

BUY

BSE LIMITED



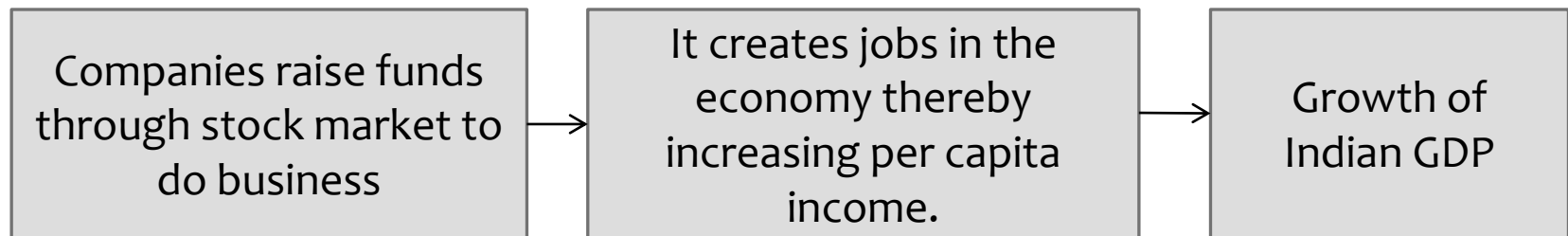
WORLD'S FASTEST EXCHANGE WITH
A SPEED OF 6 MICROSECONDS.

BSE Ltd owns and operates the BSE exchange platform (formerly, the Bombay Stock Exchange), the first stock exchange in Asia, which was formed on July 9, 1875. The BSE is the world's largest exchange by number of listed companies with \$3.4 trillion in total market capitalization of listed companies. The BSE is the 9th largest stock exchange with an overall market capitalisation of more than ₹276.713 lakh crore, as of January 2022. As the operator of the BSE, it regulates listed issuers and provides a market for listing and trading in various types of securities as may be allowed by SEBI from time to time.

The company is engaged in extensive monitoring of its members, of listed companies and of market activities in order to minimize the risk of default, promote market transparency and integrity. By doing so, it along with other Indian stock exchanges contribute to the growth of the Indian capital markets and stimulate innovation and competition across market segments.

INDUSTRY

A stock exchange is a catalyst for nation building and not just a trading platform. A vibrant capital market is a **large job creator** with the number of intermediaries required to support each trade. The Exchange ecosystem supports various intermediaries' including brokers, sub brokers, corporates, banks, depositories, depository participants, custodians, and investors. It also helps in balancing the money flow in the economy.



The Stock Exchange industry in India has evolved rapidly in the past few years and spans multi asset classes – equities, equity derivatives, currency derivatives, commodity derivatives, ETF, mutual funds, debt, interest rate derivatives and power trading.

Business area of the company

The company operates in three primary lines of business, namely: (1) the listing business, which consists of the primary market, which relates to the issuance of new securities; (2) the market business, which consists of (i) the secondary market, which relates to the purchase and sales of previously-issued securities, (ii) BSE StAR MF (BSE StAR), its online platform for the placement of orders and redemptions of units in mutual funds, (iii) NDS-RST, its platform for the reporting of over-the-counter corporate bond trading, (iv) membership, which includes membership in the Exchange, membership in its clearing corporation ICCL, and membership of depository participants in its depository CDSL, and (v) post-trade services, namely the clearing corporation and depository; and (3) the data business, which consists of the sale and licensing of information products.

In addition to its primary lines of business, the company also has supporting businesses, including (i) providing IT services and solutions, (ii) licensing index products such as the S&P BSE SENSEX, (iii) providing financial and capital markets training; and (iv) operating its corporate and social responsibility portal. Moreover, the company has an active treasury function focused on managing its cash, including both its own funds as well as funds that it holds on behalf of third parties (such as margins placed by clearing members).

The company has highly developed electronic systems for entry, trading, clearing and settlement and depository services and it continually seeks to improve its core IT capabilities, the reliability and consistency, which help it to maintain its competitive position. Moreover, to continue to improve its product and service offering, the company has entered into a number of strategic partnerships and joint ventures.

Expanding our cross-border reach by entering into strategic alliance

It is a member of the BRICS Exchange Alliance, whereby leading exchanges in Brazil, Russia, India, China and South Africa cross-list futures products based on the flagship indices of each of the exchanges, and ICCL entered into an agreement with Clearstream whereby members in its clearing corporation can manage their margin requirements by placing collateral with Clearstream's Global Liquidity Hub (GLH).



MANAGEMENT

Shri Ashishkumar Chauhan : Managing Director and CEO since 2009, Shri Ashishkumar Chauhan has helped BSE to become the fastest exchange in the world with 6 microseconds response time, completed its IPO, revived its revenues, introduced mobile stock trading to India, diversified in areas such as currency, commodities and equity derivatives, SME, start-ups, Mutual fund distribution, IPO/bond distribution, Insurance distribution, Agri spot market, Power trading, and International exchange at Gift city etc.



Shri Ashishkumar Chauhan
Managing Director & CEO

Shri Ashishkumar Chauhan is one of the founders of NSE (National stock exchange) and is considered the father of modern financial derivatives in India due to his work there from 1993-2000. He is also the creator of Nifty index and was in charge of creating the first screen-based trading.

BSE StAR MF

The BSE StAR MF platform continues to be India's largest mutual fund distribution Infrastructure with close to 82% of market share amongst similar platforms in mutual fund Industry. In FY 2020-21, BSE StAR MF crossed 9.38 Crore transactions witnessing 63% growth as compared to 5.75 Crore transactions in FY 2019-20. The platform also registered approx. 42,000 new members, taking the total number of members to over 69,000 on the platform. BSE StAR MF App (StAR MF Mobility) has processed over 19.28 lakh transactions since its launch, amounting to ` 11,007 crore till March 2021.

24X7 order acceptance is available on BSE StAR MF Platform, along with continuous settlement of orders.

43 AMCs, accounting for more than 99.99% of total AUM in Indian Mutual Fund Industry pay a service charge on a per transaction basis, processed at BSE's StAR MF platform. This enables BSE to provide even better services and additional resources to all investors in mutual funds bringing in further automation and certainty to the mutual funds investment process in India.

BSE SME Platform

During FY 2020-21 334 companies raised INR 152 Crore from the market. The total market capitalization of all the 334 companies listed on BSE SME Platform reached INR 21,765 Crore. During FY 2020-21 the SME platform continued to be a front-runner with a market share of 61%. As Per ICDR Guidelines of SEBI for SME Platform, a company may opt to migrate from SME board to the main board once the company's post issue face value capital crosses ` 10 Crore. The company must compulsorily migrate to Main board in case the post-issue face value capital crosses ` 25 Crore. During FY 2020-21, 18 BSE SME companies have migrated to the BSE Main Board.

BSE Startups platform

BSE has started the Startups platform on 22nd December 2018. During FY 2020-21, 5 companies raised INR 15 Crore from the market. On March 31, 2021 the total market capitalization of all the 9 companies listed on BSE Startups Platform reached INR 96 Crore.



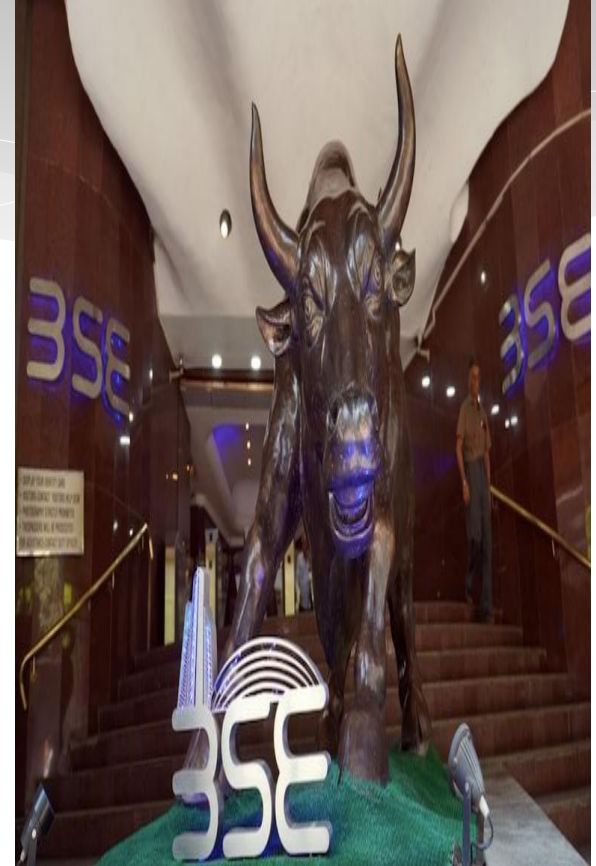
Why we like BSE share

Given the situation, the Company continued to maintain 100% uptime of the Trading system, with no outages during the year. It also continued to deliver growth prospects by adding more competitive products, newer business streams, in addition to continuously enhancing the existing applications and services.

BSE holds 20% stake in CDSL. . It is one of the two depositories in India and the only one in the listed space. We like the business of CDSL because of its asset light model, no additional capex requirement to fund growth, duopolistic nature and diversified revenues base. New growth engines like demat of unlisted public companies, insurance and e-warehouse receipts will drive additional revenues. The company has robust financials with cash-rich balance sheet, healthy dividend pay-out and high return ratios.

SUBSIDIARIES

During the year under review, two new subsidiaries of the Company viz. BSE Administration & Supervision Limited and BSE E-Agricultural Markets Limited were incorporated.



Expense Management and Cost Reduction

In the previous year, the Company's in-house application development team – BSE Technologies Private Limited (formerly, Marketplace Technologies Private Limited), initiated development of financial ERP solution (“Class ERP”) as a substitute to costly third-party solutions. BSE Technologies team comprising of cross domain expertise of business and IT, the new application developed was suitably customised for the Company's requirement. Further, many enhancements were implemented to keep the products competitive.

All transactions recording, fetching reports, data entering and matching are being done in new solution. All tasks and activities that were performed in third party solution are now performed in new application and the same is being running successfully. The old third-party solution is now decommissioned. In the process, the Company has saved substantial AMC costs that was payable to third party solution. CLASSERP is now a competitive software, meeting international standards and can potentially compete with leading peer products available in market.

The Company had completed the upgradation of Trading system Operating System (OS) from 6.x version to 7.x version.

Launch of StAR MF Plus

The Company's StAR MF (Mutual Fund) platform continues to be popular among the investing community. The primary USP of the StAR MF platform is all services under one roof. Continuing this objective, over the years many new features and enhancements has been rolled out for the benefits of different types of end users associated with StAR MF. This platform facilitates bond between all types of service providers and end users. Some of the important service providers are Banks, AMCs, Depositories and RTAs. In addition, StAR MF platform has been successful in adding several sub-segments to cater to niche distributor base - Banks, Large corporates, Fintech's, Channel Partners, National Distributors, Individuals etc On January 18, 2021, the Company launched StAR MF Plus, a premium platform with key features for distributors and their clients. StAR MF Plus offers complete front office, order management, analytics, back office and business support solutions. The new platform is a complete solution for distributors, enables client onboarding as well as e-KYC and provides customer portfolio management.

Launch of BEAM

On December 11, 2020, the Company under the flagship of its subsidiary company launched an electronic spot platform for agricultural commodities viz. BSE's E-Agricultural Markets Ltd. ("BEAM"). This initiative is aimed at enhancing the competitiveness of the Indian agricultural market leveraging the strengths of the Company in financial markets, market technology and its vibrant ecosystem. On the first day of launch, trading was launched in imported Almonds.

First and Only Exchange to have Almond Futures Contract in the
World

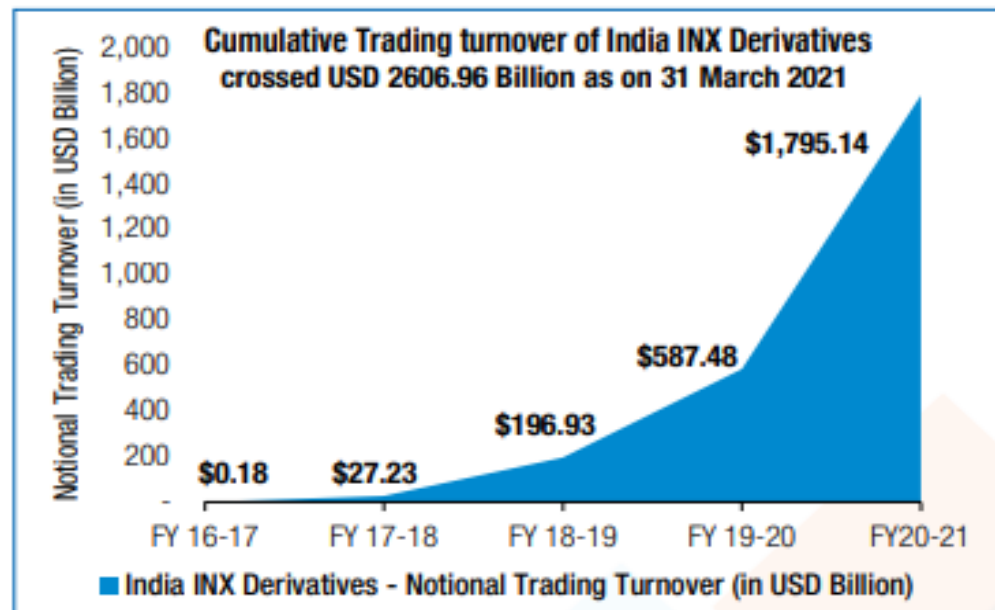
BEAM is a subsidiary of the BSE Investments Limited (wholly owned subsidiary of the Company). This platform will function as a national level, institutionalized, electronic, transparent commodity spot trading platform in line with the Prime Minister's vision to create a "single market". The platform facilitates spot agricultural commodities transactions across value chain consisting of producers, intermediaries, ancillary services and consumers.

Strategic investments

BSE has made strategic investments in India International Exchange (IFSC) Limited (India INX) and India International Clearing Corporation (IFSC) Limited (India ICC) looking at the long term growth potential of these ventures. The total investments made till date is Rs. 145.545 crores in India INX and Rs. 80 crores in India ICC. The focus of the government and the regulators is to make IFSC a successful international financial centre in the coming years, which augurs well for India INX and India ICC.

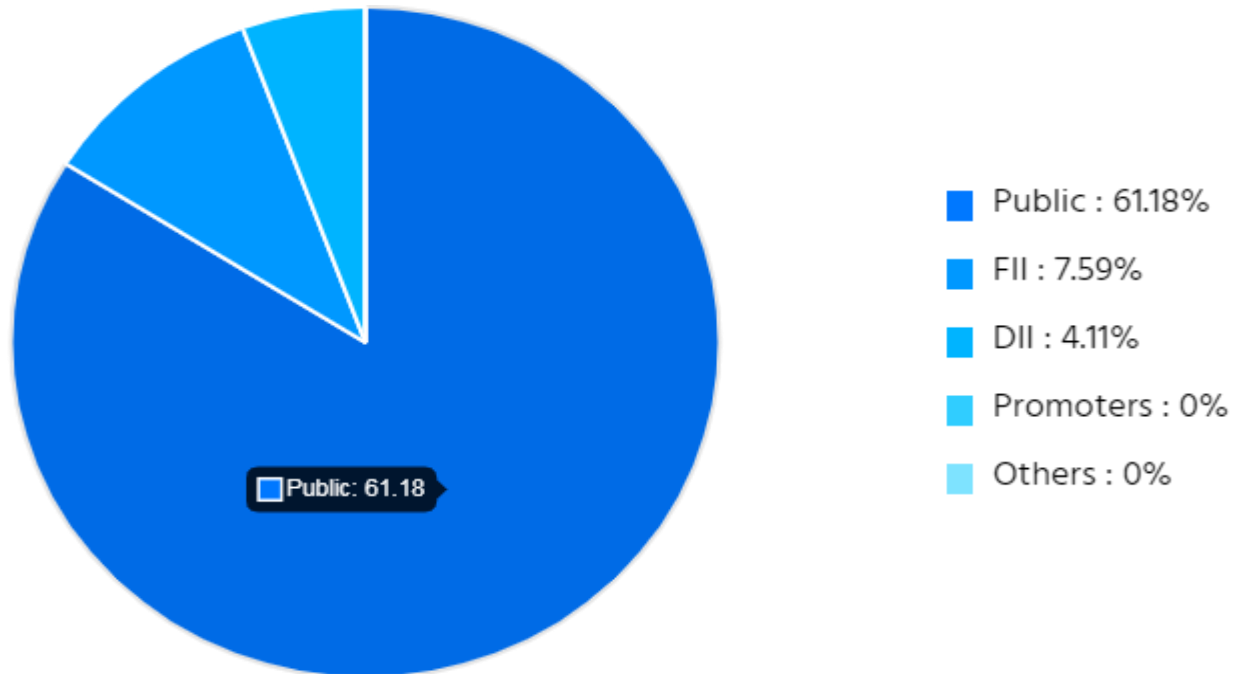
Various regulatory measures have been put in place and others are in the pipeline to have a vibrant cash and derivatives markets at IFSC. The average daily turnover for the month of March 2021 was USD 13.87 billion, which is up by more than 1000% from March 2020.

Growth in India INX Derivatives Trading Turnover



NAME OF THE SHAREHOLDERS	As at March 31, 2021		As at March 31, 2020	
	No. of shares	Percentage holding	No. of shares	Percentage holding
LIC Corporation of India Limited	25,25,500	5.61%	25,25,500	5.61%

LIC Corporation of India Limited holds more than 5 % of the Share Capital of the Company



Opportunities

BSE intend to strengthen its position as a preferred exchange in India. It actively evaluate products and asset classes outside its traditional focus areas to diversify the revenue sources. By doing so, it seek to continually attract market participants and issuers and capture the significant revenue potential that comes with a broader product line. These initiatives have yielded positive results, evident in the increasing market share in the equity futures and options, commodity derivatives and Interest rate options. With the introduction of 'options in goods' and other unique products in commodity derivatives, BSE has become the second largest commodity exchange in a short span. We have launched futures and options contracts on equity derivatives with a differentiated expiry, which has helped gain market-share.

Diversify the product and service offerings and maintain new product innovation and development: BSE currently operates in a wide array of segment and offers a bouquet of products including equity, debt, derivatives in equity, currency, commodity and interest rate, mutual fund, insurance, SME, and start-ups segment. In addition to its ongoing strength in service offering, BSE intend to target the investors' needs for all financial products through innovative product and service offerings.

Risks and concerns

BSE performance relies upon the volume and value of trades executed on the trading platform, the number of active traders in the market, the number of new/further listings and the amount of capital raised through such listings. Adverse economic conditions could negatively affect business, financial condition and result of operations.

The industry is highly competitive, and BSE compete globally with a broad range of market participants for listings, clearing, trading and settlement volumes.

It operate in a business environment that continues to experience significant and rapid technological change.

Changes in government policies could adversely affect trading volumes of instruments traded on BSE.

The continuation or recurrence of systemic events such as the global economic crisis, changes in economic policies and the political situation in India or globally may adversely affect the performance.

Bullion, Base metals and Energy products are linked to International market, Currency and government Duties etc. Agri commodities are linked to crop production, monsoon, demand and Government policies.

Another area of concern is low volume traded on BSE. In case of liquidity NSE outperforms BSE since volumes traded on NSE is much higher as compared to volumes traded on BSE. In case of Equity cash, there is 92% volume traded on NSE as compared to only 8% on BSE.

Similarly in case of Equity derivatives, 93% of volume of future and option is traded on NSE and only 7% on BSE.

NSE is the market leader in this duopolistic industry. So any increased level of competition from this exchange can result in significant loss of market share for the company.

BSE should strengthen its position as a preferred exchange in India. It need to enhance existing trading and clearing platforms and services, anticipate the demand for new services and respond to customer demands, technological advances and emerging industry standards and practices on a cost-effective and timely basis. BSE should respond and adapt to competition from and opportunities of emerging technologies such as Fintech innovation.

Financial statements

Consolidated Balance Sheet as at March 31, 2021

(₹ in Lakh)

PARTICULARS	Note No.	As at March 31, 2021	As at March 31, 2020
ASSETS			
1 Non-current assets			
a. Property, plant and equipment	3	11,076	12,001
b. Capital work-in-progress		23	827
c. Investment property	4	334	353
d. Goodwill	5	3,742	3,742
e. Other intangible assets	6	3,232	2,915
f. Intangible assets under development		356	1,360
g. Financial assets			
i. Investments			
a. Investments in subsidiaries	7	2	2
b. Investments in associates	8	42,202	38,622
c. Other investments	9	37,510	53,539
ii. Other financial assets	11	24,525	20,477
h. Income tax assets (net)	21	9,904	8,794
i. Deferred tax assets (net)	18	14,536	12,763
j. Other assets	13	179	18
Total non-current assets		1,47,621	1,55,413
2 Current assets			
a. Financial assets			
i. Investments	9	1,04,683	1,21,037
ii. Trade receivables	10	8,757	6,999
iii. Cash and cash equivalents	12	41,615	72,866
iv. Bank balances other than (iii) above	12	1,51,072	88,052
v. Other financial assets	11	6,446	1,116
b. Other assets	13	2,514	2,094
Total current assets		3,15,087	2,92,164
Total assets (1+2)		4,62,708	4,47,577

EQUITY AND LIABILITIES

3 Equity			
a. Equity share capital	14	900	900
b. Other equity	15	2,48,342	2,41,610
Equity attributable to shareholders of the Company		2,49,242	2,42,510
Non controlling interest	44	2,351	1,856
Total equity		2,51,593	2,44,366
4 Share Application Money Pending Allotment		1,417	-
5 Core settlement guarantee fund		53,914	43,538
Liabilities			
6 Non-current liabilities			
a. Financial liabilities			
Other financial liabilities	16	941	739
b. Provisions	17	254	240
c. Other liabilities	19	43	135
Total non-current liabilities		1,238	1,114
7 Current liabilities			
a. Financial liabilities			
i. Trade payables			
a. Total outstanding dues of micro enterprises and small enterprises	20	5	16
b. Total outstanding dues of creditors other than micro enterprises and small enterprises	20	9,812	7,568
ii. Other financial liabilities	16	1,15,789	1,30,803
b. Provisions	17	1,964	1,763
c. Income tax liabilities (Net)	21	944	993
d. Other liabilities	19	26,032	17,416
Total current liabilities		1,54,546	1,58,559
Total equity and liabilities (3+4+5+6+7)		4,62,708	4,47,577

Balance sheet analysis

Return on Equity	
10 Years:	9%
5 Years:	10%
3 Years:	6%
Last Year:	6%

The Company has a **poor** ROE track record. The ROE of BSE is at **6 %** for the latest year.

	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021
ROCE %	11%	26%	8%	5%	9%

The Company has a **poor** ROCE track record. The ROCE of BSE is at **9%** for the latest year.

Consolidated Statement of Profit and Loss for the year ended March 31, 2021

(₹ in Lakh)

PARTICULARS		Note No.	For the year ended March 31, 2021	For the year ended March 31, 2020
1	Revenue from operations			
	Securities services	22	21,944	16,897
	Services to corporates	23	22,576	21,215
	Data dissemination fees		3,336	3,152
	Training institute		1,300	2,182
	Sale of Software Licenses, Development, Customisation & Maintenance of Software		981	1,605
	Revenue from operations		50,137	45,051
2	Investment income	24	12,908	15,866
3	Other income	25	2,420	2,083
4	Total income (1+2+3)		65,465	63,000
5	Expenses			
	Employee benefits expense	26	14,868	15,120
	Finance costs		1,030	237
	Depreciation and amortisation expense	3&4&6	5,787	5,104
	Computer Technology Related Expenses	27	9,479	11,760
	Administration and other expenses	28	18,541	21,318
	Liquidity enhancement scheme expenses	49 & 15.4	3,365	1,781
	Total expenses		53,070	55,320
6	Profit before exceptional items and tax (4-5)		12,395	7,680
7	Exceptional items [income/(expenses)]:			
	Provision for Arbitration expenses	43.2	(1,453)	-
	Net gain on partial disposal of investment in associate measured at cost	43.1	-	3,204
	Total exceptional items		(1,453)	3,204
8	Profit before tax and share of net profits of investments accounted for using equity method (6+7)		10,942	10,884

9	Share of net profits of investments accounted for using equity method			
	Share of profit of associates		4,315	2,665
10	Profit before tax (8+9)		15,257	13,549
11	Tax expense:	29		
	Current tax		3,063	3,982
	Current tax of earlier years		(46)	-
	Deferred tax		(1,930)	(2,494)
	Total tax expenses		1,087	1,488
12	Net profit for the year (10-11)		14,170	12,061
	Net Profit attributable to the shareholders of the Company		14,490	12,227
	Net Profit attributable to the non controlling interest		(320)	(166)
13	Other comprehensive income			
	Items that will not be subsequently reclassified to statement of profit or loss			
	i. Remeasurements loss on the defined employee benefit plans;		464	(88)
	ii. Income tax on above		155	(23)
	Items that will be subsequently reclassified to profit or loss			
	iii. Foreign Currency Translation reserve		(332)	1,167
	Total other comprehensive income for the year (i - ii + iii)		(23)	1,102
14	Total comprehensive income for the year (12+13)		14,147	13,163
	Total comprehensive income attributable to the shareholders of the Company		14,497	13,230
	Total comprehensive income attributable to the non controlling interest		(350)	(67)
15	Earnings per equity share :	30		
	Basic and diluted before exceptional items (₹)		33.00	18.04
	Basic and diluted after exceptional items (₹)		30.94	24.57
	Face value of share (₹)		2	2
	Weighted average number of equity shares (Nos.)		4,58,04,297	4,90,94,235
	Significant accounting policy	2		

Profit & Loss analysis

The total income of the Company during the FY 2020-21 on a consolidated basis was 65,465 Lakh reflecting an increase of 2,465 Lakh (up by 4%) over previous financial year. However, the total expenses for the year were lower by 2,250 Lakh (down by 4%) at 53,070 Lakh.

During the financial year, the income was higher mainly due to increase in income from securities services (up by 30%); income from corporate services and data dissemination (up by 6%).

Decrease in expenses are mainly due to decrease in administration and other expenses by 13% and computer technology expenses by 19%.

The net profit after tax from total operation was higher by 2,109 Lakh (up by 17%) to 14,170 Lakh as against 12,061 Lakh in the previous financial year.

Profit & Loss analysis

Compounded Sales Growth	
10 Years:	2%
5 Years:	0%
3 Years:	-2%
TTM:	20%

Compounded Profit Growth	
10 Years:	-4%
5 Years:	-2%
3 Years:	-41%
TTM:	48%



Cash Flow Statement

Cash Flows

Consolidated Figures in Rs. Crores ,

	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Cash from Operating Activity +	817	-239	-313	397	-68
Cash from Investing Activity +	95	-236	347	470	-189
Cash from Financing Activity +	-85	108	-352	-618	-55
Net Cash Flow	827	-366	-318	249	-313

KEY RATIOS

- * **Return on Equity (ROE):** The Company has a **poor** ROE track record. The ROE of BSE is at **6 %** for the latest year.
- * **P/E Ratio:** Relative valuation metrics like the P/E ratio can be used to see if the stock of BSE is worth at the current levels. The stock is trading at a current P/E ratio of **47.75**
- * **P/B ratio** can be one of the best metrics to value such companies. Currently, BSE is trading at a P/B of **3.48** This can be compared with the Market price per share in order to know if the stock is undervalued or overvalued.
- * **Profitability:** Profit margin (PAT margin) of the company shows how well a company controls its cost. It is one of the important indicators to show the financial health of the company. Net profit of the company is up by **17%** .
- * **EPS growth:** Investors should ensure the EPS figure is growing faster than revenue numbers because it indicates company management is increasing the efficiency with which it runs the company. In BSE , the EPS is **30.94** as against 24.57 last year.
- * **Debtor Days:** Debtor days have increased from 40.11 to 50.70 days.
- * **Cash Conversion Cycle:** Cash Conversion Cycle has increased from 42 to 51 days.

COVID-19 IMPACT

Stock Exchanges in India continued to remain among the most resilient globally, being fully operational despite the nationwide lockdown for many months of FY 2021. Indian Capital Markets demonstrated tremendous growth despite the challenges posed by the COVID-19 pandemic. Stock Exchanges and all associated market infrastructure institutions in India were fully functional despite the lockdown, on back of government and regulatory support, meticulous planning, and technological advances, thus ensuring uninterrupted business continuity for market participants. Its role in the economy is vital to ensure India remains among the top destinations for domestic and global businesses to expand and invest.

The Indian stock market remained immune to the pandemic induced economic crisis during the second wave of COVID-19 in 2021.

Conclusion

BUY

- * Around 2% of India's total population invests in financial assets. The penetration of the mutual fund industry in India is close to 7% (Based on the number of PAN cardholders). This under penetration of the mutual fund industry offers a **huge opportunity for the industry to grow.**
- * Migration to financial savings, wider distribution and sustainable performance are expected to enable growth in the industry.
- * Also, increasing financial literacy among investors, digitization and the number of mediums available tend to attract more investors to invest in the financial markets.
- * *Increasing revenue contribution from StAR MF platform and rise in listing fee (exclusively listed) are positives.*
- * India's exchanges have shown extraordinary strength to bounce back with greater stability and sustainability in wake of any crisis and remain confident that they will emerge stronger from the COVID-19 pandemic. Raising capital is a strategic priority in this current scenario, and the frontiers of Indian capital markets are not only increasing but has assumed far greater importance and urgency.
- * We can buy BSE Ltd. Share as it is expected to grow with huge growth opportunities.