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To,

Listing Department

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor, Plot No. C/1

G Block, Bandra-Kurla Complex, Bandra (E)

Mumbai – 400 051

Scrip Code: BSE

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Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of the Conference Call held on February 2, 2018

Dear Sir/ Madam,

With reference to our letter dated January 30, 2018, intimating you about the conference call with Analyst/Investor held on February 2, 2018, please find attached the transcript of the aforesaid conference call.

This is for your information & record.

For **BSE Limited**

Nayan Mehta

Chief Financial Officer

Encl: a/a

BSE LIMITED

Q3 FY 18 Earnings Conference Call

February 2, 2018

BSE LIMITED

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

Operator

Ladies and gentlemen, welcome to BSE's Q3 FY 2018 Earnings Conference Call. My name is Basu and I will be the moderator for today's conference. As a reminder, all participants' line will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. [Operator Instructions] Please note that this conference is being recorded today.

I now hand over the conference to Mr. Yatin Padia, the Chief Investor Relations Officer, BSE Limited. Thank you and over to you sir. Please go ahead.

Yatin Padia

Hello, everyone and welcome to BSE's earnings call to discuss the Q3 FY 2018 results. This is Yatin, the Chief Investor Relation Officer. Joining us today on this earnings call is the BSE's leadership team consisting of Mr. Ashish kumar Chauhan, Managing Director and Chief Executive Officer; Mr. Nayan Mehta, Chief Financial Officer; Mr. Neeraj Kulshrestha, Chief of Business Operations. Do note that the conference is being recorded and a transcript of the same will be available on our website during the duration of the quarter.

The financial results and the investor presentation are also available on our website.

We also have with us Mr. V. Balasubramanian, MD and CEO of India International Exchange Limited.

I would now request Mr. Ashishkumar Chauhan to give a brief overview of the company's performance, followed by Q&A session. BSE does not provide specific revenue or earning guidelines. Anything said on this call will reflect the BSE's outlook for the future or which could be construed as a forward-looking statements must be reviewed in conjunction with the risk of the company faces.

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

Ashishkumar Chauhan

Thank you, Yatin. Good morning, good afternoon, and good evening to all of you wherever you are.

At the outset, I am very happy to share that BSE has posted 35% year-on-year growth of roughly to Rs.58.67 crore from continuing operations on a consolidated basis for the quarter ended December 31, 2017 as against Rs.43.36 crores for the corresponding quarter in previous year. Further the profit on a consolidated basis attributable to shareholders for the quarter ended 31 December 2017 rose by 11% to Rs.58.67 crores as again Rs.52.77 crore for the corresponding quarter in previous year. The board of directors have recommended a payment of interim dividend of Rs.5 per equity share of face value of Rs.2 each, which is similar to last year.

Over past few years, BSE has been receiving suggestions and request from investors to return a part of the excess cash lying in its books in form of dividend or buyback of shares. The board of BSE has in meeting held of January 15, 2018 approved buyback of shares through open market route and with open market route the company buys back its shares from open market on secondary market over a period of six months at market price not exceeding the predetermined maximum buyback price.

The board's decision reflects its confidence in BSE's future and its commitment to delivering values to all shareholders and strong balance sheet. As allowed in the Companies Act, the board approved the buyback of shares to the extent of 10% of equity and free reserves amounting to Rs.166 crore. The maximum buyback price of Rs.1100 per equity share was approved by the board after considering various factors including trends in the market price of equity share of the BSE shares listed on NSE during the one month / six months experiencing date of the board meeting including average of the weekly high and low of the closing share price, the equity shares of the company on the stock exchange and the net worth of the company and the potential impact of the buyback of the earnings per share and other similar ratios on the company.

Accordingly, BSE proposed to buy back 15 lakh that is 1.5 million shares or more amounting to about 2.8% of the paid up capital of the company at market price subject to maximum buyback price of Rs.1100 per equity share subject to maximum buyback amount of Rs.166 crore. The buyback has commenced on February 1, 2018.

India International Exchange listed first bond on its global securities market with Honourable Minister of Railways and Coal Shri Piyush Goyal ringing the gong. The bonds issued by IRFC that is Indian Railway Finance Corporation, are one of the highest credit rated bonds issued by a Indian corporate and is IRFC's first foray into green bond market followed NTPC Limited, US$6 billion MTN program on its global securities market. We are in talks with other public sector undertakings and private sector undertakings subject to regulatory discussions and clearance. Yes Bank became the first to establish MTN program on Global Securities Market of India International Exchange at IFSC in India. BSE STARMF, India's largest mutual fund distribution infrastructure introduced e-mandate facility on January 20, 2018. This is completely paperless framework that will reduce the time taken for mandate approval to 3 days from 10 days to 35 days taken for paper-based mandate approval in SITs.

Marketplace Tech Infra Services, a 100% subsidiary of BSE signed an MOU with Thomson Reuters to offer value-added service to its members. Through this partnership, BSE members will be able to avail Thomson Reuters-powered solutions proTRade, i3 Algos and Bracket Order on mobile device as well as dealer terminal.

Earlier in 2017, BSE deployed BEST, BSE's electronic smart trader, a robust state of the art hosted trading solution built on Thomson Reuters' Omnesys NEST for BSE members and customers and trading segment of NSE for equity derivatives, currency and other segments.

Swift India announced that Marketplace Technologies, a subsidiary of BSE will act as a service bureau for securities market in India providing a standardized cost effective robust and security infrastructure to all market participants.

SEBI announced that the country would have unified action regime from October 2018. In line with preparing ourselves to launch commodity derivatives transaction, BSE started to hold mock trading session for such products recently. Trading in commodity derivatives shall be conducted on the BOLT Plus trading platform, our new generation trading system.

Now I will cover the business update for the December quarter.

BSE promoted India International Exchange at GIFT to the Gandhinagar Gujarat had achieved the highest turnover of $405 million and highest number of contracts 23,108 on January 16, 2018 to around 18. The India International Exchange has 26 active members as on date and over 100 various stages of memberships processes. As on date, 122 products have been introduced on the exchange for trading in commodity derivatives, equity derivatives and currency derivatives. The average number of contracts traded daily for the quarter ended December 31, 2017 was Rs. 6,319. India INX continues to be market leader in this segment and the market share for the month of December stood at 71%.

Our mutual fund segment, which is an electronic online order aggregation platform for investment and redemption of units of mutual funds through broking members and authorized representatives including MFI and MFDs, has been showing superlative growth since past few years and continues to be another high growth area for BSE. This segment has seen growth of 163% on a year-on-year basis this year. The average monthly number of orders processed during the quarter ending December 31, 2017 were 14.7 lakhs as compared to 5.6 lakhs in the quarter ending December 31, 2016. BSE continues to be market leader in this segment and the market share for the quarter ending

December 31, 2017, stood at 77%. On January, 10 BSE STAR MF received a record 3.1 lakh transaction on single day worth Rs. 685 crores. I am glad to inform you that BSE started receiving fees from some of the mutual funds for its services recently.

BSE SME platform has 218 listed companies on its platform on January 15, 2018. 18 companies were listed on this platform during the quarter ended December 31, 2017, as compared to nine in the corresponding quarter in the previous year. BSE's market share in SME segment stood at 66% as at December 31, 2017.

During the quarter ended December 31, 2017, BSE's platform for electronic book mechanism, BSE bond for issuance of the securities on private placement basis has completed 105 issues of bond raising Rs. 43,680 crores using BSE net platform. Total number of issues completed in this platform since July 1, 2016, is 766. The total amount through this platform raised has been more than Rs. 353,000 crore.

With respect to listing of securities, a number of companies listed with the equity capital on our SMEs as on December 31, are available for trade is 3,764. BSE has the highest number companies listed on any exchange around the globe.

In the equity segment, the average daily turnover grew by 57% from Rs. 3,042 crores in the quarter ending December 31, 2016 to Rs. 4,781 crore in the quarter ending December 2017. Further the average number of trades grew by 3% from Rs. 15.5 lakhs in the quarter ending December to 15.01 lakhs in the quarter ending December 31, 2017.

The average daily turnover in our currency derivative segment grew by 38% from Rs. 12,588 crore to Rs. 17,999 crore in quarter ending December 31, 2017. BSE's market share in currency derivatives segment for the quarter was 45%, and in the month of January 2018 it was more than 50%.

Coming to the quarterly financials, the consolidated total revenue for the Q3 grew by 26% over Q3 of FY 2017 to Rs. 173 crore. And our consolidated net profit from continuing operations grew by 35% to Rs. 59 crore. Our operational income rose by 45% to Rs. 126 crore in Q3 FY 2018 from Rs. 86 crore in Q3 FY 2017. Our EBITDA increased to Rs. 81 crore in Q3 FY 2018 from Rs. 55 crore in Q3 FY 2017. EBITDA margin has grown from 40% to 47% in this period. Further our net margin from continuing operation has grown from 32% to 34% in Q3 FY 2018.

Growth in revenue and profits has been strongly aided by growth in operational revenues. The revenues from operations have consistently increased over last few years. Our income from security service has increased by 37% to Rs. 61 crores in Q3 FY18. This increase was mainly contributed by growth of 50% in transaction charge income to Rs. 44 crores in Q3 FY2108. Our income from services to corporates has increased by 63 % to Rs. 58 crores in Q3 FY 2018.

Total cash balance net of liabilities excluding investment in subsidiaries and committed regulatory capital requirement is Rs. 625 crore on standalone basis as on December 31, 2017. As on December 20, 2017, the total balance lying in settlement guarantee fund maintained by our clearing operation is Rs. 350 crore. Of the same, additional contribution made by BSE in accordance with earlier SEBI regulation is Rs. 56 crore, which would be offset against minimum required corpus requirements from time to time.

With this introduction, let me welcome you once again and invite all of you for question and answers. Thank you very much.

Question-and-Answer Session

Operator

Thank you, very much sir. Opening the lines for question-and-answer session. [Operator Instructions] First question comes from Ayush Kedar from Prosper Investment. Your line is un-muted.

Ayush Kedar

Yes thank you for the opportunity sir and congratulation on good sets of number. Couple of questions. First on investment income. The investment income of BSE Q-on-Q well as on Y-o-Y also has decreased, so it is due to – mainly what has caused this? Is it due to end-to-end provision, yield decrease or investment fund – investable fund decrease? Can you throw some light on that?

Nayan Mehta

Yes, Nayan Mehta here. As far as Q-on-Q and Y-o-Y decrease in investment income is concerned, that is primarily due to M-to-M. We had made investments in fixed maturity plans where the rate of interest is fixed for over a period of time. However, because of the yield changes during the quarter, this M-to-M – we have to market – mark-to-market this – the investments, and that is one major reason. There was one more reason that in the last year we had sold some bonds and in our – one of our group companies which is no longer recurring in this quarter. So that is the cause for this difference. And that's the reason.

Ayush Kedar

Sir is it mainly due to mark-to-market provision.

Nayan Mehta

Yes mainly due to mark-to-market provision.

Ayush Kedar

Okay. And next, sir, on technology cost, we had seen a rise in the technology cost. So is it due to related to commodity which we are setting up, or INX related or other subsidiaries?

Nayan Mehta

IT costs are a function of a lot of developments which happens and lot of capitalization which has happened over last few years, and so we need to maintain those assets and we need to incur more expenditure on the same. So IT costs are basically on account of increased cost on our regular IT requirements.

Ayush Kedar

It will be a run-rate in upcoming quarters or what will be the run-rate for that?

Nayan Mehta

It will remain constant at this level for the next few quarters I believe.

Ayush Kedar

Okay. And lastly sir, on INX losses, how much is INX has incurred the losses in this quarter? And secondly, contribution toward liquidity enhancement, how can it be scale of up to for a quarter?

Nayan Mehta

First of all, INX has basically incurred a cost of around Rs. 12 crores in the entire period of nine months and that is in line with our expectation. And what is the second – what is the other question you asked?

Ayush Kedar

Sir, we had contributed to a liquidity enhancement scheme in 1 November and which has been Rs. 75 crores – Rs. 75 lakhs for the quarter, so upto what numbers it can scale up to for a quarter?

V Bala

So in the last quarter we did it for two months. We spent about Rs. 77 lakhs in the last two months, but as far as this quarter is concerned, we also increased the program to also include options. So we expect about Rs 2.5 crores to Rs. 3 crores spend on the LES side.

Ayush Kedar

Okay. And our average tax rate, we understand that the investment income is tax- free, so the net of the operating income which we generate, ideally it should tax lower, so why is our tax rate higher on net operating income? See if you include the investment income, it is lower around 21% to 22%, but if we exclude investment income, it is higher. So can you throw some light on that? How will be the tax rate?

Nayan Mehta

The investment income includes tax free as well as taxable investment products. So we cannot totally exclude the investment income out of it. And as our operation income increases, obviously our tax amount as a effective rate is bound to increase.

Ayush Kedar

Sir, can you more clarify about this because if we consider the part portion in investment income, it's tax-free, the income generated from operating business, it should be – that is taxable, so what will be the run-rate on taxable EBIT for the quarter?

Sir can you more clarify about this because if you consider the part portion in this investment income, [indiscernible] the income generated from operating business, it should – that is taxable. So what will be the run rate or taxable rate for the quarter?

Nayan Mehta

So for taxable is that the taxable amount, that run-rate rate for the quarter will be anywhere around 20%.

Ayush Kedar

Okay. And lastly sir, on STAR mutual fund update, is there an update on charging the mutual fund, when we will start charging them?

Ashishkumar Chauhan

So I think few mutual funds have started paying from this week onwards.

Ayush Kedar

Sorry sir, can you repeat that?

Ashishkumar Chauhan

A few mutual funds, AMC…

Ayush Kedar

Okay, yeah.

Ashishkumar Chauhan

They have started paying this week onwards

Ayush Kedar

So the other should be followed in the upcoming quarters?

Ashishkumar Chauhan

We hope. We hope.

Ayush Kedar

Okay, okay. So this income – operating income also include the income from mutual funds which in Q4 the income which will be included , will also include the mutual fund income.

Nayan Mehta

So in Q4, I mean in the…

Ayush Kedar

Yes. That is in this quarter, last quarter.

Nayan Mehta

In this quarter?

Ayush Kedar

Yeah, okay, okay. And sir, lastly please post the investor presentation because we couldn't find the investor presentation of this quarter.

Nayan Mehta

We'll just check it out. I think it should have been posted by now.

Ayush Kedar

Okay, okay no problem. Thank you, sir.

Operator

Thank you, Aaysh. Next question comes from R Narayan, Individual Investor from Mumbai. Your line is unmuted.

R Narayan

Congratulations for a good set of numbers. Sorry, I just missed on the INX part, how much is the losses currently INX is in and by when we are expecting INX to breakeven?

Nayan Mehta

As I mentioned earlier, the loss of the INX is about Rs.12 crores to Rs.13 crores for the period for the nine months. And as far as the breakeven is concerned, obviously we have to let the business actually pick up in the sense that there has to be a critical mass of business which comes to us. And I would request to Mr. Bala who is with us to just throw some light on that.

V. Balasubramaniam

So in terms of the INX project, when we actually took the board approval last year from BSE, so we had put in a business plan wherein we are looking at a breakeven period of between three years to five years, so that is basically the estimate which was altered at some time.

R Narayan

If I may add, like SGX is planning to introduce Indian stock futures very soon, so do we see any kind of impact on that for the INX trading also?

V. Balasubramaniam

So incidentally yesterday in the budget there have been quite a few SOPs which have been given to the IFSC exchanges, so which will benefit the INX. One of the big things was that in Singapore, foreign investors when they traded in derivatives, they didn't have to pay any kind of capital gain, neither long-term or short-term. Now the same benefits have been extended from April 1, 2018 in the IFSC exchanges, so India INX will now get a level playing parity with Singapore. So now we can actually look at competing with them on a level playing basis.

R Narayan

Sure, sir. And with regards to the long-term capital gain tax which was introduced yesterday, I mean could we actually explain how that would affect us on the equity and cash segment for the non-exclusive segment and – either ways non-exclusive and exclusive segment both in the cash and derivatives?

Ashishkumar Chauhan

We don't see too much of an issue going forward on either side.

R Narayan

I mean I'm just trying to understand how that would translate in terms of the compliance and the operational costs for us?

Ashishkumar Chauhan

It reduces our compliance and operational cost drastically because earlier problems of tax evasion where we post on BSE because it was not capped – if you cap the share for more than a year then the capital gain tax was exempt. So lot of small company prices were moving up and each time anyone claimed a capital gain tax exemption, BSE was blamed by everyone including the CBDTs, Central Board of Direct Taxes officers who were assessing and they were sending us lot of queries, even now every day we would be answering at least 50 to 100 queries from income tax on variety of customers.

And so that's – probably once they start paying, this entire cost should come down because then the department doesn't have to take us as BSE as people who are encouraging such tax revision methods and we think it's going to be a great relief to us going forward.

R Narayan

Would it be possible to quantify the – on a per transaction basis how much the cost that we actually saved? Just some sort of rough figures?

Ashishkumar Chauhan

It is very similar to quantifying the love and affection.

R Narayan

Sure, sure. And last question with regards to the universal commodity exchanges, you mentioned that you had started some mock trading. Where do you see that in down the line and are there scope for any inorganic growth given the kind of cash that we have in hand?

Ashishkumar Chauhan

Basically we plan to start as soon as we are allowed which looks to be possible earliest by October 1. We have prepared ourselves for last two and a half years and have been waiting and now that it is looking possible, we have started doing the mock trading and it will give people hands on understanding of how it's going to happen in BSE, but we don't have any idea of what kind of numbers that will be attracted to BSE vis-à-vis, other exchanges. In terms of growth we do not currently see any possibilities, but if any opportunity arises, we'll have to evaluate based on the merit of the case and we may have to figure out, but currently we have not on the lookout.

R Narayan

Okay, sir. That's it from my side. Thanks and all the best for the future.

Ashishkumar Chauhan

Thank you.

Operator

Thank you, Mr. Narayan. Next question comes from Shish Jain from NVS Brokerage from Nariman Point. Your line is unmuted. Please go ahead.

Nalin Shah

Good morning. This is Nalin Shah from NVS Brokerage. First of all, I think congratulations for decent set of numbers. I just want to have a broad question that looking to the various, I mean, the stream of activities like equity derivatives and what of all currencies as well as the now SME Exchange and what are the growth drivers BSE management is looking to ensure that there is almost you can say that CAGR growth of about 25%, 30% or more on this thing, next three, four, five years.

Ashishkumar Chauhan

You mentioned some of them and some of them you did not mention like GIFT city, Gandhinagar, commodities, mutual funds and all.

Nalin Shah

Why I did not mention we need to…

Ashishkumar Chauhan

We have not given anyone any indication that there's going to be CAGR of X%, or Y% or Z%. So that might be sort of a conclusion you might have derived out of your own imagination, but BSE has not such indication given to anyone.

Nalin Shah

No, no. I'm not saying that I have derived any distinctly. I have said you have given any number. My point is as an investor like we talk to the other companies which are you know diversified companies, we talk to them and we request them to comment on, okay, what are the growth drives there you're seeing in that field so that that can improve the top line as well as the bottom line of the distinct; from the investors angle I'm talking about.

Ashishkumar Chauhan

Correct, correct. So I think you mentioned three, four, and I mentioned three, four, more.

Nalin Shah

Correct. Now why I did not mention about the GIFT City because I think Bala has already commented that I will take at least three to five years to breakeven and that's why I didn't say anything about the breakeven – I mean, the GIFT City.

Ashishkumar Chauhan

Yes. But the growth can be in volumes also in addition to the driven…

Nalin Shah

Absolutely.Yeah, yeah. Yeah, yeah, correct. So is there any I think real particularly you're targeting in terms of improving the profitability of the margins?

Ashishkumar Chauhan

We're truncating all of these areas.

Nalin Shah

Okay, okay. There is no specific plan as such?

Ashishkumar Chauhan

No, no.

Nalin Shah

No? Okay.

Operator

Shall we talk the next question, sir?

Ashishkumar Chauhan

Yeah.

Operator

Thank you, Shish. Next question comes from Rohit Balakrishnan, individual investor from Delhi. Your line is unmuted. Please go ahead.

Rohit Balakrishnan

Thank you. Could you talk a bit about your strategy on the commodity derivative side that you're planning to launch? What are the kind of spends that you're looking at once you start?

Ashishkumar Chauhan

Yeah, our current strategy is to run the new markets on our own technology platform. So our marginal cost of implementing technology for the commodities is going to be pretty close to nil, going forward. At the same time to attract volumes we might have to basically do marketing and sales. And as of when we're getting to that business that framework may evolve, but it is safe to say that we may end up spending Rs.5 crore to Rs.10 crore a year on the marketing and sales for commodities for next three, four years going forward. And if you get a good traction then we maybe able to recover our money and make more profits out of that.

Rohit Balakrishnan

And would you be also extending the liquidity enhancements scheme there, any thoughts on that? And would you also be looking to charge or like the other platforms or products that you have that you're not charging right now? Would you look at that as well to being with?

Ashishkumar Chauhan

Yeah, basically we will have to closure to the dates, we will have to figure out what is that is possible, what is that is allowed. And on that basis we will have to manage our sort of activities because there are – these are highly, highly, highly regulated basically activities.

Rohit Balakrishnan

Right.

Ashishkumar Chauhan

So in certain area they allow us to do a liquidity enhancement scheme, certain areas they don't, and so we'll have to figure out what is possible, what is not and also what is commercially prudent and then we would move around according to that.

Rohit Balakrishnan

Okay, got it. That's all from my side. Thank you very much.

Ashishkumar Chauhan

Thank you.

Operator

Thank you, Rohit Balakrishnan. Next question comes from Nilanjan Karfa from Jeffries, Mumbai. Your line is unmuted. Please go ahead.

Nilanjan Karfa

Ashish good afternoon, good evening. Could you comment on the – what you have planned on the commodity side? How do you plan to attract clients for example because obviously there is one large player already existing and one large player which is going to enter the market as well along with you?

Ashishkumar Chauhan

So we think we have a good technology. We think we have similar types of number as so-called large player and so effectively our cost of technology also very low compared to incumbents, and we think the current incumbents don't have great technology. And they are also struggling with the technology providers. Put together this is one area where we think we are able to score even in currencies where there are two incumbents.

Nilanjan Karfa

Correct.

Ashishkumar Chauhan

And today we are larger than both incumbents. And so we think it's possible to do and so technology seems to be our main differentiating factors and our distribution framework of stock brokers across the country is going to be another differentiating factor and they're now sort of ability to trade on easily on BSE because there use to be a technology might attract them to BSE compared to other incumbents currently trading this market.

Nilanjan Karfa

Right. A little more elaboration on what you mean by technological – where we gain on technology versus another player, if we can get a little more clarity?

Ashishkumar Chauhan

Currently our scale of operations is possibly one of the largest. We can handle 500,000 order per second.

Nilanjan Karfa

Okay.

Ashishkumar Chauhan

Which like 3 crore orders in a minute.

Nilanjan Karfa

Sure, sure. Sure, yeah.

Ashishkumar Chauhan

Like 180 crore orders in an hour and around 1 billion – I mean around 1,000 crore orders in a day of 6 hours. If you take commodities then it would be even larger because of the larger trading hours are there.

Nilanjan Karfa

Yes, yes.

Ashishkumar Chauhan

And so those kind of orders requires – basically they require the speed at which we offer this kind of scale is around 6 microseconds. In one second there are 10 lakh microseconds, 1 million.

Nilanjan Karfa

Correct.

Ashishkumar Chauhan

So we have response in 150,000 per second is the fastest in the world. Nearest fast exchange is around 60 microseconds at Singapore. And so we are severely fast, severely scalable. Why it is required? Because in auctions market…

Nilanjan Karfa

It is 60 I think.

Ashishkumar Chauhan

Pardon.

Nilanjan Karfa

It is 60 kind of different products, right, between the…

Ashishkumar Chauhan

Not only that, each time an underlying price changes all those orders have to go in and go out.

Nilanjan Karfa

Right.

Ashishkumar Chauhan

And so literally you have 60 orders getting, 60 or 120 orders getting canceled and new orders getting in. And if the software of a company or an exchange is not tuned for that, then it becomes very difficult to handle for them options business. To give you an example, suppose you go to – I mean you must be familiar with Bombay, so if you go to say Phoenix Mills, which is house to Big Bazaar.

Nilanjan Karfa

Yeah.

Ashishkumar Chauhan

Every – or at least they are getting 2 lakh customers or 2 lakh walk-ins in a weekend and 40,000 people buy, that means orders to trade ratio is around 5:1, 2 lakh by 40,000. Imagine suddenly on a weekend 2 crore people come and 40,000 people buy, that is the order to trade ratio has become 5 to 500, when your income remains still the same.

Nilanjan Karfa

Correct.

Ashishkumar Chauhan

So you'll have to change the entire structure of the Phoenix Mills otherwise it will stumping, right? And that is what happens in a technology also, our stock exchange when will start trading auctions, that you are used to 5:1 or 2:1 or 3:1 kind of order to trade ratio in futures and stocks. And suddenly you're going to 1,000:1, 2,000:1 kind of numbers.

Nilanjan Karfa

Right.

Ashishkumar Chauhan

And for that the number of computers required, the speed required on different caliber, right? So that's broadly – although not exactly, but broadly an explanation of why the technology is slightly different at that scheme.

Nilanjan Karfa

Right. So really using our existing BOLT Plus system, right?

Ashishkumar Chauhan

Yes, please.

Nilanjan Karfa

So do we – I mean will this be – create a different platform, parallel platform or posted on the same – the data, the data centers and the servers?

Ashishkumar Chauhan

Absolutely on the same.

Nilanjan Karfa

Okay. So that means the amount of cost that goes into this may not be high?

Ashishkumar Chauhan

As I said earlier in the beginning on somebody's question, our marginal cost of setting up the commercial market will be close to zero.

Nilanjan Karfa

Right, okay. And on the capital side?

Ashishkumar Chauhan

That's what I'm saying, capital side. The operation side used the same trading gain capital right IT people. But for sales and marketing, whatever money we need to spend, we'll have to spend.

Nilanjan Karfa

Right. And on the margin front that we need to keep, the clearing fund?

Ashishkumar Chauhan

Again, the clearing operation is reasonably capitalized, so there is no expected marginal increase from our side to be paid there at least in the beginning.

Nilanjan Karfa

Right. And we will do only the hard commodities to begin with, right?

Ashishkumar Chauhan

Basically non-agri.

Nilanjan Karfa

Non-agri, yeah. Okay, okay. And can I have the size of the balance sheet and the freehold cash that we have, cash and cash equivalents, excluding the un-incumbent part basically, the number of deposit?

Nayan Mehta

See, other than the un-incumbent part we have got around Rs. 1,600 crore in our book and which has – of which part has been replaced for the buyback.

Nilanjan Karfa

Okay. At this point how much have we used that?

Ashishkumar Chauhan

As mentioned in the speech, we are doing a buyback of Rs. 166 crore.

Nilanjan Karfa

Right. Okay, okay. I'm sorry, I can joined little later actually. Okay, thank you. Thank you so much.

Operator

Thank you, Nilanjan. Next question comes from Deepak Malhotra, TPG Consultancy from London. Your line is unmuted.

Deepak Malhotra

Hello. Ashish, just one question. You mentioned on the future growth opportunities, you referred that obviously one way could be just to increase the volumes of the market. What is your view now since the long-term capital gains has come in at 10% which is just – at a gap of just 5% vis-à-vis the short-term capital gain, do you think it will prompt people to go for more trading and some more volumes?

Ashishkumar Chauhan

See, it's a wish and a prayer. But otherwise it is anyone's guess, and what future brings is completely unpredictable.

Deepak Malhotra

So you don't really expect that because this will typically propel people not to really now differentiate between the 2 because 5% is neither here nor there?

Ashishkumar Chauhan

Fair point. But I don't have much views on that.

Deepak Malhotra

Back in 2004, it used to be 20% if I'm not mistaken, the long-term capital gain, but that is due to indexation?

Ashishkumar Chauhan

Fair, fair. I have no clue on what is going to happen given this – one of the large shock that has been – that has been imposed going forward.

Deepak Malhotra

Okay. One other question on the commodities, what kind of market share you're targeting over the next three years to five years? I know we still have to just msake a beginning, but I'm sure you're all gung-ho over it and you've already made all the preparation for the same, sir?

Ashishkumar Chauhan

Usually we don't target anything, we just want high. So we will have the base technology, base systems, lowest cost and hope people come in, and to give you a perspective on currencies people were asking us and of course they're all laughing on the block in front of us, I think whatever these guys say or not because they have been pretty much a failure, but somehow over three years, we've become larger than NSE. And let's hope we look at – we don't predict, we don't anticipate, we just do hard work.

Deepak Malhotra

Okay, thank you.

Operator

Thank you, Deepak. Next question comes from Rahil Jasani, ICICI Securities from Mumbai. Your line is unmuted.

Rahil Jasani

Sir, I wanted to ask that you mentioned that you have started charging the AMCs for mutual fund investment, so I wanted to ask if fee has been now okay with you charging for the services that you provide up the technology and platform for mutual fund investments.

Ashishkumar Chauhan

AMFI is not okay yet.

Rahil Jasani

So then do you expect this to continue or I mean, grow to more AMCs or do you expect this to be only very selective about all the AMCs.

Ashishkumar Chauhan

No, no almost all of them are on BSE, some eight people have agreed to pay us despite AMFI not wanting them to pay. And so, it's ultimately – you are a member of a club, right. Member of a club, when club says, not pay to your milkman. And if you are unethical you will tell your milkman that I don't want to pay you the cost, although I will drink your milk but I don't want to pay you because my club has said, I will not pay you. And the agreement is between your milkman and yourself, not between milkman and your club.

Rahil Jasani

Right.

Ashishkumar Chauhan

So it's basically that's the process in which some people have said that okay, we will become unethical and if you drink the milk from you, we'll pay you for the milk, that's how it is happening, right?

Rahil Jasani

Right, right. But I think that the way I was asking is you had even done this earlier during the time IPO I think so. Then again you discontinued, so do you see again that AMFI will protest to it or…

Ashishkumar Chauhan

AMFI does protest every day, but this eight guys somehow have decided one of the reason seems to be that when we were doing IPO probably we were 8% on the market, today we seem to be 20% of the market. And probably as for the indications, we are probably 50% of the new customers coming in. So that gives us some sort of level playing fields so to say against people who want other people to act unethically.

Rahil Jasani

Right, right. And if I may ask what are the charges? What is the quantum of the charge that you do?

Ashishkumar Chauhan

What I call, slab based charges, so if a fund sort of transfers less number of orders through us, then we charge them say, Rs. 25 or Rs. 30 per transaction. And if it's very large it could down to Rs. 6 per transaction.

Rahil Jasani

Okay, got it.

Ashishkumar Chauhan

So it's not an exorbitant number, it is basically saving them close to Rs. 200 to Rs. 300 per transaction but somehow – sometimes clubs flex that just to look fit and stay secure.

Rahil Jasani

Right, right. Okay, and secondly on commodity derivatives you said you have started mock trading session. So just wanted to ask how has been the response to the mock trading sessions. Concerning that there is already an income in the market. So how has been the response to your system and your technology?

Ashishkumar Chauhan

Our technology is actually used by them every day for the currencies and other equities and other areas, so they are comfortable with that it just how the trading in commodities will look like. I mean how to setup a contract and stuff like that which again were used in currencies also and equities also. So it's not very different or in fact it's not different at all. And so they are going to have on the same screen even commodity is coming up. So whoever gets the time in the evening, ends up logging in and I can you tell you that they maybe trading infinite amounts but those infinite amounts are actually of no consequence because they're fake. Maybe mock trading, if you take those things seriously then it's – what I call is it's like Bitcoin being taken as a currency.

Rahil Jasani

Got it, got it. Just the last follow-up. Is commodity derivatives that you are introducing you said, you will introduce in non-agri segment, so is there any specific contract that you are looking at, any specific commodity that you are looking at to start it.

Ashishkumar Chauhan

No, standard non-agricultural products like bullion, petroleum and crude and other stuff base metals and few others.

Rahil Jasani

Got it, okay, okay. Thanks a lot sir. Thank you.

Operator

Thank you Rahil. Next question comes from Ashish Chopra from Motilal Oswal, Mumbai. Your line is unmuted please go ahead.

Ashish Chopra

Yes. Sir, hi. Thanks for the opportunity. Sir, my first question was really around the liquidity enhancement scheme, I wanted to know just if you could elaborate on the plan on this scheme in terms of the duration and the amount that you may end up with over here investing.

Ashishkumar Chauhan

This is for India International actually, right?

Ashish Chopra

Right.

V Balasubramanian

So on the India International Exchange side – this is Bala here so we have taken a approval from the board for about Rs.4.42 crores for spending till April 15, but we are actually spending much lesser than that.

Ashish Chopra

Okay. So the plan is not to continue beyond that or would you reconsider it at that point of time?

V. Balasubramanian

So depending upon the competition and the situation and what the regulator does, at that time we will react to it.

Ashish Chopra

Got it. And secondly I just wanted to get your thoughts on the interoperability of clearing corporations. I think sometime around one month back or so when SEBI again apparently as per some news floated a paper seeking opinions on it, just wanted to understand how would you weigh a probability on that eventually coming through? And do you see that there are some timelines around which this may see light of day?

AshishKumar Chauhan

This is basically an outcome of the K.V. Kamath Committee which was set up around five years back, which submitted their report around 1.5 years or two years back, and so these are all long-term processes and it's not easy to predict actual implementation and them getting converted into regulations in a short time.

Ashish Chopra

I understand. But if you could just share your thoughts on what are the problems and what are the benefits of such interoperability which are currently which may be debated or mentioned by the experts who've been looking this up?

AshishKumar Chauhan

Basically interoperability is a standard practice now mandated by regulators in Europe, to some extent in U.S. and to some extent the Hong Kong-China interconnect and all are working on the similar principles. There are models available working which are working well and so there are no apprehensions, but usually an income monopolist would run a fix, and the non-monopolist, the smaller ones will want to average. And so depending on who is able to sort of convince the regulators and how the regulators see the situation, things get sort of implemented or not.

Ashish Chopra

That's understandable. That's it for side. Thanks and all the best.

Operator

Thank you, Ashish. Next question comes from Sai Kiran, RW Advisors, Mumbai. Your line is unmuted. Please go ahead.

Sai Kiran

Thank you for taking my question. Two things, one from the mutual fund side on incremental market share basis, it seems like the transaction volumes you guys are losing market share. Can you explain the reasons behind it? As a follow-up you mentioned that eight mutual funds started or agreed to pay you out, so what percentage of your total transactions do the mutual funds constitute? And the second question is on the SME exchange as well, it seems like the phase of listings and also the market share is declining is in a declining trend. Can you explain what are the reasons behind it? Thank you very much.

AshishKumar Chauhan

So SME basically in a sense the market share is declining, but absolute terms are increasing because NSE has also picked up well and that's a good sign for the overall scheme of things. That absolute number will continue to expand going forward. And in terms of mutual funds, it will attract smaller ones, they account for probably 5%-6% of the total volumes. And so it's not very best, but the beginning has been made.

Sai Kiran

And also can you this 5%-6% of your volumes, right?

AshishKumar Chauhan

Correct.

Sai Kiran

And can you explain on the market share as well, I mean mutual fund transactions on an overall basis?

AshishKumar Chauhan

Currently, we do around Rs.19 lakh transactions in a month, which is people tell me it's close to 20% in terms of the value accounts of the overall sort of inflow and outflow of mutual fund industry, but I could be off the mark by some points.

Sai Kiran

Got it. And just a clarification, you mentioned in earlier call session that what is the cash available on income though? Can you just repeat that please? I just missed that.

AshishKumar Chauhan

That is Rs.1,600 crores. 1,600

Sai Kiran

1,600, right. Thanks. All the best, thank you very much.

Operator

Thank you, Sai Kiran. Next question comes from Shree Kartik, Investec, Mumbai. Your line is unmuted.

Shree Kartik

Good evening. Thanks for the opportunity. Sir, could you speak a little bit about our ForEx business because that's been growing well and we have a large market share, but majority of that still remains OTC and there are a lot more regulatory restrictions on the segment. If you could speak a little bit about the direction in which you see the ForEx derivative segment moving over the next 2-3years?

AshishKumar Chauhan

See, we are directly into organized what I called standardized market, so what remains OTC may still remain, but some of that overflows into the organized market like ours and that is true internationally, so most transactions on – in terms of values may happen on OTC basis, but many of them are then reflected on to the organized markets because of the ability or need for agent by the people who are giving those transactions to their customers, that is largely banks and others, so that's how this business works internationally.

Shree Kartik

Okay. And the second follow-up question is more on our listing fees and the exclusive segment. We've seen a sharp drop in our number of companies listing. Does that have any impact on our listing fees?

AshishKumar Chauhan

These companies which we've delisted were not paying listing fees for more than seven years and they had been suspended, that is they were not even trading and they were not compliant. So effectively they were not spending, I mean, giving us any revenues nor any kind of trading at all.

Shree Kartik

But even then when you look at the listing fees that you charge per member for some cost credits still seems very, very minuscule in the overall scheme of things. Would you agree that you can continuously increase the listing fees over the next few years?

AshishKumar Chauhan

That is a good thought, but India is a poor country and the richest people also haggle on the smallest amounts, especially on the small amounts.

Shree Kartik

And my last question sir, is – I mean, there has been some introduction of long-term gains, capital tax et cetera. On the STT front which has been a huge friction in the overall scheme of things, let's – hypothetically assuming there's some relaxation on that, would that help us in any way?

AshishKumar Chauhan

I mean, STT going – STT is the largest friction that is there for last so many years and if STT goes away, basically helps in the liquidity and overall industry, but then…

Shree Kartik

So it will definitely help the overall industry and nothing specific to us?

AshishKumar Chauhan

I mean, of course if industry gets helped, BSE does get help. So what is good for industry is good for BSE.

Shree Kartik

Got it, sir. Thank you so much.

Operator

Thank you, Shree Kartik. Next question comes from Ayush Kedar from Prospero Investment. Your line is unmuted.

Ayush Kedar

Just one question sir. Has budget provided any extra benefit for the trade executed on INX? The reason behind this is if there is not, the business might shift to SGX. So is there any benefit to the INX or GIFT City?

V Balasubramanian

I actually earlier answered regarding some budget announcements. If you will listen to the budget speech I think they have introduced couple of provisions. One is they have said that basically all the capital gains which will be applicable on our transactions in IFSC exchange will not be applicable in IFSC. So there will be no long-term capital gain, nor short-term capital gain on either derivatives or any depository receipt or any bond. And second move is they also said is that to make IFSC more competitive, the government is also looking at bringing a single financial market regulator there to be more focused to expedite things in the IFSC. So these are two moves which will help us in stemming the flow to Singapore Exchange and also this gives us a level playing field vis-a-vis SGX and other kind of markets.

Ayush Kedar

Sir, so just to understand that how will capital gain generate if all other derivative contracts trade with it, no delivery-based transaction, so how the capital gains will arise?

V Balasubramanian

No, in the derivatives case in – for foreign investors, FIIs or FDIs, any benefit or any loss is considered to be a capital gain or a capital loss. And the capital gain part of it was treated and tax rate probably the business rate which is 30% or 40%. Now that part of it is gone completely for all the non-resident investors.

Ayush Kedar

Okay. So it will be taxed at 9%.

V Balasubramanian

No, for non-resident investors who are not even in GIFT City, they are customers, so they don't have to pay any 9% MAT or anything. MAT is applicable only to the IFSC entities which are the broking firm in the IFSC.

Ayush Kedar

Okay, okay, okay, got it.

Ashishkumar Chauhan

So it will be zero for them. So effectively zero here, and zero at Singapore, is the same rule now.

Ayush Kedar

Okay, thank you. Thank you so much.

Operator

Thank you, Ayush. [Operator Instructions] Next question comes from Rohit Balakrishnan, Individual Investor. Your line is unmuted.

Rohit Balakrishnan

Yes. Thanks. I just wanted to get your view on the commodity derivatives market that we have. So in your sense, I mean currently – I'm talking about non-agri part, so it's about 20,000 - 22,000 kind of ADTV [ph] so with new players coming in, do you see the market sort of expanding or how do you see that just wanted to get your sense?

Ashishkumar Chauhan

It should expand, but remains to be seen, I mean, these are all hopes because of which what tries to get into that business, but it should. We have seen it in currencies, we have taken the market share, but other peoples absolute numbers have not gone down much, so overall there has been increase.

Rohit Balakrishnan

Got it, got it. Thank you.

Operator

Thank you, Rohit. Next question comes from Mr. Bave, Individual Investor, UAE. Your line is unmuted.

Bave

Yes. Hi sir, thanks for taking my question. There were some talks around increasing the time for the exchanges, so is there any progress on that?

Ashishkumar Chauhan

It is a plan in the minds of the television anchors. So currently we are not aware, but if there is any regulation that comes up, we will look at it and then point in time.

Bave

Okay, thanks. And my second question is we were constantly losing the market share in terms of the equity and the other product. So like is there any stoppage on that or are we increasing the market share, if you can throw some light on that?

Ashishkumar Chauhan

So basically I'll tell you, there are around nine or 10 markets we work on. One of them is equities. Other is equity derivatives, third is IPOs. Fourth is listing. Fifth is offer to buy. Sixth is offer to sell. Seventh is SME. Eighth is mutual fund distribution through exchanges. Ninth is BSE bonds. Tenth is currency with derivatives. Eleventh is interest rate derivatives. And there are probably two or three more. Other than equity and its derivatives we are actually gaining market share in almost all areas. Okay, or we have very large incumbent if we are not getting the market share. Out of 12, 11 or 12 areas you got one and you have made a statement which is correct in a way, but it is also just wanted to show reflection and saying back kindly look at all the areas and figuring out.

Bave

Okay, understood. Thank you.

Operator

Thank you, Mr. Bave. As there are no further questions from the participants. Now I would like to hand floor back to Mr. Yatin Padia for the final remarks. Thank you. And over to you sir.

Ashishkumar Chauhan

Thank you for asking questions. Thank you.

Operator

Thank you sir. Shall we conclude the call?

Yatin Padia

Yes, please. Thank you.

Ashishkumar Chauhan

Thank you, guys.

Operator

That does conclude our conference for today. Thank you for participating on Reliance Conference Bridge. You may all disconnect now. Thank you.

{End of Transcript}

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