

MCX

Scaling new heights; improving visibility

We recently met with MCX management. We gained more confidence in their strategic direction, which includes (1) launching new products such as monthly series and index options, (2) continuously enhancing the technology stack, and (3) focusing on increasing institutional participation and hedging activity on the platform. The appointment of the new MD & CEO, Mrs. Praveena Rai, will significantly boost these strategic initiatives. Additionally, MCX is well-positioned to withstand ongoing regulatory challenges like (1) the curb on index options volume, (2) the reversal of interest earned on clearing funds to CMs, and (3) true-to-label charges, which will discontinue the practice of levying slab-wise fee structures. The MCX commodity futures and options volumes are witnessing strong growth but is still in its infancy when compared to equity derivative markets. We believe that MCX will witness sustained growth in options volume and new products will fill the gaps and provide additional support to the growth story. We expect notional/premium volume to register a +61/43% CAGR over FY24-27E. We maintain our revenue and EPS estimate but increase the multiple to 40x vs 35x earlier based on better visibility. We maintain our BUY rating with a target price of INR 6,000, based on 40x Sep-26E core EPS + net cash ex-SGF.

Key meeting highlights

- Product pipeline:** The product pipeline for MCX includes several exciting contracts such as 10gms monthly gold futures, monthly series options with weekly expiry in crude, sunflower oil, cotton oil, cotton candy, and index options. The technical testing for the weekly option product is currently in progress and will be launched once testing is complete and final regulatory approval is obtained. Thorough testing is required before the final launch of the product, but once launched, there is no looking back. Regulatory bodies tend to provide faster approval for similar products, while new and innovative products take more time to get approved. Currently, there is one options expiry for every futures expiry, but the plan is to have multiple options expiries for the underlying futures. According to current regulations, the exchange can have multiple options expiries for the same underlying futures contract. Index options are cash-settled contracts and will be based on either futures or goods, though this has not been decided yet. Notably, index options do not have any threshold for the underlying futures volume.
- SEBI regulation:** The SEBI regulation regarding the return on interest earned on clearing funds and true-to-label charges is not expected to significantly impact profitability. The exchange has been instructed to discontinue the slab-wise tariff structure and adopt a flat fee structure. This change will be neutral for the exchanges as they will switch to blended fees, but it will impact brokers handling higher volumes and benefit smaller brokers. Proprietary traders, who were at the bottom of the charging structure, may experience a higher impact. The company has not quantified the impact if the interest on clearing funds has to be returned to the CMs, but it is expected to be minimal. In our [recent note](#), we estimated the impact to be around 1-3% of net profit.
- Trading mix and FPI participation:** Client trading constitutes approximately 45-50% of the total trading volume, with the remainder being proprietary traders. Both clients and proprietary traders engage in algorithmic trading, which accounts for about 60% of the total trading volume. This algorithmic volume includes arbitrage volumes and is not purely speculative trading. Foreign Portfolio Investors (FPIs) are permitted to trade only in cash-settled contracts, contributing around 1% of the total trading volume.

BUY

CMP (as on 26 Aug 24)	INR 4,881
Target Price	INR 6,000
NIFTY	25,011

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 5,000	INR 6,000
EPS %	FY25E +0.0	FY26E +0.0

KEY STOCK DATA

Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	249/2,967
6m avg traded value (INR mn)	2,851
52 Week high / low	INR 4,935/1,579

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	30.0	33.2	209.2
Relative (%)	21.6	21.0	183.3

SHAREHOLDING PATTERN (%)

	Mar-24	Jun-24
Promoters	0.00	0.00
FIs & Local MFs	56.88	57.25
FPIs	23.22	20.69
Public & Others	19.90	22.06
Pledged Shares	0.00	0.00

Source : BSE

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The lower FPI volume is attributed to the higher cost of commodity trading in India, which is roughly three times that of global markets, and the higher margin requirements, with crude contracts in India requiring about 30% margins compared to only 10% globally. Despite these challenges, there is significant potential for growth in FPI commodity trading in India.

- **SGF contribution:** MCX contributed INR 139mn to SGF in Q1 taking the total SGF for MCX to INR 8.08bn. The contribution to core SGF was voluntary as higher SGF helps in keeping the margin requirements lower for the trading members. MCX has sufficient SGF and makes voluntary contributions to the pool.
- **Options volume strong:** The futures volume remained robust in August 2024, with an ADTV of INR 277bn, driven by energy and a strong recovery in metals volume. While the futures volume was flat in Q2 following a 50% surge in Q1, the options notional ADTV increased by 22% in Q2FY25E, reaching INR 1.9trn in August 2024, a 116% YoY growth. Premium collection improved to INR 32.86bn in August 2024, with premium realisation rising to 1.7% after hitting a low of 1.4% in July 2024. This increase in premium collection is attributed to higher volatility, a longer time to expiry, and a change in mix. We expect futures volumes of INR 260/268bn and options notional volume is estimated at INR 1.7/2.5trn for FY25/26E. The premium ADTV is projected to be INR 29.44/39.28bn for FY25/26E, resulting in premium realisations of 1.7% and 1.5% for FY25 and FY26, respectively.
- **Valuations and view:** MCX is up ~17/33% in the last 1M/6M. The rising volumes, stable tech platform, limited regulatory risk, announcement of the new MD & CEO, and the option value linked to the launch of new products have resulted in outperformance vs peers. The stock has traded at an average one-year forward P/E of ~33x and is currently trading at a P/E of 47/35x FY25/26E EPS. We increase the P/E multiple to 40x, which implies a PEG of 1.1x.

Financial highlights (Consolidated)

YE March (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	3,978	3,906	3,668	5,135	6,836	10,477	12,768	15,119
EBITDA	1,784	1,852	1,622	1,497	942	6,971	9,100	11,079
APAT	2,365	2,252	1,639	1,490	831	5,336	6,974	8,475
APAT*	2,365	2,252	1,639	2,390*	3,306*	5,336	6,974	8,475
Diluted EPS (INR)	46.5	44.3	32.2	29.3	16.3	104.8	137.0	166.5
P/E (x)	105.0	110.3	151.6	166.8	299.0	46.6	35.6	29.3
EV / EBITDA (x)	133.4	128.1	145.4	160.7	251.8	34.1	25.9	21.1
RoE (%)	18.1	16.2	11.6	10.3	5.8	36.5	41.9	44.2

Source: Company, HSIE research, *adjusted for technology cost

MCX SoTP valuation

Core PAT Sep-26E (INR mn)	7,369
40X Core PAT (INR mn)	2,95,731
Add: Net Cash (INR mn) ex SGF	9,716
Mcap (INR mn)	3,05,447
TP (INR)	6,000
Upside (%)	23%

Source: HSIE Research

New CEO appointment improves strategic direction

Mrs Praveena Rai has been appointed as the MD & CEO of the MCX, she has a rich experience of around 25 years in the financial services industry. Before joining MCX, Praveena served as the Chief Operating Officer (COO) at the National Payments Corporation of India (NPCI), where she played a pivotal role in promoting and expanding NPCI’s products, including UPI and RuPay. Her career also includes significant roles at Kotak Mahindra Bank, HSBC, and Citi, where she developed expertise in transaction banking, retail banking, cards, and wholesale and commercial banking. Praveena holds a B.E in Electronics and Communication and a postgraduate degree from IIM-Ahmedabad.

Praveena Rai Education Profile	IIM Ahmedabad . Post Graduate Diploma in Management (MBA), Business . 1993 - 1995
	College of Engineering, Guindy . B.E. in Electronics and Communication . 1986 - 1990

Professional journey

Organisation	Designation	Duration	Key Responsibilities
National Payments Corporation of India (NPCI)	Chief Operating Officer	Feb 2019 till date	Led strategic initiatives, product development, and customer experience for five years, and co-chaired the Payments Council of India
Kotak Mahindra Bank	Head of Cash Management, Transaction Banking	Feb 2018 - Feb 2019	Led the cash management portfolio as Head of Cash Management and Transaction Banking
HSBC	Regional Head of Payments, Asia Pacific, Payments and Cash Management	Aug 2015 - Feb 2018	Provided solutions to global banking corporations and SMEs in Asia and India. Previously held leadership roles in sales and product management
	Regional Head of Sales, Asia Pacific, Multinationals, Payments and Cash Management	Jun 2013 - July 2015	
	Head, Product Management, South Asia; Commercial Banking Sales, Payments and Cash Management	Oct 2008 - May 2013	
Citigroup Global Services	Head, Citibank Trade Services, South Asia VP, Head Customer Care, Citibank Consumer Group, India	Oct 2006 - Oct 2008 May 2004 - Oct 2007	Led the South Asia Business at Citibank Trade Services and served as VP, Head of Customer Care for Citibank’s Consumer Group in India
Covansys	Country Manager, Japan	2001 - 2004	Led the Japan business as country manager at Covansys, a provider of industrial automation, wireless, telecommunication, ERP, and software services
Fourth Dimension	Promoter CEO	1997 - 2001	Founded and led Fourth Dimension as Promoter CEO
Procter and Gamble	Assistant Brand Manager	1995 - 1997	Managed brands in India as an Assistant Brand Manager at Procter & Gamble, a leading FMCG company
Indchem Medical Electronics	Development and Engineering (D & E) Engineer	1990 - 1993	Design and development of India’s first indigenously designed and manufactured medical ultrasound scanner

Source: LinkedIn, HSIE research

Product launch pipeline

New Products	Status
Crude Oil Mini Option	Launched in April'24.
Natural Gas Mini Option	Launched in April'24.
Amended Cotton Candy Futures (Trading unit reduced from 100 to 25 units)	To be launched in Sep'24.
Cotton Wash Oil Futures	Received SEBI Approval. To be launched post successful testing.
Sunflower Wash Oil Futures	Received SEBI Approval. To be launched post successful testing.
10 gm monthly gold Futures	Received SEBI Approval. To be launched post successful internal testing.
Index options	SEBI approval received. The design and testing of the product has not started. Launch timeline is 6-12 months.
Gold serial contracts (Weekly contract)	System development and testing in progress. Post the full development and testing will approach SEBI for final approval.
Electricity Futures	SEBI approval pending.

Source: Company, HSIE research

Key options contracts launch and expiry schedule

Natural Gas Contract Month	Contract Launch Date	Contract Expiry Date	Duration (In Months)
Jan-24	27-Oct-23	23-Jan-24	3
Feb-24	28-Nov-23	22-Feb-24	3
Mar-24	27-Dec-23	21-Mar-24	3
Apr-24	29-Jan-24	23-Apr-24	3
May-24	27-Feb-24	24-May-24	3
Jun-24	26-Mar-24	21-Jun-24	3
Jul-24	26-Apr-24	24-Jul-24	3
Aug-24	29-May-24	23-Aug-24	3
Sep-24	26-Jun-24	23-Sep-24	3
Oct-24	29-Jul-24	24-Oct-24	3
Nov-24	28-Aug-24	21-Nov-24	3
Dec-24	26-Sep-24	24-Dec-24	3

Source: Company, HSIE research

Crude Oil Contract Month	Contract Launch Date	Contract Expiry Date	Duration (In Months)
Jan-24	20-Oct-23	17-Jan-24	3
Feb-24	20-Nov-23	14-Feb-24	3
Mar-24	19-Dec-23	15-Mar-24	3
Apr-24	22-Jan-24	17-Apr-24	3
May-24	19-Feb-24	16-May-24	3
Jun-24	20-Mar-24	14-Jun-24	3
Jul-24	22-Apr-24	17-Jul-24	3
Aug-24	21-May-24	14-Aug-24	3
Sep-24	19-Jun-24	17-Sep-24	3
Oct-24	22-Jul-24	17-Oct-24	3
Nov-24	20-Aug-24	15-Nov-24	3
Dec-24	20-Sep-24	16-Dec-24	3

Source: Company, HSIE research

Gold Options Contract Launch Month	Gold Options Contract Expiry Month	Corresponding Futures Contracts Expiry Month	Duration (In Months)
Feb-24	Jan-25	Feb-25	11
Apr-24	Mar-25	Apr-25	11
Jun-24	May-25	Jun-25	11
Aug-24	Jul-25	Aug-25	11
Oct-24	Sep-25	Oct-25	11
Dec-24	Nov-25	Dec-25	11

Source: Company, HSIE research

Options contracts details

Contract	% of Total Options volume	Value Per Contract (In INR Lacs)	Duration of contract	No. of series available for trading in current month	New Series introduced	Contract Start Day	Last Trading Day	Trading Unit	Strike Price Intervals	Number of Strikes	Delivery
Crude oil	77%	7	3 months	3	Every month	The next business day immediately after the expiry of the near month futures contracts	Two business days prior to the Expiry Day of the underlying futures contract	One MCX Crude Oil futures contract	INR 50	25 In-the-money, 25 Out-of-the money and 1 Near-the-money	Devolves into futures
Gold	10%	72	11 months	5	Every 2 months	16th day of contract launch month	Three business days before the start of the underlying futures contract's tender period.	One MCX Gold futures contract	INR 100	25 In-the-money, 25 Out-of-the money and 1 Near-the-money	Devolves into futures three days prior to expiry
Natural Gas	8%	2	3 months	2	Every month	The next business day immediately after the expiry of the near month Futures Contracts	Two business days prior to the Expiry Day of the underlying Futures Contract	One MCX Natural Gas Futures Contract	INR 5	15 In-the-money, 15 Out-of-the money and 1 Near-the-money	Devolves into futures

Source: Company, HSIE research

Futures contracts details

Particulars	% of Total Futures volume	Value Per Contract(In INR Lakhs)	Duration of contract	Number of Series Available	New Series introduced	Contract Start Day	Last Trading Day	Trading Unit	Quotation/Base Value	Delivery
Gold	28%	71	1 Year	5	Every 2 months	16th day of contract launch month	5th day of contract expiry month	1 kg	10 grams	Designated clearing house facilities at Ahmedabad, Mumbai, Delhi
Silver	22%	27	1 Year	5	Every 2 months	16th day of contract launch month	5th day of contract expiry month	30 kg	1 kg	Designated clearing house facilities at Ahmedabad, Mumbai, Delhi
Natural Gas	10%	2	6 months	6	Every month	As per the Contract Launch Calendar	As per the Contract Launch Calendar	1,250 mmBtu	1 mmBtu	Cash Settled
Copper	9%	21	5 months	5	Every month	1st day of contract launch month	last day of contract expiry month	2500 Kg	1 kg	Designated clearing house facilities at Thane, Maharashtra
Silver Mini	8%	4	12 months	5	Every 2 months	16th day of contract launch month	last day of contract expiry month	5 kg	1 kg	Designated clearing house facilities at Ahmedabad
Gold Mini	6%	7	3 months	3	Every month	6th day of contract launch month	5th day of contract expiry month	100 gm	10 gm	Designated clearing house facilities at Ahmedabad, Mumbai, New Delhi
Silver Micro	6%	1	9 months	4	Every 2 months	1st day of contract launch month	last day of contract expiry month	1 kg	1 kg	Designated clearing house facilities at Ahmedabad
Crude	6%	7	6 Months	4	Every month	As per the Contract Launch Calendar	As per the Contract Launch Calendar	100 barrels	Per barrel	Cash Settled

Source: Company, HSIE research

MCX revenue assumptions

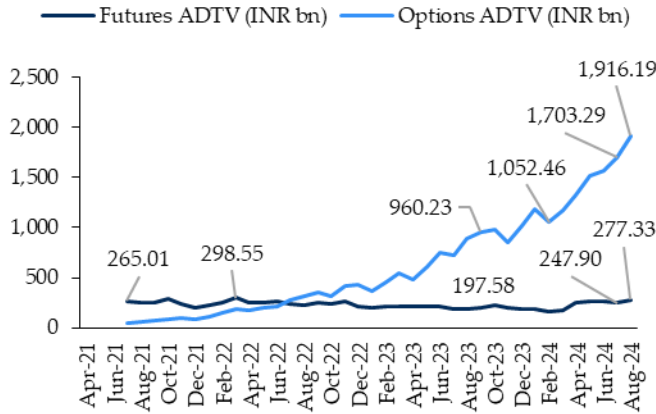
MCX (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR % FY19-24	CAGR % FY24-27E
Futures ADTV (INR bn)	256.48	324.24	312.81	257.45	233.35	195.27	260.11	268.35	275.03	-5.3%	12.1%
Growth %		26.4%	-3.5%	-17.7%	-9.4%	-16.3%	33.2%	3.2%	2.5%		
Options ADTV (INR bn)	7.04	11.26	8.98	78.29	338.66	888.94	1,763.59	2,542.52	3,722.50	163.2%	61.2%
Growth %	1634.6%	59.9%	-20.3%	771.7%	332.5%	162.5%	98.4%	44.2%	46.4%		
Options Premium ADTV (INR bn)					8.20	16.91	29.44	39.28	49.51		43.1%
Growth %						106.3%	74.1%	33.4%	26.0%		
Premium/Notional %					2.4%	1.9%	1.7%	1.5%	1.3%		-11.2%
Futures Revenue	2,863	3,535	3,404	2,837	2,512	2,089	2,790	2,874	2,946	-6.1%	12.1%
Growth %		23.5%	-3.7%	-16.7%	-11.5%	-16.8%	33.5%	3.0%	2.5%		
% of Transaction Revenue	100.0%	100.0%	100.0%	89.8%	58.8%	37.3%	31.0%	25.8%	22.0%	-17.9%	
Option Revenue	0	0	0	323	1,761	3,515	6,210	8,287	10,444		43.8%
Growth %					444.6%	99.6%	76.7%	33.4%	26.0%		
% of Transaction Revenue	0.0%	0.0%	0.0%	10.2%	41.2%	62.7%	69.0%	74.2%	78.0%		
Total Transaction Revenue	2,863	3,535	3,404	3,160	4,273	5,605	9,000	11,161	13,390	14.4%	33.7%
Growth %		23.5%	-3.7%	-7.2%	35.2%	31.2%	60.6%	24.0%	20.0%		

MCX (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR % FY19-24	CAGR % FY24-27E
Transaction Revenue	2,863	3,535	3,404	3,160	4,273	5,605	9,000	11,161	13,390	14.4%	33.7%
Other Operating Revenue	137	444	502	508	862	1,231	1,477	1,607	1,729	55.1%	12.0%
Total Revenue	3,000	3,978	3,906	3,668	5,135	6,836	10,477	12,768	15,119	17.9%	30.3%
Growth YoY %	15.5%	32.6%	-1.8%	-6.1%	40.0%	33.1%	53.3%	21.9%	18.4%		

MCX (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR % FY19-24	CAGR % FY24-27E
Cost Structure											
SSC (Software Support)	614	689	636	640	1,961	3,913	866	757	799	44.9%	-41.1%
Computer & Tech	205	206	211	205	270	338	607	777	932	10.5%	40.2%
Other Overheads	517	526	456	402	488	519	731	747	823	0.1%	16.6%
Employee Cost	725	773	751	800	919	1,123	1,303	1,386	1,486	9.2%	9.8%
Total Cost	2,061	2,195	2,053	2,046	3,638	5,893	3,506	3,667	4,040	23.4%	-11.8%
Adjusted Cost	2,061	2,195	2,053	2,046	2,438	3,843	3,506	3,667	4,040	13.3%	1.7%
EBITDA mn	940	1,784	1,852	1,622	1,497	942	6,971	9,100	11,079	0.1%	127.4%
EBITDA margin %	31.3%	44.8%	47.4%	44.2%	29.1%	13.8%	66.5%	71.3%	73.3%		
Adjusted EBITDA	940	1,784	1,852	1,622	2,697	4,242	6,971	9,100	11,079	35.2%	37.7%
Depreciation	154	182	221	227	216	359	562	605	672	18.4%	23.2%
Growth YoY %	-7.3%	17.6%	21.5%	2.9%	-4.9%	66.5%	56.3%	7.8%	11.0%		
EBIT	785	1,602	1,632	1,395	1,281	583	6,409	8,495	10,408	18.3%	161.4%
EBIT margin %	26.2%	40.3%	41.8%	38.0%	24.9%	8.5%	61.2%	66.5%	68.8%		
Other Income (including Extraordinary)	748	1,053	1,038	461	677	455	381	434	446	-6.0%	-0.6%
PBT	1,533	2,653	2,667	1,853	1,955	1,035	6,789	8,928	10,852		
Tax	75	289	415	406	416	189	1,466	1,967	2,390		
PAT	1,462	2,365	2,252	1,434	1,490	831	5,336	6,974	8,475	6.6%	116.8%
APAT	1,700	2,365	2,252	1,639	1,490	831	5,336	6,974	8,475	6.6%	116.8%
Core PAT	747	1,428	1,377	1,089	1,008	477	5,026	6,624	8,115	19.9%	157.2%
Adjusted PAT for Tech cost	1,700	2,365	2,252	1,639	2,390	3,306	5,336	6,974	8,475	17.1%	36.9%
EPS (INR)	33.4	46.5	44.2	32.2	29.3	16.3	104.8	137.0	166.5	6.6%	116.8%

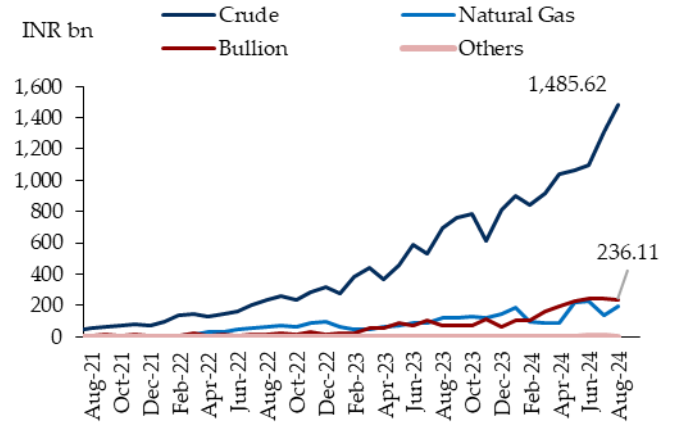
Source: Company, HSIE Research

MCX options ADTV is scaling new highs, up ~2.2x YoY in August-24, futures jumped ~1.5x YoY



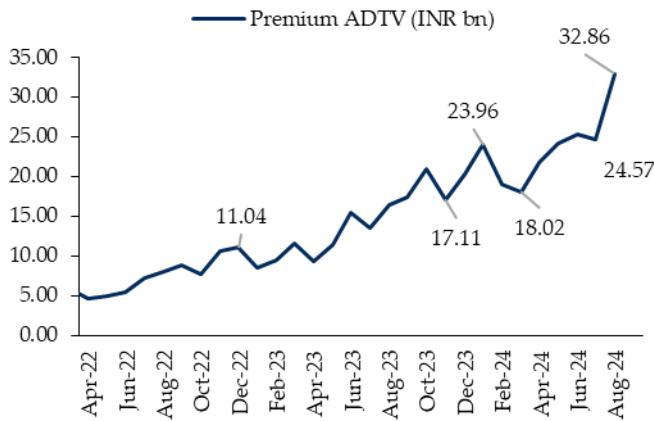
Source: Company, HSIE Research

Crude and Natural Gas is 85% of options volume, bullion has picked up (~3x YoY, ~15% of volume)



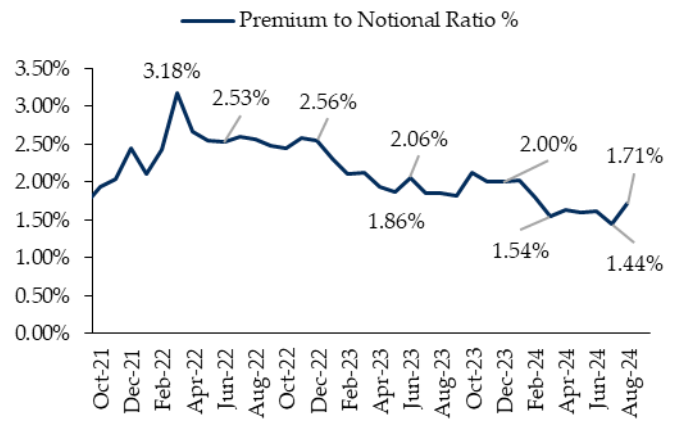
Source: Company, HSIE Research

The options premium has registered strong growth, up 18/77% QoQ/YoY in Q2FY25E.



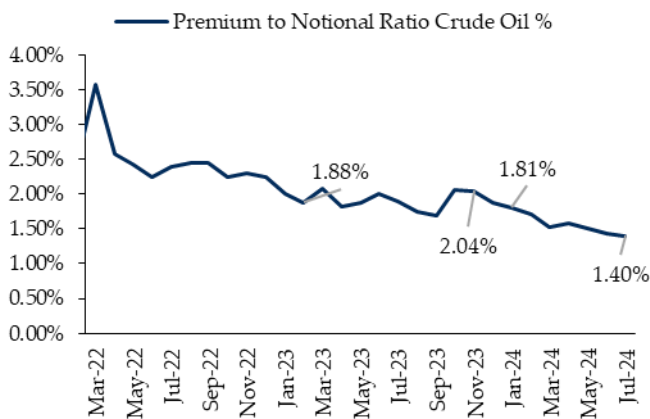
Source: Company, HSIE Research

The premium to notional ratio has recovered in August 2024 led by volatility and mix change



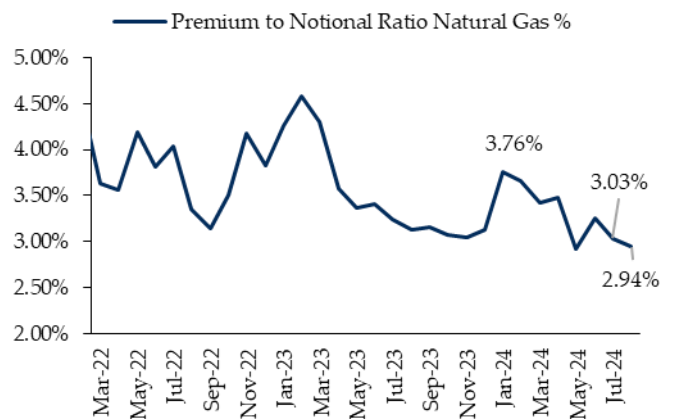
Source: Company, HSIE Research

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



Source: Company, HSIE Research

The premium to notional ratio for Natural gas is coming down due to lower volatility



Source: Company, HSIE Research

Change in estimate

INR mn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue	10,477	10,477	0.0	12,768	12,768	0.0	15,119	15,119	0.0
EBITDA	6,971	6,971	0.0	9,100	9,100	0.0	11,079	11,079	0.0
<i>EBITDA Margin (%)</i>	66.5	66.5	0bps	71.3	71.3	0bps	73.3	73.3	0bps
APAT	5,336	5,336	0.0	6,974	6,974	0.0	8,475	8,475	0.0
EPS (Rs)	104.8	104.8	0.0	137.0	137.0	0.0	166.5	166.5	0.0

Source: HSIE Research

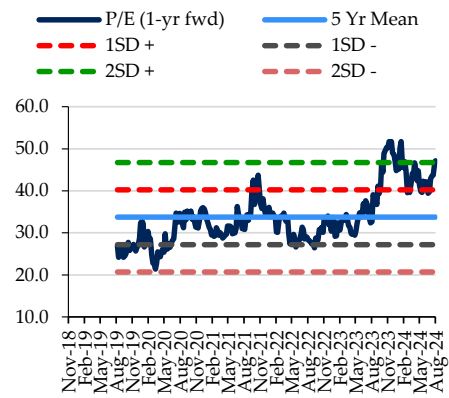
Peer valuation

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				ROE (%)				Rev CAGR% FY24-27E	EPS CAGR% FY24-27E
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E		
MCX	248	4,881	6,000	BUY	64.9*	104.8	137.0	166.5	75.2*	46.6	35.6	29.3	23.1*	36.5	41.9	44.2	30.3%	36.9%*
BSE	370	2,728	2,350	REDUCE	39.7	69.9	82.3	90.3	68.7	39.0	33.1	30.2	25.9	27.0	28.4	26.5	29.0%	31.5%

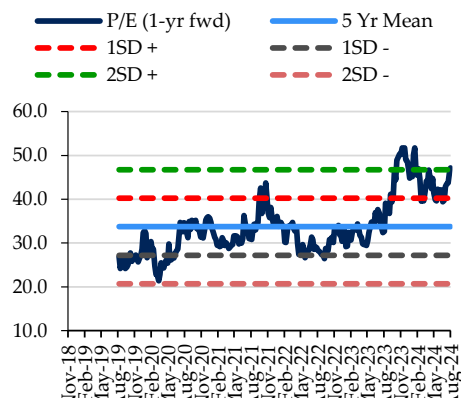
Source: Company, HSIE research. CMP as of 26th Aug, 2024, * Adjusted for payment to old technology vendor

Valuation charts

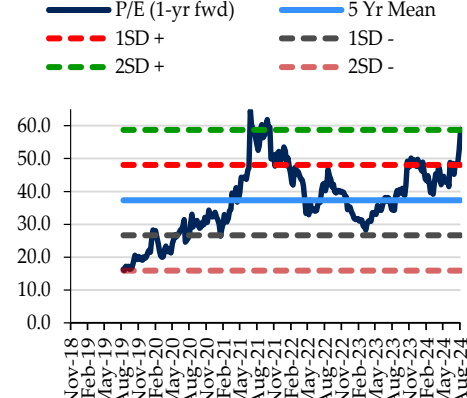
MCX P/E (1-yr fwd) trend



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)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	3,978	3,906	3,668	5,135	6,836	10,477	12,768	15,119
<i>Growth (%)</i>	32.6	(1.8)	(6.1)	40.0	33.1	53.3	21.9	18.4
Software support charges	689	636	640	1,961	3,913	866	757	799
Employee Expenses	773	751	800	919	1,123	1,303	1,386	1,486
Product Licence & Tech Expenses	206	211	205	270	338	607	777	932
Other Operating Expenses	526	456	402	488	519	731	747	823
EBITDA	1,784	1,852	1,622	1,497	942	6,971	9,100	11,079
<i>EBITDA Margin (%)</i>	44.8	47.4	44.2	29.1	13.8	66.5	71.3	73.3
<i>EBITDA Growth (%)</i>	89.9	3.8	(12.4)	(7.7)	(37.0)	639.8	30.6	21.7
Depreciation	182	221	227	216	359	562	605	672
EBIT	1,602	1,632	1,395	1,281	583	6,409	8,495	10,408
Other Income (Including EO Items)	1,053	1,038	461	677	455	381	434	446
Interest	2	3	2	2	3	2	2	2
PBT	2,653	2,667	1,853	1,955	1,035	6,789	8,928	10,852
Tax (Incl Deferred)	289	415	406	416	189	1,466	1,967	2,390
Minority Interest & Associate profit	0.4	0.9	-12.7	-49.6	-15.2	13.0	13.0	13.0
RPAT	2,365	2,252	1,434	1,490	831	5,336	6,974	8,475
EO (Loss) / Profit (Net Of Tax)	0	0	-204	0	0	0	0	0
APAT	2,365	2,252	1,639	1,490	831	5,336	6,974	8,475
<i>APAT Growth (%)</i>	39.1	(4.8)	(27.2)	(9.1)	(44.2)	542.1	30.7	21.5
Core PAT (ex-other income)	1,428	1,377	1,089	1,008	477	5,026	6,624	8,115
<i>Core PAT Growth (%)</i>	91.2	(3.5)	(20.9)	(7.4)	(52.7)	954.2	31.8	22.5
Adjusted EPS (INR)	46.5	44.3	32.2	29.3	16.3	104.8	137.0	166.5
<i>EPS Growth (%)</i>	39.1	(4.8)	(27.3)	(9.1)	(44.2)	542.1	30.7	21.5

Source: Company, HSIE Research

Balance Sheet (Consolidated)

YE March (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS								
Share Capital - Equity	510	510	510	510	510	510	510	510
Reserves	13,084	13,672	13,671	14,283	13,275	14,979	17,249	20,039
Total Shareholders' Funds	13,594	14,182	14,181	14,793	13,785	15,489	17,759	20,549
Settlement guarantee fund	4,098	4,692	5,256	5,898	7,806	8,236	8,756	9,356
Total Debt	0	0	0	0	0	0	0	0
Net Deferred Taxes (Net)	18	0	98	0	82	82	82	82
Long Term Provisions & Others	528	573	559	561	574	574	574	574
TOTAL SOURCES OF FUNDS	18,237	19,447	20,095	21,252	22,246	24,381	27,170	30,560
APPLICATION OF FUNDS								
Net Block	1,583	1,594	1,565	1,502	3,794	3,756	3,790	3,874
CWIP	237	263	948	1,685	159	159	159	159
Investments	123	124	124	383	371	371	371	371
LT Loans & Advances	708	667	631	660	986	1,036	1,087	1,142
Total Non-current Assets	2,651	2,649	3,268	4,230	5,310	5,322	5,407	5,545
Debtors	65	90	115	146	679	172	210	249
Other Current Assets	753	948	1,221	2,310	1,054	4,306	5,247	6,213
Cash & Equivalents	23,878	21,339	23,403	23,540	27,044	29,828	34,883	40,564
Total Current Assets	24,695	22,377	24,738	25,997	28,778	34,306	40,340	47,026
Trading margin from members	7,599	4,296	6,429	7,584	10,254	13,500	16,742	20,085
Other Current Liabilities & Provisions	1,510	1,282	1,482	1,392	1,588	1,747	1,834	1,926
Total Current Liabilities	9,109	5,578	7,911	8,976	11,841	15,247	18,576	22,011
Net Current Assets	15,586	16,799	16,827	17,021	16,936	19,059	21,764	25,015
TOTAL APPLICATION OF FUNDS	18,237	19,447	20,095	21,252	22,247	24,381	27,171	30,560

Source: Company, HSIE Research

Cash Flow (Consolidated)

YE March (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	2,653	2,667	1,853	1,955	1,035	6,789	8,928	10,852
Non-operating & EO items	(1,224)	(981)	(419)	(590)	(709)	(811)	(954)	(1,046)
Interest expenses	2	2	2	2	3	2	2	2
Depreciation	181	221	227	216	359	562	605	672
Working Capital Change	3,402	(3,274)	2,572	326	5,032	625	2,311	2,389
Tax Paid	(523)	(479)	(323)	(495)	(511)	(1,466)	(1,967)	(2,390)
OPERATING CASH FLOW (a)	4,492	(1,844)	3,913	1,414	5,209	5,700	8,925	10,478
Capex	(277)	(211)	(820)	(713)	(1,432)	(524)	(638)	(756)
Free cash flow (FCF)	4,215	(2,055)	3,093	702	3,777	5,176	8,286	9,722
Investments	0	0	0	0	0	0	0	0
Non-operating Income	407	302	220	425	133	811	954	1,046
INVESTING CASH FLOW (b)	130	91	(600)	(287)	(1,300)	288	316	291
Debt Issuance/(Repaid)	0	0	0	0	0	0	0	0
Interest Expenses	0	(0)	(1)	(5)	(0)	(2)	(2)	(2)
FCFE	4,215	(2,055)	3,092	696	3,776	5,174	8,284	9,720
Share Capital Issuance	0	0	0	0	0	0	0	0
Dividend	(1,230)	(1,530)	(1,408)	(887)	(974)	(3,202)	(4,184)	(5,085)
FINANCING CASH FLOW (c)	(1,230)	(1,530)	(1,409)	(893)	(974)	(3,204)	(4,186)	(5,087)
NET CASH FLOW (a+b+c)	3,392	(3,284)	1,904	234	2,935	2,784	5,055	5,681
EO Items, Others	3,243	744	160	(96)	569	0	0	0
Closing Cash & Equivalents	23,878	21,339	23,403	23,540	27,044	29,828	34,883	40,564

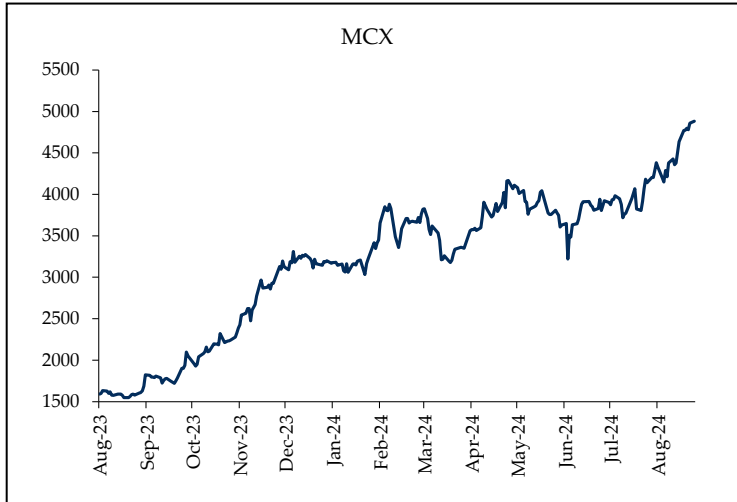
Source: Company, HSIE Research

Key Ratios

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY (%)								
GPM	77.5	78.3	77.0	56.6	37.8	85.9	88.0	88.6
EBITDA Margin	44.8	47.4	44.2	29.1	13.8	66.5	71.3	73.3
APAT Margin	59.4	57.7	44.7	29.0	12.2	50.9	54.6	56.1
RoE	18.1	16.2	11.6	10.3	5.8	36.5	41.9	44.2
RoIC (or Core RoCE)	25.4	23.4	16.2	10.4	6.6	34.4	42.1	47.9
RoCE	13.7	12.0	8.3	7.2	3.8	22.9	27.1	27.5
EFFICIENCY								
Tax Rate (%)	10.9	15.6	21.9	21.3	18.2	21.6	22.0	22.0
Fixed Asset Turnover (x)	0.1	0.2	0.1	0.2	0.2	0.3	0.3	0.3
Debtors (days)	6	8	11	10	36	6	6	6
Other Current Assets (days)	69	89	121	164	56	150	150	150
Other Current Liabilities & Provisions (days)	388	359	434	187	122	289	293	275
Cash Conversion Cycle (days)	-313	-262	-301	-12	-29	-133	-137	-119
Debt/EBITDA (x)	-5.9	-6.0	-7.8	-5.3	-11.8	-1.5	-1.4	-1.3
Net D/E (x)	-0.8	-0.8	-0.9	-0.5	-0.8	-0.7	-0.7	-0.7
Interest Coverage (x)	NM	NM	NM	NM	NM	NM	NM	NM
PER SHARE DATA (INR)								
EPS	46.5	44.3	32.2	29.3	16.3	104.8	137.0	166.5
CEPS	50.0	48.6	36.7	33.5	23.4	115.9	148.9	179.7
Dividend	24.2	30.1	27.7	17.4	9.8	62.9	82.2	99.9
Book Value	267.1	278.6	278.6	290.6	270.8	304.3	348.9	403.7
VALUATION								
P/E (x)	105.0	110.3	151.6	166.8	299.0	46.6	35.6	29.3
P/BV (x)	18.3	17.5	17.5	16.8	18.0	16.0	14.0	12.1
EV/EBITDA (x)	133.4	128.1	145.4	160.7	251.8	34.1	25.9	21.1
OCF/EV (%)	1.9	(0.8)	1.7	0.6	2.2	2.4	3.8	4.5
FCF/EV (%)	1.8	(0.9)	1.3	0.3	1.6	2.2	3.5	4.2
FCFE/Mkt Cap (%)	0.2	(0.1)	0.1	0.0	0.2	0.2	0.4	0.4
Dividend Yield (%)	0.5	0.6	0.6	0.4	0.2	1.3	1.7	2.0

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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