

Estimate change

TP change

Rating change



Bloomberg	MCX IN
Equity Shares (m)	51
M.Cap.(INRb)/(USD\$)	126.2 / 1.5
52-Week Range (INR)	2666 / 1285
1, 6, 12 Rel. Per (%)	20/74/56
12M Avg Val (INR M)	1187

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	5.1	6.6	7.6
EBIT Margin (%)	24.9	6.5	55.0
PAT	1.5	1.0	3.9
EPS (INR)	29.2	19.1	76.7
EPS Gr. (%)	3.8	-34.6	301.3
BV/Sh. (INR)	290.1	293.9	309.2

Ratios

RoE (%)	10.3	6.5	25.4
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Valuations

P/E (x)	84.8	129.6	32.3
P/BV (x)	8.5	8.4	8.0
Div Yield (%)	0.8	1.4	1.4

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promote	0.0	0.0	0.0
DII	56.4	55.1	50.6
FII	25.5	25.0	23.6
Others	18.1	19.9	25.8

FII Includes depository receipts

CMP: INR2,475 TP: INR2,300 (-7%)

Neutral

Contribution to SGF hits profitability

- MCX reported a loss of INR191m vs. our expectation of a profit of INR16m. Overall volumes improved 86% YoY to INR67t. Total revenue grew 30% YoY to INR1.65b (in line with expectations).
- MCX reported EBIT loss of INR353m vs. our forecast of an EBIT loss of INR184m. This variance was primarily due to a contribution of INR 114m to SGF in 2QFY24. Additionally, an extra contribution of INR 131.2m was made in Oct'23.
- For 1HFY24, revenue increased 32% YoY to INR3.1b, whereas PAT declined 99% YoY to INR6m.
- We have cut our FY24 EPS estimates by 22% to factor in the higher contribution to SGF, on account of an increase in open interest, while broadly maintaining our FY25 estimates. We reiterate our Neutral rating with a one-year TP of INR2,300 (premised on 30x FY25E EPS).

Energy and bullion drive overall volume growth

- Volumes in the Energy segment jumped 109% YoY, fueled by a 146% YoY surge in crude oil volumes in 2QFY24.
- Bullion volumes rose 61% YoY due to 72%/78% YoY rise in gold/silver volumes.
- Overall base metal volumes dropped 49% YoY, due to 71%/52% YoY decline in Aluminum/Copper volumes in 2QFY24.
- Futures volumes came in at INR12t, down 23% YoY/10% QoQ. Options volumes surged 169% YoY/43% QoQ to INR54.9t.
- Overall volumes improved 86% YoY to INR67t. Total revenue grew 30% YoY to INR1.65b (in line with expectations).
- Staff costs at INR253m grew 20% YoY (9% higher than estimates). Software expenses were broadly in line with our expectation of INR1.35b, up 51% QoQ, due to an increased payout for extending the contract with 63moons.
- Other income rose 4% YoY to INR189m (7.5% below our expectations)

Key takeaways from the management commentary

- FPIs were seeking DMA facility, which will be provided in the near future. Consequently, in the medium term, MCX expects FPIs to significantly contribute to the overall trading volumes.
- The increase in open interest (open interest hit high of ~INR 430b with ~50:50 split between options and futures) would lead to a further increase in contribution to SGF.
- The company is in the process of getting a re-validation approval from SEBI for many new products, which were in the pipeline. MCX will be launching Steel TMT bar contracts first in the near future. Other new products which MCX intends to launch are - Cotton contracts, Mini-contracts, and Electricity contracts.

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Reiterate Neutral

MCX has migrated successfully to its new CDP (Commodity Derivatives Platform). The Company has completed one full cycle of expiry and deliveries without any concerns. The Company is in process of getting a re-validation approval from SEBI for many new products, which were in the pipeline. MCX will be launching Steel TMT bar contracts first in the near future. We have cut our FY24 EPS estimates by 22% to factor in the higher contribution to SGF on account of an increase in open interest, while broadly maintaining our FY25 estimates. We reiterate our Neutral rating with a one-year TP of INR2,300 (premised on 30x FY25E EPS).

Quarterly Performance

	FY23				FY24				Est. 2QFY24	Var. (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	1,088	1,274	1,436	1,338	1,458	1,651	1,716	1,799	1,619	2.0
Yo-Y Gr. (%)	24.2	53.1	60.3	25.6	34.0	29.6	19.5	34.5	27.1	
Staff Costs	227	229	229	234	253	274	275	283	251	8.9
Other expenses	368	389	879	1,083	1,098	1,550	1,532	406	1,508	2.8
EBITDA	493	656	327	21	107	-173	-90	1,110	-141	N.A
PBT bef. Exceptional items	527	781	485	163	267	-50	33	1,243	20	N.A
Tax	106	135	90	86	58	16	-21	222	4	268.6
Rate (%)	20.1	17.2	18.5	52.6	21.6	-32.5	-64.4	17.9	22.0	
Profit from associate	-6	-5	-7	-23	-13	-10	0	0	0.0	
PAT	415	641	388	55	197	-191	-76	1,021	16	N.A
Y-o-Y Gr. (%)	4	96	13	-85	-53	-130	-119	1,774	-98	
EPS (INR)	8.2	12.6	7.6	1.1	3.9	-3.7	-1.5	20.1	0.3	N.A
Total volumes (INR t)	28.7	35.9	40.7	42.0	51.8	67.0	71.7	76.0	67.0	-
Y-o-Y Gr. (%)	49.6	71.2	89.0	60.7	80.7	86.3	76.0	81.2	86.3	2.0

Key takeaways from the management commentary**Tech Migration**

Between 1st Oct and 13th Oct options trading volumes were high. However, after the initial launch of the new platform, there were issues, primarily related to data packets. Consequently, participants experienced delayed responses on their screens.

Following the identification and resolution of all the issues, MCX successfully migrated to its new CDP (Commodity Derivatives Platform). The Company has now completed one full cycle of expiry and deliveries without any concerns.

SGF Contribution

MCX has contributed ~INR 110m to SGF due to the increasing open interest on the platform. This is a non-cash expense. The last contribution to SGF by MCX was made in Mar'20. The rise in open interest (reaching a high of ~INR 430b with ~50:50 split between options and futures) is expected to result in further increases in contributions to SGF in the future.

The interest income is ploughed back to SGF and does not flow through P/L. The contribution made to SGF is an allowable expense under income tax laws.

Financials

Options revenue for the quarter stood at INR 828m and for 1HFY24 it stood at INR 1.4b.

During the quarter, transactions charges came in at INR 1.3b, whereas float income from margin money was INR 230m.

No payment would be made to TCS for AMC till Sep'25 as the software is under warranty for one year. Non-TCS AMC cost and depreciation on the capitalized amount would come in from 3QFY24. The capitalization of new software will be amortized over five to eight years.

FPI

FPIs have been seeking DMA facility, which will be made available very soon. In the medium term, MCX expects that FPIs will make significant contributions to the overall volumes.

MCX believes that FPIs are mainly interested in cash-settled products and Algos.

Product launches

The Company is in the process of getting a re-validation approval from SEBI for many new products, which were in the pipeline.

MCX will focus on Gold Options monthly and bi-monthly contracts. MCX is yet to apply to SEBI for fortnightly and weekly contracts.

MCX will be launching Steel TMT bar contracts first in the near future.

Other new products that MCX intends to launch are - Cotton contracts, Mini-contracts, and Electricity contracts.

Others

~40-41% margin is required for trading in Crude oil and ~30% margin requirement for Natural Gas.

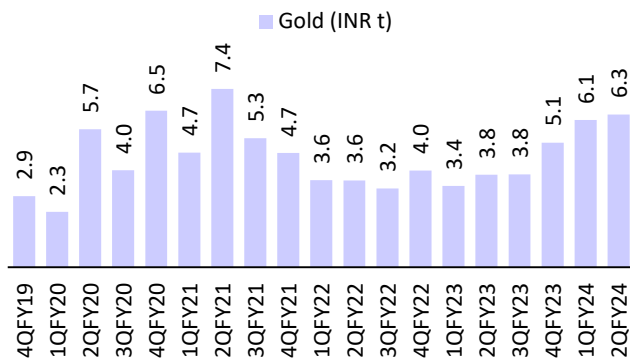
Members are consolidating on account of higher compliance cost; however, the UCC trading is increasing. The UCCs trading increased to 0.58m in 1HFY24 vs. 0.37m in 1HFY23.

Regarding the inter-operability between exchanges, members and associations are actively involved in recommending the same to SEBI.

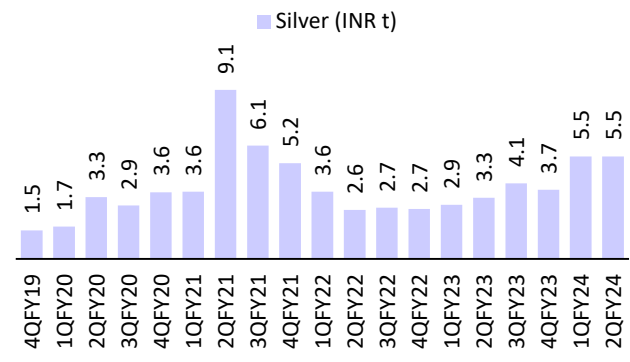
Exhibit 1: Volume-wise performance

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Volumes (INR b)										
Agro Commodities	383	269	286	183	118	42	41	11	16	15
Base Metals	4,427	3,743	3,544	3,376	2,131	2,643	2,639	2,067	1,400	1,343
Bullion	8,099	6,844	6,677	7,417	7,013	7,863	8,892	9,752	12,477	12,624
Energy	6,040	9,944	10,798	14,926	19,322	25,334	29,121	30,086	37,856	52,965
Index	206	200	252	201	72	62	54	39	35	21
Total	19,155	21,001	21,558	26,104	28,655	35,944	40,748	41,954	51,783	66,967
Mix (%)										
Agro Commodities	2	1	1	1	0	0	0	0	0	0
Base Metals	23	18	16	13	7	7	6	5	3	2
Bullion	42	33	31	28	24	22	22	23	24	19
Energy	32	47	50	57	67	70	71	72	73	79
Index	1	1	1	1	0	0	0	0	0	0
Yoy Growth (%)										
Agro Commodities	171	35	2	(53)	(69)	-85	(86)	(94)	(86)	-65
Base Metals	86	-17	(18)	(24)	(52)	-29	(26)	(39)	(34)	-49
Bullion	(3)	-59	(42)	(27)	(13)	15	33	31	78	61
Energy	66	126	108	172	220	155	170	102	96	109
Index	-	173	23	(3)	(65)	-69	(78)	(81)	(51)	-66
Total	32	-19	1	26	50	71	89	61	81	86
QoQ Growth (%)										
Agro Commodities	(1)	-30	6	(36)	(36)	-65	(1)	(74)	52	-9
Base Metals	(1)	-15	(5)	(5)	(37)	24	(0)	(22)	(32)	-4
Bullion	(21)	-15	(2)	11	(5)	12	13	10	28	1
Energy	10	65	9	38	29	31	15	3	26	40
Index	(0)	-3	26	(20)	(64)	-14	(12)	(29)	(9)	-40
Total	(8)	10	3	21	10	25	13	3	23	29
FUTCOM	17,733	16,826	15,710	16,412	16,078	15,484	15,476	12,986	13,313	11,987
FUTIDX	206	200	252	201	72	62	54	39	35	21
OPTFUT	1,216	3,975	5,596	9,491	12,505	20,398	25,218	28,930	38,435	54,959
Total	19,155	21,001	21,558	26,104	28,655	35,944	40,748	41,954	51,783	66,967
Mix (%)										
FUTCOM	93	80	73	63	56	43	38	31	26	18
FUTIDX	1	1	1	1	0	0	0	0	0	0
OPTFUT	6	19	26	36	44	57	62	69	74	82
YoY Growth (%)										
FUTCOM	26	-33	(24)	(17)	(9)	-8	(1)	(21)	(17)	-23
FUTIDX	N.A	173	23	(3)	(65)	-69	(78)	(81)	(51)	-66
OPTFUT	206	425	1,017	1,217	929	413	351	205	207	169
Total	32	-19	1	26	50	71	89	61	81	86
QoQ Growth (%)										
FUTCOM	(11)	-5	(7)	4	(2)	-4	(0)	(16)	3	-10
FUTIDX	(0)	-3	26	(20)	(64)	-14	(12)	(29)	(9)	-40
OPTFUT	69	227	41	70	32	63	24	15	33	43
Total	(8)	10	3	21	10	25	13	3	23	29

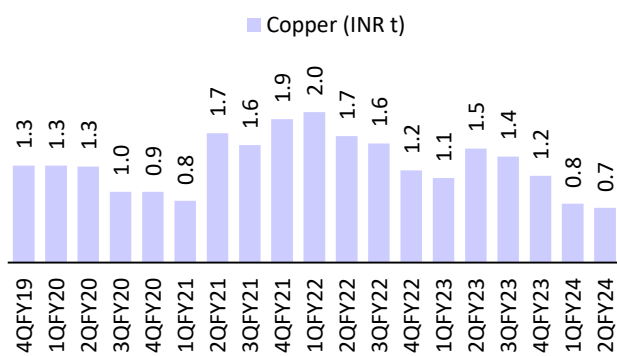
Source: Company, MOFSL

Exhibit 2: Gold volumes improved (INR t)

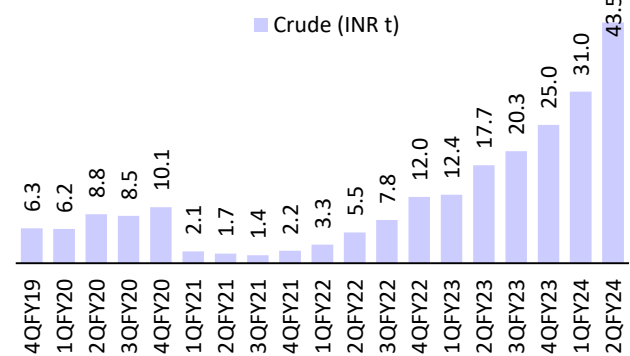
Source: Company, MOFSL

Exhibit 3: Silver volumes were flat (INR t)

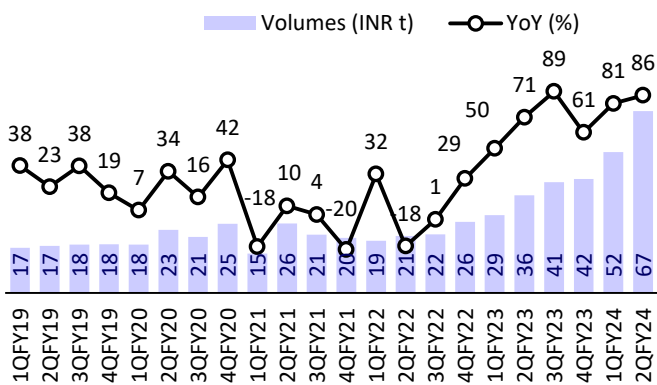
Source: Company, MOFSL

Exhibit 4: Copper volumes declined (INR t)

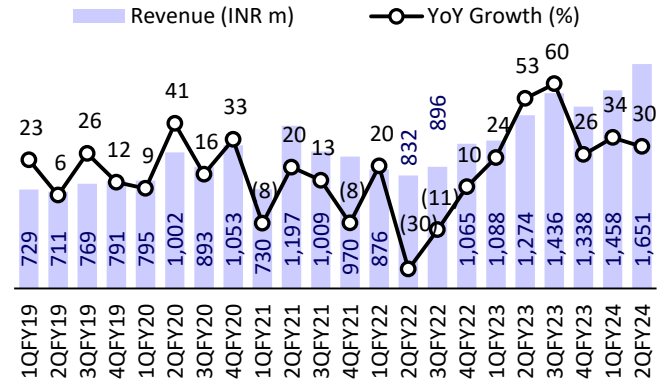
Source: Company, MOFSL

Exhibit 5: Crude oil volumes strong (INR t)

Source: Company, MOFSL

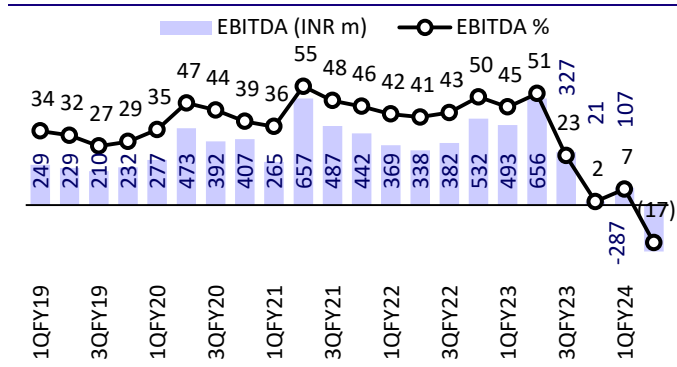
Exhibit 6: Volumes sustained, led by the options segment...

Source: MOFSL, Company

Exhibit 7: ...translating into revenue growth of 30% YoY

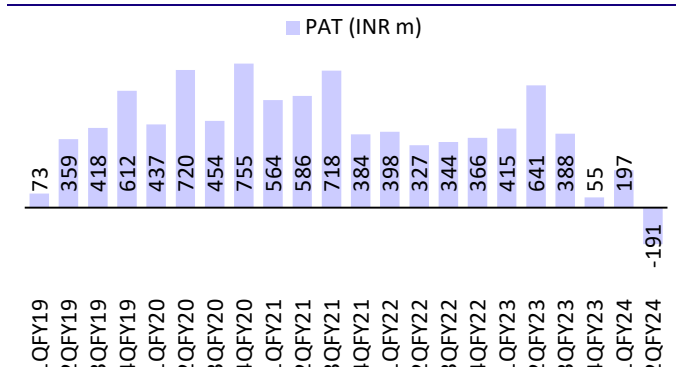
Source: MOFSL, Company

Exhibit 8: Significant margin contraction



Source: MOFSL, Company

Exhibit 9: Trend in PAT (INR m)



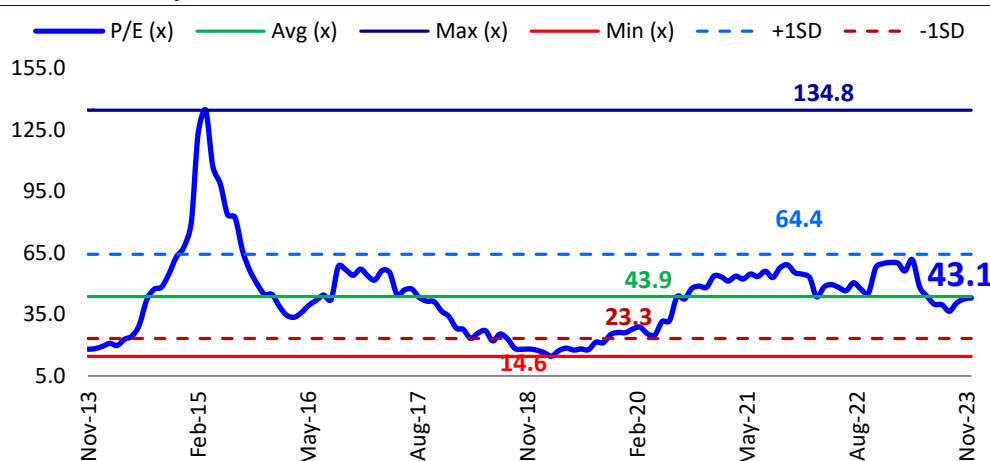
Source: MOFSL, Company

Revisions to our estimates

Change in Estimates	Revised		Earlier		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Volumes (INR t)	266	322	266	315	-	2.1
Volume growth (%)	80.9	20.8	80.9	18.4	-	2.4
Revenue (INR m)	6,624	7,593	6,624	7,485	-	1.4
EBITDA margin (%)	10.7	61.0	47.2	57.0	-3650bp	400bp
EPS (INR)	19.1	76.7	49.3	62.3	(61.3)	23.0

Source: MOFSL

Exhibit 10: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	2,594	2,598	3,001	3,742	3,906	3,668	5,135	6,624	7,593
Change (%)	10	0	15	25	4	(6)	40	29	15
Cost of Services	1,071	1,174	1,338	1,463	1,388	1,440	2,880	4,770	1,893
SG&A Expenses	723	679	743	730	667	607	759	1,145	1,069
Provisions									
EBITDA	801	745	920	1,549	1,851	1,621	1,497	709	4,631
% of Net Sales	31	29	31	41	47	44	29	11	61
Depreciation	186	167	154	182	221	227	216	280	455
EBIT	614.9	578.3	765.5	1,367.1	1,630.7	1,394.5	1,281.0	429	4,176
Interest	2	-	-	2	2	3	2	2	2
Other Income	1,164	884	986	1,289	1,038	665	677	822	838
EO Item (net)	-	-	238	-	-	204	-	-	-
PBT	1,777	1,462	1,513	2,654	2,667	1,853	1,956	1,249	5,012
Tax	512	377	75	389	415	406	416	275	1,103
Rate (%)	29	26	5	15	16	22	21	22	22
PAT before MI	1,266	1,085	1,439	2,266	2,251	1,447	1,540	974	3,909
Minority Interest	-	-	(24)	(99)	(1)	12	50	-	-
PAT	1,266	1,085	1,462	2,365	2,252	1,435	1,490	974	3,909
Extraordinary									
Net Income	1,266	1,085	1,462	2,365	2,252	1,435	1,490	974	3,909
Change (%)	198	(14)	35	62	(5)	(36)	4	(35)	301

Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	510	510	510	510	510	510	510	510	510
Reserves	13,078	13,253	11,999	13,084	13,672	13,671	14,283	14,478	15,260
Net Worth	13,588	13,763	12,509	13,594	14,182	14,181	14,793	14,988	15,770
SGF	1,705	1,806	3,298	4,098	4,692	5,256	5,898	5,898	5,898
Loan & other long term liab.	420	408	414	546	576	658	561	572	584
Capital Employed	15,713	15,977	16,221	18,237	19,451	20,095	21,252	21,458	22,251
Net Block	1,521	1,618	1,770	1,820	1,857	2,513	3,172	3,506	3,956
CWIP	2	23	0	5	12	434	519	519	519
Other LT Assets	117	96	166	149	185	3,018	2,543	2,576	2,610
Investments	8,448	7,527	6,811	10,508	11,885	4,440	8,441	8,610	8,782
Curr. Assets	8,725	10,518	12,175	15,028	11,283	18,225	16,259	16,109	16,429
Current Investments	7,626	8,997	5,824	6,618	5,985	7,135	2,024	2,064	2,106
Debtors	28	63	60	65	90	115	146	149	152
Cash & Bank Balance	193	597	5,346	7,593	4,261	9,755	11,779	11,539	11,767
Loans & Advances	4	3	2	2	1	222	1,328	1,354	1,381
Other Current Assets	875	859	943	751	948	998	983	1,003	1,023
Current Liab. & Prov	2,945	3,636	4,524	9,109	5,575	7,911	8,976	9,156	9,339
Net Current Assets	5,780	6,882	7,651	5,919	5,709	10,314	7,283	6,954	7,090
Application of Funds	15,869	16,146	16,397	18,401	19,647	20,719	21,958	22,164	22,957

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)									
EPS	24.8	21.3	28.7	46.4	44.2	28.1	29.2	19.1	76.7
Cash EPS	29.5	25.4	31.9	50.4	49.2	33.6	34.3	25.8	87.5
Book Value	266.4	269.9	245.3	266.6	278.1	278.1	290.1	293.9	309.2
DPS	15.0	17.0	20.0	30.0	27.7	30.0	19.1	35.0	35.0
Payout %	74.3	98.2	87.1	83.0	77.1	129.6	63.2	80.0	80.0
Valuation (x)									
P/E	99.7	116.3	86.3	53.4	56.1	88.0	84.8	129.6	32.3
Cash P/E	83.9	97.5	77.7	49.1	50.4	73.8	72.1	95.9	28.3
Price/Book Value	9.3	9.2	10.1	9.3	8.9	8.9	8.5	8.4	8.0
Dividend Yield (%)	0.6	0.7	0.8	1.2	1.1	1.2	0.8	1.4	1.4
Profitability Ratios (%)									
RoE	9.9	7.9	11.1	18.1	16.2	10.1	10.3	6.5	25.4

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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