

Revenue growth driven by bullion volumes

CMP: Rs 1,587

Rating: Accumulate

Target Price: Rs 1,831

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)	80,985
52w H/L (Rs)	1,875/ 815
Avg Yearly Vol (in 000')	396

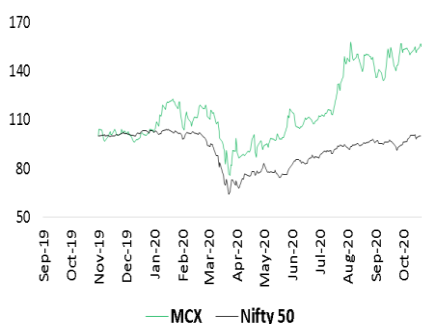
Shareholding Pattern %

(As on September, 2020)

Promoters	Nil
FII	36.06
DII	41.45
Public & Others	22.49

Stock Performance (%)	3m	6m	12m
MCX	-5.1	44.5	37.8
NIFTY	11.9	43.8	7.0

MCX Vs NIFTY



MCX reported healthy operating performance during Q2FY21 driven by strong revenue growth and margin expansion. Revenue for the quarter grew by 12% YoY to Rs 1,197 mn. EBITDA for the quarter grew by 22% YoY to Rs 657 mn, while EBITDA margin increased sharply by 451bps YoY to 54.9%. Profit for the quarter decreased by 19% YoY to Rs 586 mn largely due to lower other income (-53% YoY) and higher tax rate (at 25% vs. 18% YoY).

Q2FY21 Result Highlights

- Average daily turnover (ADTV) of the commodity futures contracts increased by 10% YoY/ 65% QoQ to Rs 38,145 cr. Bullion index ADTV was higher at 86% YoY.
- During Q2FY21, MCX's market share in commodity derivative space has increased to 97.05% as against 92.87% in the corresponding quarter Q2FY20.
- Silver and Gold commodity turnover was higher at 32.4%/29.1% in H1FY21 vs. 13%/21% in H1FY20. Crude oil turnover declined to 9.45% in H1FY21 vs. 39% in H1FY20, largely due to increased margins on SEBI's directive.

Key Concall Highlights

- Crude oil volumes remained under pressure due to increased margins by MCX on SEBI's directive. SEBI has done a margin analysis and is expected to give a revised directive in Nov'20; post this, crude volumes should see some normalization.
- Company has launched iComdex bullion and MCX iComdex base metal index futures with both being at a nascent stage. The board has decided not to levy any charges on index products till Mar'21.
- Other income decline for the quarter was on account of lower treasury gain, primarily, due to flattish bond yields.
- Tax rate was higher in Q2FY21 due to lower provisions made in earlier quarters. Going forward management indicates tax rate of 23-25%.
- Company has taken a provision of Rs 40 mn for variable pay-out to its employees in H1FY21. This led to higher staff cost for the quarter.

Valuations

ADTV in H2FY21 is expected to increase due to expectation of normalization of margin requirements in the Crude segment which will drive the future performance. We remain positive on the company, considering its monopoly in Commodity Exchange segment (~97 market share), steady earnings visibility and healthy operating margins. We downgrade our EPS estimate by 12% for FY21E on account of higher expected tax rate and increased our revenue growth estimate by 3% for FY21E. At CMP of Rs 1587, MCX is currently trading at FY21E/22E P/E of 35.3x/27.7x. We upgrade our rating on the stock to Accumulate from Hold with a revised target price of Rs 1,831 (based on 32x 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%	64.4
FY20	3,742	1,547	2,365	46	41.3%	18.1%	34.2
FY21E	4,263	1,818	2,292	45	42.6%	16.1%	35.3
FY22E	5,211	2,443	2,918	57	46.9%	18.5%	27.7

Q2FY21 Financial Performance

(Rs. Mn)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Net Sales	1197	1066	12%	730	64%
Staff cost	202	195	3%	178	13%
Software support charges	181	177	2%	139	31%
Computer technology expenses	52	54	-3%	49	6%
Other Expenses	105	103	2%	99	6%
EBITDA	657	537	22%	265	148%
Depreciation	52	42	24%	48	9%
EBIT	605	495	22%	217	178%
Interest	1	0	-	1	-
Other Income	178	380	-53%	497	-64%
PBT	783	874	-10%	714	10%
Tax	197	154	28%	150	NA
PAT	586	720	-19%	563	4%
Share of Profit / (loss) of associates	0	-3	NA	1	-118%
Reported PAT	586	718	-18%	564	4%
EPS	12	14	-18%	11	4%

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

Margin Analysis

Particulars (as a % of revenue)	Q2FY21	Q2FY20	YoY (%)	Q1FY21*	QoQ (%)
Staff cost	16.8	18.3	-144bps	24.4	-759bps
Software support charges	15.1	16.6	-148bps	19.0	-385bps
Computer technology expenses	4.4	5.0	-67bps	6.7	-237bps
Other Expenses	8.8	9.7	-92bps	13.5	-476bps
EBITDA Margin	54.9	50.4	451bps	36.3	1858bps
EBIT Margin	50.5	46.4	411bps	29.7	2078bps
PAT Margin	48.9	67.3	-1840bps	77.3	-2837bps

* PAT margin was higher in Q1FY21, largely due to higher other income

Break-up of Average daily turnover

ADTV (in cr.)	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
- Bullion	24494	13155	86%	13193	86%
- Energy	6549	14397	-55%	5806	13%
- Base Metals	6799	6700	1%	3898	74%
- Agri Commodities	302	272	11%	232	30%
Total	38145	34525	10%	23129	65%

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

Income Statement

in mn.	FY18	FY19	FY20	FY21E	FY22E
Sales	2,598	3,000	3,742	4,263	5,211
Employee cost	682	725	773	793	872
Software support charges	494	613	690	793	934
Computer Technology expenses	229	206	206	211	232
Other expenses	474	517	526	648	730
EBITDA	718	940	1,547	1,818	2,443
Depreciation	167	155	181	219	270
EBIT	552	785	1,365	1,598	2,173
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
PBT	1,472	1,537	2,653	2,977	3,647
Tax	388	281	289	685	729
PAT	1,084	1,256	2,365	2,292	2,918

Balance Sheet

in mn.	FY18	FY19	FY20	FY21E	FY22E
Equity capital	510	510	510	510	510
Reserves	13,295	11,999	13,084	14,356	16,254
Net worth	13,805	12,509	13,594	14,866	16,764
Settlement Guarantee Fund	1,806	3,298	4,098	4,139	4,180
Loans	0	0	0	0	0
Sources of Funds	15,611	15,807	17,692	19,005	20,944
Net Fixed Assets	1,618	1,770	1,820	2,369	3,199
Non current Investments	7,498	6,801	10,498	10,498	10,498
Curr.Assets, L & adv.	10,547	12,175	15,028	18,377	22,393
Sundry Debtors	63	60	65	77	95
Cash & Bank Balances	597	5,346	7,593	10,044	12,805
Loans & advances	3	2	2	3	3
Other current financial assets	9,884	6,767	7,369	8,253	9,491
Current Liab. & Prov.	4,052	4,939	9,655	12,239	15,147
Current liabilities	4,027	4,907	9,619	12,197	15,095
- Sundry Creditors	416	332	310	561	550
- Other Liabilities	3,611	4,575	9,309	11,636	14,545
Provisions	25	32	35	42	52
Net Current Assets	6,495	7,236	5,373	6,137	7,247
Application of Funds	15,611	15,807	17,692	19,005	20,944

Ratio Analysis

in %	FY18	FY19	FY20	FY21E	FY22E
Profitability Ratios					
EBITDA Margin (%)	27.7	31.3	41.3	42.6	46.9
EBIT Margin (%)	21.2	26.2	36.5	37.5	41.7
PAT Margin (%)	41.7	41.9	63.2	53.8	56.0
ROE (%)	7.9	9.5	18.1	16.1	18.5
ROCE (%)	3.0	4.9	9.3	8.6	11.0
Turnover ratios					
Debtors (days)	9	8	7	7	7
Creditors (days)	62	42	33	50	40
Working capital (days)	-53	-35	-26	-43	-33
Leverage Ratio					
Debt/Equity Ratio (x)	0	0	0	0	0
Per Share Ratio					
EPS	21	25	46	45	57
BV	271	245	267	291	329
DPS	17	20	20	20	20
Valuation					
P/E	74.7	64.4	34.2	35.3	27.7
P/BV	5.9	6.5	6.0	5.4	4.8

Cash Flow Statement

in mn.	FY18	FY19	FY20	FY21E	FY22E
OP/(loss) before tax	552	785	1,365	1,598	2,173
Other income	-920	-986	-1,290	-1,380	-1,476
Depreciation & amort.	-167	-155	-181	-219	-270
Direct taxes paid	-388	-281	-289	-685	-729
(Inc)/dec in wkg. capital	-732	4,008	4,110	1,687	1,652
CF from op. activity	-1,655	3,372	3,715	1,002	1,348
Extra-ordinary items	0	-234	0	0	0
CF after EO Items	-1,655	3,138	3,715	1,002	1,348
(Inc)/dec in FA+CWIP	-522	-609	-1,094	-1,096	-2,200
(Pur)/sale of invest.	950	697	-3,697	0	0
CF from inv. activity	428	88	-4,791	-1,096	-2,200
Inc./(dec) in networth	2,366	2,717	4,517	3,740	4,808
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
CF from fin. activity	1,631	1,523	3,323	2,545	3,613
Inc/(dec) in cash	404	4,750	2,247	2,450	2,761
Add: beginning balance	193	597	5,346	7,593	10,044
Closing balance	597	5,346	7,593	10,044	12,805

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880