ADITYA BIRLA CAPITAL
STOCKS & SECURITIES

National Stock Exchange of India

Leadership at scale, with balanced risk-reward

SUBSCRIBE

Capital Markets | IPO Note | September 15, 2026

Price Band (Rs): 1,700 – 1,785

We recommend SUBSCRIBE to the National Stock Exchange of India (NSE) IPO, given its dominant liquidity franchise, self-reinforcing network effects, and exposure to India's structural financialisation opportunity. NSE captured 93.0%/99.8% market share in cash equities/equity futures in FY26, while its scalable, transaction-led platform delivered a 66.9% operating EBITDA margin and Rs 103bn PAT. India's low stock-market penetration of ~13.5% provides substantial participation headroom, supporting NSE's long-term growth prospects. At the upper band of Rs 1,785, NSE is valued at ~43x FY26 P/E, implying a market capitalisation of ~Rs 4.4trn; while its franchise quality supports the valuation, much of its strengths appear priced in. Returns therefore remain sensitive to derivatives regulation, cyclical trading volumes, options-market competition from BSE, and the pace of revenue diversification.

Liquidity leadership creates a self-reinforcing competitive moat

NSE's core advantage is liquidity, supported by 261.4mn registered accounts, 132.4mn unique investors, and 1,328 trading members as of Q1FY27. In FY26, it held 93.0%/99.8%/74.7% market share in cash-market turnover/equity futures/equity options premium turnover. Its network effects have made NSE the world's largest derivatives exchange by contracts traded for seven consecutive years. The moat remains strongest in cash equities and futures, but is more contestable in options, where NSE's share fell from 96.9% in FY24 to 68.5% in Q1FY27, as BSE gained traction.

India's financialisation offers a long runway, but volumes remain cyclical

NSE is a direct beneficiary of India's financialisation, with unique investors rising over 4x during FY20-Q1FY27 to 132.4mn, while low stock-market penetration of ~13.5% provides substantial headroom. Indian cash-market turnover expanded ~6x from Rs 49.8trn in FY16 to Rs 280.3trn in FY26, as mutual-fund/SIP AUM reached Rs 82.2trn/Rs 17.7trn by June 2026, strengthening recurring domestic flows. In FY26, NSE hosted 2,978 listed entities, facilitated 108 Mainboard/111 SME IPOs and enabled Rs 20.3trn of equity and debt fundraising, capturing value across listings, trading and post-trade services, although these remain sensitive to market cycles.

Transaction-led model delivers strong operating leverage

NSE's fixed-cost technology platform enables high incremental profitability as volumes rise. FY26 revenue from operations stood at Rs 166bn, with transaction charges contributing Rs 130.6bn (78.7% share); operating EBITDA was Rs 111bn at a 66.9% margin, while PAT stood at Rs 103bn. The platform's scalability was demonstrated when it processed 21.9bn order messages and 201mn trades on March 24, 2026, though high transaction dependence increases earnings sensitivity to regulation and market activity.

Adjacent businesses improve revenue quality, but remain relatively small

NSE is expanding recurring and asset-light revenues from connectivity, market data, listings, clearing, colocation and index licensing. Index-licensing and data-centre rack revenues grew 26.0% and 32.9%, supporting more recurring and asset-light monetisation, but together contributed only around 2.2% of FY26 revenue, making diversification a medium-term opportunity rather than an immediate hedge against weaker derivatives volumes.

Key Risks

Regulatory changes in equity derivatives, rising competition from BSE in options, market cyclicality, technology outages, cybersecurity incidents, clearing-member defaults and trading-member concentration. Options contributed 60.2% of FY26 revenue, while the top 10 trading members accounted for 46.8%, increasing sensitivity to regulatory changes, broker activity and competitive shifts.

Company Background

Incorporated in 1992, NSE is India's largest integrated market-infrastructure platform, offering trading, listings, clearing, settlement, data and index services across asset classes, including through NSE International Exchange at GIFT City. As of Q1FY27, it served 132.4mn unique investors, hosted 3,005 listed entities, and had Rs 474.1trn in listed market capitalisation. Its deep liquidity and integrated technology platform create significant entry barriers, although revenues remain transaction-led and exposed to regulation and market cycles.

Issue Details	
Issue Opens	September 17, 2026
Issue Closes	September 21, 2026
Type of Issue	100% Book Built Offer-Total 126.4mn (OFS)
Face Value (Rs)	1
Price Band (Rs)	1,700 – 1,785
Bid Lot/ Bid Size	8 shares / Rs 14,280
Issue Size at upper price band (Rs bn)	225.7
Market Cap at upper price band (Rs bn)	4,417.9
Issue Structure	QIB- 50%, NII- 15%, Retail- 35%
BRLMs	Kotak Mahindra Capital, Morgan Stanley India, HSBC Securities & Capital Markets, Avendus Capital, DAM Capital Advisors, etc.
Registrar	MUFG Intime India

Shareholding Pattern (%)	Pre-Issue	Post-Issue
Promoter	NA	NA
Public	100.0	100.0

ABM Equity Research
abm.equityresearch@adityabirlacapital.com
+91-22-6819-0515

Strengthening the core, broadening growth

Core growth remains anchored in liquidity and financialisation

- **Cash-market leadership captures rising equity participation:** NSE held 93.0% share of cash-market turnover in FY26. Cash ADTV increased from Rs 817bn in FY24 to Rs 1,055bn in FY26 and Rs 1,359bn in Q1FY27, supported by a growing investor base and listed universe. This strengthens liquidity and transaction revenue, although the 7.3% YoY decline in FY26 turnover highlights sensitivity to market sentiment and institutional flows.
- **Derivatives leadership drives profitability but creates concentration:** NSE held 99.8% share in equity futures and 74.7% in equity options by premium turnover in FY26. Deep liquidity supports execution and operating leverage, but options contributed a major share of 60.2% to FY26 revenue from operations. With options share falling to 68.5% in Q1FY27, regulatory changes and competition from BSE can materially affect earnings.
- **Capital formation adds an issuer-led revenue opportunity:** Of 111 Mainboard IPOs, InvITs and REITs listed on both exchanges in FY26, 78 selected NSE as the designated exchange, implying a 70.3% share, rising to 90.2% for offerings above Rs 10bn. Direct listing revenue is small, but new issues expand NSE’s tradable universe and support recurring transaction-led revenues.

Strategy is to protect the core while creating new liquidity pools

- **Technology protects NSE’s scale and reliability:** NSE operates seven data centres, over 14,000 servers, and ~60 petabytes of storage, connecting over 200,000 terminals across 1,400+ cities and towns. This infrastructure supports higher trading volumes and reinforces entry barriers, although sustained cybersecurity and capacity investments remain essential.
- **New products can extend NSE’s liquidity advantage:** NSE is expanding across commodities, mutual funds, debt, currencies and interest-rate products. Commodity-derivative ADTV increased from Rs 189mn in FY25 to Rs 911mn in FY26 and Rs 2,375mn in Q1FY27. Its existing member base provides a distribution advantage, but these products must build sustained liquidity before becoming meaningful revenue contributors.
- **GIFT City can capture offshore India-linked activity:** NSEIX futures ADTV increased from US$ 4.3bn in FY25 to US$ 4.6bn in FY26 and US$ 4.9bn in Q1FY27. The NSEIX-SGX Connect can bring offshore India-linked volumes into NSE’s ecosystem, although meaningful scale would depend on liquidity migration and competition with global exchanges.
- **Mutual funds broaden NSE’s role beyond trading:** NSE MF Invest offered 26,563 schemes from 51 mutual funds through 31,282 registered distributors as of June 2026, while revenue increased from Rs 113mn in FY24 to Rs 324mn in FY26. The platform expands NSE’s participation across the investment journey, but remains too small to materially influence near-term earnings.

Diversifying monetisation beyond transaction charges

- **Data and connectivity increase revenue per participant:** NSE generated Rs 11.3bn from connectivity and Rs 4.7bn from data feeds and terminals in FY26. These services monetise participant demand for market information and infrastructure and can provide recurring revenues. However, connectivity revenue was broadly flat in FY26 and declined YoY in Q1FY27, indicating limited near-term growth.
- **Colocation monetises demand for faster execution:** NSE had 1,868 member-colocation racks with capacity for over 12,000 servers as of June 30, 2026, while rack revenue grew 32.9% to Rs 2.1bn in FY26. The business offers sticky infrastructure revenue, but growth must be balanced with transparent and equal market access.
- **The Nifty franchise offers an asset-light growth opportunity:** NSE’s indices were tracked by 274 index funds and 235 ETFs in India, along with 33 international funds, as of June 2026. Index-licensing and data-subscription revenue grew 26.0% to Rs 1.5bn in FY26. Passive investing offers scalable monetisation, but the current revenue contribution remains small.

Greater scale should support earnings, but diversification remains the key outcome

- **High fixed-cost absorption supports superior margins:** NSE’s transaction scale supported a 75.5% adjusted operating EBITDA margin in FY26 by spreading technology, regulatory and compliance costs across a large revenue base. Higher volumes can therefore drive strong incremental profitability, although essential infrastructure spending limits cost flexibility during weaker periods.
- **Clearing infrastructure strengthens trust, but carries contingent risk:** NSE Clearing manages settlement and counterparty risk through real-time monitoring, margining, stress testing and

settlement-guarantee funds. This reinforces confidence in the platform, but also creates exposure to member defaults and requires adequate financial resources during market stress.

- **Reducing dependence on options is the key strategic test:** Transaction charges contributed 78.7% of FY26 revenue, with options alone accounting for 60.2%. Data, indices, commodities, mutual funds, debt and international operations can broaden the revenue base, but diversification can become meaningful only when these businesses grow faster than options.

Governance is central to sustaining the franchise

- **Regulatory credibility protects commercial value:** NSE is both a commercial exchange and a first-level regulator, requiring clear separation between regulatory and commercial functions. Strong governance is essential for participant trust, product approvals and long-term franchise value. However, this dual role can restrict commercial flexibility, while regulatory proceedings can affect reputation, delay new products and constrain expansion.

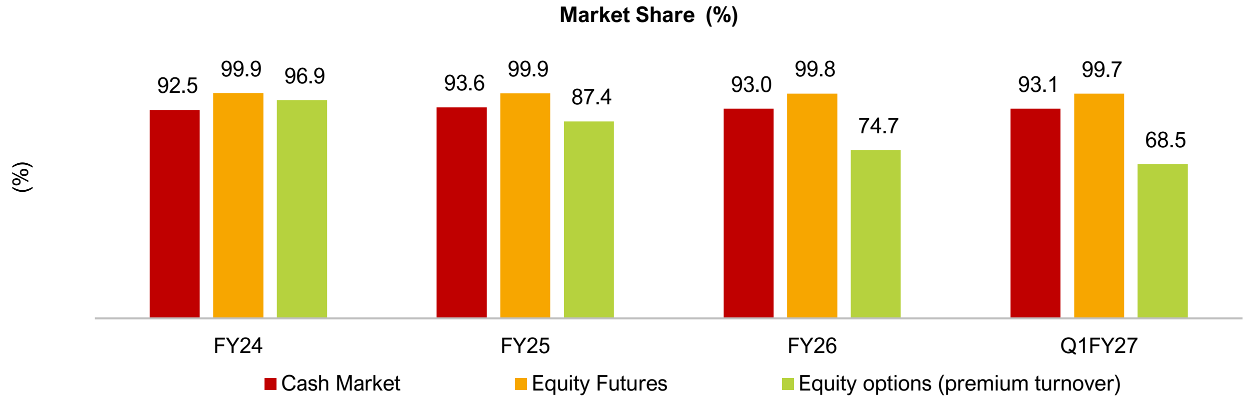
Exhibit 1: NSE's integrated platform spans the capital-market value chain

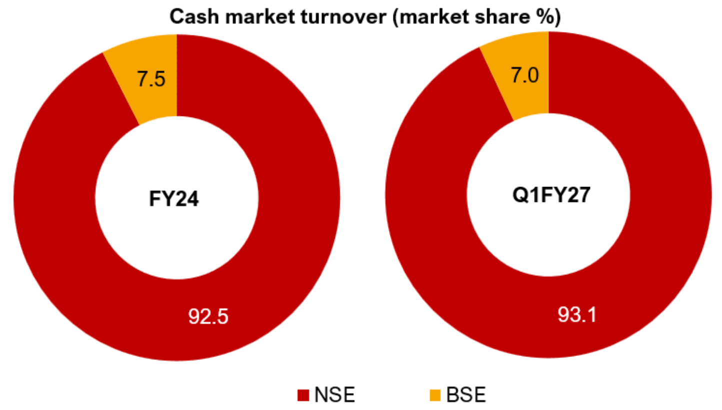
Source: Company RHP, ABM Research

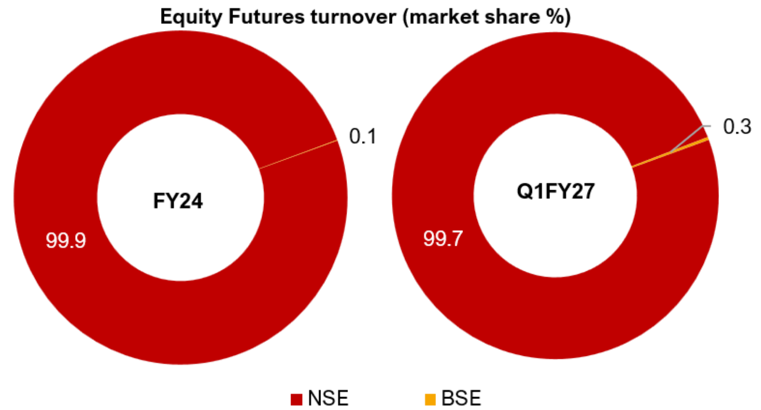
Exhibit 2: NSE holds a leading position across global cash and derivatives markets

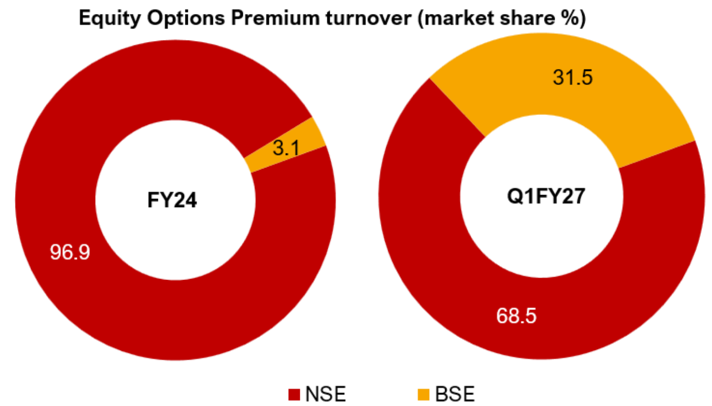
Source: Company RHP, ABM Research

Exhibit 3: NSE sustains cash and futures leadership, while options share moderates









Source: Company RHP, ABM Research

Exhibit 4: NSE's scale advantage extends across trading, listings, and profitability

Q1FY27		Unit	NSE	BSE
	Cash market	Rs bn	81,569.2	5,973.2
	Single stock options (Premium)	Rs bn	4,751.1	0.0
	Single stock futures	Rs bn	77,472.9	0.3
	Equity index options (Premium)	Rs bn	33,860.0	17,769.2
	Equity index futures	Rs bn	14,374.5	253.7
Turnover	Exchange-traded currency futures	Rs bn	3,255.2	NA
	Exchange-traded currency options (Premium)	Rs bn	0.1	NA
	Commodity futures	Rs bn	64.0	NA
	Commodity options (Premium)	Rs bn	8,806.5	NA
	Interest rate futures	Rs bn	97.8	NA
	Corporate bonds	Rs bn	4,347.0	1,009.9
Number of listed entities			3,005	5,713
Market Capitalisation of listed entities		Rs trn	474.1	473.5
Total Income		Rs bn	52.5	17.1
PAT		Rs bn	31.2	8.7

Source: Company RHP, ABM Research

Exhibit 5: Revenue diversification remains limited despite growth in adjacent streams

Revenue from operations mix (%)	FY24	FY25	FY26	Q1FY27
Transaction charges	82.1	79.6	78.7	79.4
Data Connectivity charges	5.6	6.4	6.8	5.7
Data Feed and Terminal services	2.3	2.4	2.8	3.3
Listing services	1.5	1.6	2.1	1.7
Data Centre-Rack charges	0.9	0.9	1.2	1.3
Licensing services	0.7	0.7	0.9	1.0
Clearing & Settlement services	0.9	1.9	1.5	1.8
Others	6.1	6.5	5.9	5.8

Source: Company RHP, ABM Research

Exhibit 6: Operating scale supports strong profitability despite volume cyclicality

	Units	FY24	FY25	FY26	Q1FY27
Operating Metrics					
Unique Registered Investors	mn	91.8	112.8	129.1	132.4
Listed Entities on Exchange		2,438	2,719	2,978	3,005
Market Capitalisation of Listed Entities	Rs trn	384.2	410.9	411.3	474.1
Total AUM of India Passive Funds linked to Nifty Indices	Rs trn	6.3	7.6	8.1	9.0
Nifty Indices		388	412	425	435
Trading Metrics					
ADTV (Average Daily Turnover)					
Cash market	Rs bn	817.2	1,129.6	1,055.2	1,359.5
Equity futures	Rs bn	1,340.0	1,859.0	1,594.4	1,530.8
Equity options (premium value)	Rs bn	617.8	624.5	576.6	643.5
Equity options (notional value)	Rs trn	323.6	312.8	258.3	249.2
Listing Metrics					
No of IPOs					
Mainboard		75	79	108	8
SME		138	163	111	14
Total Equity Raised	Rs trn	2.4	4.5	4.8	1.3
Total Debt Raised	Rs trn	11.4	14.2	15.6	4.9
Total Fund Mobilisation	Rs trn	13.9	18.7	20.3	6.2
Financial Metrics					
Revenue from operations	Rs mn	147,800.1	171,406.8	166,013.1	45,604.1
Operating EBITDA	Rs mn	98,698.1	126,468.8	110,979.0	35,942.5
EBITDA Margin	%	66.8	73.8	66.9	78.8
PAT	Rs mn	83,057.4	121,876.9	103,020.6	31,200.8
PAT Margin	%	56.2	71.1	62.1	68.4
BVPS	Rs	96.9	122.6	129.8	142.4
RoCE	%	45.5	52.1	42.8	-
RoE	%	37.4	44.9	33.0	-

Source: Company, ABM Research

Exhibit 7: Peer Comparison (FY26)

Company	Revenue (Rs mn)	EBITDA Margin (%)	PAT (Rs mn)	EPS (Rs)	P/E (x)	RoCE (%)
NSE	166,013.1	66.9	103,020.6	41.6	42.9	42.8
BSE	48,339.5	64.0	24,872.5	60.6	55.8	53.5

Source: Company, ABM Research

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