

BSE SENSEX

81,482

S&P CNX

24,855

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Net Sales	171.4	169.1	193.8
EBITDA	133.2	132.1	151.6
PAT	111.1	119.4	136.2
EPS (INR)	44.9	48.2	55.0
EPS Gr (%)	33.8	7.5	14.1
BV / Sh (INR)	122.6	144.8	173.8
Ratios (%)			
RoE	42.9	36.1	34.5

Not Rated

New product launches to drive volume growth

- NSE reported operating revenue of INR40.3b in 1QFY26, down 11% YoY, mainly due to a 14% YoY decline in transaction charges.
- Total expenditure rose 11% YoY to INR9b, supported by a 34%/5% YoY growth in employee expenses/other expenses. EBITDA declined 15% YoY to INR31.3b in 1QFY26, reflecting an EBITDA margin of 77.6% vs 81.9% in 1QFY25 and 74.3% in 4QFY25.
- Reported PAT for the quarter stood at INR29.3b, an increase of 14% YoY and 10% QoQ. YoY growth was driven by higher other income and no contribution to SGF, despite a weaker top line.
- Looking ahead, growth is expected to be driven by the scaling up of electricity derivatives and introduction of futures contracts across other commodities, potential launch of VIX futures based on market feedback, and continued product development for NSE's international exchange.
- **From Sep'25, NSE's Nifty expiry will shift to Tuesday from Thursday. According to our estimates, this change could lead to a 300-400bp increase in market share on a premium turnover basis, potentially offsetting the near-term weakness in volumes. Transaction revenue is projected to post an 11% CAGR over FY25-27. Overall, we expect a 6%/7%/11% CAGR in revenues/EBITDA/reported PAT over FY25-27.**

ADTO improves sequentially across segments

- The revenue mix was dominated by transaction charges (78%), which declined 14% YoY. Income from data center & connectivity (8%) grew 17% YoY. Operating investment income (6%) declined 10% YoY. Data feed and terminal charges (3%) rose 6% YoY, while listing services (1%) rose 16% YoY.
- Income from transaction charges increased sequentially 7% QoQ to INR31.2b, driven by a 7%/3%/12% rise in charges from equity options/equity futures/cash market.
- On the subsidiaries front, the total income reported by Clearing /Indices/Data Analytics/GIFT City stood at INR5.2b/INR490m/INR920m/INR300m.
- Cash market ADTO declined 12% YoY but increased 14% QoQ to INR1.1t. Equity Futures ADTO dipped 20% YoY but rose 5% QoQ to INR1.7t. Equity Options ADTO (based on premium value) declined 23% YoY but increased 9% QoQ to INR555b.
- Market share in Cash/Equity Futures/Equity Options/Currency Derivatives for 1QFY26 stood at 93.8%/99.8%/78.6%/100% vs 94.6%/ 99.8%/ 81.2%/ 93.9% in 4QFY25.
- On the product front, the company recently launched the monthly electricity futures contract, which aligns with its strategic vision. It plans to launch more contracts in the commodities space soon.

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- Total expenses rose 11% YoY to INR9b. The cost-to-income Ratio (CIR) stood at 22.4%, compared to 18.1% in 1QFY25 and 25.7% in 4QFY25.
- Employee expenses rose 34% YoY to ~INR2b, mainly due to the impact of incremental hiring in the previous quarter (~3%) and annual increments (~10%). Other expenses rose 5% YoY, primarily due to NSE IT being treated as a third-party company and ongoing technology upgrades across other subsidiaries. Additionally, the company incurred an INR400m settlement related to a SEBI inspection report dating back to FY23-24.
- The unique registered investor base grew to 116m, with total investor accounts at 220m+.
- In the equity segment, 33 companies raised INR150.8b through IPOs on both SME and mainboard platforms. Of these, nine companies (mainboard) raised INR138.5b and the remaining 24 SME companies raised INR12.3b. Total SME IPOs on the NSE platform stood at 634.
- Total fund mobilization for the quarter stood at INR5.2t. Of this, INR4.2t/INR1t/INR0.2t was raised through debt/equity/IPOs.
- The total contribution to exchequer stood at INR143.3b, of which INR123.4b/INR8.5b/INR8.8b/INR2.7b was from STT or CTT/income tax and GST/stamp duty/SEBI fees.

Key takeaways from the management commentary

- The company plans to add ~200 racks this month, with 189/189/93/188 racks to be added in Aug/Sept/Oct/Nov, totaling 660. These will be added to the ~1,200 racks currently operational, taking the total count to ~1,860 racks. Management believes this capacity will be sufficient to meet current demand. Any further rack expansion will depend on future demand and supply dynamics.
- NSE Data and Analytics is engaged in a deal to sell its KRA business through a business transfer arrangement. The transaction is expected to close shortly.
- Regarding the IPO launch, NSE has replied to all SEBI queries and is awaiting a response.

Quarterly Performance

Y/E March	FY25				FY26		YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	FY25		
Gross Sales	45,097	45,102	43,494	37,714	40,322	1,71,407	-11	7
YoY Change (%)	51.0	23.5	23.7	-18.4	-10.6	16.0		
Employee Expense	1,477	1,942	1,627	1,672	1,976	6,718	34	18
Other Expenses	6,689	13,985	7,200	8,005	7,049	35,879	5	-12
Total Expenditure	8,166	15,927	8,827	9,677	9,025	42,597	11	-7
EBITDA	36,931	29,175	34,667	28,037	31,297	1,28,810	-15	12
Margins (%)	81.9	64.7	79.7	74.3	77.6	75.1		
Depreciation	1,261	1,370	1,324	1,511	1,501	5,466	19	-1
Other Income	4,406	5,131	4,571	6,253	7,662	20,362	74	23
PBT before EO expense	40,077	32,936	37,914	32,779	37,458	1,43,705	-7	14
Contribution to SGF	5,873	-4,265	684	49	0	2,341	-100	-100
PBT	34,203	37,201	37,230	32,731	37,458	1,41,365	10	14
Tax	8,492	10,226	10,993	8,980	9,642	38,690		
Rate (%)	21	31	22	27	26	27		
Exceptional Item	0	0	11,549	545	0	12095		
Minority Interest & Profit/Loss of Asso. Cos.	246	298	367	378	302	1,289		
PAT	25,957	27,273	38,154	24,674	28,118	1,16,058	8	14
YoY Change (%)	37.9	35.6	89.6	-1.3	8.3	38.1		
Margins (%)	57.6	60.5	87.7	65.4	69.7	67.7		
Reported PAT	25,667	31,373	38,336	26,501	29,239	1,21,877		
YoY Change (%)	39.2	57.0	94.1	6.5	13.9			
Margins (%)	56.9	69.6	88.1	70.3	72.5			



Key takeaways from the management commentary

Business Operations

- The company plans to add ~200 racks this month, with 189/189/93/188 to be added in Aug/Sept/Oct/Nov, totaling 660. These will be added to the ~1,200 racks already functional, taking the total to ~1,860 racks.
- Management expects this to suffice for the current demand. Further rack expansions will depend on the demand and supply dynamics.
- The common contract note went live a few weeks ago, aiding trade reconciliation for market participants. Trading volumes are likely to be more dependent on liquidity, but it is too early to judge the impact of the common contract note.
- The launch of monthly electricity futures in Jun'25 is strategically in line with the company's vision and marks a milestone in the power segment.
- Future growth would be driven by: a) scaling up of the electricity derivatives and launch of futures contracts across other commodities, b) NSE's consideration regarding the launch of VIX futures based on market participant feedback, and c) further product development for NSE's international exchange.
- Market share: Cash/Equity futures/Equity options stood at 93.8%/99.8%/78.6%.
- The overall volumes mix stood at 35%:65% in the retail: institutional segment.
- In the NSE Indices subsidiary: a total of 422 passive funds, comprising ETFs and index funds in India, were tracking NIFTY indices with a combined AUM of INR8.4t, accounting for ~73% of the total equity and debt passive AUM of INR11.5t.
- The KYC business onboarded a total of 8,214 reporting entities on the platform.
- As of Jun'25, total UCCs registered on the NSE-IEX platform reached 69,576, a 7% increase sequentially. NSE-IEX's average daily turnover increased to USD4.6b in Q1FY26 from USD4.2b in Q4FY25.
- NSE contributed INR143.3b to the exchequer, of which INR123b /INR8.5b /INR8.8b /INR2.7b came from STT & CTT/Income tax and GST/Stamp Duty/SEBI fees.
- In the equity segment, 33 companies raised INR150.8b through IPOs on both SME and mainboard platforms. Of these, nine companies (mainboard) raised INR138.5b and the remaining 24 (SME) raised INR12.3b. Total SME IPOs on the NSE platform stood at 634.
- The municipal bonds market also expanded, with four new issuers raising INR3.3b, including INR2b by Greater Chennai Corporation. As of Jun'25, 17 issuers have raised INR33.6b through 23 municipal bonds.
- The change in expiry day to Tuesday was done based on market feedback that NSE received. SEBI's consultation papers provided the option to choose between Tuesday and Thursday only. Earlier, NSE wanted to shift the expiry day to Monday, as several international exchanges have expiries on Monday. The impact of the shift in volumes expiry is difficult to judge at this stage.
- Regarding the IPO launch, NSE has replied to all SEBI queries and is awaiting a response.

- The company conducted 3,455 investor awareness programs, reaching 0.2m participants, a 450% increase YoY. It has also initiated targeted programs for employees of India's top 50 listed companies, engaging over 1,900 participants.
- Under SEBI's ESGs, the company co-hosted a mega regional investor seminar in Agra, attended by over 1,200 participants, including police, army personnel, corporates, and students.

Financials

- On a consolidated basis, total income rose 9% QoQ, mainly driven by an increase in volumes across the cash and derivatives markets.
- The company incurred a one-off of INR1.32b (interest received on income tax) during the quarter, which was included in other income.
- The decline in clearing charges is on account of a decrease in the number of contracts traded on BSE, despite an increase in premium turnover.
- On a standalone basis, total income declined 28% QoQ, largely due to the recording of a one-time dividend of INR19b received from the investment subsidiary in Q4FY25. Excluding this impact, income rose 9% sequentially.
- On a standalone basis, transaction income rose 7% QoQ due to higher revenue from the cash and derivatives segment. Mix stood at Options: Cash: Futures at 73%:13%:11%.
- Total income reported by its clearing subsidiary stood at INR5.2b, up 11% YoY.
- Total income from the Indices subsidiary stood at INR490m, and from data analytics at INR920m. GIFT City reported total income of INR300m and a net loss of INR10m.
- Total expenses declined 6% QoQ, mainly due to the recording of higher CSR expense provisions of INR1.7b in Q4FY25 vs INR10m in Q1FY26. The decline was partially offset by higher employee and regulatory costs.
- The pickup in employee expenses in the first quarter was due to the impact of incremental hiring in the previous quarter (~3%) and annual increments (~10%).
- The increase in other expenses was on account of NSE IT being accounted for as a third-party company and technology upgrades across other subsidiaries. There was also an INR400m settlement with respect to a SEBI inspection report dating back to FY23-24.

Others

- NSE Data and Analytics is engaged in a deal to sell its KRA business through a business transfer arrangement. The transaction is expected to close shortly.

Key exhibits

Exhibit 1: Revenue declined 11% YoY in 1QFY26

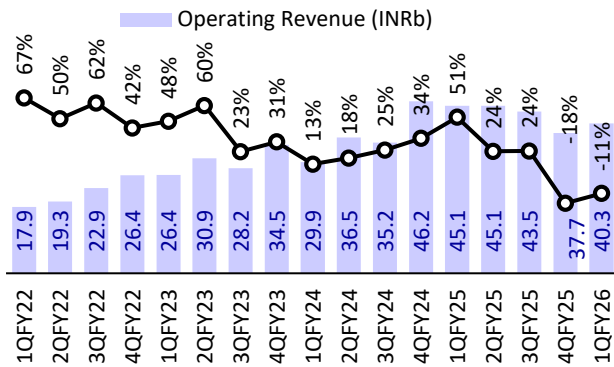


Exhibit 2: Revenue mix (%)

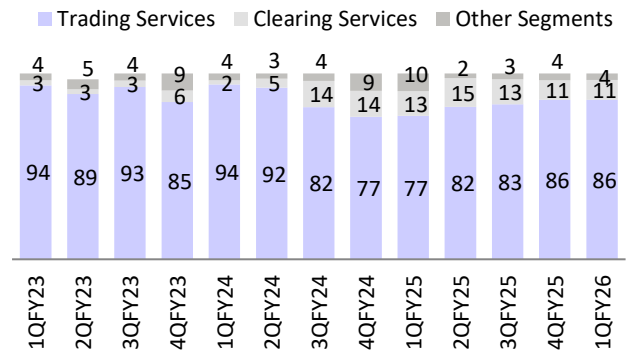


Exhibit 3: Other income rose in 1QFY26

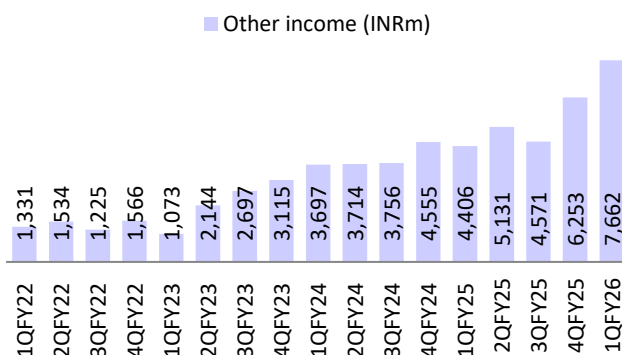


Exhibit 4: Trend in EBITDA and margins

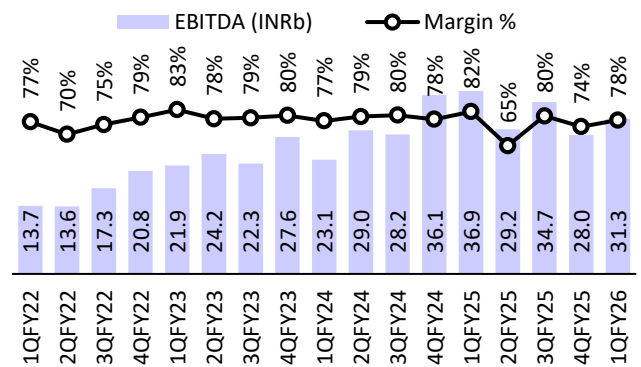


Exhibit 5: CIR stood at 22% in 1QFY26

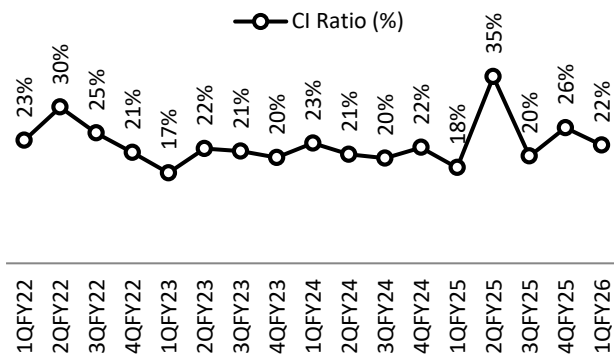


Exhibit 6: Trend in SGF contribution

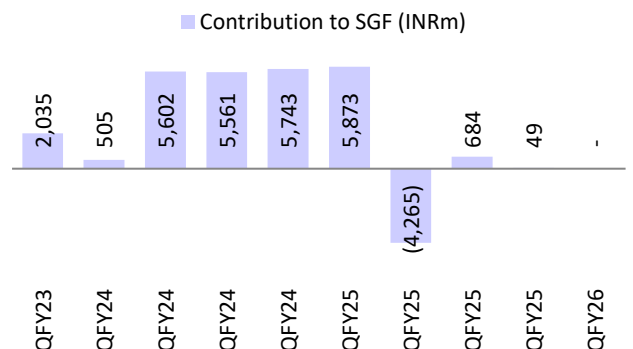


Exhibit 7: Trends in PAT and margins

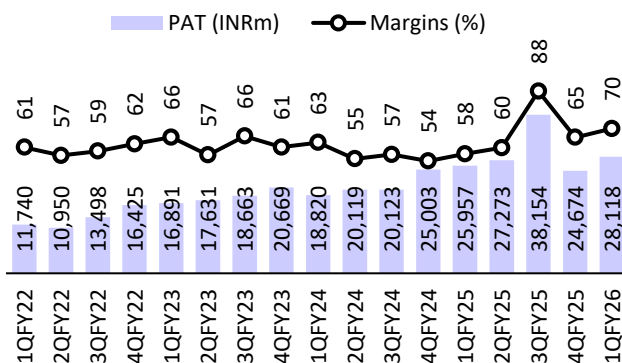
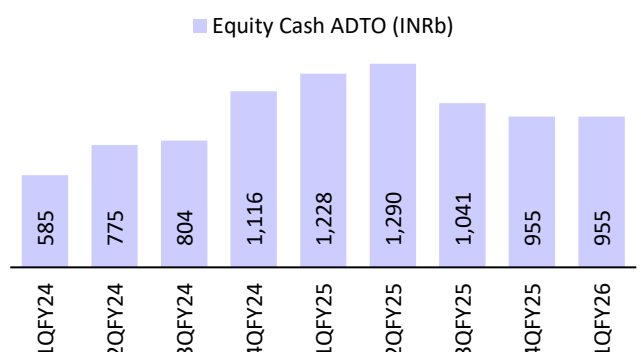


Exhibit 8: Trend in Equity Cash ADTO



Source: MOFSL, Company

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Exhibit 9: Quarterly trend in Equity Futures ADTO

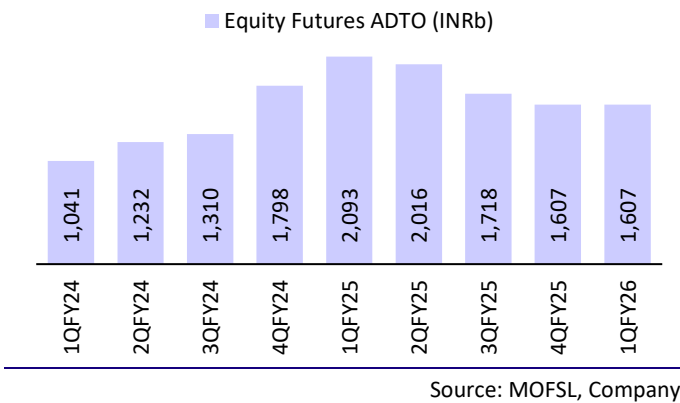


Exhibit 10: Quarterly trend in Equity Options Premium ADTO

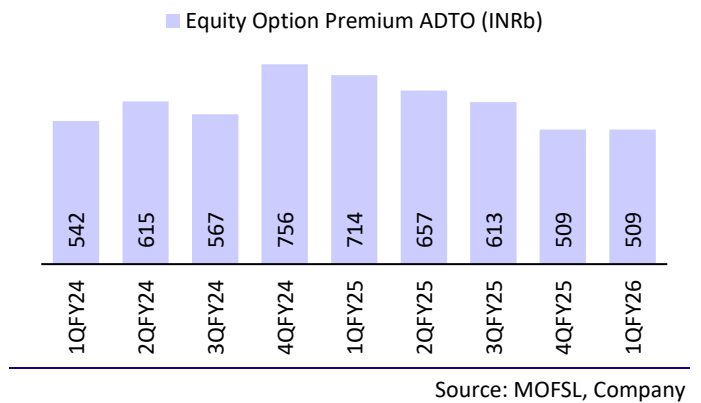


Exhibit 11: Monthly trend in Equity Options Notional ADTO

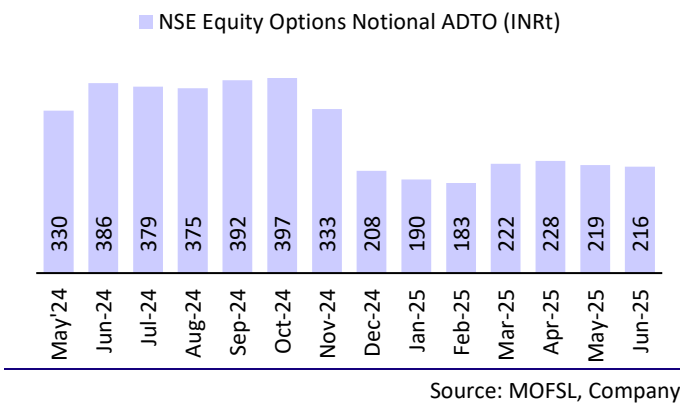


Exhibit 12: Monthly trend in Equity Futures Notional ADTO

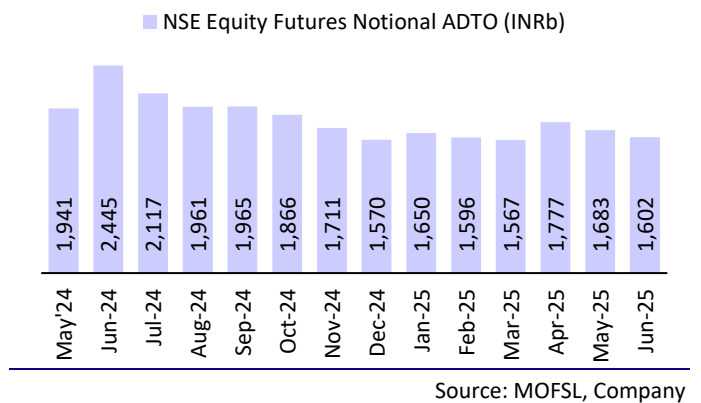


Exhibit 13: Monthly trend in Equity Options Premium ADTO

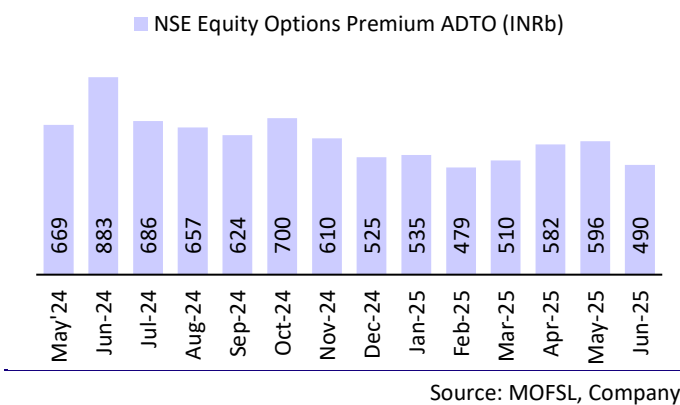
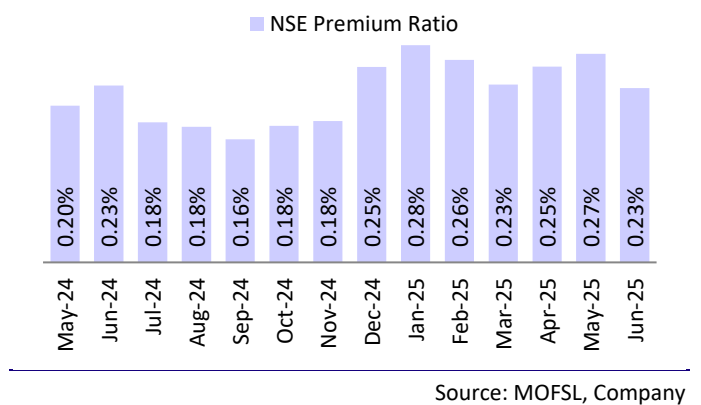


Exhibit 14: Monthly trend in Premium/Notional turnover ratio



Financials and valuations

Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	35,079	56,248	83,131	1,18,562	1,47,800	1,71,407	1,69,135	1,93,773
Change (%)	17.0	60.3	47.8	42.6	24.7	16.0	-1.3	14.6
Employees Cost	4,299	4,798	3,564	3,661	4,604	6,718	7,793	9,195
Other Expenses	8,742	9,422	13,515	20,622	44,499	31,518	29,252	32,967
Total Expenditure	13,041	14,221	17,079	24,282	49,103	38,236	37,044	42,163
EBITDA	22,039	42,028	66,053	94,280	98,697	1,33,171	1,32,091	1,51,611
Margin (%)	62.8	74.7	79.5	79.5	66.8	77.7	78.1	78.2
Depreciation	1,808	2,260	3,105	3,841	4,396	5,466	6,390	6,752
EBIT	20,231	39,768	62,948	90,439	94,301	1,27,705	1,25,701	1,44,858
Other Income	3,896	5,775	5,607	9,091	16,536	20,362	30,123	34,641
PBT after EO Exp.	24,127	43,991	69,410	99,531	1,10,837	1,42,674	1,55,824	1,79,500
Total Tax	6,405	8,916	16,983	25,397	27,778	38,690	38,956	44,875
Tax Rate (%)	26.5	20.3	24.5	25.5	25.1	27.1	25.0	25.0
Minority Interest	-1,126	-659	-903	-885	-1,005	-1,289	-1,417	-1,559
Reported PAT	18,848	35,734	51,870	73,673	83,058	1,11,091	1,19,406	1,36,184
Adjusted PAT	18,848	37,286	51,015	73,673	83,058	1,16,484	1,19,406	1,36,184
Change (%)	17.9	97.8	36.8	44.4	12.7	40.2	2.5	14.1
Margin (%)	53.7	66.3	61.4	62.1	56.2	68.0	70.6	70.3

Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	495	495	495	495	495	2,475	2,475	2,475
Total Reserves	85,718	1,15,865	1,53,609	2,04,290	2,39,249	3,01,058	3,56,014	4,27,748
Net Worth	86,213	1,16,360	1,54,104	2,04,785	2,39,744	3,03,533	3,58,489	4,30,223
Total Deposits	18,840	19,804	23,236	28,811	32,649	37,034	42,589	48,978
Deferred Tax Liabilities	-3,523	-3,961	-3,603	-3,800	-7,408	-10,662	-12,262	-14,101
Net Fixed Assets	7,279	9,122	12,195	11,927	12,352	16,992	17,179	17,679
Total Investments	73,535	1,14,059	1,37,239	1,89,350	2,92,614	3,39,890	3,89,949	4,47,517
Curr. Assets, Loans & Adv.	1,53,415	1,59,305	1,95,968	1,55,929	3,36,322	3,22,078	3,65,059	4,23,101
Account Receivables	6,521	9,986	16,150	15,892	18,647	15,122	17,390	19,999
Cash and Bank Balance	1,25,384	1,34,576	1,63,227	1,15,832	2,91,110	2,75,142	3,11,083	3,61,027
Loans and Advances	21,510	14,744	16,592	24,205	26,565	31,814	36,586	42,074
Curr. Liability & Prov.	1,35,121	1,54,709	1,77,271	1,30,445	3,79,197	3,51,628	3,86,260	4,26,086
Account Payables	1,665	2,405	3,492	2,622	3,328	4,523	5,201	5,981
Other Current Liabilities	1,33,456	1,52,304	1,73,779	1,27,823	3,75,870	3,47,106	3,81,059	4,20,105
Net Current Assets	18,295	4,596	18,698	25,484	-42,876	-29,550	-21,200	-2,985
Appl. of Funds	1,01,537	1,32,204	1,73,817	2,29,815	2,64,980	3,29,908	3,88,817	4,65,100

E: MOFSL Estimates

Financials and valuations

Cash Flow

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
PBT	24,127	43,991	69,410	99,531	1,10,837	1,53,459	1,55,824	1,79,500
Depreciation	1,808	2,260	3,105	3,841	4,396	5,466	6,390	6,752
Changes in Operating assets	-12,984	2,926	-3,610	-11,413	-10,958	3,210	-6,808	-7,829
Changes in Operating Liabilities	30,063	15,587	18,135	-56,906	2,13,958	-59,806	35,002	40,252
Changes in SGF	3,691	3,662	4,623	10,285	36,266	31,650	0	0
Operating Cash Flow	46,704	68,426	91,662	45,338	3,54,499	1,33,980	1,90,408	2,18,675
Changes in PPE	-2,845	-3,428	-7,287	-2,981	-4,657	-9,793	-6,890	-7,252
Goodwill on consolidation	-54	-2,674	-150	2,040	0	0	0	0
Changes in investments	7,648	-40,524	-23,180	-52,111	-1,03,264	-47,276	-50,059	-57,568
Other NCA and L&A	-5,517	278	-4,240	3,654	765	-7,603	-2,202	-2,533
Changes in deposits	-170	964	3,433	5,575	3,838	4,385	5,555	6,388
Investing Cash Flow	-938	-45,384	-31,424	-43,822	-1,03,318	-60,285	-53,596	-60,965
Changes in ESC	0	0	0	0	0	1,980	0	0
Dividend Paid	-10,622	-5,445	-20,790	-39,600	-55,688	-49,500	-54,450	-54,450
Others	-5,168	-8,405	-10,797	-9,310	-20,215	-42,145	-46,418	-53,316
Financing Cash Flow	-15,790	-13,850	-31,587	-48,910	-75,902	-89,665	-1,00,868	-1,07,766
Cash Flow for the year	29,977	9,192	28,651	-47,395	1,75,279	-15,971	35,943	49,945
Opening cash & cash Equivalents	95,407	1,25,384	1,34,576	1,63,227	1,15,832	2,91,110	2,75,142	3,11,083
Closing cash & cash Equivalents	1,25,384	1,34,576	1,63,227	1,15,832	2,91,110	2,75,142	3,11,083	3,61,027

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Reported EPS	7.6	14.4	21.0	29.8	33.6	44.9	48.2	55.0
BV/Share	34.8	47.0	62.3	82.7	96.9	122.6	144.8	173.8
DPS	5.2	6.2	10.5	20.0	28.1	25.0	27.5	27.5
Payout (%)	68.3	42.9	50.1	67.2	83.8	55.7	57.0	50.0
Return Ratios (%)								
RoE	23.0	36.8	37.7	41.1	37.4	42.9	36.1	34.5
RoCE	17.6	30.1	33.0	36.1	32.8	35.2	31.5	30.6
RoIC	25.5	36.8	52.7	53.3	37.4	42.9	40.5	41.1
Working Capital Ratios								
Fixed Asset Turnover (x)	4.8	6.2	6.8	9.9	12.0	10.1	9.8	11.0
Asset Turnover (x)	0.3	0.4	0.5	0.5	0.6	0.5	0.4	0.4
Inventory (Days)	0	0	0	0	0	0	0	0
Debtor (Days)	68	65	71	49	46	32	38	38
Creditor (Days)	17	16	15	8	8	10	11	11
Leverage Ratio (x)								
Current Ratio	1.1	1.0	1.1	1.2	0.9	0.9	0.9	1.0
Net Debt/Equity	-2.1	-2.0	-1.8	-1.3	-2.3	-1.9	-1.8	-1.8

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

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

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