an increase in the premium to notional ratio?

Sundaraman R:

That's a very good question. Thanks for asking this. See, the participants decide which expiry is suitable for them to trade. Typically, institutional participants tend to have a longer-term view of the market. So they'd like to talk about next week, next to next week, next month, etc. That's why our strategy has been to deepen and broaden the market using the institutional players and also some of the high-frequency traders also have long-term views where they tend to participate in the longer-term products. So we are encouraging such as those people who have a longer-term view in the market and we are requesting them to deepen and broaden the market so that the one market itself becomes very stable. Two, it really and clearly performs an economic purpose in the market. Three, it improves the premium quality as one would call of the notional to premium ratio. These are the steps we are taking. Some of -- and we also see that providing colo will be very helpful in this direction, because many of the institutional players who like to come in and who have the objective of trading longer-term products, like to have a presence in colo to execute the strategies. So, these are conjoined together in that sense.

Amit Chandra:

Okay. And sir, my second question is on the Core SGF part. So, we have seen a very sharp fall in the currency -- like currency derivatives volumes. And if I'm not wrong 50% of our SGF is parked into the currency. I mean in the last quarter also we can see this.

So is it fair to assume that the future contribution to SGF can be taken care of by shifting some of that from currency -- from one segment to another or is it because it's a very high amount. And correspondingly, in the F&O side we have very low amount. So is it fair to assume that there can be shift there?

Sundaraman R:

See, my understanding of the -- I'm not an expert in core SGF, because it comes from the clearing corporation side, but my understanding of it, it is while there is an increase, it immediately kicks

in. When it has to taper down, it takes time because the increase gets sustained in the system for quite some number of months, before it even could be reworked to brought it down.

So while technically over a period of time, this will be not required in currency because the volumes are coming down, it is suitable and necessary regulatory approvals it can be reused towards other things, other segments, I will not presume that because the volumes have fallen down in the last few weeks or few months immediately the Core SGF requirement will come down, because it is based on peak over a period of time as you will understand. So that is the way I look at it at actually.

Moderator:

The next question is from the line of Navdeep Singh who is an individual investor. Please go ahead.

Navdeep Singh:

Mr. Ramamurthy, first of all, please accept my heart felt gratitude for the kind of performance the company has delivered over the past 1 year. I've been a shareholder for 6 years almost. And I'm sure the business will only grow under your leadership. I have two small shareholder related questions. Our dividend payout ratio this year is close to 71%. Is there a change in the dividend policy because generally, we get close to 100% of the stand-alone profit?

Sundararaman R:

There was no specified policy Navdeep Ji that we have to have a 100% dividend payout. Therefore, it is not a digression from the policy per say. But you are right, in the previous years, almost 100% was the dividend payout ratio. You are absolutely right there.

This year, as you know, the last few weeks, we were to take the stand of providing for a significant amount of our profits towards the differential SEBI regulatory fee and we will be, of course, representing and requesting and appealing to the regulators. Notwithstanding that, as a matter of prudence, we have provided for that has significantly diverted the profits from what could be available for distribution to be provisioned.

And from an absolute number perspective, from INR 165 crores last year, we have paid this year INR 200 crores – INR 206 crores actually, which is around the INR 31 sorry, INR 41 crores increase, which is itself from a dividend amount perspective, around 25% increase in that sense, which we are able to do.

The balance INR 80 crores we have retained and taken to the reserves. As you know, we are also embarking on improving the market infrastructure for the ease of trading of people and also for

providing more and more products. In order to build the infrastructure, it is felt as again, as a matter of prudence, some amount should be taken to reserves and well utilized towards infrastructure building. That was the reason why these numbers have been arrived at.

Navdeep Singh:

One more question on one of our subsidiaries. The exchange we have in the GIFT City, the volumes have kind of dwindled over the past 1 year since NSE has launched its GIFT NIFTY from there. So is there any update on the merger which we are hearing? I mean can you just provide us any information on that, sir?

Sundaraman R:

It's again a good question that you are asking. As you know, GIFT City is very, very close to our heart. The India INX was the first exchange that has been -- that have been established with under the guidance of Narendra Modi Ji, our Prime Minister. We want this exchange to flourish and do very well.

Yes, we are also taking note of the fact that the volumes are dwindling. We are going to develop our efforts to do whatever best we can in the interest of the nation, whereby GIFT City continues to flourish and grow and most volumes come into the exchanges and give a breather for life. We are at it and we will be working on it.

Moderator:

Our next question is from the line of Aaditya Jain from DNNS. Please go ahead.

Aaditya Jain:

First of all, congratulations for the amazing performance. So I have one question. So BSE's major revenue increase has been because of derivatives volume in last 1 year. You have spoken in one of the questions that product stability is one of the key focus and then we are increasing the products.

So in derivative trading, especially in, SENSEX, Bankex, so there were two dates when there were big slippages on the system. 2nd, February 2024 and 12th April 2024. So a lot of traders after these dates were saying that we don't want to trade in these particular products. So my question is, what was the issue on these two dates because of which stop-loss which were there in the system did not get triggered? And second, is BSE doing anything to fix it? And will it happen in

future or not? NSE is relatively more stable in case of such events. So what is BSE's stance? And what are we doing to fix it?

Sundararaman R:

This is a very good question that you're asking. On the two days that you mentioned, it is not the system's stability because of which any of those things happened. And the market movement suddenly happens in respect of exchange, where the order book is not very deep, when the stop-loss orders get triggered because of the change in volatility profile, trades happen at whatever prices that are available in the order book, and therefore you find the graph going slightly in a peak and then coming back to normal.

It is not unique only for this product. In the last 6 months, 7 months, if you take every product available in every exchange has seen such behaviour during the intraday volatility spurts. Having said that, in the interest of product stability whether anything could be done to ensure that such peaks as it happens because of the volatility changes or market information coming in, how it could be sort of smoothened -- how it can be smoothened.

When we look at it, we have introduced multiple actions in the area of surveillance. The latest one is called a Limit Price Protection which was very -- two, three weeks before, I guess, we introduced it. We see such type of measures are continuous and evolving and we will continue to put our efforts to ensure that whatever best we can do to smoothen on such movements.

Market movement, sudden ups and sudden downs are not in our hands, because they are market movements. But when they happen, the impact on the order book automatically becomes less if we deepen and broaden the market. It comes back to our team. That is why more and more efforts should be made to deepen and broaden the market, which we are doing.

And second is whatever additional things that we can do, like LPP, Limit Price Protection, which we talked, it's the latest one, earlier, again, we have done quite a few things, and it is evolving, as I said, we will be working on even providing more and more things wherever we come across on such possibility, to prevent it from happening again, to whatever extent we can.

Aaditya Jain:

Okay. So what I understand is it was a liquidity issue at debt -- at order book and debt level and...

Sundararaman R:

No, no, no, Aaditya. It was a sudden volatility issue because of which when the market moves sharp, auction prices moves sharp. When it moves sharp, stop-loss orders get triggered and

instantly whatever liquidity is available in the market. So it is a volatility which makes it. If you could smoothen the curve by external protection measures like LPP it helps that is why we have put it.

Moderator:

Thank you. The next question is from the line of Jayant Kharote from Jefferies. Please go ahead.

Jayant Kharote:

Just building on to our earlier discussion about the data centre and co-location piece. Sir, if you could outline how is the utilization tracking? And at what level do you feel you'll be comfortable to start monetizing the business, A that and B, in terms of growth, let's say, if we were to approach this monetization slightly slowly and you've added another 100 racks as we understand in that 15kVA product. So what are the plans for the next 1 or 2 years? Where do you see this 200 number going over the next 1 year?

Sundararaman R:

Thank you, Jayant Ji for this question. If you may recall, when we started our journey 15 months before, we had around 100 racks and BSE was not collecting any money from the members, and it was actually subsidizing the the capital costs and the maintenance cost. When we started this derivatives, we said that we will recover the costs associated with the colocation from the members. And so that we will not be out of pocket in respect of the existing racks. So we started charging. Those charges were at a discount to the market charges at the point of time.

Now as the Phase I, we have introduced new racks, brand-new racks by incurring capital cost 100 racks have come into existence. Some of them are 15kVA racks for the first time in India and others are 6kVA racks like everybody else provides. So in order to ensure that we were not out of pocket in respect of both the capex and opex, what now we have done is we have brought the colo rack rent on par with what is there in the market, already the charges have started happening in respect of colo.

What is not yet happening is the charges per message that comes into the colo system, which are applicable in other places, we have not levied. Probably, we will not levy it immediately. We will again allow things to stabilize in some more time. And after some time, we will think of levying probably, at first, paid at a discount and then going full-fledged like what we have been doing all along.

So if you ask with regard to just the colo rack, yes, we have already -- we will not say monetizing. We have already started collecting rent, which will ensure that we are breaking even, and we are not out of pocket in respect of all the racks including the new racks.

Jayant Kharote:

Sir, just to build on this question, do you expect once you start levying on the messaging piece, your yield per rack should match some of the other peers in this business?

Sundaraman R:

Will not because others are charging order messages for the messages as well, which I'm not charging at this stage. So it will not match. It will be still at a discount. I look at it this way Jayant Ji. If there is a discount today, that means there is a scope for me to increase it further tomorrow. So that is the way I'm looking at it. I'm sorry, you asked one question which I had not replied. That was, where do we see the numbers going in a year or two? We already have plans of bringing in 150 more racks, if there is a market demand for which we have identified place. If that also gets consumed, then we will further increase it dependent on the demand. And at the time, we will find the place and do it.

So clearly, we are looking at the market for the demand. So that's timely, we will provide a supply. Well, there will be some gap between demand and supply naturally because it's an evolving area. But as we promised earlier that we are building the new rack, and we will give it to you. And today, hopefully, we are allotting it. We will do the same thing. Once there is a demand building up, we will make it ready to supply.

Moderator:

Thank you. The next question is from the line of Deepak Kumar Ajmera from IGE India Family Office. Please go ahead.

Deepak Ajmera:

Until now, BSE and NSE, what we think was working in collaboration...

Moderator:

Sorry for that. Just give me a moment. Let me just try and reconnect that.

Deepak Ajmera:

So I was saying that until now NSE and BSE, we thought working in collaboration, Friday and Monday was exclusive to BSE, now NSE has launched NIFTY Next 50 on Friday and that too

without any charge. So given that -- that will -- that will eat lots of volume, which is there on BSE, I would like to have your view?

Sundararaman R:

The number of products cannot remain just at 5 in a week because they are only 5 days in a week. At some point of time, there are to be more number of products. I always look at it this way. I look at it as going to a restaurant and ordering only 1 dish. And second is going into a restaurant where a buffet spread is there and choosing whatever we want to eat and eat. When it is a restaurant, which is supplying only one dish initially, there will be a lot of demand because there will be no other restaurant. But over a period of time, people will start preferring a buffet so that they can eat whatever they want. This analogy is what comes to my mind, though it is a very crude analogy, I accept.

So over a period of time, I think more and more products will come in. So more and more products on a single day will continue to be there. And people will be choosing whatever for that day, they need to hedge whatever positions they have, so that every product will start functioning effectively and doing a very good economic role for the market. That's the way I think the market will evolve.

Deepak Ajmera:

So this time, the success on F&O product is because of different day only. And if the different day itself is not there since the market share, which we are gaining is largely due to different day, this is the difference in the strategy earlier -- compared to earlier where BSE has tried and couldn't succeed. So this success is there because of different day and now the different day is not there exclusively. So, we -- that's the concern.

Sundararaman R:

No, you are perfectly right. Initially, the product differentiation in respect of SENSEX which made market participants to look at it, absolutely came because it had an expiry, which did not clash with any expiry and therefore, help in optimal use of the capital. You are absolutely right there. But since the product has gained momentum now, now there will be room for people to any case concentrate on SENSEX and also look at other products that are coming in and use it effectively. The one great advantage of the indices that we have launched till now, they have great correlation with the other indices that are in the market.

For example, if you take Bankex, of course, it has 100% correlation with itself. And Bankex correlation within NIFTY is around 97%. Bankex correlation with SENSEX and NIFTY is around

94%. Bankex correlation with Bank NIFTY is around 99.98%. So clearly, therefore, such a great amount of correlation in itself lends rule for a lot of strategies to evolve. That's what I meant when I said the buffet example. There will be quite a few strategies evolving where when a new product gets introduced if they are having significant levels of correlations like this, actually, the existing product will grow along with the new products, helping the new products also to grow. That's the way I am looking at it.

Moderator:

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

Anand Sethuraman:

Thank you so much everyone for joining us on the call. If you have any further questions, please feel free to write to us at bse.ir@bseindia.com. We'll be happy to take your questions. Thank you so much.

Sundararaman R:

Thank you, everybody.

Moderator:

Thank you. On behalf of BSE Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.