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Interview of Ms. Chitra Ramkrishna, MD & CEO, NSE on ET NOW in the show “Leaders of tomorrow”.

Sunanda Jayaseelan, Anchor, ET NOW: Hello and welcome to this very special interview on the leaders of tomorrow. I am in conversation with the MD and CEO of the NSE. I want to kick this conversation off by saying that you know we’ve seen about 33 IPOs from the SME and MSME space and the indication is that we could possibly see many more before the year closes out. Let’s start by talking about the kind of activity that we’re seeing. Are you enthused?

MD & CEO, NSE: It’s been a tremendous year when you look at the SME sector particularly. You know 2 years ago if you had this conversation with me, our tone and tenor would have been very different. Those were the days when we were doing seeding. We had just started the platform

and we were doing hundreds of road shows across the country, more really to understand what is the felt need. You know it's one thing to say that now you have a platform and people should come and list. It's another thing to find out exactly what is their need. And I must say that the hundreds of SME events that we did over the last 2 years taught us and was very instructive on how we can add value to the SMEs. So today with the economic activity picking up, with their businesses starting to do much better than they were two years ago, there is a real interest in the SME sector. In fact last year itself we could see that bubbling optimism. But this year in fact in the first month and the second month itself, the kind of mandates that are getting signed, the number of IPOs in the pipeline is many times the level of activity that we saw last year. So I must say that I am very, very encouraged to see the ground level interest. It's always backed up by how well their businesses are doing. And so listing becomes relevant when the businesses are per se doing well.

Sunanda Jayaseelan: Sure. So that is as far as the number of IPOs are facing. What about the valuations ma'am? What do you have to say about the kind of valuations a lot of the smaller companies have raised that are already listed so far?

MD & CEO, NSE: You know one thing is that from the beginning we have been very careful to see that truly stellar and truly marquis kind of companies in their respective sectors, in their respective geographies are the ones that come on the board. In the first years of any platform it is very important to build it on very strong principles. So the better the corporates that are which come and list in the first few years, it really builds a very strong base for this sector later on. So all the companies that have listed so far are all profitable, very well performing companies. Some of them have actually moved up even to the main board. So I would say that the valuation story is incredible and that's why you find more interested in coming to list here. You know roughly speaking the market capitalization is close to about 750-800 crores and the capital raising itself maybe about 250-300 crores. All of this has to be seen in the context. And I think in the context the platform is creating a lot of interest from new entrepreneurs to look at this as an option to raise moneys.

Sunanda Jayaseelan: So are you confident that the worst is over in terms of MSMEs and SMEs and that we could only see more such listings going forward and that the market is stabilized for this band of companies?

MD & CEO, NSE: You know financing is one aspect of the MSME sector. It's a very critical aspect I do agree with that. But it's really a function of many things. But today a lot of these sectors have really got a good boost, whether it is through the Make in India campaign, whether it is because of the export focus that they have. So underlying businesses are starting to do well. That is when financing becomes important, because they look at financing predominantly for growth expansion or for improving their credibility in endorsement when they go international. So in fact many of them tell me today that because of the listing their empanelment and their preferences for getting large orders whether international or national, improves. So you find that this adds significantly when their underlying businesses have started to do well.

Sunanda Jayaseelan: Ma'am what is the one piece of advice you would have for our viewers when it comes to listing on the exchanges whether it is yourself or any other exchange?

MD & CEO, NSE: You see I think as exchanges we have a slightly different role to play when it comes to the MSME. So we don't really go there to tell them that you should come and list now. What we really try to do is a lot of handholding to understand what their situation is and then we connect them up with the right ecosystem. This is critical in the MSME sector. This is not at all relevant when you go for a large board listing because the large board has its ecosystem; it has its set of advisors, intermediaries, who help them doing this. So in fact in these two years if you ask me, the significant progress has been in this handholding. One, a whole class of new intermediaries have come up who are somewhat local, who are specialized in the SME area, and therefore are able to move from a much larger bouquet of services for the SME. So you see a whole set of new, you call them investment bankers or advisors, what have you, which have emerged; many of them are also broker intermediaries who have geographical specialization and therefore are able to perform this role. The second is around their preparedness. So when you want to come to the market there is a lot of preparedness that goes before that; whether it's a question of the governance preparation, whether it's a question of financial statements, all of this. So there is now an ecosystem that helps address this need for SMEs. We as an exchange help in connecting them with the right people, whether it is for due diligence preparation, or whether it's for governance. So these are the ways in which we can play a catalytic role in helping them prepare for a listing. Some of them may want a listing today, some of them may want a listing one year from now, 2 years from now. But I think if they prepare themselves then they have the power in their hands to decide what is the right time and when they need that capital to come and raise that money. See as you see more companies getting listed on the EMERGE platform on NSE today you will find that the attention for the scripts that are coming on the MSME platform improves from the analysts, from the investors per se that itself will kick in a much better branding ability for these SMEs when they want to come and raise capital. So it will never be about should we, it will be about when.

Sunanda Jayaseelan: I just want to take that point forward. It's a very interesting point. So when you are saying when and you were talking previously about the right time for MSMEs to look at listing. How do they decide what is that right time?

MD & CEO, NSE: It's very centric to that particular enterprise. But largely I see for example you know the current crop of the listings that are coming in. When the businesses have started to do well they see the potential for expansion, they see the potential for growing vis-à-vis scale, that is capacity. Also geographies, also diversification whether it is backward integration or forward integration. And so they are thinking about may be this is the right time to acquire the capital in order to be able to scale up.

Sunanda Jayaseelan: I just want to broad base this question a little more and talk to you about the alternative financing methods and models which are available right now. For example we have spoken with companies that are looking at working cycle based lending or not just

essentially collateral based lending. Since you were talking about the modes of financing and why a company would choose to list, do you see such alternative funding mechanism picking ups team in India?

MD & CEO, NSE: Absolutely. You know to sort of put that question in context; you see listing is about equity today. But very clearly in all our engagement with the SMEs, we find that definitely there is a lot of room and scope for them to look at short term and long term finance, debt and equity. So equity is actually a small part of the story. It's really the debt which is a larger part of the story. Today a lot of that is bank based or informal sources based. And it's really our aspiration that we will be able to create a platform where they can raise multiple debt capital as well from an exchange kind of an entity. And the whole idea of preparing the SME, whether it's from governance, financial statements, all of this, is from the view to enable them to be strong enough to be able to come and raise any form of capital from the market.

Sunanda Jayaseelan: Okay. You were talking previously about handholding of MSMEs and SMEs. Just for our viewers can you explain what kind of mentoring NSE does for these small companies?

MD & CEO, NSE: So you know to give you a small example, our SME team does workshops in different clusters. In fact even as we speak this week we would have done in two clusters I think, Bhopal, Chandigarh etc. So each time we do a workshop, there are about 50-100 SMEs who attend that workshop. It's a very detailed workshop which talks a little bit about what is your current financial position which you need to assess, and if you want to raise debt or equity, what are all the kind of preparations that you need to do, whether it's financial statements, whether it is listing requirements etc, We also bring in some of the other intermediaries that I talked to you about. So for example a governance professional who can actually help these companies just in giving advice and then it's up to each of the companies who they want to hire etc. We also bring in chartered accountants in many of these cases because chartered accountants are very closely aligned with these SMEs as auditors, as advisors for their banking loans etc. And we bring in the second run merchant bankers who are local and who could be of use. So it's like an all encompassing workshop where they get a bird's eye view of what are all the things that they need to think about. Subsequent to that some of them reach out to us and then ask to be connected and then they explore with different people. Now if out of 50, 10 people take that step maybe 5 of them will actually end up saying okay we are ready to go now and the mandates start and then the discussions with the bankers and so on starts. So all the handholding expands to first creating the awareness, educating them on the steps, connecting them with the possible people who could help them, and once they have decided yes they are going ahead, we also significantly play a role in organizing road shows. So across the length and breadth as an exchange we do have a reach. We have 2.5 lakh terminals across India. It is a power to their elbow to use all of that for their capital raising. So we help them in their road shows in each of these metros. It's not that we have a view on that investment but it is that as an infrastructure we play that role to ease their ability to access the markets.

Sunanda Jayaseelan: Okay. So how crucial is it for MSMEs to have a financial mentor?

MD & CEO, NSE: It is very, very important. And we cannot force fit mentor onto an SME. Which is why in many places we have found that they already have informal advisors. And we try to educate and align the informal advisors on the platform and it's possibilities and the governance role and so on, so that people whom they trust are also aware of these possibilities and can advise them suitably.

Sunanda Jayaseelan: Let's take a very quick break on that note. But don't go anywhere. We will continue this conversation on the other side.

Sunanda Jayaseelan: Welcome back, you are with us here on the leaders of tomorrow and I am in conversation with the MD and CEO of the NSE. Now I want to talk about commodity exchanges in India. For our viewers who are possibly looking at entering this space what advice would you have in terms of what is the potential right now? How they can possibly trade if they are a commodity trader? What should they keep in mind when they are looking at possibly looking at listing? And also maybe if you can run us through your own plans.

MD & CEO, NSE: You know India has a very good commodity market and it has both agricultural and non-agricultural commodities. I am not the right person of course to advice on this but I believe, because a lot of our broker intermediaries are also very active participants in the commodities market. It has a good reach, and depending on each one's use for hedging or for what purpose they want to access the markets, they must seek the right intermediaries, and there are transparent platforms on which they can access these products. There is a very clear regulatory framework for these. They need to understand all of that before they embark on this.

Sunanda Jayaseelan: Okay. Can you give us a sense of how you are looking at increasing the market share and volumes at NSE?

MD & CEO, NSE: We are very, very gung-ho about the potential of SMEs and we always believe in sowing the seeds and then sort of growing it in the right fashion. So our engagement of hundreds of seminars, workshops with SME clusters across India, reaching out to thousands of potential SMEs, working with the right network of intermediaries, investors, and making this available to the SMEs, I think we have created that ecosystem. So it's time now for SMEs to actually use that good ecosystem to be able to – I don't know if you are aware but see typically even on a large board, the focus of investors and analysts tends to be on the top few hundred companies. So the challenge for SMEs always was that how do we attract the attention even if we are a very good performing company. How do we make ourselves known to the world at large. In fact we have had a very interesting experiment here which I believe has worked, which is that we have research reports on our SMEs which is put out on our websites. This helps investors, potential investors to track these companies. Now this kind of coverage is not something that typically they would get, or they would get that attention if they were on a larger board. But this is done because SME is an important sector and we do want the light to shine on these very well performing companies. You know as you see that's why it is called EMERGE. It is the growing stars of tomorrow which is why we want to shine the light on them and let the market see these

Sunanda Jayaseelan: At this point I want to touch upon a topic, that I know a lot is being talked about at this point. You are a woman in what is typically a man's world of finance. Just talk our viewers through what your own journey and experience has been like.

MD & CEO, NSE:

You know I have been extremely lucky that I have worked in organizations all my life where they have provided equal opportunity. And gender was never an issue in IDBI or the National Stock Exchange. In NSE we are again a very equal opportunity employer here. We have one third of our work force that is women. I would like to see women in leadership positions in this company and we do a lot of HR initiatives to see that we help them with the leadership grooming and walking through that journey. But as far as I am concerned I would say that I have really never faced challenges or discriminations. So I have been very lucky.

Sunanda Jayaseelan: Would you say that there is no concept then of a glass ceiling as far as the finance world is concerned for women? Or like you're saying you've just been lucky.

MD & CEO, NSE: I've been – you know I can only speak for myself and my experiences. And I can say that I have never really faced any such ceiling or any such effort where I had to do anything different from any other professional colleague to prove myself.

Sunanda Jayaseelan: Moving on, you recently allowed extended trading hours for ETFs during Akshaya Tritiya earlier this year. What was the response for that like?

MD & CEO, NSE: You know it's like this, our trading hours on these days is more a convenience factor because there is a sentiment, people want to buy on that particular day. It should not be for want of the fact that the market was not open. So it is very much like you find a lot of these jewelry shops open for much longer on an Akshaya Tritiya or whatever. So it's really just a convenience factor and that has always been there based on market feedback. So I presumed it's something that they want and they appreciate.

Sunanda Jayaseelan: How excited are you by the potential of the ETF market and where do you expect to see it growing to?

MD & CEO, NSE: We have been very strong and passionate believers in ETF from the start. And it has been a long journey more than a decade. In the first few years it hardly sort of saw a few crores of AUM and interest. But as the product has picked up today, we find that this is one mass product that can truly help us deliver financial inclusion. Because when you think about the large saving population in India, and you go down and talk, you do a survey of savers, you know there are just a couple of things they want to know. They want to know is there something which I can do which is a small ticket size which I can do regularly. And at the end of some period it creates some wealth for me. That's really what they want. That is why you find so many of these informal local schemes really catch their imagination because they find that there is a regulatory in putting the money, and they find that it adds up at the end of the day to some wealth, and it can be a small ticket size. I think the ETF and the SIP on an ETF precisely fits this requirement of a small

saver. And that is why I think ETF as a product today has come of age. While in the beginning the gold ETF was the one that really caught the fancy, if you see in the last couple of years it's the NIFTY ETF which is really catching everyone's fancy. And it also serves a very useful purpose of inclusion which is that our markets have delivered prosperity in these two decades to so many people. But I wish it delivers prosperity to a larger proportion of the saving population. That can happen only when you go through a passive investment vehicle like an ETF so that the risk is well understood; it is mitigated to the maximum extent possible. Perhaps that is why today an EPF for example invests in the market through an ETF product. So we are strong believers, big believers. We really think this is the vehicle for taking financial inclusion forward.

Sunanda Jayaseelan: But if there was just one piece of advice you would have for our viewers in terms of how to go about making themselves more financially literate what would that be?

CHITRA RAMKRISHNA, MD & CEO, NSE: So I think the first step is the felt need that we must first be aware. The second step is that we should have a very conscious call on saving, risk and return, and then choosing the right product to go with. That is why I come back to a passive investment product which really is a first step for anybody. And it is only thereafter that one must think about active products.

Sunanda Jayaseelan: Sure. This question is in several parts and I want to talk about digital trading at this point. It has become a very large part of what you do at NSE. So let's start by talking about just the potential that you see for it at NSE and how you're incorporating Fintech and digital trading more into what you do.

MD & CEO, NSE: Yeah absolutely. I would say that the electronic trading took information to the doors of investors. Today things like mobile trading take it not to the doors but to the minds of people because you know it reaches peoples wherever they are. And the adoption of all of this is definitely significant in a country like India. In fact in the last year if you see the number of people coming through mobile on to the exchange network whether for information or otherwise, it has multiplied. So we put a lot of focus on using technology as an enabler and easing the access to the exchange. At the end of the day the transparency should be delivered somewhere and so an app, a mobile, what a person carries with him is what we need to use as a deliverer of transparency.

Sunanda Jayaseelan: What advice would you have for our viewers in terms of incorporating Fintech more in to that business?

MD & CEO, NSE: If you see this is something that is a theme when we talk in to these SMEs in these workshops you know. That just the level of technology that they want to adopt, it's an eye opener for them to understand how technology can really improve costs efficiency, and their visibility and their branding in the world at large. I think it's a way to go for them.

Sunanda Jayaseelan: One piece as I am winding down this interview ma'am, what is the one piece of advice that you would have for our viewers when it comes to finance and financial education and financial inclusion. One piece of advice.

MD & CEO, NSE: First is the education, we all invest significantly in educating ourselves in so many things in life. But financial education is a life skill which has not got that importance in yesteryears. I don't think we could ignore that going forward. Because the difference in wealth creation between someone who understands finance and someone who doesn't, is there for us to see. We need to look at financial education as a life skill and equip ourselves with bare minimum to be able to manage our finances adequately in life. I would say learning to manage your wealth is like learning to manage your health. You don't need to be a doctor but you need to know how to keep yourself healthy and the same thing goes for your finances. So that's really my take on financial education. If you talk about financial inclusion, I think all of us as infrastructure providers are today really very much ceased of what we can do to leverage and make inclusions, make access of products and markets possible to the wider arena of people. Perhaps this will include innovations in technology, in distribution etc. But that's really the way we are going to focus on and drive this. Because the fact remains that a large number of savers need to find more cost efficient and easy ways to access markets.

Sunanda Jayaseelan: Okay. A last question, I understand you are an expert veena player. So for our viewers in terms of just cultivating a hobby, how important do you think it is for entrepreneurs to be able to have something where they can switch off from their work and how do you really find the time to balance both what you do at the NSE as well as your hobbies?

MD & CEO, NSE: But I must first disabuse you of the allusion that I am an expert veena player. I am not. I just have a passing interest in the instrument and I have been trained. So but you know having said that I think music is really something that I have found very, very helpful as a hobby, as an alternate interest if I may put it that way. And it's a great stress buster. So I guess everyone needs some form of activity apart from what they do mainstream to really help them recharge and refocus.

Sunanda Jayaseelan: Thank you so much for speaking with us. That is all the time we have on this episode of the special interview with the MD and CEO of NSE. Thanks for watching.