

# Multi Commodity Exchange (MCX)

CMP: ₹ 5865

Target: ₹ 6750 (15%)

Target Period: 12 months

January 23, 2025

## Continued surge in turnover boost performance

About the stock: MCX is the leader in commodity derivatives exchanges in India with ~98% market share in terms of commodity futures turnover

- It has ~100% market share in precious metals, base metals and energy
- Presence in various commodities offers healthy diversification with focus on option volume

Q3FY25 performance: MCX reported revenue from operations at ₹301.4 crore which was up by 57.4% YoY and 5.24% QoQ. EBITDA reported at ₹193 crores against a loss of 19.7 crores YoY, and up by 7.6% QoQ. Net profit of the company stood at ₹ 160 crore against a loss of ₹5 crores in Q3FY24. EBITDA margins was recorded at 64.1% for this quarter. In terms of operations, it recorded a notable growth in options segment, wherein average daily turnover (ADT) rose to ₹2,07,090 crore as against ₹1,93,308 crore for Q2FY25. Average daily premium turnover also increased from ₹3,264 crore to ₹3,613 crore on QoQ basis. There was a notable increase in futures trading as well, wherein ADT climbed to ₹28,410 crore as against ₹ 26,941 crore sequentially. The combined ADT of futures and options more than doubled YoY.

## Investment Rationale

- **Steady business growth to continue:** The total number of registered Unique client code (UCC) continues to grow at a steady pace which now stands at 31.3mn, up by 8.3% QoQ. The number of UCCs that traded on MCX was recorded at 6.9mn in Q3FY25 vs 4.77mn in Q3FY24 and 6.8mn in Q2FY25. This coupled with product innovation and new commodity contracts shall support steady business growth going ahead. In terms of ADT, options premium grew from ₹ 3264 cr to ₹ 3613 cr QoQ. Similarly, Futures ADT increased from ₹ 26941 cr to ₹ 28410 cr QoQ.
- **Margins to stay elevated:** The company earned 64.1% EBITDA margin in Q3FY25. This quarter includes provision of TCS AMC expense that started this quarter but overall expense managed as select premium services availed by MCX from previous vendor was not continued. We expect EBITDA margin of 66% in FY27 aided by operating leverage.

## Rating and Target Price

- **Dominant market share and Asset light business model enables MCX to earn superior return ratios with RoE of ~30%.** This coupled with steady business growth shall keep valuations on the premium side.
- **We value MCX at 40x FY27E PAT ex its income from investment and add cash value to arrive at a target price of ₹ 6750 and change rating from Hold to Buy on the stock.**

BUY



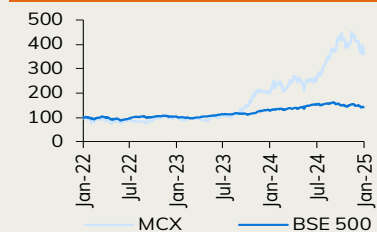
### Particulars

Particulars	Amount
Market Capitalisation	29,911 crore
Networth	1,585 crore
Face Value	10
52 week high/low	7048/ 2917
DII Holding (%)	56.27
FII Holding (%)	23.13

### Shareholding pattern

in %	Mar 24	June 24	Sep 24	Dec 24
DII	56.9	57.2	57.5	56.27
FII	23.2	20.7	22.1	23.13
Public	19.7	21.9	20.3	20.41
Others	0.2	0.2	0.2	0.2

### Price Chart



### Key risks

- Delay in new product launch to impact growth
- Increase in competitive intensity from players like NCDEX

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## Key Financial Summary

(₹ crore)	FY22	FY23	FY24	3 year CAGR (FY21-FY24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Net Sales	366.8	513.5	683.6	20.5%	1,136.4	1,422.2	1,674.8	34.8%
EBITDA	162.2	149.7	64.3	-29.7%	706.7	923.8	1,129.3	159.9%
Net Profit	143.5	149.0	83.1	-28.3%	589.8	744.0	909.7	122.0%
EPS (₹)	28.1	29.2	16.3		115.6	145.9	178.4	
P/E(x)	208.5	200.8	359.9		50.7	40.2	32.9	
RoE (%)	10.1	10.1	6.0		30.0	27.4	25.1	
RoA (%)	5.1	4.9	2.4		14.0	14.4	14.4	

Source: Company, ICICI Direct Research

## Concall highlights and outlook

- New MD & CEO Ms. Praveena Rai shared her top 3 priorities for the company going ahead: i) Operational excellence – provide best in class platform for trading at the exchange with the aid of technology, ii) Strong compliance, iii) Innovation – introduce new products, new structure to existing contracts and add contracts to commodities that are not traded on MCX currently.
- In Q3FY25, options revenue constituted 72% of total revenue, while futures revenue accounted for the balance 28%.
- Gold options premium ADTV surged from ₹ 1.1 bn in September to ₹ 2 bn in December. This traction was mainly led by modification from bi-monthly to monthly expiry contracts.
- Management stated company's infrastructure is well-set to launch new products or any such new commodity contracts. Going ahead, it plans to revive metals index and launch bullion index in forthcoming months. Electricity contracts remain in pipeline with no timeline given.
- TCS AMC provision made in technology cost but still information and technology related expense declined 6.5% QoQ to ₹ 19.5 cr. This decline was mainly led by reduction in some premium services availed by MCX from previous vendor.

### Exhibit 1: Variance Analysis

	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ	Comments
Revenue	301.4	191.5	57.4%	285.6	5.5%	Options volume continue to drive top-line
Other Income	23.0	17.7	29.6%	25.2	-9.0%	
Total Income	324.4	209.3	55.0%	310.8	4.4%	
Operating Expenses	75.0	182.2	-58.8%	73.5	2.1%	Opex under check despite reflection of TCS AMC charges.
Other Expenses	33.2	29.0	14.7%	32.7	1.8%	
Total Expenses	108.3	211.2	-48.7%	106.1	2.0%	
<b>EBITDA</b>	<b>193.1</b>	<b>-19.7</b>	<b>NA</b>	<b>179.4</b>	<b>7.6%</b>	
<b>EBITDA %</b>	<b>64.1%</b>	<b>-10.3%</b>	<b>NA</b>	<b>62.8%</b>	<b>0 bps</b>	
Depreciation	14.6	11.3	29.8%	14.0	4.1%	
Finance Costs	0.2	0.1	240.0%	0.1	NA	
Exceptional Items	0.5	-1.1	NA	0.4	22.7%	
PBT	201.9	-14.4	NA	191.0	5.7%	
Tax	41.8	-9.1	-561.7%	37.4	11.9%	
PAT	160.0	-5.3	NA	153.6	4.2%	Sturdy PAT growth backed by healthy business growth and managed expenses.

## Financial Summary

### Exhibit 2: Profit and loss statement ₹ crore

(₹ crore)	FY24	FY25E	FY26E	FY27E
Net Sales	683.6	1,136.4	1,422.2	1,674.8
Operating Exp	506.9	294.8	350.1	382.3
Software	392.9	84.0	122.6	144.4
Employee Cost	112.3	134.8	148.3	163.1
Total Expenses	619.2	429.7	498.4	545.5
EBIDTA	64.3	706.7	923.8	1,129.3
Depreciation	35.9	56.7	56.0	56.0
Other Income	75.4	88.7	86.4	93.4
Interest	0.3	0.4	0.4	0.4
Exceptional Items	(1.5)	1.3	-	-
PBT	102.0	739.8	953.8	1,166.3
Tax	18.9	150.0	209.8	256.6
PAT	83.1	589.8	744.0	909.7

Source: Company, ICICI Direct Research

### Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
<b>Sources of Funds</b>				
Share Capital	51.0	51.0	51.0	51.0
Reserves and Surplus	1327.5	1917.3	2661.3	3571.0
Total Shareholder's Fund	1378.5	1968.3	2712.3	3622.0
<b>Non Current Liabilities</b>				
Current Liabilities	1184.2	1302.6	1432.8	1576.1
Settlement Gurantee Fund	780.6	858.6	944.5	1038.9
Total	3408.8	4198.4	5161.9	6313.0
<b>Application of funds</b>				
Fixed Assets	184.0	198.7	214.6	231.7
Investments	1078.8	1143.5	1235.0	1333.8
Loans & Advances	0.0	0.0	0.0	0.0
Cash and equivalents	965.6	1221.5	1519.1	1883.3
Other Assets	1180.4	1251.3	1326.3	1405.9
Total	3408.8	4198.4	5161.9	6313.0

Source: Company, ICICI Direct Research

### Exhibit 3: Key ratios

	FY24	FY25E	FY26E	FY27E
No. of Equity shares	5.1	5.1	5.1	5.1
EPS (₹)	16.3	115.6	145.9	178.4
BV (₹)	270.3	385.9	531.8	710.2
P/E (x)	359.9	50.7	40.2	32.9
P/BV (x)	21.7	15.2	11.0	8.3
OPM %	9.4	62.2	65.0	67.4
PAT %	12.2	51.9	52.3	54.3
RoE %	6.0	30.0	27.4	25.1
RoA %	2.4	14.0	14.4	14.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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