



Date: May 19, 2021

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 May 13, 2021

Dear Sir/ Madam,

With reference to our letter dated May 11, 2021 intimating you about the conference call with Analysts/Investors held on May 13, 2021, 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

Sd/-
Prajakta Powle
Company Secretary and Compliance Officer

Encl.: a/a



BSE LIMITED

Q4 FY 20-21 Earnings Conference Call



May 13, 2021

BSE LIMITED

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

Moderator

Ladies and gentlemen, good day and welcome to BSE's Q4 FY2021 Earnings Conference Call. My name is Steven, and I will be the moderator for today's conference. 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 Ms. Vishma Venu, BSE Limited. Thank you and over to you Madam.

Vishma Venu

Hello everyone and welcome to BSE's earnings call to discuss Q4 FY2021 Results. This is Vishma from Investor Relations. 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 transcript of the same will be available on our website. The financial results and investor presentation are also available on our website.

Before we get started, I would like to take this opportunity to remind you that our remarks today will include forward-looking statement, actual results may differ materially from those contemplated by these forward-looking statements. Any forward-looking statements that you make on this call are based on assumption as of today and BSE assumes no obligation to update the statement as a result of new information of future events. I will now request Mr. Ashishkumar Chauhan to give a brief overview of the company's performance followed by a Q&A session.

Ashishkumar Chauhan

Thank you Vishma. Good evening, good morning, good afternoon to everyone wherever you have joined from. Thank you for joining the call today. Wish you all Eid Mubarak and also wish that all of you are safe and healthy.

It is my pleasure to inform you that the Board of directors of BSE Limited has recommended a final dividend of Rs 21 per equity share having face value of Rs 2 for the financial year 2020-21, subject to the approval of the shareholders in the ensuing annual general meeting. The total payout with a dividend payout ratio of 99% of the current year profits would be Rs 96.19 crore on standalone basis.

It is almost fourteen months since India went into a nation-wide lockdown due to COVID-19 pandemic. Post the relaxation in lockdown last year, few of us were back to work at office atleast partly until few weeks back, when the second wave of Covid-19 emerged in Maharashtra and selective states imposed mobility restrictions. Despite all the challenges posed by the Covid-19 pandemic and its effect on lives of many of us, BSE, as expected, has been operating seamlessly without any interruption all throughout this period and has also been able to undertake new initiatives as well as improve its operational performance during this period.

Today, we report a quarter and a fiscal year that reflects that effort. This quarter, BSE's operational revenues grew by 27% corresponding to the quarter previous year. Further, BSE net profit for the quarter ending 31st March, 2021 was Rs. 32.57 crores as against a loss of Rs. 1.31 crores in the corresponding quarter previous year. I am indeed happy to inform you that BSE has been able to demonstrate significant growth in its business activities and revenue across primary markets, trading and distribution segments during the financial year 2020-21.

Let me start by covering our Primary Market segment. In the last financial year 2020-21, while the global economy faced adversities due to the pandemic, the various issuers raised over Rs. 3.65 lakh crores through 755 issues on BSE Bond platform. BSE BOND platform continues to be the preferred choice by India Inc to raise debt capital through private placements, structured instruments, public issues and also by Municipal Corporations for issuing Municipal Bonds. Various issuers also raised more than 1.33 lakh crores through IPOs, Preferential and Rights issues during the financial year 2020-21. The above was in addition to over Rs. 16.06 lakh crore of private placed debts and commercial papers listed on BSE during the financial year 2020-21. The total amount raised was Rs 18.53 lakh crores or more than 250 billion dollars during the financial year 2020-21. It is encouraging to see how Indian Investors have shown faith in investing funds in Indian corporate sector through BSE platforms and that Indian capital market

has come of age that it is able to raise 250 billion dollars in one single financial year. BSE continues to be the preferred exchange for investments in India and India takes BSE as investment Exchange. The total number of investors registered in BSE is consistently growing and currently stands over 6.77 crores. In one year alone, BSE has raised the number of investors by 1.79 Crores, which is larger than the nearest exchange by almost 100% and literally more than double that of both the depositories put together.

I will now update you on the Trading Platforms at BSE starting with Equity Cash segment.

BSE is seeing increasing participation from high frequency traders. Further, enablement of best price execution by certain large broking houses has also resulted in the increased turnover in our equity cash segment. With BSE's superior technology and customer friendly frontend software, the average daily turnover in the equity cash segment increased by 57% from Rs. 2,676 crore in financial year 2019-20 to Rs. 4,197 crore in financial year 2020-21. The same is also reflected in the Company's strong operational performance in the current period.

BSE is yet to realize the full potential and benefit of inter-operability across clearing corporations. Inter-operability across clearing corporations facilitates creation and transfer of liquidity among stock exchanges. Interoperability facility is currently fully operational at Exchange level and Clearing house level in Equity, Equity Derivatives and Currency Derivatives segments of the Exchange. However, it has been observed that brokers are not able to provide the facility of Interoperability across Clearing Corporations to their clients yet. This has resulted in the benefits of Interoperability as envisaged by SEBI, like netting of trades across Exchanges in real time, lower margin etc. not being offered to investors. Therefore, the BSE has decided to request members to provide inter-operability facility to the clients at the earliest, failing which there might be imposition of penalties. As informed in our earlier earnings call, BSE has increased its transaction charges in the equity segment effective 1st March, 2021 to bring it in line with competing exchange.

In financial year 2020-21, BSE witnessed significant growth in turnover in its Equity Derivatives Segment. The launch of Sensex 50 contracts with a differentiated expiry date from 29th June, 2020 has attracted a lot of attention and interest from the market participants. It has been the primary reason for growth in BSE's market share in equity derivatives segment from 0.1% in financial year 2019-20 to 5.2% for the financial year 2020-21. The average daily turnover in Equity derivatives segment for March 2021 quarter was Rs. 2.78 lakh crore. Needless to say, increase in turnover of equity derivative contracts can lead to increased liquidity in the equity cash segment also and market share also over time.

Let me move on to Commodity Derivatives segment now. BSE is India's second largest Commodity Derivatives Exchange in India and offers a wide gamut of products across agri and non-agri segments. Keeping up with its spirit of innovation and to meet market requirements, BSE was the first exchange to launch 'Options in Goods' contracts in Gold mini and Silver kg based on spot prices from June 1, 2020. It has completed nine consecutive months of physical deliveries at the exchange designated vault in Ahmedabad and Gujarat. The average daily turnover in the Commodity Derivatives segment is steadily rising. The average daily turnover in Commodity segment for the year ended 31st March, 2021 was ₹ 2,392 crore and it has now almost reached 9% of the overall commodities market in India and BSE has become the second largest commodity derivative exchange in India now.

The Currency Derivatives Segment continues to provide a very liquid platform for trading in currencies. The average daily turnover in our Currency Derivatives Segment for the year ended 31st March, 2021 was ₹ 20,913 crore. BSE's market share in this segment for financial year 2020-21 was 29.6%.

Small & Medium sector Enterprises are the backbone of Indian economy. Growth of SME's can lead to significantly higher capital formation in the country. BSE has been actively encouraging listing of SME's in India. As on 31st March, 2020, 334 companies were listed on BSE's SME segment. The said companies raised funds amounting to Rs. 3,470 crore and their market capitalization as on 31st March 2021 exceeded Rs. 21,000 crores and as of date it has exceeded even Rs 25,000 crores. BSE's market share in listing of companies in SME segment stood strong at 61% as at 31st March, 2021.

BSE is the first exchange in India to launch Startups Platform in December 2018 for promoting listing of startups in IT, ITES, Biotech and many other hi-tech industries. 9 startups have raised Rs. 33.50 crores on this platform and are listed on this platform as on 31st March, 2021.

I shall now discuss our Mutual Fund distribution platform.

BSE StAR MF, India's largest Mutual Funds Distributor platform continued its stellar growth throughout financial year 2020-21. In financial year 2020-21, the number of transactions processed by BSE StAR MF grew by 63% to over 9.38 crore transactions as compared to 5.75 crore transactions in FY 2019-20. The superior support system and distribution reach of BSE StAR MF has enabled the platform to grow exponentially with over 69,700 registered distributors in India. BSE's market share in this segment for the year ended 31st March, 2021 stands at 81.8%. It may be noted that the BSE StAR MF platform witnessed a consistent net equity inflow of investments during financial year 2020-21 when the industry was seeing net outflow in their equity-based schemes. The

net equity inflow to mutual funds through BSE StAR MF platform during financial year 2020-21 was Rs. 22,444 crores as against net equity outflow of Rs. 25,965 crores in the industry.

BSE StAR MF platform continues to scale new peaks of transactions in a single day. The Platform has processed a record 17.84 lakh transactions in a single day on 12th April, 2021 surpassing the previous best record of 15.52 lakh transactions on 5th April, 2021. The BSE StAR MF Platform has continued its unabated growth with processing 1.1 crore transactions in April 2021 as compared to 63.17 lakh transactions in April 2020. The BSE StAR MF app, mobile app launched in May 2019, to help Mutual Fund Distributors register clients on real-time basis and execute paperless transactions, has been well received by the investment community and has processed over 22.20 lakh transactions till 30th April, 2021. BSE plans to launch services providing many more detailed activities using its BSE StAR MF platform to all the distributors from May 2021 that is next week.

I shall cover developments at our subsidiary companies now –

BSE promoted India international exchange at Gift City, Gandhinagar, India INX has been growing exponentially ever since it commenced commercial trading activities on January 16, 2017. Average daily trading turnover on India INX for the financial year 2020-21 increased by 207% to USD 6.96 billion as compared to USD .0226 billion for the financial year 2019-20. It has witnessed an all-time high turnover of over USD 30.21 billion on 10th March 2021. The previous all-time high turnover was USD 24.13 billion on 14th January, 2021. This increased trading activity validates the new products and initiatives taken by India INX and reflects growing interest in the IFSC among the broking fraternity. Even during the Covid-19 pandemic and lockdown, India INX was operational for 22 hours nonstop everyday and has maintained its leadership as the No. 1 exchange in IFSC GIFT City. India INX is the dominant IFSC exchange in GIFT city with the market share of 85% in derivatives trading and 72 % in bond listing for the year ended 31st March, 2021. BSE's stake in India INX stood at 90.72% as on 31st March, 2020. Thereafter, the stake has come down to 86.64% due to preferential issue amounting to Rs. 7.54 crore by India INX to certain investors. Similarly, BSE's stake in India ICC, which is BSE promoted international clearing corporation at Gift City, Gandhinagar, has gone down from 90.1% as on 31st March, 2020 to 82.97% post preferential issue amounting to Rs. 7.63 crores by India ICC to certain investors.

BSE Ebix Insurance Broking Private Limited, a joint venture of BSE and Ebix Fincorp Exchange Pte Ltd., had beta launched its operations on 7th February, 2020 with the offering of private car and two wheeler auto insurance and currently has seven General Insurance companies, two standalone Health Insurance companies and three Life Insurance Companies on its platform. As on 30th April, 2021 BSE Ebix has registered

2492 Certified Point of Sales. During the financial year 2020-21, the Company intermediated issue of 8,698 policies with premium amounting to ₹ 2.75 crores. BSE holds equity stake of 40% through its subsidiary BSE Investments Limited.

As informed in our earlier earnings call, BSE launched an electronic spot platform for agricultural commodities known as BSE E-Agricultural Markets Ltd. (BEAM), through its wholly owned subsidiary BSE Investments Ltd. on 11th December, 2020. During the quarter ended 31st March 2021, Frontier Agriculture Platforms Private Limited (FAPL) through its joint venture with BSE Investments Limited, picked up a 40% equity stake in BEAM. Also, on 25th March 2021, BEAM signed a Memorandum of Understanding (MoU) with the Steel Users Federation of India (SUFI) to help develop electronic spot markets in steel and enhance efficiencies of steel spot markets in the country.

BSE along with PTC India Limited and ICICI Bank Limited had promoted Pranurja Solutions Ltd. and filed a petition with the power market regulator, Central Electricity Regulatory Commission (CERC) on 7th September, 2018 for grant of license for setting up a new power exchange. CERC has granted registration to establish and operate a power exchange to Pranurja Solutions Limited on 12th May, 2021. BSE has a stake of 22.61% in the proposed power exchange through its wholly owned subsidiary, BSE Investments Limited.

On a Consolidated basis, the profit attributable to shareholders of the Company for the quarter ended 31st March 2021 has increased to Rs. 32.57 crore as against loss of Rs. 1.31 crore for the corresponding quarter previous year. The Revenue from Operations for the quarter ended 31st March, 2021 has increased by 27% to Rs. 152.18 crore as against Rs. 119.56 crore for the corresponding quarter previous year. Expenses for the quarter ended 31st March, 2021 has decreased by 15% to Rs. 133.00 crore as compared to Rs. 156.13 crore for the corresponding quarter previous year. The Operating EBITDA has increased by Rs. 59.40 crore to Rs. 37.25 crore for the quarter ended 31st March, 2021 as against Operating Loss of Rs. 22.15 crore for the corresponding quarter previous year. The Operating EBITDA margin stands at 24% for the quarter ended 31st March, 2021 as against -19% for the corresponding quarter previous year.

On a Consolidated basis, the profit attributable to shareholders of the Company excluding exceptional items for the financial year ended 31st March 2021 has increased by 19 % to Rs. 144.90 crore as against Rs. 122.27 crore for the previous financial year ended 31st March 2020. The Total Revenue for the financial year ended 31st March, 2021 has increased by 4% to Rs. 654.65 crore as against Rs. 630.00 crore for the previous financial year ending 31st March 2020. Expenses has decreased by 4% to Rs. 530.70 crore for financial year 2020-21 as against Rs. 553.20 crores for the financial year 2019-20. The

Operating EBITDA has increased by Rs. 88.12 crore to Rs. 38.84 crore for the financial year ended 31st March, 2021 as against Operating Loss of Rs. 49.28 crore for the previous financial year ended 31st March 2020. The Operating EBITDA margin stands at 8 % for the financial year ended 31st March, 2021 as against Negative 11 % for the previous financial year ended 31st March 2020.

Before I conclude I wish again everyone in this call stay safe and Happy Eid and continue to stay safe. With this overview let me welcome you once again and invite all of you for the 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 questions. Ladies and Gentlemen we will wait for a moment while the question queue assembles. Reminder to the participants please limit your questions to two per participant. Should you have any fall out we may request you to rejoin the queue please. The first question is from the line of Siddhant Dand from Goodwill. Please go ahead.

Siddhant Dand

Congratulations on the good numbers. My primary question was on the commodity side. So, in your commodity derivatives I believe 99% of our volumes comes from bullion options is that correct?

Sameer Patil

Yes, that is correct.

Siddhant Dand

Is there any factor driving our success behind it or like what will be the force because you are the first player to enter the segment, and can we replicate this elsewhere?

Sameer Patil

Yes, so when the exchanges are allowed to launch commodities, commodity segment the LES was not allowed in those products that is the SEBI rules, so BSE came forward

working with and launched the options in goods contracts and gold mini was the options in goods contracts where the LES was launched approved by SEBI and there we saw a very good traction not only trading volumes, but also some active participation from these hedges and physical delivery is happening not only on the landed good delivery also on the India good delivery Indian standard delivery. Besides, we have launched almond contract also and it is the only contract in the world which has been launched on the BSE it is an innovative contract where since some of the participation from the hedges we are seeing deliveries to the tune of 147 tonnes till date we have guar gum, guar seed and other agri commodities and turmeric is also doing well yes, but the quantum of trade for the gold is exceedingly well.

Ashishkumar Chauhan

One of the reasons why our options business is doing well because everyone started as you rightly said in the same time in that options goods, but our technology basically allows literally millions of transactions in a minute while in options normally there are several series under the same underlying compared to future, so in future you would have two or three series working at any point in time well as an options it could be 30, 50 or even 100 series working at any point in time and it requires very fast engine to allow so many orders to be taken back and to be placed, which we believe no other exchange in this country has and in a sense our early success in the options for goods in commodity shows our technological superiority and of course our focus on commodities too, but it is basically the way I look at it is going forward the way it is happening even equities that almost everyone is going to options due to the STT being very, very low in options vis-à-vis future and even lower compared to literally 100 times lower compared to the equities delivery similarly here we believe that due to the lower CTT a lot of people will move from the future to the options and we are rightly placed for providing this facility with the technology that is required well as we believe that other people who are now pretty much on the last leg of their technologies, which are themselves old may find it very difficult to match our technology and the user needs that they require in this kind of fast moving markets.

Siddhant Dand

We are not charging right now right; our competitions are charging for options so are we charging for options?

Ashishkumar Chauhan

Currently we are basically trying to build the market so as and when we have a very large market, we have done that in currency future and options where we first build the large market and we started charging small amounts and markets have accepted it well.

Siddhant Dand

Congratulations, Thank you.

Moderator

Thank you. The next question is from the line of Vinod Dataar, an Individual Investor. Please go ahead.

Vinod Dataar

Good evening sir, Congratulations on delivering good numbers. My question is relating to setting up of power exchange as you just told that CERC had approved setting up of a third power exchange platform in the country floated by PTC India along with BSE Investments and ICICI Bank can you update us on timeline of launching such power exchange?

Ashishkumar Chauhan

As per the order we do launch the exchange within three months that is the technology as of now of course it has taken long time for the approval to come, in the meantime we are ready with the technology so it will be tested some further and if any changes are required, we will make those changes, but currently we are confident of starting it in this calendar year itself. BSE will be the largest stakeholder currently in the exchange due to regulatory structure, BSE is going to own 24% vis-à-vis other partners who because of the regulations may or may not be allowed to own for the long-term those kind of numbers, but effectively BSE is a pretty much prime mover in this business with PTC and ICICI Bank.

Vinod Dataar

Thank you Sir.

Moderator

Thank you. The next question is from the line of Pritesh Vora from Mission Holding. Please go ahead.

Pritesh Vora

Sir Congratulations such a high payout ratio almost 100% in the dividend so first of all congratulations for rewarding the shareholders, dividend yield almost 3%. Sir my question pertains to our expenses like the technology related expenses is only 115 Crores despite we have to maintain this similar network as that of NSE where NSE's expenses five times of ours, so what are we doing differently our expenses related to systems and technologies is such a low?

Ashishkumar Chauhan

Thank you I think this is an interesting question not many people understand the technology is the one place where the difference between lot of spending and getting not very good product vis-à-vis a smart spending and doing smart work and getting great sort of results becomes very apparent because technology is not like commodity and what we do is we have a basically subsidiary called BSE Technologies earlier it was Market Place Technology and we have our team in BSE, which basically make our own technology we not only make our technology but we also sell those technologies to third parties including some of the largest brokers of India in back office, in trading, in mobile, investment, in many, many areas including we also sell software for starting new stock exchanges or new exchange of any time and that has allowed us to start new exchange in Gandhinagar, GIFT City in sort of coming out as new segments at the drop of a hat with literally 0 marginal cost of technology that is what basically is taken us long time, we were not long back we were what I call not considered good in technology today after February 24, 2021 all of us have figured out what happens even if you spend so much money if you do not know how to spend or what you are looking for or what is actually required in our business you may not get the great results and that is where the differential between BSE's strategy. What is BSE over last 10 years has changed its complete trading system no exchange in the country has done it before, it was easy to go from manual to automated, but automation one to automation two no large entity in India has changed their systems except BSE. BSE changed its systems in 2013-2014 completely in trading, which is a very, very tough situation because you cannot even have a one second break, but BSE also changed the entire network equipment the broker end, it has changed all its hardware and software and what it has done it has literally gone into open source architecture as much as possible so today BSE's main trading system called BOLT Plus uses Linux and that reduces your cost drastically, operations maintenance in terms of licenses and so on and so forth. It allows you to scale up because Google, Facebook, all of them are on the open source architecture and that is where basically BSE has gone slowly it has taken us 10, 12 years to do this, but today BSE is pretty much the strongest exchange in the country in terms of the technology, the strength of its team, which does technology

and its ability to create newer ways of using the technology for newer markets and that is why it is able to do that in mutual fund distribution or FX or Gandhinagar GIFT City or power trading or any other thing you can think of BSE is there including insurance is because of that reason and then as you rightly said five, six times, ten times, twenty times you must spend lot of money that does not mean you are able to implement right and most exchanges in the country and the world are not able to implement what they buy, we are able to do that in a extremely fugal way and that is why we actually in a way represent what I call fugal Indian innovation and we have got lot of awards for that, but effectively we run as you rightly said data centers in two cities, disaster recovery sites in Mumbai twice and also in Hyderabad and we match on capacity to capacity, capabilities to capabilities, speed to speed, today we are the fastest exchange in the world with six microseconds response and in one second there is a million microseconds there is no exchange even 10 times closer to us so no exchange even in 60 microseconds in the world today, although we advertise 6 microseconds our normal response time will be two, three microseconds and so why I am giving you this long lecture is that basically we are a technology company in the guise of an exchange and not many of the people could even realize that what we were building up was basically for allowing BSE to expand into newer areas, which were more lucrative and continue to fight in the older areas what you call red ocean vis-à-vis the newer areas of blue ocean literally everything that is newly allowed in last five, six years whether it is bond distribution, whether it is commercial papers, whether it is IPOs or mutual funds anything even GIFT City Gandhinagar BSE is the front forward in that and as market share in excess of 70%, 80% and that is what tells you the power of technology that BSE has now achieved, but continue to going forward you will see increasing returns on that technology.

Pritesh Vora

Sir do vendors are linked with any variable component in the expenses linked to the revenue or it is just a fixed component?

Ashishkumar Chauhan

The vendors do not have any revenue share with us.

Pritesh Vora

But is there any variable component in that expense?

Ashishkumar Chauhan

No because most of our core technology is owned by BSE and actually maintained by BSE teams either BSEs own or BSE subsidiary, which is 100% owned by BSE called BSE Technologies so we depend on third party vendors for hardware, for providing manpower sometimes, but IP is belong to BSE most of the times.

Pritesh Vora

There is no variable component?

Ashishkumar Chauhan

Correct.

Pritesh Vora

My next question is about the interoperability between the exchanges can you elaborate this particular point, which you mentioned in your opening address?

Ashishkumar Chauhan

Basically what happened is in 2018 SEBI came out with a regulation to have interoperability between exchanges so interoperability between exchanges and the clearing house has happened, but the brokers who had to also provide similar interoperability so if you buy say Reliance on BSE and sell after 10 minutes on NSE your net position should become zero at that moment and you do not have to pay double the margins instead whatever the profit or loss happened you should have actually got that, but most brokers did not bother about it, on one exchange they were passing on all the cost to their clients, they were not in a way diversifying their own risk and they were dependent on one single exchange most of them. After February 24, 2021 when one large exchange did not work for several hours everyone realized that they also need to diversify as much as they advise their customers to diversify their portfolio, the brokers also need to diversify and that is why SEBI had come out with this interoperability so that in case one exchange or one clearing house fails the brokers or their clients are able to trade on other exchange or other clearing house, which did not happen on that day on February 24, 2021 and so many brokers have now realized the problem with the strategy so they have gone on war footing to now connect to both exchanges on real time, to connect to both exchanges on interoperability basis that is if you buy on one exchange you sell on the other exchange the same moment you only get to pay the net or receive the net amount and that is what will be the true interoperability available to client so as a country also we are not dependent on one single exchange.

Pritesh Vora

If I can squeeze one more question what is the economics about our mutual fund product what is the economics presently are we making money are we losing money?

Ashishkumar Chauhan

No, for first nine years since 2009 end started this framework of BSE StAR MF for first nine years we could not charge because our competition also did not charge, but we became large enough so we were bold to start charging and wherein slowly we started charging now we of course charging after long time there are people who resist, there are disputes, those all have been resolved over last three years and now we have all our mutual funds paying the decided amounts and it is a reasonably profitable business, the exact amount we have not declared but it is a pretty nicely profitable business as of now for us, but of course the volumes last year we had to reduce the charges because we wanted to arrive at a consensus with mutual funds and AMFI so that charging happens on a regular basis and I am delighted to inform you that all the disputes have been resolved with the mutual fund community and now we had to reduce our charges, but in some ways it has been made up, the reduction in the total amounts the gross amounts has been made up by the volume that has increased so I think it is a win-win solution for everyone.

Moderator

Thank you. The next question is from the line of Abhishek Maheshwari, an Individual Investor. Please go ahead.

Abhishek Maheshwari

Sir my question is about the reserves, which BSE has about 2000 Crores how much are we able to make on that on an annual basis and what kind of instruments we are invested in?

Nayan Mehta

Mr. Abhishek our total net worth is around 2187 Crores and of which a part of it is invested in strategic investments, it is on a dividend, but other than that our total investment would be in the range of around 1200 to 1400 Crores depending on the time of year and we earn around 5.5% to 6% on an average, but going forward it will be around 5% for next year because we have to invest strictly in AAA rated papers that also mostly

PSU, government papers, SGL and we do not take any credit risk when we are placing our portfolio, so it is fixed deposits are very, very safe mutual fund and we are also part of the portfolio of this mutual fund.

Abhishek Maheshwari

Thank you.

Moderator

Thank you. The next question is from the line of Vikram Kotak from Ace Lansdowne. Please go ahead.

Vikram Kotak

Congratulations to BSE team on great numbers. I have two questions one is in blue ocean business how much money we need to invest in the next couple of years?

Ashishkumar Chauhan

Our strategy on blue ocean or similar areas where we are currently and so for technology expenses, our manpower expenses we actually expense out in that year only rather than capitalize and then show larger profits. Our policy is to expense out as much as we can so that we do not pay more taxes rather than trying to show extra profits and then continue to get access and that anyway it will come and eat you somewhere in the depreciation later on so basically whatever our current sort of take of investment is will continue, do not post any extra like huge amount of investments on our current blue ocean areas.

Vikram Kotak

One more question I had is we have seen a very good EBITDA margin in last quarter not on the year-on-year but on the quarter-on-quarter because that is a right comparison you see this margins are sustainable because I can see your costs are very stable or coming down across the board whether it is operating expenses or technology someone mentioned or even people expenses so do you think these margins are likely to see upward bias over next say two, three years not say quarter-on-quarter, but over a medium-term?

Ashishkumar Chauhan

Basically the way we look at is we are investing continuously not in anything else but in bringing newer businesses to the core so whether it is GIFT City Gandhinagar, whether it is our own derivatives business where we actually are including commodities where we are actually paying for order flow and so basically we continue to invest which is actually shown as our expenses that is where depending on how much success we have and when we are able to charge in those businesses, but today we have like 7, 8, 10 newer businesses, which competition, if plays out fairly, we will be able to make huge money in all of them simultaneously, but you know that life is not so fair, and so we might end up investing more in some of them, some of them we might end up charging little more in time to come sooner and apart from the fact to predict the competitive behaviour going forward but we will continue to win is the fact and we will continue to create winners, which in a long run 5-10 years scale are going to get a huge returns like what mutual fund did though for many years it earned not a single rupee but every year charging expenses and some said you are foolish to set up these long-term businesses. That's how it happens so fast, the contribution of mutual funds to our topline and bottomline is because of that patience. In bond distribution, in GIFT City like for example in the month of April I have been told our market share has increased, we are raising those winners using the technological edge we have in raising newer and newer markets.

Vikram Kotak

Thank you Ashish Bhai congratulations. Thank you.

Moderator

Thank you. Next question is from the line of Navdeep, an Individual Investor. Please go ahead. It seems like we lost the connection for the current participant we move to the next question from the line of Santosh Keshri From Keshri & Company. Please go ahead.

Santosh Keshri

Congratulations on such a good set of numbers. It is good to see that BSE is back in the growth stage. I have two questions one is about our arbitration expenses that we had that we paid to S&P, so the question is that after paying this are we expecting any payback of this in future or we are still fighting the arbitral award or it is like a cost that has gone and we are going to recover it and related with this is that if we had paid this much so did we get anything out of getting the contract with S&P and second question is about liquidity enhancement scheme that we have like in FY2020-2021 we spend almost 33, 34 Crores for liquidity enhancement scheme and is this giving us any payback like after spending 33, 34 Crores are we able to earn of the expense something more than this what

could be the payback out of this sort of investment that we are doing so if you can throw some light on this?

Ashishkumar Chauhan

Basically there are commercial disputes, which arise amongst partners and so that is what has happened and the arbitration award went against us and we have paid the money to the S&P fully we are not going beyond that and that has been expensed out in the year and so that shouldn't be matter of concern, but the Asia Index Private Limited has started making profits and it is reasonably large so that over a period we get much more than what we have invested in the company. On the second question of the issue if you invest today whether it will pay or not. Ours is what I call the creating markets, it is a long duration activity and fraught with risks. We have successfully raised market called currency markets where we started around 7 years after the top market leaders two of them and now we have become the second largest and very significant market share and we started charging them after we became second largest, so little, little amounts and so similarly I give example of mutual funds where we started second and we have to also subsidize the users because the competition was subsidizing in the newer markets like commodities or equity derivatives where we are still distant segment although we are second largest we are distant second, so we need to create that market, we need to create that confidence in the market structures and so on and so forth and this is going to be a long-term investment framework for BSE, we have in a way seen some success in equity derivatives last year where we have become sort of we started trading almost 2, 3 lakh Crore a day, which was unimaginable a few years back and today probably it might be even more in month of April and May so we see this is very, very promising, but when it starts giving us results and maybe we start charging as and when market allows us then the outcome can be really, really like what I call optional mean option type of payout or like a lottery type of payout so when you become successful and raising any market the outcomes could be like really, really, really large and that is what we are playing by investing a small amount into creating those markets.

Santosh Keshri

Thank you so much

Moderator

Thank you. The next question is from the line of Sudhir Kuvadia from P.H. Financial and Investment. Please go ahead.

Sudhir Kuvadia

Thankyou for giving this opportunity, Can you just put some colors on members deposit in form of cash and FD if we can get the breakup about the portion of members contribution in other current liabilities?

Nayan Mehta

We do not charge as heavy as what the competing exchange charges and the liability which we would be having in our books would be running into few hundred Crores at the most, can I just tell you in two minutes after some time I will just respond in this call.

Sudhir Kuvadia

Yes, sure.

Nayan Mehta

The deposit of trading member number is approximately 150 Crores at the most.

Sudhir Kuvadia

Thank you very much.

Moderator

Thank you. The next question is from the line of Ojas, an Individual Investor. Please go ahead.

Ojas

Congratulations for the wonderful results, which we have seen. My question pertains to stake or business segment that is StAR MF platform this media house was traded on November 20, 2020 that we were willing or looking to sell some stake out of the BSE StAR MF platform and it was being valued at about 2000 Crores so are we thinking on those lines where we sort of sell out some minority stakes in the StAR MF platform and probably seed growth like we did with CDSL and looking at CDSL's market cap in the past three or four months do we plan to do something on those lines with one StAR MF and secondly I am coming to the India International Exchange again I was just going through the investor presentation we have about 84.4% stake there so do we have a regulatory cap there, is there a lock in period or can we sort of sell some portion of it?

Ashishkumar Chauhan

So StAR MF we are trying to basically create a benchmark as you would say, so as when any investors with strategic intent comes our Board has given the mandate to ICICI Securities to search for such a party but we are not in a hurry to divest at any amount or any valuation, but as and when it happens we would be willing to look at those. And in terms of India INX and India ICC they have already started taking newer shareholders, last year they had taken ICICI Bank, this year they have taken few more in fact I have been told even DCB has taken some stake now and many more are in the pipeline currently.

Ojas

So, at the moment do we hold 100% of the stake in StAR MF platform?

Ashishkumar Chauhan

Yes, it is a division of BSE.

Ojas

How about CDSL's remaining 20% do we have a regulatory cap there or is it liquidity?

Ashishkumar Chauhan

Regulation, which says we have to bring it down to 15% I think still we have one-and-a-half, two years more to go, but there are also newspaper articles about SEBI wanting to take away that cap and if they do then we may not sell it all, right. All our divestment of CDSL was due to the regulations. We use to own 54% at certain stage and then the regulations were changed to make it to 24% and then 15% and we have been completely fully compliant exchange and we try do all regulations.

Ojas

So, if I say if we look at it from a five- or seven-year perspective we still plan to sort of hold CDSL if SEBI allows us to do so, am I correct?

Ashishkumar Chauhan

As of now that is the way it is.

Ojas

My last question is that again our peer stock exchange might be going in for an IPO soon and according to regulatory constraint it might again gets listed on BSE alone so do we see our equity cash segment potentially do very well just because of that individual stock listing on our equity segment and again it might have a market cap of about 80000, 90000 odd Crores according to the unlisted markets so do you see that getting priced in the market cap at some point of time or is it indifferent for us?

Ashishkumar Chauhan

In a way why not but again how much does a single company trade on any exchange on a continuous basis right. There are moments or periods like 15 days worth of trade was our initial period, but over a period like Reliance with 12, 15 lakh Crores market cap how much does it take 1% or 0.1% a day and that is what you need to check that out, but effectively as a self regulatory organization you are not allowed to even trade on yourself and that is the regulation by which we were not allowed to list and ourselves are not trade our stock although it is listed another exchange and I am sure that remains to be seen how the regulation works out in the future and we have not had any issues on another exchange regulating us as far as listing is concerned and nobody should have any objection to another exchange listing when it comes to their turn and that is how I see.

Moderator

Thank you. The next question is from the line of Pawan Nahata, an Individual Investor. Please go ahead.

Pawan Nahata

Ashish bhai thank you so much for all the great things the BSE team has been doing. I had two questions one was on best execution you have said that certain brokers and large brokers are doing that already offering that if you can just elaborate a little and here I also want to check if my understanding is right let us say if somebody if I have to place the order to buy 1000 shares by our best execution and the first 100 comes from BSE because it is cheaper there and then next 200 come from NSE and again the next 100 come from BSE and it just continues to like at my 1000 shares, so if you can just explain if that is the way it will work and if that is the way it will work that is all I would think BSE needs because there will be many people who would then be very happy to put their orders on BSE because it does not matter it will be the same effect wherever we place our order?

Ashishkumar Chauhan

So you place order on the market or on the broker and not necessarily on exchange it is also true that if you buy Reliance on BSE and you buy Reliance on NSE both of them gives you the same dividends there is no dividend difference, but sometimes it comes into a bit in our side team that is I need to trade on one particular exchange only, but for our normal user as you rightly said if you want to buy 1000 shares and some portion gets bought in one exchange some portion gets bought in another exchange net if you get 1000 at the lowest possible cost that is what you are looking for that is what is the best execution. The interoperability is basically enabling that in a way and if you are buying 500 and selling 500 again which exchange you sell it on it does not matter because as far as you get the highest price for your shares you should be interested in that right.

Pawan Nahata

Sir I want this, but it is not happened no broker I am not aware of any broker who is offering this.

Ashishkumar Chauhan

Geojit has started offering somebody had send me their mobile app, which I also sent to many of our brokers and this is what the best execution even best execution is not something of today best execution is in the SEBI regulation for now 25 years it is just that somebody does not want it implemented, but now everyone has now realized the impact of not going for interoperability losing the business taking huge risks on particular days like February 24, 2021 everyone has started now thinking about interoperability and once you go interoperable then best execution is actually the next stage of that and it does not require any smartness to even achieve it, if you achieve the interoperability then literally next second you can achieve the best execution and BSE's own software, which is provided by its own subsidiary called BSE Technologies and the software is called BOW already provides to all the members for free on any exchange in India the best execution as well as interoperability on real time, so there are software already available in fact one of the seminars where I participated even financial technology CEO said that they offer it to all their brokers free of cost and so it is just that those brokers are not implementing because they are doing something else and hopefully all of them will now start thinking about their own future going forward and get this done.

Pawan Nahata

I will certainly try this on Geojit thank you. Second question I wanted to be there anyway BSE can push brokers to do this best execution?

Ashishkumar Chauhan

Yes, Sir what we have done is for the interoperability as a first stage we have announced certain minor penalty in the first month if they do not achieve that interoperability and later on that penalty per day is going to increase manifold and so everyone is now working on giving you interoperability soon and similarly for best execution which is SEBI regulation again in a way there is a compulsion there is an obligation on everyone including exchanges to provide that to the investors although nobody is forced, but it is an obligation and that is where I said slowly we will go in that direction too.

Pawan Nahata

So, if my understanding is right this best execution is something which will perhaps if implemented also ADU in the power exchange and I think there was a ministry wanting it?

Ashishkumar Chauhan

So, they will take all the demand from different exchanges and combine and then allocate so that they are able to allocate most efficiently and things like that.

Pawan Nahata

Will this slowdown the system because somebody told me that it will slowdown the system?

Ashishkumar Chauhan

In the derivatives and equities it is a microseconds there is no slowdown at all because at the broker end brokers can be getting both the exchange prices just take a look at in a microsecond which is the best price for you at that chunk and sends in to that exchange and the next chunk and send it to the next exchange and stuff like that and so it is for a user and if you say power trading, power trading in a way the allocation is non-real time they can collect the order for a particular time and then allocate on a reiteration basis after that it is like auction model that you auction for like 30, 50 minutes and then you take 10 minutes to allocate and stuff like that so our market is slightly differently structured in India and the way it's nitty gritty 's work is because of that, but equities, equity derivatives, commodity derivatives you will not see even a microsecond difference because it is happening at the brokers terminal level.

Pawan Nahata

Just hoping that with NSE listing the Sensex will become a better representative of investing in India because Sensex will be the only index to have NSE so maybe that helps?

Ashishkumar Chauhan

I hope it does why not these are all interesting what I call mental exercises.

Pawan Nahata

Thank you so much and all the best.

Moderator

Thank you. Ladies and gentlemen, we take the last question from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra

Sir my simple question is on the StAR MF platform, so the blended realization if you see for the platform has been pretty volatile and in fourth quarter if I just calculate that it has actually come down very sharply and for the full year it is around Rs.3.7 per transaction, so like what is the sustainable rate here for the StAR MF after the negotiation that has happened and like for the next year what rate can we expect and also on the technology spending has come down like significantly both like sequentially on Y-o-Y so what has basically led to that and also on the other income if you can explain?

Nayan Mehta

Amit on the realization for mutual fund our average realization has been 3.6 based on the number of transactions settled by us and this is more in the sustainable rate plus or minus here and there, but this is something which we can factor in when we work on our working for our future growth part that from mutual fund obviously going forward for the next one or two years will be the volume expansion means that we have been growing at a very, very fast pace we have done more than 62% year-on-year growth on that in spite of COVID and then even in that period we have done much better than the earlier months so we have been factor in the rate and that should give you a reasonable idea on that tech spending means would Kersi like to say anything on that Kersi?

Kersi Tavadia

Yes, on the reduction in the technology side it is not that we have reduced anything it is basically investment, any large technology takes a few years to settle down so it is not every year we keep on replacing, whenever it takes a big chunk of transformation in that one particular year, it will take couple of years to settle down and next couple of years will be another big project, so it will be cyclically increase up and down, up and down so it is not always be significantly lower.

Amit Chandra

So, what is the sustainable range in terms of technology spend 91 to 100 Crores is what we can expect for the next year also?

Kersi Tavadia

Yes.

Amit Chandra

The other income Sir?

Nayan Mehta

In the other income if we are talking of investments the invested income obviously will be tapered because of the low-rate interest rate scenario, so over the next three years obviously we expect the yield to rise, but in the immediate future because of the second wave of COVID and possible third wave they may still remain subdued for some time so there is not much to expect on the investment income side as far as the income expansion is concerned. On the other income we have around 20 Crores of income, which is mainly coming out of rental income and that is more of a very stable revenue source and that should not get affected much.

Amit Chandra

Okay Sir thanks.

Moderator

Thank you. I would now like to hand the conference back to Mr. Ashishkumar Chauhan for closing comments. Over to you Sir!

Ashishkumar Chauhan

Thank you everyone and stay safe, stay healthy.

Moderator

Thank you. Ladies and gentlemen on behalf of BSE Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.