

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	MCX IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	214.3 / 2.6
52-Week Range (INR)	4289 / 1538
1, 6, 12 Rel. Per (%)	4/9/125
12M Avg Val (INR M)	2824
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	6.8	9.8	12.1
EBIT Margin (%)	4.2	52.2	56.3
PAT	0.8	4.8	6.2
EPS (INR)	16.3	93.9	121.3
EPS Gr. (%)	-44.2	476.3	29.2
BV/Sh. (INR)	270.3	289.1	313.3

Ratios

RoE (%)	5.8	33.6	40.3
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Valuations

P/E (x)	257.8	44.7	34.6
P/BV (x)	15.5	14.5	13.4
Div Yield (%)	0.0	0.8	0.8

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	0.0	0.0	0.0
DII	57.3	56.9	55.1
FII	20.9	23.4	25.0
Others	21.9	19.7	19.9

FII Includes depository receipts

CMP: INR4,203 TP: INR4,850 (+15%) Buy

Strong volume growth, in-line performance excl. SGF

- MCX reported PAT of INR1.1b (5% miss) in 1QFY25, up 4.6x YoY and 26% QoQ. Excluding the voluntary contribution to core SGF, overall profitability was in line with our estimate.
- Total revenue came in at INR2.3b (4% beat), up 60.8% YoY and 29.4% QoQ.
- Total volumes increased significantly by 116.8% YoY to INR112.3t. Futures volumes stood at INR16.9t, up 27% YoY and 53% QoQ. Option volumes jumped 148% YoY and 33% QoQ to INR95.4t.
- We cut our FY25 EPS estimate by 12% owing to a higher SGF contribution, but we broadly maintain our FY26 EPS estimate. We reiterate our BUY rating with a one-year TP of INR4,850 (premised on 40x FY26E EPS).

Energy and bullion drive overall volume growth

- Volumes in the Energy segment jumped 122% YoY, fueled by a 126%/108% YoY surge in crude oil/Natural Gas volumes in 1QFY25.
- Bullion volumes rose 108% YoY, driven by 118%/99% YoY rise in gold/silver volumes.
- Overall base metal volumes grew 52% YoY, led by 60%/31% YoY growth in Copper/Aluminum volumes in 1QFY25.
- Futures volumes stood at INR16.9t, up 27% YoY/53% QoQ. Options volumes surged 148% YoY/33% QoQ to INR95.4t. Overall volumes increased strongly by 116.8% YoY to INR112t.
- Total revenue grew 60.8% YoY to INR2.3b (4% higher than our estimates).
- Staff costs stood at INR321m (10.4% above our estimate) and product license fees stood at INR132m (44% above our estimates).
- Other expenses surged 47% YoY to INR201m (20% above our estimates). This was mainly due to a revised payment of regulatory fees based on an annual turnover considering the notional value of options contracts instead of the premium value (INR45m paid with interest).
- In 1Q, MCX provided a voluntary contribution of INR99.1m to core SGF as exchange contribution. In May'24, MCXCCL has contributed INR10m to core SGF as financial disincentive on account of the delayed start of the market.
- Other income declined 8% YoY to INR188m (in line) vs. INR204m in 1QFY24.

Key takeaways from the management commentary

- The regulatory requirement to redesign the existing charge structure (INR17.5 to INR26 per million on futures contracts and INR400-500 per million of premium) to make it uniform and equal for all its members. The current slab-wise structure is dependent on volume or activity of members. The new structure will be in effect in Oct'24 and the exchange will issue further directions in this regard.

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- The cotton candy contract has been amended and the new series contract of November has been launched, where the only change is the reduction in the trading and delivery unit from 100 days to 25 days.
- Crude sunflower, Gold 10 gram (monthly futures) and cotton wash sheet oil will be launched soon as they are under the testing phase. Electricity futures contract is in the pipeline, approval from the regulators.

Valuation and view

We expect MCX to deliver a CAGR of 33%/239%/173% in revenue/EBITDA/PAT over FY24-26, led by strong growth in options volumes. We highlight several near- to medium-term drivers of volume growth: 1) new product launches – futures & options (short-duration contracts); 2) continued volatility in key commodity prices (gold, crude oil & natural gas) amid global uncertainties; and 3) a rise in retail participation in the options market. We expect no impact from competition on MCX's volumes, as similar products are currently available on other exchanges. With the technology overhang behind MCX and near-term potential drivers in place, we see meaningful re-rating potential. We cut our FY25 EPS estimate by 12% owing to a higher SGF contribution, but we broadly maintain our FY26 EPS estimate. We reiterate our BUY rating with a one-year TP of INR4,850 (premised on 40x FY26E EPS).

Quarterly Performance

	FY24				FY25				FY24	FY25E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QFY25	(%/bp)
Sales	1,458	1,651	1,915	1,811	2,344	2,379	2,521	2,606	6,835	9,850	2,248	4.2
YoY Gr. (%)	34.0	29.6	33.4	35.4	60.8	44.1	31.6	43.9	33.1	44.1	54.2	
Staff Costs	253	274	290	307	321	323	333	337	1,123	1,314	291	10.4
Other expenses	1,098	1,664	1,822	484	697	676	732	746	5,069	2,852	576	21.0
EBITDA	107	-287	-197	1,020	1,326	1,379	1,456	1,523	643	5,684	1,382	(4.1)
Depreciation	43	66	113	138	134	134	134	136	359	539	140	(4.1)
EBIT	64	-353	-310	882	1,191	1,245	1,321	1,387	283	5,145	1,242	(4.0)
Margins (%)	4.4	-21.4	-16.2	48.7	50.8	52.3	52.4	53.2	4.1	52.2	55.2	
Interest Costs	1	1	1	1	1	1	1	1	3	3	1	
Other Income	204	189	177	183	188	198	207	227	754	821	192	(2.1)
PBT bef. Exceptional items	267	-164	-133	1,065	1,379	1,442	1,528	1,614	1,035	5,963	1,433	(4)
Tax	58	16	-91	205	273	288	306	325	189	1,193	287	(4.7)
Rate (%)	21.6	-9.9	68.3	19.3	19.8	20.0	20.0	20.2	18.2	20.0	20.0	
Profit from associate	-13	-10	-11	19	4	0	0	0	-15	4	19.0	
PAT	197	-191	-54	878	1,109	1,154	1,222	1,289	831	4,774	1,166	(5)
Y-o-Y Gr. (%)	-53	-130	-114	1,512	464	-705	-2,385	47	-44	474	493	
EPS (INR)	3.9	-3.7	-1.1	17.3	21.8	22.7	24.0	25.3	16.3	93.6	22.9	(5)
Total volumes (INR t)	51.8	67.0	73.6	82.7	112.3	124.9	136.6	145.9	275.0	519.8	112.3	-
Q-o-Q Gr. (%)	23.4	29.3	9.9	12.4	35.8	11.2	9.4	6.8			35.8	
Y-o-Y Gr. (%)	80.7	86.3	80.6	97.1	116.8	86.5	85.7	76.5	86.7	89.0	116.8	

Key takeaways from the management commentary

Business:

- MCX market share in commodity futures stood at 98% as of 1Q end.
- Currently, it has 100 FPIs actively trading, with around 90 in CAT 1 and 10 in CAT 2. They are currently allowed to trade on only two commodities, crude oil and natural gas. The company is seeing healthy traction from FPIs and expects more participation from them.
- MCX clocked its highest single day turnover of INR3.8t on 15th May'24.
- Total number of traded clients grew ~6.4% QoQ to ~0.57m as of Q1FY25 (vs. 0.39m in 1QFY24, 40% YoY).
- The company holds a 20% stake in the GIFT City IFCI as it has an investment of INR4.3m. It was making losses until last year, but there was positive traction in 1Q, with accretion of INR20m included in P&L.

Financials:

- The combined ADT stood at INR1.7t (up 32% YoY), comprising INR1.5t from options and INR260b from futures as of 1QFY25.
- Of the total transactional income, INR1.3b came from options and INR710m from futures.
- Float income stood at INR200m for the quarter.
- The cash balance was INR9.6b as of Jun'24 vs. INR8.b as of Mar'24.
- The outstanding margin money collected as of Mar'24 was INR9.17b.
- The management has guided for around INR100m in voluntary contribution to SGF every quarter.

New launches:

- Two new options contracts were launched in Apr'24 – Crude Oil Mini Options (10 barrel as underlying) and Natural Gas Mini Options (250mmbtu as underlying).
- The cotton candy contract has been amended and the new series contract of November has been launched, where the only change is the reduction in the trading and delivery unit from 100 to 25 days.
- Crude sunflower, Gold 10 gram (monthly futures) and cotton wash sheet oil will be launched soon as they are under the testing phase.
- Electricity futures contract is in the pipeline, pending for approval from the regulators.

Regulations:

- The recent changes in regulatory guidelines on commodity derivatives are likely to support MCX's aim of achieving expansion and enhanced participation.
- The regulator has revised the minimum duration of staggered delivery period of commodity derivative contracts to three working days from five working days. MCX will bring this change in near future for all their participants.
- The regulatory requirement to redesign the existing charge structure (INR17.5 to INR26 per million on futures contracts and INR400-500 per million of premium) to make it uniform and equal for all its members. The current slab-

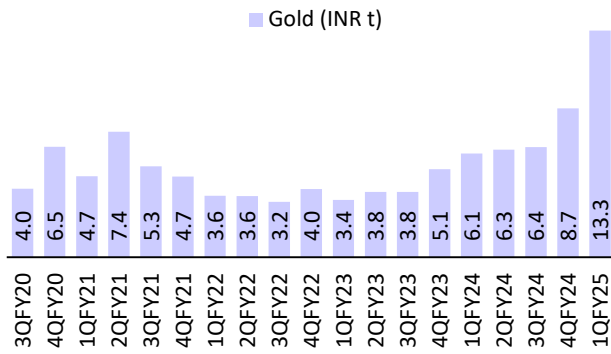
wise structure is dependent on volume or activity of members. The new structure will be in effect in Oct'24 and the exchange will issue further directions in this regard.

- On the Budget day (23rd Jul'24) due to a cut in customs duty - MCX recorded ADT of INR715.2b in gold 1kg options. This rate cut will have a neutral impact on MCX contracts.
- The company is awaiting the appointment of a new MD & CEO as the term of the existing CEO is about to end.

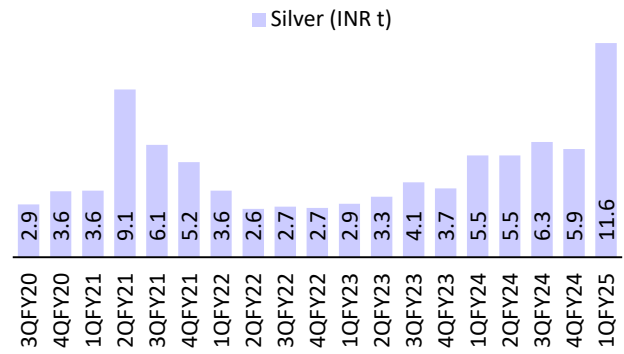
Exhibit 1: Volume performance

	FY23				FY24				1QFY25
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	
Volumes (INR b)									
Agro Commodities	118	42	41	11	16	15	10	15	10
Base Metals	2,131	2,643	2,639	2,067	1,400	1,343	1,119	963	2,126
Bullion	7,013	7,863	8,892	9,752	12,477	12,624	13,630	15,253	25,990
Energy	19,322	25,334	29,121	30,086	37,856	52,965	58,802	66,434	84,151
Index	72	62	54	39	35	21	14	10	15
Total	28,655	35,944	40,748	41,954	51,783	66,967	73,575	82,675	1,12,292
Mix (%)									
Agro Commodities	0	0	0	0	0	0	0	0	0
Base Metals	7	7	6	5	3	2	2	1	2
Bullion	24	22	22	23	24	19	19	18	23
Energy	67	70	71	72	73	79	80	80	75
Index	0	0	0	0	0	0	0	0	0
Yoy Growth (%)									
Agro Commodities	-69	-85	(86)	-94	-86	-65	-76	43	-39
Base Metals	-52	-29	(26)	-39	-34	-49	-58	-53	52
Bullion	-13	15	33	31	78	61	53	56	108
Energy	220	155	170	102	96	109	102	121	122
Index	-65	-69	(78)	-81	-51	-66	-74	-75	-58
Total	50	71	89	61	81	86	81	97	117
QoQ Growth (%)									
Agro Commodities	-36	-65	(1)	-74	52	-9	-33	54	-36
Base Metals	-37	24	(0)	-22	-32	-4	-17	-14	121
Bullion	-5	12	13	10	28	1	8	12	70
Energy	29	31	15	3	26	40	11	13	27
Index	-64	-14	(12)	-29	-9	-40	-33	-32	55
Total	10	25	13	3	23	29	10	12	36
FUTCOM	16,078	15,484	15,476	12,986	13,313	11,987	13,087	11,052	16,876
FUTIDX	72	62	54	39	35	21	14	10	15
OPTFUT	12,505	20,398	25,218	28,930	38,435	54,959	60,473	71,613	95,401
Total	28,655	35,944	40,748	41,954	51,783	66,967	73,575	82,675	1,12,292
Mix (%)									
FUTCOM	56	43	38	31	26	18	18	13	15
FUTIDX	0	0	0	0	0	0	0	0	0
OPTFUT	44	57	62	69	74	82	82	87	85
YoY Growth (%)									
FUTCOM	-9	-8	(1)	-21	-17	-23	-15	-15	27
FUTIDX	-65	-69	(78)	-81	-51	-66	-74	-75	-58
OPTFUT	929	413	351	205	207	169	140	148	148
Total	50	71	89	61	81	86	81	97	117
QoQ Growth (%)									
FUTCOM	-2	-4	(0)	-16	3	-10	9	-16	53
FUTIDX	-64	-14	(12)	-29	-9	-40	-33	-32	55
OPTFUT	32	63	24	15	33	43	10	18	33
Total	10	25	13	3	23	29	10	12	36

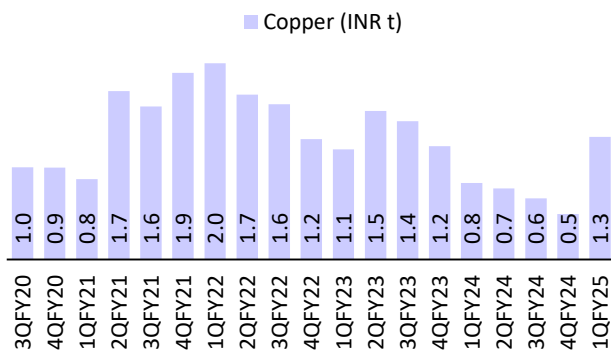
Source: Company, MOFSL

Exhibit 2: Gold volumes increased to INR13.3t

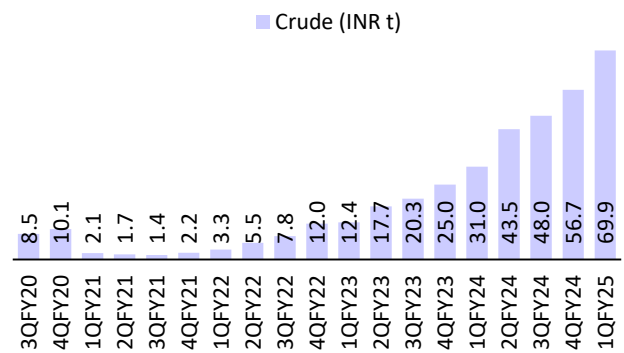
Source: Company, MOFSL

Exhibit 3: Silver volumes increase to INR11.6INR t

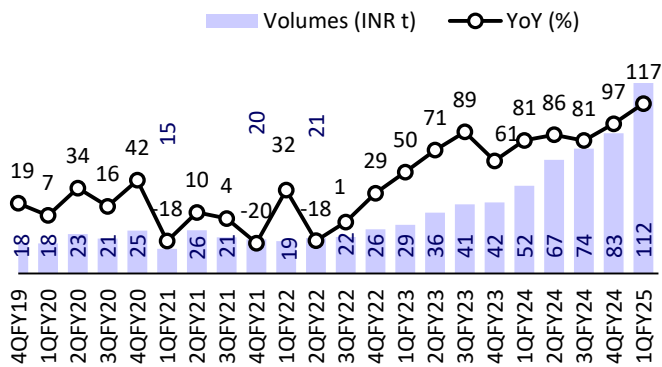
Source: Company, MOFSL

Exhibit 4: Copper volumes increased to INR1.3INR t

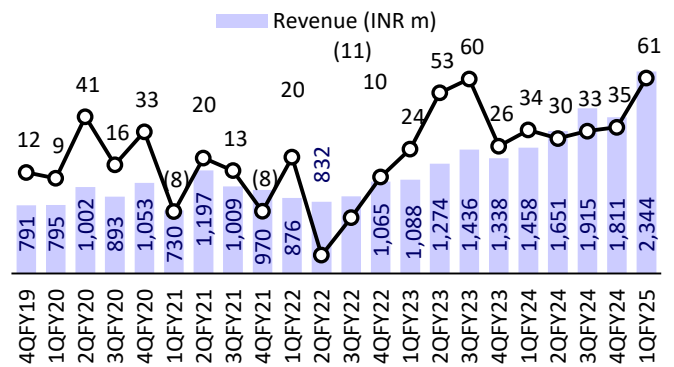
Source: Company, MOFSL

Exhibit 5: Crude oil volumes increased to INR69.9t

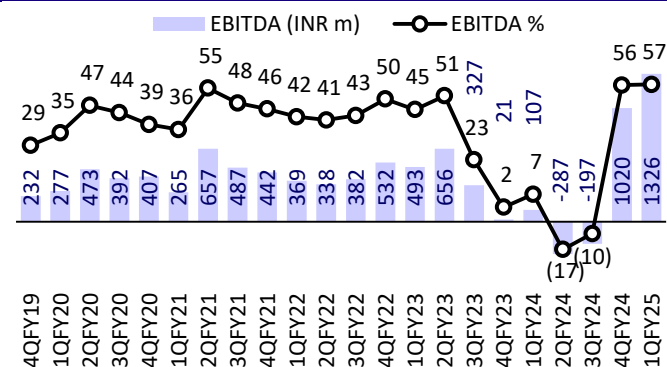
Source: Company, MOFSL

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

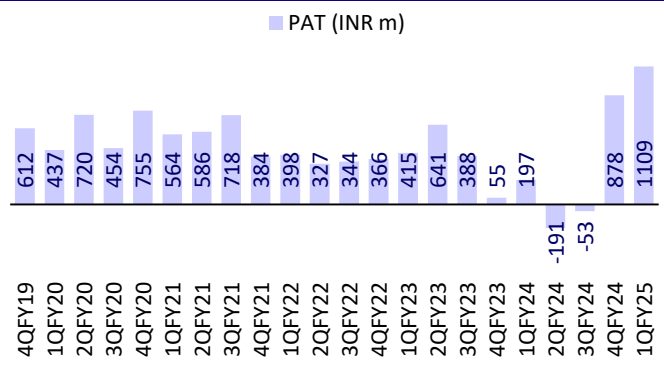
Source: MOFSL, Company

Exhibit 7: ...translating into revenue growth of 61% YoY

Source: MOFSL, Company

Exhibit 8: Loss at EBITDA level due to payment to 63moons

Source: MOFSL, Company

Exhibit 9: Trend in PAT (INR m)

Source: MOFSL, Company

Financials and valuations

Income statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Sales	3,001	3,742	3,906	3,668	5,135	6,836	9,850	12,119
Change (%)	15	25	4	(6)	40	33	44	23
Cost of Services	1,338	1,463	1,388	1,440	2,880	5,052	2,336	2,615
SG&A Expenses	743	730	667	607	759	1,140	1,830	2,084
Provisions								
EBITDA	920	1,549	1,851	1,621	1,497	643	5,684	7,420
% of Net Sales	31	41	47	44	29	9	58	61
Depreciation	154	182	221	227	216	359	539	595
EBIT	765.5	1,367.1	1,630.7	1,394.5	1,281.0	284	5,145	6,825
Interest	-	2	2	3	2	3	3	3
Other Income	986	1,289	1,038	665	677	754	821	911
EO Item (net)	238	-	-	204	-	-	-	-
PBT	1,513	2,654	2,667	1,853	1,956	1,035	5,963	7,733
Tax	75	389	415	406	416	189	1,193	1,547
Rate (%)	5	15	16	22	21	18	20	20
PAT before MI	1,439	2,266	2,251	1,447	1,540	846	4,770	6,187
Minority Interest	(24)	(99)	(1)	12	50	15	(19)	-
PAT	1,462	2,365	2,252	1,435	1,490	831	4,789	6,187
Extraordinary								
Net Income	1,462	2,365	2,252	1,435	1,490	831	4,789	6,187
Change (%)	35	62	(5)	(36)	4	(44)	476	29

Balance Sheet							(INR m)	(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	510	510	510	510	510	510	510	510
Reserves	11,999	13,084	13,672	13,671	14,283	13,275	14,233	15,470
Net Worth	12,509	13,594	14,182	14,181	14,793	13,785	14,743	15,980
SGF	3,298	4,098	4,692	5,256	5,898	7,806	7,806	7,806
Loan & other long term liab.	414	546	576	658	561	656	668	679
Capital Employed	16,221	18,237	19,451	20,095	21,252	22,246	23,216	24,465
Net Block	1,770	1,820	1,857	2,513	3,172	3,938	4,309	4,759
CWIP	0	5	12	434	519	79	79	79
Other LT Assets	166	149	185	3,018	2,543	11,561	11,833	12,119
Investments	6,811	10,508	11,885	4,440	8,441	6,025	6,146	6,269
Curr. Assets	12,175	15,028	11,283	18,225	16,259	14,504	14,946	15,578
Current Investments	5,824	6,618	5,985	7,135	2,024	3,114	4,114	5,114
Debtors	60	65	90	115	146	679	693	707
Cash & Bank Balance	5,346	7,593	4,261	9,755	11,779	9,656	9,064	8,661
Loans & Advances	2	2	1	222	1,328	543	554	565
Other Current Assets	943	751	948	998	983	511	522	532
Current Liab. & Prov	4,524	9,109	5,575	7,911	8,976	11,842	12,079	12,320
Net Current Assets	7,651	5,919	5,709	10,314	7,283	2,662	2,868	3,258
Application of Funds	16,397	18,401	19,647	20,719	21,958	24,266	25,235	26,484

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	28.7	46.4	44.2	28.1	29.2	16.3	93.9	121.3
Cash EPS	31.9	50.4	49.2	33.6	34.3	24.6	106.6	135.3
Book Value	245.3	266.6	278.1	278.1	290.1	270.3	289.1	313.3
DPS	20.0	30.0	27.7	30.0	19.1	-	35.0	35.0
Payout %	87.1	83.0	77.1	129.6	63.2	-	80.0	80.0
Valuation (x)								
P/E	146.5	90.6	95.1	149.3	143.9	257.8	44.7	34.6
Cash P/E	131.9	83.3	85.5	125.2	122.3	170.6	39.4	31.1
Price/Book Value	17.1	15.8	15.1	15.1	14.5	15.5	14.5	13.4
Dividend Yield (%)	0.5	0.7	0.7	0.7	0.5	-	0.8	0.8
Profitability Ratios (%)								
RoE	11.1	18.1	16.2	10.1	10.3	5.8	33.6	40.3

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NOTES

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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