

National Stock Exchange of India Ltd (NSE) – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
17 September 2026	21 September 2026	₹1,700-1,785	Subscribe

Investment Summary

National Stock Exchange of India Limited (NSE) is **India's premier multi-asset market infrastructure institution**, providing comprehensive, end-to-end solutions that span trading, clearing, settlement, listing services, market data, index administration, and regulatory oversight. The exchange operates across diverse asset classes, including cash equities, equity derivatives, currency and commodity derivatives, debt securities, and mutual funds, supported by a scalable, vertically integrated ecosystem and deep proprietary technology infrastructure. Financial performance reflects robust scale and consistent profitability, with Revenue from Operations increasing from ₹14,780.01 Cr in FY24 to ₹16,601.31 Cr in FY26, alongside an expansion of Profit After Tax (PAT) from ₹8,305.74 Cr to ₹10,302.06 Cr over the same period, maintaining a strong FY26 PAT margin of 62.06%. The IPO is entirely an **Offer for Sale (OFS)** comprising **12,64,36,650 shares**, aggregating up to **₹22,561.57 Cr** at the upper price band of **₹1,785** per share. Consequently, the company will not receive any issue proceeds, with the listing intended to provide liquidity to existing selling shareholders and ensure cross-listing compliance on the BSE. Backed by powerful network effects boasting **129 million unique investors, 1,328 trading members, and 3,005 listed companies** as of June 2026 as well as near-monopoly market share in equity derivatives cleared via its subsidiary NSE Clearing Limited (NCL), the exchange is uniquely positioned to capitalize on India's macroeconomic expansion and the rapid financialization of household savings. The business, however, must continuously navigate risks associated with a high revenue reliance on derivatives transaction charges, concentration among top trading members, vulnerability to technology or cyber disruptions, and extensive regulatory scrutiny from SEBI and other statutory authorities.

Company Overview

National Stock Exchange of India Limited (NSE), incorporated in 1992, is India's largest stock exchange and one of the world's leading multi-asset exchange platforms. Operating a highly scalable and vertically integrated market infrastructure ecosystem, the company provides end-to-end solutions encompassing trading, clearing, settlement, listing, market data, index services, and regulatory oversight. Its comprehensive product portfolio spans multiple asset classes, including equities, equity derivatives, currency and commodity derivatives, debt securities, and mutual funds. NSE has consistently maintained a dominant leadership position in India across cash market turnover, equity derivatives, and currency derivatives trading. As of June 30, 2026, the exchange supported a massive ecosystem comprising over 261.36 million registered investor accounts, 129 million unique investors, 1,328 trading members, and 3,005 listed companies with an aggregate market capitalization of approximately ₹474.08 trillion. A professionally managed company with no identifiable promoters, NSE is launching an initial public offering entirely comprising an offer for sale of 12,64,36,650 equity shares by existing corporate and individual selling shareholders, aggregating up to ₹22,562 Crores at the upper price band.

Business Model

National Stock Exchange of India Limited (NSE) operates a highly scalable, vertically integrated ecosystem, functioning as India's premier multi-asset market infrastructure institution. The exchange provides comprehensive end-to-end solutions encompassing trading, clearing, settlement, listing, market data, index services, and regulatory oversight across diverse asset classes, including cash equities, equity derivatives, currency and commodity derivatives, debt securities, and mutual funds. The core of its revenue generation relies heavily on trading activities, with transaction charges contributing 78.65% of its FY26 operating revenue, predominantly driven by high-volume equity options and futures contracts. To supplement its transactional income and build recurring revenue, NSE has developed robust non-trading verticals through corporate listing services, colocation and data connectivity infrastructure, data analytics, and index licensing via NSE Indices Limited. Post-trade risk management and settlement guarantees are executed through its wholly-owned subsidiary, NSE Clearing Limited (NCL), which acts as the central counterparty and mitigates settlement risk by maintaining a dedicated Core Settlement Guarantee Fund (Core SGF). Furthermore, the company has strategically expanded its global footprint by establishing an international exchange (NSEIX) and clearing corporation (NSEICC) within GIFT City, capturing cross-border capital flows through foreign currency-denominated trading services.

Investment Rationale

Dominant Market Leadership: NSE is India's flagship financial market infrastructure institution and the world's largest derivatives exchange by contract volume. It commands a near-monopoly in the equity derivatives segment with its subsidiary NSE Clearing Limited (NCL) maintaining over 91% market share in cleared volumes and holds a definitive leadership position in cash market turnover.

Integrated Multi-Asset Ecosystem: The company operates a fully integrated, end-to-end capital markets ecosystem that spans multi-asset trading, clearing, settlement, listing services, index administration, and data analytics. This deep vertical integration generates sticky, diversified recurring revenue streams and creates formidable barriers to entry for competitors.

Highly Scalable and Resilient Technology Infrastructure: NSE's proprietary technology stack is engineered for massive scale, high-frequency trading, and ultra-low latency. Supported by robust colocation facilities, dedicated data centers, and rigorous disaster recovery mechanisms, the infrastructure efficiently processes surging transaction volumes while ensuring stringent regulatory compliance and market surveillance.

Exceptional Financial Profile and Operating Leverage: The exchange demonstrates unparalleled profitability, generating a Revenue from Operations of ₹16,601.31 Crores and a Profit After Tax (PAT) of ₹10,302.06 Crores in FY26. Driven by a scalable model and strong operating leverage, the company achieved a robust PAT margin of ~51% and an impressive Return on Capital Employed (ROCE) of 42.80% in FY26.

Powerful Network Effects and Structural Industry Tailwinds: Benefiting from a deep liquidity pool with 129 million unique investors, 1,328 trading members, and 3,005 listed companies as of June 2026, NSE enjoys a self-reinforcing network effect. It is uniquely positioned to capitalize on India's macroeconomic expansion, the rapid financialization of household savings, and surging retail and institutional participation.

Key Risk Factors

Heavy Revenue Concentration in Derivatives: NSE derives the vast majority of its revenues from trading transaction charges (78.65% in FY26), heavily weighted toward equity options (60.22%) and futures (8.92%). Any structural slowdown in market activity, reduced participant volatility, or regulatory interventions such as increases in contract sizes, expiry restrictions, or STT hikes could severely depress transaction volumes and revenues.

High Concentration Among Key Trading Members: A substantial share of the exchange's operating revenue is concentrated among a select group of top brokerages, with the top ten trading members accounting for 46.78% of operating revenue in FY26. Any financial distress, business consolidation, operational disruption, or migration of these key intermediaries to competing exchanges could adversely impact transaction revenues and cash flows.

Pervasive Regulatory Oversight and Legal Proceedings: As a systemically critical Market Infrastructure Institution, NSE faces stringent oversight from SEBI and other regulators. The exchange has paid substantial settlements in the past including ₹1,491.21 Cr for colocation and dark fibre matters and faces ongoing litigation, including an appeal against a ₹55.50 Cr penalty and an associated ₹2,856.99 Cr claim by MSEI.

Vulnerability to IT Outages and Cyber Incidents: Designated as Critical Information Infrastructure, NSE's business depends on the uninterrupted reliability of its trading technology. Operational lapses, system outages, hardware glitches, or cyberattacks such as the five-hour trading halt in 2021 or the 2025 DDoS event can disrupt market operations, damage reputation, and invite automatic financial penalties under SEBI rules.

Counterparty Credit and Interoperability Risks: Operating through its clearing arm NCL, the exchange acts as a central counterparty and bears credit risks during severe market dislocations or multi-member defaults. Furthermore, mandatory clearing corporation interoperability allows trading members to clear transactions through rival clearing houses, exposing NCL to market share erosion and fee compression.

Financial Snapshot

Metric	FY24	FY25	In Cr FY26
Revenue from Operations	14,780.01	17,140.68	16,601.31
EBITDA	9,869.81	12,646.88	11,097.90
EBITDA Margin	66.78%	73.78%	66.85%
Profit After Tax (PAT)	8,305.74	12,187.69	10,302.06
PAT Margin	56.20%	71.10%	62.06%
Basic EPS (₹)	33.56	49.24	41.62

IPO Details and Use of Proceeds

Parameter	Details
Issuer	National Stock Exchange of India Limited (NSE)
IPO Issue Size	12,64,36,650 shares (agg. up to ₹22,562 Cr) Fresh Issue Nil shares (agg. up to ₹0 Cr) Offer for Sale 12,64,36,650 shares (agg. up to ₹22,562 Cr)
Price Band	₹1700 – ₹1785 per share
Face Value	₹1 per share
IPO Opening Date	17 September 2026
IPO Closing Date	21 September 2026
Listing	BSE
Promoter Holding (Pre/Post)	NA (Professionally managed company with no identifiable promoter)
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, Morgan Stanley India Company Private Limited, HSBC Securities and Capital Markets (India) Private Limited, Anand Rathi Advisors Limited, Axis Capital Limited, Equirus Capital Limited, ICICI Securities Limited, IIFL Capital Services Limited, Nuvama Wealth Management Limited, 360 ONE WAM Limited, JM Financial Limited, Citigroup Global Markets India Private Limited, J.P. Morgan India Private Limited, Aventus Capital Private Limited, DAM Capital Advisors Limited, HDFC Bank Limited, IDBI Capital Markets & Securities Limited, Motilal Oswal Investment Advisors Limited, Pantomath Capital Advisors Private Limited.
Use of Proceeds	As the IPO is a 100% Offer for Sale (OFS), the company will not receive any proceeds from the issue.

Valuation and Outlook

At the upper price band of ₹1,785, National Stock Exchange of India Limited is valued at a FY26 P/E of **42.89x**, based on a post-issue market capitalization of **~₹4,41,787.50 Cr.** The listed peer BSE Limited trades at a P/E multiple of ~49.01x. The valuation appears reasonable considering the company's dominant market leadership in equity derivatives and cash market turnover, highly scalable and resilient technology infrastructure, consistent profitability with robust margins, and diversified revenue streams across trading, clearing, data, and index services. However, the business remains exposed to high revenue reliance on transaction charges from derivatives, concentration among top trading members, pervasive regulatory scrutiny from SEBI, and vulnerability to IT disruptions and cyber threats. As the IPO is a 100% Offer for Sale, the company will not receive any proceeds, but the listing will enhance its public visibility and provide liquidity to its shareholders. We recommend a **Subscribe stance** for a medium- to long-term investment horizon, while monitoring trading volume trends amidst regulatory changes in derivatives, technology infrastructure resilience, market share dynamics, and the outcome of pending regulatory settlements.

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