

# BSE

## Limited scope for further rerating

BSE reported a strong quarter, with 31% QoQ revenue growth and healthy margins. The robust performance was on account of higher transaction revenue, supported by scale-up in derivatives volume and strong cash volumes. Post the regulatory setback, BSE had to take an immediate price hike of ~35% to offset the impact of higher regulatory costs. The price hike which was an optionality became a necessity. The shift from premium to notional will cost BSE a regulatory fee of ~INR 2.8/3.6bn in FY25.26E, which is ~12% of revenue. We believe the price hike will decelerate the pace of market share gain. Also, BSE pricing is now comparable to NSE, but options profitability is inferior due to lower premium realisation. In April 2024, BSE had a notional/premium market share of 19/8.6%, which we believe will gradually reach 25/12% in FY26E. BSE was commanding a higher multiple based on strong growth and pricing optionality, which we believe will moderate. We increase our revenue estimates by 16% due to the price hike but cut the margin estimate by 700bps to account for higher regulatory costs. The revenue/EPS CAGR of ~42/45% over FY24-26E are robust but already factored into BSE's valuations. We thereby downgrade BSE to REDUCE, based on regulatory uncertainty, expected growth moderation in FY26E and rich valuations. Our target price of INR 2,860 is based on 35x (vs 40x earlier) core FY26E PAT + CDSL stake + net cash ex SGF.

- Q4FY24 highlights:** Revenue stood at INR 4.88bn in Q4 (vs our estimate of INR 4.52bn), up 31.4/115.1% QoQ/YoY, led by 51.8/23.5% QoQ increase in transaction/listing revenue. The cash/StarMF revenue was up 30.6/28.4% and derivatives revenue was up 101% QoQ. The EBITDA margin expanded to 54.8%, led by growth and a drop in employee costs. BSE made a provision of INR 1.70bn for the higher regulatory cost following the SEBI letter in April 2024. The SGF contribution was nil for the quarter and INR 0.92bn for FY24. BSE launched a new derivative contract which is a monthly expiry stock futures contract with mid-month expiry. Active clients trading in the equity derivatives segment stood at 3.1mn from 391 active members earlier. BSE reported a PAT of INR 1.07bn and adjusted for the provisions, the APAT stood at INR 2.36bn. The revenue/APAT for FY24 were up 70/117%. Net cash stood at INR 22.59bn, which is ~6% of the market cap and RoE/RoIC stood at 26%/24% for FY24.
- Derivatives revenue and profitability:** The blended options pricing post the rate hike is ~INR 340/mn, the clearing and settlement cost is INR 150/mn, and the implied SEBI regulatory fee is INR 170/mn on options premium. The option EBITDA is INR360/mn, resulting in a margin of ~53%. NSE generates an EBITDA margin of ~80% on the derivatives revenue. BSE will generate revenue of INR 10.74/14.54bn in FY25/26E and EBITDA of INR 5.39/7.75bn, which is ~47/54% of BSE's FY25/26E EBITDA.

### Financial Summary (consolidated)

YE March (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	5,014	7,432	8,155	13,900	23,195	28,359
EBITDA	725	2,772	2,887	6,676	11,367	14,458
PAT	1,449	2,543	2,207	7,784	9,167	11,273
APAT	1,449	2,806	2,479	5,400	9,227	11,349
Diluted EPS (INR)	10.7	20.7	18.3	39.9	68.2	83.8
P/E (x)	263.2	135.9	154.0	70.7	41.4	33.6
EV / EBITDA (x)	505.6	131.2	125.9	53.8	31.4	24.5
RoE (%)	5.9	9.9	8.2	25.9	26.3	28.9

Source: Company, HSIE Research

## REDUCE

CMP (as on 8 May 2024) INR 2,819

Target Price INR 2,860

NIFTY 22,303

KEY CHANGES	OLD	NEW
Rating	BUY	REDUCE
Price Target	INR 3,100	INR 2,860
	FY25E	FY26E
EPS %	+1.6	+1.5

### KEY STOCK DATA

Bloomberg code	BSE IN
No. of Shares (mn)	135
MCap (INR bn) / (\$ mn)	382/4,569
6m avg traded value (INR mn)	3,066
52 Week high / low	INR 3,265/511

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.2	36.2	426.2
Relative (%)	9.4	23.1	407.2

### SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	0.00	0.00
FIs & Local MFs	11.27	12.69
FPIs	12.03	13.04
Public & Others	76.70	74.27
Pledged Shares	0.00	0.00

Source : NSE

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- **Earnings call highlights:** BSE co-location is live with 100 racks, and around 100 more racks will go live in a month. BSE will earn revenue of ~INR 0.25bn from co-location. The total CAPEX involved in putting up a co-location centre is ~INR 0.15-0.20bn. BSE will launch a new version of the BSE StaR MF platform in July 2024. BSE is the fourth largest derivatives exchange globally in terms of the number of orders processed.

### BSE SoTP valuation

BSE SoTP	INR mn	INR/share
Core PAT FY26E	9,651	71
35X Core PAT	3,37,596	2,494
Add: Net Cash	27,535	203
Less: SGF	11,970	88
Mcap ex CDSL stake	3,53,161	2,609
CDSL value at CMP	33,994	251
<b>Target Price</b>		<b>2,860</b>
<b>Upside (%)</b>		<b>1.5%</b>

Source: HSIE Research

### Change in estimate

YE March (INR mn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	19,960	23,195	16.2	24,303	28,359	16.7
EBITDA	11,102	11,367	2.4	14,081	14,458	2.7
EBITDA margin (%)	55.6	49.0	-661bps	57.9	51.0	-696bps
APAT	9,090	9,227	1.5	11,184	11,349	1.5
EPS (INR)	67.1	68.2	1.6	82.6	83.8	1.5

Source: HSIE Research

BSE Derivative P&L - Assumptions	FY24	FY25E	FY26E
Derivatives Notional ADTV (INR trn)	35	96	120
Growth %		175%	26%
Derivatives Premium Turnover ADTV (INR bn)	21.33	67.28	86.21
Growth %		215%	28%
Pricing (INR/mn) - One side	178	322	340
Pricing (bps) - both side - BSE (Assumed)	3.6	6.4	6.8
Pricing (bps) - both side - NSE (Blended)	7.0	6.9	6.9
Discount to NSE %	-49%	-7%	-2%
Revenue from derivatives	1,752	10,742	14,538
% of BSE's Revenue	13%	46%	51%
Clearing expenses (@1.5bps)	1,331	2,503	3,207
Regulatory Fees (@.000012% on Notional)	963	2,846	3,579
EBITDA (INR mn)	-543	5,393	7,752
EBITDA %	-31%	50%	53%
% of BSE Total EBITDA	-8%	47%	54%
Days (Nos)	231	248	248
PAT from Derivatives (INR mn)	-407	4,045	5,814
PAT margin %	-23%	38%	40%
% of BSE Total PAT	-8%	44%	51%
<b>NSE</b>			
NSE derivatives ADTV (INR trn)	329	347	365
BSE notional market Share %	9.6%	21.6%	24.8%
NSE premium ADTV (INR bn)	625.42	625.42	656.69
BSE premium market Share %	3.3%	9.7%	11.6%
NSE Options revenue (INR mn)	1,09,448	1,09,448	1,14,920
BSE revenue share %	1.6%	8.9%	11.2%
<b>Premium/Notional (bps)</b>			
NSE	19.0	18.0	18.0
BSE	6.1	7.0	7.2

Source: NSE, BSE, HSIE Research

### BSE quarterly results analysis

YE March (INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Operating Income	4,884	2,270	115.1	3,715	31.4
<b>Total Revenue</b>	<b>4,884</b>	<b>2,270</b>	<b>115.1</b>	<b>3,715</b>	<b>31.4</b>
Employee Cost	466	424	9.9	530	(12.2)
Technology Expenses	370	287	29.0	300	23.4
Other Operating Expenses	1,372	523	162.2	1,033	32.8
<b>EBITDA</b>	<b>2,675</b>	<b>1,036</b>	<b>158.2</b>	<b>1,852</b>	<b>44.5</b>
Depreciation	265	207	28.0	249	6.6
<b>EBIT</b>	<b>2,410</b>	<b>829</b>	<b>190.8</b>	<b>1,603</b>	<b>50.3</b>
Interest Cost	0	60	NM	0	NM
Other Income (including E/O)	-1,115	361	NM	582	NM
SGF	0	0	NM	917	NM
<b>PBT</b>	<b>1,295</b>	<b>1,130</b>	<b>14.6</b>	<b>1,268</b>	<b>2.1</b>
Tax	470	336	40.0	371	26.8
Share of Profit Loss from JV & Associates	244	92	166.1	165	47.5
Minority Interest	-2	-26	NM	-19	NM
<b>RPAT</b>	<b>1,070</b>	<b>912</b>	<b>17.4</b>	<b>1,082</b>	<b>(1.1)</b>
E/o gains (adj for tax)	1,286	63	NM	12	NM
<b>APAT</b>	<b>2,357</b>	<b>974</b>	<b>141.9</b>	<b>1,094</b>	<b>115.4</b>

MARGIN ANALYSIS	4QFY24	4QFY23	YoY (bps)	3QFY24	QoQ (bps)
Employee Cost % of Net Rev	9.5	18.7	(913)	14.3	(474)
Technology Expenses % of Net Rev	7.6	12.6	(506)	8.1	(50)
Other Operating Exp % of Net Rev	28.1	23.1	504	27.8	30
EBITDA Margin (%)	54.8	45.6	915	49.8	494
EBIT Margin (%)	49.4	36.5	1284	43.2	620
Tax Rate (%)	36.3	29.7	659	29.3	706
APAT Margin (%)	48.3	42.9	533	29.4	1881

Revenue segments (INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Transaction Charges	2,520	603	317.9	1,660	51.8
Treasury Income and clearing revenue	576	199	189.4	469	22.8
Other Income	524	348	50.6	478	9.6
<b>Total Security Services (A)</b>	<b>3,620</b>	<b>1,150</b>	<b>214.8</b>	<b>2,607</b>	<b>38.9</b>
Annual listing	845	608	39.0	684	23.5
Book building	94	137	(31.4)	142	(33.8)
Other Services	83	23	260.9	70	18.6
<b>Total Services to corporate (B)</b>	<b>1,022</b>	<b>768</b>	<b>33.1</b>	<b>896</b>	<b>14.1</b>
Data Feed/others (C)	241	352	(31.5)	214	12.7
<b>Total Revenue (A+B+C)</b>	<b>4,883</b>	<b>2,270</b>	<b>115.1</b>	<b>3,717</b>	<b>31.4</b>

Transaction revenue Split (INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Cash Transaction	905	334	171.0	693	30.6
Currency Transaction	36	34	5.9	35	2.9
Star MF	421	237	77.6	328	28.4
Derivatives - Options	1,137	0	NM	567	101
Others	21	-2	NM	38	(43)
<b>Transaction Revenue</b>	<b>2,520</b>	<b>603</b>	<b>317.9</b>	<b>1,660</b>	<b>51.8</b>

Source: BSE, HSIE research

<b>BSE Derivatives P&amp;L</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>
Derivatives Notional volume (INR trn)	8028	23716	29824
Derivatives Premium volume (INR trn)	5	17	21
Premium/Notional % (bps)	6.1	7.0	7.2
<b>Pricing (INR/cr) - both sides</b>			
	3,555	6800	6800
Clearing Cost (INR/cr)	1500	1500	1500
Implied SEBI turnover fees (INR/cr)	1955	1706	1674
EBITDA (INR/cr)	100	3594	3626
SEBI regulatory fee (rate)	0.000012%	0.000012%	0.000012%
<b>BSE derivative Revenue (INR bn)</b>			
	1.75	11.35	14.54
<b>Costing</b>			
Clearing cost (INR bn)	0.74	2.50	3.21
SEBI Fees (INR bn)	0.96	2.85	3.58
<b>Derivatives EBITDA (old) INR bn</b>	<b>1.01</b>	<b>6.17</b>	<b>7.91</b>
<b>Derivatives EBITDA (Post rate hike and new SEBI fee) INR bn</b>	<b>0.05</b>	<b>6.00</b>	<b>7.75</b>
<b>EBITDA % Old</b>	<b>58%</b>	<b>71%</b>	<b>71%</b>
<b>EBITDA % New</b>	<b>3%</b>	<b>53%</b>	<b>53%</b>
<b>Impact %</b>	<b>-95%</b>	<b>-2.9%</b>	<b>-2.0%</b>

Source: NSE, HSIE research

<b>NSE Derivatives P&amp;L</b>	<b>FY24</b>
Derivatives Notional volume (INR trn)	79,598
Derivatives Premium volume (INR trn)	152
Premium/Notional % (bps)	19
<b>Pricing (INR/cr) - both sides</b>	
	7000
Clearing Cost (INR/cr)	600
Implied SEBI turnover fees (INR/cr)	650
<b>SEBI regulatory fee (rate)</b>	
	0.000012%
<b>NSE derivative Revenue (INR bn)</b>	
	106.38
<b>Costing</b>	
Clearing cost (INR bn)	9.12
SEBI Fees (INR bn)	9.55
<b>Derivatives EBITDA</b>	<b>87.71</b>
<b>EBITDA %</b>	<b>82%</b>
NSE APAT	83.06
<b>SEBI regulatory fee as % of PAT</b>	<b>11.5%</b>

Source: NSE, HSIE research

## Core SGF across exchanges

Total Core SGF	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
NSE	16,850	24,143	27,869	31,491	35,283	39,713	47,972	88,190
BSE	2,495	3,583	3,942	4,266	5,304	6,314	7,472	9,437
MCX	1,705	1,806	3,298	4,098	4,692	5,256	5,898	7,809
<b>Total SGF</b>	<b>21,049</b>	<b>29,533</b>	<b>35,109</b>	<b>39,855</b>	<b>45,280</b>	<b>51,283</b>	<b>61,342</b>	<b>1,05,437</b>
Growth YoY %		40%	19%	14%	14%	13%	20%	72%

Incremental Core SGF	FY18	FY19	FY20	FY21	FY22	FY23	FY24
NSE	7,294	3,726	3,622	3,792	4,430	8,260	40,218
BSE	1,089	359	324	1,038	1,010	1,157	1,966
MCX	101	1,492	800	595	564	642	1,912
<b>Total SGF</b>	<b>8,483</b>	<b>5,576</b>	<b>4,746</b>	<b>5,425</b>	<b>6,003</b>	<b>10,059</b>	<b>44,095</b>
Growth YoY %		-34%	-15%	14%	11%	68%	338%

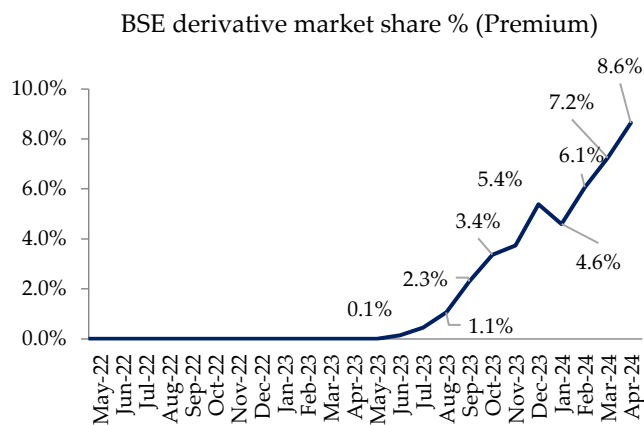
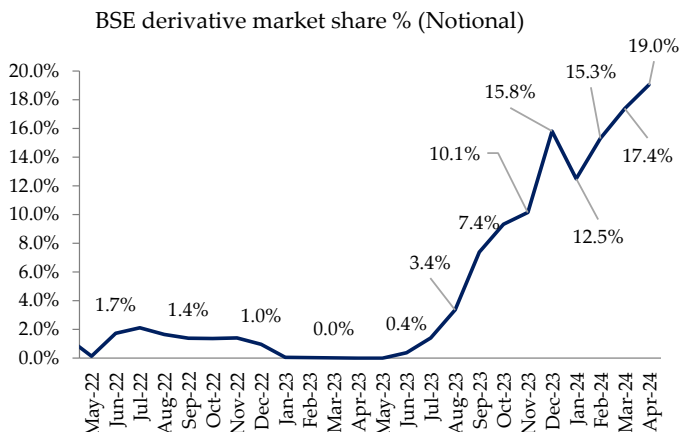
Incremental Core SGF	FY18	FY19	FY20	FY21	FY22	FY23	FY24
NSE-S + NCL	4,264	539	105	1,320	40	5,393	33,270
ICL + BSE-S	1,078	333	299	175	508	788	1,166
MCX-S + MCCL	93	1,460	299	359	232	280	1,463

Incremental Core SGF % of Total Revenue	FY18	FY19	FY20	FY21	FY22	FY23	FY24
NSE	16%	2%	0%	2%	0%	5%	23%
BSE	21%	7%	7%	3%	7%	10%	8%
MCX	4%	49%	8%	9%	6%	5%	21%

Source: NSE, BSE, MCX, HSIE Research

**BSE derivative notional market at ~19%: The two major contracts SENSEX/BANKEX has reached market share of 50/10%**

**BSE premium market has reached ~8.6% in April-24 expected to rise further with the scale of BANKEX and volume on non-expiry days**

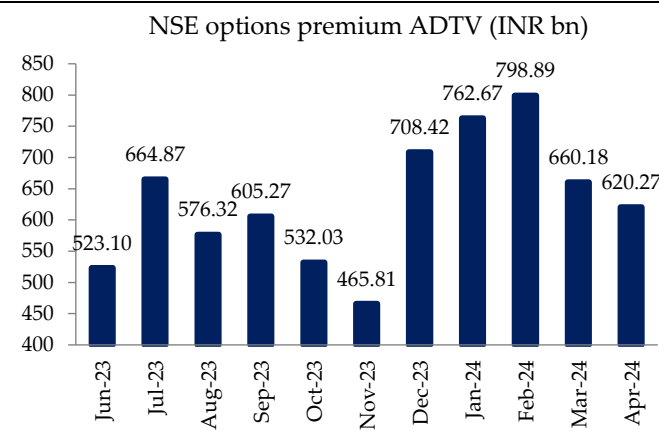
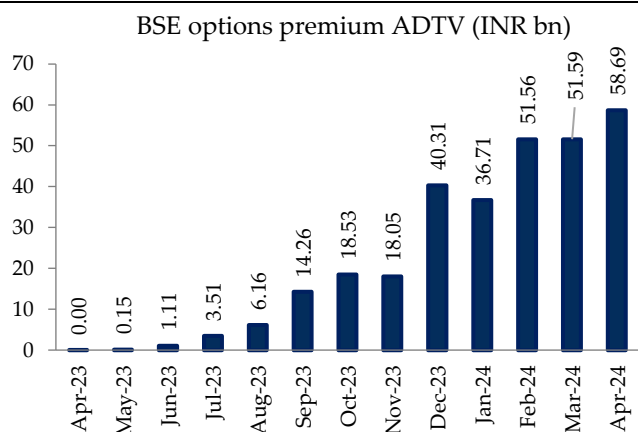


Source: BSE, NSE, HSIE Research

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**BSE premium ADTV has registered strong growth since the launch, +51% QoQ in Q4FY24**

**NSE options premium has registered growth of +33/25% QoQ/YoY in Q4FY24**

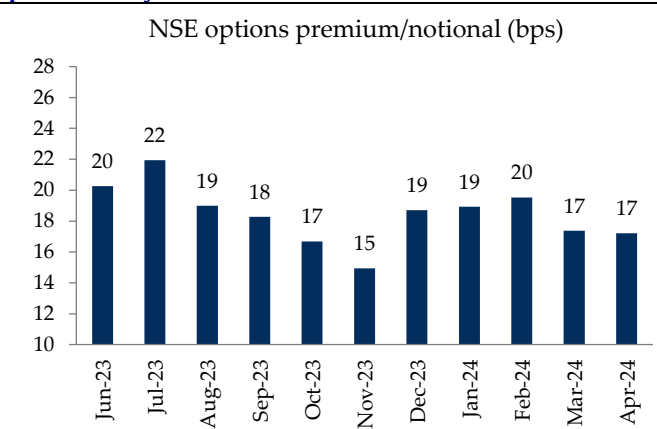
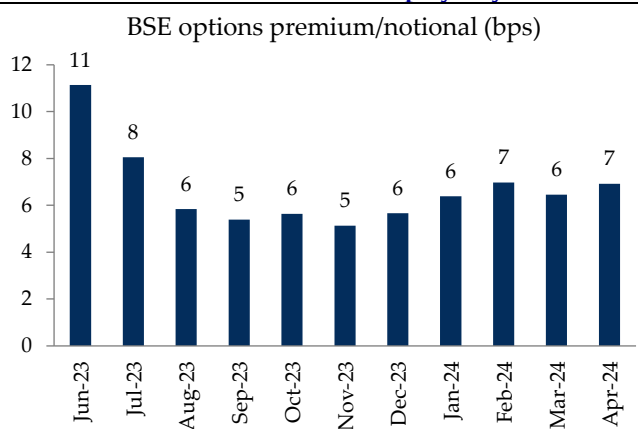


Source: BSE, HSIE Research

Source: NSE, HSIE Research

**BSE's premium/notional is still at ~7bps, expected to rise with increase in volume on non-expiry days**

**NSE premium/notional is ~2.5x of BSE leading to better profitability**



Source: BSE, HSIE Research

Source: BSE, NSE, HSIE Research

## SENSEX expiry day volume

Date	SENSEX turnover (INR TRN)	Premium (INR bn)	Premium/Notional (bps)
02-Jun-23	1	0.40	4
09-Jun-23	2	1.15	6
16-Jun-23	3	2.09	7
23-Jun-23	6	0.02	0
30-Jun-23	8	5.40	7
07-Jul-23	14	9.65	7
14-Jul-23	18	11.18	6
21-Jul-23	28	19.20	7
28-Jul-23	30	17.92	6
04-Aug-23	44	26.60	6
11-Aug-23	46	24.16	5
18-Aug-23	60	28.97	5
25-Aug-23	71	38.24	5
01-Sep-23	76	36.68	5
08-Sep-23	101	50.18	5
15-Sep-23	96	46.25	5
22-Sep-23	129	60.50	5
29-Sep-23	102	49.98	5
06-Oct-23	128	58.09	5
13-Oct-23	175	87.60	5
20-Oct-23	138	61.89	4
27-Oct-23	175	94.19	5
03-Nov-23	166	72.81	4
10-Nov-23	178	74.96	4
17-Nov-23	193	94.01	5
24-Nov-23	116	46.27	4
01-Dec-23	185	79.52	4
08-Dec-23	215	85.91	4
15-Dec-23	303	143.05	5
22-Dec-23	250	152.79	6
29-Dec-23	239	114.52	5
05-Jan-24	237	84.81	4
12-Jan-24	288	149.59	5
19-Jan-24	264	131.24	5
02-Feb-24	351	220.81	6
09-Feb-24	251	137.24	5
16-Feb-24	253	120.57	5
23-Feb-24	293	138.74	5
01-Mar-24	295	189.45	6
15-Mar-24	276	131.45	5
22-Mar-24	254	163.16	6
05-Apr-24	257	124.01	5
12-Apr-24	284	176.44	6
19-Apr-24	285	222.87	8
26-Apr-24	282	160.57	6
03-May-24	387	295.50	8

Source: BSE, HSIE Research

## BANKEX expiry day volume

Date	BANKEX turnover (INR TRN)	Premium (INR bn)	Premium/Notional (bps)
16-Oct-23	1	0.37	4
23-Oct-23	1	0.72	7
30-Oct-23	4	2.64	7
06-Nov-23	10	6.20	6
13-Nov-23	8	5.03	6
20-Nov-23	16	7.32	5
04-Dec-23	30	18.96	6
11-Dec-23	48	22.29	5
18-Dec-23	63	31.29	5
01-Jan-24	45	22.86	5
08-Jan-24	66	33.94	5
15-Jan-24	66	37.02	6
29-Jan-24	65	46.97	7
05-Feb-24	76	52.64	7
12-Feb-24	89	66.89	8
19-Feb-24	87	48.58	6
26-Feb-24	69	41.53	6
04-Mar-24	93	49.10	5
11-Mar-24	99	53.22	5
18-Mar-24	112	72.36	6
25-Mar-24	92	45.16	5
01-Apr-24	82	39.57	5
08-Apr-24	86	46.49	5
15-Apr-24	97	57.49	6
22-Apr-24	160	107.59	7
29-Apr-24	154	98.25	6

Source: BSE, HSIE Research

**BSE revenue yearly trends and assumptions**

BSE Business Segments	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	CAGR FY15-20	CAGR FY19-24	CAGR FY24-26E
<b>Securities services (A)</b>													
Transaction Charges	1,224	1,581	1,139	1,131	1,389	2,589	2,413	5,826	14,633	19,038	18%	39%	81%
Treasury Income on margin	405	408	307	229	301	551	832	1,840	2,024	2,226	-16%	43%	10%
Others	292	311	269	330	504	750	1,111	1,820	1,911	2,007	5%	47%	5%
<b>Total Security services</b>	<b>1,921</b>	<b>2,300</b>	<b>1,715</b>	<b>1,690</b>	<b>2,194</b>	<b>3,890</b>	<b>4,356</b>	<b>9,486</b>	<b>18,568</b>	<b>23,271</b>	<b>6%</b>	<b>41%</b>	<b>57%</b>
<b>Services to corporate (B)</b>													
Listing Fees	1,382	1,776	1,881	1,880	1,855	2,202	2,328	2,793	2,852	3,024	14%	8%	4%
Book Building revenue	143	331	149	182	345	560	447	476	428	471	27%	26%	-1%
Others	44	100	102	58	55	98	129	226	244	268	7%	17%	9%
<b>Total services to corporate</b>	<b>1,569</b>	<b>2,207</b>	<b>2,132</b>	<b>2,120</b>	<b>2,255</b>	<b>2,860</b>	<b>2,904</b>	<b>3,495</b>	<b>3,524</b>	<b>3,764</b>	<b>15%</b>	<b>10%</b>	<b>4%</b>
<b>Data Dissemination (C)</b>													
	447	565	656	695	565	682	895	919	1,103	1,324	26%	7%	20%
<b>Total revenue (A+B+C)</b>	<b>3,937</b>	<b>5,072</b>	<b>4,503</b>	<b>4,505</b>	<b>5,014</b>	<b>7,432</b>	<b>8,155</b>	<b>13,900</b>	<b>23,195</b>	<b>28,359</b>	<b>12%</b>	<b>25%</b>	<b>43%</b>

Source: Company, HSIE research

Growth Rate YoY %	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Securities services</b>										
Transaction Charges	122.7	29.2	-28.0	-0.7	22.8	86.4	-6.8	141.4	151.2	30.1
Treasury Income on margin	-1.9	0.7	-24.8	-25.4	31.4	83.1	51.0	121.2	10.0	10.0
Others	30.7	6.5	-13.5	22.7	52.7	48.8	48.1	63.8	5.0	5.0
<b>Total Security services</b>	<b>62.0</b>	<b>19.7</b>	<b>-25.4</b>	<b>-1.5</b>	<b>29.8</b>	<b>77.3</b>	<b>12.0</b>	<b>117.8</b>	<b>95.7</b>	<b>25.3</b>
<b>Services to corporate</b>										
Listing Fees	-4.4	28.5	5.9	-0.1	-1.3	18.7	5.7	20.0	2.1	6.1
Book Building revenue	27.4	131.3	-55.0	22.1	89.6	62.3	-20.2	6.5	-10.0	10.0
Others	-17.0	128.3	2.0	-43.1	-5.2	78.2	31.6	75.2	8.0	10.0
<b>Total services to corporate</b>	<b>-2.6</b>	<b>40.7</b>	<b>-3.4</b>	<b>-0.6</b>	<b>6.4</b>	<b>26.8</b>	<b>1.5</b>	<b>20.4</b>	<b>0.8</b>	<b>6.8</b>
<b>Data Dissemination</b>										
	99.4	26.4	16.1	6.0	-18.8	20.7	31.4	2.7	20.0	20.0
<b>Total revenue growth (A+B+C)</b>	<b>30.3</b>	<b>28.8</b>	<b>-11.2</b>	<b>0.0</b>	<b>11.3</b>	<b>48.2</b>	<b>9.7</b>	<b>70.4</b>	<b>66.9</b>	<b>22.3</b>

Source: Company, HSIE research

BSE % of revenue	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Securities services</b>										
Transaction Charges	31%	31%	25%	25%	28%	35%	30%	42%	63%	67%
Treasury Income on margin	10%	8%	7%	5%	6%	7%	10%	13%	9%	8%
Others	7%	6%	6%	7%	10%	10%	14%	13%	8%	7%
<b>Total Security services</b>	<b>49%</b>	<b>45%</b>	<b>38%</b>	<b>38%</b>	<b>44%</b>	<b>52%</b>	<b>53%</b>	<b>68%</b>	<b>80%</b>	<b>82%</b>
<b>Services to corporate</b>										
Listing Fees	35%	35%	42%	42%	37%	30%	29%	20%	12%	11%
Book Building revenue	4%	7%	3%	4%	7%	8%	5%	3%	2%	2%
Others	1%	2%	2%	1%	1%	1%	2%	2%	1%	1%
<b>Total services to corporate</b>	<b>40%</b>	<b>44%</b>	<b>47%</b>	<b>47%</b>	<b>45%</b>	<b>38%</b>	<b>36%</b>	<b>25%</b>	<b>15%</b>	<b>13%</b>
<b>Data Dissemination</b>										
	11%	11%	15%	15%	11%	9%	11%	7%	5%	5%
<b>Total revenue growth (A+B+C)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company, HSIE research



BSE Cost Analysis (INR mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	CAGR FY15-20	CAGR FY19-24	CAGR FY24-26E
Employee Expenses	1,162	1,201	1,392	1,512	1,487	1,773	1,802	2,047	2,249	2,462	8.6%	8.0%	9.7%
Technology Expenses	964	1,111	1,134	1,176	948	969	1,239	1,374	1,512	1,663	10.8%	3.9%	10.0%
Other operating Expenses	1,452	1,458	1,666	1,736	1,854	1,918	2,227	3,803	8,067	9,776	3.1%	18.0%	60.3%
<b>Total Expenses</b>	<b>3,578</b>	<b>3,770</b>	<b>4,192</b>	<b>4,424</b>	<b>4,289</b>	<b>4,660</b>	<b>5,268</b>	<b>7,224</b>	<b>11,828</b>	<b>13,901</b>	<b>6.7%</b>	<b>11.5%</b>	<b>38.7%</b>
Growth YoY %	0.1%	5.4%	11.2%	5.5%	-3.1%	8.6%	13.1%	37.1%	63.7%	17.5%			
<b>EBITDA</b>	<b>359</b>	<b>1,302</b>	<b>311</b>	<b>81</b>	<b>725</b>	<b>2,772</b>	<b>2,887</b>	<b>6,676</b>	<b>11,367</b>	<b>14,458</b>	<b>-27.9%</b>	<b>84.6%</b>	<b>47.2%</b>
Margin %	9.1%	25.7%	6.9%	1.8%	14.5%	37.3%	35.4%	48.0%	49.0%	51.0%			

Source: Company, HSIE research, other operating expenses include clearing and SEBI regulatory fees

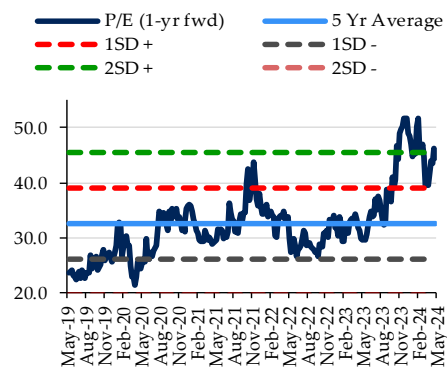
### Peer Valuation

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)			P/E (x)			ROE (%)			Rev CAGR% FY24-26E	EPS CAGR% FY24-26E
					FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E		
MCX	199	3,904	4,200	BUY	64.9	90.6	120.1	60.1	43.1	32.5	5.8	31.9	38.3	31.1%	36.0%
CDSL	227	2,169	2,370	BUY	40.1	50.3	59.0	54.0	43.1	36.7	31.3	33.5	34.3	21.0%	21.3%
BSE	382	2,819	2,860	REDUCE	39.9	68.2	83.8	70.7	41.4	33.6	18.0	26.5	27.5	42.8%	45.0%

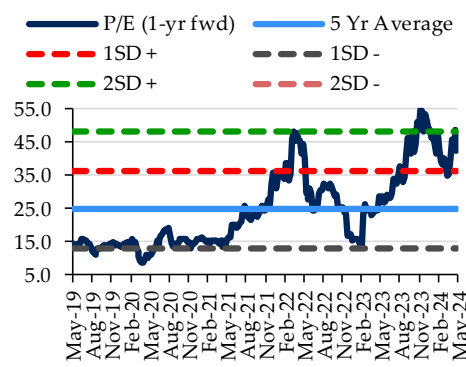
Source: Company, HSIE research. CMP as of 27<sup>th</sup> Mar 2024

### Valuation charts

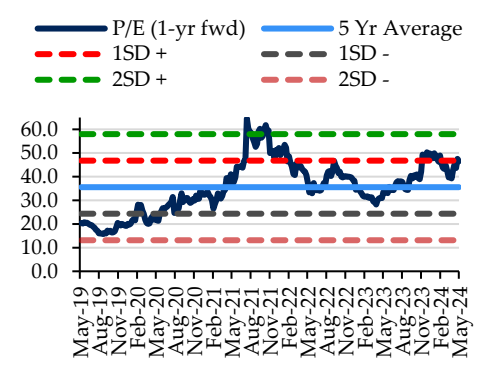
MCX P/E (1-yr fwd) trend



BSE P/E (1-yr fwd) trend



CDSL P/E (1-yr fwd) trend



Source: Bloomberg, HSIE research

## Financials

### Income Statement (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Revenues (INR mn)	4,503	4,505	5,014	7,432	8,155	13,900	23,195	28,359
Growth (%)	(11.2)	0.0	11.3	48.2	9.7	70.4	66.9	22.3
Employee Expenses	1,392	1,512	1,487	1,773	1,802	2,047	2,249	2,462
Technology Expenses	1,134	1,176	948	969	1,239	1,374	1,512	1,663
Other operating Expenses	1,666	1,736	1,854	1,918	2,227	2,471	2,719	2,990
Clearing & Settlement charges	0	0	0	0	0	1,331	2,503	3,207
SEBI Regulatory Fees	0	0	0	0	0	0	2,846	3,579
<b>EBITDA</b>	<b>311</b>	<b>81</b>	<b>725</b>	<b>2,772</b>	<b>2,887</b>	<b>6,676</b>	<b>11,367</b>	<b>14,458</b>
EBITDA Margin (%)	6.9	1.8	14.5	37.3	35.4	48.0	49.0	51.0
EBITDA Growth (%)	(76.1)	(73.9)	793.8	282.4	4.2	131.2	70.3	27.2
Depreciation	511	510	579	483	603	954	1,229	1,503
<b>EBIT</b>	<b>-200</b>	<b>-429</b>	<b>146</b>	<b>2,289</b>	<b>2,284</b>	<b>5,722</b>	<b>10,138</b>	<b>12,955</b>
Other Income (Including EO Items)	2,271	1,795	1,533	854	1,021	4,222	2,149	2,191
SGF contribution	129	188	301	291	550	917	1,100	1,320
Interest	9	24	103	222	275	151	30	31
<b>PBT</b>	<b>1,934</b>	<b>1,154</b>	<b>1,275</b>	<b>2,631</b>	<b>2,480</b>	<b>8,876</b>	<b>11,157</b>	<b>13,795</b>
Tax (Incl Deferred)	234	215	290	823	916	1,878	2,845	3,518
Minority Interest	0	-17	-32	-94	-150	-67	-67	-67
Share of profit / (Loss) of associate	292	267	432	642	492	718	787	929
<b>RPAT</b>	<b>1,993</b>	<b>1,223</b>	<b>1,449</b>	<b>2,543</b>	<b>2,207</b>	<b>7,784</b>	<b>9,167</b>	<b>11,273</b>
EO (Loss) / Profit (Net Of Tax)	0	0	0	263	272	-2,384	60	75
<b>APAT</b>	<b>1,993</b>	<b>1,223</b>	<b>1,449</b>	<b>2,806</b>	<b>2,479</b>	<b>5,400</b>	<b>9,227</b>	<b>11,349</b>
APAT Growth (%)	(16.9)	(38.6)	18.5	93.6	(11.6)	117.8	70.9	23.0
<b>Adjusted EPS (Rs)</b>	<b>14.7</b>	<b>9.0</b>	<b>10.7</b>	<b>20.7</b>	<b>18.3</b>	<b>39.9</b>	<b>68.2</b>	<b>83.8</b>

Source: Company, HSIE Research

### Balance Sheet (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>SOURCES OF FUNDS</b>								
Share Capital - Equity	104	90	90	271	271	271	271	271
Reserves	29,182	24,161	24,976	26,275	26,741	32,753	36,452	41,054
<b>Total Shareholders Funds</b>	<b>29,286</b>	<b>24,251</b>	<b>25,066</b>	<b>26,545</b>	<b>27,012</b>	<b>33,024</b>	<b>36,722</b>	<b>41,325</b>
Settlement guarantee fund	4,016	4,354	5,391	6,409	7,576	9,550	10,650	11,970
Minority Interest	0	186	235	1,352	1,278	1,524	2,311	3,240
<b>Total Debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Deferred Taxes (Net)	-1,025	-1,276	-1,454	-1,198	-846	-588	-588	-588
Long Term Provisions & Others	117	111	124	109	145	136	425	483
<b>TOTAL SOURCES OF FUNDS</b>	<b>32,393</b>	<b>27,626</b>	<b>29,363</b>	<b>33,216</b>	<b>35,166</b>	<b>43,646</b>	<b>49,521</b>	<b>56,431</b>
<b>APPLICATION OF FUNDS</b>								
Net Block	1,662	1,527	1,464	1,238	2,149	2,479	3,105	3,871
CWIP	182	219	38	100	19	145	145	145
Goodwill	374	374	374	374	374	374	374	374
Investments	4,302	3,862	4,220	4,881	4,104	4,604	4,604	4,604
LT Loans & Advances & Others	798	881	1,008	1,294	1,512	1,212	1,972	2,411
<b>Total Non-current Assets</b>	<b>7,318</b>	<b>6,863</b>	<b>7,105</b>	<b>7,888</b>	<b>8,158</b>	<b>8,814</b>	<b>10,200</b>	<b>11,405</b>
Inventories	0	0	0	0	0	0	0	0
Debtors	490	700	873	634	909	2,109	3,495	4,273
Other Current Assets	311	321	899	370	492	585	1,021	1,248
Cash & Equivalents	35,894	35,597	35,941	51,763	49,534	82,407	88,038	94,096
<b>Total Current Assets</b>	<b>36,696</b>	<b>36,618</b>	<b>37,712</b>	<b>52,767</b>	<b>50,935</b>	<b>85,101</b>	<b>92,553</b>	<b>99,617</b>
Trading margin from members & deposits from clearing banks	4,220	7,245	5,853	15,299	10,960	21,921	35,735	44,551
Other Current Liabilities & Provns	7,401	8,611	9,602	12,140	12,967	28,348	17,498	10,040
<b>Total Current Liabilities</b>	<b>11,621</b>	<b>15,856</b>	<b>15,455</b>	<b>27,439</b>	<b>23,927</b>	<b>50,269</b>	<b>53,233</b>	<b>54,591</b>
<b>Net Current Assets</b>	<b>25,075</b>	<b>20,762</b>	<b>22,258</b>	<b>25,328</b>	<b>27,008</b>	<b>34,832</b>	<b>39,321</b>	<b>45,026</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>32,393</b>	<b>27,626</b>	<b>29,363</b>	<b>33,216</b>	<b>35,166</b>	<b>43,646</b>	<b>49,521</b>	<b>56,431</b>

Source: Company, HSIE Research

**Cash Flow (Consolidated)**

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	1,934	1,154	1,275	2,631	2,480	5,171	11,157	13,795
Non-operating & EO items	(1,318)	(1,179)	(185)	188	497	(3,714)	(1,129)	(971)
Interest expenses	9	24	-	-	-	-	30	31
Depreciation	511	510	579	483	603	954	1,229	1,503
Working Capital Change	(3,911)	3,948	(1,928)	11,943	(4,291)	24,048	1,458	901
Tax Paid	(408)	(491)	(416)	(827)	(660)	(1,739)	(2,845)	(3,518)
<b>OPERATING CASH FLOW ( a )</b>	<b>(3,183)</b>	<b>3,967</b>	<b>(676)</b>	<b>14,418</b>	<b>(1,371)</b>	<b>24,720</b>	<b>9,901</b>	<b>11,740</b>
Capex	(617)	(376)	(382)	(318)	(1,434)	(1,313)	(1,856)	(2,269)
Free cash flow (FCF)	(3,801)	3,591	(1,057)	14,099	(2,805)	23,408	8,045	9,472
Investments	-	-	-	-	-	-	-	-
Non-operating Income	1,049	493	184	185	659	1,047	2,229	2,292
<b>INVESTING CASH FLOW ( b )</b>	<b>432</b>	<b>117</b>	<b>(198)</b>	<b>(134)</b>	<b>(775)</b>	<b>(266)</b>	<b>374</b>	<b>23</b>
Debt Issuance/(Repaid)	-	-	-	-	-	-	-	-
Interest Expenses	(9)	(24)	-	-	-	-	(30)	(31)
FCFE	(3,809)	3,567	(1,057)	14,099	(2,805)	23,408	8,015	9,441
Share Capital Issuance/Buyback	(1,230)	(4,570)	85	1,051	-	159	-	-
Dividend	(2,281)	(1,584)	(779)	(962)	(1,855)	(1,649)	(4,613)	(5,674)
<b>FINANCING CASH FLOW ( c )</b>	<b>(3,520)</b>	<b>(6,178)</b>	<b>(694)</b>	<b>89</b>	<b>(1,855)</b>	<b>(1,491)</b>	<b>(4,644)</b>	<b>(5,705)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(6,272)</b>	<b>(2,093)</b>	<b>(1,568)</b>	<b>14,373</b>	<b>(4,001)</b>	<b>22,964</b>	<b>5,631</b>	<b>6,058</b>
EO Items, Others	812	1,796	1,911	1,449	1,773	9,909	-	-
<b>Closing Cash &amp; Equivalents</b>	<b>35,894</b>	<b>35,597</b>	<b>35,941</b>	<b>51,763</b>	<b>49,534</b>	<b>82,407</b>	<b>88,038</b>	<b>94,096</b>

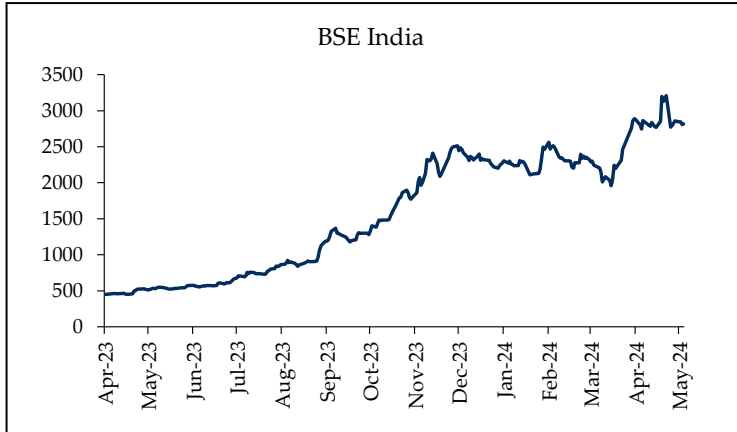
Source: Company, HSIE Research

**Key Ratios**

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>PROFITABILITY (%)</b>								
GPM	69.1	66.4	70.3	76.1	77.9	85.3	90.3	91.3
EBITDA Margin	6.9	1.8	14.5	37.3	35.4	48.0	49.0	51.0
APAT Margin	44.3	27.1	28.9	37.8	30.4	38.8	39.8	40.0
RoE	6.6	4.6	5.9	9.9	8.2	25.9	26.3	28.9
RoIC (or Core RoCE)	(1.5)	(2.9)	0.9	10.6	8.9	23.6	32.5	35.6
RoCE	6.1	4.1	5.4	9.5	7.8	14.0	19.9	21.5
<b>EFFICIENCY</b>								
Tax Rate (%)	12.1%	18.6%	22.7%	31.3%	36.9%	21.2%	25.5%	25.5%
Fixed Asset Turnover (x)	1.3	1.2	1.1	1.7	1.4	2.0	2.6	2.5
Inventory (days)	0	0	0	0	0	0	0	0
Debtors (days)	40	57	64	31	41	55	55	55
Other Current Assets (days)	25	26	65	18	22	15	16	16
Payables (days)	342	587	426	751	491	576	562	573
Other Current Liab & Provsns (days)	600	698	699	596	580	744	275	129
Cash Conversion Cycle (days)	-877	-1,202	-996	-1,298	-1,008	-1,249	-767	-632
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	-1.2	-1.5	-1.4	-1.9	-1.8	-2.5	-2.4	-2.3
Interest Coverage (x)	-23	-18	1	10	8	38	337	422
<b>PER SHARE DATA (INR)</b>								
EPS	14.7	9.0	10.7	20.7	18.3	39.9	68.2	83.8
CEPS	18.5	12.8	15.0	24.3	22.8	46.9	77.3	95.0
Dividend	16.9	11.7	5.8	7.1	13.7	12.2	34.1	41.9
Book Value	216.4	179.2	185.2	196.1	199.6	244.0	271.3	305.3
<b>VALUATION</b>								
P/E (x)	191.4	311.9	263.2	135.9	154.0	70.7	41.4	33.6
P/BV (x)	13.03	15.74	15.22	14.38	14.13	11.56	10.39	9.23
EV/EBITDA (x)	1,161.1	4,515.6	505.6	131.2	125.9	53.8	31.4	24.5
OCF/EV (%)	(0.9)	1.1	(0.2)	4.0	(0.4)	6.9	2.8	3.3
FCF/EV (%)	(1.1)	1.0	(0.3)	3.9	(0.8)	6.5	2.3	2.7
FCFE/Mkt Cap (%)	(1.0)	0.9	(0.3)	3.7	(0.7)	6.1	2.1	2.5
Dividend Yield (%)	0.6	0.4	0.2	0.3	0.5	0.4	1.2	1.5

Source: Company, HSIE Research

**1 Yr Price movement**



**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

**Disclosure:**

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