

**Date: November 22, 2019**

To,  
Listing Department  
**National Stock Exchange of India Limited**  
Exchange Plaza, 5<sup>th</sup> 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 November 6, 2019**

Dear Sir/ Madam,

With reference to our letter dated October 30, 2019, intimating you about the conference call with Analysts/Investors held on November 6, 2019, please find attached the transcript of the aforesaid conference call.

This is for your information & record.

For **BSE Limited**



**Prajakta Powle**  
**Company Secretary and Compliance Officer**

Encl.: a/a



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BSE LIMITED

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Q2 FY 19 - 20 Earnings Conference Call



*November 6, 2019*

*BSE LIMITED*

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

## **Operator**

Ladies and gentlemen, welcome to BSE's Q2FY20 Earnings Conference Call. My name is Basu and I will be the moderator for today's conference. As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. [Operator Instructions] Please note that this conference is being recorded.

I now hand over the call to Mr. Yogesh Joshi, the Head Investor Relation officer, BSE limited. Thank you and over to you sir.

## **Yogesh Joshi**

Hello everyone and welcome to BSE's earnings call to discuss Q2FY20 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. 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 presentation 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, which 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 the company faces.

With that, I would like to turn the call over to Mr. Ashishkumar Chauhan.

## **Ashishkumar Chauhan**

Thank you, Yogesh. Good morning, good afternoon and good evening to all of you wherever you are. Let me start with providing you with certain updates on our business and operations.

Inter-operability amongst clearing corporations went operational in this quarter starting with equity segment on 15th July, equity derivatives segment on 29th July and currency derivatives segment on 5th August. 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 an execution without the need to maintain margins at multiple clearing corporations. As more and more members of the

investment community start insisting on best price execution across exchanges from their trading members, a positive impact on the liquidity and turnover on the equity and equity derivatives segment is possible over the next few quarters.

Over last two months, equity derivatives business has been in focus leading to about 70 trading members trading in SENSEX Futures and the average daily traded volume in SENSEX Futures contracts in the month of September 2019 and October 2019 has been Rs.16.5 crores and Rs. 71.7 crores respectively. The said volumes have been achieved without spend on liquidity enhancement scheme. The company proposes to further increase liquidity in equity derivatives business through its liquidity enhancement scheme.

BSE has setup of joint venture with Ebix, named BSE Ebix Insurance Broking Private Limited for conducting insurance broking business where BSE holds equity stake of 40% through its subsidiary BSE Investment Limited. We are also glad to inform you that BSE Ebix has recently received an in-principle approval for Certificate of Registration to act as a direct insurance broker under the IRDAI Regulations, 2018. The venture, branded as BSE-Ebix Insurance Broking Private Limited, will enable distribution outlets, wealth management advisors, Point of Sales to sell life and non-life insurance products. The actual insurance distribution of BSE-Ebix will commence after receipt of certificate of license from IRDAI. BSE will be owning 40% in this venture.

During the quarter ended 30 September 2019, ICICI Bank has joined India International Exchange ("India INX") and India International Clearing Corporation ("India ICC"), both subsidiary of BSE, as a strategic investor through preferential issue of equity shares amounting to 7.71% and 9.90% of their respective enhanced equity capital of India INX and India ICC.

On September 17, 2019, state owned Power Finance Corporation (PFC) listed its global notes on India INX's Global Securities Market. PFC has launched issuances of USD 300 million worth bonds at 3.25% due in 2024 and USD 450 million at 3.9% due in 2029 under USD 5 billion Global Medium Note Program.

As on September 30, 2019, India INX's Global Security Market has cumulatively established MTN amounting to more than USD 44.5 billion and listed debt securities including Masala Bonds and Green Bonds amounting to more than USD 17.62 billion. About 25% of Indian issuers of debt securities in the international markets have listed on India INX's Global Security Market.

Several large Indian corporate entities, public sector units, bank and financial institutions like Export Import Bank Of India, Housing and Urban Development Corporation, National

Highway Authority of India, National Thermal Power Corporation, Rural Electrification Corporation, State Bank of India, IndusInd Bank, et cetera have established MTNs and are listed debt securities on the global securities markets of India INX.

Average daily turnover of India INX, BSE's subsidiary at GIFT City, Gandhinagar witnessed a growth of 231% to USD 2.087 billion for the half year ended 30th September 2019 from USD 630 million for the half year ended 30th September 2018. The turnover comprises of significant contribution by equity derivatives segment as well as commodity derivatives segment. The equity derivatives segment contributed 91% of average daily turnover and the commodity derivatives segment contributed to the balance 9% of average daily turnover for the half year ended 30th September 2019. India INX witnessed an all-time high turnover of USD 4.9 billion on its derivative segment on July 25, 2019. It achieved a major milestone on 7th October 2019 when its cumulative total trading turnover crossed USD 500 billion mark driven by a substantial jump in its trading volume which increased to over 37.15 million contracts. India INX's market share for the half-year ended 30th September 2019 was 87%.

BSE's international stock exchange India INX at Gandhinagar's Gift City, in Gujarat has achieved a major milestone on 7th October 2019 when its cumulative total trading turnover crossed USD 500 billion mark.

India ICC is a Qualified Central Counterparty and recognised as a third country central counterparty by the European Securities and Market Authority (ESMA). It provides clearing & settlement risk management services to India INX. CARE Ratings Limited has reaffirmed the rating of Care AAA to the India International Clearing Corporation for the third consecutive year.

Vide statement on development and regulatory policies dated October 4, 2019 of RBI policy document, RBI has accepted recommendation of Task Force on Offshore Rupee Markets for allowing rupee derivatives to be traded in International Financial Services Centres. The direction for implementing the above recommendation will be issued in the consultation with government and other regulators.

India INX Global Access IFSC Limited, a wholly owned subsidiary of India INX, provides trading connectivity to global exchanges, namely, London Metal Exchange, ICE Futures U.S., ICE Futures Europe, Eurex, Euronext N.V. et cetera in addition to CME group of exchanges, CME, CBOT, COMEX, NYMEX.

BSE continues to upgrade and grow its StAR MF platform. This platform has been consistently outperforming with the number of orders, new registrations and SIPs. As of August 30, 2019, over 54,000 IFAs/members can use the platform to efficiently and



effectively address their customers' requirements. Exchange launched BSE StAR MF app, a mobile app, in May in order to enable mutual fund distributors process transaction on the go in a span of three months, the app has processed 42,000 transactions. I'm delighted to report that today the BSE mobile app completed 100,000 transactions till now. With no paperwork and the ease of doing business on a Smartphone, BSE MF platform has become a one-stop shop for investment in various mutual fund schemes. Platform processed a record 8.56 lakh transactions on a single day, on 13th August 2019, surpassing the previous best off 7.62 lakhs transactions on 10th June. As you may be aware that this segment enables investors across India to invest and redeem their investment in mutual fund through intermediaries on a fully automated electronic platform. While the intermediaries earn their fees, commission, for their services, the mutual funds pay BSE for processing the transactions.

The daily number of orders received on this platform in the half year ended 30 September has increased by 60% to 250 lakhs as compared to 156 lakhs in corresponding previous half year. Platform received a record 46.60 lakh orders in the month of October 2019 surpassing the previous best record of 43.44 lakh in the month of July 2019. The number of registered mutual fund distributors in the Mutual Fund segment increased by 79% to 27,759 as on 30 September 2019, as compared to 15,472 as on 30 September 2018. This network is over and above BSE's 1400 members backed by over 2 lakh authorized representatives covering length and breadth of our country.

The total number of X-SIPs registered under this segment increased by 27% to 10.42 lakh for the half year ended 30 September 2019 from 8.21 lakhs for the half year ended 30 September 2018. That total value of orders processed in Mutual Fund segment increased by 38% to Rs. 1,03,865 crores for the half year ended 30<sup>th</sup> September 2019 from Rs. 75,283 crores for the half year ended 30 September 2018. Further, the total number of orders received in the month of September 2019 is higher by 36% as compared to orders received in the month of September 2018.

The net income earned in the StAR MF segment increased by 58% to Rs. 20.74 crores for the half year ended 30<sup>th</sup> September 2019 from Rs. 13.1 crores for the half year ended 30<sup>th</sup> September 2018. Income earned in this segment has contributed to 11% of the revenue from operations for the half year ended 30<sup>th</sup> September 2019 as compared to 7% of the revenue from operations for the half year ended September 30 of previous year.

BSE's market share in this segment for the half year ended September 30 stands at 72% plus. The Continual growth in the Mutual Fund segment is in line with our expectations. BSE continues to pursue the strategy of appointment of distributors at optimal pricing for its services in this segment to maintain the rapid growth in business and revenues witnessed over last few years.

Over past couple of years, BSE has tied up with various associations as well as exchanges in the commodities business for growth and development of commodities derivatives in India. During the quarter ended September 30, 2019, BSE signed a Memorandum of Understanding with Steel Users Federation of India (SUFU). BSE and SUFI will work towards enlisting steel futures in both long and flat segments. This will bring in stability, avert risks and facilitate a level-playing field to one and all players.

Total number of members admitted in this segment is 272. The average daily turnover in commodity derivatives segment for the half year ending September 30 was Rs. 224 crores. BSE facilitates trading in Gold, Silver, Oman Crude Oil futures, Copper, Guar seed, Guar gum, Cotton futures, Turmeric, Castor seed, Chana and Soy Bean. In a short span of a year, BSE has become the dominant exchange for trading in derivatives of Turmeric, with a market share of 31.9%, Cotton with a market share of 30% and Guar seed with a market share of 26.7% for the quarter ended 30th September 2019.

BSE started levying charges in commodity derivative segment with effect from 1<sup>st</sup> October 2019 at Rs. 2 per crore of trade value of all commodity futures contract.

BSE SME Platform has 313 companies listed on its platform as on 22nd October 2019. Further, the number of companies listed on SME platform have grown by 17% over past one year from 263 companies as on 30th September 2018 to 309 companies on 30th September 2019. Of the total number of companies listed in BSE SME platform, 69 companies migrated to the main board, as at 30th September 2019.

Total market capitalization of companies listed on SME as of 30 September was Rs. 18,348 crores and total funds raised was Rs. 3,237 crores by these companies. Number of market maker registered with BSE SME as on September 30 was 128. The companies registered on SME segment have shown an outstanding growth over the last seven years. SME IPO index which was launched on 14 December 2012, with 100 as base has increased to 1634 as of 30th September 2019. BSE's market share in listing of companies in SME segment stood strong at 61% as on September 30, 2019.

Being one of the foremost institutions for capital formation in India, BSE regularly engages with industry bodies and government to take initiatives for growth of investment in India.

In July 2019, BSE signed a Memorandum of Understanding with Department of Industries and Commerce, Government of Haryana to encourage and support MSME in raising capital, gain visibility and creditability, vis-à-vis large corporates. In October 2019, BSE in association with FICCI organized a brainstorming session to identify the gaps in

existing policies and make suggestion for robust policies, besides promoting Udyam Saathi and Udyam Sakhi initiatives to foster the MSME sector.

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 sector as well as private sector in India. In the quarter ended 30 September, BSE Bond platform grew by 39% to Rs. 74,945 crores as compared to Rs. 53,822 crores for the corresponding quarter in the previous year.

BSE along with PTC India Limited and ICICI Bank Limited filed a petition with power market regulator, Central Electricity Regulator Commission (CERC) on September 7, 2018 for grant of license for setting up a new power exchange. The CERC approval is awaited.

This proposed institutional exchange, subject to necessary regulatory approvals, would leverage on the experience and expertise of its stakeholders in their fields, knowledge of the Power sector, funding of power projects and associated infrastructure, setting up and running various exchanges and platforms in India and offer the market participants a credible power trading platform.

BSE currently has a stake of 41% as on 30 September 2019, in the proposed power exchange, through its wholly-owned subsidiary BSE Investments Limited. The said stake would have be brought down to 25% post receipt of grant of license by adding more shareholders and there will not be any sale of shares.

With respect to listing of securities, the number of companies listed with their equity capital on BSE are 4,064 as on 1st November 2019, which are also available for trading. BSE has the highest number of companies listed on any exchange around the globe. Market capitalization of companies listed on BSE is around Rs. 154 lakh crores. Total number of investors registered on BSE, exceed Rs. 4.13 crores.

BSE has been undertaking calibrated increase in listing fees over the last few years to make the same comparable to the charges levied by competitive exchanges as well as to cover increasing cost of compliance. With effect from April 1, 2019 BSE has increased its annual listing fees, charged to exclusively listed companies by Rs. 50,000 in their listed capital is up to Rs. 100 crores, and by Rs. 25,000 in case their listed capital is between Rs. 100 crores and Rs. 200 crores.

BSE became India's first ever stock exchange to get certified with International Standard for Business Continuity Management Standard (ISO 22301:2012) BCMS. BSE has been



accredited with ISO 22301:2012 certification for Business Continuity Management Standard.

In July 2019, BSE signed a Memorandum of Understanding with Shanghai Stock Exchange inter-alia to support the development of small and medium enterprises, dual listings, development of fixed income market, development of joint trading platform for off-shore RMB products, experience sharing and corporation on IT systems. This quarter also saw the first two companies to get listed on BSE Startups Platform. Alphalogic Techsys Limited and Transpact Enterprises Limited became the first companies to get listed on BSE Startups Platform on September 5, 2019. On December 22, 2018, BSE became the first stock exchange to get the approval from SEBI and launch its Startups platform.

As informed to you in our previous quarter call, BSE has undertaken buyback of Rs. 67.65 lakhs fully paid up equity shares of Rs. 2 each at Rs. 680 per equity share through tender offer route. The buyback commenced on 30th August 2019 and was closed on 16th September 2019. The total amount of buyback was Rs. 460 crores. Post buyback, the total paid-up equity capital of the company has reduced by 13% to Rs. 900 lakhs and the number of shares issued has reduced from 5,25,69,002 to 4,58,04,297. Consolidated and Standalone net worth of BSE stands at Rs. 2,400 crores and Rs. 2,065 crores as on 30th September 2019 respectively.

On a consolidated basis, the total revenue for the half year ended 30th September 2019 is lower by 1% to Rs. 325.55 crore as compared to Rs. 328.25 crore in half year ended 30th September 2018. Profit before tax and exceptional items for the half year ended 30th September 2019 is lower by 29% to Rs. 68.50 crore as compared to Rs. 96.35 crore in half year ended 30th September 2018. Net profit for half year ended 30 September 2019 is lowered by 20% to Rs. 77.59 crore compared to Rs. 97.35 crore in half year ended 30 September 2018.

Decrease in net profit during the first half ended 30th September 2019 is mainly attributable to a decrease in revenue growth from operations by 4% to Rs. 221 crores, decrease in other income by 40% to Rs. 10.33 crore and increase in operating expenses by 11% to Rs. 221.26 crore offset with increase in investment income by 16% to Rs. 94.19 crore, decrease in taxes by 69% to Rs. 5.23 crore. The operational revenue to the total revenue has been reduced at 68% for the half year ended 30th September 2019 as compared to 70% for the half year ended 30th September 2018.

On a standalone basis, the total revenue for the half year ended 30th September 2019 is lower by 4%, to Rs. 286.68 crore as compared to Rs. 298.62 crore in half year ended 30 September 2018. Decrease in total revenue during the half year ended September 30, 2019 is mainly attributable to decrease in revenue from operations by Rs. 8.68 crore,

decrease in other income by Rs. 6.80crore offset with increase in investment income by Rs. 3.54 crore. The ratio of operational revenue to the total revenue has been constant and it stands at 65% for the half year ended, 30th September 2019 as compared to half year ended 30th September 2018.

As on 30th September 2019 the total balance lying in settlement guarantee fund maintained by our clearing corporation is Rs. 408 crores.

It may also be noted that BSE had made a provision of 50% towards its investments made in secured debenture of IL&FS till previous year. Considering the unlikelihood of receiving any redemption amount in future, a further provision of Rs. 2.68 crore has been made in the financial for period ending 30th September 2019.

With this overview, let me now welcome you once again and invite all of you to question-and-answer session.

Thank you.

**Operator**

Shall we open the lines for question?

**Ashishkumar Chauhan**

Yes, please.

**Question-and-Answer Session**

[Operator Instructions] First question comes from Mr. Neeraj Khamtekar, Individual Investor. Your line has been unmuted.

**Neeraj Khamtekar**

Hello. Hello.

**Ashishkumar Chauhan**

Yes, please continue.

**Neeraj Khamtekar**

Yes. Thanks for opportunity. Why there is a sharp jump in...

**Nayan Mehta**

Neeraj your voice is echoing. Can you do something about it?

**Neeraj Khamtekar**

Hello.

**Nayan Mehta**

Yes.

**Neeraj Khamtekar**

Sir, why there is sharp jump in administrative and other expenses at standalone level?

**Nayan Mehta**

See, in standalone expenses, there are quite a few items, which are onetime in nature this period. They are particularly being the provision which we mentioned with respect to our investment in IL&FS, that is around Rs. 2.6 crore. Then in mutual fund segment, we have made a provision for -- with respect to receivables that is amounting to Rs. 3 crore. So those are the two main areas, because of which you know this jump is there, rest all things are mainly pertaining to certain marketing initiatives, which we have undertaken for the Mutual Fund as well as Commodity segment.

And normal cost increases are, and then we have got also contribution to CSR which was not there last year, this time our auditor has recommended that we should provide the same on the accrual basis for the full year. So for six months period, we have provided Rs. 1 crore for that also. So these are the main main reason for, which our admin expenses have gone up.

**Neeraj Khamtekar**

Hello.

**Nayan Mehta**

Yes, tell me.

**Neeraj Khamtekar**

How much are recurring?

**Nayan Mehta**

Well, see, the point is like this that out of that Rs. 11.87 crore, more than Rs. 9 crore are extraordinary type of expenses. And the remaining is basically with respect to normal depreciation, which would increase. Then certain receivables from the side– with respect to listing fees. So those are the normal expenses, which have increased.

**Neeraj Khamtekar**

Hello? Hello?

**Nayan Mehta**

Your voice is echoing Neeraj.

**Neeraj Khamtekar**

Hello. From next quarter, it will be a Rs. 33 crore? That's what I'm presuming.

**Nayan Mehta**

No. See the point is that the extraordinary part will go and if you remove the extraordinary part of Rs. 7-8 crores, 2-3crores will still continue.

**Neeraj Khamtekar**

Okay. Thank you, sir.

**Operator**

Thank you, Neeraj. [Operator Instructions] Next question comes from Mr. Vikas Kasturi. Your line has been unmuted, Individual Investor.

**Vikas Kasturi**

Hello, sir. I had a question. See, I use your website almost on a daily basis and since you are making so many investments in technology, would you also consider giving a facelift to your website and make it easy to search through all the filings, et cetera?

**Ashishkumar Chauhan**

Yes. Sure.

**Vikas Kasturi**

All right. And, sir, the investor presentation on NSE is not available, sir.

**Nayan Mehta**

So, we have just uploaded, because our board meeting got over just a few minutes before our call. So first we have to update the exchanges and now, with our team would be – would have uploaded it by now – also on BSE website.

**Vikas Kasturi**

Yes. The link is there, but there is no presentation, sir.

**Nayan Mehta**

We're getting it checked right away.

**Vikas Kasturi**

Right. Thank you, sir. That's it from my side.

**Operator**

Thank you, Vikas. [Operator Instructions] Next we have Mr. Kishor Sunekar. Your line has been unmuted. Please go ahead.

**Kishor Sunekar**

Yes, I'm Kishor Sunekar. When we can expect the power exchange license?



**Ashishkumar Chauhan**

Basically, we have applied to CERC, they have put in certain conditions, which broadly we have fulfilled. So we are going to file the new sort of undertaking sometime this month. And so hopefully, if we get all the hearings and everything done in next one or two months, probably the license maybe there in that period. But again, it's dependent on the regulator, in case, they want to put in some additional conditions, which we need to fulfil further.

**Kishor Sunekar**

Okay. And one more question was that, that year-on-year our revenue is going down. So we have any plans to how to improve this revenue growth?

**Ashishkumar Chauhan**

Basically, if you look at -- although the total revenues have been going down, certain businesses like mutual funds are doing well. And certain businesses like securities, that is the stock trading, has not done well because markets were bad. Our -- basically two large areas where we have had difficulty in a last two, three years, one of them is small stocks. Small stocks used to be the mainstay of BSE's transaction charges, their values went down by almost 80% on average because of variety of reason, including the mutual funds not able to invest in many of them due to the new SEBI regulations last year. But effectively, the markets do pickup going forward, then you will see much larger impact on our revenues coming out of the transaction charges for small stocks going forward. In 2016, 2017 if I recall, almost 50% of our transaction charges were coming from small stocks. Today, they would be less than 10% of the securities transaction charges, so that kind impact there has been.

The second part is basically IPOs. IPOs BSE is much larger than other exchanges and that also used to give us, in a good year, almost Rs. 50 crores to Rs. 70 crores revenues. Last couple of years, the revenues have dried up on the IPO because IPO's have not come. And similarly, there have been also lesser number of corporate restructuring or rights issues and all. So, there BSE earns at a regular rate. So effectively, these three things which are basically market dependent. If markets does well, especially for small stocks and IPO, BSE will do well in those areas.

In the meantime, BSE has also developed mutual funds business, which is doing well. BSE is also now in the process of developing commodities business, where in some areas BSE has got some ground over last few months. And also BSE is putting in place the India International Exchange where currently we are making losses. But in case, larger

business starts coming in there, we may have some revenues coming on a consolidated basis from there also.

So overall, this is where BSE continues to work. Most of it, in a way, is market dependent but we will continue to develop newer areas with very low cost of investment, so that the new revenues, which come up is actually accretive on top and bottom line.

**Kishor Sunekar**

Okay. And now this buyback has happened. This dividend distribution is there, this is every quarter we will be distributing? Or now it is – some quarters, it is there and it is not there. Why don't we distribute evenly for all quarters? Because our dividend is nearly about 5% to 6%, so I was thinking that it will be better if it is distributed every quarter.

**Ashishkumar Chauhan**

Usually, companies do it once in a year, most times, and sometimes twice a year. We'll probably go with ~~once in a quarter or~~ once in a year only kind of situation going forward.

**Kishor Sunekar**

Okay. Presently we are distributing twice, I think?

**Nayan Mehta**

Please come again.

**Kishor Sunekar**

Presently, last year we distributed twice. Thrice, I think? Thrice, we distributed?

**Nayan Mehta**

Yes, last time we distributed twice, but as MD said, going forward we are planning for once in a year.

**Kishor Sunekar**

Okay. That's all from me.

**Operator**

Thank you. Next question comes from Mr. Neeraj Khamtekar, Individual Investor. Your line has been unmuted.

**Neeraj Khamtekar**

Hello?

**Nayan Mehta**

Neeraj, I think only your voice is echoing, can you do something about it?

**Neeraj Khamtekar**

I have three questions. Hello?

**Nayan Mehta**

Yes.

**Neeraj Khamtekar**

Sir, when INX will achieve the breakeven? And what is current loss from INX? And my third question related to cash market. Which are the steps BSE is taking to increase the equity turnover in cash market?

**Ashishkumar Chauhan**

Okay. So basically, INX...

**Operator**

One second, sorry for interruption. Hello, sir. Neeraj, you can mute your line so that you can hear the answer which you are giving.

**Ashishkumar Chauhan**

Yes, INX does trades around USD 2 billion a day, sometimes it also does USD 3 billion to USD 4 billion a day. Currently, we're not charging because competition is also not charging. And the government and RBI are in the process of giving approval to U.S. dollar,

Indian Rupee transactions there going forward in terms of the futures and option. So as and when it comes, probably we see some more volumes, but we do not have yet an idea of when INX will breakeven. In terms of current loss, the current losses for the half year is around Rs. 17.21 crore for India International Exchange and India International Clearing Corporation Limited.

For improving the equities market volume at BSE, BSE basically continues to have a lot of investor awareness seminars and also broker meetings to ensure that the brokers end up passing orders to BSE instead of other exchanges and also BSE continues to create better software, better clearing related activity and so on and so forth. And so those are the efforts which continues, almost 4,800 investor awareness seminars are done every year, in addition to several hundreds of stock broker meetings and so on and so forth.

**Neeraj Khamtekar**

Thank you.

**Operator**

Thank you, Neeraj. Next question comes from Mr. Amit Chandra, HDFC Securities. Your line has been unmuted.

**Amit Chandra**

Yes, hello Sir, thanks for the opportunity. Sir my question is related to the license which we have got for the insurance distribution. So what kind of investments are acquired here? And by when can we see some traction in this space? And also how will be the revenue model placed here?

**Ashishkumar Chauhan**

So basically, will have 40% equity stake and the total capital currently planned is Rs. 25 crores so our investment is Rs. 10 crores. We think we should be able to go live in next two months. In this business, the license we have got allows us only to deal with individual agents, not, I mean, sub brokers to our distributor platform. And these are going to be distributed platform and not an exchange platform. It will have many insurance companies giving their products, which are approved by IRDA for this particular type of platform called POS platform.

The other side, we will have literally thousands of our agents selling those things. We will also have the ability to train them on online basis. We have tested most of the software.

We have around 10 companies tied up, tested their technology with us, five in life, four in general and one in health. Eventually, we will have pretty much every company was desire of selling their products through this kind of platform. What do we call phygital platform. There are not purely digital, not purely physical, but a mix of both. And we think in next two months, if everything goes all right and we get license, we would be ready to go live because we have actually been testing this technology for more than a year now.

**Amit Chandra**

Okay. So is it something similar to the Policy Bazaar kind of an arrangement? Or are we looking to get commissions from the insurance players? Or it will be a transaction based model similar to the BSE StAR MF platform

**Ashishkumar Chauhan**

Its the second one you said, it's basically a distribution platform. It is going to be able to conclude the sale, which doesn't happen in Policy Bazaar. And this will also do post conclusion activity, including advising customers and also helping them in claim processing in case required. These are much more detailed, much more involved platform compared to just giving them some comparisons.

**Amit Chandra**

Okay. So here we will not get any commission from the insurance companies for selling their products?

**Ashishkumar Chauhan**

Yes, no, we will get that. That's why it's a distribution broker kind of a model and then we will pass on some of that to our sub agents.

**Amit Chandra**

Okay. And sir on the investments and on the market share that we have on the commodity side of the business. So it's been a year almost when we have launched the commodity trading and in last one year, we have not seen any substantial increase in the commodity market share, whereas the competition has scaled up the volumes pretty well. So how do you see it? And will the investment here will continue? Or we have some different strategy?



**Ashishkumar Chauhan**

No. Our investments will continue and our hard work will continue. In the last one year also you have seen three mid or large size scandals in castor seed, in gold and in cotton, none of them happened on BSE, right? So you might be able to also check and similarly, in few other areas, we are a little more conservative than most other exchanges. And we'll probably continue to remain players who wants to have more trust than anything else because in the long run it's the business of trust. And if people keep on losing money, then they may not come. Similarly, the volumes, as you mentioned, are only in gold and crude where there was a rally at certain point in gold for some time. And so I don't know whether that will remain for infinity or not, but it remains to be seen. We will continue to work hard on those areas also. We have a Brent crude contract in the pipeline where we are tied up with ICE. We are also tying up with one more Chinese exchange for other gold kind of commodity and so on and so forth. But we think, this is a business where people trust us more and will continue to invest our efforts into that.

In terms of the marginal cost, there is no marginal cost because everything has been now settled. Last one year has gone in developing, sort of telling the software vendors to develop software for the BSE commodities or for that matter, other commodity, new commodity exchanges and so it's a little bit of a chicken and egg. Vendors are reluctant, they want a lot of money and so on and so forth. But slowly and steadily, people are accepting BSE. In gaur seed, gaur gum, we have got a very good market share. In cotton, we have started getting good traction. I was with Cotton Association of India on labh pacham day at their office. Similarly, in turmeric, we are pretty much becoming the large market. So there is some, what I call, interesting development that is happening and many associations are coming on their own to join hands with us, which is a, what I call a vote of confidence in us like SUFI, Steel Users Federation of India and all. And that's what we'll continue to be a little more conservative on not changing regulations on run-time basis, not allowing many defaults and hope that the markets appreciate not losing money going forward.

**Amit Chandra**

Okay, sir. And Sir, on the LES investment that it's currently ongoing. So when we can see this LES investment, the liquid financing scheme investments going to be there? So, it's around Rs. 4 crores quarterly, right? So, till when we have the SEBI approval to spend on LES?

**Ashishkumar Chauhan**

We always had SEBI approval to start LES in the equity derivatives. We have recently started that and probably will continue for some time, because we do not have the traction, which we require. Currently, I think we are doing Rs. 150 crores to Rs. 170 crore a day over last couple of weeks. It's early days and the fact is, just on STT basis, people are spending pretty much, five to seven times more than what our incentives are. And that's what is giving me some idea of sort of some traction that is coming in to BSE SENSEX. In the India International Exchange, the LES will continue to get some traction, get people interested. And once the USD-INR comes into play, I don't know how far and how fast it becomes successful, but currently, we are pretty much the market there. And that we don't know because if the competition doesn't charge, we can't charge and that remains to be seen unless we have a very larger market power, we'll continue to have LES there.

**Amit Chandra**

So, the LES is a mostly for the equity derivatives or for the INX? Or it is both, like combined Rs. 4 crores, combined for both exchanges, right?

**Ashishkumar Chauhan**

Currently, the LES for the equity derivatives only recently started, so it wouldn't be even there in the sort of result this quarter. But it's largely LES for the INX what you see in the results.

**Amit Chandra**

So this Rs. 17 crore cost that you mentioned for INX or the loss there in the first half. So, that 17 crores is excluding this Rs. 4 crores or including?

**Ashishkumar Chauhan**

No. It's including.

**Amit Chandra**

Okay. It's including this. Okay. And sir, like, we are seeing revenue decline in the core revenue streams. And if I see the cost structure, again, I know the investments are still going on and at the EBITDA level, excluding the investment income, if I see. So, at EBITDA level, it's at a loss and excluding the like one-off also, it's like mostly like break-even level.

So when do we see the traction coming in at the EBITDA level? Or how do we see the cost structure moving, say, like one year from here on? And in terms of the traditional revenue stream, how do we see the traction there is coming back? When we expect that?

### **Ashishkumar Chauhan**

So, I replied earlier also that IPO was our large set of numbers around 50 to 60 crores, which has not happened over the last two years. So, if market does well, IPOs coming, we do 70% of the IPOs in terms of the collections and all. And hopefully, we'll – sort of whenever that market comes up, we'll do well.

Similarly, in the small stocks, we have lost revenues, not market share, because we are 100% market in that, just that those stocks have lost 80% value and the trading has also subsided further. So what used to be 50% of our transaction charges has now become less than 10%. If the small stocks start rallying, again you will see traction. And nothing, I mean none of them has anything to do with our expenses, because our expenses generally are fixed, our revenues are variable on that.

And so if revenues come up, these all go to the top-line and bottom-line both. Mutual fund is doing well and hopefully, that will, either in a way, in last two quarters, it has compensated for the fall in the equities side transactions revenue. But probably, it will do even further and probably, compensate even more. So, when the markets start doing well, probably we will see a much larger revenues coming to BSE. And it has nothing do with our – many times we may have variability kind of concept in our lives that, in our minds that if the volumes go up, the cost will also go up. It's not that kind of business model here. The costs are fixed broadly very little variable except the regulatory charges are variable other than that very little is variable.

### **Amit Chandra**

And sir, my last question would be on the other operating expenses. So, I just actually missed the initial commentary. So out of the Rs. 49 crores that we have in other operating expenses, which is up by around 25%, how much of that is one off, if you can mention that?

### **Nayan Mehta**

One of, you'll see that, I had mentioned already earlier on this that we have actually provided for about Rs. 3 crores for mutual fund receivables, then there is another provision for listing fees, which is around Rs. 2-odd crores. We also made a provision for IL&FS impairment for Rs. 2.6 crores. So, these are the type which are more precautionary

and especially this mutual fund dividend provision which we have made is precautionary, listing fees receivables is also precautionary. As MD said earlier, you know, that we follow a policy of pretty conservative accounting just to ensure that at no point of time, we give you a different picture than more optimistic picture. So, we give you a picture, which is, you know, which cannot go really, we should not go further down from there. Probably we should actually end up having some positives from there. Yes, tell me.

**Amit Chandra**

Sir, the Rs. 3 crore mutual fund receivables, what exactly is the nature of this? Is this related to the receivables or like provisions you have done for the StAR MF money that we get from – like mutual funds?

**Nayan Mehta**

Yes, so this is something which, yes, because, that we're still consolidating our position here and we do get requests for that renegotiating certain terms and finalizing and when while we are finalizing certain terms, obviously, we have to consider their sensitivity also. So we have kept the provision of Rs. 3 crores for the time being. And I think this is, we think that this is more than sufficient to meet any possibility where we have to actually recover less from them.

**Amit Chandra**

Okay sir. Thanks. Thanks for the opportunity. And best of luck for the future.

**Operator**

Thank you, Amit. Next question comes from Mr. Neeraj Khamtekar, individual investor. Your line has been unmuted.

**Neeraj Khamtekar**

Hello?

**Nayan Mehta**

Yes, Neeraj.

**Neeraj Khamtekar**

Sir. As on Q1, BSE StAR MF mutual fund revenue was Rs. 11.9 crore and for H120 Rs. 20.7 crore, that means for Q2 FY20, revenue from StAR MF is Rs. 8.8 crore, in spite of increasing number of transaction in MF, sir any reason why?

**Nayan Mehta**

So here, Neeraj, when we have done this presentation, we had actually reduced that Rs. 3 crores for the top line so that when we come again next time, there is consistency of the amounts. Otherwise what will happen is that we will show Rs. 23 crores now then again next time you will again ask us why there is so much of difference again. So the provision, though in accounts, we have to make provisions in our bottom line -- in our expenses, for the purpose of presenting to our investors, we have reduced it from the top line.

**Neeraj Khamtekar**

Did you reduced the transaction charge?

**Nayan Mehta**

We have not reduced the transaction charges, we have just reduced the provision which we have made. So that's why we have shown the net number there.

**Neeraj Khamtekar**

Okay. Okay. Thank you.

**Operator**

Thank you, Neeraj. [Operator Instructions] Next question comes from Mr. Kishor Sunekar, your line has been unmuted. Hello Mr. Kishor?

**Kishor Sunekar**

Hello? Hello? Hello? Can you hear me?

**Nayan Mehta**

Yes, Kishor, go ahead.



**Kishor Sunekar**

Once we get the power exchange approvals, what will be the timeframe to execute this? And what time it will take for our revenue generation?

**Ashishkumar Chauhan**

As of now, our estimate is that it will take a quarter to start, once the license comes in. And revenue generation should start immediately because that business is pretty much a sort of non-discount based. So usually, we will start generating revenue immediately after the license.

**Kishor Sunekar**

Do we have advantage with other players? because in India only 4% of power generation is being traded. So how we will get the business share?

**Ashishkumar Chauhan**

Basically, again today, you may see differently, tomorrow it may happen differently. Like in 2004, India had 4% telephone penetration i.e. out of 100 people, only 4 people had phone. Today probably out of 100 people, 110 people have phone, right?

**Kishor Sunekar**

Right.

**Ashishkumar Chauhan**

So it happens pretty soon, pretty fast, if things go different. And that's what basically one plays for at low investments.

**Kishor Sunekar**

Because of the PTC, we have a collaboration with them, we will have some advantage with them.

**Ashishkumar Chauhan**

Hopefully. Hopefully.

**Kishor Sunekar**

Hello?

**Ashishkumar Chauhan**

Yes, please. Hopefully, we'll have, yes.

**Kishor Sunekar**

Okay. That's all. Thanks.

**Ashishkumar Chauhan**

Thank you.

**Operator**

Thank you, Kishor. Next question comes from Mr. Deepak Malhotra from DPG Consultancy.

**Deepak Malhotra**

Hi, my question while you already alluded to what you're trying to achieve on the commodity front. I think you have already seen 1 year and the result haven't been really up to the expectations which you have had. Could you kindly elaborate going forward, I mean, how much kind of market share you're really targeting and what is your strategy if you see the – thanks.

**Ashishkumar Chauhan**

See, target, we don't work on that kind of numbers. We work on more on how to do better regulations, lesser defaults and things like that. And I hope that people will finally appreciate better technology, better risk management and all. In terms of how much time it will take, I don't know but we will continue to work hard. And the results come from sometimes unexpected areas. So like turmeric or cotton, which we had not expected frankly, which has come, whereas gold and sort of crude have not yet come. And crude, we are going to relaunch with ICE collaboration, International Continental Exchange where they trade Brent, we are going to trade on that basis. And so it's a – what I call, we will continue to try various things. There is no additional cost to that and now I think a new regulation has come in, actually there has been a change in SCRA to allow options on

spot market. Till now, options on futures were allowed and there are minimum liquidity requirements for those futures so we couldn't launch options. Now with the new SCRA's amendment, we might be able to launch options also very soon. So for me, we will continue to basically provide more safe, better technologically oriented solution to the market and hope that someday people will come to BSE. And in some ways, what they've seen in castor seed, oil or cotton has made them come to BSE in recent times and so that you will see the impact -- larger impact of that in the current quarter going forward.

### **Deepak Malhotra**

Okay. You have been in the past sounded very optimistic for the MF platform going forward. So would you again like to elaborate on how do you see three years down the line?

### **Ashishkumar Chauhan**

So basically, the way I look at it is today, we have become 15% of all the funds going into mutual funds, including the past SIPs and whatever. We do around 46 lakh transactions a month. Even if the market doesn't grow, which it does not over last four, five months because market is being bad, the mutual funds also didn't grow so well. But we have been, in a sense, a large provider of new orders to the mutual fund industry in last five, six months. And over a period, if the mutual fund market grows from say, 3 crore transactions a month to 6 crore transactions a month then if we become 50% of that, then we basically will grow almost six, seven times of current and in terms of volumes and value might be probably again 50% to 100% larger. So that's how I would put it that there is enough and more scope for growth of this platform. And it has sort of helped us conceptualize a new, completely new, platform in the insurance because this has come like a breath of fresh air not only for us but also for the distributors that they were searching for something like this. There was nothing which was available and now suddenly it is so much more popular that we have like 54,000 or 57,000 people officially there on the platform, right, which is large.

### **Deepak Malhotra**

Just pardon my ignorance, but internationally I think most number of transactions in mutual fund, they do take -- they go undergo on online basis, isn't it?

### **Ashishkumar Chauhan**

Internationally, if you look at, in 1994, New York Stock Exchange was not screen-based, NASDAQ was not screen-based they were phone-based although they used to use

basically screen-based codes. CME was floor based, London was floor based, Japan was floor based. In 1994, India started screen-based trading and it became so large that everyone actually followed, right? Sometimes India doesn't have to be follower only, sometimes it can take leadership, which it has done in mutual fund in this case also after 25 years of automation of screen-based trading.

**Deepak Malhotra**

Okay, great. Just one bookkeeping question. While you already explained the rise in the admin and other expenses, there's also some rise on employee benefit expense, would you kindly elaborate on that? Thanks.

**Nayan Mehta**

Pardon me, can you just come again, please?

**Deepak Malhotra**

On the employee benefit expense, there has been a rise in this quarter.

**Nayan Mehta**

So there are few things, first of all is that, that we are pursuing a lot of activities, means, we are pursuing EBIX, we are pursuing insurance broking, we are pursuing power exchange, commodities. So obviously, when we are pursuing a lot of initiatives, there is a cost to it and obviously year-on-year also, we have to – there is a particular inflation expectancy of every employee. So that has to be met. So this year if you see that our expense have gone up by 8% or 10%, that is basically because obviously it's a initiative which are coming up as well as the normal increment which everybody should get when you are in a fast growth stage.

**Deepak Malhotra**

Yes. But would this be a recurring trend going forward?

**Ashishkumar Chauhan**

See basically, the number of employees will not increase much in this company on standalone but they will continue to have some sort of inflation adjusted expenses on employees, going, and that will be recurring. There is no way you can tell employees to stay at the same salaries for years together.

**Deepak Malhotra**

Okay. Thank you. Thanks. All the best.

**Operator**

Thank you. Now I would like to hand the floor back to Mr. Yogesh Joshi for the final remarks. Thank you, and over to you, sir.

**Yogesh Joshi**

Thank you all for joining the conference call. Thank you so much.

**Ashishkumar Chauhan**

Thank you. Have a great evening.

**Nayan Mehta**

Thanks everyone.

**Operator**

Thank you, sir. That does conclude our conference call for today. Thank you for your participation on Reliance Conference Bridge, you may all disconnect now. Thank you all.

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