

November 15, 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

ISIN: INE118H01025

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

Sub: Transcript of the Conference Call held on November 10, 2023

Dear Sir/ Madam,

With reference to our letter dated November 3, 2023, intimating you about the conference call with Analysts/Investors held on November 10, 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
Q2 FY 23-24 Earnings Conference Call



November 10, 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 Q2 FY24 Investors Call.

This conference call may contain certain forward-looking statements about the company which are based on belief, opinion and expectations of the company as on the 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 question 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, Investor Relations. Thank you and over to you, sir.

Anand Sethuraman:

Good evening, everyone and thank you so much, Yusuf. This is Anand from the Investor Relations team at BSE and welcome everyone to discuss Q2 FY24 Results.

Joining us on this call 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 Trading and Listing Sales; Mr. Subhash Kelkar - Chief Information officer and Mr. Khushro Bulsara - Chief Risk Officer. Also present here are members of our Finance and Investor Relations team.

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 once again remind you that our remarks today will 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 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 now request Mr. Sundararaman Ramamurthy -

Managing Director and CEO to give a brief overview of our company's financial and business performance for Q2 FY23-24.

Sundararaman Ramamurthy:

Thanks, Anand. Good evening everybody and thanks a lot for joining the call. Happy Diwali. It gives me great pleasure, as always, to address you all today.

As I mentioned in my previous earnings call, the journey we have embarked upon has been nothing short as transformative and I am immensely proud to stand before you today to share our collective achievements and the road map ahead.

Let me start with our efforts to revitalize the BSE Equity Derivative segment. As you may recall, based on member feedback, we had announced the relaunch of Sensex and Bankex derivative contracts with lower lot size and a different expiry on Friday, from May 15, 2023. I believe that building a full-fledged derivatives business is a multiyear journey. I am proud to say that we have made considerable progress to start with the Sensex options. We are 5 months in now, and I am very happy with the trajectory. There are just above 1 million active users at this point and we are now getting to the point where we are going to be focusing on growing the segment further in terms of user base and premium profile. From what we can see currently, market participants have made it their preferred product to trade on Fridays. I am also happy to inform you that we have crossed a significant milestone of having traded more than Rs. 27 crores contracts representing a notional turnover of over Rs. 177 lakh crores today, an all-time high. Our trading systems also process close to Rs. 140 crore orders and Rs. 6 crore trades, which are higher than our equity cash segment. So far, more than 350 members have traded BSE derivatives representing more than 10 lakh UCCs since the relaunch.

For Sensex, currently our focus is improving the volumes on non-expiry days and longer dated contracts and of course we believe there should be far more clients who will trade. I think that if we keep at this for a few more years, then we have a good chance of achieving our vision there. On similar lines, we have reintroduced Bankex derivatives with Monday expiry with effect from October 16, 2023. Though it is still early days, the contract has generated significant interest faster than what we had seen for Sensex. In just its 4th Monday expiry earlier this week, more than Rs. 1.35 crore contracts were traded representing a notional turnover of about Rs. 10 lakh crores. 205 members and 42,574 UCC's participated on that day. For Sensex contracts, this trajectory had earlier taken about 8 to 12 weeks. In my previous earnings call, I had mentioned

that I was confident that appropriate monetization at appropriate time will follow as we move towards achieving critical mass in terms of participation, volumes and liquidity. I am happy to update that we also reached a monetization milestone in respect of Sensex earlier than originally expected.

With effect from November 1, 2023, BSE has introduced a slab wise transaction structure for the current week Sensex options contract primarily to cover our clearing and settlement costs the exchange was barring as well as the initiative that is needed for the growth of Bankex contracts. Beyond Index derivatives contracts, I also want to share some thoughts on our longer-term efforts to upgrade our technology infrastructure and colocation facilities to drive the momentum for the continued growth of Index derivatives. We now have the ability to process Rs. 800 crores plus orders across segments, up from Rs. 110 crore orders about 6 months back. In terms of trades, we have upgraded our capacity to handle 18 crores trades from 2.25 crore trades about 6 months back. Our focus is expanding this capacity even further in order to support the growth of our derivatives and other segments. Similarly, we are working to increase the colo facilities and align infrastructure in our primary site that is the P J Towers in Fort Mumbai. This will be a major focus area and an important part of our strategy and capital investment going forward.

Let me now start with the financial updates. I am happy to inform that BSE has marked a historic achievement, attaining its highest quarterly revenue ever at Rs. 367 crores for Q2 FY24, as compared to Rs. 239.80 crores in Q2 FY23, a growth of 53%. Similarly, BSE's operational revenue has grown by 59% to Rs. 314.5 crores from Rs. 197.7 crores. The net profit attributable to shareholders of the company at Rs. 120.5 crores from Rs. 33.8 crores in the corresponding quarter previous years, which is a growth of 256%.

Key financial numbers on a consolidated basis, I will now share some of the key financial numbers on a consolidated basis for the quarter ended September 30, 2023, as compared to the corresponding quarter previous year.

Revenues from transaction charges increased by 54% to Rs. 98.6 crores, aided by growth in equity cash and mutual fund segment. The Clearing and Settlement operational revenues increased by 98% to Rs. 33.5 crores. Treasury income from Clearing and Settlement funds has increased by 151% to Rs. 57.3 crores. Listing-related income increased by 29% to Rs. 86.7 crores, mainly due to contributions from book-building income and annual-listing income. Other operating revenue, which includes data dissemination fees, training income and software income has increased by

37% to Rs. 25 crores. Investment income increased to Rs. 47.5 crores from Rs. 36.6 crores. The operating EBITDA for Q2 FY24 stands at Rs. 141.7 crores up from Rs. 13.4 crores and operating EBITDA margin increased to 45% as against 7% in the corresponding quarter last year. Similarly, the net profit margin improved to 32% from 12%. I also would like to update that the company bought back 86,532 fully paid up equity shares of face value of Rs. 2 each through tender offer route on a proportionate basis at Rs. 1,080 per equity share.

On the business side, let me start by covering our primary market segment. BSE platforms continue to remind the preferred choice by Indian companies to raise capital. BSE platform has enabled issuers to raise Rs. 3.46 lakh crores by means of equity and debt raising bonds, commercial papers, municipal bonds, etc.

Moving to our trading segment, For the quarter ended September 30, 2023, the average daily turnover in equity cash segment stands at Rs. 5,922 crores compared to Rs. 4,740 crores in the corresponding quarter last year. Like I mentioned earlier, BSE Equity Derivatives volumes have picked up with average daily turnover growing to Rs. 32.82 lakh crores in terms of notional turnover as of October 2023. The average daily turnover in Currency Futures stands at Rs. 10,762 crores as compared to Rs. 18,490 crores the corresponding quarter last year.

Now, let us get into our Mutual Fund distribution segment, which continues to do well. BSE StAR MF delivered yet another quarter of record revenues and performance up 56% year-on-year to reach Rs. 29.35 crores. The total number of transactions processed by BSE StAR MF grew by 63% to reach Rs. 9.6 crore transactions in Q2 FY24 from Rs. 5.9 crores in the corresponding quarter last year. BSE's market share stands at 89% among exchange distributed platforms. BSE StAR MF has been consistently reaching new highs in terms of transactions with the platform for processing a new high of Rs. 3.52 crore transactions in October 2023. On an average, the platform processed Rs. 3.06 crore transactions per month in current financial year as compared to Rs. 2.2 crores in previous financial year. We are going to continue focusing on StAR MF and improve it in terms of scalability, functionality and order processing. The BSE grew directly or via subsidiaries, also has its presence in other related business, including India International Exchange, BSE's exchange at GIFT City, BSE EBIX Insurance Distribution platform with Ebix Inc, The Hindustan Power Exchange HPX in association with PTC India and ICICI Bank, BSE E-Agricultural Markets BEAM, spot platform for trading and commodities and BSE Administration and Services Limited BASL. I am happy to update that the Board of Directors of BSE in the meeting held today have approved the fund infusion of Rs. 22.36 crores in India International Exchange, IFSC Limited, that

is India INX and Rs. 33.88 crores in India International Exchange Limited, India ICC towards purchase of equity shares through subscription of rights issue which is our reflection of commitment to GIFT City.

Earlier on, October 18, 2023, the Board of Directors of BSE had also considered and approved the investment of an amount up to Rs. 30 crores in BSE Investment Limited, a wholly owned subsidiary of BSE which will be deployed in potentially successful opportunities. 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.

In Closing: This was another solid quarter for our business, despite facing some headwinds in terms of expenses. We believe the investments that we are planning to make to scale up our product profile, scaling up our technology infrastructure will enable us to pursue long-term growth for our shareholders and deliver on our mission of Vibrant BSE 2025. Happy Diwali once again. With these updates, I now hand over the call back to Anand.

Anand Sethuraman:

Thank you so much for these updates. I request Yusuf to please open the call for questions and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. First question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal:

My first question is on this clearing and settlement treasury income, we are seeing almost 160% Q-o-Q jump to Rs. 57 crores, is this on account of higher margin money that have during the quarter and if yes, how much is our current margin money and what has been the increase on a sequential basis?

Sundaraman Ramamurthy:

As you know, clearing and settlement charges are a function of the fee levied on the clearing and settlement services that we provide and also the margin money that comes from. Exact number of margin money, I wouldn't have in my hand immediately to reply to you because it pertains to a subsidiary company, which is ICCL, but what certainly I will be able to reply you is yes, the revenue coming from clearing and settlement charges have gone up significantly. It is arising out of the increased margin money as you rightly pointed out and the increase in clearing and settlement services that are being offered by the clearing company to the clearing members.

Devesh Agarwal:

But sir, on console number, what we will be seeing the revenues would be net received from NSE, right in terms of clearing and settlement and not on our own transactions?

Deepak Goel:

Yes, Devesh, you are right, at consolidated level, we will see clearing and settlement expenses which are payable to or paid to NSE net of what we have given to our group company, so that will not.

Devesh Agarwal:

I am asking on the income side, I am talking about the Treasury income on clearing and settlement, which has been reported as Rs. 57.3 crore in the quarter and which is of 158% Q-o-Q on the income front?

Deepak Goel:

So what is your question?

Devesh Agarwal:

What has led to this increase?

Sundararaman Ramamurthy:

For that part of it as I explained to you that increase is coming from ICCL who is our subsidiary company, the clearing and settlement charges are a function of the clearing and settlement services afforded by ICCL to the clearing members as and when that increases, the charges also increase. Also, it is a function of the margins that are maintained. When we talk about increase in the clearing and settlement services that is the function of the volume of trades that pass through them and get settled and since there is an increased activity, there is an increased clearing and settlement and therefore the higher revenue.

Devesh Agarwal:

Moving on to the Options segment in equity derivatives, we reported as revenue of Rs. 4.8 crore this quarter as against this, what was the cost that you have incurred?

Sundararaman Ramamurthy:

The cost that we have incurred is much higher than that revenue there. As you recall, we inherited the charges of Rs. 500 per crore of premium for every option contract traded from the previous way in which it was implemented. Since we were changing, we did not touch the charges at that time and we also made a commitment to these stakeholders at an appropriate time and appropriate level of charges will be levied, which has been done only from November 1 of 2023. So the period which is covered here, the charges that were received were at the rate of Rs. 500 per crore of premium. As against that, I think for the month of September, we would have paid around Rs. 17 crores to the Clearing Corporation. So the charges are much higher than what we received as income. Most of this has gone to NCL since a good amount of clearing in respect of derivatives for all the members in the country happened through NCL.

Devesh Agarwal:

And post the increase sir, in the charges now, are we making any net contribution at the gross level after paying charges to the NCL?

Sundararaman Ramamurthy:

Devesh, you need to give us some time for that because the charges got implemented on November 1, right and we are just now November 10th, and it is not all these days are working

days. There was one Saturday, Sunday at least in between, so give us some time, maybe next quarter things will be very clear as to how the income profile is emerging, how the cost profile is emerging. One point what we should notice, we received revenue in terms of premium earned in crores, whereas we pay charges in a very complex fashion which has multiple components including number of contracts traded, premium, etc. So it is not a one to one comparison. So I will not be able to give you a number now. Since it is too early, we need to wait for some time. Maybe in the next quarter investor call, there will be clarity on how much we are making as money.

Devesh Agarwal:

And one last question on Bankex, we continue to charge Rs. 500 as a tariff at this point in time, any thought around what volume would we be increasing the tariff on the Bankex as well?

Sundararaman Ramamurthy:

Yes, it is a very valid question that you are asking. As we stated in respect of Sensex, we need to levy charges at an appropriate time at an appropriate level. At that time, the question that was asked was what is an appropriate time, we mentioned that we need to have a comfort that the volumes that we are seeing are sustainable. So when we felt that the volume probably in respect of Sensex is sustainable, we levied the charge much earlier than even what we anticipated. The same thing will be done in respect of Bankex as well. The charges will be levied at an appropriate level and an appropriate time when we feel the product has become sustainable and the market will be able to absorb the charges that we levied. The answer is yes, we will levy.

Moderator:

Thank you. Next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

Just extending the point what Devesh was making on the clearing and settlement cost, if the volumes increase from here on by say 20%, would the cost slowdown or how should we think about this number from a growth perspective as the incremental cost per crores will go down or will it be maintained, how should we think about this?

Sundararaman Ramamurthy:

No, it is a very fair question. As I said, it is too early to give you a very clear picture. What I can do is to attempt to give you what the paradigm is. So that now it will be clear next quarter when we are answering it, it will be clearer. As I told that the cost paradigm in respect of clearing of options through NCL is a combination of multiple factors including the number of contracts traded and the premium amount earned out of those contracts that are traded. When we talk about premium and contracts, the premium has a relationship with whether it is in the money, at the money or out of the money. That is one thing which impacts the value of premium and therefore impacts our revenue whereas in terms of number of contracts still it will be 1, right. So the other thing is whether it is near the expiry or before the expiry, whether it is near week, next week, third week, monthly, so it is a combination of, therefore, a complex set of factors. Typically, what I have seen in my experience is as a product mature more from a simple out of the money trading, more and more contracts converge towards in the money and at the money trading as well, and also simply from trading the current week, it goes and extends to the next week and next to next week as well. So therefore what happens is, once the quality of the trading in terms of number of weeks cover changes, the premium changes, then the per crore cost that you incur in terms of clearing and settlement will change and we will be able to study a better impact probably in the coming quarter because by the time we feel Sensex would have graduated, just not first week and next week, even beyond that and also this volume stabilization would have happened and the charges and therefore the cost that we pay could have stabilized and we will be able to throw more light on this with accuracy.

Prayesh Jain:

Just reiterating what you mentioned, is it fair to assume that if the volumes move closer to at the money contract and longer dated contract, the cost per crore will go down?

Sundararaman Ramamurthy:

Absolutely perfect to understand and assume this.

Prayesh Jain:

Secondly, you mentioned that almost every part of the volume you have traded through NSE's Clearing Corporation, is there any way that can change from your side or any push from your side that can change and you don't have to incur this cost in a large manner?

Sundararaman Ramamurthy:

See whether it is the NCL or ICCL whoever is clearing, since they are a separate entity, BSE has to pay the clearing and settlement charges. The one argument you can have is if you pay to BSE's Clearing Corporation, it is in a consolidated accounts position, at least some amount will come back to your balance sheet. That is a fair argument to make so, but that would depend upon the sales promotion capability of ICL and also the member's preference in shifting to ICL from an established place where currently they are trading. While we are very clear and sure that the efforts will be on to help such of those members who want to shift from NCL to ICL and also our effort will be to acquire more new members who are joining the system by providing them better services into Clearing Corporation, that effort will be on, at the same time we should be mindful of the fact whichever Clearing Corporation they clear at this point of time, BSE has to pay a clearing fee to that Clearing Corporation.

Prayesh Jain:

And lastly, any thoughts on currency volumes which have been falling consistently and how do you plan to scale that up?

Sundararaman Ramamurthy:

So that is a very fair question that you are asking. Currency volumes of late I think the country in itself is seeing some amount of not a great growth, it is showing some sort of decline. It could be a combination of multiple factors. Our efforts are on to further and strengthen the currency options segment and so that the volumes can sustain itself and remain at a consistent level. While we will not be able to address macroeconomic factors, we will be certainly able to address whatever we can in terms of more member inclusion, more participation where the efforts are continuously on.

Moderator:

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

Amit Chandra:

So, my first question is on the options revenue and expenses, so just to simplify it, in this quarter based on the old pricing, we have earned Rs. 5 crores of revenue and based on the clearing and settlement expenses excluding what we have done last quarter, this incremental cost of around Rs. 15 crores on clearing and settlement. So, this Rs. 15 crores of cost that is what we have paid to NCL, right and so the revenue that we get on the console P&L, that is the treasury income on clearing and settlement fund, this is the clearing settlement revenue like received from BSE standalone or from NSE, so just want to clarify that?

Sundararaman Ramamurthy:

I am not sure whether I understand the question. My CFO can answer if he is understanding it.

Deepak Goel:

So Amit, I will try to explain it to the best of my ability, the way I have understood. I would say both are not, treasury revenue or the income which we make on balances maintained with ICCL in terms of margin is different from what we pay for clearing and settlement on option business, which happens on BSE platform.

Amit Chandra:

So, the clearing expense of Rs. 15 crores is paid to NCL, right? So this is the correct assumption?

Deepak Goel:

That is the right assumption.

Amit Chandra:

And sir, if you can throw some light on how the clearing and settlement charges as you mentioned that it is not depend on the value that it depends on the number of trades, but mostly if you are a member of one Clearing Corporation then, you can clear either NSE and BSE and as like most of

the participants on the derivative segment are the members of NCL, so most of the clearing is happening on NCL, so how come we are receiving revenues, so our share of revenue from the increasing derivative contracts must be very low because if I am not wrong, we have 10% kind of a market share in terms of the Clearing Corporation in terms of the settlement of trades, so how do we address that? And secondly, on the pricing hike that we have done, so I know that we have increased pricing around 5X, but seeing our pricing in all other segments where we are almost similar to NSE or at a premium to NSE, so is it fair to assume that we can have a similar pricing to the NSE and lastly on the volume that is happening?

Sundaraman Ramamurthy:

I only remember clearly the first question, so let me explain to you how the clearing and settlement charges work. So what has been put in place is there is an interoperability agreement between the two clearing corporations. In the interoperability agreement, there are two basic paradigms that have been defined in respect of derivatives, one is or based on the number of contracts cleared. When it talks about the number of contracts cleared, that again is not a simple arithmetic, there are slabs, based on the slabs, per contract clear what will be the charge becomes different. So that is one first paradigm. The next paradigm that is put in place there is the premium amount collected. On the premium amount collected, again there are slabs and based on the slab, differential pricings are stipulated. So this makes it basically to start with as two factors and each factor having multiple slabs and then it talks about whichever is higher. So in the process, what happens, it becomes a complex number to compute, while in respect of the revenue that we earn, it is very simple in the sense that it is based simply on whatever premium that we receive and on that premium there is a slab and in the slab, you extrapolate and you get the revenue. So because of that it is very difficult to equate one with the other. I hope I had explained the first question. If I have missed anything, please do let me know.

Amit Chandra:

On the pricing part?

Sundaraman Ramamurthy:

I remember you asked me whether we will be raising it to the NSE level, right? That was the question, isn't it?

Amit Chandra:

Yes.

Sundararaman Ramamurthy:

So see, as I told, we started with no derivatives. Derivatives have not been there with BSE for around 23 years because in 2000 derivatives got introduced. So when we introduced now in 2023, there was a charge of Rs. 500 per crore, which was there, we just continued because we were not concentrating on that, we were concentrating on how to find the product which will be useful for the market. The moment we got a feeling that it is right time now that we have brought a product which is useful to the market, therefore the market will be able to absorb some amount of charges. So we, after consulting the market participants and in close collaboration and discussions with them as to what impact it will have on the trade, what type of impact it will have on the Bid-Ask spread, if we put the charges, what will not come in the way of further product development because still it is in nascent stage isn't it? We just introduced it in May 15th and what can I say we are just 6 months around, so in 6 months the product has not reached its full maturity cycle. So at this point of time, whatever it can take, that is what we have put in place. At some point of time, if we feel that the market is mature enough to take a higher charge that could be considered. That is point number one or some other point of time, let us assume Clearing Corporation decide to unbundle the charges and not put the owners of collecting the clearing charges on clearing on the exchange, but let us assume the paradigm evolves where they are going to collect it from the clearing members themselves. Then the entire cost paradigm in itself undergoes a change. Then we will have to revisit whatever charges we are making. Our effort will be to charge that much, which helps in taking care of the interest of the stakeholders and at the same time maintain a balance where it will not come in the way of growth of the product. Is it very easy, no, it is a very fine thin balance. How do we arrive at it? You arrive at it based on trial and error and error should not be there because it can be a trial, it should not be ever an error because otherwise you have killed the product and therefore by way of lot of consulting process with the members and doing your own simulations to see that it can be taken. That is what we will do and that is what we will continue to do.

Moderator:

Thank you. Next question is from the line of Pranav Thakkar who is an Investor. Please go ahead.

Pranav Thakkar:

I am a proud shareholder, and this Diwali couldn't have been better with such a great result. And I would also like to thank you for accepting my recommendation to shift the Bankex expiry on Monday. And sir, I also mentioned that I am a trader and I have a couple of recommendations. First is that being an option seller, I normally do Sensibull or Opstra and also option size chart. So when I visit any of this website, I don't find relevant data or strategies which are available for Nifty. So basically what I am trying to say that if the strategies or relevant data are available same as Nifty or bank Nifty or FIN Nifty, in that case we would be able to attract more option sellers, so are we doing some efforts in that direction if you can advise that?

Sundaraman Ramamurthy:

First of all, Pranav, thanks for your suggestion for shifting of Bankex. As you would have observed, we are always listening to people and whenever we get good feedback from people like you and from our members, we always analyze it and wherever we can, we implement it at the appropriate time and thanks for being a shareholder of us and we really value all our shareholders. You were talking about whether sensible and some other names you said, whether they will be displaying all the data in respect of Sensex and Bankex, which they typically display in respect of Nifty or bank Nifty. As you are aware, they are not our platforms, so we do not have any say, whatsoever on what they do. What we can assure you is anybody asking from us anything which is possible for us to provide, we are always ready to help everybody in the market to come out with such type of information which helps the investors to be intelligent and trade. At this point of time, I am not sure whether there are any requests pending from anybody to us where we have not provided what we could provide, if any of these people whom you mentioned were to approach us, we are more than happy to openly look into it and do whatever the best we can.

Pranav Thakkar:

Sir, another thing is what I have observed many times, if I compare the margin of the BSE vis-à-vis the Theta value which is generating on the expiry date, on Nifty, it is coming like 10 or 15 bps higher, so is there possibility that we can reduce by margin to that extent, so that whatever margin is blocked for trading Sensex or Bankex if it is reduced by around 15%, in that case, I will be able to generate the same return as of nifty, I understand that volatility of Sensex is a little bit higher, but from a trader's point of view, I am feeling that margin if coming a little bit down it will help to increase the volumes.

Sundaraman Ramamurthy:

Thanks, Pranav, for this suggestion. Two points here, one is we will certainly look into your suggestion and see what best we can do, second is having said that margins are based on parameters stipulated by the regulators, so the parameters are applied by the exchanges on the product and whatever number comes out, that is what is charged as margin as you are rightly aware. So, the leeway available with the exchanges for changing the margin parameters is nil and we don't levy anything other than what has been regulatorily stipulated. So having said that, as I told before, we will look into what you said and if there are any merits in it, we can take it up with regulators.

Pranav Thakkar:

And sir, if you can share on the website whatever premium is traded, we can get the notional value of contract, but if you can add the premium value because on the website when you visit, you get total number of contracts traded and the value, but if premium value would be there, as the shareholder, it will give little bit boost and we can get motivated?

Sundaraman Ramamurthy:

Now fully appreciate your suggestion, you will be happy to know that we are already working on it and soon we will be introducing what the data that you are requiring in our website. We are working on it. It is in advanced stages of implementation.

Moderator:

Thank you. Next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani:

Sundar sir, my first question is, you mentioned in your opening remarks about the active users today, could you speak where we are in that journey? What is the possibility in terms of, how many more active users of UCCs, do you think we can reach out to? And then what duration of time did you endeavor to reach out to this universe?

Sundararaman Ramamurthy:

So today to share the numbers more than what was shared in the talk initially I had, we have around 7 crores UCC's uploaded already into the equity derivatives of BSE. It is a very big number. What we see is around 1 million UCC's have already traded in BSE Equity Derivatives. The third important number is at any given point of time on an expiry day if you look at it more than 3 lakh UCC's are regularly trading. So this is data. If you ask where it could be, of course it is anybody's guess. What we feel is probably since there are 7 crores UCC's already in the system and 1 million have already traded and since on a consistent basis, around 3 lakh UCC's are trading, there should be a significant increase in this, and that number should be substantially higher than what currently it is. As I said, it is in nascent stages, it will grow. Maybe it should grow at least to 10x compared to what it is now is our view, maybe, but at some point of time we will reach probably whatever numbers that are in the other exchange. I wouldn't know exactly what the number is, my presumption is it could be some 30 lakhs.

Aejas Lakhani:

And sir, from a market participation standpoint, the more larger advanced Algo traders, where are we in the journey of onboarding them onto the platform?

Sundararaman Ramamurthy:

It is a good question. So if you look at it, many of the large Algo traders who are there today in the Indian market, they have already come in and they have started participating with us. So we feel more and more active participation will happen from them as the product further grows in its stature.

Aejas Lekhani:

And sir, could you just speak a little bit about the co-location, how are you thinking about it? And could you just quantify, sir that what is the space available to you today and by when will the incremental racks come up and how should we really construct our thought process?

Sundararaman Ramamurthy:

Already we have colocation facilities, if you may be aware. We have around 102 racks which is located in our primary data center which is in P J Towers. So we have allocated them to our

members who are aspiring to take them and this is world class colo facility and people are utilizing it already. As we grow the product, our understanding is there will be more and more requirement of colo racks which we will be very happy to provide. We are working on it in finding out space which will suit the requirement within the building in the primary data center itself and we are working to provide it ASAP, so that when a member comes and asks for colo racks we will be able to provide them.

Aejas Lekhani:

Sir, any timelines on when you may incrementally provide this?

Sundararaman Ramamurthy:

It will be a process, it will be going on that, so and then when we get the requirement we will be going on increasing the capability and we will be providing.

Moderator:

Thank you. Next question is from the line of Rahul Kumar an Individual Investor. Please go ahead.

Rahul Kumar:

Sir, my question is, are you planning to introduce more derivatives on Tuesday or Wednesday expiry, IT derivatives or FMCG derivatives?

Sundararaman Ramamurthy:

So Rahul, I will split the question into two. The first question is, are you planning to introduce new products, the short and sweet answer is yes. Are you going to introduce products expiring on Tuesday and Wednesday and Thursday? Sorry, the answer is I don't know, why I say I don't know, I will be coming up with new product ideas and as always I do we will be going to the members and asking them which day of expiry suits them. Whatever the members ask me to do that is what I will do because it is not that I introduce and members trade, it is me who will ask them what I should do and whatever they ask me to introduce as product and whatever is the timeline and whatever expiry date, that is what I will do.

Rahul Kumar:

My second question is sir, we are not getting any volume in Equity Futures, any planning to increase it?

Sundararaman Ramamurthy:

I presume you are asking about individual stock futures. As you would have seen only on the relaunching a product, we are able to get a traction where we concentrated relaunch after talking to the brokers. We have not gone and talked to any of our members about stock product at this point of time. At an appropriate time, we will be talking about the appropriate stocks that we need to introduce and we will do the needful.

Rahul Kumar:

And sir, my last question is on Equity Cash, our market share is housing around 8% whereas in last month we see significant jump, but in this month we are seeing our market share is going down again, so any plan for this?

Sundararaman Ramamurthy:

See the market share of BSE has been a function of what is the total activity in the market and based on that, there is a market share that is coming in. We have been working as I always used to tell with all the institutional members like AMC's, LIC, insurance companies and all requesting them to divert some amount of order flow into our exchange. As you know, historically in the last few years, the market share of BSE has come down to as low as 5%. We are striving hard to take it up. We are working with all of them and we are also working with all the Algo players, retail traders and all to provide a level playing field to BSE whereby there is a significant and good amount of order flow coming to our equities market so that BSE can become vibrant. We will continue our efforts still we reach our goal.

Moderator:

Thank you. We will take the last question from the line of Faizaan Joad from Singularity Holdings. Please go ahead.

Faizaan Joad:

My question is just on the option volume market share, what is the market share, the derivatives volume does BSE aim to capture over the next 2-3 years or even the next 12 months given the traction you received in the last 5 months?

Sundararaman Ramamurthy:

Faizaan, it is factual but also in a lighter vein, my market share is 100% of what it is, why do I say that. My product is not available anywhere else, right? Sensex is available only with me, so whatever I trade is my 100% market share, so that is what a lighter vein, but to answer your question in all sincerity, what you are talking about is what is the growth percentage we are expecting in the market. That is how I interpret it. We are not looking at growing this product in terms of market share because as I said, you cannot compare apples with orange juice and mine is a complementary product, not a competing product. So it will not be fair on my part to talk about market share. We are thinking about extending it to at least 400 to 450 members across the country, have at least 30 lakh UCC's trading on it on a regular basis, have an active current week, next week and next to next week and next month contract. These are the parameters by which we are measuring our success. We are not benchmarking our success in terms of what is happening in the market elsewhere. We are benchmarking our success in terms of whatever is the journey that we are stipulating for ourselves and against which we are telling that where we have to go. That is the way we are looking at it.

Moderator:

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

Anand Sethuraman:

Thank you, Yusuf and I thank all the participants for participating today. I wish you all a Happy Diwali. Thank you.

Moderator:

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