

# DEEP DIVE MCX



# MCX

## Tech transition underway; options surge

The Multi Commodity Exchange of India Ltd (MCX) has witnessed impressive growth in options volume but uncertainty around the technology shift has been the key overhang. The commodity exchange, in a press release, has indicated that the technology shift is underway and might happen three months ahead of the deadline. In the last seven days, MCX has conducted mock trading sessions for 14 hours without any glitches. We believe that post the technology transition, the investor focus will shift to product launches, volume growth and improving profitability. Options notional ADTV has increased ~3x YoY and is currently >INR 1,000bn (~5x of futures). Options growth is driven by a surge in active UCCs (+126% YoY) and higher activity in crude/natural gas contracts. The launch of new products like index and mini/weekly options will further boost volumes. The options premium-to-notional ratio will decline gradually but the premium volume will register ~47% CAGR over FY23-26E. We increase our EPS estimate by ~8-9% for FY25/26E and increase multiple to 28x (vs 25x earlier) to factor in options surge and lower uncertainty around the technology shift. We maintain BUY with a target price of INR 2,400, based on 28x Sep-25E core EPS + net cash ex-SGF.

- **Options volume driving growth:** Options ADTV stood at INR 860bn in Q2FY24 (+38/174% QoQ/YoY) but the premium growth stood at +31/99% QoQ/YoY. The exchange earns on premium and the premium to notional ratio is gradually coming down; we have assumed 1.8/1.7/1.6% for FY24/25/26E vs. 2.4% in FY23. As per sensitivity, a ~10%/10bps increase in options volume/premium-to-notional ratio boosts EPS by ~13/5%. We expect commodity options volume/premium volume to grow at a CAGR of 69/47% over FY23-26E and options will account for ~60% of total revenue in FY26E (vs 34% in FY23). Algorithmic/mobile trading constitutes 55/31% of options volume while proprietary/client is 53/45%, and FPI/DII volume is negligible.
- **Improvement in profitability:** MCX profitability was impacted by the higher payout of INR 1.4/3.3bn to the technology vendor in FY23/24E, leading to a drop in EBITDA margin (26/17% in FY23/24E vs. ~45% average). The shift to the new platform will pivot the cost structure to a higher fixed-cost model. The total cost will decline by 51% in FY25E due to a significant reduction in software support charges. We expect SSC to be at INR 0.6/0.65bn in FY25/26E and other costs to grow at ~13% CAGR over FY23-26E. The embedded non-linearity in the business model will lead to significant margin expansion in FY25/26E (EBITDA margin of 65% in FY25E).
- **Valuation and return ratios:** MCX price performance has a high correlation with volume growth. In the last ten years, the price-to-volume correlation stood at ~55%, which came down to ~12% in the last three years due to technology challenges. The stock has traded at an average one-year fwd P/E 30x and currently trades at a P/E of 23/19x FY25/26E EPS. Net cash stands at INR 10bn (~11% of market cap) with significant improvement in return ratios.

### Financial Summary\*

YE March (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	3,906	3,668	5,135	6,753	7,801	9,064
EBITDA	1,852	1,622	1,497	1,176	5,065	6,026
APAT	2,252	1,639	1,490	1,214	4,237	4,991
Diluted EPS (INR)	44.3	32.2	29.3	23.8	83.2	98.1
P/E (x)	43.0	59.1	65.0	79.8	22.8	19.4
EV / EBITDA (x)	46.3	51.9	59.4	75.5	17.2	14.2
RoE (%)	16.2	11.6	10.3	8.1	26.6	28.2

Source: Company, HSIE Research, \*Consolidated

## BUY

CMP (as on 26 Sep 2023) INR 1,902

Target Price INR 2,400

NIFTY 19,665

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,780	INR 2,400
EPS %	FY25E +8.0	FY26E +9.1

### KEY STOCK DATA

Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	97/1,186
6m avg traded value (INR mn)	804
52 Week high / low	INR 1,963/1,156

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	16.4	28.9	53.6
Relative (%)	11.7	14.3	38.2

### SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	0.00	0.00
FIs & Local MFs	52.71	55.07
FPIs	25.77	24.84
Public & Others	21.52	20.09
Pledged Shares	0.00	0.00

Source : BSE

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### MCX SoTP valuation

Core PAT Sep-25E (INR mn)	3,998
28X Core PAT (INR mn)	1,11,795
Add: Net Cash (INR mn) ex SGF	10,369
Mcap (INR mn)	1,22,164
TP (INR)	2,400
Upside (%)	26%

Source: HSIE Research

### Volume and target price sensitivity

MCX option volume to premium sensitivity		Options ADTV FY25E (INR bn)				
		968	1,076	1,195	1,315	1,446
Premium to notional Ratio %	1.5%	1,717	1,924	2,173	2,441	2,757
	1.6%	1,798	2,020	2,287	2,573	2,911
	1.7%	1,880	2,117	2,400	2,705	3,066
	1.8%	1,962	2,213	2,514	2,838	3,221
	1.9%	2,043	2,309	2,627	2,970	3,375

MCX option volume to multiple sensitivity		Options ADTV FY25E (INR bn)				
		968	1076	1195	1315	1446
Sep-25E Core Multiple	20	1,401	1,570	1,772	1,990	2,247
	25	1,700	1,911	2,165	2,437	2,759
	28	1,880	2,117	2,400	2,705	3,066
	31	2,060	2,322	2,636	2,974	3,373
	34	2,239	2,527	2,872	3,242	3,680

Source: HSIE Research

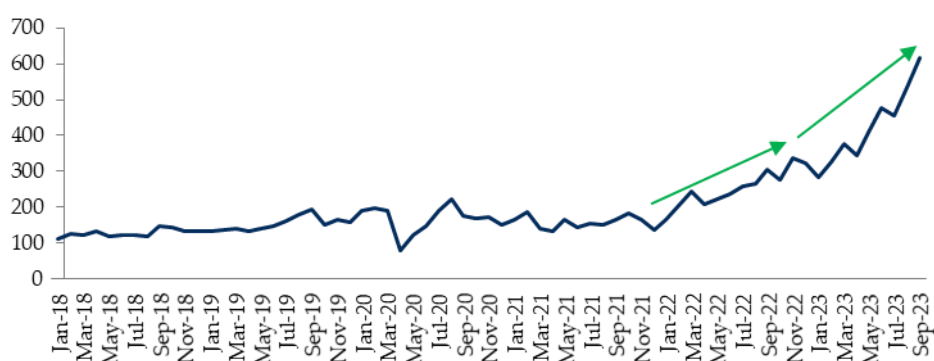
### Change in estimate

INR mn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	6,369	6,753	6.0	7,224	7,801	8.0	8,339	9,064	8.7
EBITDA	792	1,176	48.5	4,488	5,065	12.9	5,301	6,026	13.7
EBITDA Margin (%)	12.4	17.4	498bps	62.1	64.9	280bps	63.6	66.5	291bps
APAT	945	1,214	28.4	3,924	4,237	8.0	4,574	4,991	9.1
EPS (INR)	18.6	23.8	28.4	77.1	83.2	8.0	89.9	98.1	9.1

Source: HSIE Research

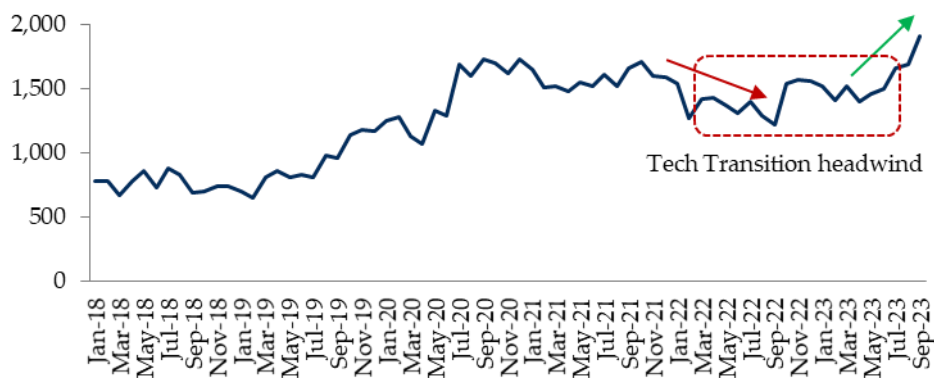
**MCX volumes and price chart – 10Y correlation of 55% vs. 12% in the last three years**

MCX Volume (INR bn) - Futures + 50% Options



Source: Company, NSE, HSIE Research, MCX volume is Futures + 50% Options Notional

MCX Share Price



Source: Company, NSE, HSIE Research, MCX volume is Futures + 50% Options Notional

## MCX revenue and cost assumptions

MCX (INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR % FY18-23	CAGR % FY23-26E
Futures ADTV (INR bn)	211.93	256.48	324.24	312.81	257.45	233.35	218.42	213.66	207.23	1.9%	-3.9%
Growth %			26.4%	-3.5%	-17.7%	-9.4%	-6.4%	-2.2%	-3.0%		
Options ADTV (INR bn)	0.41	7.04	11.26	8.98	78.29	338.66	855.83	1,195.14	1,625.98	283.9%	68.7%
Growth %		1634.6%	59.9%	-20.3%	771.7%	332.5%	152.7%	39.6%	36.0%		
Options Premium ADTV (INR bn)						8.20	15.66	20.32	26.02		47.0%
Growth %							91.0%	29.8%	28.0%		
<b>Premium/Notional %</b>						<b>2.4%</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.6%</b>		<b>-12.9%</b>
Futures Revenue	2,415	2,863	3,535	3,404	2,837	2,512	2,371	2,319	2,249	0.8%	-3.6%
Growth %			23.5%	-3.7%	-16.7%	-11.5%	-5.6%	-2.2%	-3.0%		
% of Transaction Revenue	100.0%	100.0%	100.0%	100.0%	89.8%	58.8%	41.5%	34.8%	28.8%		
Option Revenue	0	0	0	0	323	1,761	3,348	4,345	5,563		46.7%
Growth %						444.6%	90.0%	29.8%	28.0%		
% of Transaction Revenue	0.0%	0.0%	0.0%	0.0%	10.2%	41.2%	58.5%	65.2%	71.2%		
<b>Total Transaction Revenue</b>	<b>2,415</b>	<b>2,863</b>	<b>3,535</b>	<b>3,404</b>	<b>3,160</b>	<b>4,273</b>	<b>5,719</b>	<b>6,663</b>	<b>7,812</b>	<b>12.1%</b>	<b>22.3%</b>
Growth %			23.5%	-3.7%	-7.2%	35.2%	33.8%	16.5%	17.2%		

MCX (INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR % FY18-23	CAGR % FY23-26E
Transaction Revenue	2,415	2,863	3,535	3,404	3,160	4,273	5,719	6,663	7,812	12.1%	22.3%
Other Operating Revenue	183	137	444	502	508	862	1,034	1,138	1,252	36.3%	13.2%
<b>Total Revenue</b>	<b>2,598</b>	<b>3,000</b>	<b>3,978</b>	<b>3,906</b>	<b>3,668</b>	<b>5,135</b>	<b>6,753</b>	<b>7,801</b>	<b>9,064</b>	<b>14.6%</b>	<b>20.9%</b>
Growth YoY %		15.5%	32.6%	-1.8%	-6.1%	40.0%	31.5%	15.5%	16.2%		

Cost Structure	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR % FY18-23	CAGR % FY23-26E
SSC (Software Support)	494	614	689	636	640	1,961	3,658	600	660	31.7%	-30.4%
SSC Fixed	180	180	180	180	180	180	358	600	660	0.0%	54.2%
SSC Variable	314	434	509	456	460	1,781	3,300	0	0	41.5%	NM
Computer & Tech	229	205	206	211	205	270	311	357	411	3.4%	15.0%
Other Overheads	474	517	526	456	402	488	562	618	680	0.6%	11.6%
Employee Cost	682	725	773	751	800	919	1,047	1,161	1,288	6.1%	11.9%
<b>Total Cost</b>	<b>1,880</b>	<b>2,061</b>	<b>2,195</b>	<b>2,053</b>	<b>2,046</b>	<b>3,638</b>	<b>5,577</b>	<b>2,737</b>	<b>3,038</b>	<b>14.1%</b>	<b>-5.8%</b>
Growth YoY %		9.6%	6.5%	-6.4%	-0.3%	77.8%	53.3%	-50.9%	11.0%		

Cost Break-up	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR % FY18-23	CAGR % FY23-26E
Fixed Cost	1,091	1,110	1,159	1,142	1,185	1,369	1,715	2,119	2,359	4.6%	19.9%
Variable Cost	789	951	1,036	912	861	2,269	3,862	618	680	23.5%	-33.1%
Fixed Cost %	58%	54%	53%	56%	58%	38%	31%	77%	78%		
Variable Cost %	42%	46%	47%	44%	42%	62%	69%	23%	22%		
EBITDA mn	719	940	1,784	1,852	1,622	1,497	1,176	5,065	6,026	15.8%	59.1%
<b>EBITDA margin %</b>	<b>27.7%</b>	<b>31.3%</b>	<b>44.8%</b>	<b>47.4%</b>	<b>44.2%</b>	<b>29.1%</b>	<b>17.4%</b>	<b>64.9%</b>	<b>66.5%</b>		
Depreciation	167	154	182	221	227	216	278	512	583	5.3%	39.2%
Growth YoY %		-7.3%	17.6%	21.5%	2.9%	-4.9%	28.6%	84.4%	13.8%		
EBIT	552	785	1,602	1,632	1,395	1,281	899	4,553	5,443	18.3%	62.0%
<b>EBIT margin %</b>	<b>21.2%</b>	<b>26.2%</b>	<b>40.3%</b>	<b>41.8%</b>	<b>38.0%</b>	<b>24.9%</b>	<b>13.3%</b>	<b>58.4%</b>	<b>60.1%</b>		
Other Income	920	748	1,053	1,038	461	677	683	807	860	-6.0%	8.3%
<b>PBT</b>	<b>1,472</b>	<b>1,533</b>	<b>2,653</b>	<b>2,667</b>	<b>1,853</b>	<b>1,955</b>	<b>1,579</b>	<b>5,358</b>	<b>6,301</b>		
PAT	1,084	1,462	2,365	2,252	1,434	1,490	1,214	4,237	4,991	6.6%	49.6%
<b>APAT</b>	<b>1,084</b>	<b>1,700</b>	<b>2,365</b>	<b>2,252</b>	<b>1,639</b>	<b>1,490</b>	<b>1,214</b>	<b>4,237</b>	<b>4,991</b>	<b>6.6%</b>	<b>49.6%</b>
<b>Core PAT</b>	<b>406</b>	<b>747</b>	<b>1,428</b>	<b>1,377</b>	<b>1,089</b>	<b>1,008</b>	<b>719</b>	<b>3,642</b>	<b>4,355</b>	<b>19.9%</b>	<b>62.8%</b>

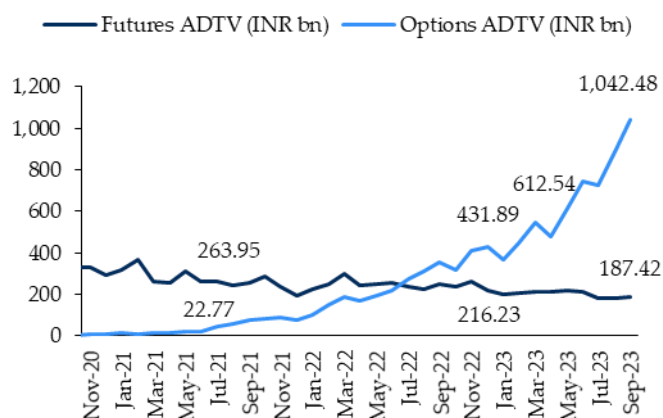
Source: Company, HSIE Research

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## Options volume reaching new highs every month: Focus to shift from technology to volume growth

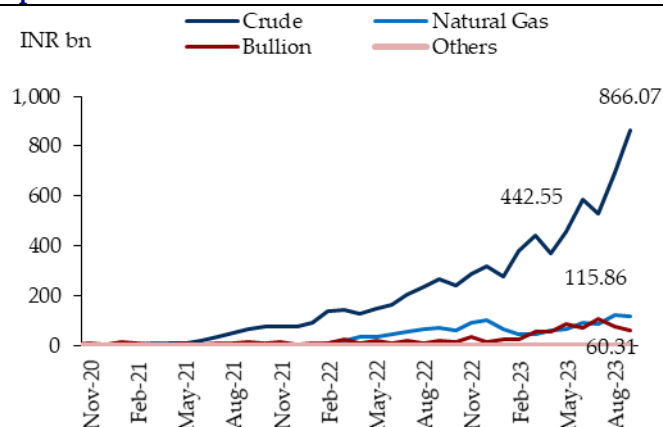
MCX options volume has registered strong growth in the last two years; options ADTV has increased from INR 60bn in Q2FY22 to ~INR 860bn in Q2FY24. Options volume is now ~82% of the total derivatives volume and accounts for ~50% of MCX revenue in FY24E. The growth in MCX options volume is triggered by (1) the higher margin in crude futures contracts which made options trading attractive, (2) the steep rise in commodity options traders, up ~126% YoY, and (3) the launch of new options contracts and higher volatility in major contracts. Crude and natural gas contracts account for ~90% of the options volume because they are cash-settled and have decent liquidity. We believe that the next phase of options volume growth will be led by gold, launch of mini contracts and launch of index options contracts (approval received from SEBI). The NSE index option is ~99% of the total derivative volume and a very popular product category in India. We expect the options volume/premium to grow at a CAGR of 69/47% over FY23-26E and account for ~60% of total MCX revenue. We believe that after a successful technology transition, the investor focus will shift from technology-related challenges to the steep rise in options volume and improving profitability.

### MCX options ADTV crossed the 1 tn mark in Sep-23, up 3x YoY, futures are on a declining trend



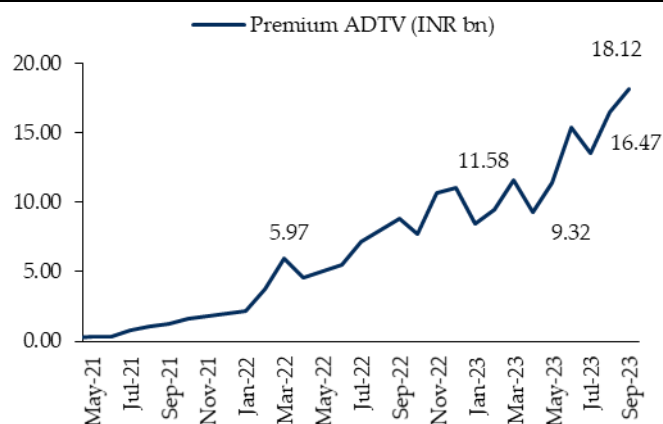
Source: Company, HSIE Research

### Crude and Natural Gas contracts account for ~90% of options volume



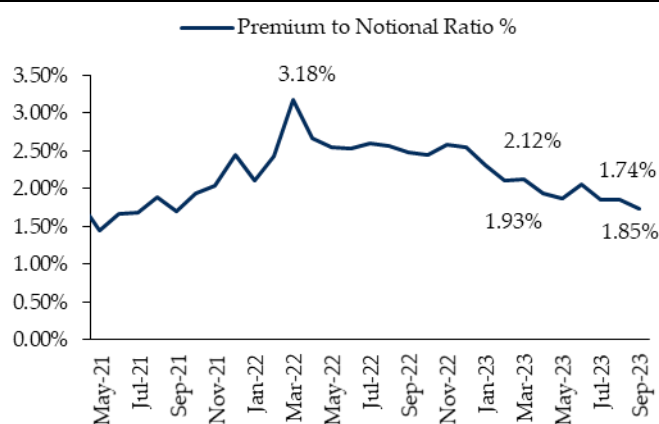
Source: Company, HSIE Research

### The options premium ADTV has registered strong growth, up 31/99% QoQ/YoY in Q2FY24



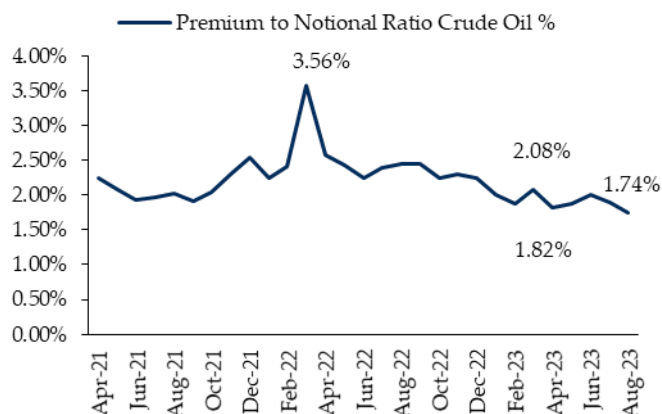
Source: Company, HSIE Research

### The premium to notional ratio is coming down gradually, it was stable in the last three months



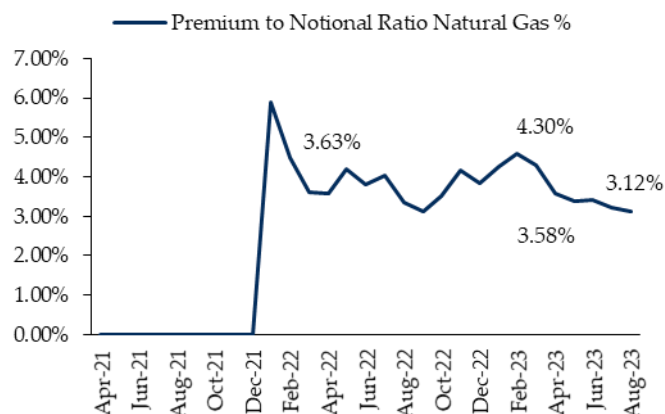
Source: Company, HSIE Research

### The options premium to the notional ratio for Crude Oil contract is in line with the company's average



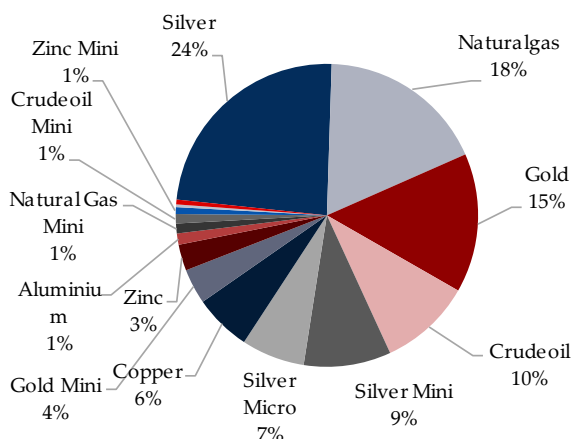
Source: Company, HSIE Research

### The options premium to notional ratio for Natural gas contracts is 1.7x of company average



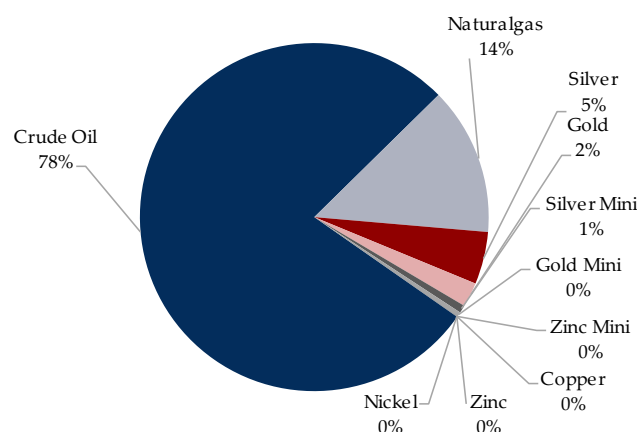
Source: Company, HSIE Research

### Commodity futures top traded contracts—Silver, Gold Natural gas and Crude oil account for ~66% of the volume



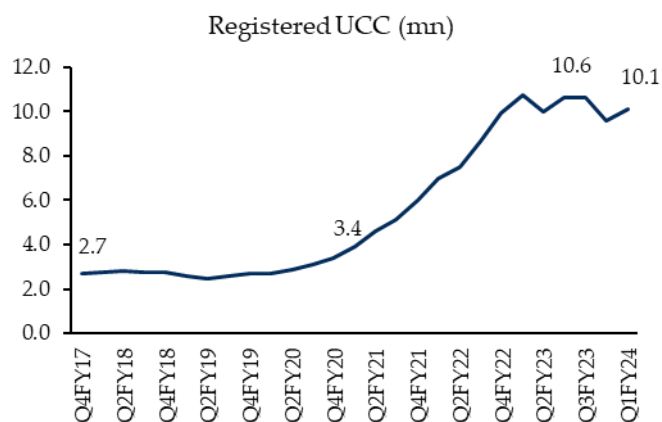
Source: Company, HSIE Research, volume mix for September 2023

### Commodity options volume is dominated by crude and natural gas contracts



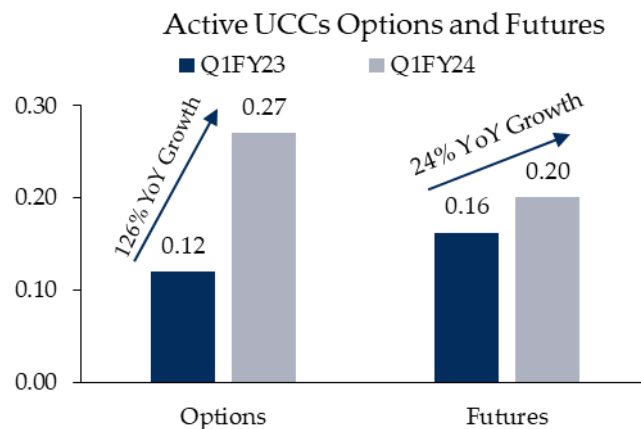
Source: Company, HSIE Research, volume mix for September 2023

### Total active unique client codes (UCC) have increased 3x post-pandemic



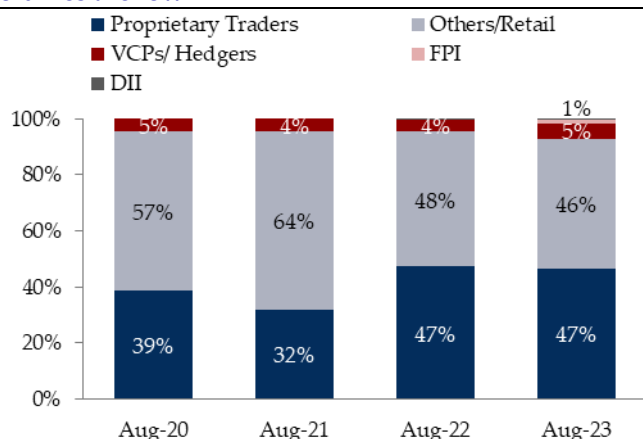
Source: Company, HSIE Research

### Options traded UCCs have registered ~ 126% YoY growth and have surpassed futures active UCCs



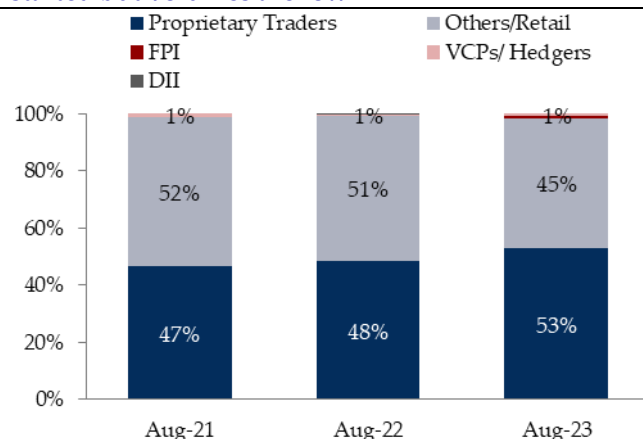
Source: Company, HSIE Research

**Futures turnover by category – dominated by proprietary and retail/others, FPI and DII activity has started but volumes are low**



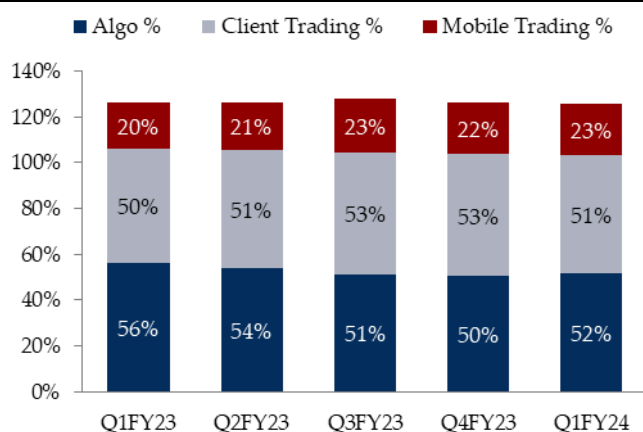
Source: Company, HSIE Research

**Options turnover by category – dominated by proprietary and retail/others, FPI and DII activity has started but volumes are low**



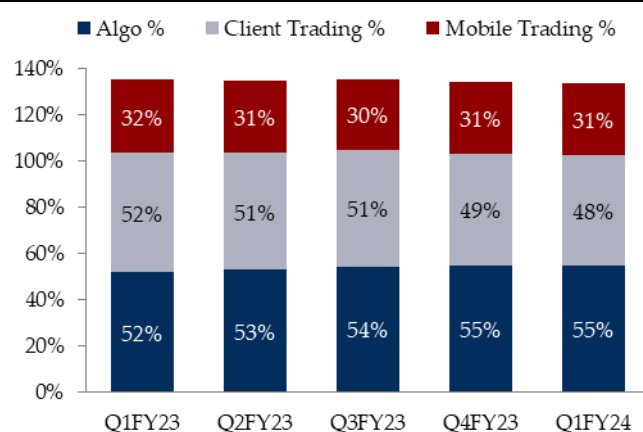
Source: Company, HSIE Research

**Futures volume participants mix: Algorithmic trading dominates the volume**



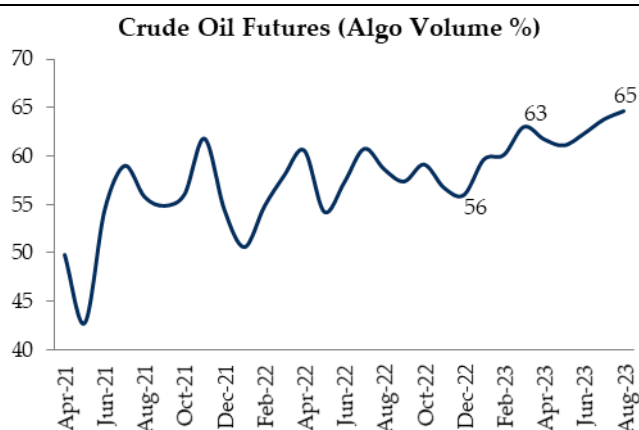
Source: Company, HSIE Research

**Options volume participants mix: Algo trade forms the bulk of trades**



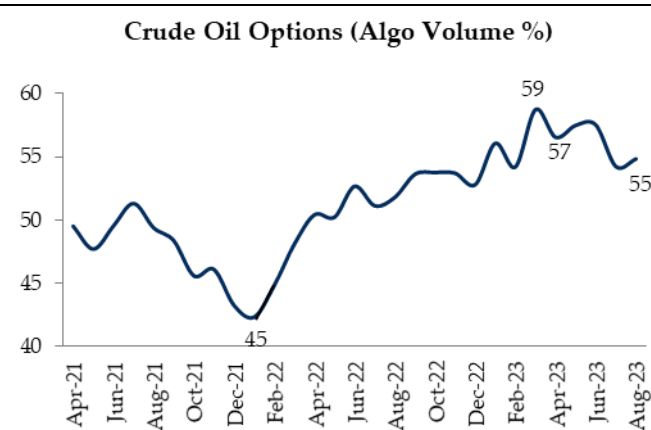
Source: Company, HSIE Research

**Algorithmic (Algo) trade has been increasing in crude oil futures contract**



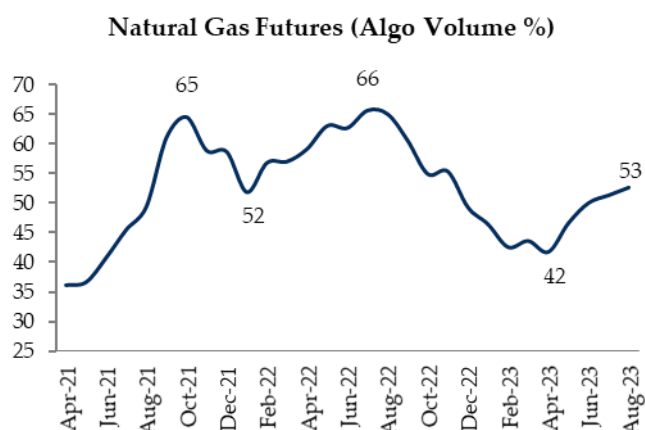
Source: Company, HSIE Research

**Algo trade forms the bulk of trade in crude oil options contract**



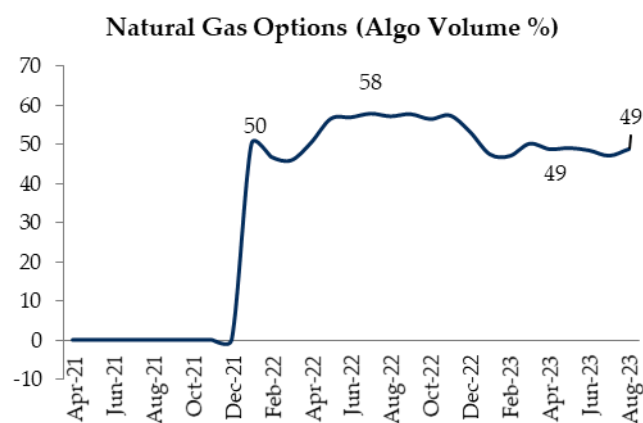
Source: Company, HSIE Research

### Algo trade % in Natural gas futures contract



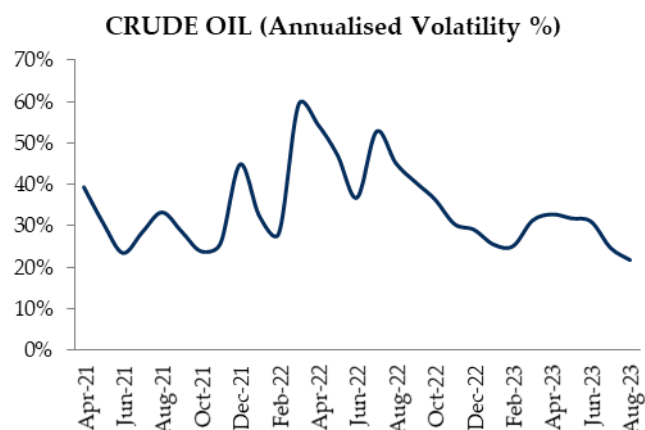
Source: Company, HSIE Research

### Algo trade % in Natural gas options contract



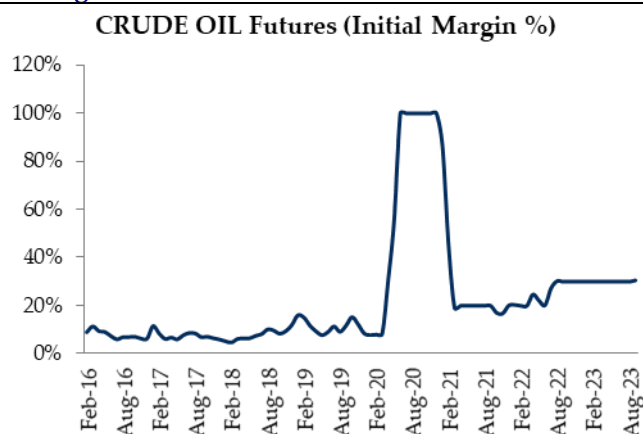
Source: Company, HSIE Research

### Crude oil annualised volatility is trending lower, higher volatility leads to higher volume



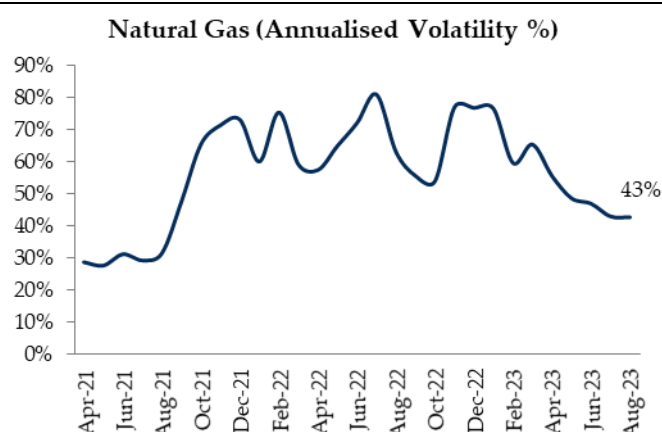
Source: Company, HSIE Research

### Crude oil future initial margin is ~30% vs. 6-8% for other gold and silver contracts



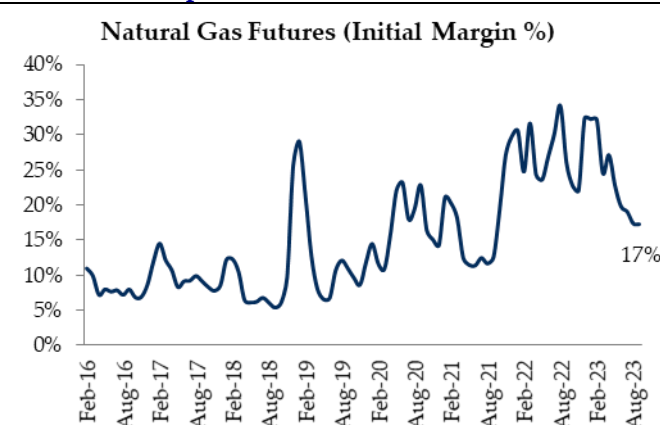
Source: Company, HSIE Research

### Natural gas volatility is lower than the historical average



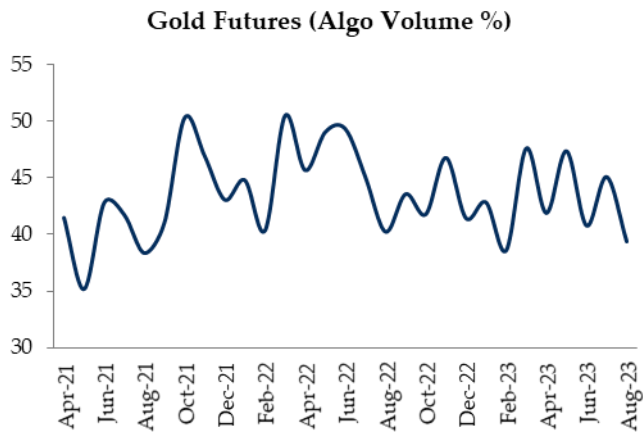
Source: Company, HSIE Research

### Natural gas futures contract margin has come down to ~17% from the peak level of 30%



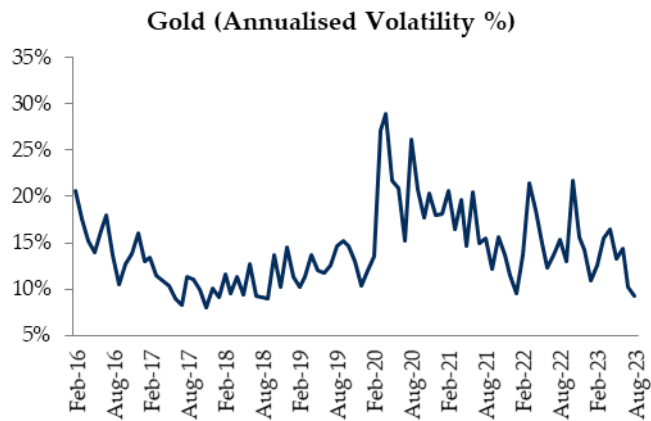
Source: Company, HSIE Research

### Algo trade % in Gold futures contract



Source: Company, HSIE Research

### Gold volatility is at a multi-year low, average volatility is ~15%



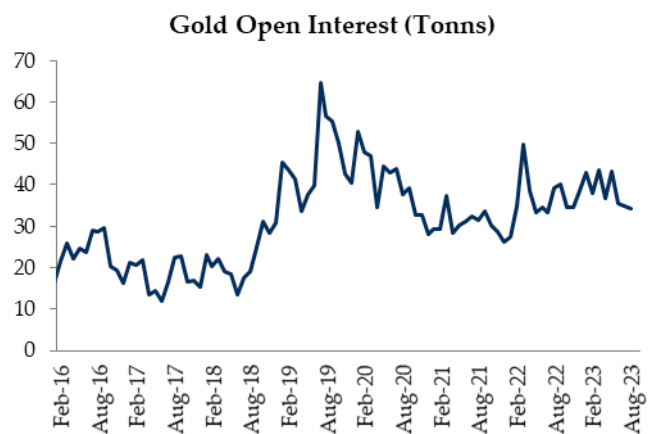
Source: Company, HSIE Research

### Gold futures margins have remained constant



Source: Company, HSIE Research

### Gold futures open interest is at 34 tonnes vs. a high of >60 tonnes in 2019



Source: Company, HSIE Research

## MCX options contracts on 22<sup>nd</sup> September – Crude and Natural gas is ~85-90% of the volume, activity happens in the near-term expiry contracts

MCX Options Contracts	Traded Value (INR bn)	% of Total	Open Interest (Lots)
<b>OPTFUT</b>	<b>943.85</b>	<b>100%</b>	<b>2,02,784</b>
<b>CRUDE OIL</b>	<b>634.93</b>	<b>67%</b>	<b>52,012</b>
17-Oct-23	634.93	67%	52,012
15-Nov-23	0.00	0%	0
<b>14-Dec-23</b>	<b>0.00</b>	<b>0%</b>	<b>0</b>
<b>NATURALGAS</b>	<b>167.86</b>	<b>18%</b>	<b>1,24,572</b>
22-Sep-23	135.50	14%	89,648
24-Oct-23	32.33	3%	34,779
23-Nov-23	0.04	0%	145
<b>GOLD</b>	<b>118.91</b>	<b>13%</b>	<b>6,370</b>
26-Sep-23	118.73	13%	6,296
24-Nov-23	0.17	0%	74
24-Jan-24	0.00	0%	0
26-Mar-24	0.00	0%	0
27-May-24	0.00	0%	0
<b>SILVER</b>	<b>12.20</b>	<b>1%</b>	<b>5,996</b>
24-Nov-23	12.20	1%	5,996
23-Feb-24	0.00	0%	0
24-Apr-24	0.00	0%	0
26-Jun-24	0.00	0%	0
<b>GOLDM</b>	<b>6.64</b>	<b>1%</b>	<b>4,798</b>
25-Sep-23	6.39	1%	4,459
25-Oct-23	0.24	0%	339
24-Nov-23	0.00	0%	0
<b>SILVERM</b>	<b>3.00</b>	<b>0%</b>	<b>8,842</b>
21-Nov-23	3.00	0%	8,842
20-Feb-24	0.00	0%	0
19-Apr-24	0.00	0%	0
19-Jun-24	0.00	0%	0
<b>COPPER</b>	<b>0.31</b>	<b>0%</b>	<b>192</b>
20-Oct-23	0.31	0%	192
21-Nov-23	0.00	0%	0
19-Dec-23	0.00	0%	0
<b>ZINC</b>	<b>0.00</b>	<b>0%</b>	<b>2</b>
20-Oct-23	0.00	0%	2
21-Nov-23	0.00	0%	0
19-Dec-23	0.00	0%	0

Source: MCX, HSIE Research

### MCX futures volume and open interest break-up as of 22<sup>nd</sup> September

MCX Futures Contracts	Traded Value (INR)	% of Total	Open Interest(Lots)	% of Open
<b>FUTCOM</b>	<b>186.39</b>	<b>100%</b>	<b>4,02,740</b>	
<b>SILVER</b>	<b>36.83</b>	<b>20%</b>	<b>16,369</b>	<b>100%</b>
05-Dec-23	35.41	19%	15,177	93%
05-Mar-24	1.42	1%	1,192	7%
03-May-24	0.00	0%	0	0%
05-Jul-24	0.00	0%	0	0%
<b>NATURALGAS</b>	<b>35.54</b>	<b>19%</b>	<b>38,889</b>	<b>100%</b>
26-Sep-23	16.55	9%	15,484	40%
26-Oct-23	17.88	10%	18,356	47%
27-Nov-23	1.12	1%	5,049	13%
<b>GOLD</b>	<b>26.00</b>	<b>14%</b>	<b>16,779</b>	<b>100%</b>
05-Oct-23	20.33	11%	6,612	39%
05-Dec-23	5.65	3%	10,151	60%
05-Feb-24	0.02	0%	16	0%
05-Apr-24	0.00	0%	0	0%
05-Jun-24	0.00	0%	0	0%
<b>CRUDEOIL</b>	<b>17.57</b>	<b>9%</b>	<b>7,298</b>	<b>100%</b>
19-Oct-23	17.15	9%	6,829	94%
17-Nov-23	0.42	0%	469	6%
18-Dec-23	0.00	0%	0	0%
<b>SILVERM</b>	<b>16.72</b>	<b>9%</b>	<b>36,517</b>	<b>100%</b>
30-Nov-23	15.47	8%	31,060	85%
29-Feb-24	1.17	1%	4,903	13%
30-Apr-24	0.08	0%	554	2%
28-Jun-24	0.00	0%	0	0%
<b>COPPER</b>	<b>16.58</b>	<b>9%</b>	<b>8,404</b>	<b>100%</b>
29-Sep-23	7.90	4%	1,563	19%
31-Oct-23	8.38	4%	6,640	79%
30-Nov-23	0.29	0%	201	2%
29-Dec-23	0.00	0%	0	0%
<b>SILVERMIC</b>	<b>12.26</b>	<b>7%</b>	<b>1,51,544</b>	<b>100%</b>
30-Nov-23	10.66	6%	1,20,630	80%
29-Feb-24	1.60	1%	30,914	20%
<b>ZINC</b>	<b>7.44</b>	<b>4%</b>	<b>5,000</b>	<b>100%</b>
29-Sep-23	3.86	2%	1,092	22%
31-Oct-23	3.56	2%	3,895	78%
30-Nov-23	0.01	0%	13	0%
29-Dec-23	0.00	0%	0	0%
<b>ALUMINIUM</b>	<b>4.72</b>	<b>3%</b>	<b>4,358</b>	<b>100%</b>
29-Sep-23	2.51	1%	700	16%
31-Oct-23	2.20	1%	3,649	84%
30-Nov-23	0.01	0%	9	0%
29-Dec-23	0.00	0%	0	0%
<b>GOLDM</b>	<b>4.60</b>	<b>2%</b>	<b>19,556</b>	<b>100%</b>
05-Oct-23	3.17	2%	13,352	68%
03-Nov-23	1.05	1%	5,143	26%
05-Dec-23	0.38	0%	1,061	5%
<b>CRUDEOILM</b>	<b>2.03</b>	<b>1%</b>	<b>14,588</b>	<b>100%</b>
19-Oct-23	1.94	1%	13,857	95%
17-Nov-23	0.10	0%	731	5%
18-Dec-23	0.00	0%	0	0%
<b>NATGASMINI</b>	<b>1.92</b>	<b>1%</b>	<b>15,310</b>	<b>100%</b>
26-Sep-23	0.95	1%	5,575	36%
26-Oct-23	0.89	0%	8,706	57%
27-Nov-23	0.09	0%	1,029	7%
<b>ZINCMINI</b>	<b>1.37</b>	<b>1%</b>	<b>4,795</b>	<b>100%</b>
29-Sep-23	0.74	0%	2,935	61%
31-Oct-23	0.62	0%	1,821	38%

MCX Futures Contracts	Traded Value (INR)	% of Total	Open Interest(Lots)	% of Open
30-Nov-23	0.01	0%	39	1%
29-Dec-23	0.00	0%	0	0%
<b>LEAD</b>	<b>1.31</b>	<b>1%</b>	<b>559</b>	<b>100%</b>
29-Sep-23	0.65	0%	141	25%
31-Oct-23	0.66	0%	418	75%
30-Nov-23	0.00	0%	0	0%
29-Dec-23	0.00	0%	0	0%
<b>ALUMINI</b>	<b>0.50</b>	<b>0%</b>	<b>3,887</b>	<b>100%</b>
29-Sep-23	0.27	0%	1,742	45%
31-Oct-23	0.22	0%	2,126	55%
30-Nov-23	0.00	0%	19	0%
29-Dec-23	0.00	0%	0	0%
<b>MENTHAOIL</b>	<b>0.37</b>	<b>0%</b>	<b>1,791</b>	<b>100%</b>
29-Sep-23	0.19	0%	446	25%
31-Oct-23	0.17	0%	1,160	65%
30-Nov-23	0.01	0%	185	10%
29-Dec-23	0.00	0%	0	0%
<b>GOLDPETAL</b>	<b>0.32</b>	<b>0%</b>	<b>54,395</b>	<b>100%</b>
29-Sep-23	0.14	0%	8,290	15%
31-Oct-23	0.16	0%	40,174	74%
30-Nov-23	0.02	0%	5,799	11%
29-Dec-23	0.00	0%	132	0%
<b>LEADMINI</b>	<b>0.18</b>	<b>0%</b>	<b>220</b>	<b>100%</b>
29-Sep-23	0.10	0%	52	24%
31-Oct-23	0.08	0%	168	76%
30-Nov-23	0.00	0%	0	0%
29-Dec-23	0.00	0%	0	0%
<b>GOLDGUINEA</b>	<b>0.09</b>	<b>0%</b>	<b>2,377</b>	<b>100%</b>
29-Sep-23	0.06	0%	740	31%
31-Oct-23	0.03	0%	1,473	62%
30-Nov-23	0.00	0%	158	7%
29-Dec-23	0.00	0%	6	0%

Source: MCX, HSIE Research

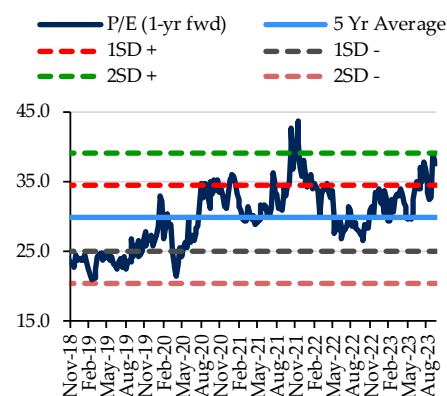
## Peer valuation

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				ROE (%)				Rev CAGR%	EPS CAGR%
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23- 26E	FY23- 26E
MCX	97	1,902	2,400	BUY	29.3	23.8	83.2	98.1	65.0	79.8	22.8	19.4	10.3	8.1	26.6	28.2	20.9%	49.6%
CDSL	139	1,328	1,470	BUY	26.4	31.9	37.9	45.4	50.3	41.6	35.1	29.2	23.9	26.0	27.7	29.6	18.4%	19.8%
BSE	173	1,277	1,230	BUY	23.0	30.8	37.7	45.0	55.5	41.5	33.9	28.4	11.6	14.7	17.3	19.2	19.1%	25.0%

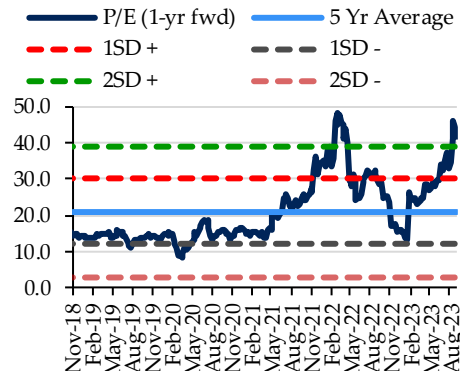
Source: Company, HSIE research. CMP as on 26<sup>th</sup> Sep, 2023

## Valuation charts

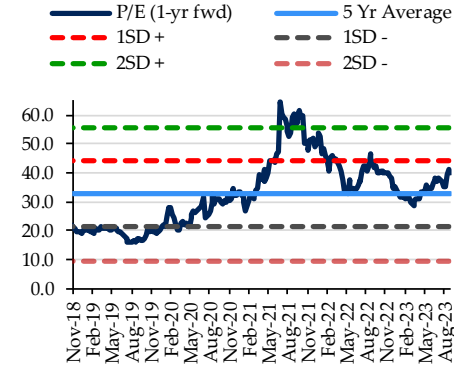
MCX P/E (1-yr fwd) trend



BSE P/E (1-yr fwd) trend



CDSL P/E (1-yr fwd) trend



Source: Bloomberg, HSIE research

# Financials

## Income Statement (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>3,000</b>	<b>3,978</b>	<b>3,906</b>	<b>3,668</b>	<b>5,135</b>	<b>6,753</b>	<b>7,801</b>	<b>9,064</b>
<i>Growth (%)</i>	<i>15.5</i>	<i>32.6</i>	<i>(1.8)</i>	<i>(6.1)</i>	<i>40.0</i>	<i>31.5</i>	<i>15.5</i>	<i>16.2</i>
Software support charges	614	689	636	640	1,961	3,658	600	660
Employee Expenses	725	773	751	800	919	1,047	1,161	1,288
Tech & SG&A Expenses	205	206	211	205	270	311	357	411
Other Operating Expenses	517	526	456	402	488	562	618	680
<b>EBITDA</b>	<b>940</b>	<b>1,784</b>	<b>1,852</b>	<b>1,622</b>	<b>1,497</b>	<b>1,176</b>	<b>5,065</b>	<b>6,026</b>
<i>EBITDA Margin (%)</i>	<i>31.3</i>	<i>44.8</i>	<i>47.4</i>	<i>44.2</i>	<i>29.1</i>	<i>17.4</i>	<i>64.9</i>	<i>66.5</i>
<i>EBITDA Growth (%)</i>	<i>30.7</i>	<i>89.9</i>	<i>3.8</i>	<i>(12.4)</i>	<i>(7.7)</i>	<i>(21.4)</i>	<i>330.6</i>	<i>19.0</i>
Depreciation	154	182	221	227	216	278	512	583
<b>EBIT</b>	<b>785</b>	<b>1,602</b>	<b>1,632</b>	<b>1,395</b>	<b>1,281</b>	<b>899</b>	<b>4,553</b>	<b>5,443</b>
Other Income (Including EO Items)	748	1,053	1,038	461	677	683	807	860
Interest	0	2	3	2	2	2	2	2
<b>PBT</b>	<b>1,533</b>	<b>2,653</b>	<b>2,667</b>	<b>1,853</b>	<b>1,955</b>	<b>1,579</b>	<b>5,358</b>	<b>6,301</b>
Tax (Incl Deferred)	75	289	415	406	416	316	1,072	1,260
Minority Interest & Associate profit	4.3	0.4	0.9	-12.7	-49.6	-49.6	-49.6	-49.6
<b>RPAT</b>	<b>1,462</b>	<b>2,365</b>	<b>2,252</b>	<b>1,434</b>	<b>1,490</b>	<b>1,214</b>	<b>4,237</b>	<b>4,991</b>
EO (Loss) / Profit (Net Of Tax)	-238	0	0	-204	0	0	0	0
<b>APAT</b>	<b>1,700</b>	<b>2,365</b>	<b>2,252</b>	<b>1,639</b>	<b>1,490</b>	<b>1,214</b>	<b>4,237</b>	<b>4,991</b>
<i>APAT Growth (%)</i>	<i>56.9</i>	<i>39.1</i>	<i>(4.8)</i>	<i>(27.2)</i>	<i>(9.1)</i>	<i>(18.5)</i>	<i>249.1</i>	<i>17.8</i>
<b>Core PAT (ex other income)</b>	<b>747</b>	<b>1,428</b>	<b>1,377</b>	<b>1,089</b>	<b>1,008</b>	<b>719</b>	<b>3,642</b>	<b>4,355</b>
<i>Core PAT Growth (%)</i>	<i>83.7</i>	<i>91.2</i>	<i>(3.5)</i>	<i>(20.9)</i>	<i>(7.4)</i>	<i>(28.7)</i>	<i>406.7</i>	<i>19.6</i>
<b>Adjusted EPS (INR)</b>	<b>33.4</b>	<b>46.5</b>	<b>44.3</b>	<b>32.2</b>	<b>29.3</b>	<b>23.8</b>	<b>83.2</b>	<b>98.1</b>
<i>EPS Growth (%)</i>	<i>56.9</i>	<i>39.1</i>	<i>(4.8)</i>	<i>(27.3)</i>	<i>(9.1)</i>	<i>(18.5)</i>	<i>249.1</i>	<i>17.8</i>

Source: Company, HSIE Research

## Balance Sheet (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>SOURCES OF FUNDS</b>								
Share Capital - Equity	510	510	510	510	510	510	510	510
Reserves	11,999	13,084	13,672	13,671	14,283	14,650	16,225	18,099
<b>Total Shareholders Funds</b>	<b>12,509</b>	<b>13,594</b>	<b>14,182</b>	<b>14,181</b>	<b>14,793</b>	<b>15,160</b>	<b>16,735</b>	<b>18,609</b>
Settlement guarantee fund	3,298	4,098	4,692	5,256	5,898	6,016	6,136	6,259
<b>Total Debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Deferred Taxes (Net)	14	18	0	98	0	0	0	0
Long Term Provisions & Others	401	528	573	559	561	561	561	561
<b>TOTAL SOURCES OF FUNDS</b>	<b>16,221</b>	<b>18,237</b>	<b>19,447</b>	<b>20,095</b>	<b>21,252</b>	<b>21,737</b>	<b>23,432</b>	<b>25,428</b>
<b>APPLICATION OF FUNDS</b>								
Net Block	1,580	1,583	1,594	1,565	1,502	1,629	1,586	1,547
CWIP	190	237	263	948	1,685	1,685	1,685	1,685
Investments	123	123	124	124	383	383	383	383
LT Loans & Advances	614	708	667	631	660	693	728	764
<b>Total Non-current Assets</b>	<b>2,506</b>	<b>2,651</b>	<b>2,649</b>	<b>3,268</b>	<b>4,230</b>	<b>4,391</b>	<b>4,382</b>	<b>4,379</b>
Debtors	60	65	90	115	146	111	128	149
Other Current Assets	945	753	948	1,221	2,310	2,768	3,206	3,725
Cash & Equivalents	17,243	23,878	21,339	23,403	23,540	24,647	26,886	29,449
<b>Total Current Assets</b>	<b>18,248</b>	<b>24,695</b>	<b>22,377</b>	<b>24,738</b>	<b>25,997</b>	<b>27,525</b>	<b>30,220</b>	<b>33,322</b>
Trading margin from members	3,518	7,599	4,296	6,429	7,584	8,578	9,329	10,156
Other Current Liabilities & Provns	1,016	1,510	1,282	1,482	1,392	1,601	1,841	2,118
<b>Total Current Liabilities</b>	<b>4,533</b>	<b>9,109</b>	<b>5,578</b>	<b>7,911</b>	<b>8,976</b>	<b>10,179</b>	<b>11,170</b>	<b>12,274</b>
<b>Net Current Assets</b>	<b>13,715</b>	<b>15,586</b>	<b>16,799</b>	<b>16,827</b>	<b>17,021</b>	<b>17,346</b>	<b>19,050</b>	<b>21,049</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>16,221</b>	<b>18,237</b>	<b>19,447</b>	<b>20,095</b>	<b>21,252</b>	<b>21,737</b>	<b>23,432</b>	<b>25,428</b>

Source: Company, HSIE Research

## Cash Flow (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	1,533	2,653	2,667	1,853	1,955	1,579	5,358	6,301
Non-operating & EO items	(954)	(1,224)	(981)	(419)	(590)	(683)	(807)	(860)
Interest expenses	0	2	2	2	2	2	2	2
Depreciation	155	181	221	227	216	278	512	583
Working Capital Change	2,153	3,402	(3,274)	2,572	326	699	451	478
Tax Paid	(295)	(523)	(479)	(323)	(495)	(316)	(1,072)	(1,260)
<b>OPERATING CASH FLOW ( a )</b>	<b>2,591</b>	<b>4,492</b>	<b>(1,844)</b>	<b>3,913</b>	<b>1,414</b>	<b>1,559</b>	<b>4,444</b>	<b>5,243</b>
Capex	(271)	(277)	(211)	(820)	(713)	(405)	(468)	(544)
Free cash flow (FCF)	2,320	4,215	(2,055)	3,093	702	1,154	3,976	4,700
Investments	0	0	0	0	0	0	0	0
Non-operating Income	445	407	302	220	425	683	807	860
<b>INVESTING CASH FLOW ( b )</b>	<b>174</b>	<b>130</b>	<b>91</b>	<b>(600)</b>	<b>(287)</b>	<b>278</b>	<b>339</b>	<b>316</b>
Debt Issuance/(Repaid)	0	0	0	0	0	0	0	0
Interest Expenses	(0)	0	(0)	(1)	(2)	(2)	(2)	(2)
FCFE	2,320	4,215	(2,055)	3,092	699	1,152	3,974	4,697
Share Capital Issuance	0	0	0	0	0	0	0	0
Dividend	(1,045)	(1,230)	(1,530)	(1,408)	(887)	(728)	(2,542)	(2,995)
<b>FINANCING CASH FLOW ( c )</b>	<b>(1,045)</b>	<b>(1,230)</b>	<b>(1,530)</b>	<b>(1,409)</b>	<b>(890)</b>	<b>(730)</b>	<b>(2,544)</b>	<b>(2,997)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>1,719</b>	<b>3,392</b>	<b>(3,284)</b>	<b>1,904</b>	<b>237</b>	<b>1,106</b>	<b>2,239</b>	<b>2,563</b>
EO Items, Others	(1,176)	3,243	744	160	(100)	0	0	0
<b>Closing Cash &amp; Equivalents</b>	<b>17,243</b>	<b>23,878</b>	<b>21,339</b>	<b>23,403</b>	<b>23,540</b>	<b>24,647</b>	<b>26,886</b>	<b>29,449</b>

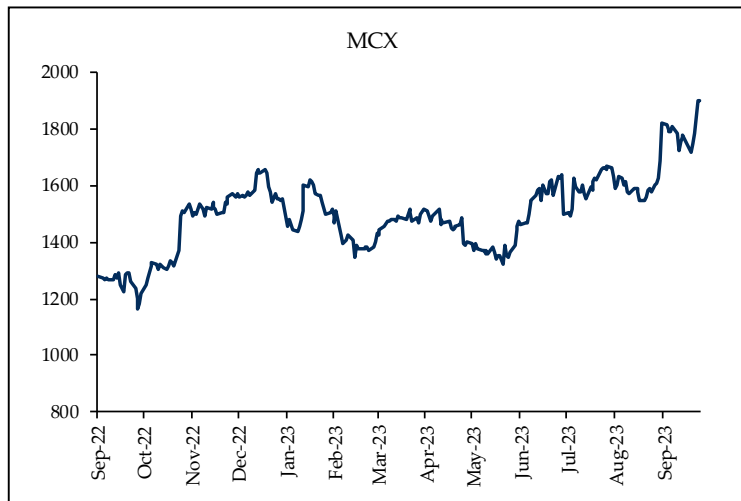
Source: Company, HSIE Research

## Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>PROFITABILITY (%)</b>								
GPM	79.6	82.7	83.7	82.6	61.8	45.8	92.3	92.7
EBITDA Margin	31.3	44.8	47.4	44.2	29.1	17.4	64.9	66.5
APAT Margin	56.7	59.4	57.7	44.7	29.0	18.0	54.3	55.1
RoE	12.9	18.1	16.2	11.6	10.3	8.1	26.6	28.2
RoIC (or Core RoCE)	17.7	25.4	23.4	16.2	10.4	8.2	27.2	30.9
RoCE	10.6	13.7	12.0	8.3	7.2	5.7	18.8	20.4
<b>EFFICIENCY</b>								
Tax Rate (%)	4.9	10.9	15.6	21.9	21.3	20.0	20.0	20.0
Fixed Asset Turnover (x)	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.2
Debtors (days)	7	6	8	11	10	6	6	6
Other Current Assets (days)	115	69	89	121	164	150	150	150
Other Current Liab & Provns (days)	277	388	359	434	187	129	427	442
Cash Conversion Cycle (days)	-155	-313	-262	-301	-12	27	-271	-286
Debt/EBITDA (x)	-9.6	-5.9	-6.0	-7.8	-5.3	-6.8	-1.9	-1.9
Net D/E (x)	-0.7	-0.8	-0.8	-0.9	-0.5	-0.5	-0.6	-0.6
Interest Coverage (x)	NM	NM	NM	NM	NM	NM	NM	NM
<b>PER SHARE DATA (INR)</b>								
EPS	33.4	46.5	44.3	32.2	29.3	23.8	83.2	98.1
CEPS	36.4	50.0	48.6	36.7	33.5	29.3	93.3	109.5
Dividend	20.5	24.2	30.1	27.7	17.4	14.3	49.9	58.8
Book Value	245.8	267.1	278.6	278.6	290.6	297.8	328.7	365.6
<b>VALUATION</b>								
P/E (x)	56.9	40.9	43.0	59.1	65.0	79.8	22.8	19.4
P/BV (x)	7.7	7.1	6.8	6.8	6.5	6.4	5.8	5.2
EV/EBITDA (x)	93.4	48.4	46.3	51.9	59.4	75.5	17.2	14.2
OCF/EV (%)	3.0	5.2	(2.2)	4.7	1.6	1.8	5.1	6.1
FCF/EV (%)	2.6	4.9	(2.4)	3.7	0.8	1.3	4.6	5.5
FCFE/Mkt Cap (%)	0.3	0.5	(0.2)	0.3	0.1	0.2	0.5	0.6
Dividend Yield (%)	1.1	1.3	1.6	1.5	0.9	0.8	2.6	3.1

Source: Company, HSIE Research

## 1 Yr Price movement



### Rating Criteria

BUY: >+15% return potential  
 ADD: +5% to +15% return potential  
 REDUCE: -10% to +5% return potential  
 SELL: > 10% Downside return potential

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