

National Stock Exchange of India

To: Potential Investor

From: Gorav Khanna, Veda Global

Executive Summary

Veda Global LP is offering investors the opportunity to invest in Private Stock of National Stock Exchange of India (“NSE”).

NSE, incorporated in 1992, is the leading stock exchange in India. It was the first exchange in the country to provide a modern, fully automated screen based electronic trading system. It is the World’s Largest Derivatives Exchange over the past 4 years. NSE's flagship index launched in 1996, the NIFTY 50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

The company generates its revenue by providing trading services, clearing services, data feed services, Index Licensing, Making strategic investments and other services.

NSE also has strategic investments in complementary businesses, including mutual fund registry services, back-end exchange support services for its platforms, depository services, e-corporate governance and commodity, power, and receivables exchanges.

India, a country with 1.4 billion upwardly mobile people and young demographics. GDP is \$4 Trillion GDP expect to grow quick to \$5-10 Trillion this decade and \$40 Trillion in 2040-2050.

Price Target

The current stock price of NSE stock is 3300-3500 Rupees Per Share. Veda Global 3-Year Price Target is 12,000 Rs Per Share, 5-year Price Target is 19,000 Rs Per Share. Our Bull / Base / Bear case is 19,000 / 12,000 / 6,000.

NSE currently trades at 16-18x Forward PE. The company grew earnings in 2020-2022 at rates of 40%, 80% and 40% per annum. Going Forward, we expect NSE to grow EPS at 20-25% for the next 5-10 years. In addition, the stock has a 3%+ annual dividend due to its robust free cash flow generation.

	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenue (USD Millions)	482	534	850	1,109	1,538	1,922	2,403	3,004	3,755	4,693	5,867
Net Income (USD Millions)	234	258	489	650	886	1,108	1,385	1,731	2,164	2,705	3,381
EPS (in INR)	34.51	38.08	72.2	104.95	148.58	185.73	232.16	290.20	362.74	453.43	566.79
Rev Growth		11%	59%	31%	39%	25%	25%	25%	25%	25%	25%
EPS Growth		10%	90%	45%	42%	25%	25%	25%	25%	25%	25%
P/E Multiple		33.3x	33.3x	33.3x	33.3x	33.3x	33.3x	33.3x	33.3x	33.3x	33.3x
Price Per Share / Price Target (in INR)		1,268	2,404	3,495	4,948	6,185	7,731	9,664	12,079	15,099	18,874
Current Stock Price (in INR)					3,300	3,300	3,300	3,300	3,300	3,300	3,300
Implied P/E					22.2x	17.8x	14.2x	11.4x	9.1x	7.3x	5.8x
Stock Upside						187%			366%		572%

5 Year Price Target – Sensitivity Analysis

The bull range of 25% EPS growth and 20-40x exit PE multiple shows a price range of 12-22k per share. Base case range of 15-20% EPS Growth and 20-30x exit PE multiple shows a price range of 7.5k-14k per share.

5 Year Target Price - Sensitivity Table (Exit PE and Growth)

	5 Year EPS Growth Rate				
	5%	10%	15%	20%	25%
10.0x	2,370	2,991	3,736	4,621	5,668
20.0x	4,741	5,982	7,471	9,243	11,336
30.0x	7,111	8,973	11,207	13,864	17,004
40.0x	9,481	11,964	14,942	18,486	22,672
50.0x	11,852	14,956	18,678	23,107	28,339

50/50/50 Checklist

Veda Global has a Process Checklist (the “50/50/50 Check List”) that targets 50% Margin, 50% ROE and 50% Growth. Often these businesses that fit all 3 criteria trades at 50x PE or above (For Example, Adyen). NSE fits these criteria at a sub 20x PE. This leaves us very excited!

For 50% Margin, NSE has an 82% EBITDA Margin. For 50%+ ROE, NSE has a 50-100%+ ROE, and for 50% Growth, NSE has grown 40-80% per year in the last three years. We believe 50% growth is possible In next 2-3 years. If the Indian economy remains in a bull market, growth could even accelerate to 100% EPS growth over years, leading to a 26% IRR on earnings growth.

Multiple Expansion

In addition, NSE is a multiple expansion story. Similar Exchanges Globally trade at 30-50x PE with inferior growth characteristics. Indian High-Quality companies and franchises in financials and consumer trade at 30-80x PE (Crisil, ICRA, Nestle India, Unilever India).

For context, the global exchanges over last 20-year returns have been nothing short of extraordinary and have outperformed their benchmarks handily. NZX Ltd. 20-year return is 18x, CME Group Inc. is 25x, Deutsche Boerse AG is 12x, Singapore Exchange Ltd. is 21x, Hellenic Exchanges is 1.2x, Hong Kong Exchange and Clearing Ltd is 42x, ASX Ltd is 14x, Nasdaq Inc. is 25x, and London Stock Exchange Group Plc is 28x.

Exchanges as the Better Mousetrap

A Consistent Business Model – Cousin to the Royalty Model



As of August 2023	20-Year TR (USD)	
	Cumulative	Annualized
NZX Ltd.	1770%	15.8%
S&P/NZX All Index	575%	10.0%
Excess	1195%	5.8%
CME Group Inc.	2538%	17.8%
S&P 500	564%	9.9%
Excess	1974%	7.9%
Deutsche Boerse AG	1203%	13.7%
Deutsche Boerse AG German Stock Index DAX	352%	7.8%
Excess	851%	5.9%
Singapore Exchange Ltd.	2105%	16.7%
Strait Times Index STI	362%	7.9%
Excess	1743%	8.8%
Hellenic Exchanges- Athens Stock Exchange SA	119%	4.0%
FTSE/Athens Stock Exchange Large Cap Index	-67%	-5.4%
Excess	186%	9.4%
Hong Kong Exchanges & Clearing Ltd	4188%	20.7%
Hang Seng Index	232%	6.2%
Excess	3956%	14.5%
ASX Ltd	1393%	14.5%
S&P/ASX 200	601%	10.2%
Excess	792%	4.3%
Nasdaq Inc.	2528%	17.8%
Nasdaq 100	1276%	14.0%
Excess	1253%	3.8%
London Stock Exchange Group Plc	2781%	18.3%
FTSE 100	202%	5.7%
Excess	2578%	12.6%

Over the long term, securities exchanges have delivered far better returns than the indices representing their respective regions. As an asset-light croupier, their profitability does not require that their counterparties—whether miners or equity index constituents—are robustly profitable or growing, merely that they exist and operate.

Companies listed above are exchanges with a 20-year track record as of August 2023.
Source: Bloomberg, as of 8/31/2023

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IPO Catalyst

Multiple expansion is also possible via an IPO Catalyst. The company has filed for an IPO and is waiting for the regulator to approve the IPO. Our expectation is this approval will not come in 2024, but will come in 2025-2026. Hence, our emphasis to buy \$100-\$1b of private stock prior to this eventual IPO listing. An IPO listing could result in a 2-5x stock price appreciation on multiple expansion alone.

The regulator may not approve an IPO in which case we will hold the stock and enjoy the 20%+ EPS growth and compounding and keep buying cheap stock. We will still have liquidity in the secondary market.

A new CEO was appointed in 2023 with the express objective of an IPO in 1-3 years and preparing the company and systems and process for an IPO. An additional potential catalyst is a May 2024 Narendra Modi National election win, which cements his power in pro market reforms. Modi has a 70% approval rating and won regional elections handily in 2023.

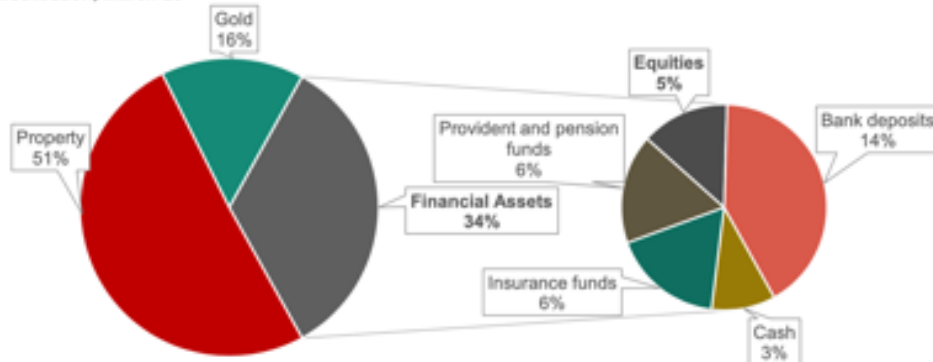
The NSE IPO is highly anticipated by domestic institutions and retail investors.

Macro Tailwinds

India and NSE have many macro tailwinds including attractive demographics, low penetration of stock investing in India, potential growth in DEMAT stock accounts. Exchanges act as ‘tax on economy’ and ‘benefit from the growth of others. India Benefits from Shift away from China (China Plus One Strategy). The current Modi government is also very pro-business.

India has historically saved capital in property and gold. Over time, this will shift to financial assets including equity.

Household assets distribution, March-23



Market Share

NSE has 90-100% market share in most products and markets are growing 20%. There are two players in the market and both players have attractive growth prospects, but NSE has historically been deeper liquidity, better management, better capital allocation, better market share and has been the blue-chip name. NSE has 90% Cash Equity Market Share, 99% Options Market Share and has much more liquidity and deeper liquidity which leads to a moat and barriers to entry.

No. 1

WORLDS BIGGEST DERIVATIVE EXCHANGE IN TERMS OF VOLUMES

~100%

IN FY23 NSE HAD A NEAR 100% MARKET SHARE IN EQUITY DERIVATIVES AND 93% IN CAPITAL MARKET

9th

THE WORLD'S 9TH-LARGEST STOCK EXCHANGE WITH A MARKET CAP OF \$3.1 TRILLION

70%

NSE IS BIGGER THAN 70% OF NIFTY 50 COMPANIES IN TERMS OF PROFIT

Key Highlights - Markets

CM	:	20%
Equity Futures	:	(6)%
Equity Options	:	32%
<small>(Premium value)</small>		
Currency Futures	:	(23)%
Currency Options	:	(3)%
<small>(Premium value)</small>		
Interest Rate Future	:	(28)%

Market Growth



CM	:	20%
Equity Futures	:	(6)%
Equity Options	:	31%
<small>(Premium value)</small>		
Currency Futures	:	(20)%
Currency Options	:	0.1%
<small>(Premium value)</small>		
Interest Rate Future	:	39%

NSE

Volume Growth



CM	:	93%	(93%)
Equity Futures	:	99.9%	(100%)
Equity Options	:	99.3%	(100%)
<small>(Premium value)</small>			
Currency Futures	:	71%	(68%)
Currency Options	:	99%	(96%)
<small>(Premium value)</small>			
Interest Rate Future	:	94%	(49%)
Debt (RFQ Platform)	:	98%	(99%)
NSE Mutual Fund	:	32%	(32%)

NSE

Market Share



BSE Competition

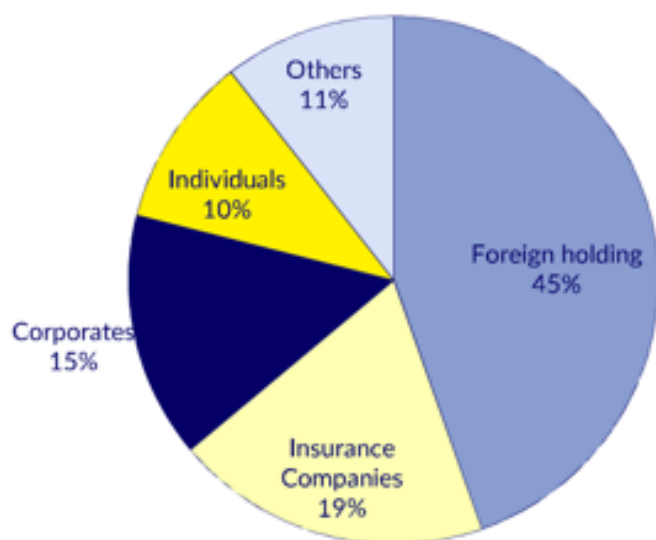
BSE is the #2 player in the market and has historically had very low share. Recently, BSE had introduced new options on Friday and Monday expiry for the Sensex and Bankex products. They have gained market share in terms of notional, but not in terms of premium or revenue or profits. They have been pricing the products very low to get share, but will have to raise prices later to become profitable. The company has said they have had difficulty getting market share on existing products, so they are innovating with new products. For example, in Commodities they have not been able to get market share. They hope to target 10% cash equity and option market share over the long term but admit that NSE has a 23 year head start and it will not be fast. In the meantime, the overall market is growing 10-20%+ so I believe both will benefit. As of now, BSE has 1% profit pool share in options and 15% notional share in options. BSE market cap is also 15% the market cap of NSE. Recently, BSE stock has rallied 5x and on the back of that NSE stock is beginning to tick up off the lows of 3100. I believe this creates urgency to buy NSE stock before the market picks up on the mis pricing between the two.

Cap Table

NSE has a high quality cap table with domestic institutions, foreign institutions (Deccan, Tiger Global, Canadian Pension, Temasek), foreign high-quality funds and endowments (MIT, Yale, Penn, UCSF, etc.) and some prominent Indian entrepreneurs (Rakesh Damani/D-Mart). NSE has a healthy mix of foreign and domestic holders and high net worth owners. NSE also has good corporate governance and world class new CEO

Figure 61

Shareholder mix as of Mar-22



Source: NSE

The top 10 shareholders own 43% of NSE.

Figure 62

Top 10 shareholders as of Mar-22	
Entity	Shareholding (%)
Life Insurance Corporation of India	10.7
Aranda Investments (Temasek Holdings)	5.0
Stock Holding Corporation of India Ltd	4.4
SBI Capital Markets Limited	4.3
Veracity Investments Limited	3.9
State Bank of India	3.2
Crown Capital Limited	3.2
PI Opportunities Fund I	3.0
MS Strategic (Mauritius) Limited	2.6
Acacia Banyan Partners	2.5

Source: NSE

Current Price

The price was 2700 Rs Per Share when we started looking at the company and we have been buying in 3100-3300 range. We are currently being quoted stock in the 3300-3500 range. EPS is in the 160-200 Rs Per Share Range and is growing 20-25% per year. We believe fair value for the stock is 6,000 Rs Per Share and an IPO could push the stock up to 10,000 Rs per Share.

Transaction

Veda Global is looking to have investors invested in Veda Global LP either directly via the LP common class or via a side pocket that only owns NSE common stock.

Veda Global has had a Foreign Portfolio License in India since June of 2021. Veda Global had had a Foreign Direct Investor License in India since October 2023. We have established relationships in India with our prime broker, various banks and various brokers and intermediaries to source high quality NSE stock at transaction sizes of \$25-\$100 million.

We have already transacted in NSE stock and will be on the cap table within the next 30 days.

The Veda Global fund charges 2/20 (management fee/incentive fee) for small investors and 1/15 for large investors. We are open to charge 0/10 or 0.50/10 for a NSE only side pocket structure.

Our proposal would be 1year lock up with 6 month liquidity. Veda Global LP is a Delaware LP/GP Structure.

NSE is roughly a \$20 billion USD Market Cap with \$1-\$1.2 billion of annual free cash flow. Quite attractive relative to other global exchanges. NSE remains our top Global Idea. In addition, NSE generates \$4 billion USD for the government on India in stamp duties (1.5% of Government Budget). We think this helps the moat as the government likes the tax revenue and understands the importance of a robust financial market and world class trading infrastructure.

Conclusion

In conclusion, we are excited to partner with investors on the opportunity to buy a world class scarce asset at scale in the private market with catalysts on the horizon. We believe this is a singularly unique opportunity to deploy \$25-\$100 million with an upside of 2-9x over 3-5 years, with relatively little commensurate downside.

Risks and Mitigants

No IPO Approval. Catalyst does not materialize.

Mitigant: Continue to own in private markets and let EPS compound and keep buying stock cheap. Secondary market is also liquid 500-1b+ per year. There is also potential for secondary market to give multiple expansion as NSE historically traded at 28-30x PE+ in the secondary market. The recent robust earnings growth and potentially the BSE momentum has provided an attractive entry point.

EPS Growth Decelerates to less than 10%

Mitigant: Natural GDP growth of India is 5-10% per year and this is a high operating leverage, high ROE business which should grow GDP+.

NSE loses market share to BSE

Mitigants:

BSE is coming for market share in certain strike prices of options, but not making much revenue or premium as of now (approximately 1% or less profit pool share). They could gain market share from a very low base but do not represent an existential threat to NSE. Long term, both players will act economically rational. Arbitrage opportunities could open between the two exchanges and volumes go up. BSE could take 10% share, but the market is growing 20% per year. Also, having a viable second player may assuage antitrust concerns or risks long term. This recent momentum of NSE might be providing us an attractive entry price opportunity.

NSE has legal issues with regulator with regards to old IPO, old management, previous legal scandals (all political)

Mitigants:

NSE Has won the last 3 supreme court cases by a large margin. Charges seems to be very political from 10 years ago and two management teams ago. New CEO brought in from Modi/Reliance network to clean up NSE and take it public. Catalyst is in place with new CEO who has a stellar reputation.

Modi does not get elected, or the governments shifts decidedly less pro-business

Mitigants:

Modi has won regional elections by a very large margin in 2023 and May 2024 should go in his direction no problem. Modi has 70% approval rating. The highest by a large margin of any major or large GDP

India Currency Depreciation of 2% or more per year

Mitigants:

India Reserve balance is all time high of \$600 billion. India GDP is \$4 trillion plus and unofficial \$5 trillion. India is benefiting from soft oil prices and commodity costs. India is benefiting from buying cheap oil from Russia. US Dollar may weaken as fed cuts rates in 2024.



Appendix:



Mr. Girish Chandra Chaturvedi
Chairman

- Mr. Girish Chandra Chaturvedi IAS served as the Secretary of Ministry of Petroleum and Natural Gas. He has a rich and wide administrative experience of more than 35 years.
- Mr. Chaturvedi has extensive expertise and specialization in Energy, Banking & Insurance, Finance & Accounts, Medical, Textile, and Planning.
- Mr. Chaturvedi has served as Government Nominee Director on the Boards of Life Insurance Corporation[LIC] of India and several banks



Mr. Ashishkumar Chauhan
CEO

- He was part of the founding team of NSE but left it in 2000 for various roles at Reliance Industries group before returning to the stock exchange arena as deputy CEO of BSE in 2009 and then as CEO in 2012.
- He introduced mobile stock trading to India, diversified in new areas
- At BSE, Chauhan is credited with reviving its revenues, helping it become the world's fastest exchange with 6 microseconds response time.



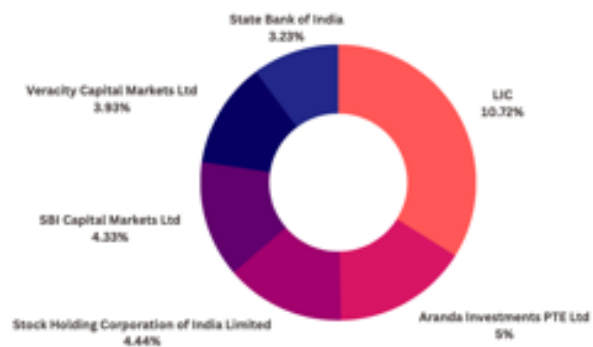
Mr. Yatrik Vin
CFO

- Yatrik Vin is a seasoned finance professional with over 3 decades of extensive experience in corporate strategy, M&A, treasury, and risk management.
- He has played a pivotal role in transforming NSE into one of the world's most successful exchanges.
- Yatrik is an alumnus of the Kellogg School of Business, USA, and a fellow Member of the Institute of Cost Accountants of India.

No. of Shareholders: 5,840

CATEGORY		NO. OF SHARES	% HOLDING
Public	Institutional	19,55,88,590	39.51%
	Non-Institutional	7,66,62,623	15.49%
Non-Promoter & Non-Public	Trading Members & Associates	22,27,48,787	45.00%
TOTAL		49,50,00,000	100.00%

Top Shareholders (%)



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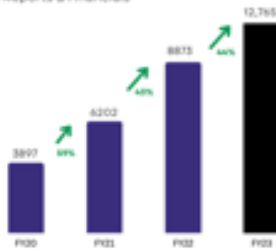
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Peer Comparison - Financials

Data Taken from Annual Reports & Financials
All figures in ₹ Cr



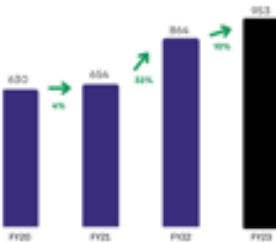
Total Income



Total Expenses



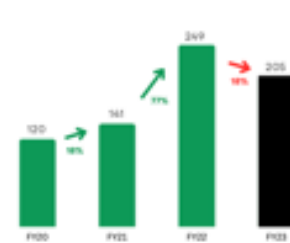
Profit After Tax



Total Income



Total Expenses



Profit After Tax



FY-23



3050	CMP	530
1,50,975	Market Cap (in ₹ Cr)	7,184.95
148.58	EPS (In ₹)	15.18
20.53	P/E	34.94
7.37	P/BV	2.54
35.91%	ROE	7.27%
80	Dividend (In ₹)	12
2.62%	Dividend Yield	2.26%

Financial performance

<i>INR cr</i>	FY19	FY20	FY21	FY22	FY23
Total income	3,515	3,898	6,202	8,874	12,765
EBITDA	2,718	2,706	4,691	7,342	10,426
Profit for the year	1,708	1,885	3,573	5,198	7,356
EPS, Diluted, INR 1 FV	34.51	38.08	72.20	104.95	148.58
Net Worth	7,788	8,621	11,636	15,418	20,480
Total Assets	19,978	24,170	29,206	35,607	36,564
Income Growth, %	16%	11%	59%	43%	44%
EBITDA Margin, %	77%	69%	76%	83%	82%
PAT Margin, %	49%	48%	58%	59%	58%
RoE	23%	23%	35%	38%	41%
RoCE	34%	31%	44%	52%	56%

Key operational highlights

200,000

Real time orders
processed per second

31.2mm

Active clients¹

116 mm

Active Demat
accounts¹

93%

NSE market share in
cash market

100%

NSE market share in
Equity F&O

97%

NSE market share in
currency options

INR cr	FY19	FY20	FY21	FY22	FY23		FY19	FY20	FY21	FY22	FY23
Income statement, Consolidated											
Revenue from operations	2,997	3,508	5,625	8,313	11,856		85%	90%	91%	94%	93%
Other income	517	390	578	561	909		15%	10%	9%	6%	7%
Total income	3,515	3,898	6,202	8,874	12,765		100%	100%	100%	100%	100%
Employee benefits expense	306	430	480	356	366		9%	11%	8%	4%	3%
Other expenses	767	812	1,004	1,352	1,859		22%	21%	16%	15%	15%
Total expenses, net (Incl. Exceptions, etc)	796	1,191	1,511	1,532	2,340		23%	31%	24%	17%	18%
EBITDA	2,718	2,706	4,691	7,342	10,426		77%	69%	76%	83%	82%
Depreciation expense	142	181	226	310	384		4%	5%	4%	3%	3%
EBIT	2,576	2,525	4,465	7,031	10,042		73%	65%	72%	79%	79%
Interest expense	-	-	-	-	-		0%	0%	0%	0%	0%
Profit before Tax	2,576	2,525	4,465	7,031	10,042		73%	65%	72%	79%	79%
Tax expenses	868	640	892	1,698	2,540		25%	16%	14%	19%	20%
Profit after Tax from continuing operations	1,708	1,885	3,573	5,333	7,502		49%	48%	58%	60%	59%
Profit(Loss) from discontinued operations	-	-	-	(135)	(146)		0%	0%	0%	-2%	-1%
Profit for the year	1,708	1,885	3,573	5,198	7,356		49%	48%	58%	59%	58%
EPS, Diluted, INR 1 FV	34.51	38.08	72.20	104.95	148.58						
Dividend per share, INR	17.25	20.80	24.75	42.00	80.00						
Dividend Payout Ratio	50%	55%	34%	40%	54%						

Revenue by CAGR 33%

Profit after tax by CAGR 38%

Track record of Outstanding dividend payout

Consistent High EBITDA & Profit margins

