

Speech for Chairman – BSE

14th AGM – BSE ICH – 15 July 2019

Ladies and Gentlemen: A very good morning to all of you.

1. Opening Remarks:

It gives me immense pleasure to welcome you all to the 14th Annual General Meeting of the shareholders of BSE.

Today marks my first AGM as the Chairman of the Board of Directors of BSE. At the outset I would like to thank and acknowledge my predecessor and former Chairman - Shri S Ravi, under whose able leadership and guidance, BSE was able to strengthen its pre-eminent position in the Indian financial markets, and for his enormous contribution to the stature of this organization.

What has enabled BSE to not only remain relevant to its shareholders but also to every stakeholder? What does it take to make a company that is built to last? According to Jim Collins, 'To be built to last, you must be built to change.' BSE has precisely done that. We have changed with the times and yet remained rooted in our purpose and values.

2. Performance for the year:

I can say with pride that the year gone by was a good year for BSE, as we ventured into various new segments to strengthen and broad-base our future growth strategy. Last year we took several initiatives aimed at preparing our self for accelerated growth.

I am glad to share that BSE is reinventing as a financial distribution powerhouse by revamping its traditional portfolio of products and strengthening its place in India's financial services space even further. BSE is now leveraging to maximize the potential modern technology and innovations in technology to usher in a digital revolution in India. We launched new products and services and acquired the capabilities we needed for a sustainable future in the fast moving and dynamic financial services sector. In a nutshell,

BSE is evolving from being dependent on equity segment to a more broad-based approach involving mutual funds, commodity derivatives, SME's, startups and so on.

The Annual Report for 2018-19 provides a comprehensive picture of the Company's performance. While I do not intend to review it again, I would like to comment on a few key features.

In financial year 2018-19, the BSE StAR MF platform has, once again, performed exceedingly well and continues to be India's largest exchange-traded mutual fund distribution infrastructure with 79% market share. As per estimates, it contributes to more than 35% market share in new inflows in mutual funds Industry. The continuous growth in the mutual fund segment is in line with our expectations. This segment enables mutual fund intermediaries to process, purchase and submit redemption request of mutual fund units from the clients across India on a fully automated electronic platform.

BSE started charging to mutual funds for its services since financial year 2017-18, and income in this segment has grown almost three times in financial year 2018-19. The number of registered mutual fund distributors in mutual segment has increased by 195%, total number of orders processed by 111% and total value of orders processed by 36%. I can assure that BSE will continue leveraging the usage of technology to bring in radical changes in how mutual funds are distributed in India.

On October 1, 2018, the Company became the first Universal Exchange with the launch of trading in Commodity Derivatives. Currently, BSE offers delivery-based futures contract of gold, silver in the precious metals segment, cash settled futures of Oman Crude Oil - a tailored product for Indian oil producers and consumers, first of its kind delivery-based copper futures contract in India and Guarseed, Guargum, Cotton and Turmeric in the Agri-commodity segment.

I am proud to inform you that within a short span of about six months, BSE has attained a daily average daily traded value of about Rs. 300 crores on its commodity platform. BSE has always prided itself as an exchange for wealth creation. With this principle, BSE

has emphasized on physical delivery as an integral part of our commodity derivatives platform and attained delivery of close to 3,000 tonnes across all commodities on our platform. BSE is now planning to introduce more products on our commodity trading platform, thus adding more value to the existing commodities ecosystem. We are also working closely with the Government and Regulatory authorities, industry associations, market participants and allied service providers to achieve the next stage of growth in the commodity derivatives segment.

In the equity segment, BSE has more than 4,000 companies available for trade, as on date - the highest number of companies listed on any exchange around the globe. The total number of unique investors registered on BSE exceed 2.65 crores and which exceeds 4.14 crores based on Unique Client Code (UCC). Our BSE Bond platform for issuance of debt securities on private placement basis grew by 64% in financial year 2018-19. The BSE BOND platform has enabled issuance of debt securities to the tune of Rs. 6.39 lakh crores since July 1, 2016. In currency derivatives segment, BSE's average daily turnover has increased by 65% and total contracts by 52% during the financial year 2018-19, with a market share of 46%.

In our SME segment, 56 companies were listed on our platform in the last financial year. I am proud to inform you all that BSE became the first exchange to list 300 companies and is the market leader with 60% market share. The total amount of money raised through this platform is Rs. 3,183 crores as of June 30, 2019. To augment our SME platform, BSE has enabled capital raising for start-ups as well via our "startups" platform. I am confident that it will aid the listing of companies in emerging sectors such as hi-tech defense, drones, Nano technologies, artificial intelligence, big data, virtual reality, robotics, genetic engineering, among other sectors, all of which are the future.

Your Company's wholly-owned subsidiary, India International Exchange (known as India INX) based in the International Financial Services Center at GIFT City, delivered an exceptional performance in trading volume and turnover last financial year. Average Daily

Turnover in India INX witnessed a phenomenal growth of 623% to reach US\$ 197 billion, with 71% market share in the Derivative segment. During the same period, trading volumes soared 728% to reach 14 million contracts. During the financial year 2018-19, the Medium-Term Notes established on Global Securities Market increased by 50% to US\$ 25.57 billion. Similarly, listing of debt securities increased by 355% to US\$ 11.4 billion, with the number of issuances increasing by 420%. I am proud to inform you that India INX continues to expand its footprints through various listings, credit offerings and growth of turnover.

3. BSE leveraging technology in the Digital Age

At the outset, I am happy to inform that BSE's uptime of trading system was 100% and there were no outages. With continuous and sustained efforts, your Company maintained the uptime of its trading system.

The momentum of Big Data implementation continued this year too, with newer technologies and its application in functional areas. The Company has implemented the Big Data capabilities for its real time surveillance and rumors detection. Extending the scope of surveillance beyond the traditional means, BSE has effectively implemented the Social Media analytics using Artificial Intelligence and Machine Learning. The Company is also entering into the area of Audio to Text and Video to Text conversion, to predict rumors and verification of news floating in the market on BSE listed companies and its impact on the stock market.

BSE has also taken bold steps in implementing contemporary technologies, viz. Artificial Intelligence and Machine Learning in its Surveillance function. Big Data implementation has opened many opportunities for the Company to find effective and efficient ways to correlate information by use of contemporary technologies. Your company is also able to leverage on the flexibility offered by open source technology in the product development compared to restrictions available in proprietary products and actively used in main stream infrastructure and business functions. BSE has also migrated one of its critical

application on cloud i.e. office communication, documentation & email management system. Constant enhancement in the Cyber Security Framework and Information Security Management System continues to be Company's top priority. This would go a long way in ensuring critical infrastructure protection and will pave a way to help BSE and its investors a secure working environment and protecting our national interests.

Technologically induced innovations have made trading in capital markets faster, cheaper and more integrated. As we go forward, the capital markets industry further shaped by automation, emerging technology, and the continued innovation. BSE understands how profoundly they are intertwined with technology and will continue to use IT investments to update legacy systems, improve cybersecurity and adopt newer technologies for development of markets.

4. Financial Performance

I will not go into details of the financial results here, since they are readily available in the Annual Report circulated to you. Your Company delivered a steady performance with a turnover of INR 687.4 crore on a consolidated basis, a marginal decrease of 2 percent over the previous financial year.

Considering these results, BSE recommended a payment of dividend of Rs. 25 per equity share of face value of Rs. 2 each. After taking into account the interim dividend of Rs.5 per equity share paid in the month of December 2018, the total dividend for the financial year stands at Rs. 30 per equity share of face value of Rs. 2 each.

Based on request from shareholders, BSE also proposes to buyback its fully paid equity shares of Rs. 2 each at Rs. 680 per equity shares through tender offer route, subject to passing of a special resolution by the shareholders of the company. The total amount of buyback price would be a maximum of Rs. 460 crores. The company proposes to buyback 67,64,705 equity shares at a buyback offer price which represents 13.06% of the total equity paid up capital of the company. The buyback offer price represents 24.73% of the aggregate total paid up capital and free reserves of the company based on the standalone

audited financial statement of the company as of March 31, 2019. It may be noted that the Finance (No. 2) Bill 2019, proposes to levy tax on buyback of shares by listed companies with effect from July 5, 2019. This provision would impose an additional tax burden of about Rs. 12 crore on the Company. We do not propose to make any change to our proposal for buyback of our equity shares.

We are also reinvesting our cash flows at accelerated pace in new projects and new businesses. I am confident that these will bear fruition and growth in earnings over the next few years.

5. Public Events

With the goal of promoting an investment culture in India, the Company has been undertaking several initiatives to promote investor awareness and education. BSE has been using television, print, on-ground events and social media to reach out to investors spread across India. The Company has also been working with various industry bodies and trade associations in keeping its members abreast of the latest changes in regulations and the new products and services being launched. The initiatives undertaken by the Company have been getting significant coverage in all leading national and regional newspapers and television channels.

The Company hosted more than 240 events ranging from international delegations to educational programs and roundtables on important national and international topics. Some of the significant events were Launch of the Vision Document for Afrinex by Hon'ble Pravind Kumar Jugnauth, Prime Minister of the Republic of Mauritius, at the India Economic Summit 2018 and Post Interim Budget Discussion addressed by Hon'ble Finance Minister of India, Shri Piyush Goyal and Chief Minister of Maharashtra, Shri Devendra Fadnavis.

The BSE BULL Run, an annual 7 km fun run to promote a healthy market and health of all its stakeholders organized in association with ZEE Business, was attended by over 13,000 participants.

6. Future Strategy

We are now seeing the first tangible signs of your Company's business strategies working in synergy; which has been the essence of our performance the last financial year. The small steps taken during the last three to four years are now converting to revenue flows and shareholder value. The foundations laid by your Company and its subsidiaries over a long horizon are now showing up as reliable and worthwhile building blocks for the future. To keep expanding our footprint, BSE will continue to pursue a multi-pronged strategy for its future growth.

BSE is thankful to have received a welcoming and warm response in the commodities segment especially from the agri-commodities community. We are honored to provide the agriculture sector with a mechanism to hedge their risk, at an affordable cost with a synergistic combination of technology, physical infrastructure and strong regulation. In order to address various challenges impinging the growth of agriculture and the economy, BSE will closely with the Government of India, Government of Maharashtra and other state Governments to facilitate and enable farmers to directly sell on the BSE platform. This will benefit farmers by eliminating need of a middleman and selling their produce on Minimum Support Price.

BSE along with Power Trading Corporation of India and ICICI Bank, have filed a petition with a power market regulator, Central Electricity Regulatory Commission for a grant of license for setting up of a new power exchange. This proposed exchange subject to necessary regulatory approvals would leverage on the experience and expertise of the other shareholders and stakeholders in their field. They bring in knowledge of the power sector, funding of the power projects, associated infrastructure and setting up and managing exchanges and offer market participants a credible power trading platform.

Digital platforms like in the case with StAR MF has served as an opportunity for distributors to rapidly expand and reach potential investors. To augment this framework, BSE has set up a joint venture with EBIX Incorporated, named BSE EBIX Insurance

Broking Private Limited for conducting insurance broking business. BSE holds equity stake of 40% through its subsidiary, BSE Investments Limited. The regulatory approval from Insurance Regulatory and Development Authority is awaited.

BSE also plans to leverage its technological advantage to benefit from Interoperability among Clearing Corporations. Interoperability among Clearing Corporations would allow market participants to choose their trading and clearing venues without any restrictions. It is expected that the interoperability among clearing corporations would lead to efficient allocation of capital for the market participants, thereby saving on costs as well as provide better execution of trades. Based on global experience, interoperability norms will not only benefit market participants to rationalize margins across exchanges and products by optimizing the use of capital but will also reduce post-trade costs of trading firms.

The Company will also continue to strengthen its investment in India INX. We are of the firm belief that IFSC in India can bring about transformational change by pursuing globally competitive business model that synergize and complement well with the domestic offerings. This will help strengthen the overall capital markets ecosystem in India. We also intend to strengthen our position as a preferred exchange in India and expand our cross-border reach via strategic alliances.

7. Concluding Remarks

On behalf of the BSE board, I would like to thank the Government of India, the Governments of Maharashtra, Gujarat, Telangana, other state governments, GIFT City Limited, and various regulatory and statutory agencies for their continued support and advice.

I would, also in particular convey my deepest appreciation for all our regulators – SEBI, RBI and IRDA for constantly encouraging us in our endeavor in creating a robust, progressive and vibrant capital markets in India.

I would also like to place on record our sincere gratitude to our shareholders, board of directors, strategic partners, customers and investors for their continued support to the institution.

Before I end, I must convey my sincere thanks to all our employees and business associates for their dedicated contribution to the Company's performance. To my colleagues on the Board, I convey my gratitude for their wise counsel and guidance. We deeply value the continued patronage of our many customers.

Before I conclude, let me assure you that team BSE is well equipped to adapt to the emerging business environment and continue to work relentlessly to fulfill the expectations of all stakeholders.

As we plan and work towards making our business more innovative, by reinventing the way we operate, I look forward to your continued support and encouragement to take our Company to the next level of success. Thank you.