

November 10, 2022

To,
The 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 7, 2022

Dear Madam/Sir,

With reference to our letter dated October 31, 2022, intimating you about the conference call with Analysts/Investors held on November 7, 2022, please find attached the transcript of the aforesaid conference call.

The above information 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 22-23 Earnings Conference Call



November 7, 2022

BSE LIMITED

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

Moderator:

Ladies and gentlemen, good day, and welcome to the BSE Limited Q2 FY '23 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 risk 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 a 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. Good evening, everyone. This is Anand from BSE Investor Relations, and welcome to BSE's Earnings Call to discuss Q2 FY 2023 Results. Joining us today on this earnings call is BSE's leadership team consisting of Mr. Nayan Mehta, Chief Financial Officer; Mr. Neeraj Kulshrestha, Chief Regulatory Officer; Mr. Sameer Patil, Chief Business Officer; Mr. Girish Joshi, Chief of Trading Operations and Listing Sales and Mr. Kersi Tavadia, Chief Information Officer.

Do note that the conference is being recorded and a transcript of this call will be made available on the BSE website. Before we get started, I will have to take this opportunity to once again remind you that our remarks today will include forward-looking statements. Actual results may differ materially from those contemplated by these forward-looking statements. Any forward-looking statements that we make on this call are based on assumptions as of today, and BSE assumes no obligation to update these statements as a result of new information or future events.

I will now request Mr. Nayan Mehta, the Chief Financial Officer of BSE to give a brief overview of the company's financial and business performance.

Do note, the discussion will conclude with the Q&A session. Over to you, sir.

Nayan Mehta:

Thank you, Anand. Good evening, everyone, and thanks for joining the call today. I hope all of you and your loved ones are safe and keeping well. Before I start with the update, I am glad to say that BSE continues to function normally without any interruptions and glitches and has been able to improve its revenues. We are also pleased to inform you that BSE Group continues to expand its activities to service its clients and the economy on the back of the strength of its integrated and diversified model. In Q2 FY '23, BSE has expanded its platform offerings to launch Electronic Gold Receipts and KYC KRA to service the Indian capital markets and the economy.

Let me now start with the financial update. I'm happy to inform that despite the volatile market conditions, the BSE Group delivered a stable financial performance with total revenues of Rs. 240 crores for Q2 FY '23, a growth of 6% as compared to corresponding quarter last year. BSE's operational revenues have grown by 5% to Rs. 198 crores from Rs. 189 crores in the corresponding quarter of the previous year. BSE net profit attributable to shareholders of the company stands at Rs. 34 crores as compared to Rs. 65 crores in the corresponding quarter of previous year. The decline is because of the added contribution to the core settlement guarantee fund to the tune of Rs. 36 crores at a consolidated level, which is an increase of 485% as compared to corresponding quarter last year.

I would now share some of the key financial numbers on a consolidated basis for the quarter ended September 30th, 2022, as compared to corresponding quarter of the previous year:

The clearing and settlement operational revenues increased by 67% to Rs. 16.9 crores from Rs. 10.2 crores. Treasury income from clearing and settlement funds has increased by 71% to Rs. 22.9 crores from Rs. 13.4 crores. Listing related income increased by 3% to Rs. 58.8 crores from Rs. 56.9 crores. Other operating revenue, that is data dissemination fees, trading income, software income increased by 30% to Rs. 18.3 crores from Rs. 14 crores. Investment income increased by 20% to Rs. 36.6 crores from Rs. 30.1 crores. The operating EBITDA has reduced to Rs. 13.4 crores from Rs. 53.2 crores with operating EBITDA margin reducing to 7% from 28% earlier. The net profit margin stands at 12% as against 28% earlier.

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

Funds raised by India Inc. is well up last year's pace, as geopolitical uncertainty along with other macro factors affecting sentiments. Since BSE had revised its listing fees with effect from 1st April 2022, slight uptick in the annual listing fee is seen. Overall, BSE continues to be the market leader

when it comes to raising funds in India having enabled issuers to raise Rs. 3.7 lakh crores through issue of equity, bonds, commercial papers, municipal bonds, InvITs, etc.

The IPO momentum of 2021 has not carried over to 2022 so far. It has resulted in lower book building and listing processing income for the quarter. We expect IPO activity to pick up in the second half of FY 2023. The total number of investors registered with BSE now stands at 11.7 crores.

Let me share update on BSE Trading segments. After record breaking-turnover in FY '22, volatile market conditions have resulted in slowdown during the first half of FY'23. However, BSE has been able to improve its market share for the quarter under review. Facing the challenges of volatile market environment, BSE's performance in trading segment was muted, but currency, mutual funds and insurance segment demonstrated strong growth.

For the quarter ended September 30, 2022, BSE's average daily turnover in equity segment stands at Rs. 4,740 crores, growth of 17% as compared to the previous quarter. In the Equity Derivatives segment, the average daily turnover stands at Rs. 2.26 lakh crores, a growth of 88% as compared to the previous quarter. In the Currency Derivative segment, the average daily turnover increased to be Rs. 32,161 crores as compared to Rs. 24,567 crores in the previous quarter, a growth of 31% as compared to the previous quarter.

I'm also happy to inform you that BSE has become India's first exchange to successfully launch Electronic Gold Receipts after receiving final approval from SEBI. A total of 4 new products based on electronic gold receipts, consisting of delivery units of 10 grams and 100 grams of 995 grade and 999 grade were made available to trade during the Muhurat session on 24th October 2022. This reflects our commitment to continuously facilitate access to high-quality investment-based products and services to investors. Our business team are reaching out to market participants including banks, wholesalers, retailers, importers, exporters, etc, who will participate in this ecosystem. BSE expects greater trades and liquidity in the days ahead as it continues to educate the market and onboard new members.

I shall now discuss our mutual fund distribution platform. BSE StAR MF, India's largest mutual fund distribution platform, continues to grow at a remarkable pace with the total number of transactions growing by 39% to reach 5.91 crores transaction during the quarter from 4.3 crores in the same period last year. BSE's StAR MF platform continues to scale new heights in terms of transaction with the platform processing a high of 2.08 crores transactions for September 2022.

I shall cover developments at our subsidiary companies now.

BSE promoted International Exchange at Gift City, Gandhinagar, India INX, that is India International Exchange, IFSC, has been growing exponentially ever since it commenced trading activities on 16th January 2017, with average daily trading turnover of USD 14.7 billion and a market share of 92.1% for the quarter ended September 30th, 2022. India INX has about USD 70 million medium-term note established and about USD 50 million of bonds listing till date. There has been no change to BSE's stake in India International Exchange, IFSC, which stands at 61.93% and 59.92% in India International Clearing Corporation as on 30th September 2022.

On the insurance distribution front, BSE EBIX Insurance Broking, where BSE holds 40% stake through its subsidiary BSE Investments Limited, it is now integrated with 26 insurance companies. The total premium collected is Rs. 13.2 crores for the half year ended September 30th, 2022, a growth of 78% from the same period last year.

BSE E-Agricultural Markets Limited, also called as BEAM, a transparent commodity spot trading platform to facilitate spot commodity transactions across the value chain has now enabled 1,121 members and executed trades worth Rs. 11.7 crores in agri and steel segments on the platform during the quarter ended 30th September 2022. The company is working closely with several state governments and their agencies for direct procurement and disposal of commodities.

As updated in the earnings call speech last quarter, Hindustan Power Exchange, where BSE has a stake of 22.61% through its wholly owned subsidiary, BSE Investments Limited has commenced operations with Contingency Market Segment (namely intraday and day ahead contingency), Day Ahead Market (DAM), Real-Time Market (RTM) and Green Day Ahead Market segment (G-DAM) segments. The volume traded at HPX, that is Hindustan Power is relatively modest and the exchange is continuously onboarding new members and exploring new products to be launched, which can result in higher volumes going forward.

I am also pleased to inform that BSE Technologies Limited, a private-owned subsidiary of BSE, launched KYC Registration Agency (KRA), on 27th October 2022. The KYC Registration Agency is a SEBI-regulated intermediary that grants the market participants, authorization for investors' KYC, which is mandatory for investment in the securities market.

As updated in our earlier call, SEBI has recorded its in-principle approval to BSE Technologies for setting up Trade Receivables Discounting System also called as TReDS. The final approval is awaited.

With this update, I now hand over the call to Anand.

Anand Sethuraman:

Thank you so much, sir, for this update. With this overview, let me now welcome you once again and invite you all for the question-and-answer session. Thank you.

Moderator:

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

Prayesh Jain:

Just 2 questions from my side. Firstly, could you give some clarity on the SGF thing, why we had to pay such a large amount in this quarter? Any guidance for the full year?

Nayan Mehta:

Hello, Prayesh. The Settlement Guarantee Fund is basically determined by various factors, which is stipulated by the SEBI guidelines, and it is basically derived out of the volumes in any segment, the concentration of positions in any segment, the volatility in that segment. So, during the last quarter, our currency derivatives volumes increased significantly as compared to earlier periods. Because of that, it necessitated that the core SGF as determined and computed according to the guidelines of SEBI has increased. And that is why ICCL, our clearing corporation, had to make a contribution of Rs. 36 crores to core SGF.

Prayesh Jain:

Ok, that's primarily based on the volatility that we've seen. Second question is on the StAR MF thing. If I back calculate the per transaction revenue, it inched up sequentially. Why would that happen? And what should be the purposes going ahead?

Nayan Mehta:

Prayesh, as far as the mutual fund revenue are concerned, from July 1, 2022, SEBI implemented a rule, a process, which we basically call it as non-pooling, whereby earlier the intermediaries would collect the money from the investors. And at the end of the day, they will send one particular amount to the clearing corporation. So, what used to happen is that that the money which is collected by us we have to pay payment gateway charges to our vendors. At the same

time, this money is back-to-back recovered from our AMCs, asset management companies. So, while our top line has increased to some extent, it has been offset by the increase in our expenses.

Prayesh Jain:

So, this is 1 quarter thing, or it will be now recurring, and this gross run rate would be similar in this range?

Nayan Mehta:

Yes, it will be recurring. Obviously, it will have some incremental expenses also, but they will be slightly less than what we are recovering.

Prayesh Jain:

Interesting. And with regards to equity derivatives, any changes in the thought process on charging the segment for transactions?

Sameer Patil:

Yes. So, we have already started, but that is very miniscule on the options segment. But as you know, as you understand, we are still giving incentives for the order flow. So, we will continue to do that. And eventually, when we see sizable amount and then we can think about charging them.

Prayesh Jain:

And then lastly, anything on the CEO appointment?

Neeraj Kulshrestha:

No, there is no information as of now.

Prayesh Jain:

There is no further update?

Neeraj Kulshrestha:

No, nothing.

Moderator:

The next question is from the line of S.K. Srivastav, individual investor. Please go ahead.

S.K. Srivastav:

Many thanks for giving the opportunity for the questions. First, I would like to thank all the respected members of BSE for making it India's best exchange. I have a very small question. Is there any plans of listing of any of the subsidiaries of BSE in near future?

Neeraj Kulshrestha:

No, there are no such plans.

Moderator:

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

Devesh Agarwal:

My first question is you did mention that other expenses are up on account of SGF contribution, but the increase that we see on a sequential basis is almost Rs. 45 crores, while the SGF contribution is Rs. 36 crores. So, is there any other one-off as well in this number?

Nayan Mehta:

So, Devesh, other than the SGF, the increase is also on account of increase in clearing house charges. So, since the number of transactions which happen on BSE to the extent, they get cleared by NCL or by ICCL. So, obviously, BSE has to pay clearing house charges. So, those are the ones which have increased by about Rs. 4.5 crores. Also, there was an increase in professional fees, which I just mentioned earlier, because to offset the income which we are receiving from the mutual fund segment. So, these are the 2 main reasons why our expenses have increased, other than SGF.

Devesh Agarwal:

And would you be able to quantify, sir, how much is the increase in the mutual fund expense?

Nayan Mehta:

It's basically a provision right now. But the total amount based on the number of transactions which have come to us directly instead of getting pooled at the intermediaries. The total amount is close to about Rs. 7 crores.

Devesh Agarwal:

And sir, in other income, also, is it all M2M gains or there is some one-off income that has been booked?

Nayan Mehta:

Devesh, which amount are you referring to here?

Devesh Agarwal:

The Rs. 36.6 crores number that you have for the quarter.

Nayan Mehta:

So, the M2M component obviously has been totally controlled now. I mean the total M2M for us as on date is about Rs. 4 crores at the most, and that is positive for us in this. What we have done, Devesh, is that consciously after the 2 hikes, which happened in the first quarter, we have moved away from instruments, which are mark-to-market. And again, there was always a risk of further depreciation considering the vibes we are getting on with respect to the happenings in U.S. and globally as well as in India. So, in the last year 1 or 2 quarters, we have really got some significant good deals in debt, basically in state development loans and also in fixed deposits. So, we have actually moved a lot of money from the mutual fund segment to basically debt and fixed deposits.

Devesh Agarwal:

The overall volatility will now come down in the other end

Nayan Mehta:

Yes

Devesh Agarwal:

Is this a run rate say around Rs. 30 odd crores is what we can build in for our estimates, quarterly run rate?

Nayan Mehta:

See, in the best-case scenario, we can expect a return of around 6.5%.

Devesh Agarwal:

And sir, on your new spot gold exchange, the EGR that you have launched, what we understand from the other exchange that there are certain GST issues, which can restrict the overall volume growth on that platform. Your views on the same? And secondly, are there any plans to start charging for this platform? Or we have a certain time limit before we start charging for this?

Sameer Patil:

So, Devesh, just to answer this, we launched EGR only last week at the Muhurat during Diwali session and we got a very good response for this. We have started charging for it right from day 1, and second, as far as the clarification, we still await clarification on the GST, and it might come soon. So, then this product can really take off then.

Devesh Agarwal:

What are the changes, sir, for this?

Sameer Patil:

It is Rs. 345 per crore. Same as equity because it's part of the equity segment.

Moderator:

You have a question from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra:

Thanks for the opportunity. Sir, you mentioned about the hike in existing fees, it's applicable from 1st of April. So, the fees were hiked up for all companies or only for exclusive companies? And what's the rationale behind it because we already have increased it in the past and it is at par with NSE. So, are you planning to increase it higher from here?

Girish Joshi:

Fees will increase marginally for all companies and some companies where the market cap is higher, we have linked fees to the market cap for a highly capitalized company.

Nayan Mehta:

So, Amit, it is like this, it is the industry practice. Now the competition exchange also leverages the listing fees based on market cap. Earlier, we were charging it on the basis of the equity capital. And so, this is one improvement which we have made in our revenue profile.

Neeraj Kulshrestha:

And every few years what happens because of the increase in regulatory activities that are expected on all these companies. So, this is like something like that. So, it's not that this is out of the blue. This will happen, continue happening, every few years.

Amit Chandra:

And in this StAR MF, obviously, there is increase in the realization, but excluding the pass-through, are we seeing additional pricing pressure from mutual funds or were stable from the mutual fund side?

Nayan Mehta:

Amit, there is no pressure on the mutual fund side because our charges are very, very low.

Neeraj Kulshrestha:

Correct. And like this was a new change, which has come about. And as we have already said that this is currently a provisioning and also separately discussions are also on. Let's see where we go.

Amit Chandra:

And sir, any update on the monetization of the StAR MF platform because it has been there for the last 1, 1.5 years, but we have not received any update. So, what exactly is going on? Is it still into consideration or we have not received any interest from any investors in that?

Nayan Mehta:

Basically, we have not solicited any interest from anyone actually. The last 2-3 months, obviously, because of the much higher number of transactions which have come to us directly, we are basically ensuring the robustness of our systems and the business. But as we have told earlier in case there is any strategic interest or financial interest for any serious investors, obviously, we will not stop that person from coming to approaching us.

Amit Chandra:

So, anyone has not approached or there has been the disconnect in terms of valuations being asked? Or any update on that would be helpful, sir.

Sameer Patil:

No, we have not pursued much on that at this point of time.

Nayan Mehta:

There were 1 or 2 inquiries in between, but obviously, we felt it was not serious, so we left it.

Amit Chandra:

And lastly, sir, on charging. Because INX volume has been increasing and any plans on charging on INX in the near term? Or any threshold in mind wherein that if you reach that, then you start charging? Or is it going to be free for the next few years?

Sameer Patil:

So, everybody was in fact, waiting for this connect to happen. It has also happened now. But still, just to be in the competition, at least for the time being, we think we won't be changing. We continue not to charge, as done by competition.

Moderator:

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

Devesh Agarwal:

Thank you again, sir, for the opportunity. Just 2 questions from my side. I missed your comments on the KRA business. So, what is the update here, sir?

Neeraj Kulshrestha:

So, KRA business, we have gone live with the business. And so, we are live. We are one of the KYC KRA participants now in the industry and we are offering our services. And now this business, we will take this forward.

Devesh Agarwal:

Sir, CDSL is one of the leading KRA where we own 20% stake. So, why have we thought to go through separately in this business? Any thoughts around that?

Neeraj Kulshrestha:

So, in this particular thing, see, what happened is there was this whole background where SEBI itself wanted exchanges to also consider this activity. So, therefore, all exchanges. Now what we

realized is that as an exchange, there were synergies because all investors, whichever segment they come to essentially from a member perspective, there is a lot of synergy in that. So, therefore, it was felt and that is the whole reason. This question is, in a sense, late because we have already announced much earlier that we are already going to pursue this business. So, that is the thing.

Devesh Agarwal:

And sir, finally, on the HPX. I think all the products were now being launched somewhere in July, August, but still, I think the market share has been subdued. So, any plans out there? What are your thoughts in terms of improving the volumes and market share on that platform?

Neeraj Kulshrestha:

So, see, those are actively under consideration by the respective Board out because see what happened is the most important thing for us was first to get the license and then get started. And then what happens in this industry, it's a very limited industry. There are new participants, there are members who need to be onboarded it, etc. There is all this process, which is on this participant. And there is opportunity also there. But it will take some time, but hopefully, since I understand that there is an incumbent there. So, there will be competition. It will take some time, but it will happen. And its early days, but we are now ready, and we are one of the best platforms, by the way, in the power sector, as a power exchange, which is well acknowledged by the market participants also. Now the point is to get liquidity there.

Devesh Agarwal:

And any plans to add in to power derivatives?

Neeraj Kulshrestha:

Again, see, this is a product which SEBI has to approve. So, there is no such proposal from SEBI. So, you understand our framework, right? We can only look at products when SEBI approves products like in EGR. When SEBI approved it, then only we can launch.

Moderator:

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

Prayesh Jain:

What would be your free cash on the balance sheet as of date?

Nayan Mehta:

Prayesh, on a stand-alone basis, it is about Rs. 1,376 crores.

Prayesh Jain:

This is available to investors, right?

Nayan Mehta:

Yes.

Prayesh Jain:

And secondly, longer term as from a 3 to 5-year perspective, do you see any of these new products that we've spoken so much about, your INX, your gold receipts, power exchange, derivatives, any of these contributing or together contributing to, say, 15%, 20% of the revenues? How should we think about it somewhat say, a 3-to-5-year perspective from these products, particularly?

Nayan Mehta:

Prayesh, each of the segments is a gold mine. The thing is that its time has to come. See, we are in a very unique business where there were type of duopoly or oligopoly. And sometimes what happens is that the product comes first, and the market then develops. So, we have set up the products. We have set up the infrastructure. We are now marketing our products, but something may happen in 1 year, something happening in 2 years, something happen in 3 years. But the fact is that each of them is not a product where you can lose hope, or you can say this will not work.

Prayesh Jain:

Actually, from a point of view that like our revenues have been kind of in that trajectory, not seeing very strong growth in spite of the fact that the markets have been very buoyant. So, that's where I was coming from, as to how do we see BSE's revenues growing in the next 3 to 5 years? And possibly while the core business of cash volumes might not grow at an alarming pace, but the other segment can really drive up the revenues and possibly we can look at something like 18% to 20% kind of revenue guide. Is that a possibility?

Nayan Mehta:

Prayesh, we are in a financial market. When things happen, they happen in a very nonlinear fashion. You have been tracking us since many years now. And you have seen how our revenues change with different economic and macro conditions. And the thing is that that if some products start working, it can start generating a stream of revenues, which we would not have thought of earlier. So, I'm in the same stage as much as you are. We are working towards delivering the best results out of our efforts. But we have to wait and see how it happens.

Sameer Patil:

Also, Prayesh, if you look at the mutual fund contribution, we started mutual funds way back in 2009, and we started pricing it only recently, until back a couple of years, okay? But now if you see the contribution towards the topline, it's huge. But on the positive note, the EGRs, when we have launched the EGR, right from day 1, we have started applying transaction charges on the trades. So, that is also a positive.

Prayesh Jain:

And last question, SGF, is there any discussion with the regulator to allow flexibility to withdraw from it?

Neeraj Kulshrestha:

So, see, those discussions are ongoing. So, they keep happening and regulator has agreed sometimes, does not agree and then we have to work around some of the regulations. You see what further can be done. Okay. So, I'll just twist this whole thing into just one specific point that whenever we have an amount to be set aside for SGF, please understand that it's a good problem to have. Because what it means is, there are volumes, there is a lot more clearing taking place in that particular clearing corporation. And that is the reason which necessitates the increase in allocation towards this SGF. So, all I am trying to tell you is that the good problems come this way. and what it means is the volumes once they come, along with that we have further abilities in terms of how to get monetized and further, etc. So, look at the positive side of these things. While it's an allocation, no doubt, but what it means is that there are volumes which are coming.

Prayesh Jain:

Okay. Sorry, just last one more. CDSL stake sale, 20% or 15%. Any thoughts there now?

Nayan Mehta:

Prayesh, we'll have to reduce 5% by 2nd October 2023. That's the mandate that we have for the regulation and at the approximate point of time, we would be taking appropriate decision on that matter.

Moderator:

Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Anand Sethuraman for closing comments.

Anand Sethuraman:

Thank you so much and thank you all for being here today. Do know that should you have any further questions, or you need any particular information or data, please reach out to us, or write to us at bse.ir@bseindia.com. Thank you so much.

Moderator:

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