

Performance impacted due to decline in volumes

CMP: Rs 1,519

Rating: Hold

Target Price: Rs 1,663

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)	77,480
52w H/L (Rs)	1,875 / 1,127
Avg Yearly Vol (in 000')	313

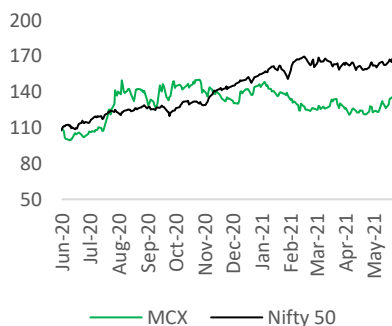
Shareholding Pattern %

(As on March, 2021)

Promoters	Nil
FII	36.23
DII	41.17
Public & Others	22.60

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

MCX Vs NIFTY



MCX reported weak performance during Q4FY21 due to lower revenue on account of decline in bullion volumes. Revenue for the quarter de-grew by 14% YoY/4% QoQ to Rs 970 mn led by ADTV decline of 13% YoY. EBITDA for the quarter de-grew by 7% YoY to Rs 442 mn, while EBITDA margin increased by 319bps YoY to 45.6% due to reduction in staff cost and other expenses. On a sequential basis, margin contracted by 262 bps due to higher increase in other expenses at 34%. Profit for the quarter de-grew by 41% YoY/46% QoQ to Rs 384 mn due to lower revenue and lower treasury income. Other income for the quarter decreased by 49% YoY/54% QoQ to Rs 115 mn.

Q4FY21 Result Highlights

- Average daily turnover (ADTV) of the commodity futures contracts declined by 13% YoY/3% QoQ to Rs 31,823 cr. Bullion index ADTV was down by 10% QoQ. Energy segment volumes declined by 51% YoY.
- During Q4FY21, MCX's market share in commodity derivative space stood at 96.0% vs 96.5% QoQ.
- Silver and Gold commodity turnover was reduced to 30%/25.9% in FY21 as compared to 31.3%/27.3% in 9MFY21. Crude and Metals Volumes was stable.

Key Concall Highlights

- Company had launched index futures contracts in FY20 which are seeing good traction and company has also started charging on the same from Apr'21. Company is looking to launch some more new products in this segment.
- Volume impact in Q4FY21 and April month has been the result of the implementation of peak margin rules. The management expects the rules to see gradual adoption over the longer run.
- Overall crude volumes was impacted by negative pricing in FY21. While margins have been reversed, the requirement of 20% is still higher than the international levels of 10–15%, which has resulted in lower volumes. There has been a huge client reduction in crude oil contracts.
- Other expenses increased to Rs 144 mn from Rs 108 mn in the last quarter on account of Rs 40 mn spend on CSR activities.
- MCX has entered into a perpetual license deal with TCS, in addition to the fixed charges incurred by the company in the form of maintenance fees. The payment is not linked to revenues or transaction charges.

Valuations

Due to softer volume in bullion and lower ADTV growth, we have reduced our FY22 revenue estimates by 8% and introduce FY23E. We remain positive on the company, considering its monopoly in Commodity Exchange segment (~96.04 market share), steady earnings visibility. At CMP of Rs 1,519, MCX is currently trading at FY22E/23E P/E of 30.8x/26.5x. We maintain our Hold rating on the stock with a target price of Rs 1,663, based on 29x FY23E PE.

Financial Highlights

(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%	61.7
FY20	3,742	1,547	2,365	46	41.3%	18.1%	32.8
FY21	3,906	1,851	2,252	44	47.4%	16.2%	34.4
FY22E	4,973	2,454	2,518	49	49.4%	16.9%	30.8
FY23E	5,755	3,001	2,924	57	52.1%	17.6%	26.5

Q4FY21 Financial Performance

(Rs. Mn)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Net Sales	970	1122	-14%	1009	-4%
Staff cost	177	213	-17%	195	-9%
Software support charges	153	188	-18%	164	-7%
Computer technology expenses	53	49	10%	56	-5%
Other Expenses	144	197	-27%	108	34%
EBITDA	442	476	-7%	487	-9%
Depreciation	61	56	10%	59	4%
EBIT	381	420	-9%	428	-11%
Interest	1	2	-69%	1	0%
Other Income	115	228	-49%	248	-54%
PBT	495	646	-23%	675	-27%
Tax	110	-9	NA	-42	NA
PAT	385	655	-41%	717	-46%
Share of Profit / (loss) of associates	-1	0	75%	0	NA
Reported PAT	384	655	-41%	718	-46%
EPS	8	13	-41%	14	-46%

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

Margin Analysis

Particulars (as a % of revenue)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
Staff cost	18.2	19.0	-74bps	19.3	-107bps
Software support charges	15.8	16.7	-94bps	16.2	-45bps
Computer technology expenses	5.5	4.3	116bps	5.6	-7bps
Other Expenses	14.9	17.6	-266bps	10.7	422bps
EBITDA Margin	45.6	42.4	319bps	48.2	-262bps
EBIT Margin	39.3	37.5	183bps	42.4	-313bps
PAT Margin	39.6	58.4	-1874bps	71.2	-3152bps

Break-up of Average daily turnover

ADTV (in cr.)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
- Bullion	15445	14125	9%	17143	-10%
- Energy	8343	17035	-51%	8015	4%
- Base Metals	7090	4969	43%	6769	5%
- Agri Commodities	617	498	24%	437	41%
Total	31823	36626	-13%	32684	-3%

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

in mn.	FY19	FY20	FY21	FY22E	FY23E
Sales	3,000	3,742	3,906	4,973	5,755
Employee cost	725	773	752	861	897
Software support charges	613	690	636	719	800
Computer Technology expenses	206	206	211	242	252
Other expenses	517	526	456	696	806
EBITDA	940	1,547	1,851	2,454	3,001
Depreciation	155	181	221	272	345
EBIT	785	1,365	1,631	2,183	2,655
Interest & finance charges	0	2	2	2	2
Other income	986	1,290	1,038	1,090	1,144
Exceptional inc/ (loss)	-238	0	0	0	0
Share of Profit of Associates	4	0	1	0	0
PBT	1,537	2,653	2,668	3,271	3,797
Tax	281	289	415	752	873
PAT	1,256	2,365	2,252	2,518	2,924

Balance Sheet

in mn.	FY19	FY20	FY21	FY22E	FY23E
Equity capital	510	510	510	510	510
Reserves	11,999	13,084	13,672	15,171	17,075
Net worth	12,509	13,594	14,182	15,681	17,585
Settlement Guarantee Fund	3,298	4,098	4,692	4,739	4,787
Loans	0	0	0	0	0
Sources of Funds	15,807	17,692	18,875	20,420	22,371
Net Fixed Assets	1,770	1,820	1,857	3,196	4,060
Non current Investments	6,801	10,498	11,885	11,885	11,885
Curr.Assets, L & adv.	12,175	15,028	11,283	13,293	16,316
Sundry Debtors	60	65	90	90	104
Cash & Bank Balances	5,346	7,593	4,261	5,228	7,040
Loans & advances	2	2	1	3	4
Other current financial assets	6,767	7,369	6,932	7,972	9,168
Current Liab. & Prov.	4,939	9,655	6,151	7,954	9,890
Current liabilities	4,907	9,619	6,108	7,905	9,833
- Sundry Creditors	332	310	203	523	606
- Other Liabilities	4,575	9,309	5,905	7,381	9,227
Provisions	32	35	42	49	57
Net Current Assets	7,236	5,373	5,133	5,339	6,426
Application of Funds	15,807	17,692	18,875	20,420	22,371

Cash Flow Statement

in mn.	FY19	FY20	FY21E	FY22E	FY23E
OP/(loss) before tax	785	1,365	1,631	2,183	2,655
Other income	-986	-1,290	-1,038	-1,090	-1,144
Depreciation & amort.	-155	-181	-221	-272	-345
Direct taxes paid	-281	-289	-415	-752	-873
(Inc)/dec in wkg. capital	4,008	4,110	-3,091	760	725
CF from op. activity	3,372	3,715	-3,134	830	1,017
Extra-ordinary items	-234	0	1	0	0
CF after EO Items	3,138	3,715	-3,133	830	1,017
(Inc)/dec in FA+CWIP	-609	-1,094	-1,096	-2,200	-2,420
(Pur)/sale of invest.	697	-3,697	-1,387	0	0
CF from inv. activity	88	-4,791	-2,483	-2,200	-2,420
Inc./(dec) in networkth	2,717	4,517	3,479	3,483	5,841
Inc/(dec) in debt	0	0	0	0	0
Interest paid	0	-1	-2	-2	-2
Dividends paid	-1,193	-1,193	-1,193	-1,193	-1,193
CF from fin. activity	1,523	3,323	2,283	2,288	4,645
Inc/(dec) in cash	4,750	2,247	-3,333	917	1,519
Add: beginning balance	597	5,346	7,593	4,261	5,228
Closing balance	5,346	7,593	4,261	5,178	6,747

Ratio Analysis

in %	FY19	FY20	FY21	FY22E	FY23E
Profitability Ratios					
EBITDA Margin (%)	31.3	41.3	47.4	49.4	52.1
EBIT Margin (%)	26.2	36.5	41.8	43.9	46.1
PAT Margin (%)	41.9	63.2	57.7	50.6	50.8
ROE (%)	9.5	18.1	16.2	16.9	17.6
ROCE (%)	4.9	9.3	9.9	11.3	12.3
Turnover ratios					
Debtors (days)	8	7	7	7	7
Creditors (days)	42	33	18	40	40
Working capital (days)	-35	-26	-11	-33	-33
Leverage Ratio					
Debt/Equity Ratio (x)	0	0	0	0	0
Per Share Ratio					
EPS	25	46	44	49	57
BV	245	267	278	307	345
DPS	20	20	20	20	20
Valuation					
P/E	61.7	32.8	34.4	30.8	26.5
P/BV	6.2	5.7	5.5	4.9	4.4

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 is 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