

DALALBYTES RESEARCH

BSE Ltd

Asia's Oldest Exchange, Reborn as a Derivatives Machine

The 2023 Sensex options turnaround, 68% operating margins, and the regulator who controls the volume dial

NSE: BSE · Listed on NSE only

October 7, 2026

Reference: Rs 3,356, NSE, October 7, 2026

(intraday range roughly Rs 3,246 to Rs 3,373).

Founding story, the derivatives engine, financials, competition, management, valuation vs peers, risks, and FY2029 scenarios.

01 BLUNT VERDICT FIRST

76 / 100 : Selective Positive

BSE is the best exchange turnaround in India in a decade, and one of the finest operating businesses in the country. An exchange with a 150-year-old brand just doubled revenue two years in a row without adding meaningful debt or headcount, runs a 68% operating margin, earns 46% on equity, converts all of its profit to cash, and pays a dividend while it compounds. The derivatives engine that CEO Sundararaman Ramamurthy built from nothing in 2023 now clears almost Rs 20,000 crore of premium turnover a day, and BSE has gone from a rounding error to roughly one rupee in four of India's index-options premium.

The price is the caution. At 48 times trailing earnings, BSE trades at about twice the multiple of mature global exchanges (CME, Deutsche Boerse, ICE, Nasdaq sit at 21 to 26 times) and at a premium to the unlisted NSE at roughly 42 times, which is the better asset by almost every measure and is about to list. You are paying full price for a business whose regulator controls the volume dial: SEBI has already shown, twice, that it will tighten the screws on exactly the product BSE depends on, and the next proposals (fortnightly expiries, longer contract tenors) would hit BSE harder than NSE because BSE's growth is almost entirely options-led. Selective Positive means: back the business, be selective on the price. At Rs 3,356, about 24% below the 52-week high of Rs 4,446.80, the entry is reasonable but not cheap.

Rs 3,356

Reference price
NSE, Oct 7 2026

**Rs
1,36,886
cr**

Market cap

**Rs 5,124
cr**

FY26 revenue
(+59% YoY)

**Rs 2,487
cr**

FY26 PAT
(+88% YoY)

Rs 2,250

FY2029 bear

Rs 3,950

FY2029 base

Rs 5,980

FY2029 bull

68%

Operating margin
FY26

02 SNAPSHOT: WHAT BSE IS

Item	Detail
Founded	July 9, 1875, as The Native Share & Stock Brokers Association; Asia's oldest exchange

Item	Detail
Listed	NSE only, Feb 3 2017 (OFS at Rs 806 pre-bonus); face value Rs 2; two 2:1 bonuses; ~40.8 cr shares
Engine	Equity derivatives: Sensex options relaunched May 2023; ~26.7% of index-options premium turnover
Legacy	Equity cash: 7-8% share vs NSE's ~92-93%
Franchises	Listing: 5,600+ companies, ~Rs 480 lakh cr mcap; StAR MF: 85%+ of exchange MF transactions
Other	ICCL clearing; Sensex index licensing; BSE SME (501 cos); India INX (GIFT City); ~15% of CDSL
Economics	OPM 68%, ROE 46%, ROCE 60%, debt free, FY26 FCF Rs 2,589 cr, dividend yield 0.30%
Ownership	Widely held, no promoter (demutualized exchange)

03 FOUNDING STORY: FROM A BANYAN TREE TO DALAL STREET

In the 1850s, four Gujarati brokers and one Parsi broker began trading cotton and company shares under a banyan tree in front of Bombay Town Hall. The group moved locations several times, settled on a permanent spot in 1874, and formalized as The Native Share & Stock Brokers Association on July 9, 1875, with 318 members paying a one-rupee admission fee each. Premchand Roychand, the "Cotton King of Bombay", was the key founder; industrialist Dinshaw Maneckji Petit helped secure the first trading hall on Dalal Street.

That is 150 years of continuity, celebrated in July 2025. Along the way: the first exchange recognized by the Government of India under the Securities Contracts (Regulation) Act, the launch of the S&P BSE Sensex in 1986 (India's first equity index), demutualization and corporatization on May 19, 2007 under the SEBI-notified 2005 scheme, and listing on NSE on February 3, 2017. The exchange has been headquartered at Phiroze Jeejeebhoy Towers on Dalal Street through the entire modern era.

The listing history matters for a simple reason: BSE listed as a demutualized, professionally run exchange with no promoter, which is why it trades as a clean play on Indian capital-markets growth rather than a family balance sheet.

04 THE BUSINESS: EIGHT LINES, ONE ENGINE

BSE's reported segments read like a conglomerate, but the economics are simple: one engine (equity derivatives) funds everything else.

Equity derivatives: the growth engine. Sensex options relaunched May 15, 2023 with a 30-share contract and a Friday expiry chosen to complement Nifty's Thursday expiry. Under SEBI's one-weekly-expiry rule, the Sensex weekly moved to Tuesday (Sep 2025) then Thursday, while NSE's moved to Tuesday. Premium-turnover share: near zero at end-FY23, ~22% in Jul 2025, 26.7% in Oct 2025. FY26 derivatives revenue more than doubled to Rs 3,134 cr; average daily premium turnover Rs 19,522 cr (+118% YoY). Options were 63% of standalone revenue in the Jun-2025 quarter; retail is ~30% of Sensex derivatives volumes.

Equity cash: the legacy, and the weak spot. 7 to 8% share against NSE's ~92-93%. The CEO called the number out on the FY26 analyst call, blaming delayed smart order routing at NSE. The story so far is almost entirely derivatives-led.

Listing: the annuity. 5,600+ listed companies, the largest listed-company count of any exchange globally; ~Rs 480 lakh cr combined market cap (Apr 2026); 99 mainboard IPOs raised a record Rs 1.65 lakh crore in FY26. Listing fees are acyclical to trading volumes.

StAR MF: the platform. India's largest online MF distribution platform (Dec 2009): 85%+ of exchange-based MF transactions, 7 crore+ transactions a month (Dec 2025), monetized via AMC fees since 2018. The Dec 2025 MoU with the Department of Posts (1.64 lakh post offices) extends distribution at near-zero marginal cost.

The rest. Market data and index licensing off the Sensex family (BSE Total Market Index launched 2026); BSE SME with 501 companies (Mar 31, 2026) vs 550 on NSE Emerge; India INX (est Dec 30, 2016) at GIFT City; clearing via wholly owned ICCL; commodity and currency derivatives with modest volumes; and the ~15% stake in CDSL (BSE founded CDSL in 1999; SEBI's 24% cap and sales including a 4.5% open-market sale in Jun 2023 for Rs 468 cr brought it to 15%).

05 THE TURNAROUND: WHAT CHANGED IN 2023

FY22 and FY23 were flat years: revenue Rs 841 cr to Rs 925 cr, PAT Rs 245 cr to Rs 206 cr, operating margin 34 to 42%. BSE was the exchange that had everything except the business.

The May 2023 Sensex options relaunch was the inflection. FY24 revenue jumped 69% to Rs 1,568 cr, PAT to Rs 772 cr. FY25 revenue more than doubled again to Rs 3,212 cr (+105%), PAT Rs 1,322 cr. FY26: revenue from operations Rs 4,834 cr (+63%), consolidated PAT Rs 2,487 cr (+88%), operating margin 68%.

The stock tells the same story: from about Rs 182 (pre-bonus equivalent) when Ramamurthy took over in Jan 2023 to Rs 2,319.6 in Oct 2025 and Rs 3,356 on Oct 7, 2026, up roughly 30% year-to-date in 2026. Three mechanics drove it. First, product design: a differentiated Sensex contract and expiry gave traders a reason to show up. Second, the SEBI single-expiry regime (Nov 2024) leveled the field; BSE survived the Sep 2025 expiry-day swap and grew share afterward, the strongest evidence the liquidity is sticky rather than expiry-arbitrage. Third, operating leverage: an exchange's marginal trade costs nearly nothing, so incremental transaction charges fall through to profit.

06 FINANCIALS: HYPERGROWTH WITH A 68% MARGIN

Year	Revenue (cr)	YoY	OPM	PAT (cr)
FY22	841	-	42%	245
FY23	925	+10%	34%	206
FY24	1,568	+69%	45%	772
FY25	3,212	+105%	58%	1,322
FY26	5,124	+59%	68%	2,487
TTM	5,442	-	64%	2,822

Consolidated, screener.in, fetched October 7, 2026. Screener's revenue line is total income; company-reported FY26 revenue from operations was Rs 4,833.95 cr (+63.46% YoY) and consolidated PAT Rs 2,487.25 cr (+88%). EPS (bonus-adjusted): Rs 6.27, 5.43, 19.17, 32.65, 61.22 across FY22-26.

Q1 FY27 (reported Aug 5, 2026) was a record: revenue Rs 1,566.02 cr (+63.5% YoY, +0.2% QoQ), PAT Rs 872.66 cr (+65.8% YoY, +9.7% QoQ), operating profit Rs 1,046 cr (all-time high), operating margin 67%, EPS Rs 21.43. Transaction charges Rs 1,328 cr (+1% QoQ, the largest line); listing income Rs 101 cr (down 15% QoQ on a softer primary market); investment income Rs 135 cr (vs Rs 62 cr prior quarter).

Fortress balance sheet

Almost debt free. Net worth ~Rs 7,547 cr (Jun-2026). ROCE 60%, ROE 46% (3-yr average 36.1%). Cash flow from operations at 108% of operating profit in FY26: the profit is cash, not accruals. Free cash flow Rs 2,589 cr. 13 dividends since the 2017 listing plus buybacks in 2019 and 2023; FY26 payout 16%. Dividend history: FY23 Rs 12, FY24 Rs 15, FY25 Rs 23 (Rs 18 regular + Rs 5 special for the 150th year), FY26 Rs 10 (post-bonus). Yield at the current price is only 0.30%: a growth compounder, not an income stock.

Watch item on the P&L mix: transaction charges are about 85% of quarterly revenue. When one line is the business, that line's regulator is the business.

07 COMPETITION: THE JUNIOR IN A DUOPOLY

NSE is the dominant rival and it is not close: ~93.6% of equity cash volume, ~99% of equity derivatives notional (DRHP commentary, H1 FY26); in premium-turnover terms roughly 73-76% NSE against 24-27% BSE. NSE's FY25 revenue was Rs 17,141 cr at ~58% net margin; its FY26 DRHP figures show revenue Rs 16,601 cr (down 3%) and profit Rs 10,302 cr (down 15%), the SEBI curbs biting the leader first.

The NSE IPO is the sector's defining near-term event. NSE refiled its DRHP in Jun 2026 for a ~Rs 29,780 cr pure offer for sale (148.9 mn shares, ~6%; sellers include SBI, CPPIB, Temasek affiliates, Morgan Stanley affiliates, LIC). SEBI gave in-principle settlement approval on the legacy co-location and dark fibre cases (revised offer Rs 1,491.21 cr), the Supreme Court disposed of the regulator's case in early Sep 2026, and SEBI issued its observation letter on Sep 4, 2026. Implied valuation: ~Rs 5 lakh cr (unlisted price ~Rs 2,000-2,054), and NSE is expected to list on BSE. A listed NSE creates the first directly comparable listed peer: a sentiment overhang for BSE's relative valuation (48x vs ~42x unlisted) and a potential flow competitor.

MCX dominates commodity derivatives, where BSE is a bit player. In depositories, CDSL (BSE holds ~15%) competes with NSDL; NSE booked a ~Rs 1,200 cr gain selling down its NSDL stake around the NSDL IPO. The structural risk in one line: BSE's gains are concentrated in weekly index options on a single benchmark (Sensex), while NSE retains overwhelming scale in cash, stock derivatives, and institutional flow.

08 STRENGTHS

- **The derivatives engine is real and compounding:** premium-turnover share from near zero to ~27%; AD premium turnover Rs 19,522 cr (+118% YoY); FY26 derivatives revenue Rs 3,134 cr (doubled).
- **Exchange operating leverage at full power:** 68% operating margin, 60% ROCE, 46% ROE; every incremental trade nearly free.
- **The listing franchise is annuity income:** 5,600+ companies, record FY26 IPO pipeline (99 IPOs, Rs 1.65 lakh cr raised).
- **StAR MF is a genuine platform asset:** 85%+ of exchange-based MF transactions, 7 cr+ monthly transactions, now extended to 1.64 lakh post offices.
- **Fortress balance sheet:** debt free, ~Rs 7,547 cr net worth, FY26 FCF Rs 2,589 cr, CFO at 108% of operating profit, 15% CDSL stake as a separate SOTP leg.
- **Proven through a regulatory shock:** volumes held through the SEBI single-expiry regime and the Sep 2025 expiry-day swap.

09 WEAKNESSES AND RISKS

SEBI owns the volume dial

The Oct 2024 F&O curbs (one weekly expiry per exchange, Rs 15-20 lakh minimum contract size, upfront premium collection, removal of calendar spread benefit on expiry day, intraday position monitoring, higher expiry-day margins, plus the STT hike) were aimed squarely at the product BSE depends on; market participants had estimated a 20-30% volume dent. Now floated: fortnightly expiries and longer contract tenors. Any further tightening hits BSE harder than NSE because BSE's growth is options-led.

- **The CAS overhang:** SEBI's closing auction session created settlement uncertainty for Sensex derivatives. A Sep 2026 consultation paper proposes delinking derivatives settlement from CAS (comments were due Oct 3, 2026); JPMorgan upgraded on the expectation the overhang eases, but the outcome was still open at this report's date.
- **Single-benchmark concentration:** the engine is weekly options on the Sensex. One bad expiry-day event or one benchmark-specific ruling and the growth story pauses.
- **The Sep 10, 2026 outage:** one cash-segment partition down 9:42-10:08 am on a Sensex expiry day, option premiums freezing, orders failing across brokers. For an exchange, technology is the product: an operational yellow flag.
- **Cash market irrelevance:** 7-8% share; the CEO's own diagnosis (delayed smart order routing) points at a structural problem.
- **The NSE IPO relative-value trap:** when the better asset lists at ~42x, BSE's 48x needs continuous justification through growth.
- **Regulatory cost creep:** Q4 FY26 expenses included higher regulatory contribution and clearing costs; SEBI keeps tightening MII norms.
- **The Jane Street episode** (SEBI's Rs 4,844 cr seizure in 2025 over alleged index-options manipulation) shows the regulatory intensity around exactly BSE's core product.

10 MANAGEMENT AND GOVERNANCE

Sundararaman Ramamurthy has been MD and CEO since Jan 2023 (SEBI approved the appointment in Nov 2022). He was COO of Bank of America India and earlier a senior NSE executive until 2014, with earlier stints at IDBI, SBI, and Indian Overseas Bank. He succeeded Ashishkumar Chauhan, who resigned in Jul 2022 to join NSE as MD and CEO.

Ramamurthy is the architect of the turnaround: the May 2023 Sensex options relaunch with its differentiated expiry design, and the navigation of the SEBI single-expiry regime that followed. BSE's equity-options share went from about zero to about 22% in his tenure, and the stock went from a pre-bonus equivalent of about Rs 182 to Rs 3,356. Chairman Subhasis Chaudhuri heads the board. As a market infrastructure institution under direct SEBI oversight, BSE operates to governance standards well above a typical listed company. No public record of a CEO term extension was found in 2025-2026, a minor open item to verify against the FY26 annual report.

On regulatory posture, Ramamurthy has described Indian regulation as co-created with SEBI through working groups and consultation, and he publicly defended BSE's compliance stance when the SEBI chairman floated extending options contract tenors. For a business whose regulator is its largest stakeholder, tone is strategy.

11 VALUATION VS PEERS

At Rs 3,356 (Oct 7, 2026): market cap Rs 1,36,886 cr, TTM P/E 48.3x (EPS Rs 69.55), P/B ~20.5x (book value Rs 164), dividend yield 0.30%.

Company	P/E	P/B	Div yield	Note
BSE	48.3x	~20.5x	0.30%	68% OPM, 46% ROE
NSE (unlisted)	~41-42x	-	~2.03%	Better asset, about to list
CDSL	57.3x	-	-	BSE holds ~15%
MCX	60.8x	-	-	Commodity derivatives
CME Group	~22.4x	-	-	Mature global exchange
Deutsche Boerse	~24.1x	-	-	Mature global exchange
ICE	~21.2x	-	-	Mature global exchange
Nasdaq	~26.3x	-	-	Mature global exchange

BSE trades at roughly double the multiple of mature global exchanges and at a premium to the unlisted NSE. The market is pricing sustained high-20s to 30s earnings growth plus continued derivatives share gains. That growth is plausible: India's derivatives penetration as a share of GDP is far below developed markets, retail participation is still expanding, and BSE is taking share from a standing start. But the multiple leaves no room for a SEBI accident. Street: 19 analysts (10 Buy, 6 Hold, 3 Sell as of Sep 2026); JPMorgan upgraded in Sep 2026 on the CAS overhang easing.

12 FY2029 SCENARIOS (INR, ESTIMATES)

Built off FY26 (revenue Rs 5,124 cr, PAT Rs 2,487 cr, 40.8 cr shares, EPS Rs 61.22). All three scenarios are estimates, not forecasts; the exit multiple does most of the work.

	Bear: Rs 2,250	Base: Rs 3,950	Bull: Rs 5,980
Revenue CAGR FY26-29	10%	18%	24%
FY29 revenue	Rs 6,820 cr	Rs 8,419 cr	Rs 9,770 cr
Net margin	42%	48%	52%
FY29 EPS	~Rs 70	~Rs 99	~Rs 125
Exit P/E	32x	40x	48x

Bear: SEBI tightens further (fortnightly expiries or longer tenors), derivatives growth stalls, NSE's listing reprices the sector, and the multiple compresses toward global exchange levels. **Base:** BSE keeps taking premium-turnover share toward 30%+, the listing and StAR MF franchises grow steadily, no new SEBI shock, and the multiple moderates from 48x as the base grows. **Bull:** SEBI stays its hand, retail derivatives participation keeps expanding, BSE's share approaches a third, and the market keeps paying a growth multiple for the best operating leverage in Indian financials. The base case implies about 5.5% annual compounding from the Rs 3,356 reference: a fair price for a great business, not a bargain.

13 WHY IT MATTERS

BSE is the purest listed play on the financialization of Indian savings: every new demat account, every SIP, every retail options trader, and every IPO flows through an exchange's toll booth, and BSE owns one of the two toll booths in the country. The 2023-2026 turnaround proved something the market had written off: that the junior exchange could build a derivatives franchise from zero against a near-monopolist, survive the regulator's tightening, and convert the growth into 68% margins and 46% ROE. Whether it can do it twice, against a listed NSE and a watchful SEBI, is the only question that matters for the next three years. At 76/100 Selective Positive, the verdict is: own the toll booth, respect the regulator, and do not chase it.

14 SOURCES

Screener consolidated financials (fetched Oct 7, 2026). Wikipedia (history, demutualization May 19, 2007, listed Feb 3, 2017). The Indian Eye (BSE at 150, Jul 2025). Hindu BusinessLine (derivatives turnaround, May 2026; FY26 results, May 7, 2026; SGF norms, Mar 2026; CDSL sale, Nov 2019). Mint (expiry swap and CEO interview, Oct 2025; Q4 results, May 2026; fortnightly expiry, 2025; SEBI F&O measures, Oct 2024). DSIJ and MarketsMojo (Q1 FY27, Aug 2026). 7globe (JPMorgan upgrade, Sep 2026). Tezzbuzz (Sep 10, 2026 outage). Univest and Tickertape (valuation peers, Oct 2026). Multibagg.ai and Livemint (NSE IPO). Bizzbuzz (Department of Posts MoU, Dec 2025). Transique (SME presentation, Jul 2026). Trendlyne (corporate actions). Finnhub and MarketBeat (global exchange multiples, Oct 2026). YourStory and Outlook Business (CEO appointment). Full research memo with dated URLs filed in the goal's hidden_files.