

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR3,489 TP: INR3,950 (+13%) Neutral

Bloomberg	MCX IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	177.9 / 2.1
52-Week Range (INR)	3990 / 1285
1, 6, 12 Rel. Per (%)	15/110/123
12M Avg Val (INR M)	1844

Financials & Valuations (INR b)

Y/E Mar	2024E	2025E	2026E
Sales	7.2	9.3	11.2
EBIT Margin (%)	7.3	54.9	57.7
PAT	1.0	4.7	5.7
EPS (INR)	20.0	91.6	112.7
EPS Gr. (%)	-31.6	358.7	23.0
BV/Sh. (INR)	294.1	312.4	334.9

Ratios

RoE (%)	6.8	30.2	34.8
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Valuations

P/E (x)	174.7	38.1	31.0
P/BV (x)	11.9	11.2	10.4
Div Yield (%)	1.0	1.0	1.0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter (%)	0.0	0.0	0.0
DII (%)	53.0	56.4	52.8
FII (%)	26.8	25.5	26.0
Others (%)	20.2	19.9	21.2

FII Includes depository receipts

Contribution to SGF hits profitability

- MCX reported a loss of INR54m, higher than our anticipated loss of INR37m. Despite this, overall volumes improved significantly, rising by 81% YoY to INR74t. Total revenue came in at INR 1.92b, registering a growth of 33% YoY (~8.5% beat).
- Overall EBIT loss came in at INR 310m vs. our anticipated loss of INR 236m (~30.9% miss). This variance can be largely attributed to contribution to SGF of INR 131m in 3QFY24.
- For 9MFY24, revenue increased 40% YoY to INR 5.02b, whereas the company reported a loss of INR48m as compared to a PAT of INR1.4b in 9MFY23.
- We have raised our FY25 and FY26 EPS estimates to factor in stronger volume trajectory and higher-than-forecasted non-transaction revenues. On the other hand, we are building in sustained addition to SGF. We reiterate our Neutral rating with a one-year TP of INR3,950 (premised on 35x FY26E EPS).

Energy and bullion drive overall volume growth

- Volumes in the Energy segment jumped 102% YoY, fueled by a 137% YoY surge in crude oil volumes in 3QFY24.
- Bullion volumes rose 53% YoY, driven by 68%/42% YoY rise in gold/silver volumes.
- Overall base metal volumes dropped 58% YoY, due to 79%/56% YoY decline in Aluminum/Copper volumes in 3QFY24.
- Futures volumes came in at INR13t, down 15.6% YoY/up 9% QoQ. Options volumes surged 140% YoY/10% QoQ to INR60.4t.
- Overall volumes improved 81% YoY to INR74t. Total revenue grew 33% YoY to INR1.92b (~8.5% beat), mainly led by a beat in non-transaction revenues.
- Staff costs at INR290m grew 27% YoY (5.5% higher than estimates). Software expenses stood at INR1.46b, up 116% YoY and 9% QoQ. The company reported a loss of INR197m at EBIDTA level as compared to a profit of INR327m in 3QFY23.
- Other income declined 12% YoY and 6% QoQ to INR177m. (6.2% below our expectations).

Key takeaways from the management commentary

- DMA for FPI category 1 has been launched, while testing for category 2 (individual) is underway and is expected to go live in 4QFY24.
- MCX successfully absorbed the entire technology exceptional item (63moons payment) due to its robust volume trajectory. Going forward, costs will no longer be linked to volumes, resulting in relatively stable costs going forward.

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- The company is in the process of launching many new products, which were in the pipeline. MCX will be launching options on mini NG and crude oil in the near future. Other new products, which MCX intends to launch are – Gold monthly, electricity futures, index options, and coal spot exchange contract.

Reiterate Neutral

MCX has migrated successfully to its new CDP (Commodity Derivatives Platform). With that behind, the focus is now on garnering sustainable volumes. Commencement of DMA for FPI investors and the launch of new products will scale up volumes further going ahead. MCX will be launching options on mini NG and crude oil first in the near future. We have raised our FY25 and FY26 EPS estimates to factor in stronger volume trajectory and higher-than-forecasted non-transaction revenues. On the other hand, we are building in sustained addition to SGF. We reiterate our Neutral rating with a one-year TP of INR3,950 (premised on 35x FY26E EPS).

Quarterly Performance

	FY23			FY24E				FY23	FY24E	Est. 3QFY24	Var. (%/bp)	
	1Q	2Q	3Q	1Q	2Q	3Q	4QE					
Sales	1,088	1,274	1,436	7,181	1,458	1,651	1,915	2,085	5,135	7,181	1,766	8.5
Yo-Y Gr. (%)	24.2	53.1	60.3	39.8	34.0	29.6	33.4	55.9	40.0	39.8	23.0	1043bp
Staff Costs	227	229	229	1,112	253	274	290	296	919	1,112	275	5.5
Other expenses	368	389	879	5,056	1,098	1,664	1,822	471	2,719	5,056	1,662	9.7
EBITDA	493	656	327	1,013	107	-287	-197	1,318	1,497	1,013	-171	15.3
Depreciation	58	58	43	360	43	66	113	139	216	360	66	71.2
EBIT	435	598	285	653	64	-353	-310	1,179	1,281	653	-236	30.9
Margins (%)	40.0	47.0	19.8	9.1	4.4	-21.4	-16.2	56.5	24.9	9.1	-13.4	-276bp
Interest Costs	1	0	1	2	1	1	1	0	2	2	0	
Other Income	93	182	201	780	204	189	177	209	677	780	189	(6.2)
PBT bef. Exceptional items	527	781	485	1,431	267	-164	-133	1,388	1,955	1,431	-47	180
Tax	106	135	90	287	58	16	-91	288	416	287	-10	768.9
Rate (%)	20.1	17.2	18.5	20.1	21.6	-9.9	68.3	20.7	21.3	20.1	22.0	4627bp
Profit from associate	-6	-5	-7	-34	-13	-10	-11	0	-50	-34	0.0	
PAT	415	641	388	1,109	197	-191	-54	975	1,490	1,109	-37	45
Y-o-Y Gr. (%)	4	96	13	-26	-53	-130	-114	1,690	4	-26	-110	
EPS (INR)	8.2	12.6	7.6	21.7	3.9	-3.7	-1.1	19.2	29.2	21.7	-0.7	45
Total volumes (INR t)	28.7	35.9	40.7	282.5	51.8	67.0	73.6	85.8	147.3	282.5	73.6	-
Q-o-Q Gr. (%)	9.8	25.4	13.4		23.4	29.3	9.9	16.6			9.9	
Y-o-Y Gr. (%)	49.6	71.2	89.0	91.8	80.7	86.3	80.6	104.6	67.7	91.8	80.6	

Key takeaways from the management commentary

Technology costs

- MCX successfully absorbed the entire technology exceptional item (63moons payment) due to its robust volume trajectory. Going forward, costs will no longer be linked to volumes, resulting in relatively stable costs going forward.
- INR2.4b was capitalized for TCS software, and the amortization for server and network equipment will span over five years, whereas the platform's amortization will extend to 10 years.

FPIs

- DMA for FPI category 1 has been launched, while testing for FPI 2 (individual) is underway and is expected to go live in 4QFY24.
- The advantages for institutional FPIs trading in India include 1) price arbitrage opportunities due to non-uniform price movements across global markets, 2) contracts denominated in rupees, eliminating currency risk and 3) variations in calendar spreads, providing potential for profit through strategic trading.

SGF Contribution

- The company's contribution to SGF is more stringent as against other exchanges. Two variables determine SGF contributions i) Open interest rates - higher open interest results in higher contributions and ii) members are required to contribute in accordance with SEBI guidelines, typically at 25%, subject to approval by the exchanges. These uncertainties constitute the key factors in SGF contributions.
- At present, MCX does not take contribution from the members. In 3QFY24, the company's SGF contribution stood at INR ~131m vs. INR114m in 2QFY24. In this quarter, the open interest rate was the highest (INR500b+ vs. INR420b in 2QFY24).
- The SGF can be determined by two methods: i) based on the exposure of the top two members ii) by taking 50% of the total member exposure. MCX calculates SGF based on the second option.

New product launches

- Steel product has been launched.
- Options on mini NG and crude oil has been approved and will be launched soon.
- Gold monthly is not being considered immediately.
- Electricity futures approval is yet to be received.
- Work is in progress for index options.
- For the Coal spot exchange contract, the company is planning to venture into it and is actively engaged with ministry and awaiting approvals.

Finance related

- License fees to CME has a fixed component and ad valorem, which kicks in after a certain threshold of volumes. During this quarter, the threshold was crossed, and hence, ad valorem payout happened as well.

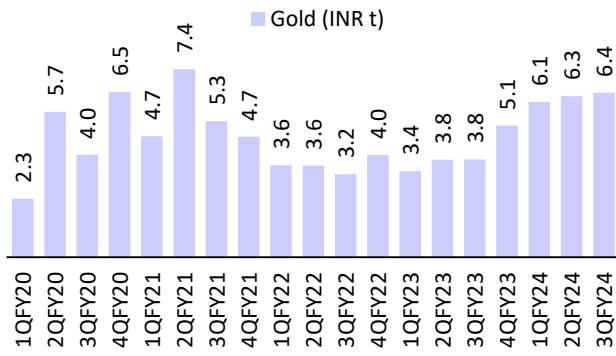
- The total transaction cost stood at INR 1.56b, of which, INR 550m is from futures and the remaining INR 1.01b from Options.
- Depreciation amount reported this quarter was INR ~113m and a slight increase is expected in the next quarter.
- Other operating expenses remain largely in line with the last quarter, with the exception of the inclusion of CSR expenses. Additionally, travelling expenses have increased this quarter.
- Other income reduced due to higher SGF contributions; however, there is an expectation that trading volumes will rise, resulting in increased revenues.
- Margins on gold are about 8%, about 34% on crude oil, and around ~20% on Natural Gas (+ 1.25% exchange loss margins, if any).
- The term of Managing Director and CEO, Mr Reddy, concludes on May 09, 2024

Exhibit 1: Volume-wise performance

	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Volumes (INR b)										
Agro Commodities	269	286	183	118	42	41	11	16	15	10
Base Metals	3,743	3,544	3,376	2,131	2,643	2,639	2,067	1,400	1,343	1,119
Bullion	6,844	6,677	7,417	7,013	7,863	8,892	9,752	12,477	12,624	13,630
Energy	9,944	10,798	14,926	19,322	25,334	29,121	30,086	37,856	52,965	58,802
Index	200	252	201	72	62	54	39	35	21	14
Total	21,001	21,558	26,104	28,655	35,944	40,748	41,954	51,783	66,967	73,575
Mix (%)										
Agro Commodities	1	1	1	0	0	0	0	0	0	0
Base Metals	18	16	13	7	7	6	5	3	2	2
Bullion	33	31	28	24	22	22	23	24	19	19
Energy	47	50	57	67	70	71	72	73	79	80
Index	1	1	1	0	0	0	0	0	0	0
YoY Growth (%)										
Agro Commodities	35	2	(53)	(69)	(85)	(86)	(94)	(86)	(65)	(76)
Base Metals	(17)	(18)	(24)	(52)	(29)	(26)	(39)	(34)	(49)	(58)
Bullion	(59)	(42)	(27)	(13)	15	33	31	78	61	53
Energy	126	108	172	220	155	170	102	96	109	102
Index	173	23	(3)	(65)	(69)	(78)	(81)	(51)	(66)	(74)
Total	(19)	1	26	50	71	89	61	81	86	81
QoQ Growth (%)										
Agro Commodities	(30)	6	(36)	(36)	(65)	(1)	(74)	52	(9)	(33)
Base Metals	(15)	(5)	(5)	(37)	24	(0)	(22)	(32)	(4)	(17)
Bullion	(15)	(2)	11	(5)	12	13	10	28	1	8
Energy	65	9	38	29	31	15	3	26	40	11
Index	(3)	26	(20)	(64)	(14)	(12)	(29)	(9)	(40)	(33)
Total	10	3	21	10	25	13	3	23	29	10
FUTCOM	16,826	15,710	16,412	16,078	15,484	15,476	12,986	13,313	11,987	13,087
FUTIDX	200	252	201	72	62	54	39	35	21	14
OPTFUT	3,975	5,596	9,491	12,505	20,398	25,218	28,930	38,435	54,959	60,473
Total	21,001	21,558	26,104	28,655	35,944	40,748	41,954	51,783	66,967	73,575
Mix (%)										
FUTCOM	80	73	63	56	43	38	31	26	18	18
FUTIDX	1	1	1	0	0	0	0	0	0	0
OPTFUT	19	26	36	44	57	62	69	74	82	82
YoY Growth (%)										
FUTCOM	(33)	(24)	(17)	(9)	(8)	(1)	(21)	(17)	(23)	(15)
FUTIDX	173	23	(3)	(65)	(69)	(78)	(81)	(51)	(66)	(74)
OPTFUT	425	1,017	1,217	929	413	351	205	207	169	140
Total	(19)	1	26	50	71	89	61	81	86	81
QoQ Growth (%)										
FUTCOM	(5)	(7)	4	(2)	(4)	(0)	(16)	3	(10)	9
FUTIDX	(3)	26	(20)	(64)	(14)	(12)	(29)	(9)	(40)	(33)
OPTFUT	227	41	70	32	63	24	15	33	43	10
Total	10	3	21	10	25	13	3	23	29	10

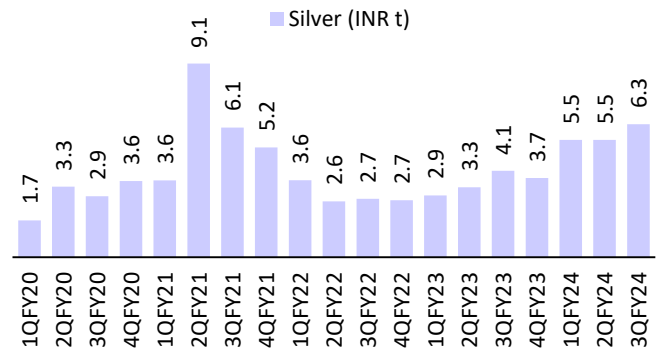
Source: Company, MOFSL

Exhibit 2: Gold volumes improved (INR t)



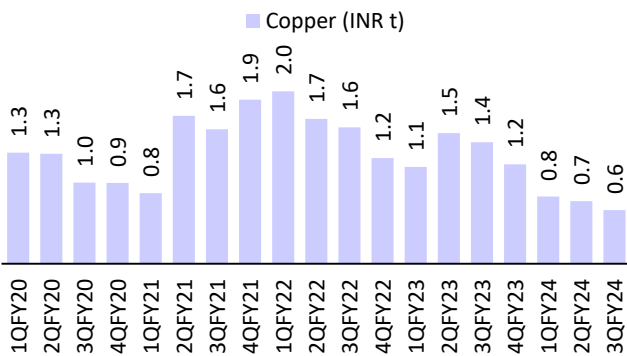
Source: Company, MOFSL

Exhibit 3: Silver volumes increase (INR t)



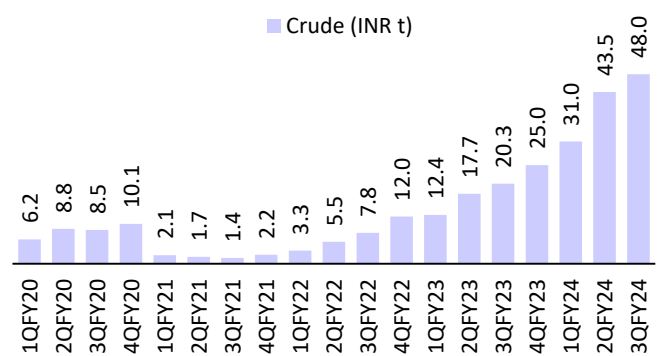
Source: Company, MOFSL

Exhibit 4: Copper volumes declined (INR t)



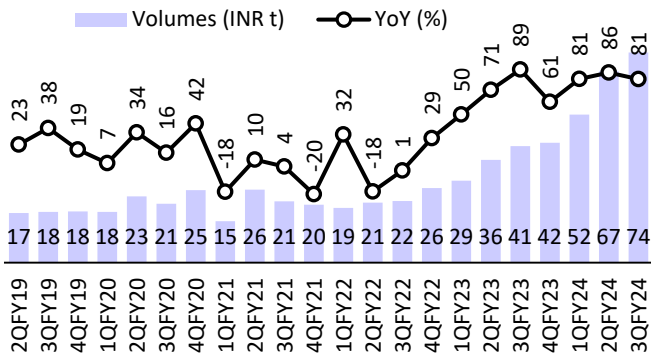
Source: Company, MOFSL

Exhibit 5: Crude oil volumes strong (INR t)



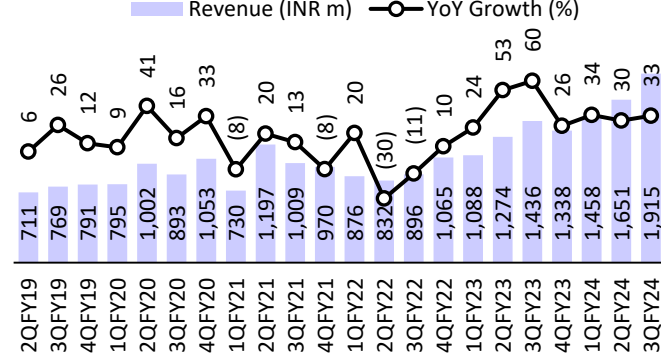
Source: Company, MOFSL

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



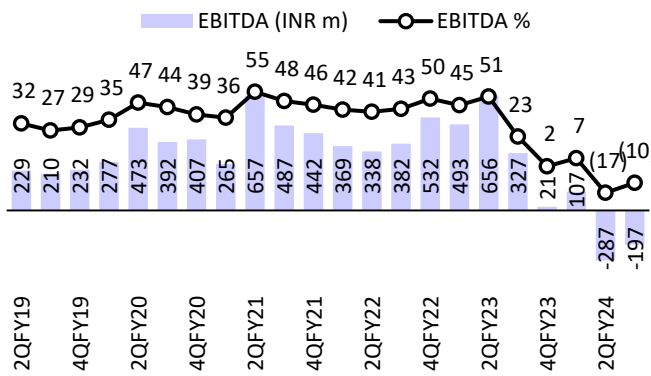
Source: MOFSL, Company

Exhibit 7: ...translating into revenue growth of 34% YoY



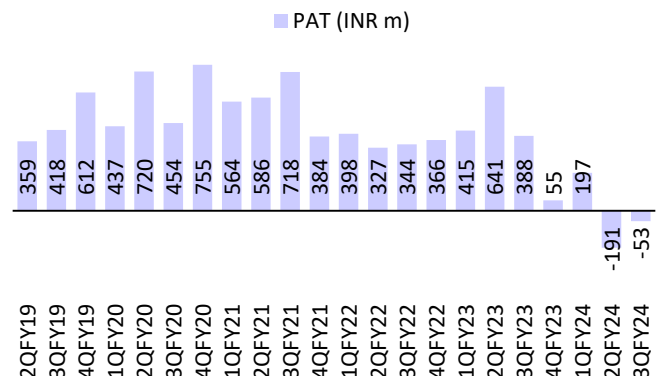
Source: MOFSL, Company

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	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	2,594	2,598	3,001	3,742	3,906	3,668	5,135	7,181	9,333	11,216
Change (%)	10	0	15	25	4	(6)	40	40	30	20
Cost of Services	1,071	1,174	1,338	1,463	1,388	1,440	2,880	5,033	2,259	2,549
SG&A Expenses	723	679	743	730	667	607	759	1,260	1,426	1,624
Provisions										
EBITDA	801	745	920	1,549	1,851	1,621	1,497	888	5,648	7,043
% of Net Sales	31	29	31	41	47	44	29	12	61	63
Depreciation	186	167	154	182	221	227	216	360	520	568
EBIT	614.9	578.3	765.5	1,367.1	1,630.7	1,394.5	1,281.0	528	5,128	6,475
Interest	2	-	-	2	2	3	2	2	2	2
Other Income	1,164	884	986	1,289	1,038	665	677	780	865	897
EO Item (net)	-	-	238	-	-	204	-	-	-	-
PBT	1,777	1,462	1,513	2,654	2,667	1,853	1,956	1,306	5,990	7,370
Tax	512	377	75	389	415	406	416	287	1,318	1,621
Rate (%)	29	26	5	15	16	22	21	22	22	22
PAT before MI	1,266	1,085	1,439	2,266	2,251	1,447	1,540	1,019	4,672	5,749
Minority Interest	-	-	(24)	(99)	(1)	12	50	-	-	-
PAT	1,266	1,085	1,462	2,365	2,252	1,435	1,490	1,019	4,672	5,749
Extraordinary										
Net Income	1,266	1,085	1,462	2,365	2,252	1,435	1,490	1,019	4,672	5,749
Change (%)	198	(14)	35	62	(5)	(36)	4	(32)	359	23

Balance Sheet								(INR m) (INR m)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	510	510	510	510	510	510	510	510	510	510
Reserves	13,078	13,253	11,999	13,084	13,672	13,671	14,283	14,487	15,421	16,571
Net Worth	13,588	13,763	12,509	13,594	14,182	14,181	14,793	14,997	15,931	17,081
SGF	1,705	1,806	3,298	4,098	4,692	5,256	5,898	5,898	5,898	5,898
Loan & other long term liab.	420	408	414	546	576	658	561	572	584	595
Capital Employed	15,713	15,977	16,221	18,237	19,451	20,095	21,252	21,466	22,412	23,574
Net Block	1,521	1,618	1,770	1,820	1,857	2,513	3,172	4,506	4,956	5,406
CWIP	2	23	0	5	12	434	519	519	519	519
Other LT Assets	117	96	166	149	185	3,018	2,543	4,576	4,610	4,645
Investments	8,448	7,527	6,811	10,508	11,885	4,440	8,441	8,610	8,782	8,958
Curr. Assets	8,725	10,518	12,175	15,028	11,283	18,225	16,259	15,118	15,591	16,278
Current Investments	7,626	8,997	5,824	6,618	5,985	7,135	2,024	2,226	2,449	2,694
Debtors	28	63	60	65	90	115	146	149	152	155
Cash & Bank Balance	193	597	5,346	7,593	4,261	9,755	11,779	10,386	10,586	10,977
Loans & Advances	4	3	2	2	1	222	1,328	1,354	1,381	1,409
Other Current Assets	875	859	943	751	948	998	983	1,003	1,023	1,043
Current Liab. & Prov	2,945	3,636	4,524	9,109	5,575	7,911	8,976	9,156	9,339	9,525
Net Current Assets	5,780	6,882	7,651	5,919	5,709	10,314	7,283	5,963	6,252	6,753
Application of Funds	15,869	16,146	16,397	18,401	19,647	20,719	21,958	24,173	25,119	26,280

E: MOFSL Estimates

Financials and valuations

Ratios										
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)										
EPS	24.8	21.3	28.7	46.4	44.2	28.1	29.2	20.0	91.6	112.7
Cash EPS	29.5	25.4	31.9	50.4	49.2	33.6	34.3	28.6	104.1	126.3
Book Value	266.4	269.9	245.3	266.6	278.1	278.1	290.1	294.1	312.4	334.9
DPS	15.0	17.0	20.0	30.0	27.7	30.0	19.1	35.0	35.0	35.0
Payout %	74.3	98.2	87.1	83.0	77.1	129.6	63.2	80.0	80.0	80.0
Valuation (x)										
P/E	140.6	163.9	121.7	75.2	79.0	124.0	119.4	174.7	38.1	31.0
Cash P/E	118.2	137.4	109.5	69.2	71.0	104.0	101.6	122.0	33.5	27.6
Price/Book Value	13.1	12.9	14.2	13.1	12.5	12.5	12.0	11.9	11.2	10.4
Dividend Yield (%)	0.4	0.5	0.6	0.9	0.8	0.9	0.5	1.0	1.0	1.0
Profitability Ratios (%)										
RoE	9.9	7.9	11.1	18.1	16.2	10.1	10.3	6.8	30.2	34.8

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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