

KHANDELWAL JAIN & CO.

CHARTERED ACCOUNTANTS

Website: www.kjco.net • E-mail: kjco@kjco.net

6-B&C, Pil Court, 6th Floor,
111, M. Karve Road, Churchgate,
Mumbai - 400 020.
Tel.: (+91-22) 4311 5000
Fax : 4311 5050

12-B, Baldota Bhavan, 5th Floor,
117, M. Karve Road, Churchgate,
Mumbai - 400 020.
Tel.: (+91-22) 4311 6000
Fax : 4311 6060

Independent Auditor's Review Report on quarterly and year to date consolidated unaudited financial results pursuant to the Regulation 33(1) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 read with Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

Review Report to The Board of Directors NSE Clearing Limited

Introduction

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of **NSE Clearing Limited** (the "Parent Company") and its subsidiary (the Parent Company and its subsidiary together referred to as "the Group"), for the quarter and nine months ended December 31, 2022 together with the related notes thereon ("the Statement"), being submitted by the Parent Company pursuant to the requirement of Regulation 33 of Securities Contracts (Regulation) (Stock Exchange and Clearing Corporations) Regulations, 2018 (the "SECC Regulations"), as amended from time to time, read with Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations, 2015"), as amended from time to time and SEBI Circulars.
2. This Statement is the responsibility of the Parent Company's Management and approved by the Parent Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other recognized accounting practices and policies, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

Scope of review

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.



4. The Statement includes the results of the following entity:

| Sr. No. | Name of the Entity | Relationship |
|---------|---------------------------------------|--------------|
| 1 | NSE IFSC Clearing Corporation Limited | Subsidiary |

Conclusion

5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review report of the other auditors referred to in paragraph 6 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SECC Regulation read with Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and relevant circulars issued thereunder including the manner in which it is to be disclosed, or that it contains any material misstatement.

Other Matter

6. We did not review the unaudited financial results of a subsidiary included in the consolidated unaudited financial results, whose financial results, before consolidation adjustments, total revenues of Rs. 0.29 crore and Rs. 0.45 crore, total net loss after tax of Rs. 4.22 crore and Rs. 11.64 crore and total comprehensive loss of Rs. 3.62 crore and Rs. 7.84 crore for the quarter and nine months ended December 31, 2022, respectively as considered in the consolidated unaudited financial results. These financial results have been reviewed by other auditors whose reports have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the report of the other auditors and the procedures performed by us as stated in paragraph 3 above.

Our conclusion on the Statement is not modified in respect of the above matter.



Place: Mumbai
Date: January 30, 2023

For **Khandelwal Jain & Co.**
Chartered Accountants
Firm Registration No. 105049W
NARENDRAKUMAR RAJKUMAR JAIN
Digitally signed by
NARENDRAKUMAR RAJKUMAR JAIN
Date: 2023.01.30 19:55:06 +05'30'
Narendra Jain
Partner
Membership No. 048725
UDIN: 23048725BGYVOX8100



NSE CLEARING LIMITED

CIN: U67120MH1995PLC092283

Regd. Off.: "EXCHANGE PLAZA", Plot No. C/1, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051, India

STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2022

(Rs. in crores)

| Sr. No. | PARTICULARS | Quarter ended | Quarter ended | Quarter ended | Nine months ended | | Year ended |
|---------|---|-------------------|--------------------|-------------------|-------------------|-------------------|----------------|
| | | December 31, 2022 | September 30, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 | March 31, 2022 |
| | | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Audited |
| 1 | Income | | | | | | |
| | Revenue from Operations | | | | | | |
| | a) Income from Operations | 153.24 | 156.63 | 120.05 | 449.63 | 310.31 | 454.77 |
| | b) Other Operating Revenues | 90.23 | 76.72 | 64.90 | 223.32 | 168.12 | 221.99 |
| | Other income | 29.33 | 22.36 | 12.85 | 69.18 | 38.45 | 52.64 |
| | Total Income | 272.80 | 255.71 | 197.80 | 742.13 | 516.88 | 729.40 |
| 2 | Expenditure | | | | | | |
| | (a) Employee benefits expenses | 8.79 | 10.01 | 9.13 | 29.99 | 28.68 | 43.44 |
| | (b) Depreciation and amortisation expenses | 10.50 | 10.32 | 6.98 | 30.41 | 17.45 | 25.70 |
| | (c) Space & Infrastructure Usage Charges | 6.12 | 6.40 | 6.06 | 19.02 | 17.99 | 25.93 |
| | (d) Technology related Expenses | 22.38 | 29.14 | 17.80 | 71.12 | 59.68 | 73.20 |
| | (e) Other expenses | 19.00 | 17.91 | 16.04 | 54.56 | 39.77 | 59.74 |
| | Total Expenses | 66.79 | 73.78 | 56.00 | 205.10 | 163.58 | 228.01 |
| 3 | Profit before exceptional item (1-2) | 206.01 | 181.93 | 141.80 | 537.03 | 353.30 | 501.39 |
| 4 | Add /(Less) : Exceptional Item (refer note 4) | | | | | | |
| | Reversal of Provision/(Provision) for Impairment of Intangible assets under development | - | - | - | - | 68.23 | 68.23 |
| | Settlement compensation | - | - | - | - | 15.63 | 15.63 |
| 5 | Profit before Tax (3- 4) | 206.01 | 181.93 | 141.80 | 537.03 | 437.17 | 585.25 |
| 6 | Less : Tax expenses | | | | | | |
| | Current tax | 51.05 | 47.09 | 34.27 | 136.31 | 92.80 | 131.67 |
| | Tax for earlier year | - | - | - | - | - | 0.01 |
| | Deferred tax | (1.64) | 1.60 | 1.29 | 0.40 | 3.82 | 3.11 |
| | Total tax expenses | 49.41 | 48.69 | 35.56 | 136.71 | 96.62 | 134.79 |
| 7 | Profit for the period (5-6) | 156.60 | 133.24 | 106.24 | 400.32 | 340.55 | 450.46 |
| 8 | Other comprehensive Income (Net) | | | | | | |
| | <i>Items that will be reclassified to profit or loss</i> | | | | | | |
| | Changes in foreign currency translation reserve | 0.59 | 1.37 | 0.06 | 3.79 | 0.58 | 1.51 |
| | <i>Items that will not be reclassified to profit or loss</i> | | | | | | |
| | Remeasurements of post-employment benefit obligations | 0.13 | (0.06) | 0.21 | (0.21) | (0.20) | 0.13 |
| | <i>Income tax relating to items that will not be reclassified to profit or loss</i> | | | | | | |
| | Tax Remeasurements of post-employment benefit obligations | (0.02) | 0.01 | (0.05) | 0.06 | 0.04 | -0.04 |
| | Total Other Comprehensive Income for the year | 0.70 | 1.32 | 0.22 | 3.64 | 0.42 | 1.60 |
| 9 | Total comprehensive Income for the period (7+8) | 157.30 | 134.56 | 106.45 | 403.96 | 340.97 | 452.06 |
| 10 | Paid-up equity share capital (Face value Rs. 10 per share) | 45.00 | 45.00 | 45.00 | 45.00 | 45.00 | 45.00 |
| 11 | Reserves (excluding Revaluation Reserve) | | | | | | 1,030.34 |
| 12 | Earnings per Share (EPS) (before contribution to Core SGF) | | | | | | |
| | (a) Basic (Rs.) | 34.80* | 29.61* | 23.61* | 88.96* | 75.68* | 100.10 |
| | (b) Diluted (Rs.) | 34.80* | 29.61* | 23.61* | 88.96* | 75.68* | 100.10 |
| | * Not annualised | | | | | | |



Notes:

- The above unaudited consolidated financial results for the quarter and nine months ended December 31, 2022 have been reviewed by the Audit Committee and approved by the Board of Directors in their respective meetings held on January 30, 2023. The Statutory Auditors have carried out limited review for the quarter and nine months ended December 31, 2022.
- The consolidated financial results represent the results of Business Operations of NSE Clearing Limited (Holding Company) and its subsidiary company NSE IFSC Clearing Corporation Limited (wholly owned Subsidiary Company).
- a) Securities and Exchange Board of India, vide circular CIR/MRD/DRMNP/25/2014 dated August 27, 2014, inter alia, has issued norms related to the computation and Minimum Required Contribution (MRC) to the Core Settlement Guarantee Fund by the Clearing Corporation (minimum 50%), Stock Exchange (minimum 25%) and members (maximum 25%). Further SEBI vide circular CIR/CFD/FAC/62/2016 dated May 05, 2016 advised Stock Exchange to transfer 25% of its annual profits to Core SGF. Accordingly, total Core SGF as on December 31, 2022 is Rs. 4,432.51 crores (as on March 31, 2022: Rs.3,971.25 crores).

Details of Core SGF as on December 31, 2022 is as follows:

| | CM | FO | CD | Debt | TRI Party | Commodity | Other | Total |
|--|---------------|-----------------|---------------|-------------|--------------|--------------|---------------|-----------------|
| NSE Clearing Ltd's contribution(NCL) | 174.00 | 916.00 | 123.65 | 3.00 | 8.50 | 5.00 | - | 1,230.15 |
| National Stock exchange of India Ltd 's (NSE)'Contribution | 87.00 | 457.99 | 48.00 | 1.00 | 8.50 | 2.50 | 226.27 | 831.26 |
| Contribution by NSE on behalf of Member | 87.00 | 458.00 | 61.00 | - | - | 2.50 | - | 608.50 |
| BSE Limited 's Contribution | 7.56 | 0.05 | 14.56 | - | - | - | - | 22.18 |
| Metropolitan Stock Exchange of India 's Contribution | 0.00 | - | 1.13 | - | - | - | - | 1.13 |
| Penalty | 244.12 | 1,137.03 | 49.72 | - | - | 0.15 | - | 1,431.01 |
| Income on Investments | 36.66 | 232.06 | 19.34 | 1.00 | 5.03 | 2.08 | 11.11 | 307.27 |
| Others | 1.00 | - | - | - | - | - | - | 1.00 |
| Total | 637.34 | 3,201.12 | 317.40 | 5.00 | 22.03 | 12.22 | 237.39 | 4,432.51 |

* NCL's own contribution to Core SGF appropriated out of profits during the quarter ended Dec 2022 Rs. 43.65 crores, Sep 2022 Rs. Rs. 13.89 and Dec 2021 Rs. NIL, for the nine months ended Dec 22 Rs. 57.54 crores (For year ended March 2022 Rs. NIL)

b)As per Regulation 31 of International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021 notified on 12th April 2021, a recognised clearing corporation shall establish and maintain a Settlement Guarantee Fund to guarantee the settlement of trades executed in the stock exchanges in International Financial Service Centre (IFSC) and the fund shall have a corpus equivalent to at least the minimum required corpus as arrived at from the monthly stress test value or USD 1 million, whichever is higher.

Total Core SGF of Subsidiary NSE IFSC Clearing Corporation (NICCL) as on December 31, 2022 is Rs.11.85 crores (as on March 31, 2022: Rs. 10.76 Crores) comprising of Rs.11.67 crores (as on March 31, 2022: Rs. 10.65 crores) contributed by NICCL by appropriating reserves / profits and Fines & penalties collected by NICCL amounting to Rs.0.05 crores (as on March 31, 2022: Rs.0.05 crores) & an amount of Rs 0.13 crores (as on March 31, 2022 Rs. 0.06 crores) being Income from investments of Core SGF funds have been credited to Core SGF. Further, NSE IFSC Clearing Corporation Limited contribution to its Core SGF for the quarter ended December 2022, March 2022 and December 2021 amounted to NIL and for Year ended March 2022 amounting to Rs. NIL.

c) The Holding Company had received approval from SEBI to start clearing & settlement activities in Commodity Derivatives and commenced operations w.e.f. October 12, 2018. As required by SEBI an amount of Rs.250 crores has been earmarked towards a separate fund to augment Settlement Guarantee Fund for Commodity Derivatives by way of appropriation from General Reserves. Further, the company has also earmarked investments amounting to Rs. 250 crores towards the same.

- During the year ended March 31, 2022 contract pertaining to Holding Company for clearing and settlement system was terminated and an amount of Rs.83.86 crores was received towards the same. Accordingly, provision for impairment of intangible asset under development pertaining to the said contract made in year ended March 2021 amounting to Rs.68.23 crores has been reversed and the balance amount of Rs.15.63 crores is treated as settlement compensation. The same have been considered as exceptional items.
- Total bank guarantee provided by Holding Company in favour of ICCL towards Inter CCP collateral under interoperability framework as prescribed by SEBI as on December 31, 2022 Rs.4,000 crores (December 31, 2021 Rs.2000 crores, March 31, 2022 R.3,000 crores, September 30, 2022 Rs.3,750 crores).
- On February 24, 2021 the Storage Area Network (SAN) system of the NCL was impacted due to certain issues in the links with telecom service providers, resulting in the primary SAN becoming inaccessible to the host servers. This also resulted in the risk management system and clearing and settlement system of the NCL and other systems such as index and surveillance systems of National Stock Exchange of India (NSE) becoming unavailable leading to a decision to halt the Trading at NSE. The NCL had submitted a root cause analysis of the incident to SEBI. SEBI vide its letter dated July 2, 2021 directed the Company to pay financial disincentive of Rs.25 lakhs for not restoring its operations within the Recovery Time Objective (RTO). The Company has paid the same on July 14, 2021. Further, in this regard, SEBI has issued a show cause notice on August 11, 2021 to the Company and some of its employees alleging non-compliance with certain paragraphs of SEBI circular dated October 8, 2015, September 13, 2017, March 26, 2019 and Regulation 12(6) read with Regulation 7(4)(g) of SECC Regulation 2018. In this regard, the NCL has taken necessary remedial actions and has also made necessary filing with SEBI, response for which is awaited. NCL is of the view that pending conclusion of this matter with SEBI, a reliable estimate of any obligations in respect of this matter cannot be presently made and therefore no provision/adjustment to this effect has been made in the financial results as of and for the quarter and nine months ended December 31, 2022.
- During the year ended March 31, 2022, SEBI had issued a show cause notice to the NCL alleging non-compliance with certain paragraphs of SEBI circular dated December 17, 2018 for failure to share alerts with other exchange post interoperability. During the quarter ended December 31, 2022, SEBI levied penalty of Rs.0.25 crores to the Company, provision has been made for the same and it is included in other expenses for the quarter ended December 31, 2022.
- Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") of the Holding Company. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director of the Holding Company. The Group operates only in one Business Segment i.e. facilitating Clearing & Settlement in securities and the activities incidental thereto, hence does not have any reportable Segments as per Indian Accounting Standard 108 "Operating Segments".
- In respect of NSE IFSC CC Limited, during the FY 2020-21, National Stock Exchange (NSE) and Singapore Stock Exchange (SGX) had entered into a collaboration agreement to cement the key terms for operationalising the NSE IFSC-SGX Connect which will bring together international and Gujarat International Finance Tec City (GIFT) participants to create a bigger liquidity pool for Nifty Products in Gift City and to develop the infrastructure for the connect and ensure member readiness prior to its implementation. Further NSE IFSC CC Limited entered into an operational agreement on March 28, 2022 with SGX India Connect IFSC Private Limited, Singapore Exchange Derivatives Clearing Limited (SGX DC) and NSE IFSC Limited to operationalise the NSE IFSC-SGX Connect. As per this operational agreement, NSE IFSC CC Limited is required to provide collateral to SGX-DC for the due performance of its clearing obligations in respect of the trades placed by SGX-SPV on NSE IFSC. For this NSE IFSC CC Limited has availed Bank Guarantee facility from Standard Chartered Bank to the tune of USD 20 million (Rs. 163.10 crores). NSE IFSC-SGX Connect has been launched on July 29, 2022.
- NSE IFSC CC Limited has received a show cause notice from Office of the Development Commissioner, GIFT SEZ on October 21, 2022 for non-achievement of positive Net Foreign Exchange for the first block of five years from June 2017 to June 2022. NSE IFSC CC has filed the necessary reply and have attended the physical hearings in the said matters. The orders in the said matter is awaited. NSE IFSC CC is of the view that it has reasonably strong grounds to contest the said show cause and hence no provision / adjustment to this effect has been made in the financial results as of and for the quarter and nine months ended December 31, 2022.
- Figures for Previous period / years are regrouped, reclassified and rearranged wherever necessary.

For and on behalf of Board of Directors
NSE CLEARING LIMITED


VIKRAM KOTHARI
Managing Director
[DIN :07898773]

Place : Mumbai
Date : January 30, 2023