

BSE

Gaining strength

BSE has attained a 20/7% notional/premium market share, largely driven by the rising popularity of its derivatives contracts. Among these, the SENSEX contract has matured, commanding ~40% of the market share, while the BANKEX is in its build phase, currently holding a 12% market share. We believe the derivative growth for BSE will continue to be led by (1) the scaling of the BANKEX contract, (2) the go-live of large discount brokers, (3) a higher volume of algo and proprietary traders, (4) an increase in active UCCs, and (5) greater participation of FPIs. In this note, we've also analysed the impact of higher SGF and settlement costs. The core SGF pool is increasing across exchanges, led by regulatory initiatives aimed at risk mitigation. In 9MFY24, the core SGF contribution has increased ~2.5x vs FY23. BSE core SGF pool is in line with the industry and will increase with the rise in volumes. The settlement costs for BSE are ~2.5x that of NSE, we expect these to come down gradually as economies of scale come into play. Assuming a premium market share of ~11% in FY26E and current pricing, derivatives will contribute 43% of BSE's total revenue and 53% of EBITDA. We expect a revenue/EPS CAGR of ~34/42% over FY24-26E, led by a revival in transaction revenue. We maintain our BUY rating and assign a SoTP-based target price of INR 3,050, based on 40x core FY26E PAT + CDSL stake + net cash ex SGF.

- Derivatives volume strong:** BSE derivatives volume has reached a notional daily turnover of INR 85trn vs the NSE average of INR 340trn in March 2024. The total derivatives notional volume was up 126% in FY24, and the premium was up 34% YoY. The premium to notional for BSE is still one-third of NSE and will rise with FPI participation and higher volume in non-expiry days. ~96% of BSE's weekly volume is on the day of expiry vs 70% for NIFTY. BANKEX has crossed the INR 100trn mark while BankNifty is ~INR 500trn on expiry. We expect BSE derivative notional/premium ADTV to reach INR 114trn/80bn in FY26E with a volume/premium market share of 30/11%. BSE's premium to notional is ~6bps vs ~19bps for NSE.
- SGF set to increase:** BSE core SGF stands at INR 9.2bn in Q3FY24 with 44/41/11% contribution in the currency derivative/cash/F&O segments. BSE contributed ~INR 1.1bn in 9MFY24 to the core SGF and its major contribution has been towards the currency derivative segment due to higher risk assessment. The F&O volume has increased significantly for BSE, but the F&O segment is only 11% of the total core SGF vs 63% for NSE. We have assumed the core SGF for BSE to increase to INR 13.8bn in FY26 from INR 7.6bn in FY23. The clearing and settlement costs for BSE are ~3x that of NSE as most of the client trades are settled in the NSE clearing corporation. The clearing and settlement costs for NSE are only ~9% of transaction revenue vs 31% for BSE. The cost of settlement for BSE is ~1.5bps vs 0.6bps for NSE.

Financial Summary

YE March (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	5,014	7,432	8,155	13,547	19,173	24,130
EBITDA	725	2,772	2,887	6,265	10,696	14,016
PAT	1,449	2,543	2,207	8,437	7,819	10,060
APAT	1,674	3,024	2,891	5,579	8,786	11,202
Diluted EPS (INR)	12.4	22.4	21.3	41.2	64.9	82.8
P/E (x)	189.8	105.1	110.1	59.8	38.0	29.8
EV / EBITDA (x)	418.0	108.3	103.9	49.9	29.2	22.2
RoE (%)	6.8	11.7	10.8	19.1	27.3	31.7

Source: Company, HSIE Research

BUY

CMP (as on 27 Mar '24)	INR 2,464
Target Price	INR 3,050
NIFTY	22,124

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,050	INR 3,050
EPS %	FY25E -0.4	FY26E -0.2

KEY STOCK DATA

Bloomberg code	BSE IN
No. of Shares (mn)	135
MCap (INR bn) / (\$ mn)	334/4,081
6m avg traded value (INR mn)	2,705
52 Week high / low	INR 2,599/406

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.7	88.4	497.3
Relative (%)	7.4	78.0	470.7

SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	0.00	0.00
FIs & Local MFs	8.10	11.3
FPIs	7.90	12.0
Public & Others	84.0	76.70
Pledged Shares	0.00	0.00

Source : NSE

Amit Chandra

amit.chandra@hdfcsec.com
+91-22-6171-7345

Dhananjay Jain

dhananjay.jain@hdfcsec.com
+91-22-6171-7339

- Valuation and scenarios:** The stock is up 86% in the last six months, led by market share gains, and it is currently trading at a P/E of 38/30x FY25/26E vs 5Y average 1Y-fwd P/E ~21x. Our base case assumes an 11% premium market share, revenue/PAT CAGRs of 44/57% over FY23-26E and a core multiple of ~40x resulting in a ~24% upside. The bull case assumes a 15% premium market share, 52/67% revenue/PAT CAGRs over FY23-26E and 45x multiple, resulting in a ~66% upside from CMP.

BSE SoTP valuation – base case

Core PAT FY26 (INR mn)	9,118
40X Core PAT (INR mn)	3,64,464
Add: Net Cash (INR mn)	35,811
Less: SGF (INR mn)	13,806
Mcap (INR mn)	3,86,469
Price per Share (INR)	2,855
CDSL Value/share (INR)	195
TP (INR)	3,050
Upside (%)	24%

BSE derivative revenue and pricing assumption

BSE Derivative P&L – Assumptions	FY24E	FY25E	FY26E
Derivatives Notional ADTV (INR trn)	35	82	114
Growth %		132%	39%
Derivatives Premium Turnover ADTV (INR bn)	21.43	52.83	80.66
Growth %		146%	53%
Option Pricing (INR/mn) - One side	175	260	260
Pricing (bps) - both side - BSE (Blended)	3	5.2	5.2
Pricing (bps) - both side - NSE (Blended)	7.0	6.9	6.9
Discount to NSE %	-50%	-25%	-25%
Revenue from derivatives	1,731	6,812	10,402
% of Revenue	13%	36%	43%
Expenses (@1.5bps)	1,337	1,965	3,001
EBITDA	394	4,847	7,402
EBITDA %	23%	71%	71%
% of BSE Total EBITDA	6%	45%	53%
Days (Nos)	231	248	248
PAT from Derivatives (INR mn)	295	3,635	5,551
PAT margin %	17%	53%	53%
% of BSE Total PAT	5%	41%	50%
NSE			
NSE derivatives ADTV (INR trn)	326	350	385
BSE notional market Share %	10.8%	23.4%	29.6%
NSE premium ADTV (INR bn)	625.58	629.37	653.85
BSE premium market Share %	3.3%	7.7%	11.0%
NSE Options revenue (INR mn)	1,09,476	1,10,140	1,14,424
BSE revenue share %	1.6%	5.8%	8.3%
Premium/Notional (bps)			
NSE	19	18	17
BSE	6	6	7

Source: HSIE Research

Change in estimate

YE March (INR mn)	FY24E Old	FY24E Revised	Chg %	FY25E Old	FY25E Revised	Chg %	FY26E Old	FY26E Revised	Chg %
Revenue	13,235	13,547	2.4	19,221	19,173	-0.2	24,086	24,130	0.2
EBITDA	5,904	6,265	6.1	10,691	10,696	0.0	13,939	14,016	0.6
EBITDA margin (%)	44.6	46.3	164bps	55.6	55.8	16bps	57.9	58.1	22bps
APAT	5,332	5,579	4.6	8,827	8,786	-0.5	11,221	11,202	-0.2
EPS (INR)	39.4	41.2	4.6	65.2	64.9	-0.4	82.9	82.8	-0.2

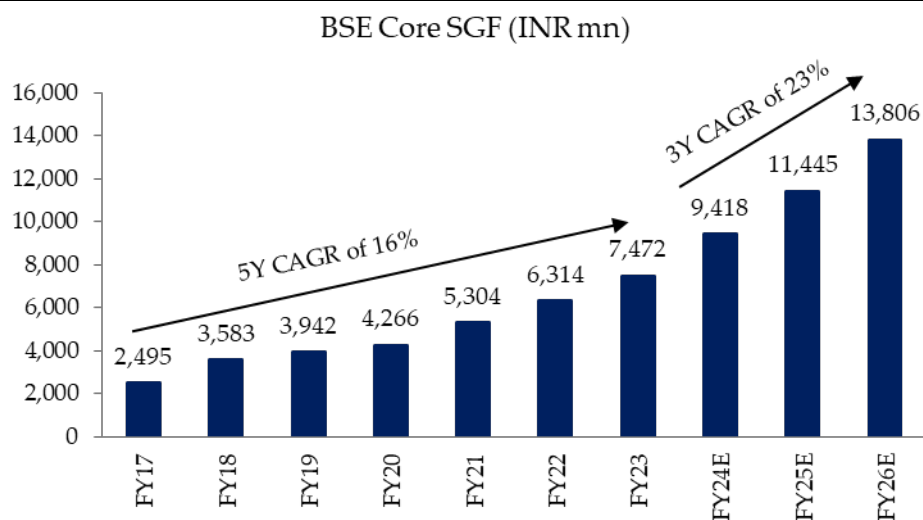
Source: HSIE Research

Settlement guarantee fund – increasing across exchanges

The total core SGF for the three major exchanges stands at INR 83.2bn with 63/11/5% in the F&O/cash/currency derivative segments. The core SGF for the industry has increased from INR 39.8bn in FY20 to INR 83bn in 9MFY24, led by an increase in volumes, volatility, and regulatory requirements. The core SGF is calculated based on SEBI defined formula prescribed in 2014. The major exchanges have contributed ~INR 16bn to core SGF in 9MFY24 vs the full-year contribution of INR 6.5bn in FY23. The increase in SGF contribution is based on the regulatory push, driven by a surge in volumes across segments. NSE management has indicated that it will double its core SGF from INR 48bn in FY23 to INR 100bn (currently at INR 66.4bn in Q3FY24) in the next two years.

BSE core SGF stands at INR 9.2bn in Q3FY24 with 44/41/11% in the currency derivative/cash/F&O segments. BSE contributed ~ INR 1.1bn in 9MFY24 to the core SGF and its major contribution has been towards the currency derivative segment due to higher risk assessment related to the exposure of a particular member. The F&O volume has increased significantly for BSE but the F&O segment is only 11% of the total core SGF vs 63% for NSE. We have assumed the core SGF for BSE to increase to INR 13.8bn in FY26 from INR 7.6bn in FY23. The contribution will come from ICL (clearing corporation) and BSE standalone and will be mostly towards the F&O segment. The core SGF contribution for BSE at the consolidated level is expected to be at ~INR 1.07/1.23/1.46 bn in FY24/25/26E.

BSE core SGF – expected to reach INR 13.8bn in FY26 from INR 9.2bn in Q3FY24



Source: BSE, HSIE Research

Core SGF across exchanges

Total Core SGF (INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	9MFY24
NSE	24,143	27,869	31,491	35,283	39,713	47,972	66,368
BSE	3,583	3,942	4,266	5,304	6,314	7,472	9,226
MCX	1,806	3,298	4,098	4,692	5,256	5,898	7,591
Total SGF	29,533	35,109	39,855	45,280	51,283	61,342	83,185
Growth YoY %	40%	19%	14%	14%	13%	20%	36%

Incremental Core SGF	FY18	FY19	FY20	FY21	FY22	FY23	9MFY24
NSE	7,294	3,726	3,622	3,792	4,430	8,260	18,395
BSE	1,089	359	324	1,038	1,010	1,157	1,755
MCX	101	1,492	800	595	564	642	1,693
Total SGF	8,483	5,576	4,746	5,425	6,003	10,059	21,843
<i>Growth YoY %</i>		-34%	-15%	14%	11%	68%	117%

Incremental Core SGF (INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	9MFY24
NSE-S + NCL	4,264	539	105	1,320	40	5,393	13,559
ICL + BSE-S	1,078	333	299	175	508	788	1,107
MCX-S + MCCL	93	1,460	299	359	232	280	1,355

Incremental Core SGF % of revenue	FY18	FY19	FY20	FY21	FY22	FY23	9MFY24
NSE	16%	2%	0%	2%	0%	5%	9%
BSE	21%	7%	7%	3%	7%	10%	8%
MCX	4%	49%	8%	9%	6%	5%	19%

Source: NSE, BSE, MCX, HSIE Research

SGF contribution rules

As per SEBI's circular issued in August 2014, the contribution towards the core SGF will be done by the clearing corporation, stock exchange and the members. The clearing corporations are required to conduct stress tests daily to measure, monitor, and manage the clearing corporation's exposure. These stress tests provide a basis for ascertaining the minimum required corpus (MRC) to be maintained in the core SGF. The stress test is done by all segments and there is ringfencing of each segment (cash, commodity, F&O) from defaults in the other segment.

As per the regulations, at least 50% of the MRC will be from the clearing corporation (CC), at least ~25% of the MRC must be contributed by the stock exchanges and up to 25% of the MRC can be collected from clearing members. Penalties levied by the CC are also credited to SGF.

The rules to determine the MRC are as follows:

The price movement of the underlying to the extent of 1.5 times the normal price scan range (PSR) and 1.5 times the normal volatility scan range ("VSR") is considered. The price movement of each underlying over the last 10 years is considered. The maximum percentage price movement is applied to the price on the day for which the stress test is done.

Scenario 1: Underlying price increasing as per PSR and volatility increasing by 1.75 VSR.

Scenario 2: Underlying price decreasing as per PSR and volatility increasing by 1.75 VSR.

Scenario 3: Maximum percentage rise over 1 day in last 10 years.

Scenario 4: Maximum percentage fall over 1 day in last 10 years.

All open positions are assumed to be squared up at the theoretical price corresponding to the revised prices of the underlying in each of the scenarios 1, 2, 3 and 4. The net profit/loss in squaring off the portfolio is calculated under each of the scenarios 1, 2, 3 and 4 to determine the MRC. The clearing corporation also calculates the total credit exposure due to the simultaneous default of at least 2 clearing members causing the highest credit exposure.

Clearing cost for BSE to come down gradually

In the last eleven months, BSE rapidly scaled its index options volume and gained ~20% market share. One of the prime reasons for the fast scalability was the interoperability of clearing corporations (NCL and ICCL). Most of the large trading members who were registered with NSE could settle trades executed on BSE on NSE's clearing corporation. This boosted volumes but led to a higher cost of settlement for BSE, the cost of settlement for BSE is ~3x of NSE. BSE was initially losing money in the SENSEX contract and eventually had to take a price hike of ~5.2x in October 2023 to make the SENSEX contract profitable. BSE is currently losing money on the BANKEX contract and will have to take a price hike at an appropriate time. The derivative cost of settlement for BSE is ~1.5bps and NSE is ~0.6bps. We have assumed the BSE clearing cost to remain at 1.5bps for FY25/26E but there is a possibility of this coming down leading to better margins.

BSE clearing cost

INR mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24E
BSE Transaction Revenue	1,442	884	746	1,062	2,083	1,622	4,502
Derivatives contracts (mn)							11,038
Cash Trades (mn)	359	315	325	550	795	672	739
Derivatives Premium (bn)	0	0	0	0	0	0	4,951
Cash Value (bn)	10,829	7,756	6,609	10,443	13,249	10,289	16,273
Clearing Cost (Stand)	18	26	172	386	698	617	1337
% of Transaction revenue	1.2%	3.0%	23.1%	36.3%	33.5%	38.1%	29.7%
Clearing Cost per trade	0.05	0.08	0.53	0.70	0.88	0.92	0.11
Clearing Cost on Volume (INR/cr)							1,485

Source: BSE, HSIE Research

NSE clearing cost

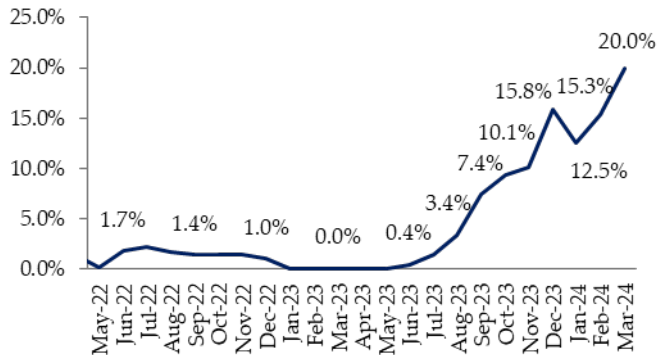
INR mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24E
NSE Transaction Revenue	17,455	20,341	23,878	42,356	69,651	1,01,727	1,27,433
No of derivatives contracts traded (mn)	1,914	3,165	5,137	8,535	18,660	41,766	94,360
No of cash Trades (mn)	2,491	2,853	3,146	4,632	5,571	4,733	6,174
Total Options premium (bn)	6,089	8,541	13,115	32,088	68,812	1,18,883	1,52,015
Total cash trades value (bn)	72,348	79,490	89,988	1,53,979	1,65,663	1,33,051	2,04,583
Clearing Cost (Standalone)	1,207	1,397	1,787	2,849	4,582	6,797	11380
% of Transaction revenue	6.9%	6.9%	7.5%	6.7%	6.6%	6.7%	8.9%
Clearing Cost per trade (INR)	0.27	0.23	0.22	0.22	0.19	0.15	0.11
Clearing Cost on options premium (INR/cr)	463	460	501	451	441	454	589

Source: NSE, HSIE Research

BSE is gaining derivatives market share: SENSEX weekly contract has been a success and BANKEX is gaining strength.

BSE derivative notional market at ~20%: The two major contracts SENSEX/BANKEX has reached market share of 40/12%

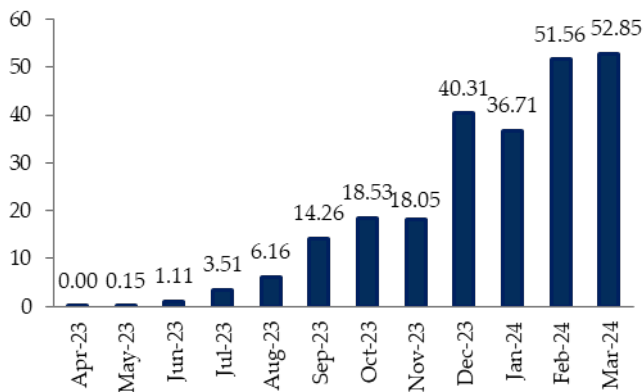
BSE derivative market share % (Notional)



Source: BSE, NSE, HSIE Research

BSE Premium ADTV has registered strong growth since the launch, +81% QoQ in Q4FY24

BSE options premium ADTV (INR bn)



Source: BSE, HSIE Research

BSE's premium/notional is still at ~5-6bps, expected to rise with increase in volume on non-expiry days

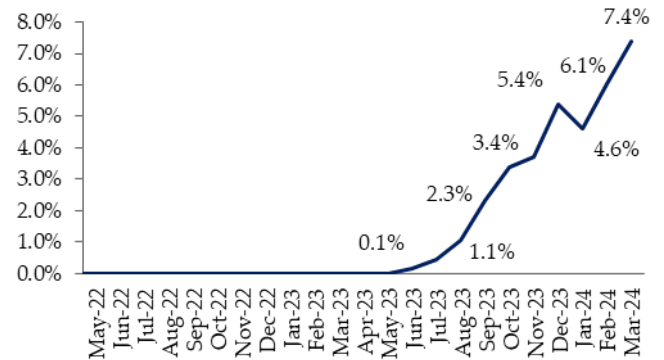
BSE options premium/notional (bps)



Source: BSE, HSIE Research

BSE premium market has reached ~7% in March-24 expected to rise further with the scale of BANKEX and volume on non-expiry days

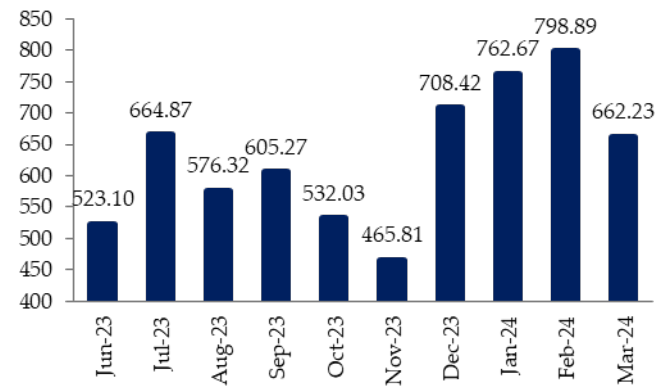
BSE derivative market share % (Premium)



Source: BSE, NSE, HSIE Research

NSE options premium has registered growth of +36/30% QoQ/YoY in Q4FY24

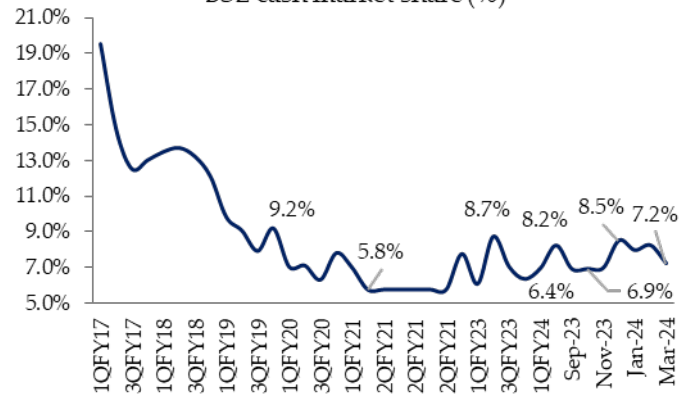
NSE options premium ADTV (INR bn)



Source: NSE, HSIE Research

BSE cash market share at ~7-8%, expected to increase with increase in derivative market share

BSE cash market share (%)



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

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

Source: BSE, HSIE Research

BSE revenue yearly trends and assumptions

BSE Business Segments	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR % FY15-20	CAGR % FY20-23	CAGR % FY23-26E
Securities services (A)													
Transaction Charges	1,224	1,581	1,139	1,131	1,389	2,589	2,413	5,811	10,966	15,194	18%	29%	85%
Treasury Income on margin	405	408	307	229	301	551	832	1,747	1,922	2,114	-16%	54%	36%
Others	292	311	269	330	504	750	1,111	1,778	1,866	1,960	5%	50%	21%
Total Security services	1,921	2,300	1,715	1,690	2,194	3,890	4,356	9,336	14,754	19,268	6%	37%	64%
Services to corporate (B)													
Listing Fees	1,382	1,776	1,881	1,880	1,855	2,202	2,328	2,630	2,690	2,852	14%	7%	7%
Book Building revenue	143	331	149	182	345	560	447	483	434	478	27%	35%	2%
Others	44	100	102	58	55	98	129	194	209	230	7%	31%	21%
Total services to corporate	1,569	2,207	2,132	2,120	2,255	2,860	2,904	3,306	3,333	3,560	15%	11%	7%
Data Dissemination (C)	447	565	656	695	565	682	895	904	1,085	1,302	26%	9%	13%
Total revenue (A+B+C)	3,937	5,072	4,503	4,505	5,014	7,432	8,155	13,547	19,173	24,130	12%	22%	44%

Source: Company, HSIE research

Growth Rate YoY %	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Securities services										
Transaction Charges	122.7	29.2	-28.0	-0.7	22.8	86.4	-6.8	140.8	88.7	38.6
Treasury Income on margin	-1.9	0.7	-24.8	-25.4	31.4	83.1	51.0	110.0	10.0	10.0
Others	30.7	6.5	-13.5	22.7	52.7	48.8	48.1	60.0	5.0	5.0
Total Security services	62.0	19.7	-25.4	-1.5	29.8	77.3	12.0	114.3	58.0	30.6
Services to corporate										
Listing Fees	-4.4	28.5	5.9	-0.1	-1.3	18.7	5.7	13.0	2.3	6.0
Book Building revenue	27.4	131.3	-55.0	22.1	89.6	62.3	-20.2	8.0	-10.0	10.0
Others	-17.0	128.3	2.0	-43.1	-5.2	78.2	31.6	50.0	8.0	10.0
Total services to corporate	-2.6	40.7	-3.4	-0.6	6.4	26.8	1.5	13.8	0.8	6.8
Data Dissemination	99.4	26.4	16.1	6.0	-18.8	20.7	31.4	1.0	20.0	20.0
Total revenue growth (A+B+C)	30.3	28.8	-11.2	0.0	11.3	48.2	9.7	66.1	41.5	25.9

Source: Company, HSIE research

BSE % of revenue	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Securities services										
Transaction Charges	31%	31%	25%	25%	28%	35%	30%	43%	57%	63%
Treasury Income on margin	10%	8%	7%	5%	6%	7%	10%	13%	10%	9%
Others	7%	6%	6%	7%	10%	10%	14%	13%	10%	8%
Total Security services	49%	45%	38%	38%	44%	52%	53%	69%	77%	80%
Services to corporate										
Listing Fees	35%	35%	42%	42%	37%	30%	29%	19%	14%	12%
Book Building revenue	4%	7%	3%	4%	7%	8%	5%	4%	2%	2%
Others	1%	2%	2%	1%	1%	1%	2%	1%	1%	1%
Total services to corporate	40%	44%	47%	47%	45%	38%	36%	24%	17%	15%
Data Dissemination	11%	11%	15%	15%	11%	9%	11%	7%	6%	5%
Total revenue growth (A+B+C)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Company, HSIE research

BSE Cost Analysis	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR	CAGR	CAGR
Employee Expenses	1,162	1,201	1,392	1,512	1,487	1,773	1,802	2,144	2,356	2,568	8.6%	6.0%	12.5%
Technology Expenses	964	1,111	1,134	1,176	948	969	1,239	1,351	1,486	1,634	10.8%	1.8%	9.7%
Other operating Expenses	1,452	1,458	1,666	1,736	1,854	1,918	2,227	3,786	4,635	5,911	3.1%	8.7%	38.5%
Total Expenses	3,578	3,770	4,192	4,424	4,289	4,660	5,268	7,281	8,477	10,114	6.7%	6.0%	24.3%
Growth YoY %	0.1%	5.4%	11.2%	5.5%	-3.1%	8.6%	13.1%	38.2%	16.4%	19.3%			
EBITDA	359	1,302	311	81	725	2,772	2,887	6,265	10,696	14,016	-39.1%	229.0%	69.3%
Margin %	9.1%	25.7%	6.9%	1.8%	14.5%	37.3%	35.4%	46.3%	55.8%	58.1%			

Source: Company, HSIE research

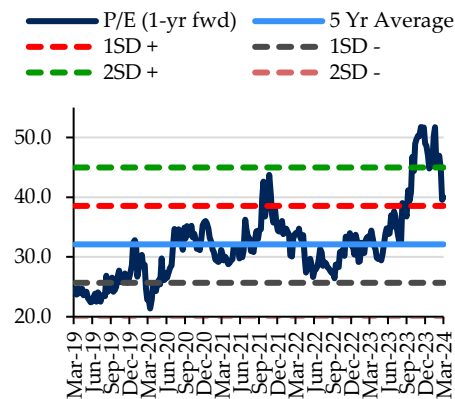
Peer Valuation

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				ROE (%)				Rev CAGR%	EPS CAGR%
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23-26E	FY23-26E
MCX	171	3,357	4,100	BUY	29.3	21.7	95.6	124.7	114.7	155.0	35.1	26.9	10.3	7.5	31.4	37.0	32.3%	62.1%
CDSL	176	1,686	2,170	BUY	26.4	38.6	46.4	54.2	63.9	43.6	36.3	31.1	23.9	31.2	33.0	33.7	25.1%	27.1%
BSE	333	2,464	3,050	BUY	21.3	41.2	64.9	82.8	115.4	59.8	38.0	29.8	11.6	14.7	17.3	19.2	43.6%	57.1%

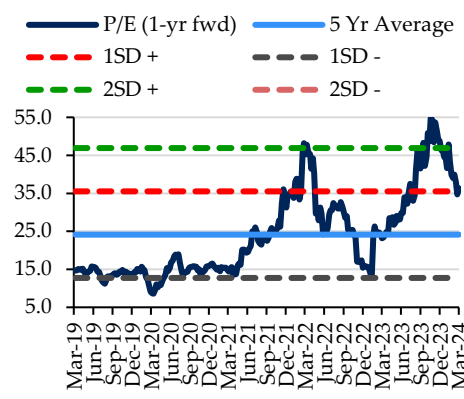
Source: Company, HSIE research. CMP as of 27th Mar, 2024

Valuation charts

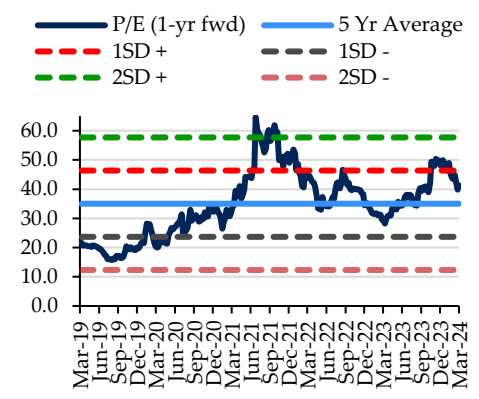
MCX P/E (1-yr fwd) trend



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	FY24E	FY25E	FY26E
Net Revenues	4,503	4,505	5,014	7,432	8,155	13,547	19,173	24,130
<i>Growth (%)</i>	<i>(11.2)</i>	<i>0.0</i>	<i>11.3</i>	<i>48.2</i>	<i>9.7</i>	<i>66.1</i>	<i>41.5</i>	<i>25.9</i>
Employee Expenses	1,392	1,512	1,487	1,773	1,802	2,144	2,356	2,568
Technology Expenses	1,134	1,176	948	969	1,239	1,351	1,486	1,634
Other operating Expenses	1,666	1,736	1,854	1,918	2,227	3,786	4,635	5,911
EBITDA	311	81	725	2,772	2,887	6,265	10,696	14,016
<i>EBITDA Margin (%)</i>	<i>6.9</i>	<i>1.8</i>	<i>14.5</i>	<i>37.3</i>	<i>35.4</i>	<i>46.3</i>	<i>55.8</i>	<i>58.1</i>
<i>EBITDA Growth (%)</i>	<i>(76.1)</i>	<i>(73.9)</i>	<i>793.8</i>	<i>282.4</i>	<i>4.2</i>	<i>117.0</i>	<i>70.7</i>	<i>31.0</i>
Depreciation	511	510	579	483	603	975	1,074	1,255
EBIT	-200	-429	146	2,289	2,284	5,290	9,622	12,762
Other Income (Including EO Items)	2,142	1,607	1,232	563	471	4,610	420	209
Interest	9	24	103	222	275	220	224	229
PBT	1,934	1,154	1,275	2,631	2,480	9,680	9,818	12,742
Tax (Incl Deferred)	234	215	290	823	916	1,954	2,833	3,638
Minority Interest	0	-17	-32	-94	-150	-105	-105	-105
Share of profit / (Loss) of associate	292	267	432	642	492	606	728	850
RPAT	1,993	1,223	1,449	2,543	2,207	8,437	7,819	10,060
EO (Loss) / Profit (Net Of Tax)	129	188	301	641	913	-2,858	968	1,142
APAT	2,122	1,410	1,750	3,184	3,120	5,579	8,786	11,202
<i>APAT Growth (%)</i>	<i>(11.6)</i>	<i>(33.5)</i>	<i>24.1</i>	<i>82.0</i>	<i>(2.0)</i>	<i>93.0</i>	<i>57.5</i>	<i>27.5</i>
Adjusted EPS (INR)	15.7	10.4	12.9	23.5	23.0	41.2	64.9	82.8
<i>EPS Growth (%)</i>	<i>(11.6)</i>	<i>(33.5)</i>	<i>24.1</i>	<i>82.0</i>	<i>(2.2)</i>	<i>93.1</i>	<i>57.5</i>	<i>27.5</i>

Source: Company, HSIE Research, Other income and EO items includes core SGF

Balance Sheet (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS								
Share Capital - Equity	104	90	90	271	271	271	271	271
Reserves	29,182	24,161	24,976	26,275	26,741	31,026	32,740	35,123
Total Shareholders' Funds	29,286	24,251	25,066	26,545	27,012	31,297	33,010	35,394
Settlement guarantee fund	4,016	4,354	5,391	6,409	7,576	9,418	11,445	13,806
Minority Interest	0	186	235	1,352	1,278	1,884	2,612	3,462
Total Debt	0	0	0	0	0	0	0	0
Net Deferred Taxes (Net)	-1,025	-1,276	-1,454	-1,198	-846	-846	-846	-846
Long-Term Provisions & Others	117	111	124	109	145	292	396	479
TOTAL SOURCES OF FUNDS	32,393	27,626	29,363	33,216	35,166	42,045	46,619	52,295
APPLICATION OF FUNDS								
Net Block	1,662	1,527	1,464	1,238	2,149	2,257	2,718	3,393
CWIP	182	219	38	100	19	19	19	19
Goodwill	374	374	374	374	374	374	374	374
Investments	4,302	3,862	4,220	4,881	4,104	3,997	3,997	3,997
LT Loans & Advances & Others	798	881	1,008	1,294	1,512	2,547	3,605	4,536
Total Non-current Assets	7,318	6,863	7,105	7,888	8,158	9,194	10,712	12,320
Inventories	0	0	0	0	0	0	0	0
Debtors	490	700	873	634	909	1,485	2,101	2,644
Other Current Assets	311	321	899	370	492	853	1,208	1,520
Cash & Equivalents	35,894	35,597	35,941	51,763	49,534	56,861	60,303	65,129
Total Current Assets	36,696	36,618	37,712	52,767	50,935	59,199	63,612	69,293
Trading margin from members & deposits from clearing banks	4,220	7,245	5,853	15,299	10,960	12,145	11,595	12,323
Other Current Liabilities & Provns	7,401	8,611	9,602	12,140	12,967	14,203	16,110	16,995
Total Current Liabilities	11,621	15,856	15,455	27,439	23,927	26,348	27,705	29,318
Net Current Assets	25,075	20,762	22,258	25,328	27,008	32,851	35,907	39,975
TOTAL APPLICATION OF FUNDS	32,393	27,626	29,363	33,216	35,166	42,046	46,619	52,295

Source: Company, HSIE Research

Cash Flow (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	1,934	1,154	1,275	2,631	2,480	5,975	9,818	12,742
Non-operating & EO items	(1,318)	(1,179)	(185)	188	497	(193)	317	628
Interest expenses	9	24	-	-	-	220	224	229
Depreciation	511	510	579	483	603	975	1,074	1,255
Working Capital Change	(3,911)	3,948	(1,928)	11,943	(4,291)	1,201	161	758
Tax Paid	(408)	(491)	(416)	(827)	(660)	(1,954)	(2,833)	(3,638)
OPERATING CASH FLOW (a)	(3,183)	3,967	(676)	14,418	(1,371)	6,225	8,761	11,974
Capex	(617)	(376)	(382)	(318)	(1,434)	(1,084)	(1,534)	(1,930)
Free cash flow (FCF)	(3,801)	3,591	(1,057)	14,099	(2,805)	5,141	7,227	10,044
Investments	-	-	-	-	-	107	-	-
Non-operating Income	1,049	493	184	185	659	5,740	1,711	1,733
INVESTING CASH FLOW (b)	432	117	(198)	(134)	(775)	4,763	177	(198)
Debt Issuance/(Repaid)	-	-	-	-	-	-	-	-
Interest Expenses	(9)	(24)	-	-	-	(220)	(224)	(229)
FCFE	(3,809)	3,567	(1,057)	14,099	(2,805)	4,921	7,003	9,815
Share Capital Issuance/Buyback	(1,230)	(4,570)	85	1,051	-	(93)	-	-
Dividend	(2,281)	(1,584)	(779)	(962)	(1,855)	(3,348)	(5,272)	(6,721)
FINANCING CASH FLOW (c)	(3,520)	(6,178)	(694)	89	(1,855)	(3,661)	(5,496)	(6,950)
NET CASH FLOW (a+b+c)	(6,272)	(2,093)	(1,568)	14,373	(4,001)	7,327	3,441	4,826
EO Items, Others	812	1,796	1,911	1,449	1,773	-	-	-
Closing Cash & Equivalents	35,894	35,597	35,941	51,763	49,534	56,861	60,303	65,129

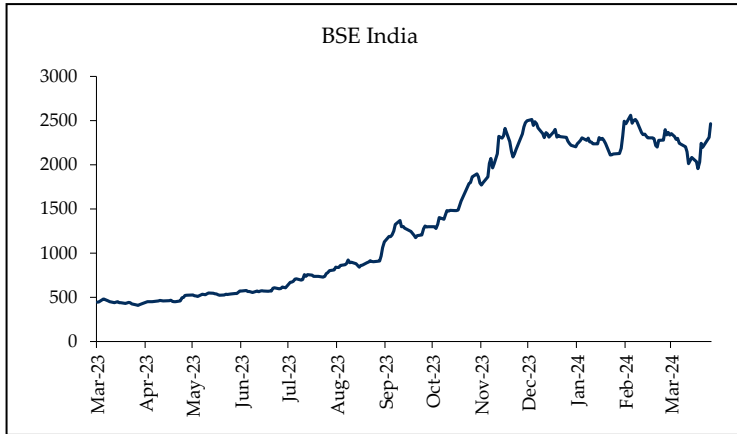
Source: Company, HSIE Research

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)								
GPM	69.1	66.4	70.3	76.1	77.9	84.2	87.7	89.4
EBITDA Margin	6.9	1.8	14.5	37.3	35.4	46.3	55.8	58.1
APAT Margin	47.1	31.3	34.9	42.8	38.3	41.2	45.8	46.4
RoE	7.1	5.3	7.1	12.3	11.6	19.1	27.3	31.7
RoIC (or Core RoCE)	(1.5)	(2.9)	0.9	10.6	8.9	20.1	30.9	34.1
RoCE	6.5	4.8	6.4	10.7	9.6	14.9	20.2	23.0
EFFICIENCY								
Tax Rate (%)	12.1%	18.6%	22.7%	31.3%	36.9%	20.2%	28.9%	28.5%
Fixed Asset Turnover (x)	1.3	1.2	1.1	1.7	1.4	2.0	2.3	2.3
Inventory (days)	0	0	0	0	0	0	0	0
Debtors (days)	40	57	64	31	41	40	40	40
Other Current Assets (days)	25	26	65	18	22	23	23	23
Payables (days)	342	587	426	751	491	327	221	186
Other Current Liab & Provns (days)	600	698	699	596	580	383	307	257
Cash Conversion Cycle (days)	-877	-1,202	-996	-1,298	-1,008	-647	-464	-380
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	-1.8	-1.8	-1.8
Interest Coverage (x)	-23	-18	1	10	8	24	43	56
PER SHARE DATA (INR)								
EPS	15.7	10.4	12.9	23.5	23.0	41.2	64.9	82.8
CEPS	19.4	14.2	17.2	27.1	27.5	48.4	72.8	92.0
Dividend	16.9	11.7	5.8	7.1	13.7	24.7	38.9	49.7
Book Value	216.3	179.2	185.2	196.1	199.5	231.2	243.9	261.5
VALUATION								
P/E (x)	125.2	188.3	151.8	83.4	85.3	59.8	38.0	29.8
P/BV (x)	9.08	10.96	10.60	10.01	9.84	10.66	10.10	9.42
EV/EBITDA (x)	789.0	3,087.4	345.8	89.4	85.8	49.9	29.2	22.2
OCF/EV (%)	(1.3)	1.6	(0.3)	5.8	(0.6)	2.0	2.8	3.8
FCF/EV (%)	(1.5)	1.4	(0.4)	5.7	(1.1)	1.6	2.3	3.2
FCFE/Mkt Cap (%)	(1.4)	1.3	(0.4)	5.3	(1.1)	1.5	2.1	2.9
Dividend Yield (%)	0.9	0.6	0.3	0.4	0.7	1.0	1.6	2.0

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

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp.

Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com