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Initiating Coverage | Sector: Financials – Capital Market

National Stock Exchange



Deep Roots, Expanding Horizons

Research Analyst: Prayesh Jain (Prayesh.Jain@MotilalOswal.com) | **Kartikeya Mohata** (Kartikeya.Mohata@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | **Shubh Chandak** (Shubh.Chandak@MotilalOswal.com)

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National Stock Exchange

BSE Sensex	S&P CNX
80,099	24,986

CMP: INR1,931 TP: INR2,300 (+19%) Buy

Deep Roots, Expanding Horizons

- **Structural tailwinds for activity growth:** India's market cap-to-GDP ratio stands at 131% (FY25) vs. the US at 216% and Japan at 157% (CY24). Matching the US ratio would imply 1.65x the current listed market cap. Demat accounts reached 241m by Sep'26, which is 17% of the population, reflecting structural headroom for growth. India's ~3% active-participation rate is low even against other emerging markets, so as financial literacy, digital onboarding and distribution improve, participation could rise structurally over the years.
- **Market leader in an under-penetrated ecosystem:** NSE is India's largest exchange by turnover in the cash market (ADTO of ~INR1.1t) and in equity derivatives (futures ADTO of ~INR1.6t and options premium ADTO of INR577b in FY26). Its active client base of 46m in Sep'26 represents only ~3% of India's population. The number of investors aged <30 years rose from 22.6% of NSE's individual investor base in FY19 to 38.4% in FY26. As this cohort matures over the years, the trading activities and ticket sizes of trades will only increase.
- **Strong presence in equities:** NSE's FY26 market share is 93% in cash, 99.8% in equity futures and 74.7% in equity options premium. Options contribute ~75% of transaction fees, cash ~12% and futures ~11%. NSE accounts for ~12% of global cash trades, ranking third behind only Shenzhen (SZSE) and Shanghai (SSE), and ranked 5th globally by options contracts traded in 1QFY27.
- **Derivatives reset is regulatory, not structural:** Options premium turnover rose from INR4t in FY16 to INR191t in FY26 (47% CAGR). SEBI's F&O measures slowed activity in 2HFY25, which recovered in 2HFY26 before hitting the hurdle of prop regulations (Jul'26) and the closing auction session (CAS) regulation (Aug'26). From 7th Dec'26, favorable modification of CAS rules should lead to options volumes recovering to pre-CAS levels.
- **Non-transaction annuity engine:** Non-transaction revenue formed 17% of FY26 revenue from operations vs. a significantly higher share for global exchanges in data feeds/terminals and clearing. Colocation grew at a ~37% CAGR from INR2.7b in FY21 to INR13.3b in FY26, and we expect a 15% CAGR to ~INR17.6b by FY28E. Listing fees were INR3.5b, and data feeds and terminals saw a 29% CAGR over FY21-26 (est. 15% going forward). This diversification should reduce cyclicality and lend strong visibility for earnings.
- **Multi-asset optionality:** NSE holds 100% in interest rate futures, 85.65% in corporate bonds and 71.4% in electricity futures (within its first year). With early inroads into the commodity space through new products, NSE is well poised to gain a meaningful position in the segment. Corporate bonds outstanding are only ~17.1% of GDP vs. China at ~38.4%, the US at ~38.2% and South Korea at ~75.7%, leaving a significant headroom for India to catch up. GIFT Nifty and NSEIXGA at GIFT City add dollar-denominated growth.
- **Triple moat of scale, margins and technology:** For NSE, EBITDA margins have been in the range of 70%+. A largely fixed cost base gives high incremental margins as volumes recover. The strength and scale of the technology is evinced from the peak volume of 21.9b order messages and 201m trades on 24th Mar'26. The capability is to process ~5m messages per second and further investments will only strengthen the platform.
- **Earnings recovery with operating leverage:** We expect revenue to rise from INR166b in FY26 to INR234b in FY29E (12% CAGR) and EBITDA to clock a 13% CAGR over FY26-29E, with margin expanding to ~77% by FY29E. PAT should reach INR150b reflecting FY26-29E CAGR of 13%, and RoE should recover from ~30% in FY26 to ~43% by FY29E. **We initiate coverage with a BUY rating and a one-year TP of INR2,300, based on 40x Sep'28E EPS**.

Stock Info

Bloomberg	NSE IN
Equity Shares (m)	2475
M.Cap.(INRb)/(USDb)	4778 / 50.9
52-Week Range (INR)	1954 / 1640
1, 6, 12 Rel. Per (%)	0/-/-
12M Avg Val (INR M)	7809
Free float (%)	100.0

Financial Snapshot (INRb)

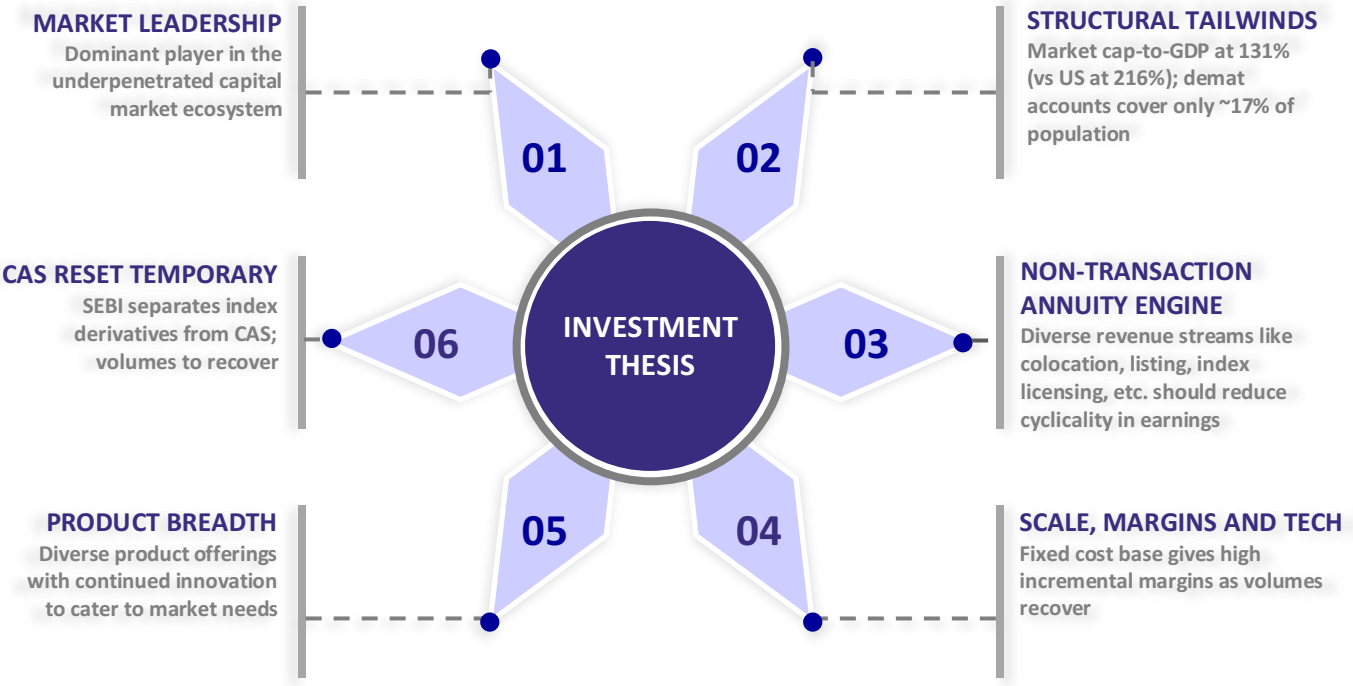
Y/E March	FY26	FY27E	FY28E
Operating revenue	166.0	178.1	204.1
EBITDA	126.6	134.6	155.9
PAT	103.1	112.8	130.0
Adj. PAT	106.7	112.8	130.0
EPS (INR)	41.7	45.6	52.5
EPS Gr (%)	(8.4)	9.4	15.2
BV / Sh (INR)	129.8	131.3	134.8
Ratios (%)			
RoE	34.1	34.9	39.5
Div. Payout	84.0	87.8	85.7
Valuations			
P/E (x)	45.8	41.9	36.3
P/BV (x)	14.7	14.5	14.2

Shareholding pattern (%)

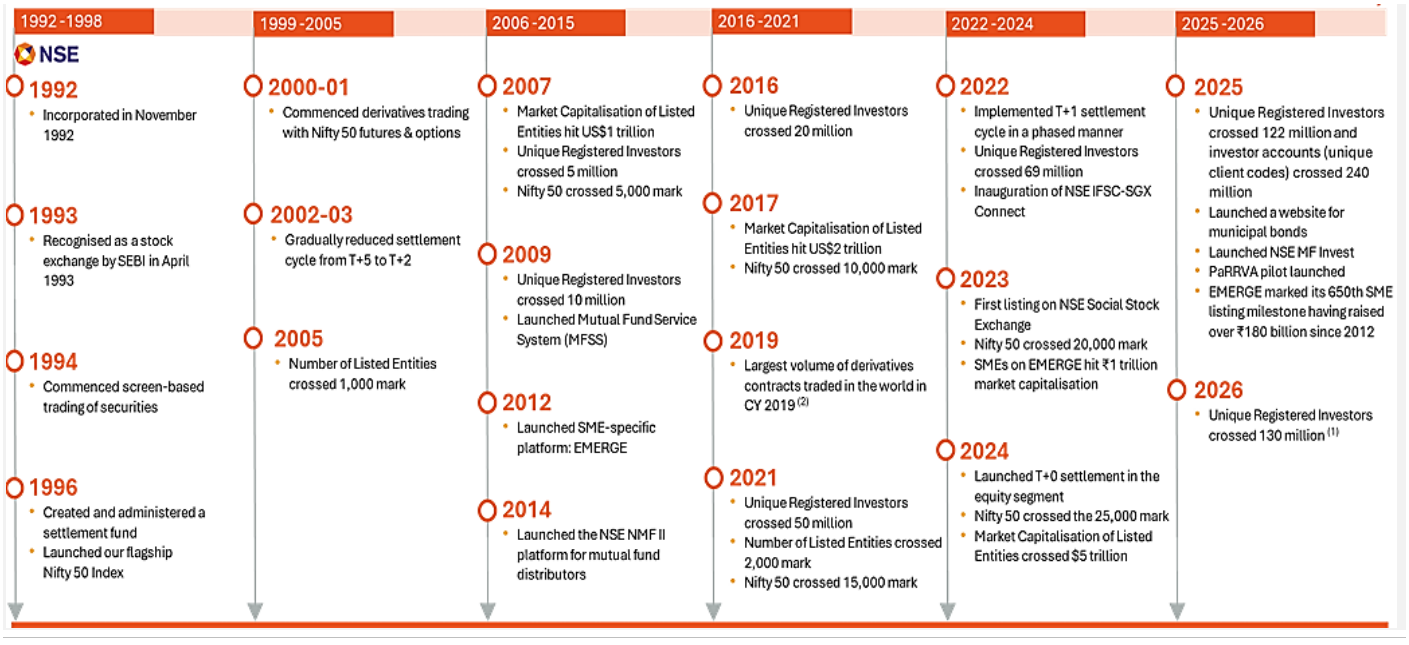
As On	Sep-26
Promoter	0.0
DII	28.2
FII	25.4
Others	46.4

FII includes depository receipts

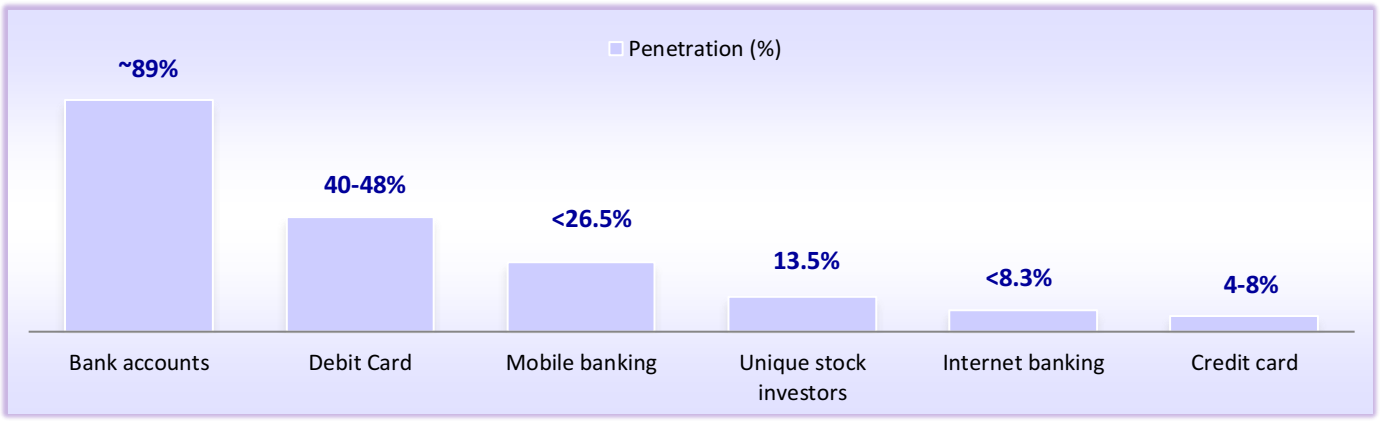
STORY IN CHARTS



NSE's journey over the years

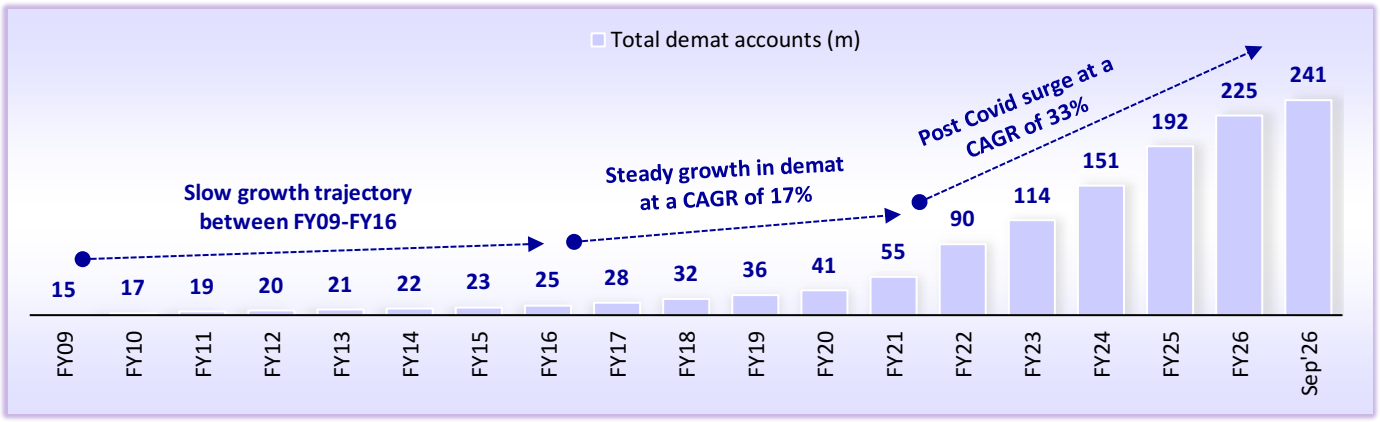


Penetration of financial products in India



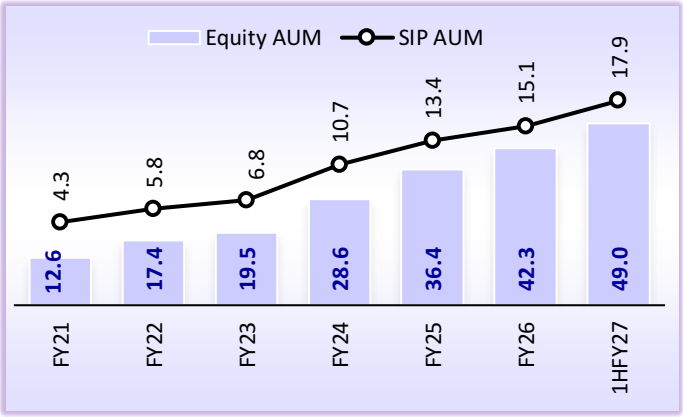
Source: Company, MOFSL

Demat growth trajectory across phases



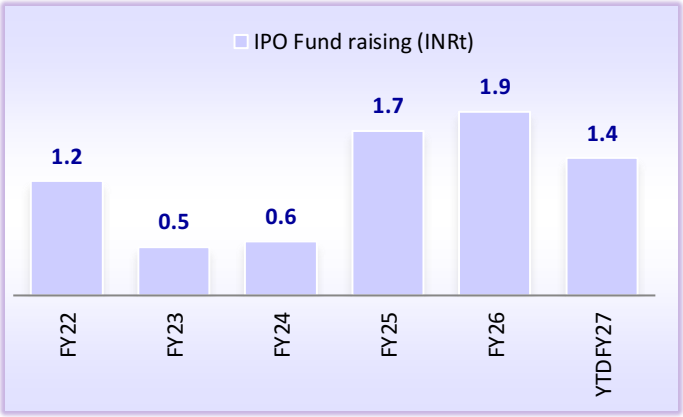
Source: SEBI, MOFSL

Equity AUM continues to expand, backed by SIP flows



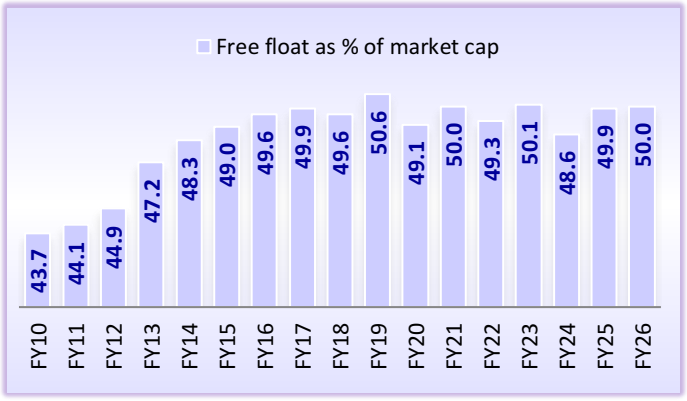
Source: AMFI, MOFSL

Primary fund raising through IPOs has been strong



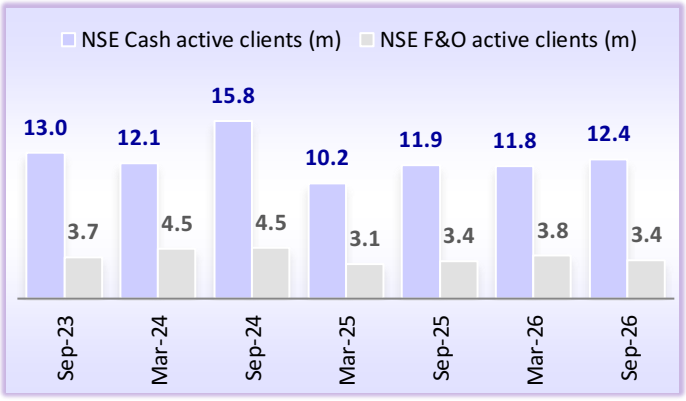
Source: Moneycontrol, MOFSL

Free float % remains stable despite growing market cap



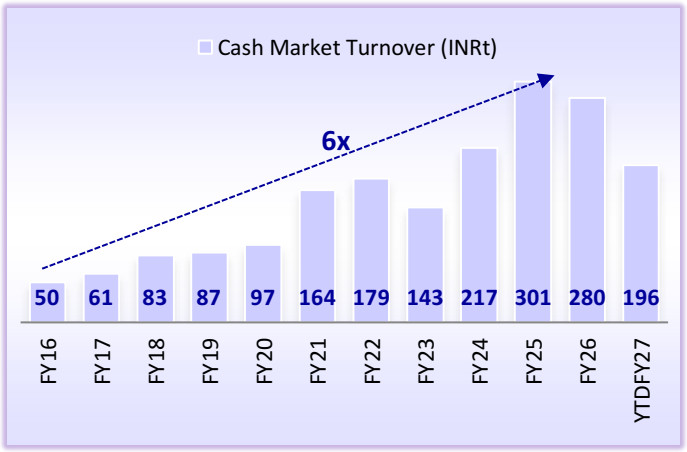
Source: Company, MOFSL

NSE active client base across segments



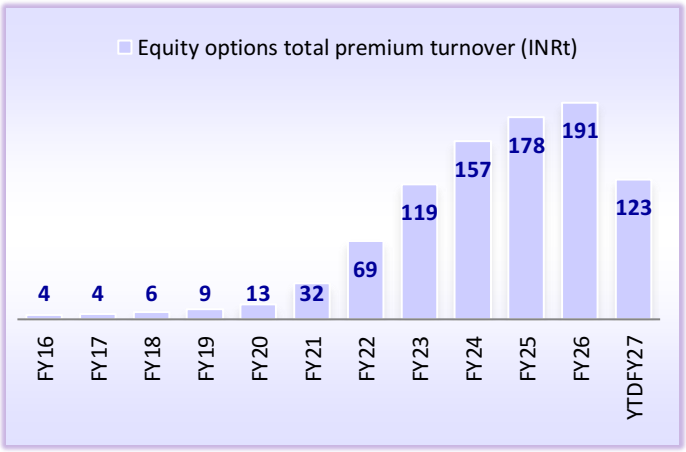
Source: NSE Pulse, MOFSL

India's cash turnover has scaled materially over the years



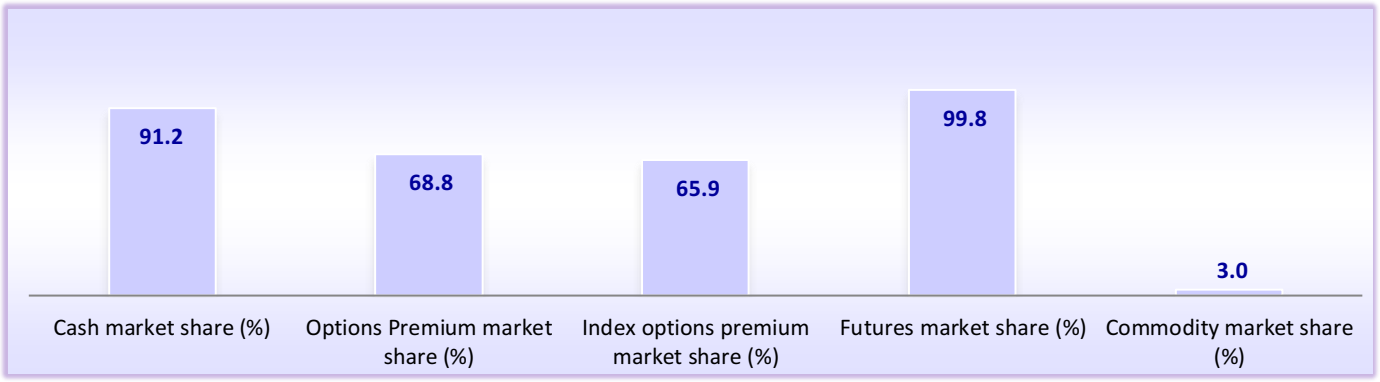
Source: Company, MOFSL

Options on a stellar growth path



Source: Company, MOFSL

Market share of NSE across asset classes in Sep'26



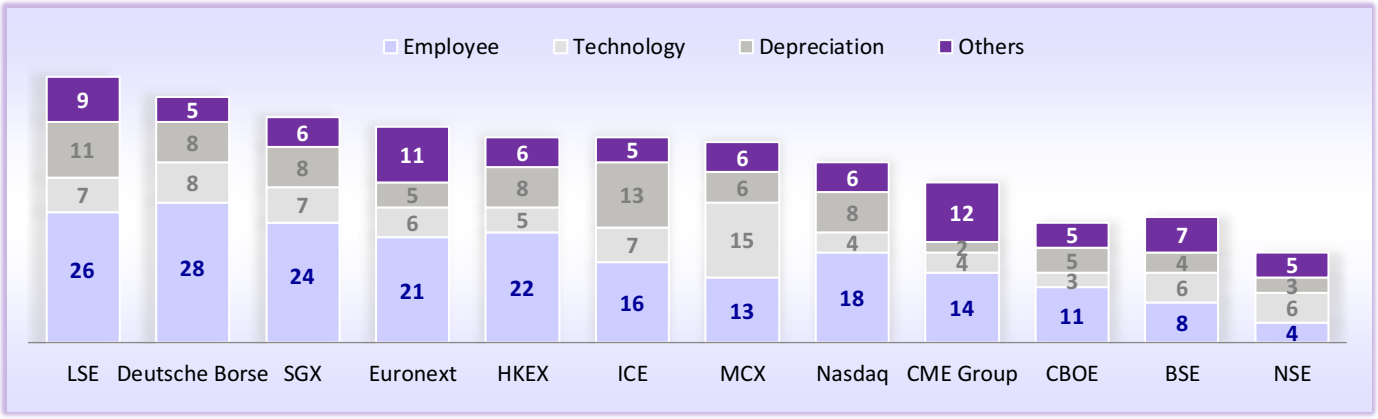
Source: Company, MOFSL

Indian exchanges' revenue base is dominated by transaction fees

Revenue Streams	Indian Exchanges	Global Exchanges
Transaction charges	>10%	>10%
Listing services	<5%	5-10%
Data center – Rack charges & data connectivity charges	5-10%	5-10%
Data feed and terminal services and index licensing and data & data subscription fees	<5%	>10%
Clearing & settlement fee	<5%	>10%

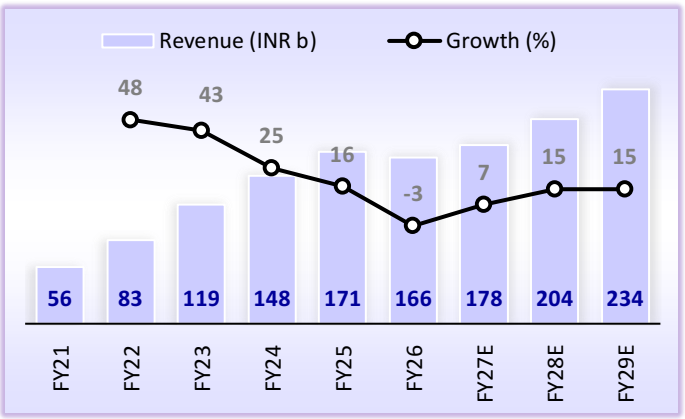
Source: Company, MOFSL

Non-volume expenditure as % of revenue from operations for global exchanges as of FY25

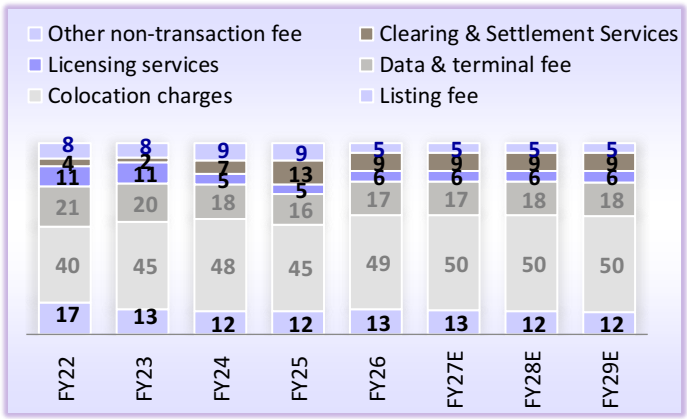


Source: Company, MOFSL

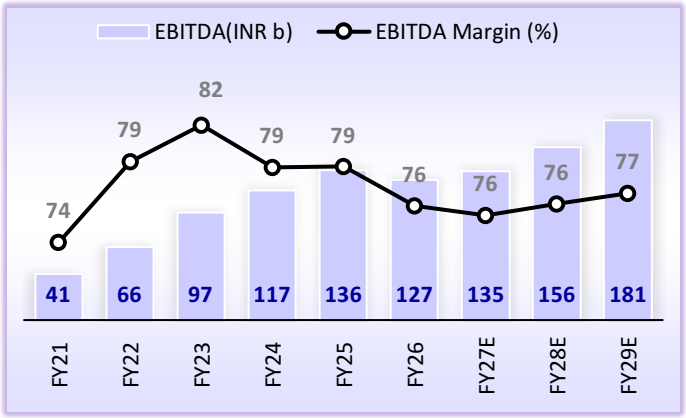
We expect revenue to clock a CAGR of 12%



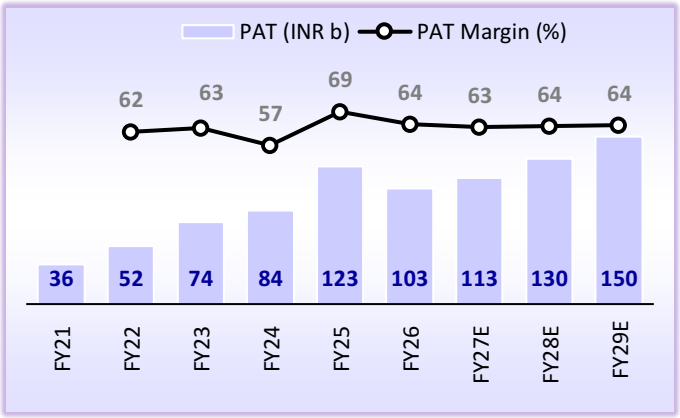
Non-transaction revenue expected to inch up



NSE's EBITDA margin to inch up



PAT margin to remain stable around ~64%



Structural tailwinds set to drive India's exchange opportunity

Under-penetrated today, younger tomorrow: India's equity story has just begun

India's market cap-to-GDP ratio at 131% (well below developed markets), low demat penetration and young investor base indicate headroom for growth.

Room for the market to grow relative to the economy: India's market cap-to-GDP ratio at 131% (FY25) is well below the US's 216% (CY24) and Japan's 157% (CY24). If it simply matches the US ratio at today's GDP, the listed market cap would be ~1.65x its current size. India's nominal GDP is growing faster than that in developed markets, so the absolute headroom gets bigger every year.

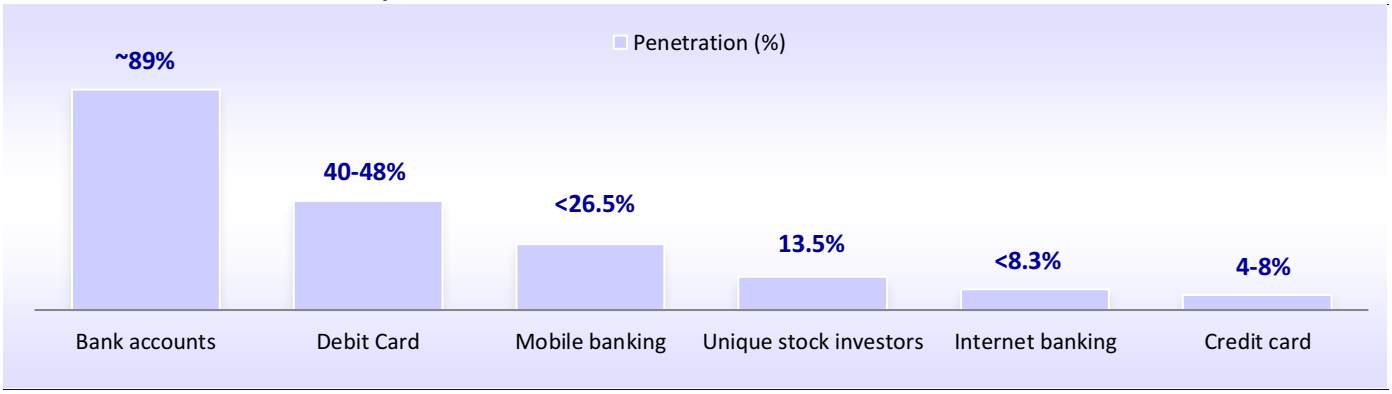
Account openings have far outpaced actual trading: Demat accounts have grown sharply since Covid-19, reaching 241m by Sep'26 (~17% of India's population). However, NSE's active client base stood at only 46m in Sep'26, which represents 19% of demat accounts and only 3% of the population (~5% of the adult population). The gap between accounts opened and investors who actually trade is itself a big opportunity.

India trails peers on household participation: Direct equity ownership in developed markets is much broader. India's ~3% active-participation rate is low even against other emerging markets, so as financial literacy, digital onboarding and distribution improve, participation could rise structurally over the years.

Investors are getting younger, but the funnel is still early: The number of investors aged below 30 years rose from 22.6% of NSE's individual investor base in FY19 to 38.4% in FY26, up 15.8pp (1.7x) in seven years. Most of India's young, working-age population is still outside the market, so it is an early cohort, not a saturated pool.

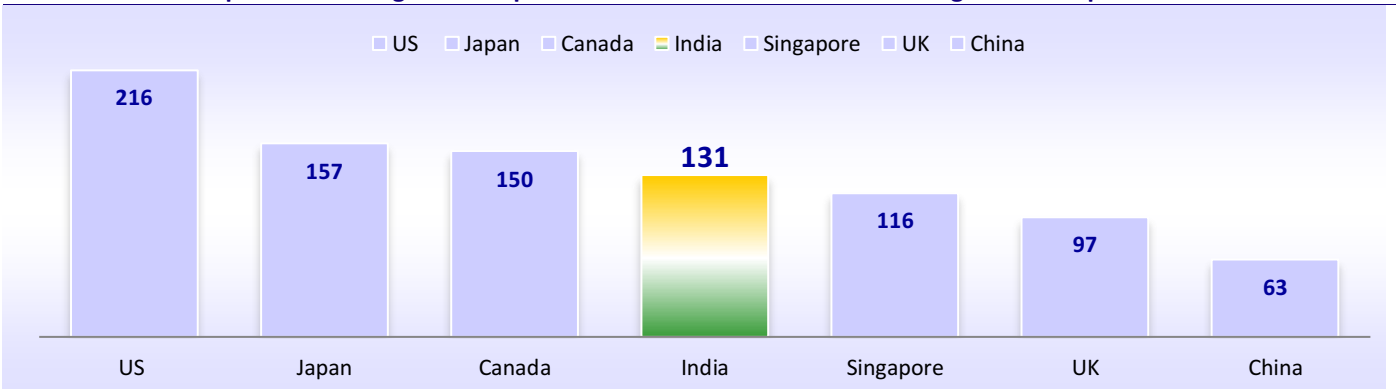
Demographics support decades of growth for exchanges: India has one of the world's youngest populations, with a median age under 30. Young investors have longer investment horizons, adopt digital tools faster, and shift their savings from physical assets and deposits to financial assets over time. As they move through their peak earning years, the money they put into markets should grow, leading to growth in trading volumes and revenue of the exchanges.

Exhibit 1: Penetration of financial products in India



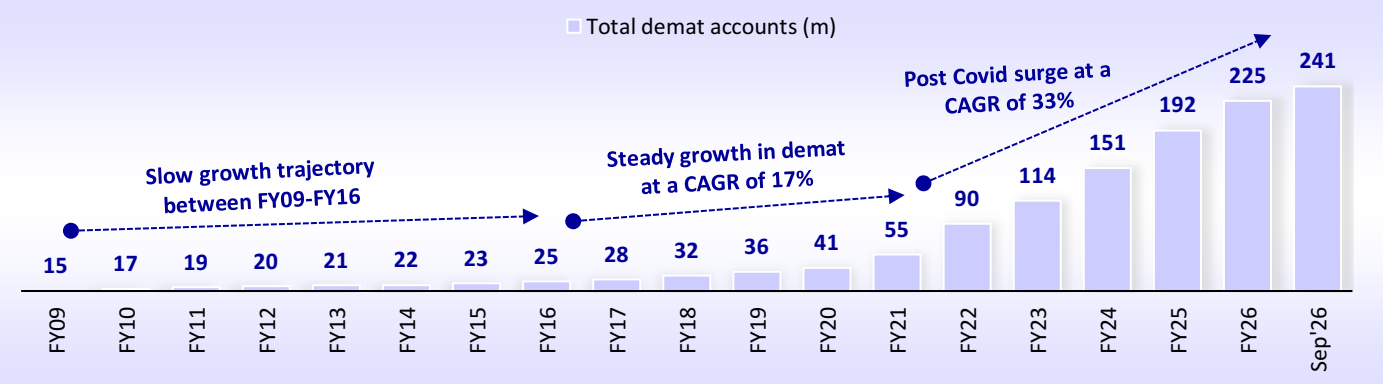
Source: Company, MOFSL

Exhibit 2: Market cap-to-GDP ratio global comparison indicates headroom for further growth in capital market activities



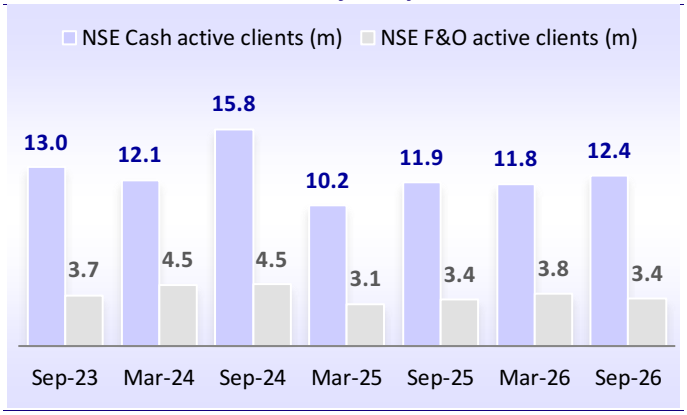
Source: World Bank, MOFSL. Note: The value for UK corresponds to CY2022, Data for India corresponds to FY25

Exhibit 3: Demat accounts surged post Covid



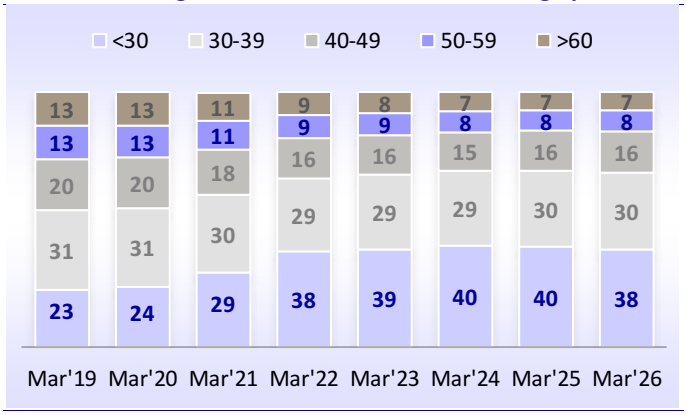
Source: SEBI, MOFSL.

Exhibit 4: NSE active client trajectory



Source: NSE, MOFSL

Exhibit 5: Young investor base of NSE-Investor age profile, %



Source: NSE Pulse, MOFSL

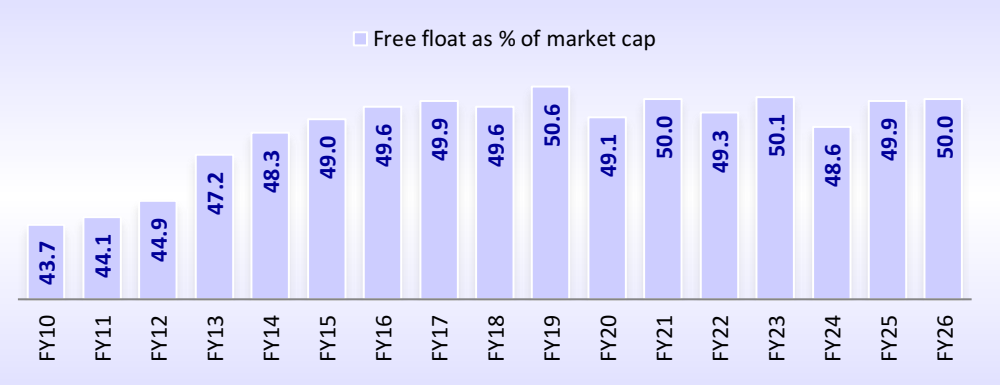
Indian markets are less dependent on FPI positioning and are more dependent on domestic savings. SIPs have emerged as stable flows unaffected by market volatility.

From FPI-led to SIP-led: India's liquidity gets structural

- **A larger investable float could lift trading volumes:** Free float in the NSE-listed universe has risen slowly over time and reached ~50% of market capitalization in FY26. Promoter stake sales and government divestments in PSUs should gradually release more stock to the market. A bigger free float supports higher trading volumes, tighter impact costs and more index inclusions, which add to exchange volumes across the cash and derivatives.
- **Domestic investors have taken over as the market's main buyers:** Domestic flows have absorbed all of the FPI selling, marking a structural shift. Indian markets now depend less on global risk appetite and FPI positioning, and are increasingly driven by steady domestic savings.

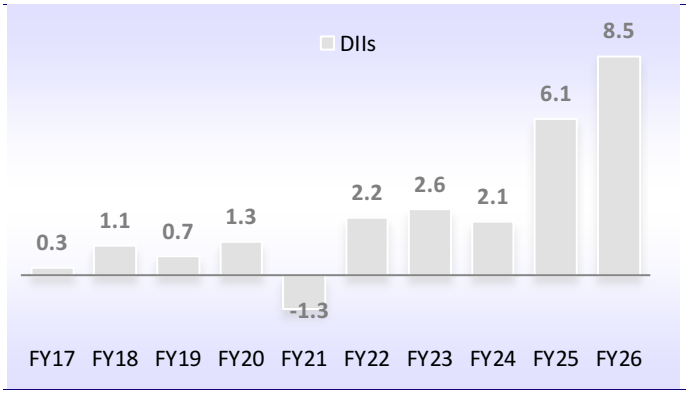
- **Household savings keep moving into financial assets:** Rising SIP inflows and new demat and MF folio openings show household savings shifting from physical assets and bank deposits to equities. Continued SIP momentum provides a recurring, visible base of incoming money into the market.
- **SIP flows no longer swing with the market:** SIP flows have moved from rising and falling with the market to growing steadily through downturns. Long-term investing habits are now entrenched, and that makes this money a stable source of liquidity rather than a pro-cyclical one.

Exhibit 6: Free float as % of market cap at 50% reflecting strong headroom for activity



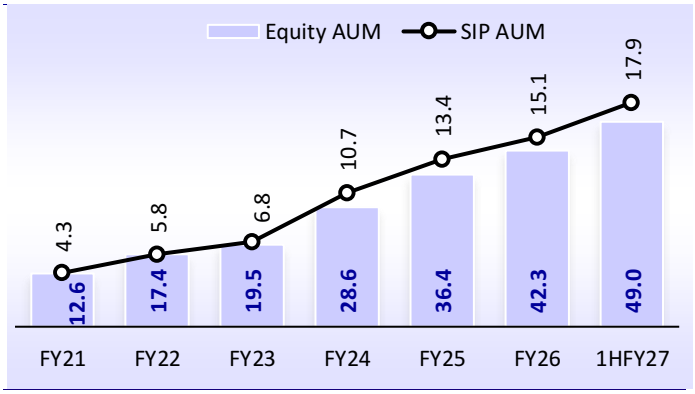
Source: Company, MOFSL.

Exhibit 7: DIIs are the most reliable source for inflows (INR t)



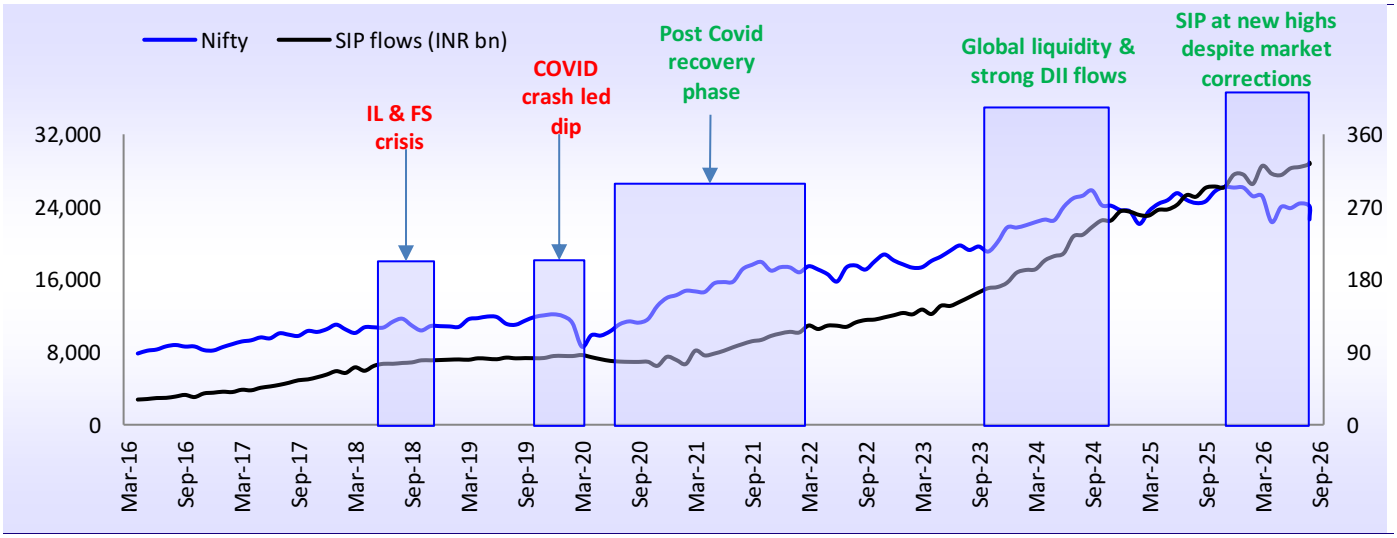
Source: NSE Pulse, MOFSL

Exhibit 8: SIP-backed equity AUM (INRt) continues to rise



Source: AMFI, MOFSL

Exhibit 9: Resilient SIP flow trend amid the NIFTY50 cycles



Source: AMFI, MOFSL.

MTF puts cash market turnover in a higher gear

- **Cash market turnover has grown ~6x in a decade:** Cash turnover rose from INR50t in FY16 to INR280t in FY26 at a ~19% CAGR, driven by growing investor base, increasing inventory count, growth in free float and improved DII participation.
- **MTF book grows ~7.3x in five years:** MTF book surged from INR206b in Sep'21 to INR1.5t in Sep'26 at a ~49% CAGR, upgrading from a niche product to a mainstream source of funding for cash market positions. As the MTF book grows, cash market turnover should grow faster, translating into higher transaction revenue for exchanges.
- **Regulation is steering leverage toward cash delivery:** SEBI's tighter rules on retail F&O activity may send some speculative demand for leverage to MTF-backed cash positions. That would help cash market volumes and improve the quality of exchanges' earnings, with more delivery-based, less option-driven turnover.
- **Key drivers:** (i) more active investors, (ii) a growing MTF book, (iii) a larger free float from promoter dilution and PSU divestments, and (iv) steady domestic institutional flows.

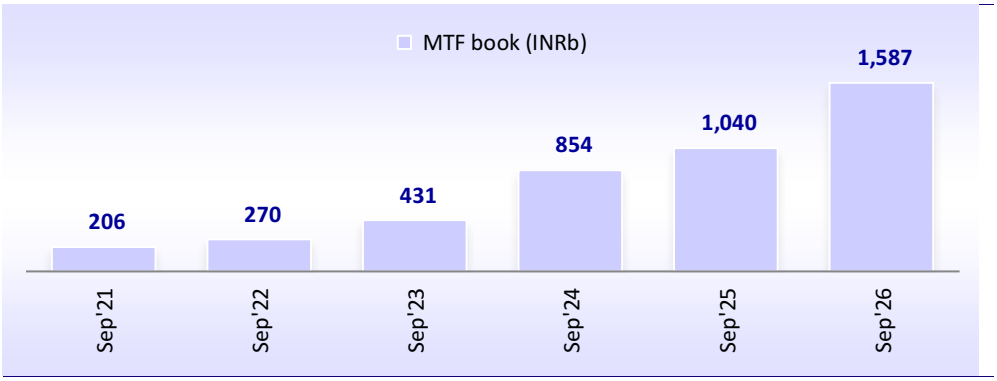
MTF book has emerged as a key catalyst to cash market turnover. SEBI's tighter rules on retail F&O activity may send some speculative demand for leverage to MTF-backed cash positions.

Exhibit 10: Cash turnover has expanded significantly over the years



Source: NSE, BSE, MOFSL

Exhibit 11: MTF book has grown 7x over five years



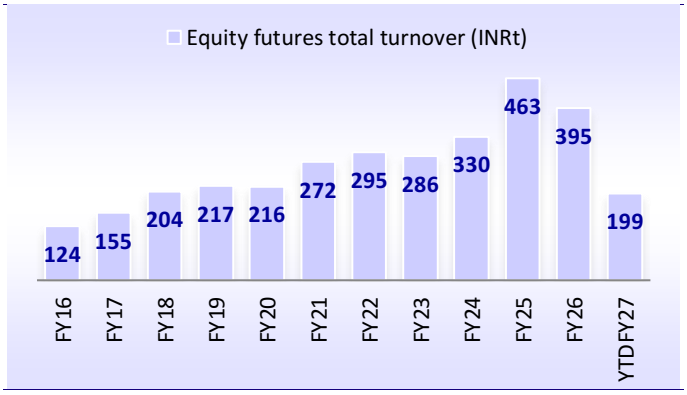
Source: SEBI, MOFSL

Options premium turnover rose ~48x over FY16-26, from INR4t to INR191t, at a ~47% CAGR. We expect F&O volumes to keep growing, driven by more participants, product innovation and contract tenors gradually lengthening.

Derivatives: A regulatory reset, not a structural break

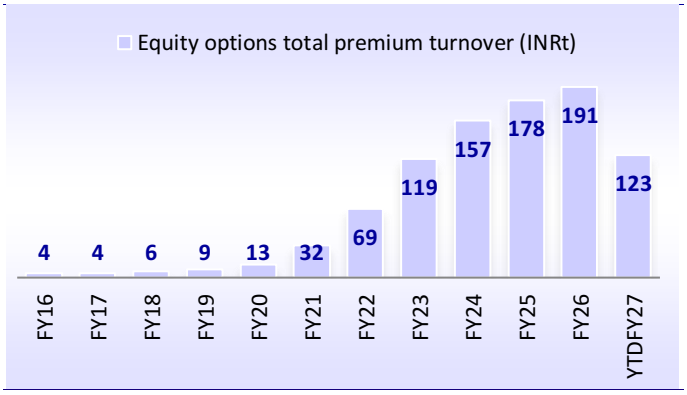
- **F&O volumes have grown multi-fold:** F&O ADTO has multiplied in the past five years, driven by new products, weekly options expiries and a large influx of retail traders coming in through discount brokers and mobile platforms.
- **Options now account for most of the growth:** Equity futures turnover grew steadily at a ~12% CAGR, from INR124t in FY16 to INR395t in FY26 (~3.2x). Options premium turnover rose ~48x over the same period, from INR4t to INR191t, at a ~47% CAGR. Options premium was ~3% of combined futures and options premium turnover in FY16, which is now at ~33%, becoming the main engine of derivatives activity and exchange transaction revenue.
- **Regulation caused a sharp but temporary reset:** SEBI's F&O measures slowed activity in 2HFY25. They included larger contract sizes, a limit of one weekly expiry per exchange, upfront collection of option premium, and removal of the calendar-spread margin benefit on expiry day. ADTO fell across segments and exchange earnings came under temporary pressure as speculative retail activity was cut back.
- **Activity has recovered and the base is stronger:** Activity picked up again in 2HFY26 and exchange growth momentum improved. The rebound came after the regulatory measures were fully absorbed, which suggests demand for derivatives is structural and not just the product of lax rules.
- **The trader base has shrunk but stabilized:** The number of monthly NSE active F&O clients peaked at 5.3m and stood at 3.4m in Aug'26, ~36% below the peak. The number has held steady since the regulatory action. The marginal, most speculative traders have left. Those who remain are a more resilient group with better capital with them, so volumes should be less fragile.
- **Premium turnover is small because of Indian trading pattern:** India is one of the largest options markets in the world by notional value and contracts traded, but its premium turnover is much smaller than that in developed markets. A large share of activity is in near-expiry contracts, which have little time value left and so carry very low premiums. As the market matures, trading should move toward longer-dated contracts. That would raise the ratio of premium-to-notional value, and premium-based transaction revenue with it.
- **Outlook:** We expect F&O volumes to keep growing, driven by more participants, product innovation and contract tenors gradually lengthening. Regulatory action is the main thing to watch out for. Further steps, such as changes to the weekly expiry structure or tighter eligibility rules for retail traders, could weigh on volumes in the near term, even though the long-term growth path stays intact.

Exhibit 12: Futures turnover scaled up gradually



Source: NSE, BSE, MOFSL

Exhibit 13: Exponential growth of option activity



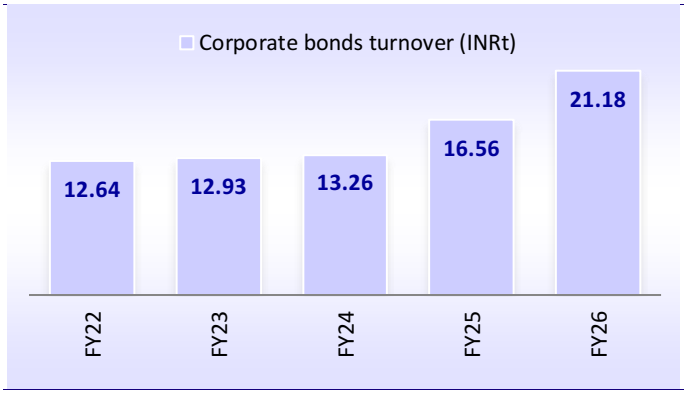
Source: NSE,BSE, MOFSL

India's corporate bond market remains underpenetrated with outstanding bonds at ~17.1% of GDP. Commodity derivatives continue to gain traction. These asset classes give exchanges a long, diversified growth runway as Indian capital markets mature.

Bonds, commodities, currencies: Underbuilt today, upside tomorrow

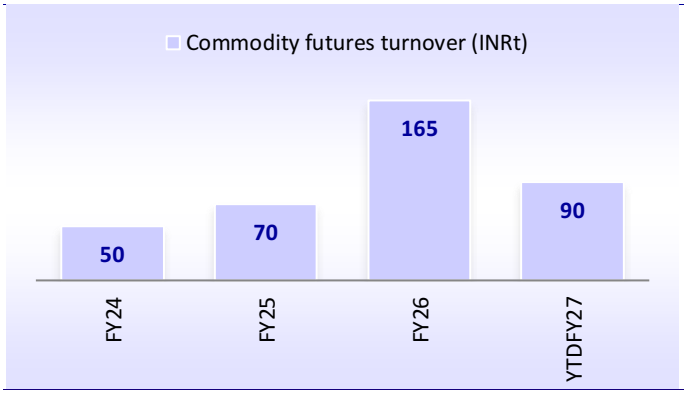
- **Exchanges now cover several asset classes**: Indian exchanges also run markets for corporate bonds, commodity derivatives and exchange-traded currency derivatives. These segments are still small compared to equities, but they give exchanges more ways to grow and diversify revenue streams.
- **India's corporate bond market is small for its economy**: Outstanding corporate bonds were ~17.1% of GDP in FY26, per NSE Market Pulse. That is well below China (~38.4%), the US (~38.2%), Hong Kong (~60.6%) and South Korea (~75.7%), all as of CY25. Just matching China or the US would mean a market ~2.2x today's size relative to GDP. Matching South Korea would mean ~4.4x. Corporate bond turnover rose from INR12.6t in FY22 to INR21.2t in FY26 at a ~14% CAGR. Growth is coming from greater use of exchange platforms and online bond platforms and regulators' push for more transparency and liquidity.
- **Commodity derivatives are sizeable and options are growing**: Commodity futures traded value was INR165t in FY26 and commodity options premium turnover was INR16.8t, ~10% of futures value. Options are gaining ground in commodities as they did in equities, so as retail and hedger participation grows, commodity options could follow the same path that equity options have taken.
- **Currency derivatives serve hedging needs**: Demand comes mainly from FPIs hedging their equity and debt investments, and from exporters and importers managing trade-related currency risk. As India's trade expands, foreign portfolio money grows and INR becomes more widely used internationally, structural hedging demand should rise.
- **Outlook**: These asset classes give exchanges a long, diversified growth runway as Indian capital markets mature. The opportunity is the largest in corporate bonds, in which the gap to peer markets is the widest.

Exhibit 14: Corporate bond activity rising gradually



Source: SEBI, MOFSL

Exhibit 15: Commodity activity rises in FY26



Source: NSE, MCX, MOFSL

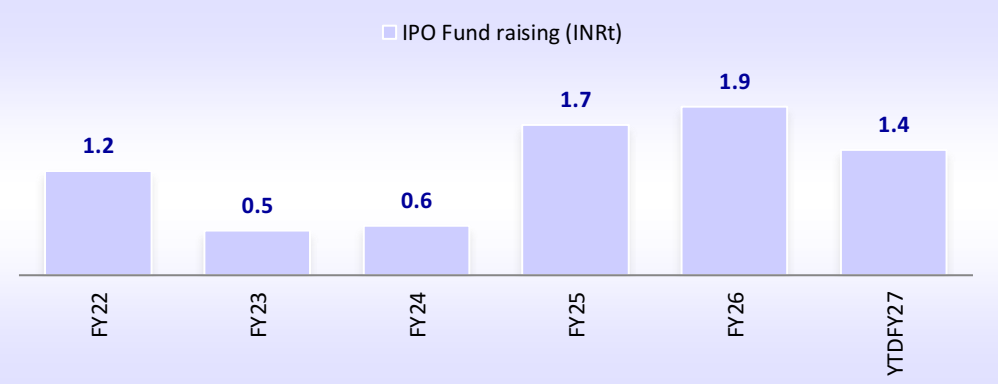
Less cyclical, more recurring: The non-transaction opportunity

- **Global exchanges earn far more outside trading fees:** Leading global exchanges have steadily diversified away from transaction fees. Market data, index licensing, connectivity, listing and post-trade services now make up a large share of their revenue. These fees are mostly recurring and subscription-like, so they smoothen earnings across market cycles and usually earn premium valuations. Indian exchanges are at an early stage of this path, which is both an opportunity and a lever for re-rating the stock.
- **Colocation demand shows that low-latency access is a must-have for members:** External Full Rack Equivalents (FREs) across NSE and BSE data centers

reached 2,380 in FY26. That shows strong, rising demand from algorithmic, proprietary and institutional traders, giving sticky colocation revenue.

- **Index licensing grows as passive investing gains traction:** Index funds and ETFs (ex gold/silver) represent 15.22% of passive investing, or ~INR11.2t, as of Mar'26. Fees are typically tied to AUM, so this revenue rises with both industry growth and the shift to passive investing, without needing more trading activity. In developed markets, passive investing has a much bigger share of assets, indicating a long runway in India.
- **The listings pipeline adds recurring, annuity-like revenue:** NSE listings rose to 3,055 in Aug'26, and a strong IPO pipeline across mainboard and SME issues should keep adding to the listed base. Each new listing also brings in ongoing trading, index-inclusion and data revenue, so listings feed growth across the rest of the business.
- **Clearing earns a share of rising activity:** Clearing and settlement revenue grows with traded volumes and with the collateral and margin balances clearing corporations hold.
- **GIFT City extends exchange services beyond India:** As banking, capital markets and fund management activity grows at the IFSC, it adds a new layer of growth for exchange services: trading, clearing, index licensing and market data. It also earns in dollars, which diversifies revenue.

Exhibit 16: India's IPO momentum remains strong



Source: SEBI, MOFSL

Exhibit 17: Non-transaction revenue opportunities immense as seen for global peers

Revenue Streams	Indian Exchanges	Global Exchanges
Transaction charges	>10%	>10%
Listing services	<5%	5-10%
Data center – Rack charges & data connectivity charges	5-10%	5-10%
Data feed and terminal services and index licensing and data & data subscription fees	<5%	>10%
Clearing & settlement fee	<5%	>10%

Source: Company, MOFSL

Safer, cleaner, fairer: Regulation builds the base for lasting participation

Protecting client assets: Brokers no longer hold investors' money or shares

- The margin pledge/re-pledge framework (2020) ended the practice of brokers taking ownership of client shares through a power of attorney.
- Upstreaming of client funds to clearing corporations, the blocked-amount (ASBA-like) facility for secondary market trading, and the Stock Brokers Regulations (Jan'26) together mean client money increasingly stays in the client's bank account or with the clearing corporation, not on the broker's books. That sharply reduces investors' exposure if a broker fails.

- Upfront and peak margin requirements mean leverage is backed by collateral before a trade is placed, not afterwards. That limits how much risk can build up across the system.

Transparency: costs and risks shown at the point of decision

- Since 2023, brokers have had to show an F&O risk disclosure when clients log in or place a trade. SEBI's published studies of F&O trader losses and its investor-awareness campaigns help ensure that retail traders see real loss data before taking on leveraged positions.
- **True-to-label pricing (Oct'24):** Exchanges must charge every member the same fee, and brokers can no longer keep volume-based exchange rebates while showing clients a higher cost. What the client pays now for exchange-related charges matches what the exchange actually charges.

Lower costs for investors, deliberately higher friction for speculation

- The T+1 settlement (fully implemented Jan'23) frees up capital sooner and reduces counterparty risk. Together with the end of hidden fee mark-ups, it has lowered the all-in cost for delivery investors.
- STT hikes on futures and options, alongside SEBI's Oct'24 F&O measures (larger contract sizes, one weekly expiry per exchange, upfront premium collection), are designed to discourage excessive retail speculation. The policy aim is clear: encourage long-term investing and add friction to short-term leveraged trading.

Market integrity: Stronger risk controls at the exchange level

- **Intraday position-limit monitoring (Sep'25):** Exchanges now check position limits in equity index derivatives during the trading day, not only at close. Any build-up of concentrated positions is detected in real time.
- In May'25 SEBI changed how open interest and position exposure are measured in equity derivatives, which led to tighter exposure monitoring and stronger risk-management systems at exchanges and among market participants.
- In May'25, the SEBI revised the rules on expiry days for equity derivatives, limiting exchanges to specify expiry days. This reduces expiry-day volatility caused by exchanges competing on expiry dates and makes settlement more orderly.
- **Closing Auction Session (Aug'26):** An auction-based mechanism for determining closing prices makes closing prices harder to manipulate. This matters most for stocks that also have derivatives, where the closing price drives settlement values, index levels and NAVs.

What it means for exchanges

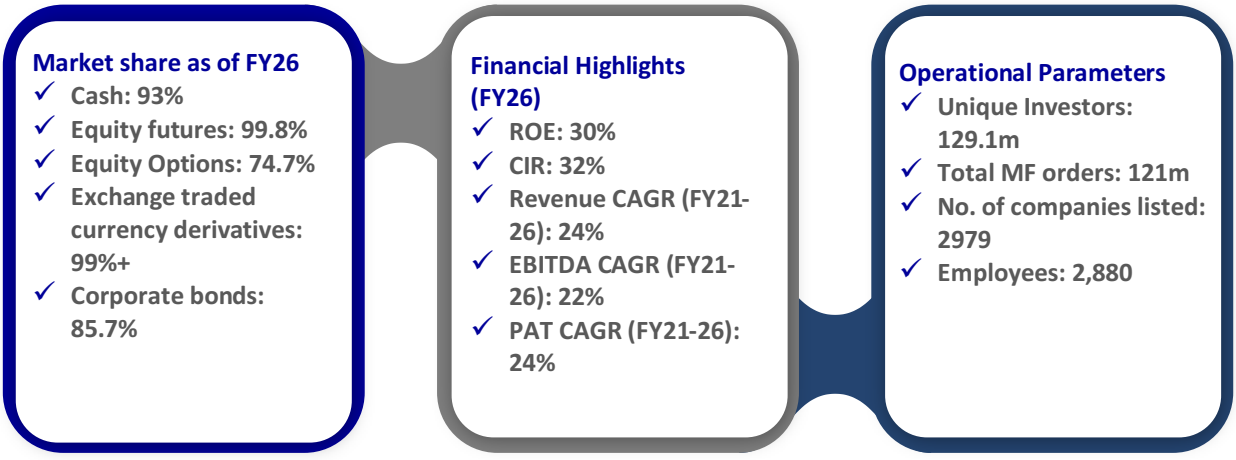
Near-term costs, long-term gain: Several of these measures have weighed on derivatives volumes in the short term. But stronger investor protection and transparency build trust, which supports lasting participation from first-time and younger investors. That makes India's market growth longer-lasting and less boom-and-bust, and as a market-infrastructure institution NSE benefits from greater depth and integrity in the market.

STT (Derivatives)	Pre-Oct'24	Oct'24	Apr'26
Futures	0.0125%	0.02%	0.05%
Options premium	0.0625%	0.1%	0.15%

Company overview

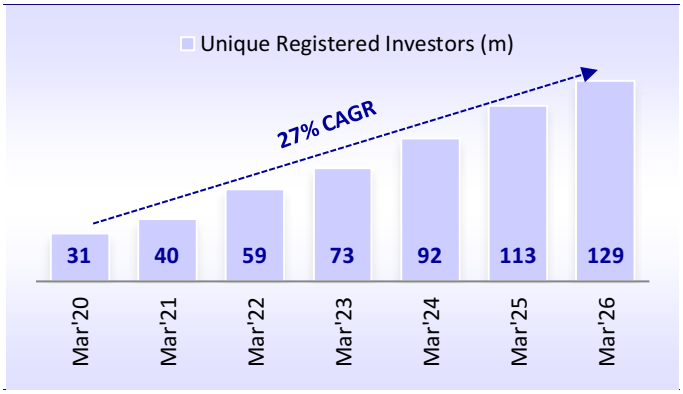
- **India's leading market infrastructure institution:** NSE was set up in 1992 and began operations in 1994. It brought fully automated, screen-based trading to India and is the country's largest stock exchange, with the highest turnover in both the cash and derivatives segments. It is also among the world's largest derivatives exchanges by number of contracts traded. Its flagship Nifty 50 index is India's main equity benchmark.
- **Growth has tracked the deepening of India's capital markets:** Unique registered investors on the NSE clocked ~27% CAGR, up from 30.9m in FY20 to 129.1m in FY26 (~4.2x). Over the same period, the market capitalization of companies listed on NSE recorded ~24% CAGR. NSE has captured both the rise in participation and the creation of listed wealth.
- **Services across the whole trade lifecycle:** NSE offers trading in equities (cash and derivatives), currency and commodity derivatives, corporate bonds, and mutual fund units. It also provides listing, clearing and settlement, index, data, and technology services. This range means NSE earns revenue across the whole life of a trade, not just from execution.
- **An ecosystem of subsidiaries:**
  - **NSE Clearing Ltd:** The central counterparty, providing clearing, settlement, and risk management for all segments
  - **NSE Indices Ltd:** Owns and manages the Nifty index family and earns licensing revenue from index funds, ETFs and derivatives
  - **NSE Data & Analytics Ltd:** Market data, analytics, and market-intelligence products
  - **NSE International Exchange (NSE IX):** A foreign-currency trading venue at GIFT City IFSC, the home to GIFT Nifty
  - **NSE MF Invest:** A platform for transacting and reporting mutual fund unit transactions
- **Revenue mix:** Transaction charges, driven mainly by equity derivatives, are the biggest source of revenue. They are complemented by growing non-transaction revenue streams (colocation, index licensing, data, listing, and clearing services) that are recurring and less cyclical.

Exhibit 18: Key highlights of NSE



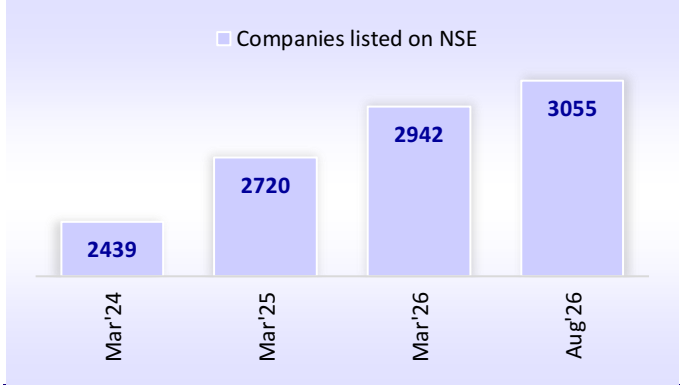
Source: Company, MOFSL

Exhibit 19: Strong growth in unique investor base on NSE



Source: NSE Pulse, MOFSL

Exhibit 20: Trend of listed entities

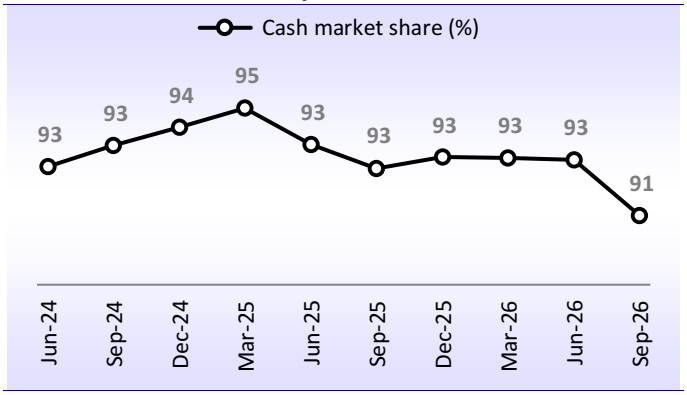


Source: Company, MOFSL

Cash segment: A sticky cash cow with a dominant market share

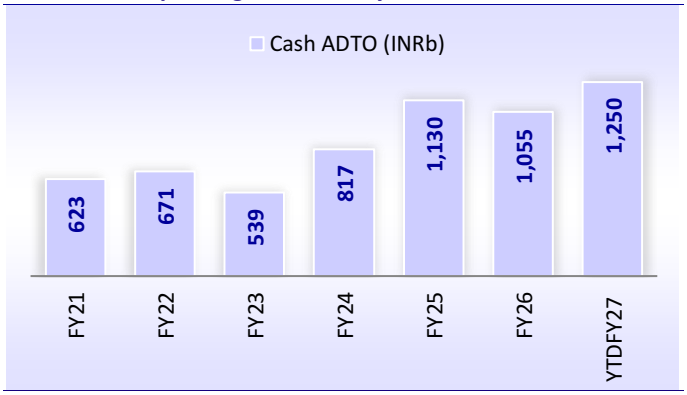
- **A leadership position held for years:** NSE has consistently held over 90% of India's cash segment market share. FY26 cash turnover was INR260t, ~93% of the industry's INR280t. Tighter spreads and lower impact costs continue to attract order flow to NSE, and members' trading, risk and colocation set-ups are built around its platform.
- **A top-3 cash market in the world:** NSE accounts for ~12% of global cash segment trades (1QFY27). It has consistently ranked third worldwide by number of cash trades, behind only Shenzhen (SZSE) and Shanghai (SSE). By trade count it is ahead of every developed-market exchange.
- **Turnover growing steadily:** Cash ADTO recorded ~11% CAGR, up from INR0.62t in FY21 to INR1.06t in FY26 (~1.7x). Growth held up even as retail activity normalized after the pandemic surge. Supporting factors included a bigger MTF book, rising DII flows and a larger free float.
- **A small share of fees, but a steady one:** The cash segment contributed ~12% of NSE's transaction fees in FY26. That is modest next to equity derivatives, but it is a high-quality revenue stream. It is less exposed to regulatory changes, less susceptible to swings in speculative activity, and underpins the rest of NSE's business: the cash market drives index levels, settlement prices and listing appeal.
- **The participant mix is shifting toward institutions:**
  - **Individuals:** The share of cash turnover fell to 33.4% in FY26 from a peak of 45% in FY21 (–11.6pp), as the post-Covid retail rush faded and more retail money flowed indirectly through MFs and SIPs.
  - **Proprietary traders:** The share continued to rise, reaching 30.9% in FY26, reflecting greater algorithmic and market-making activity that adds liquidity.
  - **DIIs:** The share reached an all-time high of 14.2%, backed by steady SIP and insurance flows, and is now nearly at par with FPIs.
  - **FPIs:** The share eased to a four-year low of 14.6%, still well above the FY21 low of 11.5%.
- **Outlook:** We expect NSE to retain its dominant share of the cash segment. Combined with industry turnover growth driven by new investors, MTF, and domestic institutional flows, this should make cash a steady, compounding source of revenue for NSE. We expect ADTO to reach INR1.6t by FY29. We expect revenue from the cash segment to clock a CAGR of 16% over FY26-29.

Exhibit 21: NSE has steadily maintained 90%+ market share



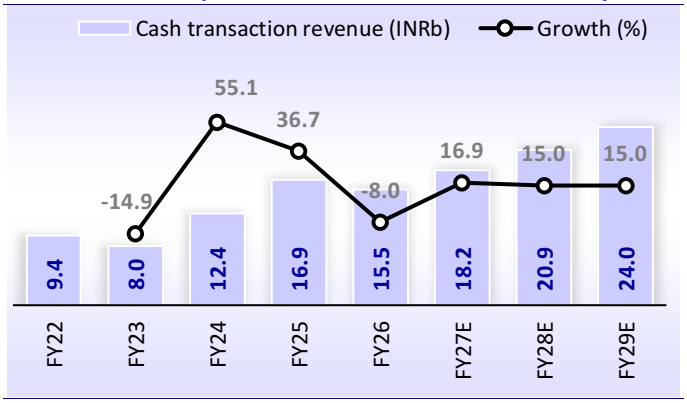
Source: MOFSL

Exhibit 22: Improving cash activity for NSE



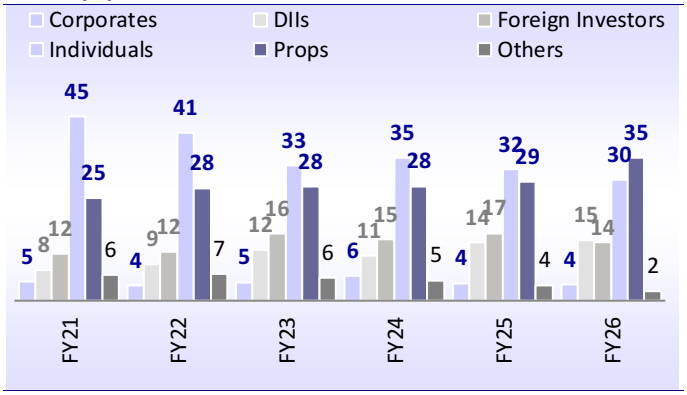
Source: Company, MOFSL

Exhibit 23: We expect cash revenue to cross INR24b by FY29



Source: MOFSL

Exhibit 24: Investor wise contribution to cash turnover trends(%)



Source: NSE Pulse, MOFSL

We expect options volumes to recover toward pre-CAS levels after the revised framework takes effect on 7 Dec'26. We expect premium ADTO to reach INR808b by FY29 and transaction revenue to clock a CAGR of 12% over FY26-28.

Equity Derivatives segment: Defending the castle

Futures: A complete monopoly with a shrinking share of fees

- Over 99.8% share and an unchallenged position: NSE dominates equity futures, with an ADTO of ~INR1.6t in FY26. That is effectively the entire Indian futures market. It ranked fourth among global exchanges by number of futures contracts traded in FY25.
- A smaller share of fees as options take over: Futures contributed ~11% of NSE's transaction fees in FY26, down steadily from 16% in FY22. This is not a sign of weakness. Futures volumes have grown steadily, but options have grown much faster. Futures remain a stable, uncontested source of revenue, used mainly by institutions for hedging and arbitrage.

Options: The profit engine

- **The most important segment by far:** Options contribute ~75% of NSE's transaction fees. Together with cash (~12%) and futures (~11%), equity segments make up ~98% of transaction fees. That makes NSE's options market share the single biggest driver of its revenue and earnings.
- **Market share has shifted from a monopoly to a dominant leadership position:** NSE held ~100% of options premium turnover until FY23. BSE then relaunched Sensex weekly options on a different expiry day, and SEBI later limited each exchange to one weekly expiry. Expiry-day trading was split between the two

exchanges, and BSE's share rose sharply, taking NSE's share below 70% in recent months.

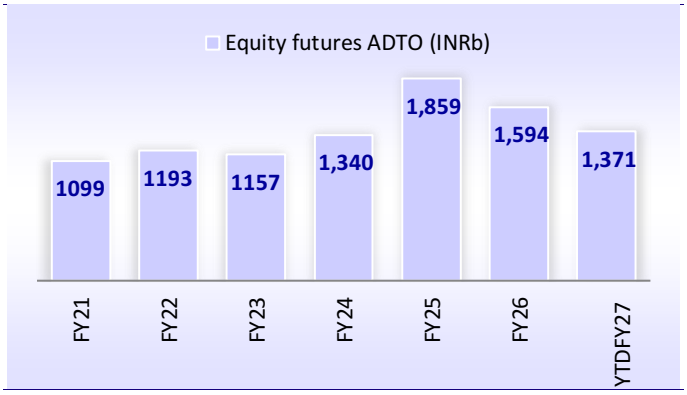
- **Still a global-scale franchise:** NSE's options premium turnover was INR142.4t in FY26, with an ADTO of INR576b. It ranked fifth among global exchanges by options contracts traded in 1QFY27. Nifty options are still the deepest and most liquid index options in India, with the tightest spreads and the most institutional and proprietary activity. That remains NSE's main competitive advantage.
- **How NSE can defend its share:** NSE has several levers: (i) the depth and network effects of Nifty liquidity, (ii) building out monthly and longer-dated contracts, where it is structurally strong, (iii) a full product range across indices and single stocks, and (iv) pricing flexibility if competition gets more intense. Keeping its share stable is the key driver of earnings visibility and the main swing factor for valuation.

CAS: the regulator has removed the overhang

- **The original design weighed on options volumes:** The Closing Auction Session (CAS) went live on 3 Aug'26. Under the original design, the single auction print also set the settlement price for expiring derivatives. That caused sharp price swings on expiry days: indicative index prices fell by more than 2% during the auction window on some expiry days before recovering. It also created basis risk for option writers and hedgers. Options volumes came under pressure as proprietary and algorithmic traders cut back their expiry-day strategies.
- **SEBI modified the course quickly:** After stakeholder feedback (~20,000 public comments), SEBI modified the regulations which is favorable for trading volumes. The changes will take effect from 7th Dec'26:
- **Settlement price:** expiring index derivatives will settle on index values calculated from the 30-minute VWAP of their constituent stocks, and stock derivatives on the 30-minute VWAP of the underlying across exchanges. That is close to the settlement method used before CAS.
- **Trading hours:** Continuous cash trading for F&O stocks will run until 3:30 pm. CAS will operate over a 10-minute window (3:30–3:40 pm), with its closing time randomized to after 3:38 pm. Expiring index contracts will stop trading at 3:30 pm, while other derivatives will continue trading until 3:45 pm.
- **Real-time data:** exchanges must publish indicative VWAPs and index values in real time during the settlement window, which improves transparency for traders.
- **CAS keeps a narrower role:** it will set only the official cash-market close, which is used for NAVs, index levels and benchmarking.
- **Why it matters for NSE:** Moving settlement back to a 30-minute average makes expiry prices much harder to push around with a late order imbalance. It largely removes the expiry-day volatility that was putting traders off. Proprietary and algorithmic traders, the largest participants in index options, should be able to go back to their established expiry-day strategies without having to rebuild and backtest them for a new regime.
- **Outlook:** We expect options volumes to recover toward pre-CAS levels after the revised framework takes effect on 7 Dec'26. 3QFY27 will still reflect some residual impact (Aug–early Dec'26), but we see CAS as a transitional disruption, not a structural hit to NSE's options franchise. A further change will take effect

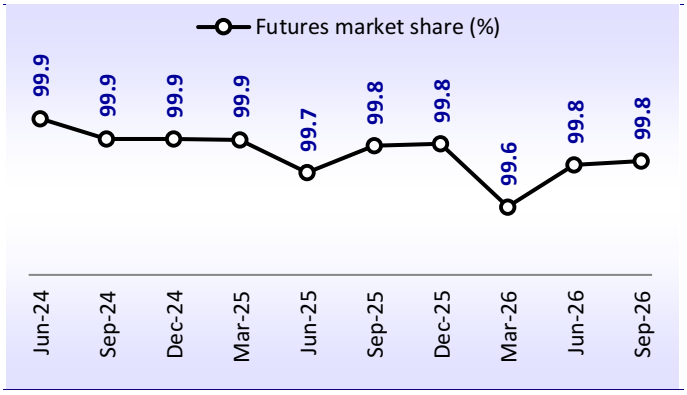
on 8th Feb'27, when unexecuted iceberg orders will carry over into the auction as fully disclosed limit orders. We expect premium ADTO to reach INR808b by FY29 and transaction revenue to clock a CAGR of 12% over FY26-28. We expect futures volumes to contract in FY27 before recovering in FY28.

Exhibit 25: NSE equity futures ADTO largely stable



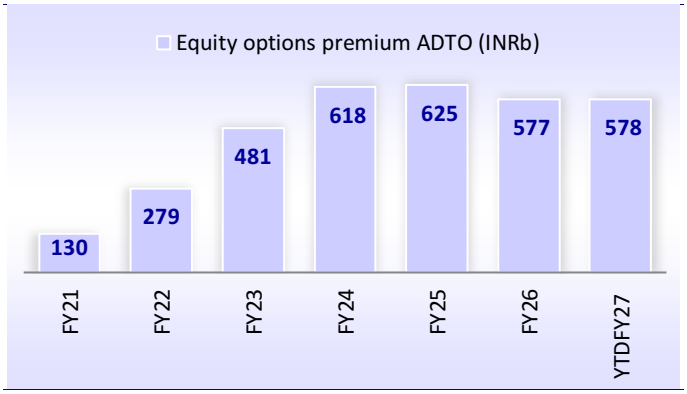
Source: Company, MOFSL

Exhibit 26: Complete monopoly for NSE in the futures market



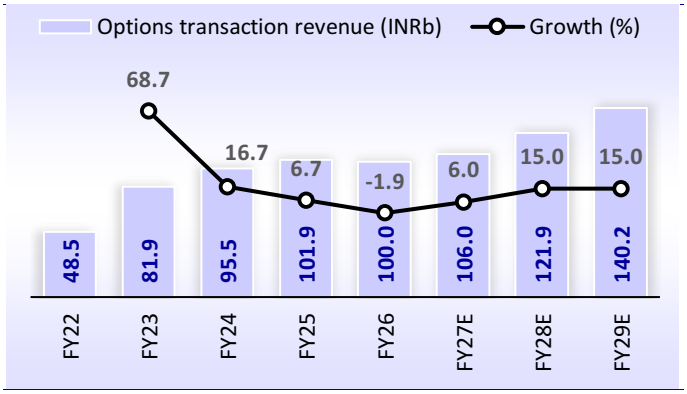
Source: Company, MOFSL

Exhibit 27: NSE equity options volumes surged post-Covid



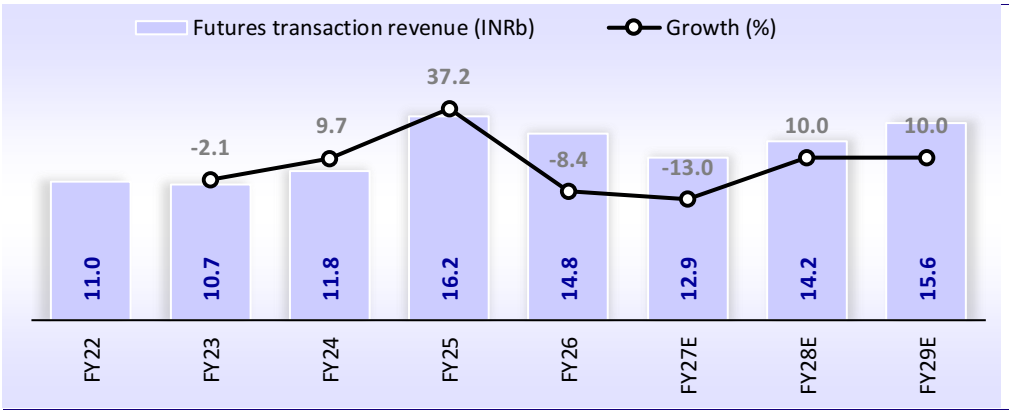
Source: Company, MOFSL

Exhibit 28: Stellar activity driving options revenue growth



Source: Company, MOFSL

Exhibit 29: Futures transaction revenue trends



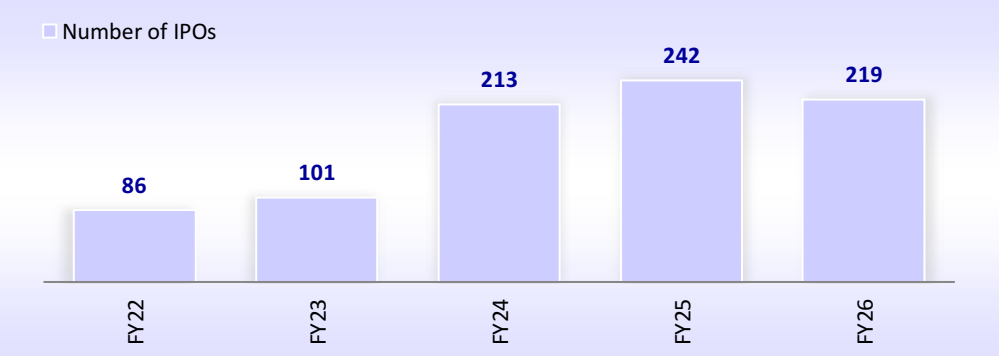
Source: SEBI, MOFSL

Beyond transaction revenue: Building NSE's annuity engine

Non-transaction revenue makes up a much larger share of revenue at leading global exchanges. Expanding colocation, data, index, and listing businesses will be key for NSE to build a revenue base that holds up through market cycles and regulatory changes.

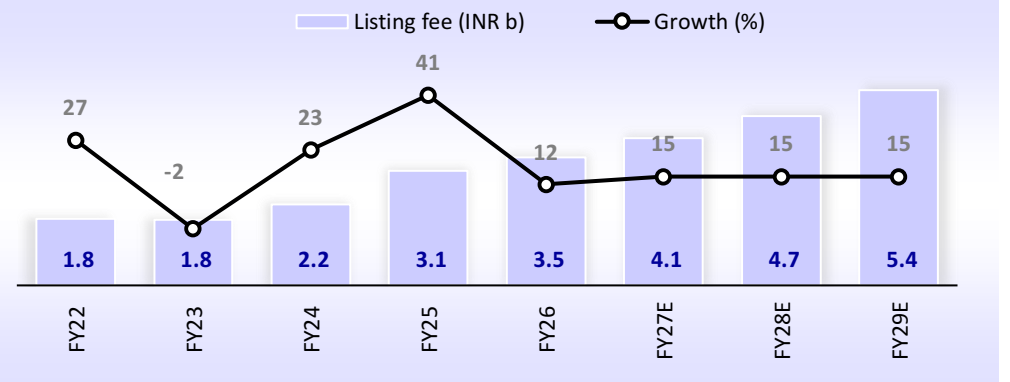
- **Only 17% of revenue today, with room to grow:** Non-transaction revenues were 17% of NSE's revenue from operations in FY26. They are recurring and subscription-like, and largely unaffected by market volatility or regulatory changes to trading. Scaling them up should make earnings more stable and visible, and in time, support a re-rating toward global exchange valuations.
- **Colocation – the biggest non-transaction business:** Colocation is NSE's largest non-transaction revenue stream. Colocation charges posted ~37% CAGR, up from INR2.7b in FY21 to INR13.3b in FY26 (~4.9x). NSE had 1,680 colocation member racks as of 31 Mar'26. Demand is driven by HFT and algorithmic trading firms, for whom low-latency access is essential and switching to another venue is costly, making the revenue stream sticky. We expect colocation revenue to grow at a 15% CAGR over FY26-28, to ~INR17.6b, as more algo traders come in and existing members add capacity.
- **Listing services – a growing IPO pipeline adds recurring fees:** Listing services earn three types of fees: listing fees (one-time and annual), processing fees, and book-building fees. They brought in INR3.5b of revenue in FY26. According to the WFE, IPO capital raised on NSE (fresh issue + OFS) was USD20.1b in FY26, placing NSE among the top five exchanges globally. Each new listing adds annual fees and also generates ongoing trading, index inclusion, and data revenue, so listings strengthen NSE's position across segments.
- **Data feeds and terminals – monetizing NSE's own data:** Data feed and terminal services account for ~3% of NSE's revenue. Revenue from these services clocked ~29% CAGR over FY21-26 (~3.6x), driven by demand from brokers, fintech platforms, algo traders, and global data vendors. We expect revenue from these services to record 15% CAGR going forward. The global benchmark for this business is high: for leading exchanges, data and analytics have become a core profit pool.
- **Other streams round out the mix:** These include index licensing fees (linked to passive AUM growth through NSE Indices), clearing and settlement fees (linked to volumes and collateral through NSE Clearing), and registration and skill-training fees. Together, they provide NSE several ways to earn from the growth of India's capital markets beyond trading.
- **The gap to global peers is the opportunity:** Non-transaction revenue makes up a much larger share of revenue at leading global exchanges. Expanding colocation, data, index, and listing businesses will be key for NSE to build a revenue base that holds up through market cycles and regulatory changes.

Exhibit 30: Number of IPOs on NSE surged post-FY23…



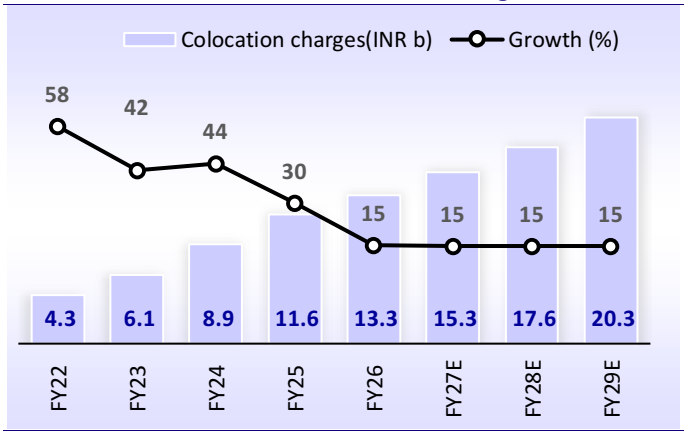
Source: Company, MOFSL

Exhibit 31: …driving growth in listed fees



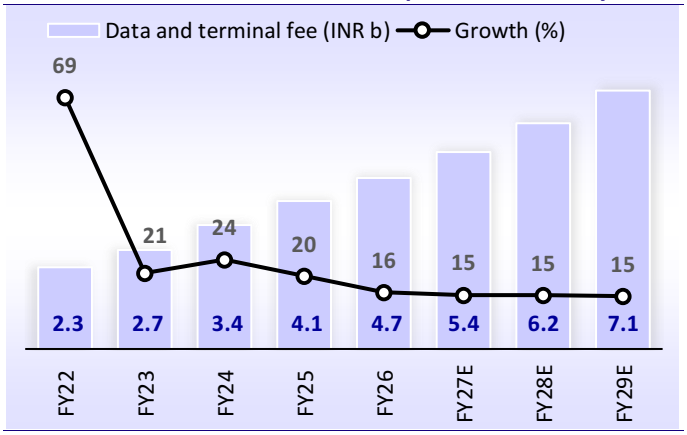
Source: Company, MOFSL

Exhibit 32: Colocation revenue continues to grow



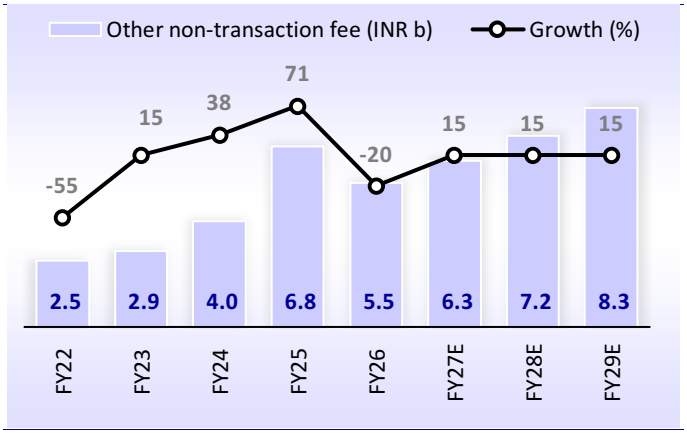
Source: Company, MOFSL

Exhibit 33: Data and terminal fee expansion over the years



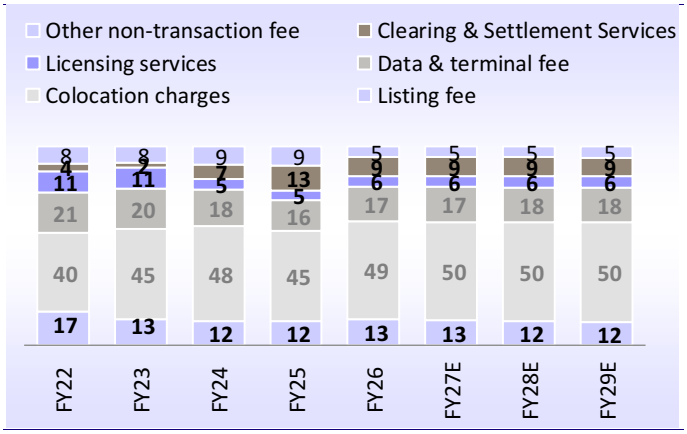
Source: Company, MOFSL

Exhibit 34: Other non-transaction revenue trends



Source: Company, MOFSL

Exhibit 35: Non-transaction revenue mix (%)



Source: Company, MOFSL

New frontiers: More asset classes; expansion at GIFT City

Leadership across non-equity asset classes

- **More than an equity exchange:** NSE runs markets for currency derivatives, interest rate derivatives, corporate and government bonds, commodity derivatives, electricity futures, and electronic gold receipts. Each is small next to equities today, but together they make NSE a multi-asset exchange with several growth options as India's financial markets deepen.

Market leadership in most non-equity segments:

- **Currency derivatives:** 99.5% share in exchange-traded currency futures (by turnover) and 100% share in currency options (by premium turnover).
- **Interest rate futures:** 100% of the industry's traded value in FY26.
- **Corporate bonds:** 85.65% share in listed and unlisted corporate bond trading.
- **Electricity futures:** 71.4% share (by number of lots traded) between 14 Jul'25 and 31 Mar'26, within its first year of trading.

NSE's liquidity, member network, and clearing infrastructure carry over from equities, so it can win leadership quickly in new segments.

- **A track record of launching new products:** Recent launches include electricity futures, which let power producers, distribution companies, and large consumers hedge price risk, and electronic gold receipts (EGRs), which turn physical gold into a tradable, exchange-traded instrument. Both are large markets that are not yet traded at scale on exchanges. and NSE is positioned to lead as it moves onto exchanges.

Commodities: A challenger in a market MCX dominates

- **A large market where NSE has barely started:** The traded value of industry commodity futures was INR165t in FY26, with options premium turnover of INR16.8t. MCX dominates with ~96% share, while NSE's share is below 0.5%. NSE's commodity ADTO was ~INR0.9b in FY26 (up from INR0.2b in FY24), and commodity transaction charges were negligible at ~INR2m. Commodities are therefore a pure option on future growth, with almost no revenue built into today's numbers.
- **Second attempt, different strategy:** NSE's 2017–20 commodity effort failed because its contracts were similar to those of the incumbent. This time, NSE is designing contracts for specific users:
- **Bullion:** Smaller lots, such as 10-gram gold futures (launched 4QFY26) and a 100-gram silver contract, aimed at retail investors and jewelers, supported by physical gold delivery at a nominal INR99 fee
- **Energy:** A dated Brent crude contract, more relevant to India's import mix than WTI, plus new coal and crude products. NSE is also working with oil and chemical companies to build lasting hedger liquidity.
- **Benchmark partnerships:** NSE and IGX (with an INR1b capital infusion into a subsidiary) are building India's first domestically benchmarked natural gas derivatives contract, and NSE is collaborating with S&P Global Energy on derivatives linked to Platts benchmarks.

- **Early results:** Electricity futures reached a leading share within their first year, and NSE's crude contracts have taken about one-third of the market in some expiries. Both show NSE can win share where its products are clearly differentiated. Network effects favor the incumbent, however, so gains in share will depend on execution and will take time. We treat commodities as a long-term opportunity, not a near-term earnings driver, though even a modest share of a INR165t+ market would add meaningfully to NSE's revenue.

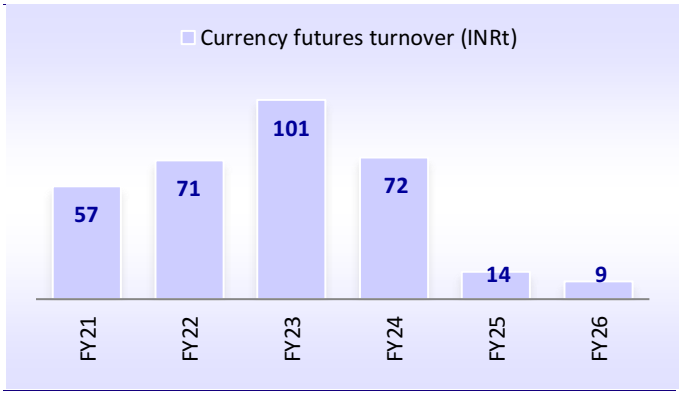
GIFT City: Taking NSE beyond India

- **NSEIX as a global platform:** A key strategic priority for NSE is to build NSE International Exchange (NSEIX) at GIFT City IFSC into a global financial platform, offering a broad range of cross-border products denominated in foreign currencies and adhering to high standards of governance, efficiency, and reliability. NSEIX already hosts GIFT Nifty, the main offshore instrument for trading Indian equity exposure, which gives it a liquid core to build on.
- **NSEIX Global Access (NSEIXGA) opens up outbound investing:** NSEIXGA lets Indian resident investors, NRIs, and IFSC-based entities invest in global markets through a single, integrated digital account. Indian investors increasingly want global diversification, and NSEIXGA gives NSE a direct way to earn from outward flows and deepen its relationship with investors.
- **Positioned to capture the growth of the IFSC:** As banking, fund management, and capital market activities grow at the GIFT City, NSE can extend its trading, clearing, index licensing, and data services to the offshore ecosystem. That brings incremental revenue earned in dollars.

Outlook

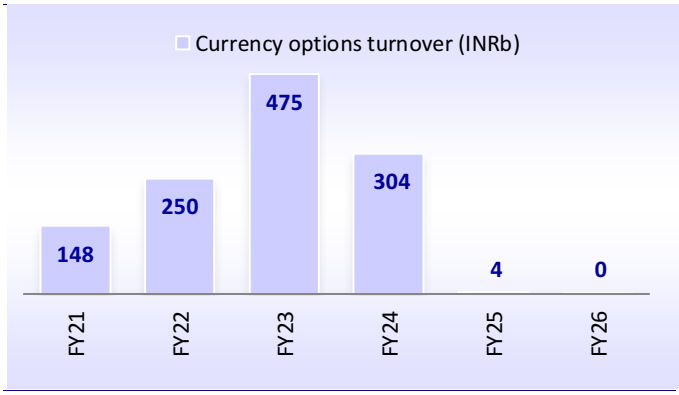
- **New products are key to maintaining its dominant position:** As Indian capital markets mature, demand for new products will grow, including longer-dated derivatives, commodities, power, gold, bonds, and cross-border access. NSE's record of turning new products into leading market shares gives it a strong base. Continuing to innovate will be key to keeping its dominant share and moving beyond its current positioning as primarily an equity derivatives exchange.

Exhibit 36: Currency futures on a declining trend…



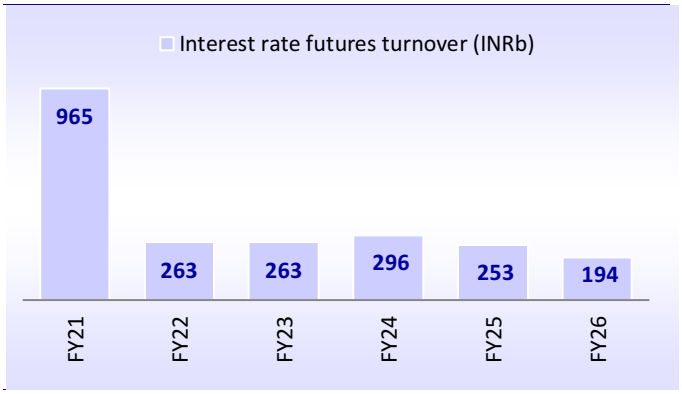
Source: Company, MOFSL

Exhibit 37: …along with exchange-traded currency options



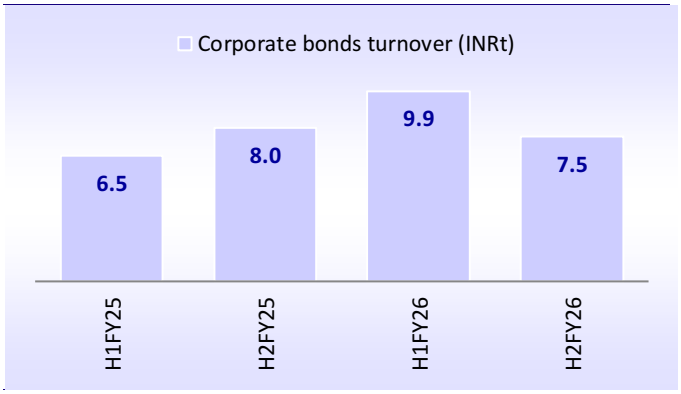
Source: Company, MOFSL

Exhibit 38: Declining trend for interest rate derivatives



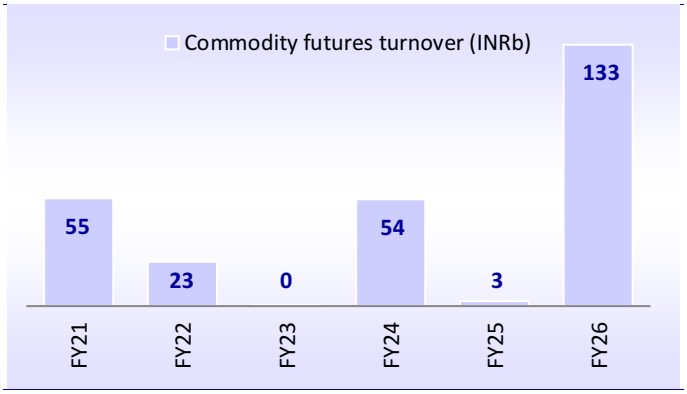
Source: Company, MOFSL

Exhibit 39: Corporate bonds' turnover trajectory



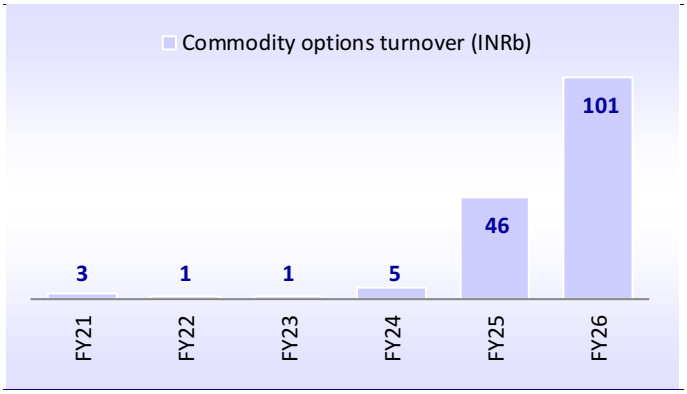
Source: Company, MOFSL

Exhibit 40: Massive traction in both commodity futures…



Source: Company, MOFSL

Exhibit 41: …and commodity options in the last two years



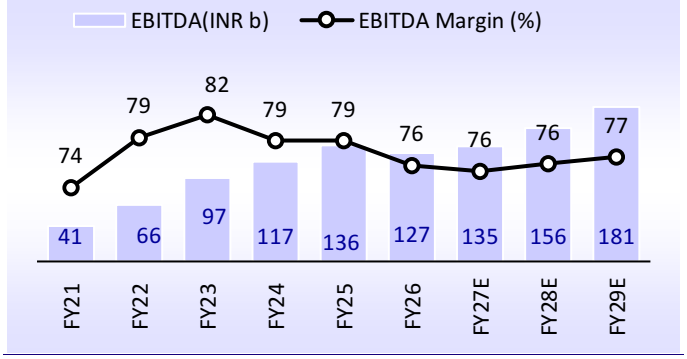
Source: Company, MOFSL

Scale, margins, and technology: The triple moat

With volumes recovering from 2HFY26, operating leverage should turn favorable, with EBITDA margin expected to remain stable at 76%. NSE continues to invest in IT and workforce upskilling across key technology areas.

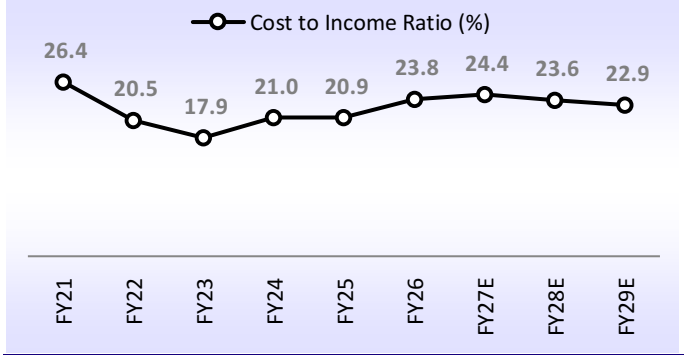
- **Structurally high margins:** NSE has consistently delivered EBITDA margins above 79% over the years. In FY26, margins contracted to 76% as F&O regulatory measures weighed on transaction revenue, while the largely fixed cost base remained unchanged, reflecting negative operating leverage. With volumes recovering from 2HFY26, operating leverage should turn favorable, with EBITDA margin expected to remain stable at 76%.
- **Scale drives cost advantage:** Most of NSE's costs (technology, people, regulatory, and clearing infrastructure) are largely fixed and do not increase materially with volumes. This enables each additional unit of revenue to convert into profits at a high rate. NSE's scale allows it to spread these costs across the largest volume base in India, resulting in one of the lowest cost-to-income ratios among Indian exchanges. Smaller competitors cannot easily match that, as building comparable infrastructure requires heavy upfront investment that lower volumes may not justify.
- **A trusted trading venue and clearing counterparty:** NSE runs a robust, high-speed, technology-led trading platform and, through NSE Clearing, serves as a trusted central counterparty. Reliability, low latency, and settlement certainty are essential for institutional, proprietary, and algorithmic participants, reinforcing NSE's position at the center of India's market liquidity.
- **Built for scale and peak load:**
  - Daily volume: NSE processed an average of 12–14b messages a day as of 31 Mar'26.
  - Peak day: A record 21.89b order messages on 24 Mar'26, ~1.6–1.8x daily average, with 201m trades were executed that day.
  - Capacity: The platform can process ~5m messages per second, leaving room for growth in algo and HFT activity.
- The ~109 messages per trade on the peak day reflect the significant contribution of algorithmic trading to NSE's volumes. Supporting such activity requires capacity and resilience that few exchanges globally can match.
- Continuous investment in technology: NSE continues to invest in IT and workforce upskilling across key technology areas. Recent initiatives include an integrated filing platform, an optimized e-IPO platform, and work on advanced technologies such as an AI-powered observability platform for monitoring systems in real time. These steady investments help keep its platform ahead as volumes, product complexity, and regulatory requirements grow.

Exhibit 42: EBITDA margin to inch up gradually



Source: Company, MOFSL

Exhibit 43: Low cost-to-income ratio for NSE



Source: Company, MOFSL

Global comparison of exchanges

Exhibit 44: Market share of trades within top 10 exchanges in cash market

Market Share (%)	1QFY25	1QFY26	1QFY27
SZSE	23.6	27.0	29.4
SSE	17.7	17.9	21.9
NSE	**19.7**	**15.7**	**11.7**
KRX	10.1	8.1	8.6
Nasdaq	8.8	9.9	8.3
NYSE	6.7	8.4	8.2
CBOE Global	6.1	6.9	5.7
JPX	2.7	2.8	2.6
BIST	3.3	2.3	1.9
B3	1.5	0.9	1.6

Source: NSE Pulse

Exhibit 45: Global market share of contracts traded in the equity derivatives segment

Market Share (%)	1QFY25	1QFY26	1QFY27
NSE	**81.8**	**51.2**	**50.2**
B3	5.4	11.7	9.3
TSE	1.4	6.4	9.1
BIST	1.1	4.0	6.9
CBOE Global	1.7	4.8	4.7
Nasdaq	1.3	3.6	3.5
KRX	1.6	3.8	3.0
CME Group	1.2	3.1	2.7
NYSE	0.9	2.3	2.5
MIAX	0.6	1.9	1.8

Source: NSE Pulse

Exhibit 46: Number of contracts traded in stock futures of top-ranked exchanges

No. of trades (m)	1QFY25	1QFY26	1QFY27
BIST	389	598	1,339
KRX	335	376	483
B3	357	286	212
NSE	**128**	**129**	**120**
DBAG	47	35	67
TAIFEX	19	14	43
PSE	15	23	26
TFEX	8	6	12
Athens	2	3	6
BME	4	3	3

Source: NSE Pulse

Exhibit 47: Number of contracts traded in stock options of top-ranked exchanges

No. of trades (m)	1QFY25	1QFY26	1QFY27
TSE	507	983	1810
Nasdaq	478	548	689
CBOE Global	353	444	543
NYSE	340	360	499
NSE	**381**	**449**	**443**
MIAX	235	294	360
B3	357	348	351
ISE	185	239	278
HKEX	44	46	55
KRX	28	35	36

Source: NSE Pulse

Exhibit 48: Number of contracts traded in index futures of top ranked exchanges

No. of trades (m)	1QFY25	1QFY26	1QFY27
B3	1,243	872	1,077
CME Group	327	390	443
JPX	102	96	109
DBAG	107	99	96
TAIFEX	32	37	57
SGX	39	40	47
HKEX	34	33	37
KRX	27	27	35
CFFEX	22	28	34
ICE Futures US	13	15	18

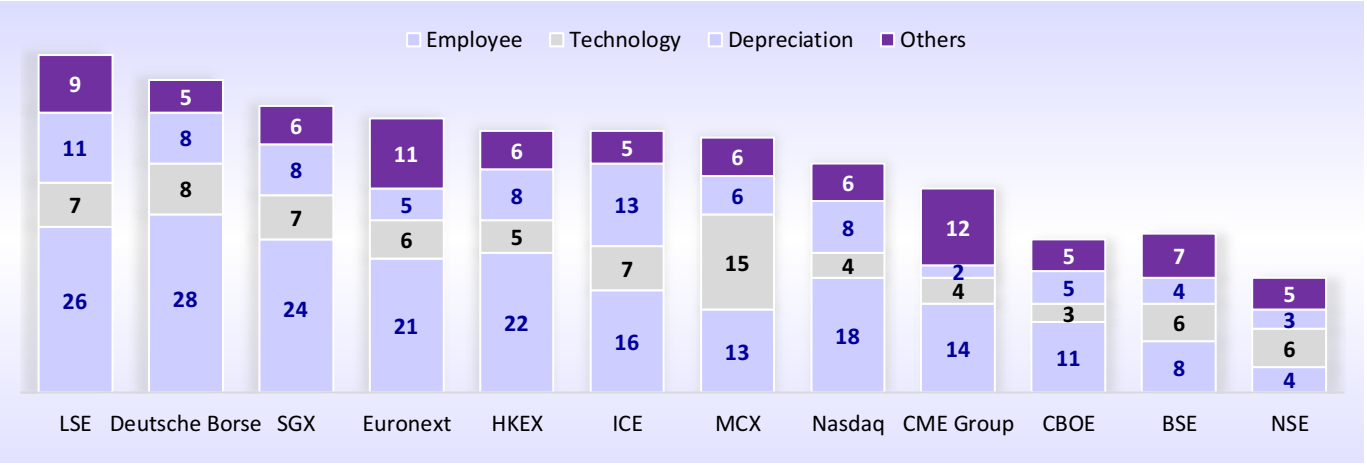
Source: NSE Pulse

Exhibit 49: Number of contracts traded in index options of top ranked exchanges

No. of trades (m)	1QFY25	1QFY26	1QFY27
NSE	**29,118**	**7,266**	**9,420**
CBOE Global	253	291	385
B3	4	290	216
CME Group	100	85	99
DBAG	106	95	86
KRX	179	149	43
TAIFEX	58	36	35
CFFEX	16	19	30
HKEX	9	6	8
JPX	7	7	6

Source: NSE Pulse

Exhibit 50: NSE with the lowest non-volume-linked expenditure as % of revenue from operations among global exchanges, as of FY25



Source: Company

Peer comparison

Cash and derivatives turnover

- NSE recorded the highest cash turnover among Indian exchanges at INR261t in FY26, with an ADTO of INR1.06t.
- NSE also led the industry in options premium turnover at INR124t and equity futures turnover at INR393t in FY26.
- In commodities, NSE lags MCX significantly, with MCX enjoying a near monopoly. NSE recorded a premium turnover of INR14t in FY26.

Exhibit 51: ADTO for different asset classes of listed peers

	NSE		BSE		MCX	
ADTO (INRb)	FY26	1QFY27	FY26	1QFY27	FY26	1QFY27
Cash	1,056	1,268	79	102	-	-
Equity futures	1,594	1,383	3	3	-	-
Equity options premium	577	558	195	259	-	-
Commodity futures	0.5	1.2	-	-	667	636
Commodity options premium	0.4	1.1	-	-	68	101

Source: Companies, MOFSL

Market share

- NSE is India's largest, screen-based trading platform, with FY26 market shares of 92.99%, 99.79%, and 74.71% in total turnover in cash market, total turnover in equity futures, and total premium turnover in equity options, respectively, according to SEBI data.
- NSE held a 99.48% market share in exchange-traded currency futures turnover and 100% share in exchange-traded currency options turnover in India in FY26. It also held 100% market share in total industry value traded in exchange-traded interest rate futures in FY26.
- NSE/NCL had a market share of 85.65% in value of trades in listed and unlisted corporate bonds executed through OTC, RFQ, and anonymous platforms and settled through clearing corporations in India in FY26.

Exhibit 52: NSE holds a dominant position in equity segments

	NSE		BSE		MCX	
Market share (%)	FY26	1QFY27	FY26	1QFY27	FY26	1QFY27
Cash	93	93	7	7	-	-
Equity futures	99.8	99.8	0.2	0.2	-	-
Equity options premium	75	68	25	32	-	-
Commodity futures	~0	0.1	-	-	~100	99.9
Commodity options premium	0.5	1.1	-	-	99.5	98.9

Source: Companies, MOFSL

Listing metrics

- Despite having nearly half the number of listed entities as BSE, NSE's market capitalization is almost at par with BSE.
- In IPOs, NSE and BSE had a similar number of mainboard listings. NSE led in SME IPOs in FY24 and FY25, following which BSE gained a higher share in FY26.

Exhibit 53: Comparison of number of IPOs

	NSE			BSE		
Number of IPOs	FY24	FY25	FY26	FY24	FY25	FY26
Mainboard	75	79	108	76	79	109
SME	138	163	111	58	78	146

Source: Companies, MOFSL

One of the best cost-to-income ratios

- NSE has consistently maintained one of the lowest cost-to-income ratios among the three Indian exchanges, reflecting its robust operational efficiency.

Exhibit 54: Cost-to-income ratio comparison between exchanges

CIR (%)	FY24	FY25	FY26
NSE	21.0	20.9	23.8
BSE	64.4	46.2	34.7
MCX	90.6	40.2	28.5

Source: Companies, MOFSL. Note: Numbers are on a consolidated basis

Exhibit 55: Valuation of globally listed exchanges

	EPS (INR)			RoE %		FY28E
	FY26	FY27E	FY28E	FY26	FY27E	P/E
BSE	60.4	86.8	98.5	44.4	45.4	36.6
MCX	52.2	70.3	76.3	56.3	53.3	39.5
NSE	41.7	45.6	52.5	34.1	34.9	36.3
	CY25	CY26E	CY27E	CY25	CY26E	CY27E P/E
Intercontinental Exchange Inc (ICE)	624.5	772.8	837	14.1	15.3	17.4
London Stock Exchange Group plc (LSE)	506.6	616.1	705.7	9.3	11.1	15.3
HongKong Exchange and Clearing Ltd (HKEX)	161.8	185.2	188.4	31.7	33.1	26.4
Singapore Exchange Ltd (SGX)	43.9	51.4	56.2	31.1	30.7	32.4
TMX Group Ltd (TMX)	97.3	152.5	166.9	12.2	13.6	20.9
Japan Exchange Group (JPX)	41.5	56	58.2	23.1	29.9	22.6
Nasdaq Inc	312.7	394.1	446.4	17.2	19	20.1
CME Group Inc	1006.3	1169.3	1239.3	14.6	15.8	20.6

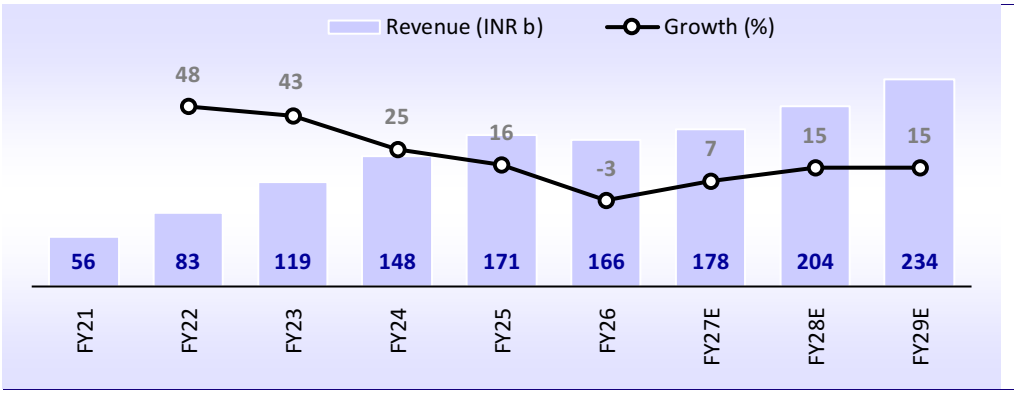
Source: Visible Alpha, MOFSL

Financial performance

Low double-digit revenue growth expected

- NSE's operating revenue expanded at a 12% CAGR over FY23-26, with ~80% of revenue being contributed by transaction charges in FY26. We expect revenue to clock a 12% CAGR over FY26-29.

Exhibit 56: Revenue to expand at a 12% CAGR

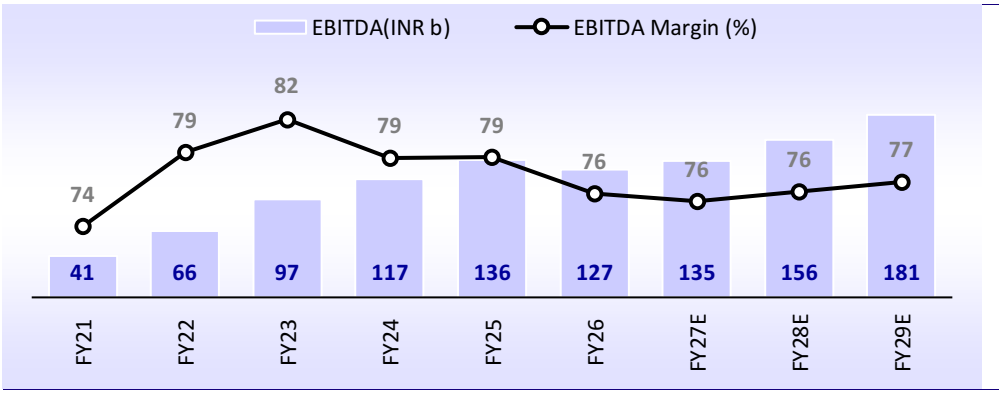


Source: Company, MOFSL

Robust EBITDA margin backed by strong operational efficiency

- NSE's EBITDA expanded at a 12% CAGR over FY23-26, with an EBITDA margin of 76% in FY26. Robust operational efficiency, backed by a lean cost structure, will help maintain high margins for the company. We expect EBITDA to expand at a 13% CAGR over FY26-29, with the margin remaining stable at ~77% by FY29.

Exhibit 57: High EBITDA margin on the back of operating efficiency

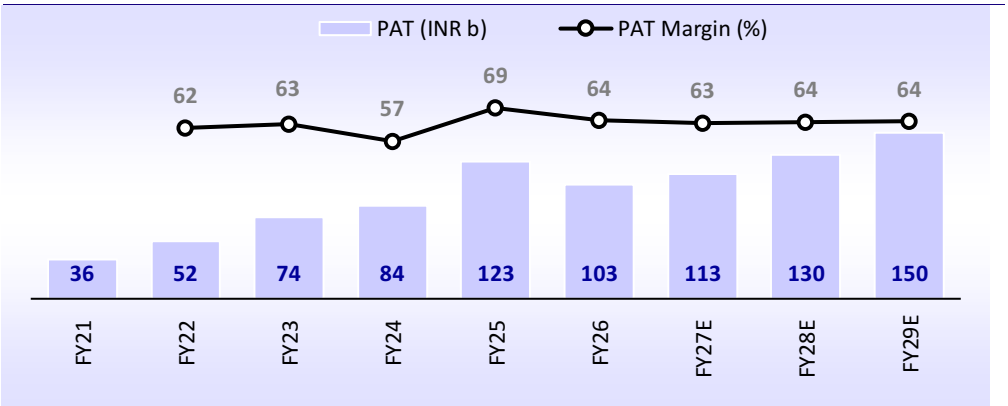


Source: Company, MOFSL

Revenue momentum and operational leverage to boost PAT growth

- NSE's PAT expanded at an 11% CAGR over FY23-26, with PAT margin of ~64% in FY26. Going forward, we expect PAT to clock a 13% CAGR over FY26-28, backed by strong revenue growth momentum as well as robust operational efficiency.

Exhibit 58: PAT expected to expand at a 13% CAGR over FY26-29

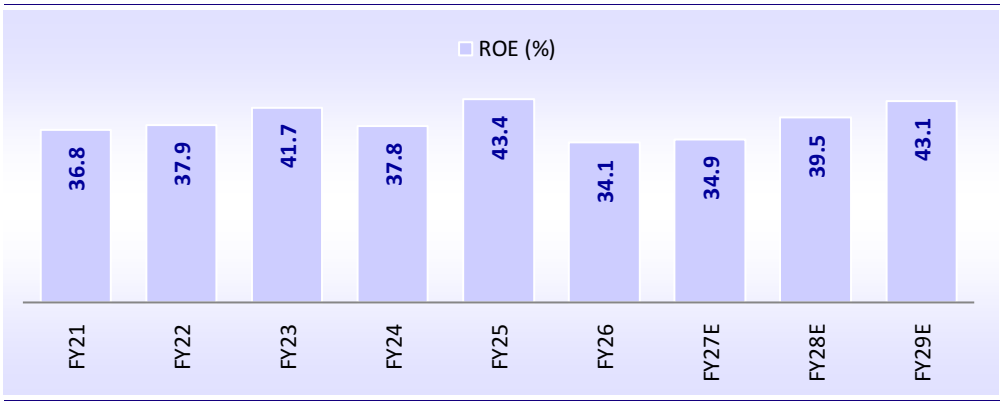


Source: Company, MOFSL

RoE expected to improve

- NSE's RoE dipped to ~35% in FY26 from ~40% levels before FY26. We expect it to inch up going forward and reach 43% by FY29.

Exhibit 59: RoE trends



Source: Company, MOFSL

Valuation and view

Initiate coverage with a BUY rating

- NSE is India's leading exchange, with a dominant franchise built on scale, deep liquidity, a trusted clearing counterparty, and a robust technology platform. Beyond equities, it has built leadership across currency derivatives (99.5% in futures, 100% in options), interest rate futures (100%), and corporate bonds (85.65%), providing multiple avenues for revenue growth and mix improvement.
- Its 93% cash and 99.8% equity futures share, alongside significant headroom for broader participation, positions it to capitalize on the under-penetration opportunity as more households financialize. With domestic investors investing ~INR6.1t into markets in CY26 (to Aug'26), ~2.8x FPI outflows of INR2.2t, and significant under penetration with respect to active accounts, we expect NSE to continue gaining from rising household financialization and deliver an 12% revenue CAGR for FY26-29.
- Rising non-transaction revenue, which contributed 17% of FY26 revenue from operations, has supported earnings quality, while traction in colocation data feeds and terminals, listing services, and clearing should provide further mix benefits. New asset classes (electricity futures, electronic gold receipts, commodities) and GIFT City operations (NSEIX, NSEIXGA) offer further optionality.
- At the same time, NSE's FY26 cost-to-income ratio of 24% remains among the lowest across Indian exchanges, supported by a largely fixed cost base comprising technology, people, regulatory, and clearing infrastructure. We expect operating leverage to sustain the cost-to-income ratio at ~24% by FY29 and EBITDA margins at ~77%.
- We expect the company to deliver ~12% FY26-29 revenue CAGR to INR234b and ~13% EBITDA CAGR to INR181b, driven by a recovery in derivatives activity from 2HFY26, steady cash market growth, and rising non-transaction contribution. With limited incremental capital requirements, we expect RoE to recover from ~35% in FY26 to ~43% by FY29, with PAT clocking ~13% CAGR to INR150b. We believe the combination of market leadership, structural industry growth, and operating leverage warrants a premium to broader financials and supports a potential valuation re-rating as earnings recover and the non-transaction mix rises.
- **We initiate coverage with a BUY rating and a one-year TP of INR2300, based on 40x Sep'28E EPS**. Our valuation is supported by NSE's market-leading franchise, a recovering earnings trajectory, and a long runway for volume growth.
- **Key risks:**
  - Regulatory action that could impact F&O activity
  - Loss of market share in the options segment
  - High revenue concentration in transaction charges and options
  - Multi-clearing interoperability increasing fee competition
  - Highly regulated industry
  - Slower traction in commodities and other new products
  - Operational, technology and cybersecurity risks

We initiate coverage with a BUY rating and a one-year TP of INR2300, based on 40x FY28E P/E. Our valuation is supported by NSE's market-leading franchise, a recovering earnings trajectory, and a long runway for volume growth.

ESG initiatives



Environmental initiatives

- **Green and Sustainable Finance Platforms:** The company is expanding market infrastructure to support climate transition by facilitating platforms for ESG-focused debt securities, green bonds, electricity derivatives, and energy transition instruments.
- Environmental sustainability is one of NSE Foundation's CSR focus areas. The approach explicitly links community well-being to environmental sustainability.

Social initiatives

- The NSE Multispecialty Hospital Block and Bone Marrow Transplant Centre is being developed in partnership with a leading cancer hospital in three phases.
- The NSE Foundation supports educational access, entrepreneurship, self-help groups, financial inclusion, and income generation for vulnerable communities.
- The Social Stock Exchange (SSE) under NSE allows non-profits to raise funds; 195 NPOs were registered as of 30th Jun'26.
- In FY26, NSE added sports infrastructure to its CSR portfolio, including High-Altitude High-Performance Training Centres with the Ministry of Youth Affairs and Sports.

Governance

- NSE is a designated National Critical Information Infrastructure Protection Center (NCIIPC) and operates a 24x7 cyber defense center. Its framework is aligned to ISO standards and SEBI's CSCRF.
- NSE maintains the Core Settlement Guarantee Fund at NCL, which is rated AAA by CRISIL. It also has a cross-segment margining framework.

Bull and Bear cases



Bull case

- ☑ In our bull case, we factor in a options revenue CAGR of 17% (vs. 12% in the base case) and a total revenue CAGR of 17% (vs. 12% in the base case) over FY26-29.
- ☑ Given the operating leverage in the business, we expect a 20% EBITDA CAGR vs. 13% in the base case.
- ☑ As a result, we estimate a PAT CAGR of 20% over FY26-29 vs. 13% in the base case.

Scenario analysis - Bull Case

INRb	FY25	FY26	FY27E	FY28E	FY29E
Option Premium	155,498	143,578	159,371	191,246	2,29,495
Option revenue	101.9	100.0	111.0	133.2	159.8
Other revenue	69.5	66.0	75.4	89.8	106.9
Total revenues	171.4	166.0	186.4	222.9	266.7
Opex	35.9	39.4	42.7	46.5	50.6
EBITDA	135.5	126.6	143.7	176.5	216.1
Other income	7.2	11.3	16.7	18.5	20.5
Tax	38.7	37.2	40.1	48.7	59.1
PAT	112.6	103.1	120.3	146.2	177.4
Growth (%)	34	(8)	17	22	21
Sep'28E EPS					65.4
Multiple					45
TP					2,940
CMP					1,908
Upside (%)					54%



Bear case

- ☑ In our bear case, we factor in a options revenue CAGR of 8% (vs. 12% in the base case) and a total revenue CAGR of 8% (vs. 12% in the base case) over FY26-29.
- ☑ Given the operating leverage in the business, we expect a 7% EBITDA CAGR in bear case vs. 13% in the base case.
- ☑ As a result, we estimate a PAT CAGR of 8% over FY26-29 vs. 13% in the base case.

Scenario analysis - Bear Case

INRb	FY25	FY26	FY27E	FY28E	FY29E
Option Premium	155,498	143,578	149,321	164,253	1,80,678
Option revenue	101.9	100.0	104.0	114.4	125.8
Other revenue	69.5	66.0	69.4	75.8	82.7
Total revenues	171.4	166.0	173.4	190.1	208.5
Opex	35.9	39.4	43.9	49.1	54.9
EBITDA	135.5	126.6	129.5	141.0	153.5
Other income	7.2	11.3	16.7	18.5	20.5
Tax	38.7	37.2	36.6	39.9	43.5
PAT	112.6	103.1	109.7	119.6	130.5
Growth (%)	34	(8)	6	9	9
Sep'28E EPS					50.5
Multiple					35
TP					1,770
CMP					1,864
Downside (%)					-7%

SWOT analysis

S – STRENGTH

- ☑ Dominant market share: 93% in cash, ~100% in equity futures, 99.5% in currency futures, and 86% in corporate bonds (FY26).
- ☑ Nifty and Bank Nifty are India's benchmark derivatives contracts, with deep liquidity continuing to attract higher order flow.
- ☑ Large, resilient tech platform that handles 12–14b messages a day, with no data breaches recorded over FY24–26.



W – WEAKNESS

- ☑ Revenue depends on one product: equity options are ~76% of transaction charges.
- ☑ Limited pricing freedom, since SEBI oversees charges, while the uniform-fee framework has eliminated slab-based pricing.



O – OPPORTUNITY

- ☑ Low demat penetration leaves significant headroom for growth in the investor base and cash volumes.
- ☑ A strong IPO, SME, and REIT/InvIT pipeline is expected to drive growth in listing and issuer income.
- ☑ New products (commodities, power, bond, repo) can reduce reliance on equity options.
- ☑ Index licensing, data, and co-location offer income that does not depend on trading volumes.



T – THREATS

- ☑ Further F&O curbs from SEBI (expiries, lot sizes, STT) could hurt volumes.
- ☑ Competition is rising: BSE is gaining share, and MSE and NCDEX are entering equities.
- ☑ A system outage, cyber incident, or MII penalty could damage NSE's reputation and earnings.
- ☑ A prolonged market downturn could dampen retail activity and volumes.



Management team



Mr. Ashishkumar Chauhan, MD & CEO

He holds a Bachelor's degree in Technology from the Indian Institute of Technology, Bombay, and a Post-Graduate Diploma in Management from the Indian Institute of Management, Calcutta. He has previously served as Managing Director and Chief Executive Officer of BSE, and as President and Group Chief Information Officer/Information Technology of Reliance Industries.



Mr. Viral Mody, Executive Director – Critical Operations

He holds a Bachelor's degree in Engineering from the University of Mumbai. He was previously associated with Tata Consultancy Services and NSEIT, where he served as Senior Manager, and Wipro Technologies. He is responsible for overseeing the integration of advanced systems to enhance market operations and accelerate digital transformation.



Mr. Sanjay Shorey, Executive Director – Regulatory, Compliance, Risk Management and Investor Grievances

He holds a Bachelor's degree in Commerce (Honours) and a Bachelor's degree in Law, both from the University of Delhi, as well as a Master's degree in Commerce from Himachal Pradesh University. He has previously held several leadership positions, including serving as Director General of Corporate Affairs under the Ministry of Corporate Affairs.



Mr. Ian Desouza, Chief Financial Officer

He holds a Bachelor's degree in Commerce and a Master's degree in Management Studies, both from the University of Mumbai. He has previously served as Chief Financial Officer of Bank of Baroda, Bajaj Finance Limited, and India Mortgage Guarantee Corporation Private Limited.



Mr. Sriram Krishnan, Chief Business Development Officer

He holds a bachelor's degree in Commerce from PSG College of Arts & Science, Coimbatore, and is an associate member of both the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India. He was previously associated with Deutsche Bank AG, where he served as Managing Director.

Financials and valuations

Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Operating revenue	**56,248**	**83,132**	**1,18,563**	**1,47,800**	**1,71,407**	**1,66,013**	**1,78,062**	**2,04,114**	**2,34,008**
YoY growth (%)	60.3	47.8	42.6	24.7	16.0	-3.1	7.3	14.6	14.6
Employees Cost	4,798	3,564	3,661	4,604	6,721	7,900	9,480	10,428	11,471
Other Expenses	10,043	13,515	17,587	26,362	29,174	31,549	34,018	37,797	42,012
Opex	**14,841**	**17,079**	**21,248**	**30,966**	**35,895**	**39,449**	**43,498**	**48,225**	**53,483**
% of Sales	26.4	20.5	17.9	21.0	20.9	23.8	24.4	23.6	22.9
EBITDA	**41,407**	**66,053**	**97,315**	**1,16,834**	**1,35,512**	**1,26,564**	**1,34,564**	**1,55,889**	**1,80,525**
Margin (%)	73.6	79.5	82.1	79.0	79.1	76.2	75.6	76.4	77.1
Depreciation	2,260	3,105	3,841	4,396	5,466	6,235	6,547	7,071	7,636
EBIT	**39,147**	**62,949**	**93,474**	**1,12,439**	**1,30,046**	**1,20,329**	**1,28,018**	**1,48,818**	**1,72,889**
Other Income	5,775	5,607	9,091	16,536	20,362	21,121	23,233	25,556	28,112
Contribution to SGF	-621	0	2,035	17,410	2,341	6	0	0	0
PBT bef. EO Exp.	**45,543**	**68,556**	**1,00,531**	**1,11,565**	**1,48,067**	**1,41,444**	**1,51,250**	**1,74,374**	**2,01,000**
EO Items	-1,552	855	1,000	-88	-5,393	-3,571	0	0	0
PBT	**43,991**	**69,410**	**1,01,531**	**1,11,477**	**1,42,674**	**1,37,873**	**1,51,250**	**1,74,374**	**2,01,000**
Tax	8,916	16,983	25,397	27,778	38,690	37,161	39,634	45,678	52,635
Tax Rate (%)	20.3	24.5	25.0	24.9	27.1	27.0	26.2	26.2	26.2
Minority Interest	-659	-903	-885	-1,005	-1,289	-1,082	-1,190	-1,309	-1,440
Profit/(Loss) from disc op		-1,190	-1,280	-796	7,333	1,297	0	0	0
Reported PAT	**35,734**	**52,140**	**75,739**	**83,908**	**1,12,605**	**1,03,091**	**1,12,806**	**1,30,005**	**1,49,806**
Adjusted PAT	**37,286**	**51,285**	**74,739**	**83,996**	**1,17,998**	**1,06,662**	**1,12,806**	**1,30,005**	**1,49,806**
Change (%)	97.8	37.5	45.7	12.4	40.5	-9.6	5.8	15.2	15.2
Margin (%)	66.3	61.7	63.0	56.8	68.8	64.2	63.4	63.7	64.0

Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Fixed Assets	9,590	13,772	12,912	13,173	17,500	18,805	19,805	20,805	21,805
Goodwill	3,959	4,109	2,069	2,069	2,069	2,069	2,069	2,069	2,069
Other non-current assets	12,402	16,481	13,228	17,543	27,813	26,285	30,227	34,762	39,976
Investments	1,14,059	1,37,239	1,89,350	2,92,614	3,39,890	3,16,773	3,63,497	4,17,230	4,79,023
Other current assets	17,471	21,242	32,253	38,132	32,254	42,995	49,444	56,861	65,390
Cash and Bank Balance	1,34,576	1,63,227	1,15,832	2,91,110	2,75,142	4,72,449	4,82,255	4,97,937	5,34,626
TOTAL ASSETS	**2,92,056**	**3,56,070**	**3,65,643**	**6,54,640**	**6,94,666**	**8,79,374**	**9,47,297**	**10,29,662**	**11,42,888**
Equity Share Capital	495	495	495	495	2,475	2,475	2,475	2,475	2,475
Total Reserves	1,15,865	1,53,609	2,04,290	2,39,249	3,01,058	3,18,660	3,22,466	3,31,097	3,59,528
Minority Interest	0	79	19	-5	0	0	0	0	0
Net Worth	**1,16,361**	**1,54,183**	**2,04,804**	**2,39,739**	**3,03,533**	**3,21,135**	**3,24,941**	**3,33,572**	**3,62,003**
Core SGF	37,928	42,551	52,836	89,102	1,20,753	1,30,792	1,30,792	1,30,792	1,30,792
Other non-current liabilities	2,428	4,696	4,145	5,524	8,470	9,013	10,365	11,920	13,707
Other Current Liabilities	1,35,339	1,54,639	1,03,859	3,20,275	2,61,908	4,18,435	4,81,200	5,53,380	6,36,387
Liabilities	**1,75,696**	**2,01,886**	**1,60,840**	**4,14,901**	**3,91,131**	**5,58,239**	**6,22,356**	**6,96,091**	**7,80,886**
EQUITY AND LIABILITIES	**2,92,056**	**3,56,069**	**3,65,643**	**6,54,640**	**6,94,664**	**8,79,374**	**9,47,297**	**10,29,662**	**11,42,888**

Financials and valuations

Cash Flow

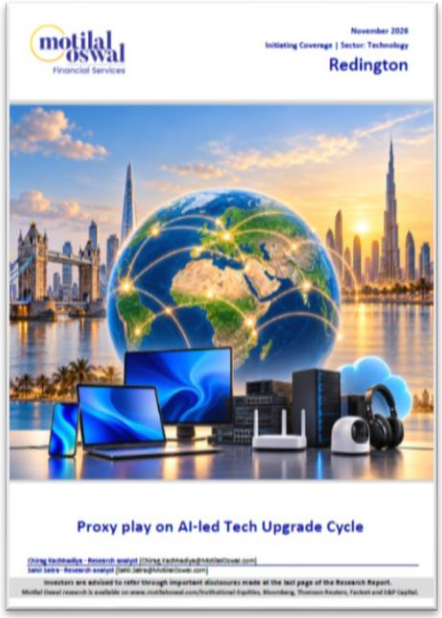
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PBT	43,991	69,410	99,531	1,11,653	1,53,459	1,37,874	1,51,250	1,74,374	2,01,000
Depreciation	2,260	3,105	3,841	4,396	5,466	6,235	6,547	7,071	7,636
Changes in Operating assets	2,926	-3,610	-11,413	-10,958	3,210	-6,524	-7,786	-8,954	-10,297
Changes in Operating Liabilities	15,587	18,135	-56,906	2,13,958	-59,806	1,53,595	58,041	66,747	76,759
Changes in SGF	3,662	4,623	10,285	36,266	31,650	10,039	0	0	0
Operating Cash Flow	68,426	91,663	45,338	3,55,314	1,33,979	3,01,219	2,08,052	2,39,237	2,75,098
Changes in PPE	-3,428	-7,287	-2,981	-4,657	-9,793	-7,541	-7,547	-8,071	-8,636
Goodwill on consolidation	-2,674	-150	2,040	0	0	0	0	0	0
Changes in investments	-40,524	-23,180	-52,111	-1,03,264	-47,276	23,117	-46,724	-53,733	-61,793
Other NCA and L&A	278	-4,240	3,654	765	-7,603	-2,690	-2,606	-2,997	-3,446
Changes in deposits	964	3,433	5,575	3,838	4,385	3,475	6,076	6,988	8,036
Investing Cash Flow	-45,384	-31,424	-43,822	-1,03,318	-60,285	16,362	-50,801	-57,812	-65,839
Changes in ESC	0	0	0	0	1,980	0	0	0	0
Dividend Paid	-5,445	-20,790	-39,600	-44,550	-86,625	-86,625	-99,000	-1,11,375	-1,11,375
Others	-8,405	-10,798	-9,310	-32,168	-5,020	-33,647	-48,444	-54,368	-61,195
Financing Cash Flow	-13,850	-31,588	-48,910	-76,718	-89,665	-1,20,272	-1,47,444	-1,65,743	-1,72,570
Cash Flow for the year	9,192	28,651	-47,395	1,75,279	-15,971	1,97,309	9,807	15,681	36,690
Opening cash & cash Equivalents	1,25,384	1,34,576	1,63,227	1,15,832	2,91,110	2,75,142	4,72,449	4,82,255	4,97,937
Closing cash & cash Equivalents	1,34,576	1,63,227	1,15,832	2,91,110	2,75,142	4,72,449	4,82,255	4,97,937	5,34,626

Ratios

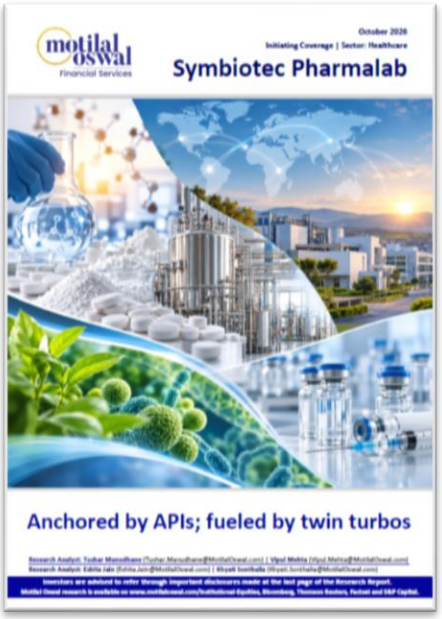
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Basic (INR)									
EPS	**14.4**	**21.1**	**30.6**	**33.9**	**45.5**	**41.7**	**45.6**	**52.5**	**60.5**
BV/Share	47.0	62.3	82.7	96.9	122.6	129.8	131.3	134.8	146.3
DPS	2.2	8.4	16.0	18.0	35.0	35.0	40.0	45.0	45.0
Payout (%)	15.2	39.9	52.3	53.1	76.9	84.0	87.8	85.7	74.3
Valuation (x)									
P/E	132.2	90.6	62.3	56.3	41.9	45.8	41.9	36.3	31.5
P/BV	40.6	30.6	23.1	19.7	15.6	14.7	14.5	14.2	13.0
Dividend Yield (%)	0.1	0.4	0.8	0.9	1.8	1.8	2.1	2.4	2.4
Return Ratios (%)									
RoE	36.8	37.9	41.6	37.8	43.4	34.1	34.9	39.5	43.1

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

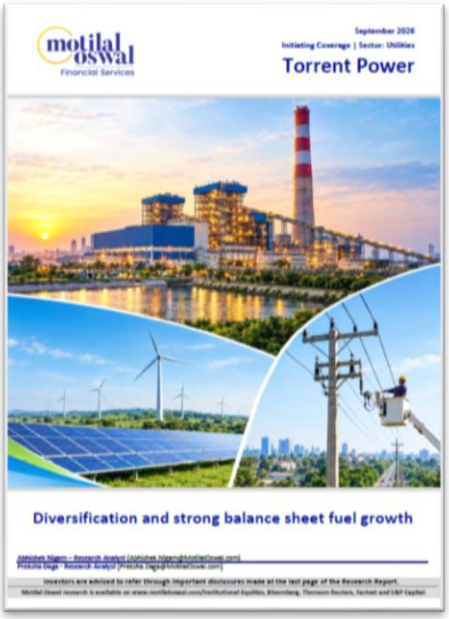
RECENT INITIATING COVERAGE REPORTS







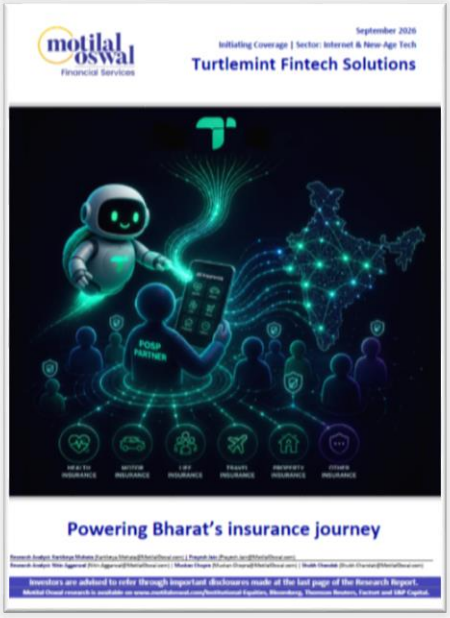












Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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