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Independent Auditor's Review Report on quarterly standalone 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**

1. Introduction

We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of **NSE Clearing Limited** (the "Company") for the quarter and nine months ended December 31, 2021 together with the related notes thereon (the "Statement"). The Statement has been prepared by the Company pursuant to 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.

This Statement, which is the responsibility of the Company's management and approved by the 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 read with the Circular. Our responsibility is to express a conclusion on the Statement based on our review.

2. Scope of review

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.



3. Conclusion

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other recognized accounting practices and policies 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.

For **Khandelwal Jain & Co.**
Chartered Accountants
Firm Registration No. 105049W

Narendra Jain

Narendra Jain
Partner
Membership No. 048725
UDIN: 22048725AAEPIL9941



Place: Mumbai
Date: February 02, 2022

STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2021

(Rs. in crores)

Sr. No.	PARTICULARS	Quarter ended	Quarter ended	Quarter ended	Nine months ended		Year ended
		December 31,	September 30,	December 31,	December 31,	December 31,	March 31,
		2021	2021	2020	2021	2020	2021
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Income						
	Revenue from operations						
	a) Income from Operations	120.05	97.58	73.07	310.31	196.30	291.95
	b) Other Operating Revenues	64.90	49.23	57.85	168.12	155.13	209.79
	Other income	12.76	13.57	11.86	38.14	39.55	53.17
	Total Income	197.71	160.38	142.78	516.57	390.98	554.91
2	Expenditure						
	(a) Employee benefits expenses	8.61	8.60	8.61	27.30	26.20	35.00
	(b) Depreciation and amortisation expenses	6.34	5.10	3.01	15.73	8.81	13.40
	(c) Space & Infrastructure Usage Charges	6.06	5.99	6.46	17.99	19.09	27.30
	(d) Technology related Expenses	16.80	22.55	13.53	56.51	33.46	48.94
	(e) Other expenses	15.61	12.99	9.89	38.19	25.21	36.67
	Total Expenses	53.42	55.23	41.50	155.72	112.77	161.31
3	Profit before exceptional items (1-2)	144.29	105.15	101.28	360.85	278.21	393.60
4	Add/(Less) : Exceptional Items (refer note 4)						
	Reversal of Provision/(Provision) for Impairment of Intangible assets under development	-	-	-	68.23	-	(68.23)
	Settlement compensation	-	-	-	15.63	-	-
5	Profit before Tax (3-4)	144.29	105.15	101.28	444.71	278.21	325.37
6	Less : Tax expenses						
	Current tax	34.27	26.97	30.24	92.80	84.02	115.84
	Deferred tax	1.29	1.56	(0.26)	3.82	(2.87)	(1.02)
	Total tax expenses	35.56	28.53	29.98	96.62	81.15	114.82
7	Profit for the period (5-6)	108.73	76.62	71.30	348.09	197.06	210.55
8	Other comprehensive Income (Net)						
	<i>Items that will not be reclassified to profit or loss</i>						
	Remeasurements of post-employment benefit obligations	0.20	0.24	(0.10)	(0.17)	(0.55)	(0.15)
	<i>Income tax relating to items that will not be reclassified to profit or loss</i>						
	Tax Remeasurements of post-employment benefit obligations	(0.05)	(0.06)	0.01	0.04	0.14	0.04
	Total Other Comprehensive Income for the period	0.15	0.18	(0.09)	(0.13)	(0.41)	(0.11)
9	Total comprehensive Income for the period (7+8)	108.88	76.80	71.21	347.96	196.65	210.44
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)						659.16
12	Earnings per Share (EPS) (before contribution to Core SGF)						
	(a) Basic (Rs.)	24.16*	17.03*	15.84*	77.35*	43.79*	46.79
	(b) Diluted (Rs.)	24.16*	17.03*	15.84*	77.35*	43.79*	46.79
	* Not annualised						

Notes:

- The above unaudited standalone financial results for the quarter and nine months ended December 31, 2021 have been reviewed by the Audit Committee and approved by the Board of Directors in their respective meeting held on February 02, 2022. The Statutory Auditors have carried out limited review for the quarter and nine months ended December 31, 2021.
- 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 Dec 31, 2021 is Rs. 3,856.72 crores.

	CM	FO	CD	Debt	TRI Party	Commodity	Other	Total
NSE Clearing Ltd's contribution(NCL)	107.00	672.00	100.00	3.00	8.50	5.00	-	895.50
National Stock exchange of India Ltd's (NSE) Contribution	54.00	336.00	48.00	1.00	8.50	2.50	327.51	777.51
Contribution by NSE on behalf of Member	53.00	336.00	50.00	-	-	2.50	-	441.50
BSE Limited's Contribution	4.36	0.05	12.58	-	-	-	-	16.98
Metropolitan Stock Exchange of India's Contribution	-	-	1.13	-	-	-	-	1.13
Penalty	175.98	884.16	40.95	-	-	0.12	-	1,101.22
Income on Investments	55.89	527.70	19.86	0.98	4.02	1.80	12.64	622.88
Total	450.22	2,755.91	272.52	4.98	21.02	11.92	340.15	3,856.72

- NCL's own contribution to Core SGF for the quarter ended Dec 2021, Sep 2021 and Dec 2020 are Rs.NIL and for the nine months ended Dec 21 and Dec 20 is NIL and Rs. 28.20 Crores respectively (For year ended March 2021 Rs. 28.20 Crores) have been appropriated out of profits.
- The 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.

- 3 During the nine months period ended December 31, 2021 contract pertaining to 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.
- 4 Total bank guarantee provided by NCL in favour of Indian Clearing Corporation Limited (ICCL) towards Inter CCP collateral under interoperability framework as prescribed by SEBI as on December 31, 2021 stood at Rs.2000 crores (as on September 31, 2021 Rs. 1000 crores, as on March 2021 Rs. 1000 crores and as on December 31, 2020 Rs. 750 crores).
- 5 On February 24, 2021 the Storage Area Network (SAN) system of the Company 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 Company 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 Company 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 Company has taken necessary remedial actions and has also made necessary filing with SEBI, response for which is awaited. The Company 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, 2021.
- 6 Company encountered an incident on November 01, 2021, which resulted in delay in securities pay-out in the cash segment. Pursuant to SEBI circular SEBI/HO/MRD1/DTCS/CIR/P/2021/590 dated July 05, 2021 an amount of Rs.1 Crore was payable to the Core Settlement Guarantee Fund (Core SGF) of NCL towards financial disincentive which is included in other expenses and the same has been transferred to the Core SGF on January 24, 2022.
- 7 During the nine months period ended December 31, 2021, SEBI issued a show cause notice to the Company alleging non-compliance with certain paragraphs of SEBI circular dated December 17, 2018 for failure to share alerts with other exchange post interoperability. In this regard the Company has filed necessary response with SEBI. Pending conclusion of this matter with SEBI, The Company is of the view that 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, 2021.
- 8 As per section 115BAA of the Income Tax Act, 1961, existing domestic companies can exercise the option to pay tax at a concessional rate of 22% plus applicable surcharge and cess. The reduced tax rates come with the consequential surrender of specified deductions/incentives. Once exercised, such an option cannot be withdrawn for the same or subsequent Assessment Years. The provision for current and deferred taxes w.e.f. 01.04.2021 have been recognised on the basis of the Company availing such option to pay income tax at lower rate as per section 115BAA. Accordingly, tax expenses for the quarter ended Dec 31, 2021, quarter ended Sep 30, 2021 and nine months ended Dec 2021 include tax credit of Rs.13.51 crores, Rs.10.72 Crores and Rs.36.64 crores respectively resulting from remeasurement of current tax provision and deferred tax balances by applying such reduced tax rate.
- 9 Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM") of the 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 Company. The Company 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".
- 10 The Coronavirus (COVID-19) outbreak is an unprecedented global situation, declared as a 'pandemic' by World Health Organisation. Based on the Company's current assessment, the impact of COVID-19 on its operations and the resultant financial performance is not likely to be significant. The Company has also made an assessment of its liquidity position for a period of at least one year from the balance sheet date, of the recoverability and carrying values of its assets and ability to pay its liabilities as they become due and effectiveness of internal financial controls as at the balance sheet date and is of the view that there is no material impact or adjustments required to be made in these financial results. The impact assessment of COVID-19 may be different from that presently estimated and the Company will continue to evaluate any significant changes to its operations and its resultant impact on the financial performance.
- 11 The Code on Social Security, 2020 (Code) relating to employee benefits during employment and post-employment benefits has received Presidential assent on in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code comes into effect has not been notified. The company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.
- 12 Figures for Previous period / years are regrouped, reclassified and rearranged wherever necessary.

For and on behalf of Board of Directors
NSE CLEARING LIMITED

Place : **Mumbai**
Date : **February 02, 2022**

Managing Director
[DIN :07898773]