**Multi Commodity Exchange**

**Tech transition remains the key challenge**

MCX reported a strong revenue growth of 9.0% QoQ, led by options, while its profitability was impacted by high technology costs. The technology transition remains the key overhang for the exchange and the extension of the tech contract with the existing vendor (INR 1.25bn/quarter) will impact its profitability in FY24E. As per the management, the tech transition was extended due to (1) delays in audit and regulatory clearances; (2) challenges in EOD/BOD batch file processing; and (3) a lack of complete testing. The management is hopeful of completing the transition before the Dec-23 deadline. The options revenue grew 23% QoQ, supported by growth in options ADTV; however, the premium to notional turnover ratio (1.9% in Q1) is coming down gradually. We remain constructive on the options growth story, supported by increasing retail participation, the launch of new contracts (mini and index options) and a pick-up in bullion volumes. We expect the options revenue to grow +68%/27% YoY while futures will decline 5%/2% in FY24/25E. We increase our revenue estimates by ~2% for FY24/25E due to options. We maintain our BUY rating with a target price of INR 1,780, based on a P/E of 23x June-25E core PAT + net cash.

- **Q1FY24 highlights**: MCX revenue grew 9.0% QoQ to INR 1.46bn (vs. the estimate of INR 1.48bn). Futures ADTV grew 3.8% QoQ to INR 214bn, led by bullion (+8.7%) and energy (+14.5%), offset by metals (-31.9% QoQ). EBITDA margin was up 579bps QoQ but down 3795bps YoY to 7.3% in Q1. Options notional/premium ADTV stood at INR 619.28/12.16bn and options contributed ~INR 0.65bn to revenue (~53% of transaction revenue). Crude/natural gas/bullion contributed 75/21/5% to options volume. Options realisation stood at INR 8.1/mn, which is ~39% of futures realisation. The additional payout of INR 1.25bn/quarter to 63moons will impact profitability in Q2 and Q3.

- **Outlook**: We estimate a -4/+58% futures/options ADTV CAGR over FY23-26E, resulting in +18/45% revenue/APAT CAGRs over FY23-26E. The core PAT CAGR is at 58% over FY23-26E.

**Quarterly financial summary**

<table>
<thead>
<tr>
<th>YE March (INR mn)</th>
<th>Q1 FY24</th>
<th>Q1 FY23</th>
<th>YoY (%)</th>
<th>Q4 FY23</th>
<th>QoQ (%)</th>
<th>FY22 FY23</th>
<th>FY24E FY25E FY26E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>1,458</td>
<td>1,088</td>
<td>34.0</td>
<td>1,338</td>
<td>9.0</td>
<td>3,668</td>
<td>5,135</td>
</tr>
<tr>
<td>EBITDA</td>
<td>107</td>
<td>493</td>
<td>(78.3)</td>
<td>21</td>
<td>416.4</td>
<td>1,622</td>
<td>1,497</td>
</tr>
<tr>
<td>APAT</td>
<td>197</td>
<td>415</td>
<td>(52.6)</td>
<td>55</td>
<td>260.7</td>
<td>1,639</td>
<td>1,490</td>
</tr>
<tr>
<td>EPS (INR)</td>
<td>3.9</td>
<td>8.1</td>
<td>(52.6)</td>
<td>1.1</td>
<td>260.7</td>
<td>32.2</td>
<td>29.3</td>
</tr>
<tr>
<td>P/E (x)</td>
<td>51.6</td>
<td>56.8</td>
<td></td>
<td>89.6</td>
<td>21.6</td>
<td>18.5</td>
<td></td>
</tr>
<tr>
<td>EV / EBITDA (x)</td>
<td>44.3</td>
<td>51.2</td>
<td></td>
<td>96.7</td>
<td>16.9</td>
<td>14.2</td>
<td></td>
</tr>
<tr>
<td>RoE (%)</td>
<td>11.6</td>
<td>10.3</td>
<td></td>
<td>6.4</td>
<td>25.6</td>
<td>28.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company, HSIE Research, Consolidated Financials

**Change in estimates**

<table>
<thead>
<tr>
<th>INR mn</th>
<th>FY24E Old</th>
<th>FY24E Revised</th>
<th>Change %</th>
<th>FY25E Old</th>
<th>FY25E Revised</th>
<th>Change %</th>
<th>FY26E Old</th>
<th>FY26E Revised</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6,250</td>
<td>6,369</td>
<td>1.9</td>
<td>7,097</td>
<td>7,224</td>
<td>1.8</td>
<td>8,175</td>
<td>8,339</td>
<td>2.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>773</td>
<td>792</td>
<td>2.5</td>
<td>4,427</td>
<td>4,488</td>
<td>1.4</td>
<td>5,210</td>
<td>5,301</td>
<td>1.7</td>
</tr>
<tr>
<td>EBITDA Margin (%)</td>
<td>12.4</td>
<td>12.4</td>
<td>7bps</td>
<td>62.4</td>
<td>62.1</td>
<td>-26bps</td>
<td>63.7</td>
<td>63.6</td>
<td>-17bps</td>
</tr>
<tr>
<td>APAT</td>
<td>929</td>
<td>944</td>
<td>1.6</td>
<td>3,894</td>
<td>3,923</td>
<td>0.7</td>
<td>4,540</td>
<td>4,573</td>
<td>0.7</td>
</tr>
<tr>
<td>EPS (INR)</td>
<td>18.3</td>
<td>18.5</td>
<td>1.6</td>
<td>76.5</td>
<td>77.1</td>
<td>0.7</td>
<td>89.2</td>
<td>89.8</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Company, HSIE Research

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**BUY**

**CMP (as on 31 July 2023)**  INR 1,661
**Target Price**  INR 1,780
**NIFTY**  19,754

<table>
<thead>
<tr>
<th>KEY CHANGES</th>
<th>OLD</th>
<th>NEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>BUY</td>
<td>BUY</td>
</tr>
<tr>
<td>Price Target</td>
<td>FY24E</td>
<td>INR 1,765</td>
</tr>
<tr>
<td></td>
<td>FY25E</td>
<td>INR 1,780</td>
</tr>
<tr>
<td>EPS %</td>
<td>+1.6</td>
<td>+0.7</td>
</tr>
</tbody>
</table>

**KEY STOCK DATA**

<table>
<thead>
<tr>
<th>Bloomberg code</th>
<th>MCX IN</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Shares (mn)</td>
<td>51</td>
</tr>
<tr>
<td>MCap (INR bn) / ($) mn</td>
<td>85/1,036</td>
</tr>
<tr>
<td>6m avg traded value (INR mn)</td>
<td>648</td>
</tr>
<tr>
<td>52 Week high / low</td>
<td>INR 1,721/1,156</td>
</tr>
</tbody>
</table>

**STOCK PERFORMANCE (%)**

<table>
<thead>
<tr>
<th>3M</th>
<th>6M</th>
<th>12M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute (%)</td>
<td>18.7</td>
<td>9.7</td>
</tr>
<tr>
<td>Relative (%)</td>
<td>9.8 (2.0)</td>
<td>3.4</td>
</tr>
</tbody>
</table>

**SHAREHOLDERING PATTERN (%)**

<table>
<thead>
<tr>
<th>Mar-23</th>
<th>Jun-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoters</td>
<td>0.00</td>
</tr>
<tr>
<td>FIs &amp; Local MFs</td>
<td>52.71</td>
</tr>
<tr>
<td>FPIs</td>
<td>26.95</td>
</tr>
<tr>
<td>Public &amp; Others</td>
<td>20.34</td>
</tr>
<tr>
<td>Pledged Shares</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source : BSE

**Amit Chandra**

amit.chandra@hdfcsec.com
+91-22-6171-7345

**Vivek Sethia**

vivek.sethia@hdfcsec.com
+91-22-6171-7339
HSIE Results Daily

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