

Estimate change

TP change

Rating change



Bloomberg	BSE IN
Equity Shares (m)	135
M.Cap.(INRb)/(USD\$b)	324.7 / 3.9
52-Week Range (INR)	3265 / 836
1, 6, 12 Rel. Per (%)	0/-15/152
12M Avg Val (INR M)	2926

**Financials & Valuations (INR b)**

Y/E Mar	FY24	FY25E	FY26E
Net Sales	13.9	27.3	31.8
EBITDA	4.0	13.0	15.0
PAT	7.7	11.6	13.2
Adj. PAT	3.7	11.6	13.2
EPS (INR)	27.0	85.6	97.3
EPS Gr (%)	77.6	217.4	13.7
BV / Sh (INR)	244	270	299

**Ratios (%)**

RoE	23.4	31.7	32.6
Payout ratio	26.3	70.0	70.0

**Valuations**

P/E (x)	89.0	28.0	24.7
P / BV (x)	9.8	8.9	8.0

**Shareholding pattern (%)**

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	11.6	12.7	0.5
FII	33.9	35.4	34.6
Others	54.5	51.9	64.8

FII Includes depository receipts

**CMP: INR2,399**
**TP: INR2,700 (+13%)**
**Neutral**
**Strong operating performance led to PAT growth**

- BSE reported a strong performance in 1QFY25 with a PAT of INR2.64b, an increase of 160% YoY and 148% QoQ (6.5% beat).
- Transaction charges grew 45% QoQ and 455% YoY at INR 3.66b driven by the derivatives segment, where charges jumped 113% QoQ to INR2.4b (6% higher than our estimates).
- Star MF continued to report a healthy performance, with 72% YoY jump in volumes and revenue surging 2x YoY to INR479m.
- BSE continues to gain market share in the derivatives segment as acceptance of products gets widespread. The momentum for stock futures and options launched in Jul'24, is still at a nascent stage. Considering the uncertainty on the eventual F&O regulations that are likely to be announced, we have maintained our Neutral rating on the stock with a 1-year TP of INR2,700.

**Strong growth in transaction income**

- Transaction charges surged 45% QoQ and 455% YoY to INR3.7b, while services to corporates increased 34% YoY to INR952m.
- Transaction charges for the cash segment were INR755m, +93% YoY, but a 12% miss, while those of the equity derivatives segment were INR2.4b, a 6% beat.
- Star MF recorded a jump of 72% YoY in total number of transactions to 141m in Q1FY25 from 83m in 1QFY24. The revenue from this segment grew 101% YoY to INR 479m in 1QFY25 from INR238m in 1QFY24.
- Opex came in line at INR3.2b, but surged 123% YoY. This was on account of provision for SEBI regulatory fees of INR 1.7b (in 1QFY24 the provision was on premium turnover, which was changed to notional turnover). Nevertheless, EBIDTA margins grew to 46.7% vs. our expectations of 46% and 19.7% in 4QFY24. During the quarter, no contributions were made towards SGF.
- Investment income stood at INR666m, which increased 20% YoY (11% above our estimates).
- BSE has opted to shift to a new regime of taxation. Thus the tax rate was higher in the previous year (adjustments of non-availability of accumulated MAT credit and deferred tax impact due to the change in tax rates).
- In 1QFY25, it acquired 50% stake from the JV partner (Asia Index Private Limited). Consequently, AIPL has become a wholly owned subsidiary w.e.f. 1<sup>st</sup> Jun'24. The BOD accorded an in-principle approval for divestment in its wholly owned subsidiary, BSE Institute Limited.

**Key takeaways from the management commentary**

- BSE is working on uniform charges across client segments, and the same shall be declared separately. The charges will be closer to the unit realization earned and would not hit the company's revenue.
- BSE is facing challenges related to differential regulatory fees and clearing & settlement charges. It has requested the regulators to reconsider the differential regulatory fees and the reply is still awaited. Any relief would positively impact BSE.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

**Valuation and view: Reiterate Neutral**

- The relaunch of BSE derivatives products has proved to be a trend-changing measure. Increased member participation, new product launches (stock derivatives), rising awareness about products, and a recent launch of stock derivatives would continue to drive market share gains for BSE.
- Other levers that will support growth over the medium term include: 1) colocation revenues, 2) continued momentum in the STAR MF business, 4) growth in the cash segment, 5) possibility of levying a fee for listing of debt securities, 6) start of operations at its Power Exchange, and 7) commencement of revenue from its Gold Spot exchange.
- BSE continues to gain market share in the derivatives segment as acceptance of products gets widespread. The momentum for stock futures and options launched in Jul'24 is still at a nascent stage. Considering the uncertainty on the eventual F&O regulations that are likely to be announced, we have maintained our **Neutral rating** on the stock with a one-year TP of INR2,700.

**Cons. Quarterly perf.**

Y/E March	FY24				FY25				FY25		(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	Est. 1Q	Var. (%/bp)		
Revenue from operations	2,156	3,144	3,717	4,885	6,078	6,850	7,083	7,309	27,319	5,905	2.9	
YoY Change (%)	15.4	59.0	82.2	115.2	181.9	117.8	90.6	49.6	96.5	174	764bp	
Total Expenditure	1,455	1,729	2,796	3,923	3,239	3,540	3,684	3,822	14,285	3,190	1.5	
EBITDA	701	1,415	921	962	2,839	3,310	3,399	3,486	13,034	2,715	4.6	
Margins (%)	32.5	45.0	24.8	19.7	46.7	48.3	48.0	47.7	47.7	46	73bp	
Depreciation	214	227	249	265	240	275	285	323	1,122	270	-11.3	
Interest	65	85	0	0	0	38	38	37	113	38	-100.0	
Investment income	556	525	598	600	666	610	620	566	2,462	600	11.1	
PBT before EO expense	977	1,628	1,271	1,297	3,266	3,607	3,696	3,692	14,262	3,007	8.6	
Exceptional items	3,657	-13	-16	-17	0	-16	-16	-16	-48	-16		
PBT	4,634	1,615	1,255	1,280	3,266	3,591	3,680	3,676	14,214	2,991	9.2	
Tax	371	636	371	470	851	898	920	919	3,588	748	13.8	
Rate (%)	8	39	30	37	26	25	25	25	25	25		
P/L of Asso. Cos.	119	190	165	244	227	235	245	262	970	225	1.0	
Reported PAT	4,382	1,170	1,049	1,054	2,643	2,928	3,005	3,020	11,596	2,468	7.1	
Adj PAT	1,018	1,177	1,060	1,064	2,643	2,940	3,017	3,032	11,632	2,480	6.5	
YoY Change (%)	995	298	379	19	-40	150	186	187	51	-42		
Margins (%)	47.2	37.4	28.5	21.8	43.5	42.9	42.6	41.5	42.4	42	148bp	

E: MOFSL Estimates

**Key performance indicators**

Y/E March	FY24				FY25	
	1Q	2Q	3Q	4Q	1Q	
Transaction charges	660	982	1660	2520	3663	
Services to corporates	708	870	896	1027	952	
Listing Fees	460	473	481	514	527	
Listing processing and other listing fees	133	198	203	331	177	
Book building fees	93	147	142	94	184	
Other services to corporates	21	52	70	83	57	
Transaction charges income - Equity	392	605	693	905	755	
Transaction charges income - currency derivatives	28	35	35	36	4	
Listing fees	593	671	684	845	704	
Book building and other services	114	199	212	177	241	
Star MF platform	238	294	328	421	479	



## Key takeaways from the management commentary

### Financials

- BSE recoded the highest-ever quarterly revenue in 1QFY25. This was a result of increased growth in transaction charges, treasury income, and investment-related income.
- Revision in transaction charges for derivatives positively impacted the 1Q results. Overall operating margins expanded to 47% in 1QFY25.
- Other securities charges increased to INR610m in 1QFY25 vs. INR350m in 1QFY24. This mainly included data dissemination fees, co-location charges, and book-building fees.
- BSE's ADTO in the cash segment increased to INR90b in 1QFY25 from INR40.3b in 1QFY24.

### Business

- BSE's total market capitalization crossed INR450t, with Sensex surpassing the 80,000 mark.
- The total unique client code (UCC) increased to 184m from 121m in Jan'23.
- BSE forays into single stock derivatives (w.e.f. 1<sup>st</sup> Jul'24), with mid-month expiry on second Thursday of the month. So far 35 members have participated in single stock options and futures.
- BSE is working on uniform charges across client segment and the same shall be declared separately. The charges will be closer to the unit realizations earned closer to the announcement and would not hit the company's revenues.
- Not entire of the treasury income earned from clearing and settlement funds will qualify for returning to investors. Only excess funds that are not being utilized for any positions currently will qualify.
- With regards to the SEBI action on restricting F&O volumes for the retail segment and the measures being discussed in the consultation paper, BSE will be working closely to assess the impact of the same on the total volumes.
- During the quarter, BSE has acquired control of Asia Index Private Limited (AIPL) by acquiring the 50% stake from its JV partner. Consequently, AIPL has become a wholly owned subsidiary w.e.f. 1<sup>st</sup> Jun'24.
- The reversal of SGF is governed by regulatory clarifications. Lower currency derivatives volume led to zero contribution to SGF in 1QFY25. There are no regulatory targets for SGF contribution from the F&O volumes.
- BSE is facing challenges related to differential regulatory fees and clearing & settlement charges. It has requested regulators to reconsider the differential regulatory fees and the reply is still awaited. Any relief would positively impact BSE.
- Regulatory fee was INR120 per million of premium turnover, and clearing & settlement charges were INR120-130 per million of premium turnover.

**Star MF**

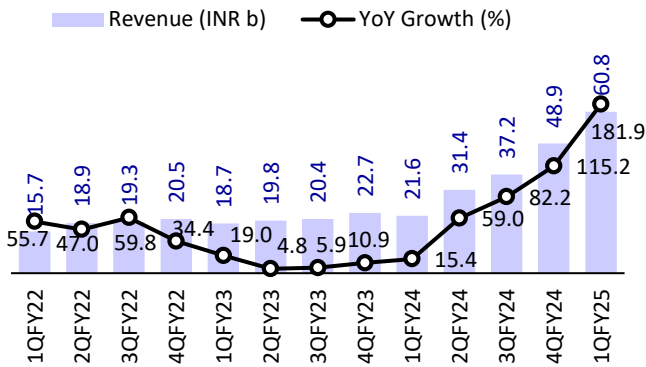
- Star MF recorded a jump in total number of transactions to 141m (up 72% YoY) in 1QFY25. The revenue from this segment grew 101% YoY to INR 479b in 1QFY25.
- BSE will launch Star MF 2.0 (more from functionality perspective) 2QFY25. Star MF continues to maintain ~85-90% market share in this segment.

**Exhibit 1: Revisions to our estimates**

INR b	Old Est.		New Est.		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue from Operations	26.8	33.1	27.3	31.8	1.8	-4.0
Other income	2.5	2.4	2.5	2.4	0.0	0.0
<b>Total Income</b>	<b>29.3</b>	<b>35.6</b>	<b>29.8</b>	<b>34.3</b>	<b>1.6</b>	<b>-3.7</b>
Operating Expenses	13.7	15.4	14.3	16.9	4.4	9.1
EBITDA	15.6	20.1	15.4	17.4	-0.8	-13.6
Core EBITDA	13.1	17.7	13.0	15.0	-1.0	-15.5
Depreciation/Int	1.3	1.5	1.3	1.5	0.0	0.0
<b>PBT</b>	<b>14.3</b>	<b>18.7</b>	<b>14.2</b>	<b>15.9</b>	<b>-0.9</b>	<b>-14.7</b>
<b>Core PBT</b>	<b>11.8</b>	<b>16.2</b>	<b>11.7</b>	<b>13.5</b>	<b>-1.1</b>	<b>-16.9</b>
Tax	3.6	4.7	3.5	4.0	-0.9	-14.7
<b>PAT</b>	<b>10.7</b>	<b>14.0</b>	<b>10.6</b>	<b>12.0</b>	<b>-0.9</b>	<b>-14.7</b>
<b>PAT after Associate profits</b>	<b>11.7</b>	<b>15.2</b>	<b>11.6</b>	<b>13.2</b>	<b>-0.8</b>	<b>-13.5</b>

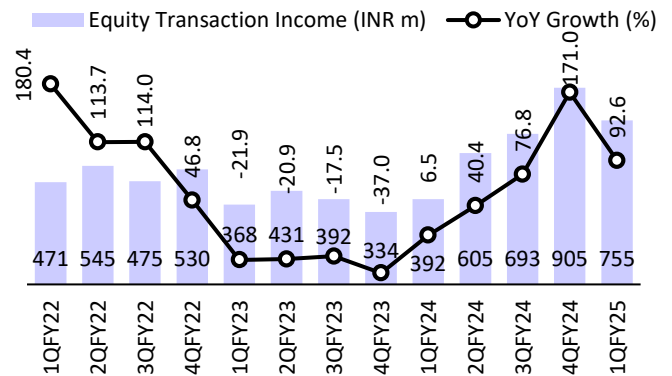
Key exhibits

Exhibit 1: Revenue jumped 182% YoY



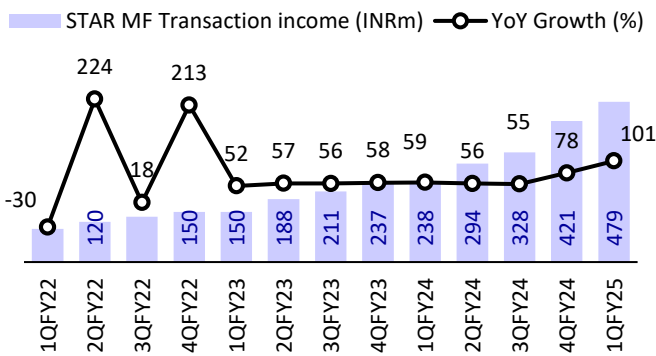
Source: MOFSL, Company

Exhibit 2: Equity transaction revenue grew 93% YoY



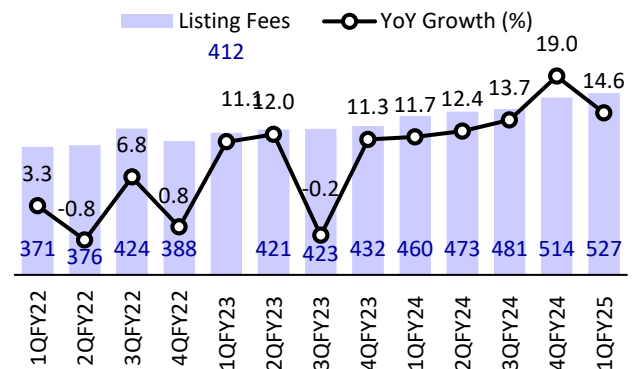
Source: MOFSL, Company

Exhibit 3: Revenue from STAR MF improved YoY



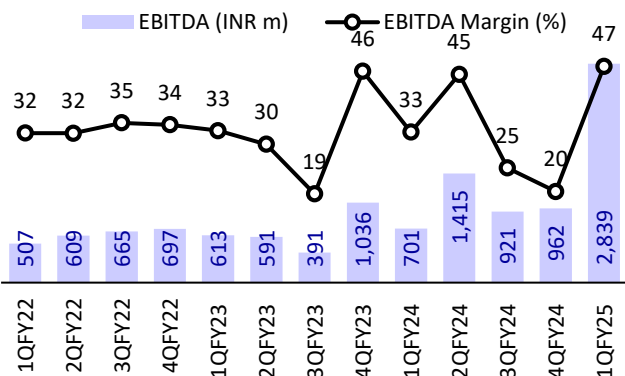
Source: MOFSL, Company

Exhibit 4: Listing fees increased YoY



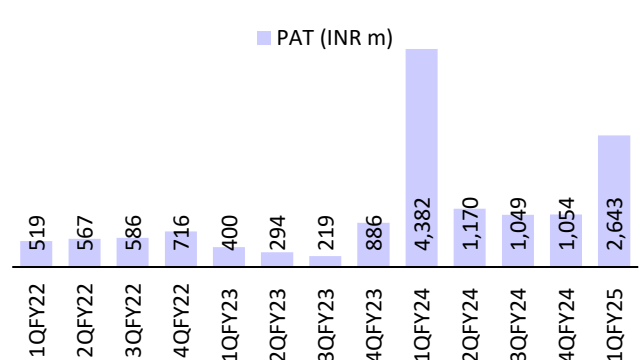
Source: MOFSL, Company

Exhibit 5: Trends in EBITDA and margin



Source: MOFSL, Company

Exhibit 6: Trend in quarterly PAT



Source: MOFSL, Company

## Financials and valuations

Income Statement						(INR m)	
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
Revenue	4,505	5,014	7,432	8,154	13,900	27,316	31,812
<b>Change (%)</b>	<b>0.0</b>	<b>11.3</b>	<b>48.2</b>	<b>9.7</b>	<b>70.5</b>	<b>96.5</b>	<b>16.5</b>
Employee expenses	1,512	1,487	1,773	1,802	2,047	2,375	2,612
Technology expenses	1,176	948	969	1,239	1,374	1,580	1,738
Admin & Others	2,132	1,854	2,209	2,777	6,418	10,330	12,439
Liquidity enhancement expenses	178	337	350	363	64	64	64
<b>EBITDA</b>	<b>-493</b>	<b>388</b>	<b>2,131</b>	<b>1,973</b>	<b>3,997</b>	<b>12,967</b>	<b>14,958</b>
<b>EBITDA %</b>	<b>-10.9</b>	<b>7.7</b>	<b>28.7</b>	<b>24.2</b>	<b>28.8</b>	<b>47.5</b>	<b>47.0</b>
Depreciation / Amortization	510	579	483	603	954	1,122	1,302
<b>EBIT</b>	<b>-1,003</b>	<b>-190</b>	<b>1,649</b>	<b>1,370</b>	<b>3,043</b>	<b>11,845</b>	<b>13,656</b>
<b>EBIT %</b>	<b>-22.3</b>	<b>-3.8</b>	<b>22.2</b>	<b>16.8</b>	<b>21.9</b>	<b>43.4</b>	<b>42.9</b>
Finance costs	24	103	222	275	151	151	151
Other Income	1,795	1,533	1,204	1,384	2,279	2,462	2,440
<b>PBT</b>	<b>768</b>	<b>1,240</b>	<b>2,631</b>	<b>2,479</b>	<b>5,171</b>	<b>14,156</b>	<b>15,946</b>
Tax	149	109	823	916	2,239	3,539	3,986
<b>ETR %</b>	<b>19.4</b>	<b>8.8</b>	<b>31.3</b>	<b>37.0</b>	<b>43.3</b>	<b>25.0</b>	<b>25.0</b>
<b>PAT before associate profits</b>	<b>619</b>	<b>1,131</b>	<b>1,808</b>	<b>1,563</b>	<b>2,932</b>	<b>10,617</b>	<b>11,959</b>
Share of Associates profit	267	432	642	492	718	970	1,212
<b>PAT after Associate profits</b>	<b>886</b>	<b>1,562</b>	<b>2,449</b>	<b>2,055</b>	<b>3,650</b>	<b>11,587</b>	<b>13,171</b>
<b>Change (%)</b>	<b>-54.5</b>	<b>76.4</b>	<b>56.8</b>	<b>-16.1</b>	<b>77.6</b>	<b>217.4</b>	<b>13.7</b>
<b>PAT margin %</b>	<b>19.7</b>	<b>31.2</b>	<b>33.0</b>	<b>25.2</b>	<b>26.3</b>	<b>42.4</b>	<b>41.4</b>
Exceptional items	320	-145	0	0	4,066	0	0
<b>PAT after exceptional items</b>	<b>1,206</b>	<b>1,417</b>	<b>2,449</b>	<b>2,055</b>	<b>7,717</b>	<b>11,587</b>	<b>13,171</b>

Balance Sheet						(INR m)	
Y/E March	2020	2021	2022	2023	2024	2025E	2025E
Total fixed assets	2,085	1,843	1,681	2,535	2,991	3,491	3,991
Non-current investments	9,252	8,005	6,298	8,961	11,529	12,106	12,711
Other non-current assets	4,207	4,914	4,339	9,871	20,283	20,689	21,102
<b>Total non-current assets</b>	<b>15,543</b>	<b>14,762</b>	<b>12,318</b>	<b>21,367</b>	<b>34,803</b>	<b>36,285</b>	<b>37,804</b>
Cash & Current investments	16,092	19,269	35,117	30,496	44,629	46,727	53,022
Trade receivables	700	876	634	909	2,109	4,371	5,090
Other current assets	12,425	11,364	13,785	7,166	12,962	13,592	14,254
<b>Total current assets</b>	<b>29,216</b>	<b>31,509</b>	<b>49,535</b>	<b>38,571</b>	<b>59,699</b>	<b>64,690</b>	<b>72,366</b>
<b>TOTAL ASSETS</b>	<b>44,759</b>	<b>46,271</b>	<b>61,854</b>	<b>59,938</b>	<b>94,502</b>	<b>1,00,975</b>	<b>1,10,171</b>
Share Capital	270	270	271	271	271	270	270
R&S	23,981	24,796	26,275	26,741	32,752	36,228	40,180
<b>Shareholders' equity</b>	<b>24,251</b>	<b>25,066</b>	<b>26,545</b>	<b>27,012</b>	<b>33,023</b>	<b>36,498</b>	<b>40,450</b>
Core SGF	4,354	5,391	6,409	7,576	9,550	9,550	9,550
Minority Interest	186	235	1,352	1,278	1,524	1,524	1,524
Other LT liabilities	111	124	109	145	136	136	136
<b>Total non-current liabilities</b>	<b>113</b>	<b>124</b>	<b>109</b>	<b>145</b>	<b>136</b>	<b>136</b>	<b>136</b>
Outstanding dues to creditors	758	982	729	804	3,603	2,164	2,540
Other current liabilities	15,098	14,473	26,711	23,123	46,667	51,103	55,971
<b>Total current liabilities</b>	<b>15,856</b>	<b>15,455</b>	<b>27,439</b>	<b>23,927</b>	<b>50,270</b>	<b>53,267</b>	<b>58,511</b>
<b>TOTAL LIABILITIES</b>	<b>44,759</b>	<b>46,271</b>	<b>61,854</b>	<b>59,938</b>	<b>94,502</b>	<b>1,00,975</b>	<b>1,10,171</b>

## Financials and valuations

### Ratios

Y/E March	2020	2021	2022	2023	2024	2025E	2026E
<b>Basic (INR)</b>							
EPS	8.9	10.5	18.1	15.2	57.0	85.6	97.3
EPS (excluding EOI)	6.5	11.5	18.1	15.2	27.0	85.6	97.3
Cash EPS	9.9	11.5	19.0	16.3	58.8	87.7	99.7
Book Value	179.2	185.2	196.1	199.6	244.0	269.7	298.9
DPS	5.8	7.1	13.5	12.0	15.0	59.9	68.1
Payout %	64.6	67.9	74.6	78.8	26.3	70.0	70.0
<b>Valuation (x)</b>							
P/E	366.8	207.9	132.6	158.1	89.0	28.0	24.7
Cash P/E	243.6	208.0	126.4	147.3	40.8	27.4	24.1
Price/Book Value	13.4	13.0	12.2	12.0	9.8	8.9	8.0
Dividend Yield (%)	0.2	0.3	0.6	0.5	0.6	2.5	2.8
<b>Profitability Ratios (%)</b>							
RoE	5.0	5.7	9.2	7.6	23.4	31.7	32.6
RoCE	3.3	5.4	10.7	10.2	16.1	39.2	39.8

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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