



IPO NOTE

Issue Highlights

Total Issue (Shares) - Offer for sale	15,427,197
Total Issue (Shares) - Fresh Issue	0
Net Offer to the Public	15,427,197
Issue Size (Rs. Cr.)	1241.89 - 1243.33
Price Band (Rs.)	805-806
Issue Opens	23-Jan-17
Issue Closes	25-Jan-17
Face Value	Rs.2
Lot Size	18 / Equity Share

Issue Composition

	In shares
Total Issue Shares	15,427,197
QIB	Upto 77,13,598
NIB	Not less than 23,14,080
Retail	Not less than 53,99,519

Objects of the Issue

- The objects of the Offer are to achieve the benefits of listing the Equity Shares on NSE and for the sale of Equity Shares by the Selling Shareholders.
- Further, BSE expects that listing of the Equity Shares will enhance its visibility and brand image and provide liquidity to its existing Shareholders.
- The Exchange will not receive any proceeds of the Offer and all the proceeds of the Offer will go to the Selling Shareholders in the proportion of the Equity Shares offered by them.

GC-BRLM Edelweiss Capital Limited, Axis Capital Limited, Jefferies India Private Limited and Nomura Financial Advisory and Securities (India) Private Limited

BRLM SMC Capitals Limited, SBI Capital Markets Limited and Motilal Oswal Investment Advisors Private limited

CO-BRLM Spark Capital Advisors (India) Private Limited

About the company

BSE owns and operates the BSE exchange platform, the first stock exchange in Asia, which was formed on July 9, 1875. At the end of October 2016, the BSE was the world's largest exchange by number of listed companies, and India's largest and the world's 10th largest exchange by market capitalization, with US\$ 1.7 trillion in total market capitalization of listed companies.

BSE operates in three primary lines of business, namely:

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

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

As at September 30, 2016, BSE had 1,446 unique members across all segments, and in Fiscal Year 2016 the BSE accepted an average of 284.92 million orders and 1.55 million trades in equity shares per trading day, placing it as the 12th most active exchange in the world in terms of electronic book trades in equity shares. (Source: World Federation of Exchanges ("WFE") statistics). During Fiscal Years 2014, 2015 and 2016 and the six months ended September 30, 2016, the BSE reported 24,663 million, 63,385 million, 70,376 million and 31,237 million electronic book orders in equity shares, respectively.

Strength

Strong brand recognition with a track record of innovation

As at the end of October 2016, BSE is the world's largest exchange by number of listed companies and India's largest and the world's 10th largest exchange by market capitalization, with US\$ 1.7 trillion in total market capitalization of listed companies. BSE has built brand by historically anticipating and responding to investor's needs through the introduction of new products and services. Examples of past product innovations include BSE StAR and BSE SME. It introduced BSE StAR, the online platform for the placement of orders and redemptions of units in mutual funds, in December 2009, providing investors

with a single platform to invest in and redeem from a wide selection of mutual fund schemes. As at September 30, 2016, BSE StAR offers a platform to invest in and redeem from 39 asset management companies ("AMCs") 6,303 open-ended mutual fund schemes. In addition, BSE is also developing BSE Hi-Tech, a platform for the listing and trading in shares of young, fast-growing companies, in order to provide them with equity capital to finance their growth. Moreover, they were the first exchange in India to offer free-float indices. In addition to innovative offerings such as these, they also provide a variety of hi-tech product and service offerings such as co-location services for algorithmic trading, intra asset management switches, direct pay-out to clients, multiple payment modes, overnight funds management for liquid mutual funds and XSIP, a platform for investing in systemic investment plans across mutual fund schemes. Their recent product initiatives include agreements with Korea Exchange and Bank of New York Mellon to explore and conduct joint research in areas such as the derivatives markets and support each other in the development of new products and to provide collateral management solutions, respectively.

Diversified and integrated business model and active relationship with market participants

BSE operates a diversified and integrated business model including trading, clearing and settlement of products listed and traded on the BSE, as well as the provision of data products, IT services and solutions, setting up of indices and training. BSE offers listing and trading of a wide variety of products including equity cash securities such as shares of companies and ETFs, units in closed-end mutual funds, corporate bonds and government securities, equity derivatives and currency derivatives, as well as services such as securities lending and borrowing, and platforms to facilitate offers to buy securities by listed companies and offers for sale of securities by substantial shareholders of listed companies. By providing such integrated services, it supports market participants and members throughout the entire life-cycle of a trade. Such an integrated approach benefits and keeps costs low for the participants and members by providing efficiencies that are associated with having a wide range of services integrated under one entity.

State-of-the-art infrastructure and technology

BSE has electronic systems for entry, trading, clearing and settlement and depository services and it continually seeks to improve its core IT capabilities, the reliability and consistency of which helps to maintain their competitive position. Their electronic systems includes (i) BOLT+, a fully-automated online trading platform through which all trades on the equity cash, equity derivatives and currency segments of exchange are executed, and (ii) precision time protocol, a time synchronization standard that they have adopted to ensure accurate and reliable time synchronization across their trading infrastructure. They have also implemented functional improvements to their infrastructure and technology, including tick-by-tick order data, multi-legged orders, and "straddles" strategies for currency derivatives and equity derivatives. Furthermore, all of their platforms are interconnected and operated through the same network and workstation, which helps to provide market participants with a seamless experience and efficient operations.

Financial strength and diversified sources of revenue

As an operator of a derivatives and securities exchange and clearing, settlement and depository services, BSE has multiple contact points with its members and market participants, providing them with the ability to generate revenue at multiple levels of its business. They derive revenue from a variety of sources including revenue from trading activities on the exchange, such as trading fees and trading tariffs, revenue from post-trade services, such as clearing, settlement, depository, custody and nominee service fees, and initial and recurring listing fees from equity, debt and derivative products, and subscription fees from data products. Mix of business provides BSE with diverse sources of revenue that are not all dependent on market volumes. For example, it not only generates market

turnover-related revenue, such as transaction charges, auction charges and depository charges, but also non-market turnover-related revenue, such as investment income, training income, software income and rental income. In FY 2016, revenue from operations (comprised of revenue from securities services, services to corporate and data dissemination fees), income from investments and deposits and other income comprised of 64.8%, 28.8% and 6.4% of the total revenue, respectively. In the six months ended September 30, 2016, revenue from operations, income from investments and deposits and other income comprised of 63.2%, 29.0% and 7.9% of the total revenue, respectively.

Strategy

- Strengthen its position to become the exchange of choice in India and expand the cross-border reach by entering into strategic alliances.
- Increase variety and market share of derivative products.
- Diversify product and service offerings and maintain new product innovation and development.
- Maintain and improve best-in-class platform infrastructure.
- Establish an international exchange and an international clearing corporation at GIFT City.
- Capture growth in the underpenetrated Indian financial markets.

Peer group:

There are no comparable listed companies in India engaged in the same line of business as the Exchange, hence comparison with industry peers are not applicable

Industry outlook

Globally, there are over 70 major stock exchanges with a market capitalisation of more than US\$5 billion. The total global market capitalisation of WFE member exchanges (the "WFE Exchanges") aggregated to US\$68 trillion at the end of October 2016 (Source: World Federation of Exchanges). 16 of these stock exchanges had a market capitalisation of above US\$1 trillion each. Market capitalisation of these stock exchanges taken together accounted for 86% of the total global market capitalisation. (Source: CARE Research, Report on Indian Stock Exchange Sector, December 2016 ("CARE Research Report")). According to CARE Research, the key growth drivers for the stock exchange sector in India are Demographic Dividend, introduction of new products and initiatives, participation by retail investors, initiatives by the Government of India and Demonetization. Other measures, like the recent passage of the goods and services tax, which would simplify the tax structure in India, are expected to boost overall GDP growth in the medium to long term and are further positive steps for the overall growth of the Indian economy in the long term. The goods and services tax is expected to be implemented from April 1, 2017. Going forward, CARE Research expects foreign investors to consider India as one of the preferred global investment destinations given its macro-economic stability, long-term growth prospects and ongoing economic and social reforms.

Indicative Timetable in respect of the Issue

Finalization of Basis of Allotment with the Stock Exchange	On or about January 31, 2017
Initiation of refunds/un-blocking of ASBA Accounts	On or about February 1, 2017
Credit of Equity Shares to demat accounts of Allottees	On or about February 2, 2017
Commencement of trading of the Equity Shares on NSE	On or about February 3, 2017

The above timetable is indicative and does not constitute any obligation on Company or the Selling Shareholders or the GC-BRLMs, BRLMs and Co-BRLM

Retail Payment Chart

Bid Lot	18 Equity Shares & in multiples thereafter	
	Rs.805-Rs.806	
Price Band		
No. of Shares	Cut off price per share Rs.	Total Amount (Rs.)
18	806	14,508
36	806	29,016
54	806	43,524
72	806	58,032
90	806	72,540
108	806	87,048
126	806	101,556
144	806	116,064
162	806	130,572
180	806	145,080
198	806	159,588
216	806	174,096
234	806	188,604

Annexure

Profit & Loss (Consolidated Financials)

Rs. in Cr.

Particulars	6 month ended (30-Sep-16)	Year ended 31-Mar-16
Total Operating Income	353.36	616.19
Total expenditure	190.36	357.76
Operating Profit	163.00	258.43
OPM%	46.13	41.94
Other Income	30.11	42.08
PBDIT	193.11	300.51
Depreciation	24.61	61.68
PBIT	168.50	238.83
Interest	0.60	0.67
PBT	167.90	238.16
Extraordinary Items and Tax	20.79	46.60
PBT-exceptional Items	147.11	191.56
Tax	22.36	32.41
Profit after tax	124.75	159.15
Minority interest	19.82	36.35
share of loss of associate	0.00	0.27
PAT after minority	104.93	122.53

Balance sheet is on next page

Balance Sheet (Consolidated Financials)

Particulars	As on 30-Sep-16	As on 31-Mar-16
Fixed assets		
Fixed Assets	166.81	164.58
Good Will	85.04	85.04
Deferred Tax Assets (net)	11.41	10.78
non-current investment	1,363.92	1,525.08
Other non Current Asset	0.57	1.50
Long-term loans and advances	100.67	120.39
	1728.42	1907.37
Current assets		
Current Investments	800.02	537.28
Trade receivables	63.89	47.99
Cash and Bank balances	1,692.09	1,610.08
Short-term loans and advances	54.32	19.70
Other current assets	113.60	84.55
Total current assets	2723.92	2299.60
Total Assets	4452.34	4206.97
Non-current liabilities		
Long-term borrowings	0.00	1.88
Deferred tax liabilities/(assets) (Net)	0.24	0.15
Other long-term liabilities	53.70	52.06
Long-term provisions	1.12	0.80
Deposits from Trading Members	17.25	19.00
Total non-current liabilities	72.31	73.89
Current liabilities		
Total outstanding dues of creditors other than MSME	77.41	69.66
Other current liabilities	1293.68	1139.12
Short-term provisions	36.23	76.65
Total current liabilities	1407.32	1285.43
Total	1479.63	1359.32
Core Settlement Guarantee Fund	192.06	176.05
Share Application Money		
Pending Allotment	0.01	0.01
Minority Interest	227.72	222.31
Total Liabilities	1899.42	1757.69
Net worth represented by:		
Share capital	10.74	10.74
Reserves and surplus	2542.18	2438.54
Net Worth	2552.92	2449.28



Moneywise. Be wise.

E-mail: researchfeedback@smcindiaonline.com



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Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Dheeraj Sagar, 1st Floor,
Opp. Goregaon sports club, link road
Malad (West), Mumbai - 400064
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:

18, Rabindra Sarani,
"Poddar Court", Gate No. 4,
4th Floor, Kolkata - 700001
Tel: 91-33-39847000, Fax: 91-33-39847004

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