

**CMP: Rs 1,672**

**Rating: Hold**

**Target Price: Rs 1,835**

**Stock Info**

BSE	534091
NSE	MCX
Bloomberg	MCX IN
Reuters	MCX.BO
Sector	Investment Company
Face Value (Rs)	10
Equity Capital (Rs mn)	510
Mkt Cap (Rs mn)	85,251
52w H/L (Rs)	1,875/ 815
Avg Yearly Vol (in 000')	359

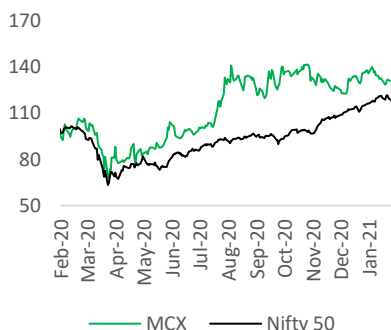
**Shareholding Pattern %**

(As on December, 2020)

Promoters	Nil
FII	37.06
DII	40.51
Public & Others	22.43

Stock Performance (%)	3m	6m	12m
MCX	-5.3	-1.5	21.5
NIFTY	17.8	22.3	14.6

**MCX Vs NIFTY**



MCX reported healthy operating performance during Q3FY21 driven by healthy revenue growth and margin expansion. Performance on sequential basis was weak due to 16% de-growth in ADTV, led by 31% sequential decline in bullion volumes. Revenue for the quarter grew by 7% YoY to Rs 1,009 mn. EBITDA for the quarter grew by 11% YoY to Rs 487 mn, while EBITDA margin increased by 145bps YoY to 48.2%. Profit for the quarter increased by 29% YoY to Rs 718 mn, supported by other income growth of 33% YoY and MAT credit of Rs 126 mn.

**Q3FY21 Result Highlights**

- Average daily turnover (ADTV) of the commodity futures contracts increased by 4% YoY/-16% QoQ to Rs 32,181 cr. Bullion index ADTV was down by 31% QoQ.
- During Q3FY21, MCX's market share in commodity derivative space stood at 96.5% vs 97.05% QoQ.
- Silver and Gold commodity turnover was reduced to 31.3%/27.3% in 9MFY21 as compared to 32.4%/29.1% in H1FY21. Crude oil turnover declined to 8.5% in 9MFY21 vs. 9.5% in H1FY21, largely due to increased margins on SEBI's directive. Natural gas turnover increased sharply from 10.6% in H1FY21 to 13.2% in 9MFY21.

**Key Concall Highlights**

- SEBI has allowed a reduction in margins in crude oil segment to 50% from 130% earlier. However, 50% is too high a level and there is no volatility to support this margin. There is further room for reduction in margins.
- Energy segment has picked up in this quarter with 30% growth in ADTV of natural gas.
- Company has utilized its MAT credit during the quarter which led to negative tax. MCX has some MAT credit still outstanding. Once it is utilized, company will move to the new tax regime.
- Other income increased by 39% QoQ due to treasury gain on an investment in bond market.
- The company intends to launch gold mini future contracts soon.
- Management has stated that company will start charging on Index products from Apr'21.

**Valuations**

Due to softer volume in crude oil and lower ADTV growth, we have reduced our revenue estimates by 5%/7% for FY21/22E respectively. We remain positive on the company, considering its monopoly in Commodity Exchange segment (~96.5 market share), steady earnings visibility and healthy operating margins. At CMP of Rs 1,672, MCX is currently trading at FY21E/22E P/E of 34.3x/31.0x. We revise our rating on the stock to Hold from Accumulate with a revised target price of Rs 1,835 (based on 34x FY22E).

(Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)
FY19	3,000	940	1,256	25	31.3%	9.5%	67.9
FY20	3,742	1,547	2,365	46	41.3%	18.1%	36.1
FY21E	4,229	1,804	2,489	49	42.6%	17.4%	34.3
FY22E	5,052	2,369	2,752	54	46.9%	17.3%	31.0

## Q3FY21 Financial Performance

(Rs. Mn)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
<b>Net Sales</b>	<b>1009</b>	<b>941</b>	<b>7%</b>	<b>1197</b>	<b>-16%</b>
Staff cost	195	178	10%	202	-3%
Software support charges	164	167	-2%	181	-10%
Computer technology expenses	56	53	6%	52	7%
Other Expenses	108	104	4%	105	2%
<b>EBITDA</b>	<b>487</b>	<b>440</b>	<b>11%</b>	<b>657</b>	<b>-26%</b>
Depreciation	59	43	36%	52	12%
<b>EBIT</b>	<b>428</b>	<b>397</b>	<b>8%</b>	<b>605</b>	<b>-29%</b>
Interest	1	0	-	1	0%
Other Income	248	186	33%	178	39%
<b>PBT</b>	<b>675</b>	<b>584</b>	<b>16%</b>	<b>783</b>	<b>-14%</b>
Tax	-42	31	-238%	197	-121%
<b>PAT</b>	<b>717</b>	<b>553</b>	<b>30%</b>	<b>586</b>	<b>22%</b>
Share of Profit / (loss) of associates	1	3	-73%	0	NA
<b>Reported PAT</b>	<b>718</b>	<b>556</b>	<b>29%</b>	<b>586</b>	<b>23%</b>
EPS	14	14	0%	12	23%

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

## Margin Analysis

Particulars (as a % of revenue)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Staff cost	19.3	18.9	42bps	16.8	246bps
Software support charges	16.2	17.7	-150bps	15.1	110bps
Computer technology expenses	5.6	5.6	-4bps	4.4	119bps
Other Expenses	10.7	11.0	-33bps	8.8	189bps
EBITDA Margin	48.2	46.8	145bps	54.9	-664bps
EBIT Margin	42.4	42.2	20bps	50.5	-810bps
PAT Margin	71.2	59.0	1211bps	48.9	2224bps

## Break-up of Average daily turnover

ADTV (in cr.)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
- Bullion	16880	10171	66%	24494	-31%
- Energy	7892	15324	-48%	6549	20%
- Base Metals	6665	5042	32%	6799	-2%
- Agri Commodities	430	317	36%	302	42%
- Index	314	-	NA	-	NA
<b>Total</b>	<b>32181</b>	<b>30854</b>	<b>4%</b>	<b>38145</b>	<b>-16%</b>

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

## Income Statement

in mn.	FY18	FY19	FY20	FY21E	FY22E
<b>Sales</b>	<b>2,598</b>	<b>3,000</b>	<b>3,742</b>	<b>4,229</b>	<b>5,052</b>
Employee cost	682	725	773	787	846
Software support charges	494	613	690	787	905
Computer Technology expenses	229	206	206	209	225
Other expenses	474	517	526	643	707
<b>EBITDA</b>	<b>718</b>	<b>940</b>	<b>1,547</b>	<b>1,804</b>	<b>2,369</b>
Depreciation	167	155	181	219	270
<b>EBIT</b>	<b>552</b>	<b>785</b>	<b>1,365</b>	<b>1,585</b>	<b>2,099</b>
Interest & finance charges	0	0	2	2	2
Other income	920	986	1,290	1,380	1,476
Exceptional inc/ (loss)	0	-238	0	0	0
Share of Profit of Associates	0	4	0	0	0
<b>PBT</b>	<b>1,472</b>	<b>1,537</b>	<b>2,653</b>	<b>2,963</b>	<b>3,574</b>
Tax	388	281	289	474	822
<b>PAT</b>	<b>1,084</b>	<b>1,256</b>	<b>2,365</b>	<b>2,489</b>	<b>2,752</b>

## Balance Sheet

in mn.	FY18	FY19	FY20	FY21E	FY22E
Equity capital	510	510	510	510	510
Reserves	13,295	11,999	13,084	14,553	16,285
<b>Net worth</b>	<b>13,805</b>	<b>12,509</b>	<b>13,594</b>	<b>15,063</b>	<b>16,795</b>
Settlement Guarantee Fund	1,806	3,298	4,098	4,139	4,180
Loans	0	0	0	0	0
<b>Sources of Funds</b>	<b>15,611</b>	<b>15,807</b>	<b>17,692</b>	<b>19,201</b>	<b>20,975</b>
<b>Net Fixed Assets</b>	<b>1,618</b>	<b>1,770</b>	<b>1,820</b>	<b>2,369</b>	<b>3,199</b>
Non current Investments	7,498	6,801	10,498	10,498	10,498
<b>Curr.Assets, L &amp; adv.</b>	<b>10,547</b>	<b>12,175</b>	<b>15,028</b>	<b>18,568</b>	<b>22,405</b>
Sundry Debtors	63	60	65	77	92
Cash & Bank Balances	597	5,346	7,593	10,236	12,820
Loans & advances	3	2	2	3	3
Other current financial assets	9,884	6,767	7,369	8,253	9,491
<b>Current Liab. &amp; Prov.</b>	<b>4,052</b>	<b>4,939</b>	<b>9,655</b>	<b>12,234</b>	<b>15,128</b>
Current liabilities	4,027	4,907	9,619	12,192	15,078
- Sundry Creditors	416	332	310	556	532
- Other Liabilities	3,611	4,575	9,309	11,636	14,545
Provisions	25	32	35	42	50
<b>Net Current Assets</b>	<b>6,495</b>	<b>7,236</b>	<b>5,373</b>	<b>6,334</b>	<b>7,277</b>
<b>Application of Funds</b>	<b>15,611</b>	<b>15,807</b>	<b>17,692</b>	<b>19,201</b>	<b>20,975</b>

## Cash Flow Statement

in mn.	FY18	FY19	FY20	FY21E	FY22E
OP/(loss) before tax	552	785	1,365	1,585	2,099
Other income	-920	-986	-1,290	-1,380	-1,476
Depreciation & amort.	-167	-155	-181	-219	-270
Direct taxes paid	-388	-281	-289	-474	-822
(Inc)/dec in wkg. capital	-732	4,008	4,110	1,683	1,640
<b>CF from op. activity</b>	<b>-1,655</b>	<b>3,372</b>	<b>3,715</b>	<b>1,194</b>	<b>1,171</b>
Extra-ordinary items	0	-234	0	0	0
CF after EO Items	-1,655	3,138	3,715	1,194	1,171
(Inc)/dec in FA+CWIP	-522	-609	-1,094	-1,096	-2,200
(Pur)/sale of invest.	950	697	-3,697	0	0
<b>CF from inv. activity</b>	<b>428</b>	<b>88</b>	<b>-4,791</b>	<b>-1,096</b>	<b>-2,200</b>
Inc./(dec) in networkth	2,366	2,717	4,517	4,133	4,476
Inc/(dec) in debt	0	0	0	0	0
Interest paid	0	0	-1	-2	-2
Dividends paid	-734	-1,193	-1,193	-1,193	-1,193
<b>CF from fin. activity</b>	<b>1,631</b>	<b>1,523</b>	<b>3,323</b>	<b>2,938</b>	<b>3,281</b>
Inc/(dec) in cash	404	4,750	2,247	3,036	2,252
Add: beginning balance	193	597	5,346	7,593	10,630
<b>Closing balance</b>	<b>597</b>	<b>5,346</b>	<b>7,593</b>	<b>10,630</b>	<b>12,881</b>

## Ratio Analysis

in %	FY18	FY19	FY20	FY21E	FY22E
<b>Profitability Ratios</b>					
EBITDA Margin (%)	27.7	31.3	41.3	42.6	46.9
EBIT Margin (%)	21.2	26.2	36.5	37.5	41.6
PAT Margin (%)	41.7	41.9	63.2	58.8	54.5
ROE (%)	7.9	9.5	18.1	17.4	17.3
ROCE (%)	3.0	4.9	9.3	9.3	10.1
<b>Turnover ratios</b>					
Debtors (days)	9	8	7	7	7
Creditors (days)	62	42	33	50	40
Working capital (days)	-53	-35	-26	-43	-33
<b>Leverage Ratio</b>					
Debt/Equity Ratio (x)	0	0	0	0	0
<b>Per Share Ratio</b>					
EPS	21	25	46	49	54
BV	271	245	267	295	329
DPS	17	20	20	20	20
<b>Valuation</b>					
P/E	78.7	67.9	36.1	34.3	31.0
P/BV	6.2	6.8	6.3	5.7	5.1

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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