



Company Background

BSE Ltd is Asia's oldest stock exchange and one of India's leading capital market infrastructure institutions. It operates across equity cash, equity derivatives, currency derivatives, debt segment, mutual fund distribution (Star MF), SME platform, and clearing services through its subsidiary ICCL. With strong technology capabilities, scalable infrastructure, and a diversified revenue mix, BSE plays a critical role in India's financial ecosystem and has significantly strengthened its derivatives franchise in recent years.

Investment View

BSE is emerging as a structurally stronger exchange with improving derivatives market share, rising clearing participation, and strong operating leverage. Technology upgrades, enhanced risk management systems, and growing institutional adoption position the exchange for sustained earnings growth. The exchange is well placed to benefit from rising retail participation and ongoing financialization of savings in India.

Key Drivers

Strong Revenue Growth & Operating Leverage:

In Q3FY26, BSE reported record revenue of ₹1,244 crore, up 16% YoY, driven by strong derivatives volumes. Transaction charges surged 86.38% YoY to ₹952.6 crore, reflecting improving market share. EBITDA rose to ₹777 crore with margins expanding to 62%, highlighting strong operating leverage as incremental volumes translate into higher profitability due to the exchange's largely fixed-cost structure.

Improving Clearing Share (ICCL):

ICCL continues to gain traction through technology enhancements, stronger risk management systems, and capacity expansion. Increased onboarding of large brokers and institutional participants is driving clearing income growth. A higher clearing share not only diversifies revenue streams but also strengthens BSE's integrated ecosystem, improving client stickiness and long-term earnings stability.

Collocation & Non-Transaction Revenue:

Collocation revenue is growing due to higher rack utilization, pricing revisions, and rising demand from algorithmic and institutional traders. With total rack capacity expected to reach ~500 racks, BSE has additional monetization headroom. These recurring, non-volume-linked revenues provide annuity-like stability and improve overall revenue visibility, reducing dependence on market cycles.

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	3,000	9

Market data

Current price	Rs	2,747
Market Cap (Rs.Bn)	(Rs Bn)	1,116
Face Value	Rs	2
52 Weeks High/Low	Rs	3227 / 1226.49
Average Daily Volume	('000)	4,170
Bloomberg		BSE.IN

One Year Performance



Source: Bloomberg

% Shareholding	Dec-25	Sep-25
FII n DII	41.27	36.24
Public	58.73	63.76
Total	100	100

Source: Bloomberg

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Regulatory Impact (RBI Proposal)

RBI wants brokers to use more of their own money and provide full security when they borrow from banks. Earlier, brokers could operate with lower costs by paying a small bank guarantee fee (around 1–2%) and contributing only 10–20% of their own funds. Now, they may need to bring in more than 50% cash up front and give 100% collateral against loans. RBI is also allowing bank funding only for completing trade settlements during the day, not for margin trading. This means brokers cannot easily use borrowed money to support trading positions. As a result, the amount of leverage (borrowed money used for trading) in the system will reduce. When leverage reduces, trading activity—especially in derivatives—can slow down, leading to lower market liquidity and volumes in the short term. Higher funding costs could reduce leverage and temporarily impact market liquidity and derivatives volumes in the short term. However, given the potential liquidity shock, implementation may be phased or delayed, which could result in a rebound in volumes. If the proposal is implemented without changes, near-term volumes and transaction income may be impacted, potentially leading to price corrections in the stock. We believe such corrections should be viewed as buying opportunities, as rising financial literacy, increasing retail participation, and long-term financialization trends are likely to drive recovery in volumes and earnings over time.

Financial Outlook

BSE continues to benefit from structural financialization trends, sustained derivatives volumes, improving clearing share, and diversified revenue streams. High operating leverage and scalable infrastructure support structurally strong margins and position the company for double-digit earnings growth over the medium term.

Valuation

BSE Ltd trades at 41.8x FY28E EPS, reflecting strong earnings visibility, improving derivatives positioning, and margin expansion. While valuations are elevated, the structural growth outlook supports a **BUY-ON-DIPS** strategy. **We maintain a target price of ₹3,000, driven by sustained derivatives momentum, rising clearing monetization, and strong operating leverage.**

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