



from

ROOTS TO RELEVANCE

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COMPANY OVERVIEW

BSE Limited (BSE), Asia's oldest stock exchange, demonstrates a compelling investment profile driven by a successful strategic pivot toward high-growth, high-margin transactional segments. The company has substantially reduced its reliance on traditional, slower-growth revenue streams in favor of aggressively expanding its derivatives market share and leveraging the transactional volumes of its proprietary mutual fund platform, StAR MF.

The operational results of Fiscal Year (FY) 2025 mark a significant inflection point, showcasing explosive growth in revenue and profitability. This success is underpinned by strong structural tailwinds in the Indian capital market and a deeply entrenched position as a regulated Market Infrastructure Institution (MII). The business model benefits from strong operating leverage and is supported by a debt-free, capital-rich balance sheet, offering both systemic resilience and financial flexibility.



BSE Limited, originally known as the Bombay Stock Exchange, is a foundational institution in India's financial landscape. Established on 9 July 1875, it is recognized as Asia's first and oldest stock exchange and is among the ten oldest exchanges globally. The headquarters, located at Phiroze Jeejeebhoy Towers on Dalal Street in Mumbai, serve as a recognized symbol of the Indian growth story.

A crucial transformation occurred with the completion of demutualization and corporatization in May 2007, following the Securities and Exchange Board of India (SEBI)-notified BSE (Corporatization and Demutualization) Scheme, 2005. This structural change separated ownership, management, and trading rights, aligning BSE with modern global exchange governance standards. The company subsequently listed its equity shares on the National Stock Exchange of India Limited (NSE) on February 3, 2017.

BUSINESS OPERATIONS

- As of March 31, 2025, BSE is ranked #7 by market capitalization among global stock exchanges, up from #9 in FY2021. It remains the largest exchange in India based on the number of listed companies, totaling 5,452 as of the end of FY2025.
- BSE functions as a critical, multi-asset Market Infrastructure Institution (MII), encompassing exchange operations, clearing services, and market technology offerings. The core business is facilitated by highly advanced technology, notably boasting the world's fastest exchange speed of 6 microseconds.
- The central tenet of the business model is diversification across five core revenue streams, limiting dependence on any single market segment. The model integrates the functions of an exchange (trading platform and listings) with services provided by key subsidiaries, primarily the Indian Clearing Corporation Limited (ICCL), which acts as the Central Counterparty (CCP) guaranteeing trade settlement. The robust regulatory framework and strong brand recognition derived from its institutional history afford the company a powerful competitive advantage, enabling it to successfully launch and scale technologically advanced platforms, ensuring investor confidence and facilitating aggressive market share acquisition in new domains
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PRODUCTS AND OFFERINGS

- The comprehensive suite of products and services provided by BSE includes:
- **Securities and Derivatives Trading:** Provides platforms for trading across equities, currencies, debt instruments, and equity derivatives. The recent strategic focus on equity derivatives, including differentiated expiry contracts, has been the primary factor driving transactional volume growth.
- **BSE StAR MF Platform:** This is India's largest mutual fund transaction processing platform. It operates on a fully digitalized, paperless model, handling significant volumes (approximately 2 crore average paperless transactions per month in FY2022) and benefiting from the macro trend of increasing retail financialization in India.
- **Capital Raising Services (Services to Corporates):** Supports fundraising activities through:
 - **Mainboard IPOs:** 79 companies raised funds via Mainboard IPOs in FY2025, mobilizing ₹1,62,516.76 Crores.
 - **SME Platform:** Facilitates capital access for small and medium enterprises (SMEs), with 78 companies raising funds in FY2025.
 - **Debt Market:** Facilitates listing and trading for various instruments, including Privately Placed Debt Instruments (PPDI), Commercial Papers (CP), REITs, and InvITs, mobilizing substantial debt capital (₹6,25,331 Crores via PPDI and ₹8,03,428 Crore via CP in FY2025).
- **Data Dissemination and Index Services:** Licenses real-time and historical market data to various participants, including algo traders, media, and data vendors. It also licenses its index intellectual property, most notably the S&P BSE SENSEX.
- **International Financial Services Centres (IFSC):** Operates the India International Exchange (India INX) and India International Clearing Corporation (India ICC) in GIFT City, focusing on global markets and emerging segments like the electronic Gold Receipt (EGR) segment, launched to capitalize on the regulated Gold Spot Exchange market.

SWOT ANALYSIS

Strengths

- **Asia's Oldest Exchange with Strong Brand Identity:** Established in 1875, BSE is a symbol of the Indian financial sector (Dalal Street) with high recognition. The S&P BSE SENSEX is a primary global barometer for the Indian market.
- **Technological Prowess and Speed:** Holds the title of the world's fastest exchange with a speed of 6 microseconds, supported by ongoing CapEx in infrastructure and AI/ML for surveillance.
- **Diversified Business Model and High Transactional Growth:** Core revenue stream (Securities Services) is accelerating rapidly (150% YoY growth in FY2025) due to successful derivatives market penetration and leadership in retail mutual funds (StAR MF platform).
- **Superior Financial Health and Capital Efficiency:** The company is debt-free (D/E 0.00) and highly liquid (Current Ratio 2.57x), translating to high returns (ROE 33.77%, ROCE 42.68%).
- **Robust Regulatory Framework and Governance:** As a regulated Market Infrastructure Institution (MII) with ISO 22301:2019 certification for business continuity, its governance framework strengthens investor confidence.

Weaknesses

- **Vulnerability to Transaction Volume Volatility:** Core profitability relies heavily on market activity levels (volume and value of trades, active investors), making revenue susceptible to macroeconomic downturns
- **High Operating Costs Linked to Growth:** Mandatory variable costs, such as clearing and settlement expenses and regulatory contributions, rise commensurate with transactional volumes.
- **Capital Allocation Constraints:** Significant and increasing amounts of capital are legally mandated for non-discretionary contributions to the Core Settlement Guarantee Fund (SGF), restricting full financial flexibility.
- **Need for Continuous Technology Investment:** The highly competitive environment necessitates continuous, high CAPEX in technology and cybersecurity to maintain performance and resilience against sophisticated threats.

SWOT ANALYSIS

Opportunities

- **Structural Growth in Indian Capital Markets:** Long-term tailwinds from increasing retail investor participation and financial asset allocation drive continuous growth, especially for the StAR MF platform.
- **Expansion into New Asset Classes and Geographies:** Opportunities exist in emerging segments like the electronic Gold Receipt (EGR), the Hindustan Power Exchange (HPX) , and leveraging its index services subsidiary (Asia Index Private Limited) due to the growth of passive investment funds.
- **Advancing Market Integrity:** Leveraging technology advancements to promote greater transparency and fair access in the capital markets, which can further strengthen trust and potentially increase market share.

Threats

- **Intense Domestic and Global Competition:** Faces strong competition, particularly in high-growth segments like derivatives, from other major domestic and global exchanges.
- **Cybersecurity and Data Risks:** Constant exposure to evolving cyber threats (DDoS, Malware, Phishing) that could result in multi-fold business losses, brand damage, and loss of customer trust.
- **Adverse Regulatory Changes:** Regulatory decisions concerning ownership structures, compensation policies, fee structures, and profit distribution rules can significantly impact competitiveness and profitability.
- **Macroeconomic and Geopolitical Instability:** Exposure to systemic risks from global economic crises, political uncertainty, inflation, interest rate changes, and unforeseen market closures or disruptions.

FUNDAMENTAL ANALYSIS

Report Date	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Sales	630.45	840.7	924.84	1568.15	3212.04
Raw Material Cost					
Change in Inventory					
Power and Fuel	9.14	9.26	12.16	17.56	25.27
Other Mfr. Exp	8.73	9.5	36.17	147.59	365.08
Employee Cost	149.36	177.8	181.56	201.71	239.51
Selling and admin	226.5	278.17	304.79	453.47	643.06
Other Expenses	35.15	14.27	74.03	36.44	63.02
Other Income	19.17	52.01	78.33	417.43	22.12
Depreciation	57.87	48.29	60.34	94.93	112.98
Interest	10.3	28.16	36.86	38.7	31.71
Profit before tax	152.57	327.26	297.26	995.18	1753.53
Tax	10.87	82.33	91.61	223.52	431.21
Net profit	144.9	254.33	220.67	778.39	1325.89
Dividend Amount	94.5	182.59	162.54	203.02	311.3
Effective Tax Rate	7%	25%	31%	22%	25%
EBITDA	223.94	413.11	409.48	1,135.54	1,901.79

Performance Analysis

The Total Income demonstrated stable growth between FY2021 and FY2023, followed by a substantial increase of 67.3% in FY2024 and an acceleration to 102.8% growth in FY2025. This trajectory reflects a successful transition to a higher growth phase, evidenced by a five-year Compound Annual Growth Rate (CAGR) of 48.7% for Total Income.

Profitability has expanded significantly, resulting in a PAT CAGR of 75.3% over the five-year period.] Net Profit in FY2024 benefited significantly from an exceptional gain of ₹50,417 Lakhs arising from the partial disposal of the investment in its associate, Central Depository Services (India) Limited (CDSL), leading to an artificially high reported Net Margin of 48.4%. The 71.3% growth in reported PAT in FY2025 over FY2024, despite the absence of such a large one-off item, underscores the dramatic underlying improvement in core operational profitability.

FUNDAMENTAL ANALYSIS

Core Growth Drivers

- The explosive growth observed in FY2025 is primarily attributable to three highly successful operational and technological strategies:
- **Derivatives Market Penetration:** The relentless focus on the equity derivatives segment, particularly through differentiated product offerings and competitive pricing, has paid off handsomely. The resulting surge in transactional volumes drove the Securities Services revenue up 150% in FY2025.[1, 1] The operational outperformance demonstrates that the business has found an effective strategy to compete with the entrenched player in this high-volume, potentially high-margin segment.
- **Mutual Fund Distribution Scalability:** The market leadership of the StAR MF platform benefits from the structural long-term growth in retail participation and financial asset allocation in India.[1, 1, 1] This segment offers highly scalable revenue, confirmed by the ongoing modernization of the platform to an event-driven microservices architecture in FY2025. This technical upgrade enhances transaction throughput and system reliability, ensuring the platform can sustain exponential order growth and maintain its market dominance.
- **Technology and Operational Efficiency:** Sustained annual investments in advanced trading and risk management infrastructure, including high-performance equipment and the use of Artificial Intelligence (AI) and Machine Learning (ML) for surveillance, maintain the exchange's competitive capability (6 microsecond speed) and ensure market integrity.[1, 1, 1]
- The comparison of revenue growth (103%) versus total expense growth (49%) in FY2025 highlights strong inherent operating leverage. Although mandatory variable costs like Clearing and Settlement expenses (+161%) and Regulatory Contribution (+73%) rose commensurate with volume, the corresponding high transaction revenue resulted in significant incremental contribution margin, leading to the substantial increase in core profitability. This confirms that the transactional revenue growth is highly accretive to the net earnings base.

FUNDAMENTAL ANALYSIS

Revenue Stream (₹ Lakhs)	FY 2025	% of Total Income (FY25)	FY 2024
Securities Services	237,179	73.30%	94,858
Services to Corporates	48,995	15.10%	34,968
Data Dissemination Fees	5,042	1.60%	4,314
Index Related Services	2,403	0.70%	-
IT Services	2,115	0.70%	2,964
Investment Income	25,470	7.90%	19,711
Other Income	2,427	0.70%	2,773
Total Income	323,631	100%	159,588

Cash Flow Considerations: Mandated Capital

A key element distinguishing MII finance is the substantial non-discretionary contribution to the Core Settlement Guarantee Fund (SGF). The consolidated balance of the Core SGF increased by ₹17,764 Lakhs in FY2025, reaching ₹1,13,260 Lakhs, with management contributing ₹9,000 Lakhs during the year. This capital is mandated for regulatory compliance to guarantee trade settlement. Although necessary for market integrity, this increasing allocation represents a growing pool of non-discretionary capital, restricting its immediate use for alternative investments or discretionary shareholder returns, even though this fund does yield Investment Income.

Cash Flow from Investing and Financing

Investing Activities (CFI): The company continued its high pace of capital deployment, recording a net cash outflow of ₹12,807 Lakhs in FY2025 for the purchase of property, plant, and equipment (P&E) and intangible assets. This expenditure is critical for maintaining technological parity and enhancing proprietary platforms like StAR MF.

Financing Activities (CFF): The CFF is characterized by strong shareholder returns. Dividend payments remained substantial (₹20,599 Lakhs in FY2025, up from ₹16,490 Lakhs in FY2024 and ₹18,551 Lakhs in FY2023).[1, 1, 1] Furthermore, the company completed a buyback program in the previous year (FY2024), demonstrating a commitment to returning surplus capital to shareholders.

RATIO ANALYSIS

Ratio	FY 2025	FY 2024	FY 2023	FY25/FY24 Variance (%)
Return on Equity (ROE)	0.34	0.3	0.07	0.14
Return on Capital Employed (ROCE)	0.43	0.32	0.1	0.39
Trade Receivable Turnover (x)	12.8	9.15	6.81	0.4
Investment Income Return	0.08	0.08	0.05	-0.02

The improvement in both ROE (+14.47% to 33.77%) and ROCE (+39.37% to 42.68%) in FY2025 over FY2024 is compelling evidence of highly successful asset utilization and superior capital efficiency in generating returns for shareholders. This increase, driven by strong operational results rather than non-recurring exceptional items (as seen in the prior year), suggests a higher quality of earnings. The Trade Receivable Turnover ratio sharply increased by 39.89% to 12.80x, demonstrating improved efficiency in revenue collection and cash conversion, correlating directly with the surge in high-velocity transactional revenues.[1, 1]

Liquidity and Solvency

- The company maintains an exceptionally robust balance sheet with no long-term financial risk exposure.
- Debt Status: The Debt to Equity ratio stands at 0.00 across the analysis period, confirming the business operates entirely debt-free. This lack of financial leverage is a hallmark of highly regulated MII, prioritizing capital adequacy and systemic stability.
- Liquidity: The Current Ratio dramatically increased by 55.76% to 2.57x in FY2025 from 1.65x in FY2024. This substantial improvement in short-term solvency indicates a significant growth in current assets and cash surplus, providing extensive financial flexibility to cover operational needs and fund strategic capital expenditures internally.
- Trade Payables Turnover: This ratio increased by nearly 20% to 5.77x, suggesting improvements in managing and settling trade payables efficiently.

PEER COMPARISON

Name	CMP (Rs.)	Mar Cap (Rs. Cr.)	Debt / Equity (x)	P/E (TTM) (x)	P/B (x)	ROE (%)
BSE Limited	2,043.20	82,980.29	-	51.85	13.56	0.3
Multi Comm. Exc. (MCX)	7,920.50	40,393.26	-	61.92	~21.49	0.2
Indian Energy Ex (IEX)	137.76	12,283.96	0.01	27.09	9.97	0.38

BSE trades at a Price-to-Earnings (P/E) multiple of 51.85x, which is at a discount compared to MCX's P/E of 61.92x. This relative discount is noteworthy, considering BSE's superior recent revenue growth (103% consolidated in FY2025) and higher capital efficiency (ROE 29.97% vs. MCX 19.89%). This suggests that the market may still be underappreciating the sustainability of BSE's newly acquired derivatives market share and its diversified revenue base. IEX trades at the lowest P/E (27.09x) despite the highest ROE (37.76%), a characteristic often associated with high operational risk exposure, such as the potential for restrictive regulatory changes in its energy market operations.

- **Competitive Positioning**
- The analysis confirms that BSE possesses the most diversified business model, strategically mitigating single-market dependence. While MCX is concentrated in volatile commodity derivatives and IEX in the regulated energy market, BSE's portfolio spans equity, debt, derivatives, index services, and the crucial retail-focused StAR MF platform.
- This diversification acts as a defensive buffer against cyclical downturns in specific trading segments. The reliable cash flows generated from listing fees (Services to Corporates) and the immense transactional scale of StAR MF provide a stable operational foundation, validating its position as the largest exchange by market capitalization among this peer group.

FUTURE GROWTH

BSE's strategy is explicitly focused on capitalizing on the financialization of the Indian economy by reinforcing its position in high-growth, high-margin market segments while continuously strengthening its core infrastructure and regulatory capabilities.

Technology and Infrastructure Pillars

- The company's investment strategy revolves around defensive and competitive technology upgrades to ensure market integrity and speed:
- **Sustained Technology Leadership:** BSE recognizes the need for continuous enhancement of the responsiveness, functionality, capacity, and accessibility of its trading and clearing platforms, software, and systems to maintain its competitive edge.
- **Platform Modernization:** Key future initiatives include continuing the migration to modern system architectures, such as the event-driven microservices architecture implemented for the StAR MF platform, to ensure scalability, flexibility, and reliability necessary to handle anticipated exponential transactional growth.
- **Cyber Resilience:** Given the escalating threat landscape, a core focus is on continuous investment in advanced and niche cybersecurity technologies, proactive adaptation to emerging threats, and strengthening cybersecurity policies and procedures to ensure robust defense of information assets and business continuity.
- **Fintech Innovation:** Future success depends on the ability to develop and license leading technologies, and respond quickly to customer demands and emerging industry standards, including competition and opportunities arising from Fintech innovation.

Strategic Market Positioning

- **Management's strategic roadmap** involves focusing on specific market segments for scalable, accretive growth:
- **Passive Investment Strategy:** A major future pillar is capitalizing on the growth of passive funds and Exchange Traded Funds (ETFs) in India. The completed acquisition of the full equity stake in Asia Index Private Limited (AIPL) (effective May 31, 2024), transforming it into a wholly owned subsidiary, highlights the strategic intent to leverage the indexing business as a key revenue generator in the rapidly growing passive investment space.
- **Derivatives Market Share:** Maintaining and expanding the recently acquired market share in the high-volume equity derivatives segment is crucial for sustaining the exceptional revenue growth witnessed in FY2025.

FUTURE GROWTH

- **Diversification into New Segments:** The company is continuously exploring new avenues, such as emerging market segments like the electronic Gold Receipt (EGR), alongside leveraging investments in associates like the Hindustan Power Exchange (HPX), to build a highly diversified, multi-asset class platform.

Corporate Focus and Sustainability

- The company is strategically pruning non-core assets to sharpen focus and integrate broader responsible governance:
- **Divestment of Non-Core Assets:** Demonstrating a commitment to streamlining operations and focusing solely on core Market Infrastructure Institution (MII) activities, the company executed a plan to divest its 100% stake in its educational subsidiary, BSE Institute Limited, on May 2, 2025.
- **Sustainability Integration:** The company has communicated its dedication to integrating responsible business practices into its operations, including active efforts to incorporate sustainability into its core business strategies, enhancing employee well-being, and setting specific, measurable environmental, social, and governance (ESG) goals in the near future.

CONCLUSION

Based on the comprehensive fundamental, competitive, and financial analysis presented, the investment recommendation is a BUY.

- This recommendation is underpinned by the following key conclusions:
- **Exceptional Earnings Growth:** The company has demonstrated a successful strategic pivot, resulting in consolidated total income growth of 103% and a Net Profit After Tax surge of 227% in FY2025 (excluding exceptional items). This acceleration is driven primarily by the high-margin Securities Services segment (+150% growth) due to aggressive penetration of the equity derivatives market.
- **Superior Capital Structure and Efficiency:** BSE maintains a flawless balance sheet with a Debt-to-Equity ratio of 0.00 and high liquidity (Current Ratio 2.57x). Operational success has translated directly into significantly improved capital efficiency (ROE of 33.77% and ROCE of 42.68%).
- **Favorable Market Positioning:** The business model benefits from strong diversification across core segments (equity, derivatives, debt, and the proprietary StAR MF platform, which is India's largest mutual fund processing platform). This diversification provides resilience against volatility in any single market.
- **Valuation Opportunity:** Despite demonstrating superior recent growth and capital efficiency compared to key peers, BSE trades at a relatively attractive Price-to-Earnings multiple (51.85x) compared to a major domestic competitor (MCX at 61.92x), suggesting the market has not yet fully factored in the sustainability of its new growth trajectory and core earning power.
- **The structural tailwinds of financialization in the Indian economy, combined with management's clear strategic roadmap focused on technology, passive investments, and derivatives dominance (Section VIII), position the company for a multi-year profit up-cycle driven by strong operating leverage.**