

Multi Commodity Exchange of India

30th July 2024

Futures Volume Surprise!

In Q1FY25, Multi Commodity Exchange of India (MCX) delivered revenue growth of 60.8% on a YoY basis on the back of strong growth in ADT of Options contracts, which increased by 137.0% on a YoY basis and sudden reversal in ADT of Futures contract which has increased by 21.3% on a YoY basis. MCX has now maintained its EBITDA margin at 56%+ for both the quarters post 63 Moons contract expiration, which previously weighed on margins. With the cessation of technology-related costs, MCX's EBITDA margins have attained their highest level since 2014. We expect MCX to continue with the current margin trajectory for the foreseeable future.

Options continue to gain traction; Futures volume surprise

In Q1 FY25, the ADT of Options contracts increased from Rs. 619 Bn to Rs. 1,467 Bn, a growth of 137.0% on a YoY basis. Options contracts' revenue contribution to total transaction charges has reached ~64% in Q1FY25, surpassing revenue from Futures contracts. Within options contracts, product concentration has been reducing, with energy contracts contribution at 84.8% in Q1 FY25 vs. 88.5% in Q1 FY24. Bullion has gained traction, contributing 15.1% to Options' ADT.

The ADT of Future contracts has been decreasing for the past eight consecutive quarters, but surprisingly there is an uptick in volumes in Q1 FY25. In Q1FY25, Future's ADTO increased by 21.3% on a YoY basis and 48.0% on a QoQ basis. Currently, sustainability of this trend is into question and clarity will emerge in subsequent quarters only. Considering the trend, we are expecting futures volume growth to be flat.

Focusing on new product launches

The Company is targeting the launch of multiple products, such as a 10g gold monthly contract, a few agri commodities, etc. Additionally, the cotton candy contract is scheduled for launch in the upcoming season in October'24. Management is also considering the development of shorter-duration contracts.

View & Valuation

MCX has effectively addressed a significant concern by successfully launching the CDP platform. MCX is now at a pivot point where it is gaining massive traction in options contracts, rapidly expanding product offering, regulatory tailwind, and margin expansion expected from the CDP platform. Further, growth delivered by the Company is way above our earlier expectations and hence we have revised our estimates and changed our rating from SELL to NEUTRAL with a target price of Rs. 4,218 (44x FY25E EPS).

NEUTRAL

CMP Rs. 4,200

TARGET Rs. 4,218 (+0.4%)

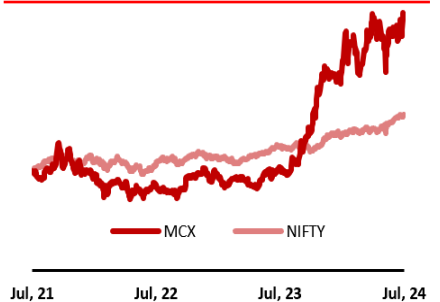
Company Data

Bloomberg Code	MCX IN
MCAP (Rs. Mn)	214,305
O/S Shares (Mn)	51
52w High/Low	4,289 / 1,539
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	2,216

Shareholding Pattern %

	Jun 24	Mar 24	Dec 23
Promoters	-	-	-
FIs	20.7	23.2	26.6
DIs	57.2	56.9	53.0
Non-Institutional	22.1	19.9	20.4

MCX vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Mn)	FY24	FY25E	FY26E
Revenue	68.4	105.6	131.6
EBITDA	6.4	63.6	82.1
Net Profit	8.3	48.9	63.0
Total Assets	340.9	355.7	373.6
ROCE (%)	3%	34%	39%
ROE (%)	5%	34%	39%

Source: Company, Keynote Capitals Ltd.

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MCX India Limited | Quarterly Update

Q1 FY25 Result Update

Result Highlights (Rs. In Mn)

Particulars	Q1FY25	Q1FY24	Change % (Y-o-Y)	Q4FY24	Change % (Q-o-Q)	FY24
Revenue	2,344	1,458	60.8%	1,811	29.4%	6,836
Employee Cost	321	253	27.0%	307	4.5%	1123
Product License Fees	132	78	70.3%	104	27.5%	396
Information Tech Expenses	226	884	-74.5%	221	2.2%	3855
SGF Contribution	139	24	473.1%	30	365.4%	357
Other Opex	201	112	78.9%	130	54.5%	461
EBITDA	1,326	107	1140.0%	1,020		643
EBITDA %	57%	7%	4923 Bps	56%	24 Bps	9%
Depreciation	134	43	210.2%	138	-2.5%	359
EBIT	1,191	64	1773.1%	882		284
EBIT %	51%	4%	4647 Bps	49%	212 Bps	4%
Finance Cost	1	1.0	-50.0%	1	-16.7%	3
Other Income	188	204	-7.9%	183	2.8%	754
PBT	1,379	267	416.5%	1,065		1,035
PBT %	54%	16%	3840 Bps	53%	107 Bps	14%
Tax	273	58	372.8%	205		189
Share of Associates	4	-13		19		-15
PAT	1,109	197	464.2%	879		831
EPS	21.8	3.9	-	17.2	-	16.3

Particulars	Q1FY25	Q1FY24	Change % (Y-o-Y)	Q4FY24	Change % (Q-o-Q)
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ADT Futures Mix (in Mn)

Bullion	178,000	129,187	38%	116,570	53%
Energy	49,570	61,893	-20%	43,560	14%
Metals	31,900	22,237	43%	15,070	112%
Agriculture	160	257	-38%	240	-33%
Index	230	562	-59%	150	53%

ADT Options Mix (in Mn)

Bullion	221,850	70,997	212%	125,550	77%
Energy	1,245,060	548,228	127%	1,010,950	23%
Metals	800	54	1381%	220	264%

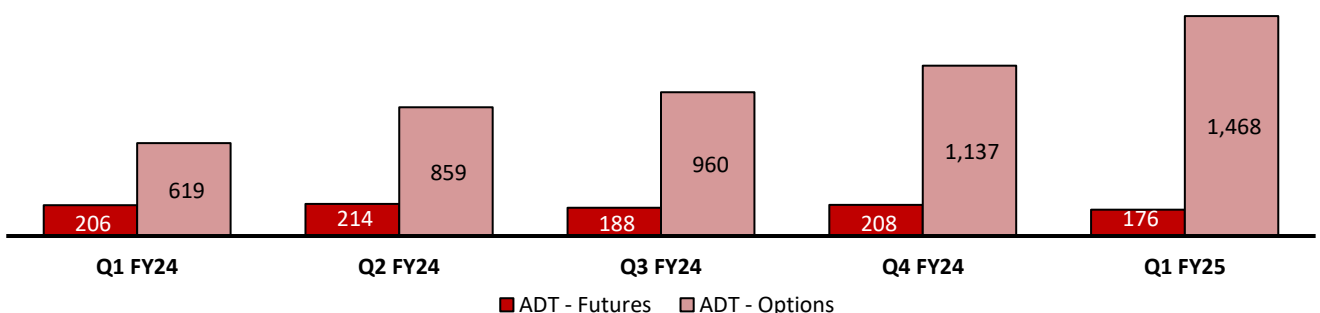
MCX's Network

Unique Client Codes	25,800,000	10,099,457	155%	23,058,165	12%
Members	544	556	-2%	547	-1%
Authorised Persons	35,537	47,573	-25%	36,312	-2%

Source: Company, Keynote Capitals Ltd.

Business progression

ADT - Futures & Options (in Rs. Bn)



Source: Company, Keynote Capitals Ltd.

Q1 FY25 Conference Call Takeaways

General Highlights

- MCX clocked the highest single day turnover of Rs. 3.77 Tn on 15th May 2024.
- Management plans to voluntarily contribute Rs. 100 Mn per quarter to SGF, to fund future business growth and avoid last minute payments.
- Currently 100 FPIs are actively participating on MCXs with 90 CAT I and 10 CAT II. However FPIs are allowed to trade in only two commodities, namely Crude Oil and Natural Gas contracts. It's early days for FPIs as they have started trading in last few months only.
- Future volumes trend has seen sudden reversal during the quarter but no concrete response from management as to what led to this reversal.

Regulatory Update

- SEBI circular dated 1st July 2024 directed MCX to redesign the existing charge structure such that it should be uniform and equal for all its members instead of slab wise structure which was dependent on volume or activity of members. Circular would be effective from Oct'24.
- As per new regulations, interest earned on float income has to be passed on to Clearing Corporation. Impact on MCX is not determined yet.
- Due to sharp reduction in custom duty on gold, led to record turnover of Rs. 715 Bn in Gold 1Kg options contract on 23rd July 2024.

New Product Launches

- MCX introduced two new options contract in April 2024, Crude Oil Mini options, which has crude oil mini futures of ten barrels as underlying contract and Natural Gas Mini options, which has natural gas mini futures of 250 MMBTU as underlying contract.
- Management is planning to launch 3 contracts Cotton Seed Oil futures, Crude Sunflower Oil futures and Gold 10Gram. These products have already received regulatory approval and is under testing phase.

Revenue from Transaction Charges

- During Q1 FY25, futures and options account for Rs. 710 Mn and Rs. 1,270 Mn respectively.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	5,135	6,836	10,557	13,156	17,414
Growth %		33%	54%	25%	32%
Raw Material Expenses	0	0	0	0	0
Employee Expenses	919	1,123	1,404	1,685	1,938
Other Expenses	2,722	5,069	2,790	3,260	4,179
EBITDA	1,494	643	6,363	8,211	11,297
Growth %		-57%	889%	29%	38%
Margin%	29%	9%	60%	62%	65%
Depreciation	216	359	538	591	660
EBIT	1,278	284	5,825	7,619	10,637
Growth %		-78%	1952%	31%	40%
Margin%	25%	4%	55%	58%	61%
Interest Paid	2	3	3	3	3
Other Income & exceptional	680	754	716	808	928
PBT	1,956	1,035	6,538	8,425	11,562
Tax	416	189	1,635	2,106	2,891
PAT	1,540	846	4,904	6,319	8,672
Others (Minorities, Associates)	-50	-15	-15	-15	-15
Net Profit	1,490	831	4,889	6,303	8,657
Growth %	4%	-44%	488%	29%	37%
Shares (Mn)	51.0	51.0	51.0	51.0	51.0
EPS	29.21	16.30	95.86	123.60	169.74

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	11,779	9,656	11,211	13,051	15,453
Current Investments	2,024	3,114	3,114	3,114	3,114
Debtors	146	679	633	526	697
Inventory	0	0	0	0	0
Short Term Loans & Advances	2,080	511	511	511	511
Other Current Assets	637	543	543	543	543
Total Current Assets	16,667	14,504	16,013	17,745	20,317
Net Block & CWIP	2,021	3,874	3,863	3,930	4,140
Long Term Investments	8,441	6,025	6,010	5,995	5,980
Other Non-current Assets	11,420	9,685	9,685	9,685	9,685
Total Assets	38,549	34,088	35,572	37,356	40,123
Creditors	214	616	633	526	697
Provision	483	15	15	15	15
Short Term Borrowings	0	0	0	0	0
Other Current Liabilities	8,687	11,211	11,211	11,211	11,211
Total Current Liabilities	9,383	11,841	11,859	11,752	11,922
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	-4	82	82	82	82
Other Long Term Liabilities	8,479	8,380	8,380	8,380	8,380
Total Non Current Liabilities	8,475	8,462	8,462	8,462	8,462
Paid-up Capital	510	510	510	510	510
Reserves & Surplus	20,181	13,275	14,741	16,632	19,229
Shareholders' Equity	20,691	13,785	15,251	17,142	19,739
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	38,549	34,088	35,572	37,356	40,123

Source: Company, Keynote Capitals Ltd. estimates

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,956	1,035	6,538	8,425	11,562
Adjustments	-322	-331	-176	-214	-266
Change in Working Capital	-252	5,032	63	0	0
Total Tax Paid	-495	-511	-1,635	-2,106	-2,891
Cash flow from operating Activities	886	5,224	4,791	6,104	8,406
Net Capital Expenditure	-713	-1,432	-528	-658	-871
Change in investments	1,373	1,578	0	0	0
Other investing activities	-741	-4,388	716	808	928
Cash flow from investing activities	-81	-4,243	188	150	58
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	0	0	0	0	0
Dividend (incl. tax)	-887	-974	-3,422	-4,412	-6,060
Other financing activities	-7	-8	-3	-3	-3
Cash flow from financing activities	-895	-982	-3,425	-4,415	-6,062
Net Change in cash	-89	-1	1,555	1,840	2,402

Valuation Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	29	16	96	124	170
Growth %		-44%	488%	29%	37%
Book Value Per Share	396	270	299	336	387
Return Ratios					
Return on Assets (%)	4%	2%	14%	17%	22%
Return on Equity (%)	7%	5%	34%	39%	47%
Return on Capital Employed (%)	7%	3%	34%	39%	47%
Liquidity Ratios					
Current Ratio (x)	1.8	1.2	1.4	1.5	1.7
Interest Coverage Ratio (x)	932	384	2,423	3,121	4,283
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	-0.6	-0.7	-0.7	-0.8	-0.8
Valuation					
PE (x)	51.9	218.5	35.5	27.5	20.0
Earnings Yield (%)	2%	0%	3%	4%	5%
Price to Sales (x)	15.1	26.6	16.5	13.2	10.0
Price to Book (x)	3.7	13.2	11.4	10.2	8.8
EV/EBITDA (x)	43.9	282.5	25.5	19.8	14.4
EV/Sales (x)	12.8	26.6	15.4	12.3	9.3

KEYNOTE Rating History

Date	Rating	Market price at Recommendation	Upside/Downside
31 st October 2022	BUY	1,535	+16.4%
8 th February 2023	UNDER REVIEW	1,400	-
24 th May 2023	UNDER REVIEW	1,361	-
1 st August 2023	UNDER REVIEW	1,633	-
15 th November 2023	REDUCE	2,894	-4.7%
13 th February 2024	SELL	3,414	-18.1%
25 th April 2024	SELL	4,168	-17.6%
30 th July 2024	NEUTRAL	4,200	+0.4%

Source: Company, Keynote Capitals Ltd. estimates

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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