

Recommendation:

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Rating:



Issue Summary:

Price band (Rs)	805-806
Face Value (Rs)	1
Opens	23 rd Jan, 2017
Closes	25 th Jan, 2017
Issue Size (Rs)	1243 cr
Listing	NSE

Issue Break Up:

QIB portion	50%
NIB portion	15%
Retail portion	35%

Book Running Lead Managers:

➤ Motilal oswal Investment Advisors Private Limited
➤ SBI Capital Markets Limited
➤ SMC Capitals Limited
➤ Spark Capital Advisors(India) Private Limited

Registrar

➤ Karvy Computershare Private Limited

Company & Business Profile

BSE exchange platform, the first stock exchange in Asia, which was formed in July 9, 1875. As of June 30, 2016, the BSE was the world's largest exchange by number of listed companies and India's largest and the world's 11th largest exchange by market capitalization, with US\$1.52 trillion in total market capitalization of listed companies.

General overview of the Exchange Sector

Globally, there are over 70 major stock exchanges with a market capitalization of more than US\$5 billion. The total global market capitalization of WFE member exchanges aggregated to US\$66 trillion at the end of June 2016. 16 of these stock exchanges had a market capitalization of above US\$1 trillion each. Market capitalization of the aforementioned 70 major stock exchanges taken together accounted for 86% of the total global market capitalization.

Objects of the Issue:

The objects of the Offer (OFS) are:

1. To achieve the benefits of listing the equity shares on NSE.
2. For the sale of equity shares by the selling shareholders.

The company will not receive any proceeds of the offer and all the proceeds of the offer will go to the selling shareholders in the proportion of the equity shares offered by them.

Business Model:

BSE regulate listed issuers and provide a market for listing and trading in various types of securities as may be allowed by SEBI from time to time. Company operates in three primary lines of business, namely:

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

Investment Positives:

- The Indian market is grossly underpenetrated with only 2.5% of the population holding demat accounts. 34 lakh accounts were opened last year.
- BSE enjoys a strong relationship with market participants and finds it easy to generate market linked as well as no-market linked revenues.
- Monetising the gains from the GIFT City INX, inaugurated in Jan 2017.
- The BSE star MF platform too would emerge as a strong source of revenue. Started charging from Dec 2016.
- Algo trading has increased the order to ratio significantly.

Financial Highlights:

- In FY16, 64.8% of total revenue came from operations, 28.8% from investments and deposits and other income was 6.4%.
- Revenue has grown from Rs 403 cr in FY12 to Rs 515 cr in FY16.
- Contribution of Treasury Income has fallen from 8% to 6% of total revenue.
- A service to Corporates has doubled from Rs 76 cr in FY12 to Rs 161 cr in FY16.

Concern:

- Company operates in a business environment that continues to experience significant and rapid technological change.
- Any current and future strategic investment, alliance, joint venture or other business combination may materially adversely affect financial condition and result of operations.
- Business may be materially adversely affected by risks associated with clearing activities.

Outlook & Valuations:

- The issue has been offered in a price band of Rs 805-806 per equity share. At the upper price band the stock is available at P/E of 54(x) based on FY16 financials. Industry composite PE for the company stands at 46(x). However, the RoE for the stock is 5% for FY16. We have “**3 star**” rating for the issue.
- We recommend subscribing to the issue.

Financials (Rs. in Crs):

DESCRIPTION	Mar-14	Mar-15	Mar-16
Total Income	530	625	658
PBIDT	287	305	301
PBIT	255	247	239
PBT	255	246	238
PAT	135	130	123
Net Worth	2371	2461	2449
EPS	17	15	15
Cash and Bank balance	1469	1452	1610
RONW(%)	6%	5%	5%
PBIDTM(%)	54%	49%	46%
PATM(%)	26%	21%	19%

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