

BSE - PUBLIC

Date: February 15, 2022

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 February 8, 2022

Dear Sir/ Madam,

With reference to our letter dated February 1, 2022 intimating you about the conference call with Analysts/Investors held on February 8, 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



Prajakta Powle
Company Secretary and Compliance Officer

Encl.: a/a



BSE LIMITED

Q3 FY 21-22 Earnings Conference Call



February 8, 2022

BSE LIMITED

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

Moderator

Ladies and gentlemen, good day and welcome to BSE Limited Q3 FY22 Investor Conference Call. 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, Investor Relations, BSE. Thank you and over to you, sir.

Anand Sethuraman

Thank you so much. Hi, this is Anand from investor relations and welcome to BSE's Earnings Call to discuss the Q3 FY'2022 Results.

Joining us today on this earnings call is BSE's leadership team consisting of

- Mr. Ashishkumar Chauhan -- Managing Director and Chief Executive Officer,
- Mr. Nayan Mehta -- Chief Financial Officer,
- Mr. Sameer Patil -- Chief Business Officer,
- Mr. Girish Joshi -- Chief Trading Operations and Listing Sales,
- Mr. Neeraj Kulshrestha -- Chief Regulatory Officer
- 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 would like to take this opportunity to remind you that our remarks today will include forward-looking statements. Actual results may differ materially from those contemplated by these forward-looking statements. Any forward-looking statements that we make today 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 would now request Mr Ashishkumar Chauhan – M.D. and CEO, BSE to give a brief overview of the company's performance which will be then followed by a Q&A session. Thank you.

Ashishkumar Chauhan

Thanks, 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'm glad to say that despite the most recent COVID scare, BSE continues to function normally without any interruptions or glitches and has been able to improve business and financial performance.

I will start with the broad financial results for the quarter ended 31st December 2021. BSE's operational revenues have grown by 60% to Rs. 192.67 crores for the quarter ended 31st December 2021 from Rs. 120.59 crores in the corresponding quarter previous year. Further, BSE's net profit attributable to shareholders of the company increased by 89% to Rs. 61.29 crores from Rs. 32.37 crores in the corresponding quarter previous year. Operational performance has continued to grow across business segments resulting in higher operational revenues and profits.

Steered by our robust financial results and the continued confidence in the long-term future of our business, the board of directors of the company has recommended issue of 2 bonus equity shares of Rs.2 each fully paid up for every 1 current equity share of Re.1 each fully paid up. This is in line with the company's objective to strengthen its capital structure and enable shareholder participation in its growth.

On the business side, let me start by covering our primary market segment. Funds raised by India Inc. continues to be buoyant and BSE platforms continue to remain the preferred choice by Indian companies to raise capital. The BSE bond platform has enabled issuers to raise Rs. 5.2 lakh crores through issue of bonds, commercial papers, municipal bonds, InVITs, etc., And the equity platform has enabled fundraising to the tune of Rs. 72,213 crores during the quarter ended December 2021. The total number of investors registered with BSE now stands at Rs. 9.6 crores and continues to move up.

I shall update you on BSE's trading segments now which have witnessed growth in the quarter ending December 2021, reflected in the operational performance in the current period. For the quarter ended December 31, 2021, BSE's average daily turnover in the

equity segment increased by 44% to Rs. 5,217 crores as compared to the corresponding period last year.

In the Equity Derivative segment, average daily turnover increased by 23% to Rs. 2.47 lakh crores as compared to the corresponding period last year.

In the Currency Derivative segment, average daily turnover increased by 29% to Rs.27,124 crores as compared to the corresponding period.

BSE continues to make rapid inroads in the commodity derivative segment and remain second largest commodity derivative exchange in India. The average daily turnover for the quarter ended 31st December 2021 increased by 80% to Rs. 4,910 crores from Rs. 2,730 crores in the same period last year with market share increasing to 12.5% from 7.4%. The steady growth can be attributed to new and unique products such as almond, cotton^{J34}, SUFI Steel futures and gold options in goods as well as continual focus on deliveries and innovation.

BSE also continues to bring in expertise depth in liquidity by signing MoUs with more physical market participants in the quarter including Gem and Jewellery Council, Nasik Saraf Association, South Tamil Nadu Jewellers Guild and The Bullions and Jewellers Association. BSE also sought regulatory approval to launch electronic gold receipts as a new segment that will enable trading of spot gold in India.

Let me now update you on the BSE's SME segment. I'm happy to inform you that the next month BSE this will complete 10 years of operationalizing India's first SME exchange. This is endeavoured to support the SMEs in startups in India has seen listing five companies on its SME platform and one company on startup platform during the quarter ended December 31, 2021, taking the total companies to 358 and 13 respectively. The 358 SMEs raised Rs. 3,794 crores and the 13 startups raised Rs. 58.6 crores by the BSE platform with now market value of Rs. 47,659 crores and Rs. 261.2 crores respectively as of December 2021. BSE's market share in the SME segment stands at 60%.

I shall now discuss our mutual fund distribution platform. BSE's StAR MF, India's largest mutual fund distribution platform continues to grow at a remarkable pace with total number of transactions growing by 106% to reach 5 crores transactions during December 2021 quarter from 2.4 crores in the same period last year. Overall, the platform

achieved 12.82 crores transactions within the first nine months of financial year 2021-22 as compared to 9.38 crores achieved during the entire financial year 2020-21.

BSE's StAR MF platform continues to scale new peaks in terms of single day transactions with the platform processing a high of 26.65 lakh transactions on January 10, 2022, outdoing its previous best single day record of 26.52 lakh transactions on November 8, 2021. It also continues to contribute consistent net equity inflow to the mutual fund industry with inflows of Rs. 21,081 crores for Q3 FY21-22.

BSE StAR MF App launched in May 2019 to help mutual fund distributors, register clients on real-time basis and execute paperless transactions, has processed over 45 lakh transactions till date.

I shall cover developments of our subsidiary companies now. BSE promoted International Exchange at GIFT City, Gandhinagar, India INX has been growing exponentially ever since it commenced trading activities on January 16, 2017, with average daily trading turnover of USD 4.676 billion and a market share of 94% for the quarter ended December 31, 2021. India INX has more than USD 58 billion medium term notes established and over USD 34 billion of bond listing till date.

Owing to investments by certain strategic and financial investors, BSE's stake in India INX is further reduced to 71.81% and 69.28% in India International Clearing Corporation as on 31st December 2021.

India INX and India ICC have invested Rs. 6.75 crores each in India International Bullion Holding IFSCA Limited, holding company for setting up and operationalizing the international bullion exchange for its 10% stake each. BSE's wholly owned subsidiary, BSE Technologies is the technology solutions provider for the international bullion exchange at GIFT City, for which the mock trading has started and that is the similar technology we are going to use for starting spot gold segment for BSE in domestic area as approved by the budget last year and has applied for the regulatory approval by BSE this year.

On the insurance distribution front, BSE EBIX Insurance Broking, a joint venture of BSE and EBIX Inc. Exchange is now present in all the three key insurance verticals auto, health, and life and integrated with seven general insurance companies, five health insurance companies and four life insurance companies after onboarding Life Insurance

Corporation of India on its platform in December 2021. Further, GoDigit which was an offline mode is now integrated in BSE EBIX portal. BSE EBIX has over 4650 active certified point of sales as of December 2021, the total premium collected was Rs. 1.89 crores for the quarter-ended December 2021, a growth of 186% from the same period last year. BSE holds equity stake of 40% through its subsidiary, BSE Investments Limited.

BSE E Agriculture Markets Limited, (BEAM), a joint venture between BSE Investments and Frontier Agriculture Platforms Private Limited operates a nationwide electronic institutionalized transparent commodity spot trading platform to facilitate smart commodities transactions across the value chain.

As mentioned in our previous call, the BEAM platform received regulatory approval, launched non-Agri commodities on its platform for spot trade and now working with industry participants to offer the same. It has already enrolled 788 members, an increase of 98 members from the previous quarter. Trade worth Rs. 79 crores in three agricultural commodities; Jowar, Bajra and Bag were executed on the platform during the quarter ended 31st December 2021. Companies working closely with the governments and government enterprises to enhance the efficiency of procurement and sales of the commodities in different states.

I would like to update that BEAM has received mandate from the State of Maharashtra for carrying out auction on its platform, considering the market and opportunities in this platform is expected to grow at a faster pace in time to come in both agricultural and non-agricultural segments.

As informed in our earlier call, the power market regulator, Central Electricity Regulatory Commission has granted registration on 12th May 2021 to Pranurja Solutions Limited to establish and operate a power exchange. The company name was changed from Pranurja Solutions to Hindustan Power Exchange Limited in November 2021 to brand itself as a power exchange. Subject to regulatory approvals, the company proposes to commence live operations in the last quarter of financial year 2021-22. BSE has a stake of 22.61% in the proposed power action through its wholly owned subsidiary, BSE Investments Limited. Currently, the exchange is doing internal mock trading for its technology to test the integration of all its software programs.

BASL was incorporated in March 2021. It is known as BSE Administration and Supervision Limited. The company received approval from SEBI to administer and supervise investment advisors in June 2021, has now received approval as an

accreditation agency for investors in December 2021. As of January 5, 2022, BASL has onboarded 936 investment advisors on its platform. In addition, BSE has also onboarded four accredited investors as of January 2022. Being allowed to act as a regulator to regulate conduct of group of intermediaries in the financial markets through a subsidiary, is a strong reflection of BSE's capabilities and regulators confidence in the governance of BSE.

As mentioned in our previous call, SEBI had accorded its in-principle approval to BSE Technologies, a wholly owned subsidiary of BSE through Know Your Client registration agency, (KYC KRA).

I am also pleased to inform you that BSE Technologies has also received an in-principle approval from RBI for setting up and operating trade receivables discounting systems (TReDS) under the Payment Settlement Systems Act 2007. TReDS is an electronic platform for facilitating the financing discounting of trade receivables of MSMEs through multiple financiers. We are hopeful that with the launch of this trade platform, BSE will be able to address the financing issues of MSMEs and contribute to their growth in addition to raising funds in equities for themselves for last 10-years. There is no added capital inclusion required from BSE for these businesses.

The KYC KRA and TReDS businesses will commence only after receipt of final approval and certificate of license from the respective regulators.

Now, I shall brief you on the financial results for the quarter ended December 31, 2021. For the quarter ended December 31, 2021, as compared to corresponding quarter previous year, on a consolidated basis, BSE's operational revenues have grown by 60% to Rs. 192.67 crores from Rs. 120.59 crores. Transaction charges revenue has increased by 99% to Rs. 62.98 crores from Rs. 31.71 crores. Listing related income increased by 19% to Rs. 57.31 crores from Rs. 48.27 crores. Book building fees increased by 219% to Rs. 21.81 crores from Rs. 6.83 crores. The clearing and settlement operational revenues increased by 85% to Rs. 11.59 crores from Rs. 6.26 crores.

Net profit attributable to shareholders of the company increased by 89% to Rs. 61.29 crores from Rs. 32.37 crores. The operating EBITDA has increased by Rs. 55.33 crores to Rs. 57.5 crores as against Rs. 2.21 crores is operating EBITDA margin increasing to 30% from 2% earlier. Net profit margin increased to 28% as against 20% earlier.

With this overview, let me welcome you once again and invite all of you for question-and-answer session. Thank you.

Moderator

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and one in their touch phone. If you wish to remove yourself from the question queue, you may press * and two. Participants are requested to use handsets while asking a question. Ladies and Gentlemen, we will wait for a moment while the question queue assembles.

We will now begin the question-and-answer session. The first question is from the line of Devesh Agarwal from IIFL Securities. Please go ahead.

Devesh Agarwal

Firstly, I wanted to understand the SEBI regulations around margin segregation and monitoring which was did on 2nd Feb. What is an update on that if you have at all? What is the expected impact of that on the volumes? If my understanding is correct, will the cash component of margin requirement go up even in the cash segment or what will be the impact exact?

Ashishkumar Chauhan

There won't be much impact on BSE's operations because our subsidiary that does clearing where the margins are kept, also provides the interest on the cash margins kept with it. So usually in case the margins kept with it increases in cash, there is also an outgo which is similar or commensurate and that's why it won't be too much of an impact.

Devesh Agarwal

Any update on the likely implementation of this?

Ashishkumar Chauhan

It should happen soon.

Devesh Agarwal

In terms of a new product, we have been waiting for the monetizations of the same. So, any more clarity among the various products that we have started and where we are gaining traction, whether we will be monetizing any of those new revenue streams?

Ashishkumar Chauhan

In terms of selling of those businesses, board had approved kind of monetizing framework for the StAR MF platform. We have not yet found a suitable buyer for that. In a way we had also announced earlier for last several quarters that we have tried to request the potential suitors to also consider any possible structures they want, but we have not yet found anyone yet who is willing to work with us on the valuation we want and so it's still currently pending. No other platforms other than StAR MF, we are searching for active partners yet.

Devesh Agarwal

No-no, sir, actually I did not probably frame the question in a right way. What I was trying to understand in terms of creating new revenue streams, be it the commodity platform or any other platform where we can start charging tariff and create new revenue streams for the business?

Ashishkumar Chauhan

Currently, we charge for SME listing and also transactions. For mutual funds also, we do that. For equities, we do that. Listings fees, we charge. For the commodities we have not been able to yet charge and in fact there is a liquidity enhancement programs that is going on. Similarly for equity derivatives, there is a liquidity enhancement program that is going on. And we do not see anything happening in the immediate future on that.

Devesh Agarwal

And we'll continue with the liquidity enhancements programs at least for the foreseeable future in both the products?

Ashishkumar Chauhan

In currency futures, we have been able to gain some market share in the last quarter compared to previous quarter. So that is also heartening, but for the commodities and equities derivatives, we plan to continue doing liquidity enhancement schemes.

Devesh Agarwal

In terms of the power exchange that we are coming up, you said that mock trading's are on to test the technology. So, has BSE provided the technology and would we earn any revenues on that for providing technology or it's a third-party vendor technology?

Ashishkumar Chauhan

A large portion of the technology has been provided by BSE and BSE will also provide support for trading and operation of the technology. So it's going to be revenue-accruing as and when it starts trading for the BSE itself in addition to the exchange. The same or similar technology with some minor modifications, BSE will also use as and when the electricity futures are allowed. So in some ways this is also kind of a strategic call that electricity futures will be allowed somewhere in distant future when this power action was conceptualized and BSE should be ready with its technology and other things like what BSE did for the GIFT City base, the spot gold exchange that BSE became ready for that and BSE offered its technology to the joint venture of all exchanges there which has made BSE ready for the gold spot exchange for the domestic area also. Similarly, power action technology which BSE has made will help BSE trade electricity futures also as and when is sell out. You might have read the news article that electricity futures will be regulated by SEBI while as the spot exchanges in power are going to be regulated by CERC which is currently the case. And so electricity futures also are on the anvil probably next financial year, or this calendar year and we would be ready compared to other exchanges as we are currently working on that for the spot electricity exchange.

Devesh Agarwal

One question for Nayan sir. So, what is the expectation for effective tax rate at the consol level for FY'22?

Nayan Mehta

Currently, our net effective tax rate is around 28% for the last nine months and since we have a MAT credit which we need to utilize, we have stopped investing in tax free and it will stay at around this level going forward for next few years.

Moderator

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

Ojas

I wanted to have a quick insight from you. On the recent MoU dated 22nd January 2022 for the JV between India Inc., IFSC and Torus Cling Blockchain IFSC in GIFT City for ETF apparently on bitcoin. Also, I was quoting a reputed fund manager who tweeted last month from his verified twitter handle that there was a possible crypto exchange in the making where say BSE or NSE would act as a mother body and would regulate other crypto platforms and work in tandem with SEBI and other regulators. So, there is a lot of grapevines around the government they're coming out with a crypto bill later this year which could pave way for another blue ocean business for us. And I'm assuming that this would be a very high margin thing if and when it works out. So, would you like to comment on it, or would you term this as a baseless rumour? And might just being so, is BSE in any case working towards this with the regulator? Also, with the digital rupee being announced, do we think us as an intermediary, Bombay stock exchange will have a role to play there?

Ashishkumar Chauhan

It's easier to answer the India International Exchange part. There is a basically test kind of a framework which the GIFT City has for testing newer products in which an application has been made by the entity you mentioned, and they have proposed that whatever they want to trade, it gets traded on the India International Exchange. So that's where basically that Memorandum of Understanding or whatever it is called, has come into play, but I don't think the approval has yet come. And as and when approval comes the technology of BSE group is reasonably robust to allow trading of any type of products, be those crypto currencies also. So as and when they are allowed, they will be basically ready at India INX to trade that. And that would be the case as and when it is allowed in India. Currently, we are not aware of any move of any type by government agencies or regulators to allow trading of crypto currencies on domestic exchanges, and that's why I would say it's a matter of speculation and similarly digital rupee for us will be another type of payment mechanism, BSE as you know is very, very strong in payment technologies also and so we should be able to handle as and when the digital rupee comes into play, but we are currently not aware of the details of what is in store. Incidentally, BSE is also becoming one of the promoters of the ONDC. It's a not-for-profit for the physical e-commerce transactions and goods like what you do with Amazon or Flipkart, there is going to be interoperable transaction platform or a standard, which is being defined by ONDC and BSE is becoming kind of one of the early contributors to that. Of course, it's not for profit, but BSE is as usual contributing to the nation building for last 147 years and that's where the board decided that it should also contribute to ONDC and participate with all its might to create these protocols for ensuring that the e-commerce also takes off among smaller people like what happened to the UPI. But BSE will continue to be at the forefront, as and when any new products are allowed BSE will be there early compared to other actions because BSE owns its technology and maintains and operates and develops its own technology. It has more flexibility to allow newer products and newer type of instruments going forward.

Ojas

My next question would be with the trade receivable discounting platform with the MSMEs, when do you expect it to become sizeable enough to contribute to our top line or will it burn a lot of cash initially?

Ashishkumar Chauhan

Our strategy is always to go for a technology which is our own or create partners who can bring strategic strength to the table by way of technology or business or both. And that we have done in BEAM, BSE EBIX insurance. So effectively the money burn is hugely limited to very small amounts compared to what a similar sized organization would spend in any new activities. And especially the e-commerce type of activities were literally organizations burn billions of dollars. We don't believe in burning too much and that's where we continue to control our overall spend by using our technology or our partners technologies and sort of hard work. I don't think the amount of burn will be anything significant on that count.

Ojas

My third and last question would be any particular timeline by which our international exchange at GIFT City would start charging transaction charges?

Ashishkumar Chauhan

Currently, there are no plans. NSE also doesn't charge in IFSC, and they continue to pay for order flow in NSE IFSC and because of that we also have to match their incentives and because of that we don't see any current plans to do that, but in listings of bonds and all, as I said, we have more than \$58 billion, bonds listed, and a large amount of money already raised. That is where we have started earning some revenue. We also have a framework called INX GA, that is INX Global Access where many brokers have started participating by way of connecting to it to route their foreign exchange orders through that platform. So that's a heartening thing. So, at some point in time if that becomes large enough, that is outbound investment from India into other countries, then that INX GA becomes much more profitable. Currently, it's having a few brokers trading on it, but I've seen a very large number of brokers going through that as of now and tying up with them to take from India to foreign country outbound orders through that platform.

Moderator

The next question is from the line of Harish Kumar Gupta, an individual investor. Please go ahead.

Harish Kumar Gupta

I just want to ask a question this year suddenly there has been a sharp increase in the transaction charges around 100% but earlier years this was not the trend. So, what do you think that it is because of new demat accounts opening or like this is related to particular this year because of bull market and what do you think about the sustainability of this growth?

Ashishkumar Chauhan

Broadly speaking, you answered your question that the value of transactions increase when there is a bull market, there has been sustained bull market and so market continues in its own position then you will see a lot of growth into exchange transactions across India actually equities exchanges and that is pretty much it, but on top of that BSE has been able to increase the transaction numbers for the StAR Mutual Fund platform and that has also given a good fillip to the transaction charges increasing. And if that trend continues, then again BSE will benefit, and of course in currency futures also BSE has done well this year compared to last year and that also basically help BSE. So, there are three, four factors but still most of them are connected to the bullishness of the market. And that's what you need to keep in mind.

Harish Kumar Gupta

So, like considering the current situation what is your estimates in next five years, how much we can achieve as a company?

Ashishkumar Chauhan

I think basically we tend to work more to provide best facilities to the investors and it is up to the investors to trade on that. So, it's very difficult for me to predict any CAGR on such things.

Moderator

The next question is from the line of Srivallav, individual investor. Please go ahead.

Srivallav

I have two questions. First is related to currency derivative. I'm saying the trend is that we are losing the market share in currency derivative. It seems like that after interoperability the currency derivative segment losing the market share. I don't know what's the reason. I'm also trading sometimes in the currency. I can see brokers even though they are not setting maker, even they enable the BSE currency derivative from my side, they are showing in position side as always NSE. I don't know what BSE is doing to check or validating at broker side whether the trades are executing at interoperability level, or it is always routed to NSE level? And we are charging very negligible compared to competitor on currency derivative. I don't feel so that charging less will increase the liquidity. I feel that if you have to increase the liquidity, interoperability has to be in rightness. If we see the equity segment, the interoperability help us to increase the market share. So I don't feel the charging less is beneficial. I would say we are losing some revenue stream over there. Only we have to focus on the interoperability side from currency derivative side. So this is the first part from the currency derivative side. And second is equity derivative. I already raised one thing on the SENSEX derivative last year. I feel I haven't raised that question properly or I haven't recommended suggestion properly. So what I was saying at that time was can we create a separate index on SENSEX-30 as like a SENSEX-30 tracker or something like that which will be like one-tenth of SENSEX-30. Because right now even we have launched SENSEX-30 several times but we lose the track of it because it's a very huge number and people tends to lose the track of it, and we haven't started very initially. So I was recommending why can't we create a simple like a smaller index which will track SENSEX-30? Because most of the people talk about SENSEX-30. And this is the most well-known index which we have and we are investing quite a lot on SENSEX-50 but I'm not saying it's not a bad idea, but what we should do is that whichever thing we have, we have to use that index and try to give one more try because we already invested quite a lot, should we give one more try and create another index and launch derivative on that one? The figure will be around 6,000 or something like that range and that is very good for investor or retailer to trade on that index. So these are the two questions which I have from my side.

Ashishkumar Chauhan

So currency derivatives as I mentioned in my speech, we seem to be increasing the market share this year vis-à-vis last year. Last year due to the COVID, the banks actually stopped having their own people going to their banks and that's why we were basically depending on the larger banks who were trading on us and they in a way some of them reduced their activities, that's why our market share had gone down. This year our market share is going up because the banks have started functioning well and some of them are also price-sensitive customers. So despite your feeling that people are not price-sensitive, some of them are and we will look into again your suggestion, similarly, your suggestion of getting SENSEX down by 90% to 10%. It's again that suggestion has come for last almost 20 years since the equity derivatives have been placed and NSE took a large market share there. We have tried many things. This also in a way is worth trying provided SEBI gives approval and so we have been thinking through many such things. Once in case is allowed, I'm sure you will trade and make your friends trade in that.

Moderator

The next question is from the line of Ayush Tanvia from Ashwani Tanvia & Company. Please go ahead.

Ayush Tanvia

My question was mainly regarding the sharp fall of investment income we have seen, even though our revenue of operations have been robust, but the only fall we have seen is investment income which have reflected also in our PBT and PAT. Do you have any comments on that why it has happened and what does it primarily consist of?

Nayan Mehta

So the reason for sharp fall in investment income is because of the accounting standard which requires that whenever you invest in any investment which is not long term and which doesn't have a fixed maturity, you have to mark-to-market it on a quarterly basis.

So this results in a situation that when we do mark-to-market, the market value of a script goes up and down depending on the market perception of the rate movement. In the last quarter especially what has happened is that that market started anticipating the rise in interest rates across globe. Now what happens is that that we have invested a lot of money in FMPs which give a predetermined return and that comes to us irrespective of whatever the interim movements are, and that money is over a period of the FMP. Other thing is that we invest in other mutual funds also and the thing which we have to keep in mind is that that BSE has to invest only in very safe securities as per its investment policy and obviously no company would like to risk the public fund by doing investment which are very risky in nature. So we invest in liquid schemes and because we are expecting that the rates are likely to rise, we have kept it in short term also. But because of this real pressure coming in, in the month of December, the mark-to-market has gone down and that's the main reason why you have seen that our investment income has gone down on a consolidated basis. On a standalone basis, last quarter we had done Rs.19 crores of dividend income from our associate, CDSL. So, that is the main cause of a big difference which you are seeing in standalone accounts.

Ayush Tanvia

My second question was regarding that. Is there any way we can monetize our StAR MF better given the tremendous growth we have there along with the Lion's market share?

Ashishkumar Chauhan

In a way, the AMFI negotiates on their behalf. So after almost 12-years of operations and first nine years of zero revenues, we have come to a level where we are able to charge, and the competition actually still continues to spend much more money. And this is a reasonably profitable business for us. So we have come a long way, but we have a longer way to go. So what we have got is despite the cutthroat pricing which is highly profitable, monopolistic competition ends up doing, and despite that because our services and technology, we are able to give better quality of products and that's where mutual funds people which are again highly sensitive on pricing are paying and all disputes have been resolved, they jointly decide on the pricing. So currently we'll continue on this framework. Going forward we'll see how to increase that revenue from different areas.

Moderator

The next question is from the line of Ranch Mehta from Sonalika Group. Please go ahead.

Ranch Mehta

My question is with regard to the succession planning for the M.D. and CEO what we have been reading in the media that it might be ending in the next financial year. So how is that lined up?

Ashishkumar Chauhan

It's a good question. Basically, there is a SEBI regulation which restricts the CEO's term to maximum two terms of five years each. So I'll be completing it this calendar year sometimes in the early fourth quarter. So we have already put in place a framework which the board is going through as per the same requirements. As per the SEBI's SOP which was jointly decided by exchanges and in a way given to the SEBI, at least six months before the CEO is to retire, the selection process has to start. And so BSE as a conservative organization started even before that and we have applied to SEBI for a specific input from their side. On the other side, the details relating to the search agencies, and all are also going on. So effectively BSE has formally started its process for hiring a new CEO, and BSE's next layer what we call, executive management committee is stable and well entrenched into the system, each of them are more than five to seven years old into the system, and they have their teams which are also very highly experienced and so we have a succession planning for each of the executive management committee member also. So we have a succession planning for the next three layers and each person is identified other than the CEO because CEO selection is a public process, and we have to go for interviewing and advertising for outsiders and so on and so forth. That's why other than the CEO, the succession planning within the organization has been conducted and continues to be conducted every year. People identified to take up places for the people who are retiring or even otherwise and they get interviewed by the board and the NRC, the Nomination and Remuneration Committee also looks into that up to a two-layer kind of a process. So effectively it's a very well-defined process. And for the CEO, the process has already begun. So, as and when a new CEO is selected, of course, there will be some hand-holding period and so on and so forth. And that is currently in the plan.

Ranch Mehta

So you have got the two-time extension or one-time extension?

Ashishkumar Chauhan

SEBI regulation says you can have maximum two terms of five years each. So this I will be completing my second term which means one extension of five years, but earlier also it was five years.

Moderator

The next question is from the line of Abhinav Mehrotra from Stoic Capital Management. Please go ahead.

Abhinav Mehrotra

My question is about StAR MF platform. For every loss-making startup is able to find private investment in today's market, but beyond that in the last conference call you had mentioned that you will even look into IPO-ing StAR MF in the IPO market. So is there any progress on that?

Ashishkumar Chauhan

There is no progress.

Abhinav Mehrotra

Is it still open or is that option closed?

Ashishkumar Chauhan

It's always open.

Moderator

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

Ojas

So as we have come up with the bonus of 2:1, do we sort of have a hit on the dividend pay-out ratio for this FY and do we as an organization continue to sort of look at creating more shareholder value in the coming years with more such decisions like bonuses and all?

Ashishkumar Chauhan

Basically, we have a stated policy on dividend that whatever we earn 95% to 100% on the main company will be issued out of dividend. So that's our clear cut stated policy and it will continue. So, if the profits continue to grow up, the dividend will continue to grow up, right.

Ojas

With the global liquidity coming down a bit and the transaction volumes lowering down on a sequential basis say in Q4 this year like with the current global markets, do you see that the transaction volume and consequently our top line getting affected by that?

Ashishkumar Chauhan

I think it's a matter of conjecture because there was a huge worry about the US market going down drastically just on announcement and nothing of that sort happened. So it remains to be seen how these things work out although the US interest rates as of now for 10 years it's 1.965% which is almost 300% jump from say previous year. So there has been a lot that has happened, but it is yet unclear whether it is going to generate that kind of tightening that is expected, and whether the tightening would reduce the equity prices that also needs to be seen. So, these are all matters of conjecture and usually being a regulator first we tend to be more about practical realities and immediate rather than trying to predict future too much.

Ojas

As we were talking about your transition, so is there a cool-off period in the SEBI clause where you can't be associated with the exchange post your stepping down or can you be associated in some other way?

Ashishkumar Chauhan

In a way, this will all be subject to regulatory requirements and regulatory approvals and all. Currently, whatever way it is comfortable for all parties, we will work on it but first and foremost we have to find the best suitable person for BSE. That is what I call of utmost importance.

Moderator

The next question is from the Srivallav, individual investor. Please go ahead.

Srivallav

I would like to know what BSE is doing to check how interoperability is implemented on broker side because yes, we are saying that we are pushing for interoperability but whether investor can report that there is no interoperability from our end means whenever we say we check the trade or you go at broker side and validate that from your end because I have seen that you have created some SEBI regulated that if broker doesn't implement, then you are charging a fine, something like that. If you are implementing fine, then how you are tracking all those things that's what I will be curious about if you can put some light on that?

Ashishkumar Chauhan

I think it's a very interesting way to look at it. We rely largely on the broker declaration and also, we know the broker using a particular type of software vendor and so their versions of a particular software which provides interoperability is tracked. So if they have older version usually, they wouldn't have the interoperability and the newer version they would have the interoperability, that is an assumption, but we use those two things, broker declaration and the version used, but when our people go for inspections, they also try to check for that. But it is a good idea that you have given us that in case any investor wants to complain, we would create a framework on our website for you as an investor to make a complaint against a member who is not giving you either the best price execution because that's also important and also interoperability in true sense and you can give of course the proof with the data loaded and then you can go to the broker and check at his site whether it is true or not. And so I think you have given us a good idea and we will try to implement that going forward.

Moderator

Ladies and gentlemen, we will take that as the last question. I now hand the conference over to Mr. Anand Sethuraman for closing comments.

Anand Sethuraman

Thank you so much for all for attending the call. I think we can just close this call now.

Ashishkumar Chauhan

Thank you, everyone. Appreciate it.

Moderator

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