

Multi Commodity Exchange

Setting the stage for growth

MCX delivered a weak quarter due to volume decline for the second consecutive quarter, primarily because of a change in margin regulations. Trading volume was down 4% QoQ due to bullion falling (-11% QoQ), but crude and metals volumes were stable. The trading volume will recover with (1) increase in Algo trading (currently at ~40%), (2) pick-up in crude volume (4Q volume ~50% of peak level), (3) increase in volatility of global commodities, (4) institutional participation, (5) increasing popularity of Index futures contract (cash-settled) and (6) higher retail participation (UCC is up 77% YoY). The company has also started to charge for Index contracts effective April-21. The new trading platform will become live in 2QFY23 and result in cost savings. We increase our EPS estimate for FY22/23E by +1.6/5.4%. We assign 30x P/E to FY23E core PAT and add net cash (ex-SGF) to arrive at a target price of INR 1,780. Maintain ADD.

- 4QFY21 highlights:** MCX revenue declined 3.9/13.6 QoQ/YoY to INR 0.97bn, in line with the expectation of INR 0.96bn. Traded volume was down 4.2/17.9% QoQ/YoY to INR 19.84tn. Total ADTV was down 1.2/14.0% QoQ/YoY to INR 315bn. The decline in 4Q was due to bullion falling (-8.5% QoQ), but was offset by rise in energy/metals (+5.7/6.4% QoQ). EBITDA margin stood at 45.6%, down 262bps QoQ, due to higher provisions of INR 40mn related to CSR. The new trading platform will result in annual savings of ~INR 250-300mn.
- Outlook:** We estimate 18% ADTV CAGR over FY21-23E, resulting in a +18/+33% revenue/EBITDA CAGR over FY21-23E. The change in technology vendor in Oct-22 will lead to annual margin expansion of ~500bps.

Quarterly Financial summary

YE March (INR mn)	4Q FY21	4Q FY20	YoY (%)	3Q FY21	QoQ (%)	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	970	1,122	(13.6)	1,009	(3.9)	3,000	3,978	3,906	4,498	5,438
EBITDA	442	476	(7.1)	487	(9.1)	940	1,784	1,850	2,269	3,268
APAT	384	655	(41.3)	718	(46.5)	1,700	2,365	2,251	2,623	3,284
Diluted EPS (INR)	7.6	12.9	(41.3)	14.1	(46.5)	33.4	46.5	44.2	51.5	64.5
P/E (x)						47.5	34.1	35.9	30.8	24.6
EV / EBITDA (x)						76.3	39.4	37.5	30.2	20.8
RoE (%)						12.9	18.1	16.2	18.1	21.7

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

INR Mn	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %
Revenue	4,479	4,498	0.4	5,419	5,438	0.3
EBITDA	2,234	2,269	1.6	2,941	3,268	11.1
EBITDA margin (%)	49.9	50.5	57bps	54.3	60.1	582bps
APAT	2,582	2,623	1.6	3,117	3,284	5.4
EPS (INR)	50.8	51.5	1.6	61.3	64.5	5.4

Source: Company, HSIE Research

ADD

CMP (as on 24 May 2021)	INR 1,587
Target Price	INR 1,780
NIFTY	15,198

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,700	INR 1,780
	FY22E	FY23E
EPS %	+1.6	+5.4

KEY STOCK DATA

Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	81/1,088
6m avg traded value (INR mn)	456
52 Week high / low	INR 1,875/1,127

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.5	(1.6)	40.4
Relative (%)	4.7	(15.4)	(24.8)

SHAREHOLDING PATTERN (%)

	Dec-20	Mar-21
Promoters	0.00	0.00
FIs & Local MFs	38.97	39.81
FPIs	37.06	36.23
Public & Others	23.97	23.96
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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