



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

BSE LIMITED

WHAT WE LIKE

ASSET LIGHT MODEL WITH DIVERSIFIED SOURCE OF INCOME

BSE is into various businesses as follows:

Exchange (Trading & Clearing): Equity Cash, F&O, Currency, Debt, SMEs, e-Agricultural spot market;

MF Platform: BSE Star MF; **Insurance Platform:** Ebix; **India INX** (international exchange); **Power Exchange** (gotten approval)

All these businesses earn a significant part of revenues through transaction fees or commission thereby making the business asset light.

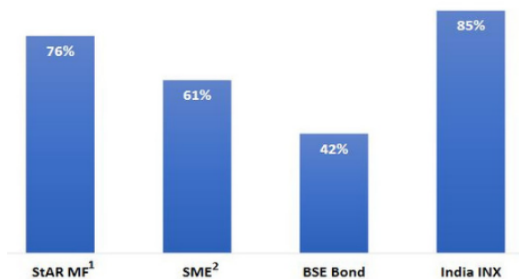
BSE STAR MF LARGEST & FASTEST GROWING ONLINE MF PLATFORM

BSE StAR MF has seen the average daily value of orders rise @ CAGR of 91% from 2017-21. The platform has 69,729 distributors & 41 mutual funds covering 10,264 schemes as of March 2021. A direct corporate portal called StAR MF Corporate Direct has been added to the platform for direct investment into MFs for corporates in Nov 2020.

The platform is a clear market leader covering almost 50% of the entire MF industry by the number of folios registered and 76% market share by value of total orders executed.

There is massive potential for value unlocking here from the BSE Star platform and BSE is already looking for divestment opportunities here.

HUGE UNTAPPED POTENTIAL IN NEW BUSINESSES & ATTRACTIVE VALUATION



Cash & cash equivalents: Rs 1927 Cr

20% Stake in CDSL: Rs 2815 Cr

Building Value: Rs 800 Cr

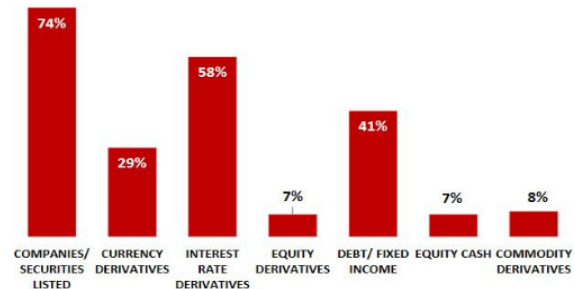
Total: Rs 5542 Cr

Market Cap: Rs 5537 Cr

So, the CMP is giving a 0 value to the business of BSE as cash+investments+assets is almost equal to the market cap today. The company has also invested in setting up a power exchange which is a big untapped market in India.

WHAT WE DON'T LIKE

LOW MARKET SHARE IN EQUITY CASH AND DERIVATIVES SPACE



Despite being the established leader in the listing business with a 74% market share, BSE has a pitiful 7% market share in the equity cash and equity derivatives space.

But the push towards interoperability with a focus on best price execution should help the company recover volumes in the cash segment.

LACK OF PRICING POWER LEADING TO LOW MARGINS

The management for BSE has admitted that there is fierce price competition between BSE & NSE and that it has had to keep transaction charges low in order to be able to compete effectively.

Similarly, although BSE Star MF has grown almost 60% YoY in FY21 in terms of average daily order value, the revenues generated from BSE Star were down 24% YoY due to the company having to lower its pricing in the platform due to pressure from participants.

Other than BSE Star MF, the company's new businesses have to sacrifice margins in order to be able to expand aggressively and consolidate their market positions.

We at SSS believe that this lack of pricing power & thrust to capture the market in new business areas will keep margins subdued for BSE in the short term.

NO GROWTH IN REVENUES & PROFITS IN LAST 5 YEARS

Due to the continuously decreasing market share of BSE in its Equity Cash segment and derivatives, the revenues and profits have not grown at all in the last 5 years.

The 5 years sales CAGR and Profit CAGR are at 0 and -2% respectively indicating stagnation in the company's key operations.

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