

Multi Commodity Exchange

Tech transition remains the key

MCX reported a better-than-expected revenue performance but margins dipped due to higher payments to the technology vendor. The technology transition remains the key challenge/focus area and the company has indicated that the shift will be done before the extended deadline of June-23. MCX has agreed to pay 63moons a hefty amount of INR 1.6bn over the next two quarters, which will impact its profitability in the near term. The options ADTV has witnessed strong growth of +24% QoQ in the quarter and is up ~5x YoY. We remain constructive on the options growth story, led by (1) increasing retail participation with ~0.3mn traders up 3x YoY, (2) the launch of shorter duration contracts, and (3) index options and FPI participation providing an additional push to volumes. We expect the options revenue to grow 314/37% and contribute 40/48% of revenue in FY23/24E. Futures ADTV was flat QoQ; in fact, the cannibalisation of futures volume is lower than expected, led by Algo trading. We cut the revenue estimate by 0.6/3.9% and the EPS estimate by 17/6% for FY24/25E. We have a BUY rating and assign 30x P/E to Sep-24E core PAT and add net cash (ex-SGF) to arrive at a target price of INR 1,800.

- Q3FY23 highlights:** MCX revenue stood at INR 1.44bn (+12.7/60.3% QoQ/YoY), beating our estimate of INR 1.37bn. Futures ADTV stood at INR 238bn, almost flat QoQ, supported by bullion (+9.9% QoQ), offset by a drop in energy/metals volumes (-11.4/-0.2% QoQ). EBITDA margin stood at 22.8%, down 2,870bps QoQ due to INR 0.45bn additional payout to 63moons (adjusted for this one-time payment, the EBITDA margin was at 54%). MCX will pay an additional INR 0.8bn/quarter to 63moons for a six-month extension. Options notional/premium ADTV stood at INR 387.96/9.83bn and contributed ~INR 0.53bn (~37% of revenue). Crude/natural gas/gold contributed 73/22/4% to options volume. Options realisation stood at INR 10.5/mn, which is ~51% of futures realisation. The additional payout will impact profitability in Q4FY23 and Q1FY24.
- Outlook:** We estimate a +1/90% futures/options ADTV CAGR over FY22-25E, resulting in +22/32% revenue/APAT CAGRs over FY22-25E. The core PAT CAGR is at 39% over FY22-25E.

Quarterly financial summary

YE March (INR mn)	Q3 FY23	Q3 FY22	YoY (%)	Q2 FY23	QoQ (%)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	1,436	896	60.3	1,274	12.7	3,906	3,668	5,178	5,958	6,720
EBITDA	327	383	(14.4)	656	(50.1)	1,852	1,622	1,640	2,859	4,061
APAT	388	345	12.6	633	(38.7)	2,252	1,639	1,638	2,783	3,788
EPS (INR)	7.6	6.8	12.6	12.4	(38.7)	44.3	32.2	32.2	54.7	74.4
P/E (x)						32.2	39.4	44.3	26.1	19.2
EV / EBITDA (x)						33.2	36.9	36.1	20.4	14.2
RoE (%)						16.2	11.6	11.4	18.8	24.5

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR mn)	FY23E Old	FY23E Revised	Change %	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	5,124	5,178	1.1	5,996	5,958	-0.6	6,993	6,720	-3.9
EBITDA	2,593	1,640	-36.8	3,450	2,859	-17.1	4,343	4,061	-6.5
EBITDA Margin (%)	50.6	31.7	-1894bps	57.5	48.0	-954bps	62.1	60.4	-167bps
APAT	2,324	1,638	-29.5	3,351	2,783	-17.0	4,034	3,788	-6.1
EPS (Rs)	45.6	32.2	-29.5	65.8	54.7	-17.0	79.2	74.4	-6.1

Source: Company, HSIE Research

BUY

CMP (as on 06 Feb 2023)	INR 1,425
Target Price	INR 1,800
NIFTY	17,765

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,950	INR 1,800
	FY24E	FY25E
EPS %	-17.0	-6.1

KEY STOCK DATA

Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	73/878
6m avg traded value (INR mn)	611
52 Week high / low	INR 1,697/1,142

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.9)	10.7	(0.2)
Relative (%)	(4.2)	7.0	(3.4)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	0.00	0.00
FIs & Local MFs	50.61	52.82
FPIs	23.45	25.77
Public & Others	25.75	21.22
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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