

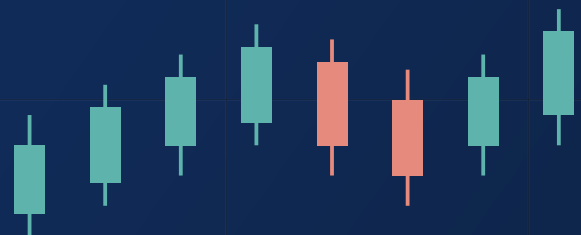
FINANCIALS · MARKET INFRASTRUCTURE

National Stock Exchange of India

India's largest stock exchange · since 1993

An outstanding business. Is it an outstanding investment?

A near-monopoly exchange with 90%+ share, debt-free and highly profitable — but FY26 revenue fell 3.1% after SEBI's derivatives curbs, and the IPO is 100% OFS.



Trading · Clearing · Listing · Data · Indices

WHY IT MATTERS

NSE's valuation could become the benchmark for how investors assess listed exchange businesses — including BSE.

FY26 AT A GLANCE

₹16,601 cr

Revenue, -3.1% YoY

₹10,302 cr

PAT, -15.5% YoY

90%+

Share across most key segments

148.9 mn

Shares offered — 100% OFS

NATIONAL STOCK EXCHANGE · IPO NOTE

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27 July 2026
Based on the DRHP

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THE NOTE IN 60 SECONDS

A rare franchise, priced against one peer

- 1 Near-monopoly:** 90%+ share in most segments, 253.66 mn investor accounts, debt-free, 68–75% EBITDA margins.
- 2 Regulation bites:** FY26 revenue -3.1% and PAT -15.5% after SEBI's derivatives curbs and a ₹1,391 cr settlement provision.
- 3 Options-heavy:** ~60–65% of revenue from options; transaction charges 78.7% of revenue.
- 4 Pure OFS:** 148.9 mn shares from 10 institutions; NSE receives nothing. BSE (66.67x P/E) is the only peer.

253.66 mn

Registered investor accounts

33–52%

ROE / ROCE range

₹1,391 cr

Settlement provision (colocation)

66.67x

Industry P/E — BSE, the sole peer

THE ISSUE

Offer for Sale	≤ 148,905,525 shares
Fresh Issue	Nil
Selling shareholders	10 institutions
Price band	Not yet announced

Key question: is the IPO priced reasonably for a great but regulation-sensitive franchise?

Reading notes. Figures in ₹ crore (cr) or ₹ million (mn) as in the offer document; consolidated unless stated. FY = year ending March 31. The price band has not been announced; financial analysis and valuation will follow separately. Figures marked "derived" or "Alpha Room calc." are analyst calculations. New to IPOs? Read the [2-minute IPO guide](#).

National Stock Exchange of India

KEY ISSUE DATA

Stance	Not rated
Issue type	100% OFS
Shares offered	148,905,525
Fresh Issue	Nil
Sellers	10 institutions
Promoter	None
Price band	Not announced
Industry P/E (BSE)	66.67x

COMPANY SNAPSHOT

Incorporated	27-Nov-1992
Operations began	02-Mar-1993
Market share	90%+ (most segments)
Investor accounts	253.66 mn
Balance sheet	Debt-free
MD & CEO	Ashishkumar Chauhan

FINANCIALS (₹ CR)

Year	FY25	FY26
Revenue	~17,132	16,601
Growth	–	(3.1%)
PAT	~12,192	10,302
Growth	–	(15.5%)
Txn charges / rev.	79.6%	78.7%

FY25 derived from stated growth rates. FY26 revenue ₹166,013.09 mn.

One of India's strongest franchises — with regulation as the swing factor

NSE is India's largest stock exchange and a vertically integrated Market Infrastructure Institution, with **90%+ market share** across most key segments, a **debt-free** balance sheet, **68–75% EBITDA margins** and **33–52% ROE/ROCE**.

But FY26 revenue **fell 3.1%** to ₹16,601 cr after SEBI's derivatives regulations of October 2024 and May 2025, and PAT **fell 15.5%** to ₹10,302 cr, also reflecting a **₹1,391 cr settlement provision**.

Derivatives dependence

Transaction charges were 78.7% of FY26 revenue, with options alone ~60–65%. Regulatory changes to derivatives can move NSE's earnings disproportionately — as FY26 showed.

A pure liquidity event

The IPO is a 100% OFS of ~148.9 mn shares by 10 institutional shareholders. NSE has no promoter and receives no proceeds.

A benchmark valuation

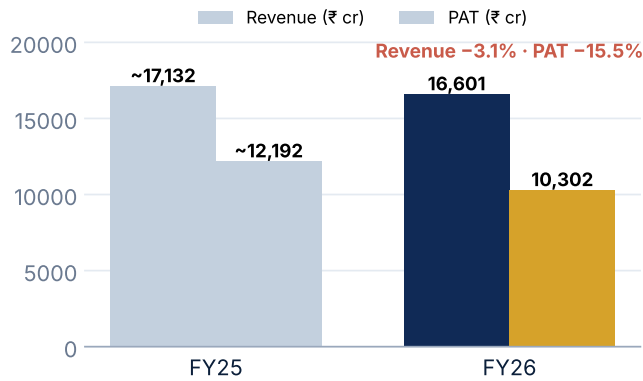
With BSE (66.67x P/E) as the only listed peer, NSE's IPO price could reset how the market values listed exchanges.

Key question: NSE is an outstanding business — will the IPO price make it an outstanding investment?

We reserve our view until the price band is announced.

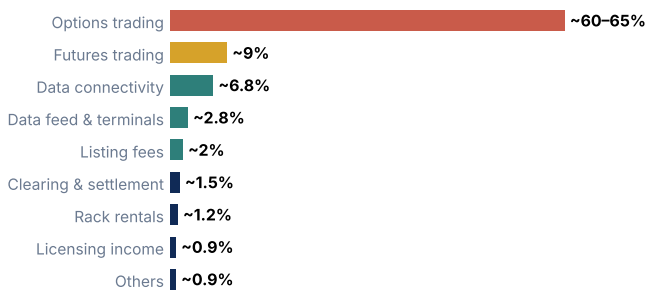
STORY IN CHARTS

Exhibit 1 FY26: revenue and PAT both declined (₹ cr)



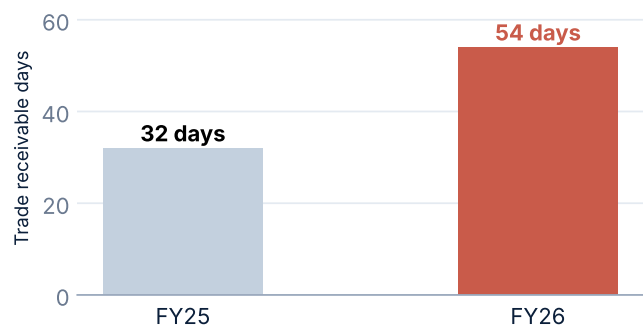
FY25 derived from stated growth. Source: DRHP

Exhibit 3 Options dominate the revenue mix (share of revenue)



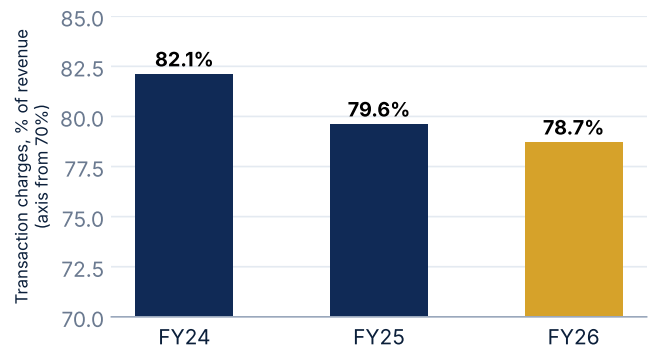
Approximate shares as disclosed. Source: DRHP

Exhibit 5 Receivable days jumped in FY26



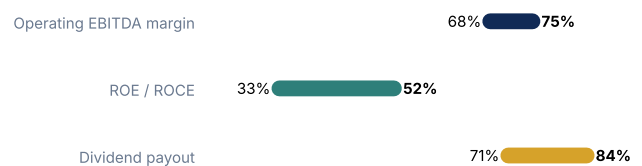
Source: DRHP

Exhibit 2 Still ~79% transaction-driven



Source: DRHP

Exhibit 4 Franchise economics (range over the period)



Source: DRHP

Exhibit 6 No promoter — institution-driven ownership



Public 64.84%
Non-promoter non-public 35.16%

Source: DRHP

01 Business at a glance

NSE is a vertically integrated Market Infrastructure Institution (MII) earning revenue from transaction fees, clearing fees, listing fees, market data and index licensing.

Exhibit 7 Business lines

Business	What it earns
Cash equities	Transaction charges
Equity, currency & commodity derivatives	Transaction charges
Debt market	Transaction and platform fees
Clearing & settlement (NCL)	Clearing fees
Listing services	Listing fees
Market data & connectivity	Data, connectivity, rack rentals
Index licensing	Licensing income

Source: DRHP

1992

Incorporated 27 November

1993

Operations began 2 March

~33 yrs

Operating history

253.66 mn

Registered investor accounts

Core assets are technology: **servers, software and cables**. The business is asset-light in physical terms but technology-intensive.

02 Industry overview — capital markets infrastructure

NSE sits at the core of India's capital-market ecosystem, providing trading, clearing & settlement, listing, market data and index services. Rather than a peripheral participant, it forms the **backbone of the financial market infrastructure**.

Exhibit 8 Tailwinds vs headwinds

Structural tailwind	Recent headwind
Financialisation of household savings	SEBI derivatives regulations (Oct-2024, May-2025)
Several capital-market segments expected to grow at a 14–25% CAGR (Redseer)	Lower options and futures volumes
Expanding retail investor base	FY26 revenue –3.1%

Source: DRHP, Redseer (company-commissioned)

Our read: FY26 is a reminder that regulation can temporarily outweigh structural tailwinds.

03 Competitive position

Strengths

- 90%+ market share across most key trading segments
- 253.66 mn registered investor accounts
- Continuous investment in technology, products and infrastructure
- Multiple industry recognitions and awards

Competitive challenge

Recent regulatory changes and the growing popularity of **Sensex derivatives** have helped BSE strengthen its derivatives position. NSE still leads by a wide margin, but rising BSE competition is a trend worth monitoring.

Why NSE is hard to compete with

Moat element	Evidence
Dominant share	90%+ in most segments
Network effects	Liquidity attracts liquidity
Balance sheet	Debt-free; large cash reserves
Margins	Operating EBITDA 68–75%
Returns	ROE / ROCE 33–52%
Cash returns	Dividend payout 71–84%
Regulatory barriers	MII licensing

Source: DRHP

04 Business quality

Exhibit 9 Transaction charges as % of revenue

Year	Share
FY24	82.1%
FY25	79.6%
FY26	78.7%

Source: DRHP

The share is drifting down slowly — non-transaction lines (data, connectivity, listing, licensing) are growing in relative terms.

Exhibit 10 Concentration in one product

~60–65% Revenue from options trading	~9% Revenue from futures trading
~10.8% Data connectivity, feeds & racks (calc.)	~2% Listing fees

Source: DRHP, Alpha Room calc.

Key takeaway: a rare combination of leadership, profitability and financial strength — but highly dependent on derivatives, particularly options.

05 Key financial picture

Exceptional economics over the cycle — but FY26 shows how regulation can dent a near-monopoly's growth. Revenue, PAT, margins, ROE and ROCE all moderated.

Exhibit 11 FY26 snapshot

Metric	FY25	FY26
Revenue (₹ cr)	~17,132	16,601
Revenue growth	–	(3.1%)
PAT (₹ cr)	~12,192	10,302
PAT growth	–	(15.5%)
Settlement provision (₹ cr)	–	~1,391
Transaction charges / revenue	79.6%	78.7%
Trade receivable days	32	54

FY25 derived. Source: DRHP, Alpha Room Research

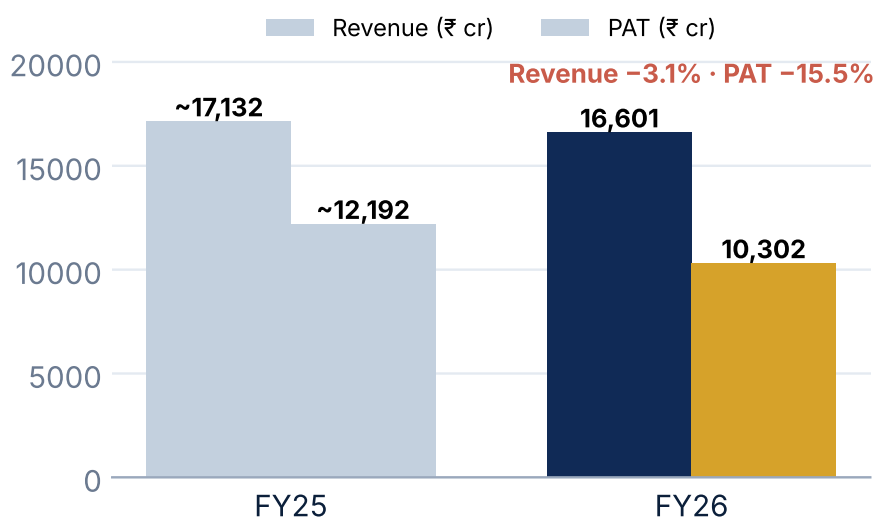
Exhibit 12 Over-the-period ranges

Metric	Range
Operating EBITDA margin	68–75%
ROE / ROCE	33–52%
Dividend payout	71–84%
Debt	Nil

Source: DRHP

The ₹1,391 cr provision is equivalent to ~13.5% of FY26 PAT (Alpha Room calc.) — a meaningful one-off, but small relative to the franchise's earning power.

Exhibit 13 Revenue and PAT (₹ cr)

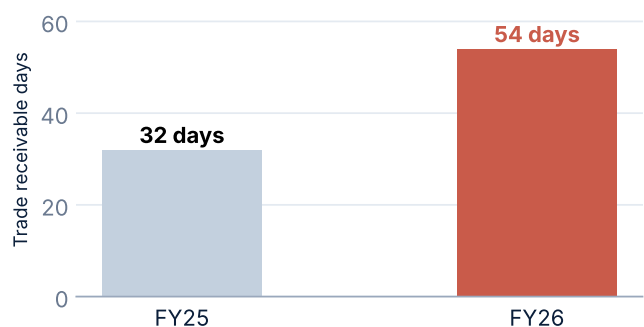


Source: DRHP

06 Key concerns — read beyond the risk numbers

Not every risk is a deal-breaker, but several are worth tracking — and two of the 78 risk factors deserve more attention than their position in the DRHP suggests.

Exhibit 14 Trade receivable days



Source: DRHP

RF #32

NSE receives no proceeds from the IPO

RF #18

Auditor's emphasis of matter on the largest regulatory provision

Receivable days rose from **32 to 54** in FY26 — a sharp rise to monitor so it does not become a trend.

Exhibit 15 Risk scorecard

Risk	Evidence	Signal	Watch
Growth vs regulation	FY26 revenue -3.1% after SEBI derivatives curbs	High	Return to growth
Product concentration	Options ~60–65% of revenue	High	Further F&O rule changes
Technology	Past trading halts, glitches, SEBI observations	Medium	Uptime and incidents
Working capital	Receivable days 32 → 54	Medium	FY27 trend
Regulatory overhang	₹1,391 cr provision; auditor emphasis; pending proceedings	High	Final outcome vs provision
No fresh capital	100% OFS	Medium	Self-funded capex
Valuation benchmark	Only one listed peer (BSE)	Medium	Price band vs BSE

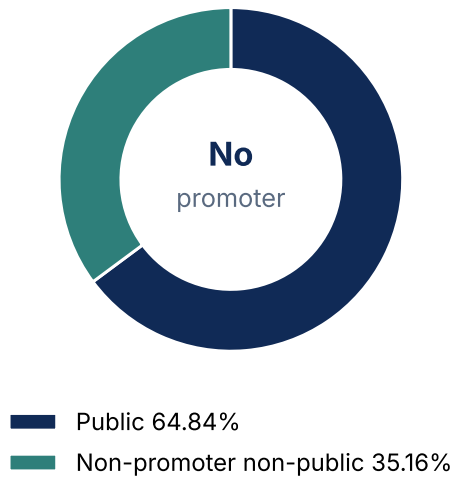
Signals are Alpha Room assessments. Source: DRHP, Alpha Room Research

Three things to watch: IPO valuation vs BSE · whether settlement costs exceed provisions · whether revenue returns to growth.

07 Management & governance

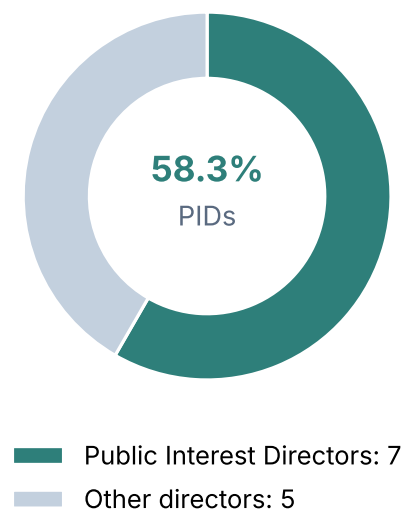
No promoter, an institution-driven shareholder base, conservative CEO pay and a PID-majority board — with regulatory history as the biggest governance consideration.

Exhibit 16 Shareholding



Source: DRHP

Exhibit 17 Board composition



7 of 12 directors are PIDs. Source: DRHP

Exhibit 18 Leadership and structure

Item	Detail
MD & CEO	Ashishkumar Chauhan — FY26 remuneration ₹15.9 cr, ~0.15% of FY26 PAT
CFO	Ian Desouza, joined July 2024 (formerly CFO, Bank of Baroda)
Board	Significant refreshment 2024–26, mainly from SEBI's mandatory rotation
Subsidiaries	NSE Clearing, NSE Indices, NSE Data & Analytics, NSE International Exchange, NSE Investments
Interests	NSDL, Protean eGov, Power Exchange India, Indian Gas Exchange
Related parties	Relatively insignificant

Source: DRHP

Regulatory history — the biggest governance consideration

- Colocation and dark-fibre matters
- Conflict-of-interest concerns
- Multiple SEBI settlement orders
- Pending Supreme Court proceedings
- ~₹1,391 cr settlement provision, plus other settlements across FY24–FY26

These issues have not materially weakened NSE's competitive position, but regulatory risk remains an important factor for long-term investors.

08 The offer: a pure liquidity event

A 100% Offer for Sale of up to 148.9 mn shares by 10 institutional shareholders. No new shares are issued and NSE receives nothing.

Exhibit 19 Offer structure

Component	Detail
Offer for Sale	Up to 148,905,525 shares
Fresh Issue	Nil
Proceeds to NSE	₹0
Selling shareholders	10 institutional shareholders
Promoter selling	None — no identifiable promoter
Purpose	Liquidity, not growth capital
Price band	Not yet announced

Source: DRHP

What it means

No growth funding. No capital for expansion, technology upgrades or new initiatives — but a debt-free, cash-generative NSE arguably doesn't need it.

Liquidity for long-time holders. Institutions get an exit route; the market gets access to a scarce franchise.

A benchmark for exchanges. The price will shape how investors value BSE and listed MIIIs.

Valuation context

66.67x

Industry P/E — BSE, the sole listed peer

−15.5%

NSE FY26 PAT growth

Paying too high a price — even for an exceptional business — can limit future returns. With only one comparable and an earnings dip in FY26, the valuation framework will need care once the band is out.

Exhibit 20 Questions the price band must answer

Question	Why it matters
P/E vs BSE's 66.67x	Premium or discount for scale and share?
Which earnings base?	FY26 (post-curbs, post-provision) vs normalised
Implied growth	What derivatives recovery is priced in?
Dividend yield	71–84% payout makes yield a real anchor

Source: Alpha Room Research

09 Things we're watching

01

Growth vs regulation

Financialisation is intact, but FY26 showed regulation can outweigh tailwinds.

02

Technology risk

Uptime is non-negotiable; past halts and glitches show execution risk.

03

Regulatory overhang

Final outcome of the colocation matter vs the ₹1,391 cr provision.

Exhibit 21 Monitoring dashboard

Metric	Latest	What would improve the case
Revenue growth	-3.1% (FY26)	Return to growth in FY27
PAT growth	-15.5% (FY26)	Recovery as provision base effect fades
Options share of revenue	~60–65%	Gradual diversification
Receivable days	54 (from 32)	Back toward FY25 levels
Settlement costs	₹1,391 cr provided	Final costs within provisions
BSE derivatives share	Rising	NSE lead maintained
System incidents	Past halts/glitches	No material outages

Source: DRHP, Alpha Room Research

Exhibit 22 What could move NSE's revenue — a qualitative map

Driver	Direction	Why it matters
Further SEBI F&O measures	Down	Options are ~60–65% of revenue
Retail participation growth	Up	253.66 mn accounts and rising
BSE derivatives share gains	Down	Pricing and volume competition
Data, indices, listing growth	Up	Diversifies away from transaction fees
Settlement / legal outcomes	Either	Provision vs final cost

Illustrative, not a forecast. Source: Alpha Room Research

10 Bull case vs bear case

THE BULL CASE

1. Near-monopoly franchise

90%+ market share across most segments.

2. Hard to replicate

Network effects and high regulatory barriers.

3. Exceptional financials

Debt-free; 68–75% EBITDA margins; 33–52% ROE/ROCE; 71–84% payout.

4. Long runway

Expanding retail investor base and financialisation of savings.

5. Clean pay and RPTs

CEO pay ~0.15% of PAT; related parties insignificant.

THE BEAR CASE

1. No fresh capital

100% OFS — every rupee to sellers.

2. First revenue decline

FY26 –3.1% — regulatory sensitivity.

3. Options concentration

~60–65% of revenue from one product.

4. Governance overhang

Long SEBI history; pending legal matters.

5. Limited benchmarking

BSE is the only listed peer.

Exhibit 23 Balance of evidence

Debate	Bull reading	Bear reading	Decider
Franchise	90%+ share; network effects	BSE gaining in derivatives	Market share trend
Growth	Financialisation runway	FY26 revenue –3.1%	FY27 revenue
Earnings	Provision is one-off	PAT –15.5%	Settlement outcome
Valuation	Scarce asset; premium quality	One peer at 66.67x	Price band

Source: Alpha Room Research

11 Investment thesis & our view

"NSE is an outstanding business. Whether it becomes an outstanding investment depends on valuation and execution."

Exhibit 24 Three threads of the thesis

Thread	Today	Implication
Franchise	Near-monopoly; network effects; regulatory barriers	Hard for competitors to replicate
Concentration	Options ~60–65% of revenue	Derivatives rules move earnings
Regulation	Recurring theme; ₹1,391 cr provision	Policy shifts can materially change growth
Valuation	One peer (BSE, 66.67x)	Fair price is critical

Source: DRHP, Alpha Room Research

Our view

We reserve our view until the price band is announced. The key questions:

- Is the IPO priced reasonably relative to business quality and long-term growth prospects?
- Can NSE sustain long-term growth while adapting to an evolving regulatory landscape?

12 What's next

Once the price band is announced, a follow-up will cover: **financial analysis · peer comparison · valuation framework · key assumptions and considerations** — educational and based solely on publicly available information.

Exhibit 25 Our valuation checklist for the price band

Measure	What we will compare
Market cap at the band	vs BSE; vs FY26 PAT of ₹10,302 cr
P/E — reported and ex-provision	vs BSE's 66.67x
Dividend yield	At a 71–84% payout history
Implied growth	Volume recovery needed to justify the price

Source: Alpha Room Research

Near-monopoly franchise → Regulation-sensitive growth → One-peer benchmark → Price decides

Sources, methodology & important disclosures

Source

National Stock Exchange of India Limited Draft Red Herring Prospectus and the author's study of publicly available offer documents. This note was published on 27 July 2026, before the announcement of the IPO price band; financial analysis and valuation will follow separately.

Methodology & definitions

- Figures in ₹ crore (cr) or ₹ million (mn) as presented; consolidated unless stated. FY = fiscal year ending March 31. FY26 revenue of ₹166,013.09 mn is shown as ₹16,601 cr.
- Analyst calculations (labelled "derived" or "Alpha Room calc.") include: FY25 revenue and PAT back-solved from stated growth rates; the provision as a share of FY26 PAT; the combined share of data connectivity, feeds and rack rentals; and the risk-scorecard signals.
- Revenue-mix shares are approximate as disclosed; options trading is shown at the midpoint of the ~60–65% range in Exhibit 3.
- Industry growth rates are from a Redseer report. Industry P/E is based on BSE Limited, the sole listed peer.

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