

## 28<sup>th</sup> Annual General Meeting

### National Stock Exchange of India Limited

- **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE**
  
- Ladies and gentlemen, its now 11 am, the requisite quorum being present I declare the meeting open. On behalf of the Board of Directors, I Girish Chandra Chaturvedi, Chairman of the Board of NSE welcome you all to the 28<sup>th</sup> Annual General meeting (AGM) of National Stock Exchange of India Limited. I hope you and your family are safe and in good health. I wish to mention that in view of the ongoing COVID-19 pandemic social distancing is a norm to be followed and hence the AGM is being held through video conferencing or other audio visual means in accordance with the circulars issued by the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI). The company has taken all the feasible efforts under the current circumstances to enable the members to participate through video conferencing or other audio-visual means and vote on the item of business to be transacted at the AGM. I am participating in this AGM from National Capital Region (NCR). For safety reasons my colleagues too are attending this meeting through video conferencing mode. Before we start the main proceedings of the meeting, let me introduce myself. I joined the Board of NSE in November 2019 and was appointed as the Chairman of the Board in December 2019. I also act as Chairman of the Regulatory Oversight Committee, Advisory Committee, the PID Committee and the Independent Directors Committee. I now request my colleagues joining the meeting through VC to introduce themselves mentioning name, designation, and place. Ms. Anuradha Rao, PID.
  
- **Ms. Anuradha Rao – PID**
  
- Good morning. I am Anuradha Rao attending this meeting from Mumbai. I am a PID on the Board since November 8<sup>th</sup>, 2019. I am also the Chairperson of the Nomination and Remuneration Committee and of the Investor Protection Fund Trust. Thank you.
  
- **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE**
  
- Mr. K. Narashimha Murthy, PID.

– **Mr. K. Narasimha Murthy – PID**

- Good morning. I am K. Narasimha Murthy attending the AGM from Hyderabad. I am a PID on the Board since February 17<sup>th</sup>, 2020. I am also the Chairman of the Audit Committee. Thank you.

– **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE**

- Prof. S. Sudarshan, PID. I think he is yet to join, some problem in the network. So, I move on to Ms. Mona Bhide, PID.

– **Ms. Mona Bhide – PID**

- Good morning, I am Mona Bhide and I am attending this AGM from Mumbai. I am Public Interest Director on the Board since April 21<sup>st</sup>, 2020 . I am also the chairperson of Risk Management Committee and the Member and Core Settlement Guarantee Fund Committee. Thank you.

– **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE**

- Mr. Prakash Parthasarathy.

– **Mr. Prakash Parthasarathy – Shareholder Director**

- I am Prakash Parthasarathy attending the AGM from Bangalore. I am a shareholder Director since May 13, 2012. I am also the Chairman of the Corporate Social Responsibility Committee and the Group Investment Committee of the company, thank you.

– **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE**

- Ms. Sunita Sharma, Shareholder Director.

– **Ms. Sunita Sharma – Shareholder Director**

- Good morning, I am Sunita Sharma attending this AGM from New Delhi. I am a Shareholder Director since October 19, 2016. I am also the Chairperson of the Delisting Committee. Thank you.

- **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE**
- Mr. Abhay Havaladar, Shareholder Director.
- **Mr. Abhay Havaladar – Shareholder Director**
- Good morning. I am Abhay Havaladar. I am attending this meeting from NSE's BKC Office. I am a Shareholder Director since June 13<sup>th</sup>, 2012 and I am also the Chairman of the Stakeholder Relationship Committee, thank you.
- **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE**
- Mr. Vikram Limaye, Managing Director and CEO of the company. He is joining us from Mumbai NSE BKC office. May I request Mr. Vikram Limaye to introduce himself and others who are present with him.
- **Mr. Vikram Limaye – Managing Director & CEO, National Stock Exchange of India Limited**
- Thank you Chairman. Good morning everyone. I am Vikram Limaye, I am the Managing Director and CEO of the National Stock Exchange joining this meeting from our office in BKC. I welcome you all to the 20<sup>th</sup> AGM of the company. I will now introduce some of the senior management colleagues who are attending this meeting from our office in Mumbai in BKC. To my immediate left is Mr. Yatrik Vin, CFO. Next to him is Mr. Madhavan, Company Secretary. Next to him Mr. Ravi Varanasi, Chief Business Development Officer. Next to him Mr. Vikram Kothari, Managing Director and CEO, NSE Clearing Limited. Next to Mr. Abhay Havaladar is Mr. J. Ravichandran, Group President. Next to him Mr. Vasudev Rao, General Counsel. Next to him Ms. Priya Subbaraman, Chief Regulatory Officer. And next to her Mr. G.M. Shenoy, Chief Technology Officer.
- **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE**
- Thank you Mr. Vikram. Mr. Sumit Seth, the partner and authorized representative of M/s Price Waterhouse & Company Chartered Accountants LLP, the statutory auditor of the company has joined this AGM from his location at Mumbai. Mr. B. Narasimhan, the partner of M/s BNP and Associates, Company Secretaries, the secretarial auditor of the company has joined this AGM from his respective location. The Annual Reports for the financial year 2019-2020 and the notice convening the AGM was sent to shareholders on their registered email IDs in electronic form. This is also uploaded on the website. I sincerely thank all the shareholders of the

company who have joined this meeting through VC. The company has made necessary arrangements to ensure participation of members of the meeting through VC and to enable them to vote on the resolution set forth in the notice electronically. As the AGM is being held through VC, facility for appointment of proxies by the members was not applicable. Hence the company has not provided proxy forms to the members and did not maintain proxy register. The statutory registers, other relevant documents of the company are made available electronically for inspection by the members during this meeting at the NSDL e-voting system.

- Coming to the business of the meeting, with your permission, I shall now take the notice convening the meeting as read, report of the auditors in line with the provisions of the Companies Act 2013 only the qualifications, observations, or adverse remarks of the auditors on financial transactions are matters required to be read out in the meeting of the shareholders. The Statutory Auditors' Report on the financial statements and the Secretarial Audit Report for the financial year ended March 31<sup>st</sup>, 2020 do not contain any qualifications, observations, or adverse remarks. Accordingly, the said reports are not required to be read at this meeting. I would like to inform you that pursuant of the Companies Act 2013 read with relevant rules and SEBI listing regulations, the company had provided opportunity to all its members to exercise their voting rights through electronic voting, that is remote e-voting for the following items of business to be transacted in the AGM during the period Tuesday, September 22<sup>nd</sup>, 2020 at 9:00 AM and ending on Thursday, September 24<sup>th</sup>, 2020 at 5:00 PM. Members who have not cast their vote earlier and participating in this meeting can now cast their votes through e-voting module made available by NSDL.
- Ordinary business,
- item number 1: to receive, consider and adopt the audited financial statements including the consolidated financial statement of the company for the financial year ended 31<sup>st</sup> March 2020 together with reports of the Board of Directors and the auditors thereon.
- Item number 2: to confirm the interim dividend paid and to declare final dividend on equity shares for the financial year ended March 31<sup>st</sup>, 2020.
- Item number 3: resolve not to fill up the vacancy caused by the retirement of Mr. Abhay Havaladar DIN 00118280 Shareholder Director who retires by rotation and to pass the following resolution as an ordinary resolution.,
- "Resolved that Mr. Abhay Havaladar DIN 00118280 Shareholder Director who retires by rotation at the ensuing Annual General Meeting be and is hereby not reappointed as the Director of the company and the vacancy so caused on the Board of company be not filled up".

- All the above resolutions proposed are ordinary resolutions to be passed by simple majority. The Board has appointed Mr. B Narasimhan of M/s B N and Associates practicing company secretary as a scrutinizer for conducting the e-voting process in a fair and transparent manner and to scrutinize the votes cast through remote e-voting and e-voting during the AGM and to submit the consolidated reports of voting in compliance with the provisions of Companies Act 2013 and the SEBI LODR regulations 2015. Only those members who are holding equity shares of company as on cut-off date for e-voting that is Friday, September 18<sup>th</sup>, 2020 are entitled to participate and speak at the AGM subject to prior registration. Now may I request Mr. Yatrik Vin, CFO to brief the members about the FY2020 and quarterly June 2020 results and make the presentation. Mr. Yatrik Vin.

- **Mr. Yatrik Vin – CFO , National Stock Exchange of India Limited**

- Thank you sir and good morning. So, I have a brief presentation on FY20 financial highlights, and I'll also take this opportunity to share some of the first quarter results Q1 of June 2020. So, in FY20 the cash equity segment, in terms of the market growth, grew by about 11% that is year on year FY20 over FY19. The equity futures was largely range bound with no major growth but in terms of options the market grew year on year by about 50%. Also, currency futures was largely range bound, currency options grew by about 9%. With that as the overall market growth, if we look at the extreme right box, the cash equity segment in FY20, the market share increased by 2 percentage points from 91 in FY19 to 93 in FY20. Also, in terms of derivatives both equity and equity futures and equity options the overall market share of NSE was at 100%, so virtually NSE is the derivatives exchange of the country. In terms of currency futures and options, also as it can be seen the overall market share improved from 58% to 64% in FY20 and 49% to 56% in currency options in FY20. Also, noticeably, when we look at the overall open interest in terms of the market share, the currency futures open interest market share was 70% and options was almost 91%. With that as the overall market share, in the center box we have the volume growth of NSE. So, year on year the cash equity segment grew by about 13% and equity options grew by about 50%. The overall revenues therefore of NSE stand-alone FY20 was at Rs. 3,095 crores which is year on year 9% increase. The operating revenue stood at 92% of this Rs. 3,095 crores at Rs. 2,832 crores and shareholders may just remember that probably this is the first time the operating revenue has crossed 90% overall benchmark. The expenditure front, the overall expenses stood at Rs 1,175 crores, which is year on year about 19% but obviously, this 19% increase had some of the onetime items in terms of the contribution to COVID and other things. So, if you rationalize those numbers the year on year increase is at about 8%. The overall cash expenditure stood at about Rs. 1,043 crores and the ratio of expenses to revenue was at 38% which was previous year at about

35%. But obviously again if you rationalize this for those special items it will go to close to about 32% which I have in the subsequent slides. With that the overall profitability, EBITDA margin stood at 66% and PAT margin at 46% at Rs 1,426 crores. We also have some operating revenue and total revenue trends on the lower side on the bar chart. So, from FY16 to FY20 if we look at how the overall revenues and operating revenues have moved, in FY20 now we are almost at Rs 3,095 crores of revenue as I mentioned which was in FY16 at Rs 1,884 crores. Face value Rupee 1, the EPS for FY20 is at Rs. 31.52, NSE standalone, net worth at 6,900 crores and book value per share of Rs. 140. There are three major constituents to our revenues especially the operating revenues, Transaction charges, Treasury Income and Listing Fees. So, Transaction Charges actually stood at Rs 2,388 crores which was 17% higher year on year because in FY19 it was at about Rs 2,000 crores. The Treasury Income was at Rs 306 crores, viz-a-viz Rs 462 crores of the earlier year largely because of the overall reduction in the rates in the system and almost 175-200 basis points of overall reduction in the interest rates, market rates and that largely is one of the reason why the Treasury Income has gone down. Listing Fee was almost flat at Rs 92 crores year on year. On expenditure front as I said, we are at total expenses of Rs 1,175 crores which has gone up at about Rs 195 crores. But the three major reasons why the expenses have gone up is obviously since the volumes are high the transaction charges are high we have to also have additional sharing with our clearing corporation which is our 100% subsidiary which is at about Rs. 39 crores for FY20. Obviously when you do the consolidated results this becomes a group entity transaction and gets eliminated and really do not really impact the consol profit,. In terms of technology because of some of the additional infrastructure, the robustness, and the other scaling up of our compute and other capacity enhancements, that we have Rs 33 crores of additional technology expenses. And we had Rs. 25 crores of additional SEBI regulatory fee that we had to pay. If we look at therefore the chart below, the overall FY20, the ratio of expenditure to total income is at 38%. Again, if you adjust for those rationalized items, the overall ratio falls down and therefore it is largely in the overall range. With that the NSE standalone, the operating margin stood at Rs 1,657 crores, 59%, EBITDA margin at 66% and PAT at 46%. We also have consolidation done at group entity levels, all the subsidiaries and all the associates. Subsidiaries at line by line and associates at a profit level. The same was also audited by Stat auditors. So, we have about 12 subsidiaries which we have consolidated, and we have 5 associate companies where we have done the profit pick up. At consol level the overall revenue stood at Rs 3,898 crore which is year on year 11% increase. The operating income here as well was 90% of the total group revenue. That means it is not only the exchange business, but all the other subsidiary businesses also are having significant contribution to the overall operating revenue of the group. In terms of the overall profitability, therefore the EBITDA stood at Rs 2,706 crores and profit after tax at Rs 1,885 crores. Our EPS, face value Re.1 at consol level is at Rs. 38.08 paise. The total group net worth is Rs 8,621 crore and the book value per share Rs.174, face value Re.1. This is a broad synopsis of

which entity contributes how much to the overall group revenue and group profit. Exchange and Clearing Corporation continue to contribute about close to 82-83% of the revenue and about 89-90% to the group profits. These are some of the consol profitability numbers, so at a group level as well the operating margin is at 58% at about Rs 2,023 crores and EBITDA margin at 69% at Rs 2,700 crores and PAT of Rs 1,885 crores. This is something on dividend, so we have tried to plot last 5 years and how the dividend has moved. So, FY20 as you may know, the overall dividend paid was Rs.20.80 for a face value Re.1, Rs 9.80 we paid in the month of October after we had the half-yearly results and Rs.11 we paid , we declared at the end of the year. Our dividend payout ratio, which is right now at 60% of the conso profit, so FY20 also it is at 60% and if you are considering at NSE stand-alone level it is at 72%. Just wanted to also share some of the other data points in terms of where we are in terms of our dividend policy and what has been the overall trend in the overall dividend distribution. As the shareholders may know that we have up to 60% payout ratio as a dividend policy. But this dividend policy is subject to so many various other factors such as how the market moves, the volatility and therefore the revenue lines, considering that significant portion of our topline continues to be transaction charges and the way market behaves it has an impact on the overall income. So also since we are in a regulated environment, since we are in a market environment we also need to have sufficient cash available with us in order to provide for any market exigencies, if any required, and obviously we need to also to keep appropriate allocation for our future growth and expansion including some of the diversification initiatives. So, as you may see that last 5 years we have been following 60% group profit payout as a policy. But on the right hand side just wanted to share some additional data point that as of March 20, the overall group treasury is at about Rs 8,458 crores which some of you would have also seen in the overall annual report when you were looking at the balance sheet. But there are 4 important dimensions or aspects to this 8,400 of treasury, out of this 8,400 about close to 1,000 crores is invested into all group entities in terms of their shareholdings. Secondly, we have around 1800 or 1900 crores of the funds which actually relate to the member deposits. Another 3,200 which is one of the significant jumps as we speak is the money that we are actually setting aside as a co-location revenue pursuant to the SEBI orders and we have about Rs 200 crores of STT liability as of March 20. So, in a sense net-net when we look at, the free funds or free cash available potentially in the business is close to about Rs 1,900 or Rs 2,000 crores. So now when we look at the dividend policy, we also have to be therefore cognizant about this liquidity profile right now that the company has. And as I said we would need to have some funds available the kind of business that we run and therefore going forward we also need to think through in terms of our policy of where do we exactly or at what point in time we distribute the dividend. Essentially because our market as I said, are that way quite unpredictable, our revenue model therefore has some impact of that unpredictability of the market behavior and therefore it would be more appropriate to consider the dividend in principle as a payout policy at the end of the year and

need not be definitely interim always. I also will share some Q1 numbers very similar to March 20, obviously first quarter was relatively better than how the last year panned out because of COVID and related volatility in the market and the participation obviously. So, in the first 3 months in June 2020 over 2019 the first quarter the Cash Equity segments market grew by about 59%, equity futures grew about by 10% and equity options grew about by 11%. Currency there was either flat or some sort of a degrowth and with that if you look at the market share, in fact market share has improved from 93% to 94%. We continue to maintain our leadership in terms of derivatives at 100% and currency futures and currency options also the market stood at about 72% and 67% respectively.

- And similar is the case so far as the OI is concerned. OI in futures in fact has gone up to 82% now and options we maintain at 91-92% range. In terms of where are we, NSE in terms of the markets, our global ranking, our market cap in US dollar billion as of first quarter is about 1.8 trillion. Last 2-2 ½ years it overs around in the vicinity of 1.8 to 1.9 to 2 trillion dollars. Here we have a global ranking below. So in terms of cash equities number of trades we are the second largest exchange of the world. In index options we are the largest exchange. Stock futures we are the third largest and currency futures and currency options respectively globally number two and globally number one. In terms of first quarter revenue we are at Rs 1,075 crores on the overall topline for first quarter which is period on period 49% up. In terms of expenses we are at Rs 293 crores and in terms of EBITDA margin 76% at Rs 816 crores and PAT margin of 56% at Rs 605 crores. We have some EPS numbers, non-annualized face value Rupee one. 12 rupees of EPS NSE standalone and book value 152. The overall revenue profile has moved very much in favor of the transaction charges because of higher volumes and better markets. On expenses front significantly if we see here, down below the bar chart what was the trend in last 4-5 years in terms of total expenses as a percentage of total revenue, it used to be in the range of 35, 38, 36%, in June it has gone down to 27%. So there is some sort of operating margin, operating leverage which has kicked in the business model. So at some point in time of course exchange is a platform business. It is a fixed cost business and that leverage therefore has rightly kicked in. We had some of the expenses item going up. Again as I explain in Clearing Settlement that we shared with the Clearing Corporation additional regulatory fee because of higher volumes and we also had some Covid contribution in first quarter to the tune of about Rs 10 crores. These are some of the numbers. So June '20 we had 69% of Operating Margin, 76% of EBITDA margin NSE standalone and PAT Margin of 56%. We also did consolidation, very similar to what we did in March, for June as well. Again 12 subsidiaries, 5 associates. So, EBITDA overall revenue at this level grew by about 34%, again largely laid by exchange business at Rs 1257 crores. And the overall operating income is at 85% to the total income. We have some of the profitability numbers- EBITDA margin NSE Group is at 77%, the right hand side upper bar chart and PAT margin NSE Group at 56%. So as of June the earning per share non-

annualized is Rupees 14.27 paise and the book value is 188 rupees of face value Rupee One. This is again as I said a broad synopsis of Revenue Contribution for first quarter. As I said since volumes were good, markets were good the exchange contribution to the overall group went up to close to about 84%. Again in terms of profitability also it's about 86% is NSE and then rest of the smaller subsidiaries. These are some of the financial ratios in terms of the consolidated numbers. Thank you.

– **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**

– Thank you Mr. Yatrik Vin. Now I would like to invite Speaker shareholders who have done their prior registration to speak. With due respect to other speakers and time I request each speaker to be brief and restrict their suggestions, comments to three minutes on matters as set forth in the notice. Annual accounts and operations of your company for FY 2020. Meanwhile I also request other shareholders who have not prior registered themselves as speakers but have any questions, may kindly send us through question box. To avoid repetition the answers to all the questions will be provided at the end of the Q & A Session. So I welcome Mr. Pritesh Vora from Mission Holdings. Mr. Vora you are on unmute. We request you to turn your camera on and kindly proceed with your remarks. Mr. Pritesh Vora.

– **Mr. Pritesh Vora- Mission Holdings.**

– Sir am I audible?

– **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**

– Yes you are audible.

– **Mr. Pritesh Vora- Mission Holdings**

– Okay so first of all I want to congratulate the entire management team for maintaining the clear leadership in NSE Equity and Derivatives segment. And clear lead which we observed last one year in the currency segment. I have a small suggestion to start with. NSE should liaise with SEBI and other regulators about the listing of exchange in its own exchanges. Like BSE is currently listed on NSE. Similarly CDSL is also listed on NSE. So world over, like if you consider LSE, ICE Exchange, Hong Kong Exchange, all the exchanges are listed on their own exchanges and management should liaise with the regulator to remove apprehension in the mind of a regulator and stakeholder about this issues. So that is one of my suggestions. My questions are following- we'd like to know eagerly what is the IPO timeline for the NSE? We also want to know why some of the European exchanges like ICE,

NASDAQ and other exchanges have a large income which is coming from the data and listing related revenue and not purely transaction revenue. For example ICE Exchange 42% of their EBITDA comes from listing and data related revenue. So when can we see a larger proportion of revenue coming from non-trading revenue in case of NSE? My another question is where are we on the interest rate and currency markets? One, we have to notice that currency market share has increased over last one year. Similarly when can we see inflection point in interest rate, futures and other derivative segments which we are in? And my last question is how much money we have invested into commodity annually and what is the burn rate we're seeing and what is the future we're seeing in commodity? Thank you very much. These are my questions.

- **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**
- Thank you Pritesh Vora. Now may I request Mr. Nikhil Chandak to speak. Now you are on unmute. We request you to turn your camera on and kindly proceed with your remarks. Mr. Chandak. Is he there on line Mr. Nikhil Chandak?
- **Mr. Nikhil Chandak- Shareholder**
- Sir can you hear me now? I think some problem with the mute button.
- **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**
- We are able to hear you.
- **Mr. Nikhil Chandak- Shareholder**
- Perfect. So thank you so much for the opportunity.
- **Moderator:**
- We can't see you. You have to put on the video.
- **Mr. Nikhil Chandak- Shareholder**
- It's un-abled I think. That is the only problem. I don't think the video rights are given to us, which is why I am not able to put it on.
- **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**

- We are able to listen to you.
- **Mr. Nikhil Chandak- Shareholder**
- Yeah the video rights are not given I think, that is the reason.
- **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**
- Okay. Fair, fair. Please proceed.
- **Mr. Nikhil Chandak- Shareholder**
- So I had exactly three questions. The first one sir, I just don't want to know just the timeline as the last question was there on the IPO. But frankly what really is holding this IPO back? It's really surprising it's been months and months and months you know and there is no formal communication from either SEBI or from NSE on where exactly is the IPO and what exactly is holding it up? Is it the litigation? Is it the enforcement by SEBI to divest stakes in CAMS and in NSDL or what exactly is holding up? It's bewildering. And Sir if you don't mind I know this is not fault of NSE but the process to become a shareholder of NSE is, if I can really use the word, it's really archaic, you know we have to fill forms, there are 15 disclosures and 15 forms, we give a CA net worth certificate, I mean which world are we living in. And I don't understand you know I mean yes, I mean 3-4 months paying high intermediary fees just to become a shareholder of the Stock Exchange. And you know all this actually goes away if SEBI is giving the approval for the Stock Exchange to go public. So not just the timeline, we really want to know what is the, where exactly is the matter held up and what is the Exchange's response to that? That is the first one. The second one is why is SEBI insisting on divesting of our subsidiaries? You know as the CFO just presented 84% profits are from the main business and 16% comes from the subsidiaries. Now if SEBI insists on divesting CAMS, SEBI is insisting on divesting NSDL, if all these subsidiaries are divested eventually one what do we do with the huge cash? Like just CAMS we are getting 2200 crores approximately. Do we distribute this as special dividend? Because the ROEs will get impacted because of this. The Exchange per se does not really need any significant Capex. So what do we do with such amount of cash? And why is SEBI insisting? Somehow as a shareholder we feel SEBI is extremely strict or extremely rigid with its opinions as far as NSE is concerned. And why this over regulation on NSE is what we fail to understand. And the third question was on the financial performance, because so far it has been really nice and superb. We're very happy about that. But when the new margin, norms etc., do you think there is a structural decline in volumes and hence a structural decline in the earnings potential of National Stock Exchange. Because the new norms and margins are straight and they have led to a significant fall in volumes

overall. So these three questions sir-more explanation on the IPO; why is SEBI insisting on divesting our subsidiary or our associate companies like CAMS, NSDL and so on and what do we do with that money finally with that huge cash and inflow which comes in? And the third on the financial performance, how meaningful will be a hit on a structural basis because of the new SEBI restrictions? Thank you so much.

– **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**

– Thank you Mr. Chandak. Now may I request Ms. Sarla Dhanani to speak. Please put her on unmute. We request Ms. Dhanani to turn your camera on, if it is working and kindly proceed with your remarks. Yeah Ms. Sarla Dhanani, yes please speak so that we are able to basically react whether it is clearly audible or not. If they switch on the camera also that will be good.

– **Ms. Sarla Dhanani- Shareholder**

– Camera is on only.

– **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**

– You have to switch it on at your end. Are you able to switch on the camera? Yeah it has come, it has come. The video also has come.

– **Ms. Sarla Dhanani- Shareholder**

– I am Sarla Dhanani speaking from Calcutta.

– **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**

– If you could come a little closer to the mike then the voice will be clearer.

– **Ms. Sarla Dhanani- Shareholder**

– Namaskar to all the members present. I hope in the Covid times everyone is safe and well. My first question is what and when do think you will bring the NSE IPO valuation? The second is – from the margin system what are the chances that it will impact the NSE turnover profit? Please put some light on these topics. Thank you.

- **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**
  
- Thank you Ms. Sarla Dhanani. Now may I request Mr. Ravindra Raichand Dharamshi to speak. You are on unmute now. We request you to turn on your camera and kindly proceed with your remarks. Mr. Ravindra Raichand Dharamshi. Are you able to get him?
  
- **Moderator**
  
- Sir I think the shareholder is not responding.
  
- **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**
  
- Okay, he is not responding?
  
- **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**
  
- if it's alright just try once more,. Because he is the last speaker on my list who had registered themselves for asking or speaking in the AGM. The others will have to send their questions through question box. No? No response?
  
- **: Moderator**
  
- No, he is not responding. In fact he did not log in for this meeting as well sir.
  
- **Mr. Girish Chandra Chaturvedi- Chairman of the Board of NSE**
  
- Oh ho, very sad. So out of four we have one person who has dropped out. Well anyway, so now, I now request Mr. Vikram Limaye, Managing Director and CEO to respond to the queries raised by the shareholders.
  
- **Mr. Vikram Limaye- Managing Director & CEO, NSE**
  
- Thank you Chairman and thank you to all the shareholders for attending this meeting and for your questions. So I'll try and answer these questions in 4-5 categories where people have raised questions. First I'll talk about the questions surrounding the IPO and since that has been raised by everyone so far. As shareholders are aware we've been in discussions with SEBI for the last several months surrounding the IPO matter and requesting their approval for us to proceed with the IPO. We don't have any clarity as yet from SEBI in terms of the timeline on

when we will be allowed to proceed with the IPO. I don't want to speculate on what the thinking or discussions within SEBI are because they haven't communicated anything to us officially in terms of what they're looking at and why it's taken the last several months for them to get back to us. So it's not appropriate for me to speculate on the reasons why the IPO approval hasn't come through as yet. Suffice to say that we're committed to listing as we have said before. We will continue to pursue the matter with SEBI and once we have more clarity on the exact timelines on when we would be allowed to go public we will certainly make it known to shareholders. I have nothing more that I can add to this because we don't really have any kind of visibility on timelines or any specific reasons that SEBI has communicated to us on what they're thinking about or why their decision has taken the last several months that we've been following up with them. That's as far as the IPO is concerned. The associated questions relating to the IPO surrounded valuation and listing on our own platform. So valuation again it's not appropriate for me to comment at this point. Closer to the date when we decide to go public obviously there will be more clarity on these aspects. So at this point in time I don't think it's appropriate for me to talk about valuation. You'll be aware of the transactions that are happening in the private market surrounding NSE shares. So those are real transactions between buyers and sellers. But what a listed market valuation would be at this point in time I think it's premature to comment on. Listing on our own exchange, that's actually not permitted by SEBI regulation. So I don't see that changing. What we can do is to have NSE in the category of "permitted to trade" on NSE. So while we necessarily have to list on another exchange there is a category called 'Permitted to trade', where companies that are listed on another exchange are allowed to trade on the other exchange. So we have several companies that "trade on NSE" that are not listed on NSE but are listed on BSE. And so likewise once we list based on current SEBI regulations we will not be able to list on NSE. So assume we list on another exchange we could certainly get NSE under the 'Permitted to trade' category on NSE so that shareholders can benefit from the liquidity and price discovery etc. on the more liquid exchange. That obviously will also get discussed with SEBI at an appropriate time. But that's something that is more feasible than thinking about listing on NSE itself because that I think is a very low probability event because currently not permitted by regulation. I'll get to some of the other issues. There was a question raised about the process of becoming a shareholder of NSE. And so I do sympathize with those who have taken few months and various documents etc. that you need to file to become a shareholder. But the thing to remember is that we have to make sure that we do everything to determine whether a shareholder is fit and proper. And that requires certain amount of diligence on our part in terms of making sure we've got all the documents that we need and we do all the checks that we need to do through various databases and any other independent check that we need to do. Because by regulation we're required to determine that the shareholder of an exchange is fit and proper. And so I agree with you that in a private context obviously we have to do everything that

we're doing in terms of gathering various information, documents etc., from you so that we can make sure that we are satisfied with the fit and proper test for every shareholder. In a listed context obviously it's very different because the shares are freely tradeable. I'll get to some of the business questions that were asked. I think one question surrounded the size of the data and index business relative to other exchanges. This is something that we've discussed in the past as well. The data and index business is an important business for us. As we've said before growth opportunities of our, for our non-exchange businesses including data and index are quite significant and we are focused on growing our non-exchange revenues. As a percentage of total revenues, that's really a, it's more a function of how our core exchange markets are growing. And to that extent it's not strictly comparable with what's going on globally, because they're more mature markets. And the growth prospects for our exchange markets are significantly higher than the growth prospects in more mature markets. So that's just one aspect to keep in mind in terms of, therefore our non-exchange revenues as a percentage of total revenues whether they're strictly comparable to global markets. The second thing to remember is that even in the global developed markets the data and index business as a percentage of revenues is in the range of 12 to 18%. More specifically if you look at some of the exchanges NASDAQ is at 18%; Deutsche Bourse is at 12%; Japan is at 18%; CME is at 11%. So that's the range for developed markets. So emerging markets this accounts for somewhere between 4 and 10%. So Brazil is at 4, Thailand is at 6, Malaysia is at 7 and Johannesburg is at about 10. Our data and index business combined is about 6 to 7%, so very much in the range of where the emerging markets are. Having said that there are significant opportunities for growth that we are focused on, and those range from organic opportunities in terms of new products that we are planning to launch in the data business in terms of data analytics that would be value add products. Now we are also looking at potential inorganic opportunities to the extent that there are any interesting opportunities that might be available. So it is clearly our intention to grow our data business and it is a high margin business as well as you are all aware, and there are several initiatives that have been taken in order to try and grown that business.

- The second question from a business perspective that was asked was relating to the currency and interest rate markets. And there a couple of things to remember, both these markets are regulated by both SEBI and RBI and therefore it requires, whatever kind of market development that we need to do in this market, requires both regulators to come together to put in place the enabling framework for the growth of these markets. We've been obviously working very hard over the last few years with both regulators, to try and put in place or at least try and recommend areas where regulation and market facilitation and market development by both regulators could be coordinated so that these markets develop in a more aggressive way. I think we are seeing a significant focus and attention by both regulators certainly in the fixed income market because that's also a national priority as most of

you all are aware, bond market development is exceedingly important in order to fund the country's growth beyond the bank market where obviously as we are aware there are certain challenges and certain issues facing the bank loan market, that the securities market and the bond market have to develop in a more aggressive way. And it is very encouraging to see that there is a focus on development of bond markets, there are various steps that have been taken to try and move the OTC market to an exchange traded market, that's never an easy transition. It will take time I think we will have to be patient. People have been talking about bond market development for several years but I would say in the recent past there have been several initiatives that have been taken by the regulators as well as by us to try and expedite the development of these markets. So you should see some traction in the growth of these markets over the next few quarters but I think we will need to be patient to see the volumes in these markets develop to a level where they could be meaningful and large from an exchange ecosystem stand point. That's as far as the currency and interest, I mean there are other issues surrounding the currency markets as you'll be aware, there are market wide position limits which are a constraining factor in terms of what kind of positions people can take unless it is a pure hedge position. There are market hour restrictions currently relative to the market hours that some of the other offshore exchanges operate. So there are certain operational issues as well that we are working with regulators to sort out in order to make sure that these markets develop in a more robust way. The 3<sup>rd</sup> area that was talked about was commodities and on the commodities side, we've been a recent entrant in commodities as you are aware. We were granted approval only in October 2018 to get into commodities and we actually lost about 6 to 12 months after the co-location order was issued in April '19 which actually prevented us from launching any new products for six months. And so soon after we were given the approval to get into commodities, within 6 months we got the co-location order which prevented us from launching new products for another 6 months. And after that obviously we've been working hard, we've launched contracts in bullion and crude, we are in the process of launching more contracts in other non-agri products and we've also filed for some of approvals in agri products. So this is an area that we believe is a growth opportunity but again I would say that we need to be patient to develop this market. It's not very easy to move liquidity from well-established liquidity pools to new platforms that are coming up in this space. So we are trying to make sure that we do a lot of research and a lot of work before we launch a particular product and contract. We are working hard with market participants in the areas that we are launching products to make sure that the product design and the product structure is one that will enable us to try and differentiate from products that already exist, and second, that you know we are doing it in areas where we believe that there is an opportunity for growth and there is a need in the market. So we are keeping all these things in mind when we are picking products but we will need to be patient to see the growth of these markets and the growth of these segments for NSE in terms of we'll be able to make a meaningful contribution to the

overall revenues of NSE. The questions surrounding how much money we are spending on commodities, for the last couple of years the operational expenses surrounding the commodity segment have been in the range of around 10 crores a year. So that's the amount that we are spending on the commodity segment at this point.

- The 3<sup>rd</sup> question was, the 3<sup>rd</sup> category was surrounding the impact of the new margin norms, the new margin norms that SEBI has just announced and what that means for volumes and impact on NSE's business. So these were put in place only recently and there was obviously a period of time where there was some degree of I would say a phase where the markets had to settle down because this is a meaningful structural change in the market in terms of not only margins but also in terms of the pledge/re-pledge mechanism for how securities were given to brokers and the clearing corporations for collateral purposes and for margining purposes. I think the system has settled down now, we are not seeing any kind of major deterioration in volumes as a result of these measures that have been announced. Time will tell but our initial view is that the market will adjust to these new norms as they have adjusted to many other regulatory changes that have taken place. And we don't think there will be a significant deterioration in volumes on account of these new regulations that have been put in place. Initially the thought was that it could impact the intraday volumes in a meaningful way but we are not seeing that as we speak and it is currently our view that it is unlikely to have a meaningful impact but we'll see how it evolves, it's only, it's less than a month since these new regulatory norms have been put in place. We'll have to see how things evolve but at this point in time there hasn't been any major deterioration in volumes on account of these regulatory changes, other than the first few days where the system had to settle down and adjust to the new changes.
- The last point was surrounding SEBI's requirement for the sale of our stake in CAMS and other subsidiaries and what it means for NSE etc. So the CAMS issue is more of an issue surrounding SEBI's view that appropriate approvals were not taken when that investment was made and that investment was made almost 7-8 years ago. And it's in that context that SEBI required us to divest our stake in CAMS. I don't think they have come out with any kind of regulation or any kind of direction to us that we need to sell our stake in all the subsidiaries that we have and all the associate companies that we have. At this point in time the direction was specifically surrounding CAMS. From a regulatory perspective if we need to bring down our shareholdings in some of our other subsidiaries we will do that over time and we have enough time to bring down our shareholding in some of the other subsidiaries. But there is no indication from SEBI at this point that we need to divest our stake in all the other subsidiaries or in any of the other associate companies. Other than the CAMS matter which I have already explained as Yatrik would have pointed out, as Yatrik highlighted in his presentation, the reality is that while we have a large treasury of Rs 8 – 9,000 crores, the free cash that is available is close to Rs 2,000

crores. So given the needs of the business, given the fact that there could be inorganic opportunities that come up because of which we need to have cash available with us, it's a, if we don't find good use of this cash as we have done in the past we'll obviously pay whatever special dividend or whatever it is that we need to do to shareholders. In the current time as Yatrik has outlined there is a need to preserve some cash because the cash that is escrowed as part of the colo revenues is actually restricted cash, it's not free cash available for distribution nor is it free cash that we should be using for any business or any organic opportunities till we get the decision on the colo matter and this cash becomes available for business use. So till that point in time our free cash available at this point is about Rs 2,000 crores. And as I said the board and the company will evaluate the opportunities that are available and are necessary to put that cash to use including creating sufficient buffers from a risk perspective and not only from a market risk perspective, from an investor protection perspective and any other risks that we see from an operational stand point for which we need to have a prudent amount of cash reserves available with us. And therefore these kind of special events whether it's sale of assets, whether it's sale of CAMS, etc., are amounts that we don't intend to distribute to shareholders right away and therefore the dividend policy also, as Yatrik said, will focus more on operating profits and not just total profits. Because these kind of special one-off items that come up will be required to cushion some of the other risk buffers and other needs of the business that we may need this cash for. As I said earlier if we believe over time that we have surplus cash and we don't find enough good use for that cash from a business perspective or from a risk management perspective, we will certainly consider any kind of special dividend that could be paid to shareholders. We have done it in the past and so we will evaluate that as we go along.

- Those are all the questions that were raised. There are some incremental questions that have come up which I will, Chairman with your permission there are some incremental questions that have come up that I will like to attempt to answer.
- Yeah, there is one question that is come up surrounding the recently announced collaboration with this Singapore Exchange on the Gift City Singapore Connect. So this is an important development and some of you may be aware that this is an issue that has been going on for almost 2 and half years since we withdrew the Nifty license in February of 2018. The objective has been to try and bring back markets that we exported and to have a central pool of liquidity for the dollar Nifty contract that is available in Gift City and to try and pool in liquidity in the dollar Nifty contract that may exist globally into a central liquidity pool in Gift City. So we have finally got all the approvals from an Indian regulatory stand point whether its SEBI or the Ministry of Finance, last approval came through only about 3 to 4 weeks ago after which you know we have been working hard to finalize the agreement with Singapore so that we can start working on operationalizing the connect. The benefit of this is that, the whole objective of this exercise was to transition the liquidity that

exists in the Nifty contract in Singapore to Gift City, and the Nifty volumes in Singapore are quite large. Actually from a turnover perspective the Nifty trading volumes in Singapore are equal to the Nifty futures volumes domestically. But from an open interest perspective it's almost 2 and half times, its almost 5 billion dollars of open interest in the SGX Nifty today in Singapore. So the idea of this connect is to transition those volumes from Singapore to Gift City. And what this will do is certainly give us a very strong core liquidity in one segment of the Gift City exchange that will enable us to grow that exchange in a more aggressive way, but beyond equities will also help in the growth of other asset classes in Gift City and the development of the overall capital markets ecosystems in Gift City. So this I think is an important development, we've only started the operationalizing of this connect, it will take some time as you all would imagine because legal entities have to be set up, technology infrastructure has to be set up, risk management systems have to be set up. The people who are trading in Singapore currently need to be on-boarded to be able to trade through the SGX connect into Gift City. Their own systems may have to undergo change etc, etc. This will take some time before the first trade through this connect happens in Gift City but I think it's a very important development that gives us an opportunity to develop a Gift City exchange in a more meaningful way not only for equities but for all other asset classes as well.

- There was a question surrounding the status of the colo issue and there again couple of things just to remind people, there were 3 matters that were addressed by SEBI in its orders that they issued in April 2019. One is what was categorized as the co-location matter, second was dark fibre, and third was a governance related issue on sharing of data. The co-location matter all the hearings in front SAT have been completed in March and from what we understand SAT is in the process of drafting the orders surrounding colo, it's not possible for me to give you a timeline on when those order might be issued. The hearing surrounding dark fibre and the governance related issue which were the two other orders that SEBI passed, hearings have not yet commenced with SAT, and so again I cannot give you a timeline on when those hearings will be completed and therefore when the orders surrounding those matters will come through. That's as far as the update on the colo issue is concerned.
- I'm just trying to see, yeah, there was another question surrounding the dispute between NSE and Metropolitan Exchange surrounding the competition commission issue. So the status of that is that this matter is in front of the Supreme Court as you all are aware for final hearing and whenever that comes up we will obviously go through the process of our submissions and then we will await what the decision of the Supreme Court is on that matter. If it is possible for us to try and settle the matter we are obviously open to doing that, we have spoken to Metropolitan exchange on that even in the past and we are open to any kind of amicable resolution should that be possible we will pursue that. But I have no clarity on whether that is possible and when that may be possible, at the current point the

matter is above is in front of the Supreme Court, final hearings have to still take place. There was a date that was given but those dates have got extended and so once we complete the final hearing then we will have to await orders of the Supreme Court.

- Sorry, just one other point that was raised surrounding any kind of significant changes in the cost structure in the current environment based on Covid or anything else, and whether there is anything that shareholders should look at from a cost structure standpoint or from a margin standpoint. So you know this is a platform business and therefore our endeavour and objective is to make sure that appropriate operating leverage is achieved based on growth and volumes and growth and revenues. We've already seen a demonstration of that in the numbers for FY 20 as well as for Q1 of FY 21, and therefore we are obviously very focused on making sure that our cost structure is aligned with what the needs of the business are. We are very focused on making sure that we try and find cost saving opportunities wherever possible. We are focused on productivity enhancements from a people perspective but also in terms of use of technology we make sure that we have enhancements in productivity from a process standpoint, from the stakeholder servicing perspective in terms of the experience that stakeholders would have when they interact with NSE. So we are focused on all those aspects and we will continue to focus on that. We have already seen the operating leverage in the numbers over the last couple of years including in the first quarter, and as I said this is a platform business and as we are beginning to scale up as volumes grow, the cost certainly don't grow at the same rate as the growth in volumes but that's really a function of how fast the volumes and the revenues grow. There will obviously be an increase in cost as you should expect because for any growth business there will be an increase in cost whether it is people related or because we are investing in new areas, new segments and segments that need to scale up based on where they are versus their potential. There will be spending and there will be investments in segments that need to grow. We will get into new segments to the extent that it makes sense for us to do that and obviously as business grows we will have to add people and we will have to spend a lot on technology as well. Technology is the core of what we provide to the market place and we are in the process of completely modernizing and transforming our technology stack as well because that is something which is very critical to what we provide to the market. So there will be an increase in cost surrounding some of these areas. And you know the regulatory responsibility on the exchange is also going up quite significantly and so that is another area that will see increased costs. Technology will see increased costs, regulatory will see increased costs and we will see an increase in cost because of focusing on segments that need to scale up and any new areas that we get into. Having said all that because all of that is factored into what you are seeing in the numbers, you should be able to see operating leverage provided revenues and volumes grow in a certain way, so that is what you

have seen in our numbers and so that equation will obviously track based on what's going on in the market place.

- Another question that has come up is, is there a likelihood of any kind of reduction in transaction charges. You might have noticed that recently we did reduce transaction charges for a certain specific objective, and that specific objective was to try and broaden the liquidity in the market, which actually is an important objective not only for NSE but it is in the best interests of market development, that liquidity in the market is more broad based and not concentrated in 50 or 100 stocks. So what we recently did was to reduce transaction charges for stocks that are beyond the 100-150 stocks in order to see whether that has any kind of impact on people's ability to trade and hedge and things of that nature. So depending on the circumstances we will take a call on that. There is no generic objective to reduce transaction charges. It is also important for shareholders to know that when you look at the cost of doing business in the market in general, transaction charge is a very small percentage of the overall cost, of overall transaction cost of trading in the market. A significant chunk of the costs are related to STT, capital gains, stamp duty and those kind of charges, the exchange transaction charges are a small percentage of the total transaction costs of trading in the market. So that's the answer to that question.
- I don't think there are any other questions that have come in through the question box, Chairman, so I will hand it back to you.
- **Mr. Girish Chandra Chaturvedi – Chairman, Board of NSE:**
- Thank you, Mr. Vikram. The queries have now been answered, and if there should be any other queries they may write to the company. Those who have not cast their votes on the resolutions set forth in the notice may do so immediately as the e-voting will be on for 15 minutes after the voting platform will be closed . I authorize the Managing Director of the company or the company secretary to declare the results of the remote e-voting as well as of the electronic voting done at the AGM today along with the scrutinizer's reports. The results will be announced within 48 hours from the conclusion of the meeting and shall be disseminated on the website of the company along with the scrutinizer's reports. The same would also be recorded as part of the proceedings of the AGM. This concludes the formal business of the meeting. Before I conclude on behalf of the company I wish to place on record our gratitude to all our shareholders for their active participation in the proceedings and for their valuable suggestions. Thank you. This takes us to end of the meeting,
- Thank you all.
- **[End of file]**