



Date: May 26, 2020

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 21, 2020

Dear Sir/ Madam,

With reference to our letter dated May 19, 2020, intimating you about the conference call with Analysts/Investors held on May 21, 2020, please find attached the transcript of the aforesaid conference call.

This is for your information & record.

For **BSE Limited**

Sd/-
Prajakta Powle
Company Secretary and Compliance Officer

Encl.: a/a



BSE LIMITED

Q4 FY 19-20 Earnings Conference Call



May 21, 2020

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 FY2020 Earnings Conference Call. My name is Rayomand, 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 Mr. Yogesh Joshi – Head, Investor Relations, BSE Limited. Thank you and over to you, sir.

Yogesh Joshi

Hello, everyone and welcome to BSE's earnings call to discuss Q4 FY '20 Results. This is Yogesh, Head Investor Relations. Joining us today on this earnings call is BSE's leadership team consisting of-

- Mr. Ashishkumar Chauhan – Managing Director and CEO,
- 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.

Please do note that the conference is being recorded and a transcript of the same will be available on our website. The financial results and investor presentations are also available on our website. I would now request Mr. Ashishkumar Chauhan to give a brief overview of the company's performance, followed by a question-and-answer session.

Please note that BSE does not provide any specific revenue or earnings guidance. Anything said on this call will reflect BSE's outlook for the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that company faces. With that, I would like to turn the call to Mr. Ashishkumar Chauhan.

Ashishkumar Chauhan

Thank you, Yogesh, Good morning, good afternoon and good evening, to all of you, wherever you are. Please accept my apologies for starting this conference call a little late. I have pleasure to inform you that the Board of Directors of BSE Limited has recommended a final dividend for financial year 2019-2020 of Rs. 17 per equity share, having a face value of Rs. 2 each, subject to approval of shareholders in ensuring Annual

General Meeting. The total payout would be Rs. 77.87 crores, and the dividend payout ratio is 95% of the current year's profits, excluding the gain on part equity stake sale of Central Depository Service (India) Limited.

Let me start by providing you with certain updates on our business and operations.

As it has been discussed in our earlier calls, certain provisions were made in our earlier quarters, considering that negotiations with many mutual funds with respect to transaction processing rates were in progress and an amount deemed to be reasonable was provided in respective quarters. Due to onset of COVID-19 in India this year, global economies (including India) have suffered severely and investments, including investments in mutual funds, have significantly adversely affected. In view of the same, mutual funds have undertaken severe cost cutting measures. Considering the competitive pressure as well as the current economic and business scenario, BSE agreed to accept lower rates. While and this has resulted in less than commensurate growth of income in Star Mutual Fund platform, notwithstanding the stupendous growth in total number of orders processed in this platform. The agreement has resulted in lending a lot of certainty for future planning and growth in this segment going forward.

Total number of orders processed in mutual fund segment has risen by 60% to Rs. 575 lakhs during the year ended 31st March 2020, as compared to Rs. 360 lakhs in corresponding previous year. The platform received a record 70.36 lakh orders in the month of March 2020, surpassing the previous best record of 54.43 lakh orders in the month of January 2020. The total number of orders received in the month of March 2020 were higher by 86% as compared to the orders received in the month of March 2019. In spite of COVID-19, the platform has processed a record 11.58 lakh transactions on a single day on 13 April, 2020, surpassing the previous best record of 10.10 lakh transactions on February 10, 2020. Continuing the growth momentum, the platform contributed 61% in net equity inflow that is Rs. 3,806 crores out of the entire industries total of Rs. 6,212 crores in April 2020. The total number of X-SIPs registered under this segment increased by 52% to 24.37 lakhs for the year ended 31st March 2020, from 16.06 lakhs for the year ended 31st March 2019. The total value of orders processed in the mutual fund segment increased by 39% to Rs. 2.23 lakh crores for the year ended 31st March 2020, from Rs. 1.61 lakh crores for the year ended 31st March 2019. BSE had launched BSE Star MF app in May 2019 for mobile, to enable Mutual Fund Distributors process transactions on the go. The app has been well received by the investment community and it has processed over 4.47 lakh transactions till 30th April 2020. BSE's relentless scaling up of the Mutual Fund Distributors and IFA's network, along with its technology drives the growth in its BSE Star MF platform.

During the period from January 2020 to April 2020, BSE has appointed 1,455 IFAs and members taking their total to 57,060 as on April 30 2020. This network is over and above BSE's 1,400 members backed by over 2 lakh authorized representatives covering length and breadth of our country. Income earned in the Star MF segment increased by 54% to Rs. 44.74 crores for the year ended 31st March 2020, from Rs. 29.03 crores for the year ended 31st March 2019. Income earned in this segment has contributed to 12% of the revenue from operations for the year ended 31st March 2020, as compared to 8% of our revenue from operations for the year ended 31st March, 2019. Seeing it differently, the income earned in Star MF segment now is equivalent 66% of the income earned by BSE in securities segment during that period. BSE continues to remain positive on growth of this segment. BSE's market share in this segment for the year ended 31st March 2020, stands at 74%. BSE also has got recently approval from SEBI to start E-KYC in the various segments, including the Star MF segment. And BSE has also started collecting commissions on behalf of the IFAs who agree for the AMCs who agree to provide this commission through BSE, which will also become an interesting way to earn additional income.

You would be glad to know that BSE Ebix Insurance Broking Private Limited, a joint venture of BSE with Ebix Fincorp Exchange Private Limited obtained insurance broking license from insurance regulator, Insurance Regulatory and Development Authority of India, IRDAI. The company successfully beta launched its operations on February 7, 2020, and has booked more than 200 policies till date. The number of certified point-of-sales (POS) have crossed above 500. The company collected highest ever fresh premium of Rs. 6.18 lakh, of which highest collection in a single day of Rs. 1.1 lakh on 16th March 2020. It is expected that the network of insurance broking business and mutual fund distribution platform shall complement and leverage each other for strong growth over time. BSE holds equity stake of 40% through its subsidiary BSE Investment Limited.

The turnover in BSE's subsidiary, India International Exchange (IFSC)Limited, also known as India INX at GIFT City Gandhinagar, IFSC, has been growing at a fast pace. Average daily turnover in India INX witnessed a growth of 195% to US\$2.2 billion for the year ended March 31, 2020, from US\$766 million for the year ended 31st March 2019. The turnover comprises of significant contribution by Equity Derivative segment. Equity Derivative segment contributed 93% of average daily turnover, and Commodity Derivative segment contributed 7% of average daily turnover for the year ended March 31, 2020. India INX is dominant IFSC Exchange in GIFT City, with the market share of about 82% in derivatives trading, and 100% in bond listing in GIFT City. During the March 2019 quarter, approximately 27% of Indian issuers of debt security in international markets have already listed on India INX global securities market.

On May 8, 2020, honorable Finance Minister Srimati Nirmala Sitharaman inaugurated Rupee - Dollar derivatives on Indian International Exchange (IFSC) Limited (India INX), India's first international exchange based in the International Financial Services Centre (IFSC) at Gujarat International Finance Tec-City (Gift City). The launch was done virtually by the honorable Finance Minister as she rang the bell electronically and declared Rupee - Dollar futures and options contract open for trading on India INX. The volumes in Rupee - Dollar derivatives contract is very encouraging. The average daily turnover in Rupee - Dollar futures and options contract till 19th May is US\$55 million and US\$18 million, respectively. The Finance Ministry established the International Finance Services Centres Authority (IFSCA) through notification in April 20, 2020. The body will be headquartered in Gandhinagar Gujarat as per the notification. The main function of authority will be to regulate financial products such as securities, deposits or contracts of insurance, financial services, and financial institutions, which have been previously approved by any appropriate regulator in IFSC. Currently, the banking capital markets, and insurance sectors in IFSC are regulated by multiple regulators such SEBI, RBI, IRDAI, PFRDA, etc.

The Currency Derivative segment of BSE continues to provide a very liquid platform for trading in currencies. The average daily turnover of Currency Futures segment for the year ended 31st March 2020, was Rs. 11,740 crores and the average daily turnover in the Options Segment for the year ended 31st March 2020, was Rs. 15,763 crores. BSE's market share for the said period was 40%.

On January 27, 2020, BSE signed a licensing agreement with Intercontinental Exchange, Inc (NYSE:ICE) a leading operator of global exchanges and clearing houses, and provider of data and listing services for the use of ICE Brent Index as a final settlement price for the BSE's rupee-denominated Brent futures contract. In the commodities derivative segment, BSE facilitates trading in derivatives of gold, silver, Oman crude Oil futures, copper, guar seed, guar gum, cotton futures, turmeric, castor seed, chana, soybean, and energy Brent crude. In a short span of a year, BSE has become the dominant exchange for trading in derivatives of cotton, with the market share of 23% and guar seed with market share of 25% for the year ending 31st March 2020. The total number of members admitted in this segment is 277. Average daily turnover in commodity segment for the year ended 31st March 2020, was Rs. 203 crores.

BSE SME platform has 322 companies listed on its platform as on 30th April, 2020. Further, the number of companies listed on extended platform have grown by 10% over past one year from 291 companies listed as on 31st March, 2019. Of the total number of companies listed in BSE SME platform, 79 companies migrated to the BSE's main board as of 31st March 2020. The total market capitalization of company listed on SME platform as on 31st March was Rs. 15,270 crores and total funds raised was Rs. 3,318 crores. The companies listed on BSE's SME segment have shown outstanding growth over the last

seven years. SME IPO Index which was launched on 14 December 2012, with 100 as base has increased by 1,265% to 1,365 as on March 31, 2020. BSE's market share in listing of companies in SME segment stood strong at 60.7% as at March 31, 2020.

BSE launched platform for Electronic Book Mechanism, "BSE BOND" on July 1, 2016. This platform facilitates issuance of debt securities on private placement basis. Issuers in this segment include renowned corporates from public as well as private sector in India. During the year ended 31st March 2020, 452 issuers successfully raised over Rs. 3.50 lakh crores through this platform. BSE's market share for the said period stands at 58.4%, BSE continues to be an institutional for capital formation in India, the total debt raised in this platform until date has crossed Rs. 11.17 lakh crores as on March 31, 2020.

The trading volume in the equity segment at BSE have generally been found to be co-related to the macroeconomic growth and many other factors. As such, certain volatility has been historically observed in the volumes in this segment which is affected inter-alia by the level of activity in capital markets in India, BSE's equity segment has stabilized, and equity derivative segment is also growing, reflecting the quarter-to-quarter improvement in the operational performance of the company. The average daily turnover during the quarter ended 31st March, 2020 was Rs. 3,024 crores as compared to Rs. 2,535 crores in the previous quarter.

Over the last few quarters, equity derivatives business has been focused and average daily turnover during the quarter ended 31st March 2020, was Rs. 3639 crores as compared to the Rs. 475 crores in the previous quarter. BSE shall continue to make further efforts to increase its business in equity derivative segment.

Interoperability amongst clearing corporations facilitates efficient order execution by enabling any order to be executed at more than one exchange, and thus reduces the slippages in execution without the need to maintain margins at multiple clearing corporations.

BSE, along with PTC India and ICICI Bank filed a petition with the power market regulator, Central Electricity Regulatory Commission on September 7, 2018, for grant of license for setting up a new power exchange. Central Electricity Regulatory Commission CERC approval is awaited. This proposed institutional exchange, subject to necessary regulatory approvals, would leverage on experience and expertise of its stakeholders in the fields knowledge of the power sector, funding of power projects and associated infrastructure. Setting up and running off various exchanges and platforms in India and offer market participant and credible power trading platform. BSE has a stake of 41.08% as on 31st March 2020, in the proposed power exchange, which will be brought down to 25% post receipt of grant of license.

With respect to listing of securities, the number of companies listed with their equity capital on BSE available for trading are 3,913 as on May 17, 2020. BSE has highest number of listed companies of any exchange in the world. Market capitalization of companies listed on BSE is about Rs. 122 lakh crores. The total number of registered investors registered on BSE exceeded 4.99 crores as of date, very close to 5 crores investors, 1 lakh investors will make it 5 crores. On November 26, 2019, BSE has announced the framework for listing of commercial paper, enabling the listing on BSE for commercial paper issued on or after 27 November, 2019. Till date, 120 issuers have done 1,385 issues of commercial papers and successfully listed commercial papers worth Rs. 5.3 lakh crores on BSE. BSE has been undertaking calibrated increase in listing fees over the last few years to make the same comparable to the charges levied by competing exchange, as well as to cover increasing cost of compliance. With effect from April 1, 2019, BSE had increased annual listing fees charged to exclusively listed companies by Rs. 50,000 in the listed capital is up to Rs. 100 crores and by Rs. 25,000 in case their listed capital is between Rs. 100 crores and 200 crores.

During the quarter ended 31st March 2020, BSE provided for a one-time liability of Rs. 18.61 crores towards provision for additional contribution to ISF and IPF as desired by SEBI. It may also be noted that BSE has made a provision of 50% towards its investment made in secured debentures of IL&FS in previous year. Considering the unlikelihood of receiving any redemption amount in future, a further provision of 50%, amounting to Rs. 7.98 crores has already been made in the financial for the year ended March 31, 2020, making it 100% write-off.

On a consolidated basis, the profit attributable to shareholders of the company, excluding non-recurring and exceptional items for the quarter ended 31st March 2020 has remained steady at Rs. 17.34 crores as against Rs. 17.14 crores for the previous quarter. During the quarter ended 31st March 2020, a one-time non-recurring provision for additional contribution to ISF and IPF, as mentioned above, of Rs. 18.01 crores has been made. This provision has been made in accordance with the final conclusion by SEBI with respect to certain observations made with respect to earlier years. During the quarter ended 31st December, 2019, an amount of Rs. 32.04 crores was booked as income on sale of 4% equity in CDSL, an amount of Rs. 3.62 crores was paid towards settlement of service tax litigation under Sabka Vishwas scheme.

The above mentioned exceptional items have resulted in a loss attributable to shareholders of Rs. 1.31 crores for the quarter ended 31st March 2020, as against the income of Rs. 45.57 crores in previous quarters. Operational revenue for the quarter ended 31st March 2020, has grown by 9% to Rs. 119.56 crores as against Rs. 109.92 crores for the previous quarter. Percentage of operational revenue to total revenue for

the quarter ended March 31, 2020, has risen to 77% from 74% in the previous quarter. Total revenue for the quarter ended March 31, 2020, has increased by Rs. 7.13 crores to 155.79 crores.

On a standalone basis, the profit attributable to shareholders of the company, excluding non-recurring and exceptional items for the quarter ended March 31, 2020, has gone up by 92% at Rs. 20.24 crores as against Rs. 10.54 crores for the previous quarter. During the quarter ended March 31, 2020, a one-time non-recurring provision for additional contribution to IFS and IPF amounting to Rs. 18.61 crores has been made. This provision has been made in accordance with the final conclusion by SEBI with respect to certain observations made with respect to earlier years.

During the quarter ended 31st December 2019, an amount of Rs. 91.58 crores was booked as income on sale of 4% equity stake in CDSL, and an amount of Rs. 3.62 crores was paid towards settlement or service tax litigation under Sabka Vishwas scheme, as specified earlier. The above mentioned exceptional items have resulted in loss attributable to shareholders of Rs. 1.59 crores for the quarter ended March 31, 2020 as against income of Rs. 98.50 crores in the previous quarter.

As on April 30, 2020, the total balance lying in Settlement Guarantee Fund maintained by Indian Clearing Corporation was 432.79 crores.

Interoperability among clearing corporations were implemented from June 29, 2019. After implementation of interoperability, the members have the option to choose the clearing corporation to clear their trades. Based on their selection, the trades on BSE are cleared by respective clearing corporations.

As per the requirements arising out on August 27, 2014, SEBI circular, for contribution by exchange to core SGF, BSE needs to contribute to core SGF of all the clearing corporation through which its trades are cleared.

BSE has already contributed Rs. 15,072 lakh to Indian Clearing Corporation, which is in excess by Rs. 12,388 lakhs as compared to the requirement. As of March 31, 2020, of the above mentioned curricular relating to core SGF, based on the transactions executed on BSE and which are cleared by other clearing corporations, requirement of core SGF is Rs. 1,264 lakhs as of March 31, 2020. The board of companies decide to represent to SEBI for allowing to utilize the excess contribution by BSE lying with the Indian Clearing Corporation to be adjusted with the said contribution to the other clearing corporations requirement. Clearing corporations have also represented to SEBI that the contribution by exchanges towards core SGF of clearing corporation may be allowed to be contributed in the form of bank fixed deposits or government securities, companies are awaiting

clarification from SEBI in this regard. In view of the above, no contribution has been made to other clearing corporations and the company has not taken any charge for the contribution to core SGF in the current year's statement of profit and loss.

Before I conclude, I wish everyone in this call to stay safe with the near and dear ones in COVID-19 times. It is a time and threat which no one in our generation has seen. In the spirit of extreme uncertainty, which is not likely to end with the lifting of lockdown across the globe. It is not possible to predict how strong each country, organization, individual would emerge after all this is over. In this dire circumstances, we have undertaken strict cost control measures, and we will continue to do the best we can to ensure sustainability and growth of BSE to serve the interests of all stakeholders of BSE. As you are aware, BSE has continued its operations without a single second stoppage during this tough period.

With this overview, let me welcome you once again and invite all of you for questions and answers. Thank you.

Moderator

Sure. Thank you very much. We will now begin the question and answer session. The first question is from the line of Ravindra Surve from ICICI Securities. Please go ahead.

Ravindra Surve

My question was about GIFT City. So what will be the expense related to GIFT City in FY20?

Ashishkumar Chauhan

This year we have made total losses of Rs. 33 crores on the GIFT city operations, and I think that will continue probably in the future next year also.

Ravindra Surve

Okay. And my second question was regarding the distributable cash. So, if you can just help us with the built up of what is regulatory requirement and SGF, and margin money in the balance sheet?

Nayan Mehta

See, as we said, there is a Settlement Guarantee Fund of Rs. 400 crores which is there lying with Indian Clearing Corporation Limited, it comes in our consolidated financial

statements. And other than that, what do you see as our net worth, obviously, there is an element of certain capital reserve which is there in our net worth, which is amounting to about Rs. 800 crores, and obviously, the remaining amount is for utilization in terms of further projects of BSE and various other things.

Ravindra Surve

So, regulatory requirement will be Rs. 800 crores?

Nayan Mehta

Rs. 800 crores is the capital reserve, which is laying on the balance sheet.

Ravindra Surve

And margin money?

Nayan Mehta

Margin money is a liability, it is shown in the current liability.

Moderator

Thank you. The next question is from the line of Rohit Prakash from Marshmallow Capital. Please go ahead.

Rohit Prakash

Thank you for the opportunity Sir, first question is on Star MF. You did mention that you have, given these difficult times, you have decided to take a price cut as requested by the mutual funds. I remember the average realization per transaction last year was around Rs. 8 or Rs. 9, what is it reduced to right now?

Nayan Mehta

For the transactions which have been executed on the mutual fund platform, our realization has been Rs. 9 in the current year.

Ashishkumar Chauhan

But next year it will come down.

Rohit Prakash

So what will it come down to, sorry?

Ashishkumar Chauhan

It might come down to Rs. 6 or Rs. 7, or probably even Rs. 5, because the breakup of how many transactions will fall in which category is yet to be figured out, because the mutual funds have gone through tremendous difficulties in last one and a half, two months. And their AUMs have also gone down substantially in the equities and bond, both sides. And that is where all of them are still struggling to figure out what would be the steady state numbers going forward.

Rohit Prakash

Understood. So that was helpful. So continuing on mutual fund, I mean, given BSE Star MF being a major pipe for a mutual fund player, I believe you have a great view on what is happening in the industry. So could you give us a sense on post the Franklin issue, how do you see the flows into the mutual funds from the public at large? Is there a material decline or do you see it stabilizing, if you could give some commentary around that it would be helpful?

Ashishkumar Chauhan

I think we would like to discuss more than this on the mutual fund side. I will tell other mutual funds at some point in time to have a discussion with you guys. But it would be wrong on my part to be discussing what their business is going through. Except that, our numbers have come down in the month of May. So that is a fact and that much first three weeks of May have seen some decline. It may be small because we cater to the smaller investors in a way, and the IFAs and all who are still continuing. But that is only, we have seen some declines and I don't know about the other channels. But what has happened, which is interesting, is that in this COVID times the physical channels have been closed down, you might be aware. So more transactions are going through electronic channels, and BSE is pretty much now 60% of all the value on equities on net basis, last year it was 64% or 65%, this year in first month of April we were like 60% plus, we were surprised. And that is basically a good sign. We have also started basically collecting, first we are calculating what kind of commissions IFA needs to have from a particular AMC, and that business might give us some additional revenue when we start collecting. It is like an ease of doing business for the IFA, because IFA earlier used to be dealing with only few AMCs because there was a physical limitation for them. Now, through BSE Star MF, they are

dealing with all 40 AMCs. And to calculate and collect the commission from each of them was becoming difficult, so we received some representation from the IFA community, and so we decided to deal with the AMCs requesting them. Around seven AMCs have agreed to allow us to collect the commission on behalf of the IFAs, as in the first phase. The IFAs which agreed for us to collect for them and, of course, we will charge them small amounts to ensure that the service is commercially viable to us. And SEBI recently announced eKYC framework where people don't have to go physically now. This was announced in the budget and then later on regulations were going on. Now, SEBI has announced six, seven agencies which can do this eKYC services. And BSE is going to launch this in next week. And so that will be another sort of source of revenue which BSE is going to have in next week. I don't know how far it adds value in the first year itself, but at least these two services we think are a tremendous value addition, one on KYC side to the IFA, as well as to the AMC, and collections of commissions more to the IFA, but also to the AMC that they don't have to deal with like 58,000 IFAs we have for paying commission, instead they can just go through us if they want. And we will basically calculate and settle with them and so on and so forth. So we will do the customer complaints and clarifications and all through our CRM framework. So it's a new business in a way we are getting in. We think it's a value addition to the entire industry. And hopefully, this too will sort of get us more in depth relationship with both sides, mutual funds and the IFAs.

Rohit Prakash

That was a very detailed answer. And thank you. And it's really interesting, the strategy that you are following to increase the switching cost of both the mutual funds and IFAs with respect to the BSE Star MF platform. Just a clarification here, suppose these two new sources of revenue that you are trying to build for BSE Star MF, would you be charging IFAs or AMCs or both in this scenario for the commission that is to be charging the IFAs while in the eKYC it will be depending on where it is coming from, both AMC and the IFA?

Ashishkumar Chauhan

Correct. So, basically that is broadly what you said. But one of the first AMCs which has agreed to take our eKYC service for which the testing is on, the AMC has agreed to take up the entire cost. But that could be AMC's own choice, you know. So it remains to be seen how the revenue model evolves. It was our duty to basically provide this ASAP, because in a COVID time it's not possible for adding new customers if you don't have eKYC. And so we wanted to go really fast. And I am delighted that next week we are starting. In fact, if you look at the number of investors registered with us, these are basically what we call not unique customers. Each broker gives code to his own client and so there is a possibility of duplication in terms of the same client being registered with 10 brokers. But that number is going to reach Rs. 5 crores probably within the next week or so, and

that is larger than the nearest exchange by almost 100%, which is almost double the near exchange. And if you look at our total number of investors on unique PAN number basis, we are about 3 crores. This is larger than all depositories put together, all mutual funds put together. And if you do did them, they will put together will not be more than Rs. 2 crores or in that range, Rs. 2.25 crores. We are now the largest sort of repository of the investor details in terms of their KYCs and all. And recently we have also got approval from SEBI to in-principally go into, one of our subsidiaries has got an approval to get into GRA business. So that would basically hook into this eKYC business also going forward as and when it goes live. But that will go through some legal processes before we can sort of move forward on that.

But these are all basically connected businesses and we think we are on a really good track. Just to give you, since you didn't ask, but I think insurance distribution is also an exciting situation for us. We have not formally launched it because we wanted to launch it and we had this COVID thing. But we launched it on beta basis which is actually live and daily we are now having 15, 20 new policies that are happening. And we have more than 500, close to 1,000 agents, POS, as it is called in that language who have registered with us, who are ready and who are doing business. And we have currently started with only auto with a couple of companies, but integration is on with general, life, health. And it is a beautiful technology. So once the COVID thing gets over, I would probably have some of our colleagues do a video, conference or video, sort of small video setup so that you can know how this technology is going to change insurance distribution in India. It basically takes a couple of minutes to sell the insurance, quotations come automatically and then the insured is able to get the policy in hand within a few minutes. So it's a very interesting technology. And I am really happy that it has come out that way.

Rohit Prakash

Thank you for that detail as well. I mean, I have to say that the video you have put up on StAR MF, how it works on YouTube was really helpful. So your suggestion on doing something for insurance so that we understand it better would really be helpful, I believe, as well. Moving to equity, when the interoperability started last year, you were quite hopeful of it enabling BSE to gain some of the lost market share in the equity space. So how has the last one year been in terms of how it has evolved versus your expectations?

Ashishkumar Chauhan

It has basically not yielded much result in terms of the absolute value of BSE's transaction. It does remain similar, I won't say exactly same, slightly it has increased probably. But I mean, I had a lot of hopes. At the same time, we had not bargained for a situation where existing clients' business gets known to the competition through their clearing

corporation, putting more pressure on those guys to trade on another exchange, because they get more information. And so, those are the things which are something which have come out and we will have to live with the realities and create our own niche. I will tell my colleague, Sameer, who heads the business for us to also make a comment on this.

Sameer Patil

Yes. And when we started, the entire inter process, there were larger software vendors also, third-party vendors who are not ready with it, so it also took them a lot of time. In the meantime, there was no much yield for us as well on that part, because the technology vendors were not ready.

Moderator

Thank you very much. We move to the next question. The next question is from the line of Romil Oza from RMO Investments. Please go ahead.

Romil Oza

I was wondering, what is the cash, debt mutual funds CDSL stake? And how much of the BSE building do you own? What is the market value of all of these things? Because I would assume that our current market capitalization is less than the tangible assets on the book. And the second question is, the reason we bought into BSE is that all of these assets provide a floor price, yet you are into Star Mutual Fund, derivatives, eBond, etc., etc., which are these growth areas which provide a lot of headway into the future and this is a long runway. So, just to put a floor on the market cap, what is the current value of all the cash debt mutual fund's CDSL stake? And BSE building, how much of it do you own? And the second question is, what are your five-year projections for Star Mutual Fund and other growth businesses?

Ashishkumar Chauhan

As a matter of policy we don't give projections. But it is also difficult to give you the exact amount of value of the assets we have on the net-worth. But I will request to my CFO to give you some idea on that.

Nayan Mehta

In terms of cash and mutual funds which we are having in our books, it is approximately Rs. 1,600 crores or more. As far as CDSL stake is concerned, you know the market capitalization of CDSL is more than Rs. 2,500 crores and, obviously, we are holding 20%

stake. Building obviously, means we valued this thing many, many years ago and probably at that time it was more than Rs. 800 crores. And I think the area has been developing pretty well recently.

Romil Oza

So, that is about Rs. 2,700 crores, whereas your market cap is Rs. 2,000 crores. So, the company is significantly undervalued and you have a lot of growth businesses like Star Mutual Fund, insurance, bond market, etc., etc. So I think it would be interesting and helpful for investors if in your next presentation you could put down on a page your tangible assets, because currently the stock is trading at a deep discount to tangible assets. Forget the growth businesses that you have.

Ashishkumar Chauhan

Fair point, I don't know how much we can do. But it's a good point and we will try to put that in as much as we can. But sometimes people may claim that we are giving wrong information, especially the building price and all.

Romil Oza

Just put down the square feet of the building and we will calculate it on our own. Right now you are Rs. 2,100 crores in cash and CDSL stake, and your market cap is Rs. 2,000 crores. So, that itself is less. I am not even talking about Star Mutual Fund, BSE's annuity business, the bond business, commercial paper, international exchange, these are sunrise sectors, and you are going to group tremendously. But you need to communicate that story to investors out there, because the stock quite frankly is trading at a much less value than the intrinsic value of the stock. And you guys, I will give kudos to Mr. Chauhan and his team, you guys have done a great job of venturing into areas which are going to be high growth areas. But I don't think the story comes out forcefully, there should be a flow on the stock price, which should be Rs. 2,700 crores in market cap. And above that are your growth businesses. Now, you need to communicate that on the slide, simple, just put a table and put that out. Like the stock is tremendously undervalued at this point.

Ashishkumar Chauhan

No, I mean, I agree with you to a large extent, and we are happy and thankful to you, at least you believe in our story. But I will tell Nayan also to chat up with you later on after this to see how best we can do this so that it doesn't come back with any allegations of misrepresentation and other things.

Romil Oza

Give the audited statements, right? You are going to be audited, give the audited statements based off of last year and just show us the cash flow, because the cash flow of the company is so high Rs. 2,700 crores, and the market cap is Rs. 2,000 crores.

Ashishkumar Chauhan

Okay. I agree.

Romil Oza

Thank you.

Moderator

Thank you. The next question is from the line of Ayush Mittal from Mittal Analytics. Please go ahead.

Ayush Mittal

Good Evening Sir, it's good to see the new areas that we have been seeing and the kind of growth and market share we have been getting. My question is more about the legacy exchange the BSE equity segment that we have and the drop in turnover we have been witnessing over the last two years. Any thoughts what we are doing to revise this?

Ashishkumar Chauhan

Basically just to correct you a little bit, not too much. That volume is not dropping, the market share is dropping.

Ayush Mittal

Yes, both. Like the average daily turnover if you see...

Ashishkumar Chauhan

Yes, increased a little bit recently. But those are what I call semantics. I agree with your broad point that we have not done so well in equities because we have not done so well in derivatives also, equity and equity derivatives has stayed well and that's why we had insisted on interoperability, it came and still we have not been able to do well. We have

recently started the liquidity enhancement scheme. We are seeing some volumes of Rs. 6,000 crores a day on that. We are sort of changing it to on the same index as what is trading in GIFT City, that is BSE50, and that basically tracks which is very close to what other indices' 50 stocks and similar numbers and all. So hope with this we might be able to get some more traction, but we are continuing with our efforts on commodities, on equity derivatives, on equities. And hopefully, the technology which we have, the speed, the flexibility, like you might have seen recently in terms of the CME, WTI crude going negative and other exchanges had a problem on negative pricing. And when we announced the negative pricing framework also within a week, and so that kind of technological progress is what this organization has developed over the last 10 years. And somewhere down the line, at least I was hopeful that somewhere people will appreciate and come here, but probably liquidity has a way to stay unless some large problems happen somewhere. So currently, we are also keeping our fingers crossed and working hard. Sameer, you have anything to say?

Ayush Mittal

Sir, I appreciate the points you mentioned. But as an observer, I also have a feeling that BSE had an edge by way of higher number of securities, which were exclusively listed on BSE, and these were small companies and mid-sized companies. Somehow there has been no focus towards that space to do something more on that front. In fact, the rules and frames which have been introduced and the measures which have been introduced, if you go to Twitter or any of the social platform, or you speak to any of the investors who have been into markets for several years or decades, they all will be very vocal about the practices which have been detrimental for this space. And perhaps that is the reason we saw the growth till 2018 when there was a boom in the mid and small cap space, and now the totally reverse thing is happening maybe.

Ashishkumar Chauhan

No, I think you are right in a way. But what happened is, SEBI came out with a regulation that mutual funds can hold shares into specific number of or specific type of stocks only. And that was basically the start of...

Ayush Mittal

Just one part of the thing, like, other than that there have been so many other things which I am sure offline can be taken up. And anyone who goes to or speaks to any major players or investors, one will be very vocal about the rules which have been very detrimental around the small and midcap space. And apart from this, there has been nothing been doing to do something around this space, like they are small, mid-sized companies, if you

can encourage more transparency around them, more industry engagements for those companies, I am sure more value can be created and more value will emerge.

Ashishkumar Chauhan

No, I think we can work together, we can hear you out and implement as much as we can and see how we can support the SMEs and small exclusive companies, because that's where the growth of India will come from. That's the whole thing, right?

Ayush Mittal

We have some suggestions. I would love to get in touch offline. Thank you.

Ashishkumar Chauhan

Please do that.

Moderator

Thank you. The next question is from the line of Shivam Gupta from PwC Advisors. Please go ahead.

Shivam Gupta

I have a couple of questions. The first around of this new act. You said the entitlement is for the products which are already approved. So is this kind of an interim arrangement or this is a wish list of the industry?

Ashishkumar Chauhan

Didn't get the question, sorry.

Shivam Gupta

So the question I am asking regarding opening statement you mentioned that the new IFSC regulator has the only power to control the products which are already approved by current regulators, like the RBI or whichever is the concerned regulator.

Ashishkumar Chauhan

Okay, for GIFT City?

Shivam Gupta

Yes, for GIFT City. So, is this like a step towards a full-fledged independent authority? Or this is...

Ashishkumar Chauhan

No, it is an independent authority, it will be housed in GIFT City. And of course, it has been authorized to take decisions. Of course, it's a new authority, Chairman has not yet been appointed, but I am sure the government is in the process.

Shivam Gupta

So let me just come again on this, so when it gets fully operationalized, we had some delays, operational and procedural delays and getting the USD-INR up. But once it gets fully operationalized, would it have the powers to approve products of the IFSC or not?

Ashishkumar Chauhan

That is the purpose The Act has been announced, you can check it out on the government website. It has some very good powers. And clearly, that is the purpose basically with which it has been authorized. It took almost three, four years for that act to be discussed and debated and all. And so it's a very comprehensive regulation and it will have very sleeping powers, I would say, I mean, compared to what currently GIFT City authority has. And of course, RBI, SEBI, all of them have gone out of their way to give approval for this rupee-dollar thing, despite apprehensions in many quarters, right? So of course, ministry has also played a very big role. So these are not things which happen, like a small thing, it requires tremendous amount of discretion, debate, committees and all. And they have gone through that, they have expedited the approvals, so we are really grateful to them.

Shivam Gupta

Right. And the other question I had was on StAR MF. So just want to understand, so since we accommodated the fact that BSE that time accepted a lower rate, are there conditions precedent under which we automatically get rid of higher slab in negotiation?

Nayan Mehta

Shivam, please repeat.

Shivam Gupta

All I am saying is that in Star MF, you said that for the next year we have agreed to slightly lower rates on transactions, as the AMCs are facing business pressures. So are there any conditions proceeded in that discussion that as things normalize, automatically the rates will adjust to higher slabs or would you again go and negotiate?

Ashishkumar Chauhan

No, this is, what I call, everyone tries to sort of increase their own profit. And so we will have to figure out our ways to earn rather than trying to. I mean, the mutual funds are also under pressure from SEBI to reduce their total cost. And so that is a much complex situation for them. And so we will have to be sort of practical on our side and continue to add more value, go more in depth with the relationships we have. And also the relationships have to be happy, all sides have to feel that there is a value being added. Then that relationship goes long-term, you know.

Shivam Gupta

Sure. And then if I can push just last one. So the interoperability maybe not living up to our expectations as of today. Does that mean we are going to revisit the amount that we are doing on or do we like in any way are changing whatever milestones we would set for our market share targets?

Ashishkumar Chauhan

Basically what happens is, we don't create market share targets. In a way, we are basically, what I call, we figure out what could potentially do things if these things take years of lobbying, and sometimes they are approved with some conditionalities or even without conditionalities, when they actually come out, they come out differently. So each act which comes out, it looks like a sort of sure shot, but it's a 5, 10 years' work, and sometimes it may succeed, sometimes it may not succeed. So generally we don't do any market share kind of projections based on clearing operations, but it's a nice thing to have, directionally correct. And if it happens, it may give you, what I call, and non-linear returns. So we try to work on non-linearity more than pure linearity. Of course, once the business stabilizes then you can project linear part of it. But these are our non-linear shots, some of them succeed, some of them don't, some of them take longer time, and so on and so forth.

Shivam Gupta

Great. Thanks for your time. And congratulations on your brilliant performance in the quarter. Thank you.

Moderator

Thank you. The next question is from the line of Senthil Kamaraj from iThought Financial. Please go ahead.

Senthil Kamaraj

Just one question on the power exchange. So, any outlook on that?

Ashishkumar Chauhan

Power exchange has been basically mired in some sort of, what I call, opposition from the existing competitor. So whenever there is a hearing by the regulator of that business, some opposition comes up and then they ask for time and all. Each time we have come further, but then we are not able to get that license. So we still keep our fingers crossed when we will get the license, and then last few months has been this COVID thing. So hopefully, the license is near, but how much near, I have no idea, because it's not easy to predict what happens in that hearing.

Senthil Kamaraj

Okay sir, Thanks.

Moderator

Thank you. The next question is from the line of Ravindra Surve from ICICI Securities. Please go ahead.

Ravindra Surve

Hi Sir, Thank you for the opportunity. I just wanted to know that in the eKYC business, we will be acting as a KRA?

Ashishkumar Chauhan

No. In BSE currently there is no plan to do KRA. KRA is to be done in the Marketplace Technologies Limited, which is 100% subsidiary of BSE. Broadly, you will have revenue accruing in one of them. But eKYC will be as of now done in the BSE.

Ravindra Surve

eKYC will be done in BSE?

Ashishkumar Chauhan

As of now, yes.

Ravindra Surve

So these AMCs will fetch data from us, right, and we will be charging them some fee?

Ashishkumar Chauhan

Correct.

Ravindra Surve

So, what is the fetch rate as of now, anything in your mind?

Ashishkumar Chauhan

Currently, we are basically starting next week on a beta basis, which is in a way of, it's a real life data. But only after probably a month or so we will be able to figure out how much we are able to charge and so on and so forth. Currently, this is all happening on a goodwill basis between the AMCs and us.

Ravindra Surve

And so what will be the KYC records with us right now, number of KYC records with us?

Ashishkumar Chauhan

As I told you, on the BSE's database we have now 4.99 crore plus unique PAN code from the broker side, not from our side. But if you say PAN numbers, unique PANs, we are above 3 crores.

Ravindra Surve

And this will be all physically verified PANs, right?

Ashishkumar Chauhan

Yes. Basically customer who have traded once at least on BSE.

Moderator

Thank you. The next question is from the line of Rohan Agarwal from Luke Capital. Please go ahead.

Rohan Agarwal

Hi Ashish, Just want to ask you, any background when the next hearing for the power exchange will be or is that something that is not correct

Ashishkumar Chauhan

The dates have not come in because of this COVID thing. But they were supposed to happen every sort of a month or so, each time they give a time of a month. But the last two months it has not happened. So as soon as the regulator decides, probably as and when Delhi opens up and things, and all offices start working well, probably we will get that hearing.

Rohan Agarwal

Got it. And what would be your revenue model of the insurance side? So would you be taking commission from the insurance companies and then providing a part of that you're POSs, I just want to know?

Ashishkumar Chauhan

That is true. In that structure we have two entities, one is the distributor entity which has the license, and other is the technology entity which provides the technology.

Rohan Agarwal

Okay. And you are going to earn on both?

Ashishkumar Chauhan

As of now we have started having the commissions from the insurance companies on the distribution side, and we are also passing on.

Rohan Agarwal

Okay. What is the percentage that you would typically would deem to say on Rs. 100 received from the insurance companies, just the ballpark figure, how much of percentage that you would get to keep?

Ashishkumar Chauhan

This is, what I call, a commercial issue, but the commissions in on premium basis as a percentage of premium varies in different types of insurance. So, auto will have different vis-à-vis health, vis-à-vis life, and the work required also will be of different types and all. So it's not a one shot, but this industry has a much larger commission framework compared to any other financial sector distribution framework as of now.

Rohan Agarwal

Got it. Cool, thanks. Just one quick question, any plan for buyback or returning of excess cap to shareholders?

Ashishkumar Chauhan

Currently, there is no plan to do buyback.

Rohan Agarwal

Got it. Cool, Thanks

Moderator

Thank you. The next question is from the line of Yash Mandewala from Mandewala Enterprises. Please go ahead.

Yash Mandewala

Thank you for the opportunity Sir, the first question is actually on the treasury operations of the company. So do we have any exposure to any of the Franklin Templeton's six

stressed funds? And secondly, can you also talk a bit more about how the treasury is sort of managed and how it is positioned as of today?

Nayan Mehta

We don't have any exposure to Franklin Templeton Mutual Fund Schemes. And BSE has an investment committee which comprises of well-known people who are experts in the securities industry. And they meet once in two months, they review all the investments which are made by BSE, including the indirect investments, which comprise in our investments. And from time to time they direct us as to how, means, whether we may invest in government securities or in mutual funds or in FDs. So, it's a very elaborate process. It is documented. It is also gives before Board the minutes of those meetings. And that's the structure we base on our investments here.

Ashishkumar Chauhan

And the regulator has specified where we can invest and where we cannot. So we can't invest outside of that perspective.

Yash Mandewala

Right. Great, sir. And the second question is on Star MF. So, you actually gave the market share data on the presentation every quarter. So, first of all, who is the competitive set that this market share is measured against? Is it just NSE, MF and MF utilities or are there other digital players such as PayTM Money and the likes as well?

Ashishkumar Chauhan

Many of them who are considered competitors are actually one of us, we are the Intel-inside of the mutual fund industry. So, currently what I said in April, we had 61% of the value in April 2020 for the net equity inflow. I was talking about the industry as a whole.

Yash Mandewala

Right. But so in the presentation you also gave the market share for Star MF as a whole.

Ashishkumar Chauhan

Usually that would be because of the data availability only from NSE and MFU. But because the AMC announced the inflows for the last year in equities that is where we could figure out that we were like 66% or something. If they had not declared the inflow

last year of the entire industry, we wouldn't have figured out, because that kind of data is not easy coming. So, whatever data comes and I think there is a qualitative difference between the values of x platform versus value trade on y platform, because there is one platform which does only, what I call, basically kind of short-term funds. And so each trade would be like Rs. 10 crores or Rs. 20 crores for them. And so they might be doing like 10 trades a day and it might look like Rs. 1,000 crores in a day, while for Rs. 1,000 crores on BSE you will require like 20 lakh trades, okay. So value, in a way is a bit of a misnomer in this comparison. But we are comparing for the sake of it, because we want to show our market share and at least have some consistent basis. And that's where basically it's not an apple-to-apple comparison right. And it's very similar to saying the number, I mean, if you have say 1 lakh contracts open in currencies in India vis-à-vis equities in India, equity derivatives is Rs. 5 lakh, currencies is Rs. 75,000. So it's like 8 times more, right? So they are not apple-to-apple, but people look at the numbers and think both of them are same. Similarly, BSE's numbers are primarily on equity sort of numbers, which are small transactions by retail guys. And that's where the numbers in some ways are misleading because we are collecting 65% or 62% of the entire industries net inflow in equities, for me there is nothing comparable. Because others RTA is doing, mutual funds website is doing, other platforms doing and so on and so forth. So, this is a revelation to us also, because we were made to believe that we are very small. And now only we have come to know that small means 65%.

Yash Mandewala

Go ahead sir, go ahead. That's it from my side. Thank you

Moderator

Thank you. Next question is from the line of Neeraj Kamtekar, who's an individual investor. Please go ahead.

Neeraj Kamtekar

I have one request. Can you please conduct the con-call the next day, because we don't have time to analyses or understand the results?

Ashishkumar Chauhan

My apologies, this time the Board meeting went on for little longer. I agree and appreciate, we should give some time for all of you to analyses before. But since we had predefined the time and date, we didn't want to wait for tomorrow when all of you are ready to discuss it today. So please accept my apologies for today's thing.

Neeraj Kamtekar

Okay. But when CDSL declares the results, they host their concall after two or three days, they give enough time to understand the results. So I have one humble request that you please conduct the concall after one or two days after releasing the results, because we don't get enough time to analyze the results.

Ashishkumar Chauhan

See, what the problem is, if we go for two days and all, most of analysts would have come out with their reports anyway, without talking to the management, which would be unfair to the analysts and unfair to the company board. And that's why we do it before the next day's trading starting, so that analysts can come out with their reports, whatever good, bad, ugly is their perspective. But otherwise, next day, basically nobody, I mean, they have only paper on hand, but no commentary from the management. And generally, it is a best practice worldwide to do it just before the next day starts. But probably you may like to check out with larger companies and how they do it. Although we are not that large, we accept, but we will try to follow the best practice.

Moderator

Thank you. The next question is from the line of Suraj DKR, who is an individual investor. Please go ahead.

Suraj DKR

The investment income has come down in the current year compared to last year on the consolidated, I mean, last year it was about Rs. 202 crores, this year Rs. 158 crores. So any reason for that?

Nayan Mehta

There are two reasons, one is that we did a buyback last year and obviously that would impact our revenues, investment revenues. And then there were some capital gains which was booked on sale of certain investments in the earlier year which we did not repeat.

Suraj DKR

What about other income also which has come down?

Nayan Mehta

Other income, earlier we had some income tax refund which was higher, and certain miscellaneous entries pertaining to previous periods. But those were minor amounts, the main thing was refunds which we got in the earlier years, which has decreased our other income in the current year.

Suraj DKR

Okay. Thank you.

Moderator

Thank you. The next question is from Alok Mishra who is an individual investor. Please go ahead.

Alok Mishra

Hi, Good evening, I have two questions. The first pertains to the transaction charges which we basically receive on our transactions carried on Star Mutual Fund. You said that we have received on and around the Rs. 7 to Rs. 8 per transaction in the last FY. So how much of this we actually pass on to the individual financial advisors? Or that the entire portion belong to us?

Ashishkumar Chauhan

Yes, basically we don't charge any IFA nor they pay us anything. All the money which we receive as of now on the mutual fund side is only we receive from the AMC as a part of our service. Because the IFA is actually receiving a commission which is a trail commission on AUM basis, because there is no upfront commission nowadays, there is only trail. So that is a different relationship between those two, and that is also now we are trying to calculate and collect going forward. So that is a different model. Currently, we are only like a transport, it is an unintelligent transport, just take order from one place and send it to another and do the settlement, that's it. So how much does he get, we don't know.

Alok Mishra

Okay. And my next question would be, as the CFO Sir said that we have around Rs. 1,600 crores of cash in our books as on March 2020. So, if I can get a bifurcation of this on how

much is owned and how much would be part of this Rs. 1,600 crores towards Settlement Guaranteed Fund and our bank deposits?

Nayan Mehta

Rs. 1,600 crores is our own money.

Alok Mishra

Thank you.

Moderator

Thank you. We will be able to take one last question. We take the last question from the line of needle Nirav Chutkar, who is an individual investor. Please go ahead.

Nirav Chutkar

Good Evening Ashish and Nayan and other management members actually, I also have two questions. But before I ask my question, I would like to support the earlier analyst who actually requested you to put out a slide on your tangible assets, because management's responsibility is to increase the shareholders...

Moderator

We seem to have lost the line. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Ashishkumar Chauhan

So I hope this gave you some idea and. And I think we will take up offline in case he probably comes back, probably we will have to put it as a part of the transcript so that people don't miss out. But thank you guys. It's a tough time for the world. And tough time for the country also. And hope India comes out with flying colors. And we have a great growth and we have great economy running back to full. And hopefully, we will get some more industry going forward, given the news today morning from U.S. Senate. So with that, I will close this. Thank you very much and stay safe.

Moderator



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