

# MCX

## A new beginning

MCX has successfully executed one of the most complex technology transitions, and the new CDP is running smoothly, with volumes scaling new highs. We believe it's a new beginning for MCX, with a focus on introducing new products, increasing participation and volume, and improving profitability. The options volume has increased by 4x YoY and is currently >INR 1,400bn. Options growth is driven by a surge in active UCCs, mobile trading, and higher activity in crude/natural gas contracts. The launch of new products like steel bars, index options, and shorter-duration options will further boost volumes. The launch of monthly contracts expiring every week (subject to regulatory approval) is expected to boost volume by ~50% as the expiry week constitutes ~40% of monthly volume. The objective is to reduce the tick size, which will boost retail participation. The options premium-to-notional ratio will decline gradually as we shift to shorter-duration contracts. We expect notional/premium volume to register a +77/58% CAGR over FY23-26E. We increase our EPS estimate by 8/13% for FY25/26E and increase multiple to 33x (vs 30x earlier) to factor in options volume surge and stable platform. We maintain our BUY rating with a target price of INR 3,650, based on 33x FY26E core EPS + net cash ex-SGF.

- Options driving growth:** The options volume is scaling new highs every month, driven by crude and natural gas. Post the tech transition, the options volume is up ~1.5x and the launch of multiple new contracts will aid volume growth. Options notional ADTV in Q3FY24 stood at INR 945bn up 10/143% and options premium at INR 19.35bn was up +23/97% QoQ/YoY. As per sensitivity, a ~10%/10bps increase in options volume/premium-to-notional ratio boosts EPS by ~8/5%. We expect the options premium to reach INR 32.15bn in FY26E, which assumes growth of ~58% from the Dec-23 level. Options will account for ~65% of total revenue in FY26E (vs 34% in FY23). Algorithmic/mobile trading constitute 54/31% of options volume while proprietary/client is 54/45%, and FPI/DII volumes are negligible.
- New products and shorter-duration contracts are growth drivers:** The derivative volume in equities is dominated by shorter-duration contracts and retail/client/proprietary traders. The regulator does not allow very short-duration contracts in commodities; thus MCX will launch (subject to regulatory approval) multiple monthly contracts which will expire every week. Based on our analysis, the expiry week volume is ~1.5x of the monthly average and four expiries in a month will boost volumes by ~50%. Index options is the most popular derivative product and can be a tool to scale bullion options volume.
- Valuations and view:** MCX is up ~95% in the last 6M led by tech transition and volume surge. The stock has traded at an average one-year fwd P/E of ~31x and currently trades at a P/E of 34/27x FY25/26E EPS. The uncertainty regarding the change in top management and new product launch timeline is temporary and focus will eventually shift to volume growth, improving profitability and return ratios.

### Financial Summary\*

YE March (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	3,906	3,668	5,135	6,985	8,561	10,460
EBITDA	1,852	1,622	1,497	1,299	5,872	7,380
APAT	2,252	1,639	1,490	1,396	4,810	6,015
Diluted EPS (INR)	44.3	32.2	29.3	27.4	94.5	118.2
P/E (x)	72.2	99.2	109.1	116.4	33.8	27.0
EV / EBITDA (x)	81.8	92.4	103.3	119.1	26.1	20.5
RoE (%)	16.2	11.6	10.3	9.3	30.1	33.6

Source: Company, HSIE Research, \*Consolidated

## BUY

CMP (as on 18 Jan 2024)	INR 3,193
Target Price	INR 3,650
NIFTY	21,462

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,850	INR 3,650
EPS %	FY25E +8.1	FY26E +12.9

### KEY STOCK DATA

Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	163/1,991
6m avg traded value (INR mn)	2,732
52 Week high / low	INR 3,344/1,285

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	45.6	101.2	97.6
Relative (%)	37.5	94.7	80.9

### SHAREHOLDING PATTERN (%)

	Sep-23	Dec-23
Promoters	0.00	0.00
FIs & Local MFs	56.44	53.02
FPIs	25.32	25.30
Public & Others	18.25	21.68
Pledged Shares	0.00	0.00

Source : BSE

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**MCX SoTP valuation**

Core PAT FY26E (INR mn)	5,307
33X Core PAT (INR mn)	1,75,394
Add: Net Cash (INR mn) ex SGF	10,394
Mcap (INR mn)	1,85,789
<b>TP (INR)</b>	<b>3,650</b>
Upside (%)	14%

Source: HSIE Research

**Volume and target price sensitivity**

*~10% increase in option premium boosts TP by ~8%*

*The base case assumes notional volume of INR 1,891bn, P/N of 1.7%, PAT of INR 6,015mn and multiple of 33x resulting into TP of INR 3,650.*

*The bull case assumes launch of shorter-duration contracts which will take the options premium ADTV to ~INR 46.3bn which is ~125% higher than current level and ~45% higher than base case. Assuming multiple of 35x the TP comes to INR 5,208.*

TP sensitivity to Option turnover and P/N ratio		Options notional ADTV FY26E (INR bn)				
		1,211	1,513	1,891	2,270	2,724
Premium to notional (P/N) ratio %	1.3%	2,165	2,521	2,965	3,410	3,944
	1.5%	2,384	2,794	3,308	3,821	4,437
	1.7%	2,603	3,068	<b>3,650</b>	4,231	4,929
	1.9%	2,822	3,342	3,992	4,642	5,422
	2.1%	3,041	3,616	4,334	5,052	5,915

MCX Option premium sensitivity		Options notional ADTV (INR bn)				
		1,211	1,513	1,891	2,270	2,724
Premium to notional (P/N) ratio %	1.3%	15.74	19.67	24.59	29.51	35.41
	1.5%	18.16	22.70	28.37	34.05	40.86
	1.7%	20.58	25.72	<b>32.15</b>	38.59	46.30
	1.9%	23.00	28.75	35.94	43.13	51.75
	2.1%	25.42	31.78	39.72	47.66	57.20

Source: HSIE Research

FY26E PAT (INR mn) sensitivity to Option turnover and P/N ratio		Options notional ADTV FY26E (INR bn)				
		1,211	1,513	1,891	2,270	2,724
Premium to notional (P/N) ratio %	1.3%	3,728	4,277	4,962	5,647	6,469
	1.5%	4,066	4,698	5,489	6,279	7,227
	1.7%	4,403	5,120	<b>6,015</b>	6,911	7,986
	1.9%	4,740	5,541	6,542	7,544	8,745
	2.1%	5,077	5,963	7,069	8,176	9,504

Source: HSIE Research

TP sensitivity to Option Premium and multiple		Options premium ADTV FY26E (INR bn)				
		20.58	25.72	32.15	38.59	46.30
FY26E Core Multiple	25	2,019	2,371	2,810	3,250	3,778
	30	2,381	2,804	3,332	3,860	4,493
	33	2,603	3,068	<b>3,650</b>	4,231	4,929
	35	2,744	3,237	3,853	4,469	5,208
	40	3,107	3,670	4,374	5,078	5,923

Source: HSIE Research

Launch of shorter-duration contracts will trigger the next phase of growth in options

A mix of crude expiry and non-expiry day volume

The crude expiry week volume is ~1.5x of the monthly average, multiple expiries in a month will boost volumes

Year-Month	Crude Options ADTV (INR mn)	Crude options Expiry ADTV (INR mn)	X	Expiry/Monthly ADTV %	Crude Non-Expiry ADTV (INR mn)
2023-4	36,741	55,206	1.5	50%	30,147
2023-5	45,871	75,227	1.6	64%	37,717
2023-6	58,548	1,04,688	1.8	79%	44,977
2023-7	53,083	81,005	1.5	53%	44,357
2023-8	69,248	1,08,922	1.6	57%	57,580
2023-9	75,968	1,11,657	1.5	47%	64,816
2023-10	78,651	1,23,719	1.6	57%	64,567
2023-11	61,517	88,040	1.4	43%	57,216
2023-12	80,815	1,24,798	1.5	54%	66,154

Source: MCX, HSIE Research

MCX revenue 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	204.23	207.61	211.07	1.9%	-3.3%
Growth %			26.4%	-3.5%	-17.7%	-9.4%	-12.5%	1.7%	1.7%		
Options ADTV (INR bn)	0.41	7.04	11.26	8.98	78.29	338.66	865.57	1,326.54	1,891.46	283.9%	77.4%
Growth %		1634.6%	59.9%	-20.3%	771.7%	332.5%	155.6%	53.3%	42.6%		
Options Premium ADTV (INR bn)						8.20	17.03	23.88	32.15		57.7%
Growth %						107.7%	40.2%	34.7%			
<b>Premium/Notional %</b>						2.4%	2.0%	1.8%	1.7%		-11.1%
Futures Revenue	2,415	2,863	3,535	3,404	2,837	2,512	2,207	2,245	2,283	0.8%	-3.1%
Growth %			23.5%	-3.7%	-16.7%	-11.5%	-12.1%	1.7%	1.7%		
% of Transaction Revenue	100.0%	100.0%	100.0%	100.0%	89.8%	58.8%	38.2%	31.0%	25.4%		
Option Revenue	0	0	0	0	323	1,761	3,572	4,988	6,717		56.2%
Growth %					444.6%	102.8%	39.6%	34.7%			
% of Transaction Revenue	0.0%	0.0%	0.0%	0.0%	10.2%	41.2%	61.8%	69.0%	74.6%		
<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>5,779</b>	<b>7,233</b>	<b>9,000</b>	<b>12.1%</b>	<b>28.2%</b>
Growth %			23.5%	-3.7%	-7.2%	35.2%	35.3%	25.2%	24.4%		

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	5,779	7,233	9,000	12.1%	28.2%
Other Operating Revenue	183	137	444	502	508	862	1,207	1,328	1,460	36.3%	19.2%
<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>6,986</b>	<b>8,561</b>	<b>10,460</b>	<b>14.6%</b>	<b>26.8%</b>
Growth YoY %		15.5%	32.6%	-1.8%	-6.1%	40.0%	36.1%	22.5%	22.2%		

**Quarterly estimate**

*Q3FY24E revenue growth is expected to be at INR 1.89bn up 14.6/31.8% QoQ/YoY driven by +23/91% rise in options revenue.*

*Q3FY24E profitability will be impacted by an INR 1.25bn pay-out to 63 moons. The normalised profit for Q3FY24 is expected to be INR 1.14bn.*

*The profit will normalise in Q4FY24E and will stand at INR 1.25bn. The normalised quarterly cost excluding SGF contribution will be at INR 0.56bn resulting in an EBITDA margin of ~70-71%*

MCX quarterly trends (INR mn)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24E	Q4 FY24E
Net Revenue	1,088	1,274	1,436	1,338	1,458	1,651	1,892	1,984
Software service expenses	192	219	676	874	888	1,345	1,345	100
Employee Expenses	227	229	229	234	253	274	276	244
Computer & Tech exp	61	69	75	66	74	78	79	80
Other Operating Expenses	114	102	128	143	136	128	135	138
<b>EBITDA</b>	<b>493</b>	<b>656</b>	<b>327</b>	<b>21</b>	<b>107</b>	<b>(173)</b>	<b>57</b>	<b>1,422</b>
Depreciation	58	58	43	58	43	66	59	58
<b>EBIT</b>	<b>435</b>	<b>598</b>	<b>285</b>	<b>(37)</b>	<b>64</b>	<b>(239)</b>	<b>(2)</b>	<b>1,364</b>
PBT	527	781	485	163	267	(164)	190	1,553
<b>RPAT</b>	<b>415</b>	<b>633</b>	<b>388</b>	<b>55</b>	<b>197</b>	<b>(191)</b>	<b>144</b>	<b>1,247</b>
E/o gains (adj for tax) - SGF	0	0	0	0	0	-114	0	0
<b>APAT</b>	<b>415</b>	<b>633</b>	<b>388</b>	<b>55</b>	<b>197</b>	<b>(77)</b>	<b>144</b>	<b>1,247</b>

MARGIN ANALYSIS	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24E	Q4 FY24E
EBITDA Margin (%)	45.3	51.5	22.8	1.5	7.3	(10.5)	3.0	71.7
EBIT Margin (%)	40.0	47.0	19.8	(2.8)	4.4	(14.5)	(0.1)	68.7

Futures ADTV (INR bn)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24E	Q4 FY24E
Bullion	97.89	105.00	115.44	118.82	129.19	111.62	130.59	121.49
Energy	118.21	91.94	81.44	54.07	61.89	54.65	56.55	68.93
Metals	33.29	40.64	40.58	32.65	22.24	20.79	17.19	14.63
Agri & others	1.84	0.64	0.63	0.17	0.25	0.23	0.15	0.09
<b>Total</b>	<b>251.22</b>	<b>238.22</b>	<b>238.09</b>	<b>205.71</b>	<b>213.57</b>	<b>187.30</b>	<b>204.49</b>	<b>205.14</b>

Options ADTV (INR bn)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24E	Q4 FY24E
Crude	125.34	145.51	235.02	281.85	475.18	661.49	731.70	804.87
Natural Gas	9.83	38.18	62.79	84.72	73.05	111.44	130.54	143.59
Bullion (Gold + Silver)	15.45	11.69	15.97	21.37	71.00	85.62	82.37	90.61
Others	0.04	0.01	0.02	0.03	0.05	0.18	0.28	0.31
<b>Total</b>	<b>150.65</b>	<b>195.39</b>	<b>313.81</b>	<b>387.96</b>	<b>619.28</b>	<b>858.73</b>	<b>944.89</b>	<b>1,039.38</b>

Options Premium ADTV (INR bn)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24E	Q4 FY24E
Crude	3.58	3.48	5.72	6.37	9.12	11.69	14.55	16.00
Natural Gas	0.39	1.47	2.17	3.29	2.51	3.53	4.03	4.43
Bullion (Gold + Silver)	0.10	0.08	0.11	0.18	0.53	0.58	0.77	0.84
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>4.07</b>	<b>5.03</b>	<b>8.00</b>	<b>9.83</b>	<b>12.16</b>	<b>15.80</b>	<b>19.35</b>	<b>21.28</b>

MCX Key KPIs	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24E	Q4 FY24E
Total Futures Turnover (INR trn)	16.2	15.5	15.5	13.2	13.7	12.0	13.1	13.5
MCX Futures Market share (%)	96.4%	97.2%	96.8%	96.8%	96.3%	94.1%	94.1%	94.2%
Options Premium/Notional Turnover Ratio	2.7%	2.6%	2.6%	2.5%	2.0%	1.8%	2.0%	2.0%
Transaction charges INR/mn (single side)	21.0	20.7	20.7	20.7	21.0	21.1	21.1	21.1

Revenue mix (INR mn)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24E	Q4 FY24E
Futures revenue	678	644	643	547	576	507	553	572
Options revenue	276	430	530	525	650	825	1,010	1,086
Other Operating	133	200	263	266	232	319	329	326
<b>Total revenue</b>	<b>1,088</b>	<b>1,274</b>	<b>1,436</b>	<b>1,338</b>	<b>1,458</b>	<b>1,651</b>	<b>1,892</b>	<b>1,984</b>

Source: Company, HSIE Research

### 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 (29/19% 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 53% in FY25E due to a significant reduction in software support charges. We expect SSC to be at INR 0.4/0.44bn in FY25/26E and other costs to grow at ~16% CAGR over FY23-26E. The embedded non-linearity in the business model will lead to significant margin expansion in FY25/26E (EBITDA margin of 68.6% in FY25E).

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	3,678	400	440	31.7%	-39.2%
SSC Fixed	180	180	180	180	180	180	378	400	440	0.0%	34.7%
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	651	770	941	0.6%	24.5%
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>5,687</b>	<b>2,689</b>	<b>3,080</b>	<b>14.1%</b>	<b>-5.4%</b>
<i>Growth YoY %</i>		9.6%	6.5%	-6.4%	-0.3%	77.8%	56.3%	-52.7%	14.5%		

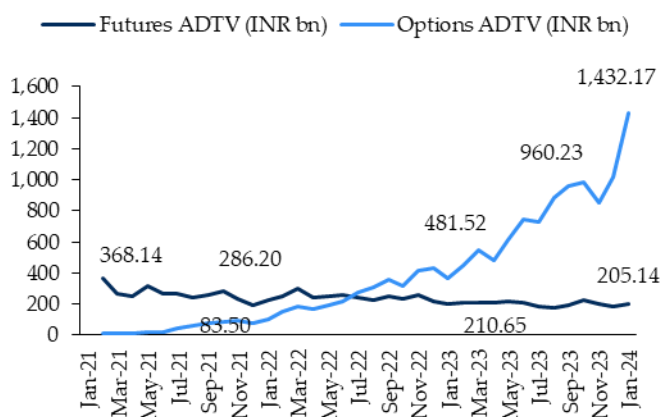
Cost Break-up	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR % FY18-23	CAGR % FY23-26E
Fixed Cost	1,091	1,110	1,159	1,142	1,185	1,369	1,735	1,919	2,139	4.6%	16.0%
Variable Cost	789	951	1,036	912	861	2,269	3,951	770	941	23.5%	-25.4%
Fixed Cost %	58%	54%	53%	56%	58%	38%	31%	71%	69%		
Variable Cost %	42%	46%	47%	44%	42%	62%	69%	29%	31%		
EBITDA mn	719	940	1,784	1,852	1,622	1,497	1,300	5,872	7,380	15.8%	70.2%
<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>18.6%</b>	<b>68.6%</b>	<b>70.6%</b>		
Depreciation	167	154	182	221	227	216	226	508	576	5.3%	38.8%
<i>Growth YoY %</i>		-7.3%	17.6%	21.5%	2.9%	-4.9%	4.9%	124.6%	13.4%		
EBIT	552	785	1,602	1,632	1,395	1,281	1,073	5,363	6,804	18.3%	74.5%
<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>15.4%</b>	<b>62.6%</b>	<b>65.0%</b>		
Other Income	920	748	1,053	1,038	461	677	777	863	967	-6.0%	12.6%
<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>1,847</b>	<b>6,223</b>	<b>7,768</b>		
PAT	1,084	1,462	2,365	2,252	1,434	1,490	1,397	4,810	6,015	6.6%	59.2%
<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>1,397</b>	<b>4,810</b>	<b>6,015</b>	<b>6.6%</b>	<b>59.2%</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>837</b>	<b>4,183</b>	<b>5,307</b>	<b>19.9%</b>	<b>73.9%</b>

Source: Company, HSIE Research

### Options volume rises post technology transition

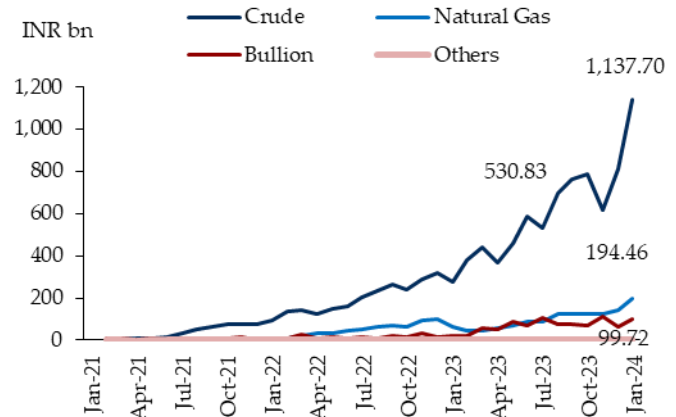
MCX options volume has registered strong growth and is scaling new highs post the technology transition. The options ADTV has increased from INR 388bn in Q3FY23 to ~INR 945bn in Q3FY24. Options volume is now ~82% of the total derivatives volume and accounts for ~51% of MCX revenue in FY24E. The growth 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 ~173% YoY, and (3) the launch of new options contracts and higher volatility in major contracts. Crude and natural gas contracts account for ~95% 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 the launch of mini/weekly expiry contracts and the 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 in India. We expect the options volume/premium to grow at a CAGR of 77/58% over FY23-26E and account for ~64% of total MCX revenue. We believe that a robust technology transition is the backbone of a successful exchange and opens immense possibilities. The product launch timeline can be reduced significantly and the new matching engine can support high-frequency trades.

#### MCX options ADTV crossed the 1 trn mark in Dec-23, up 3x YoY, futures stable



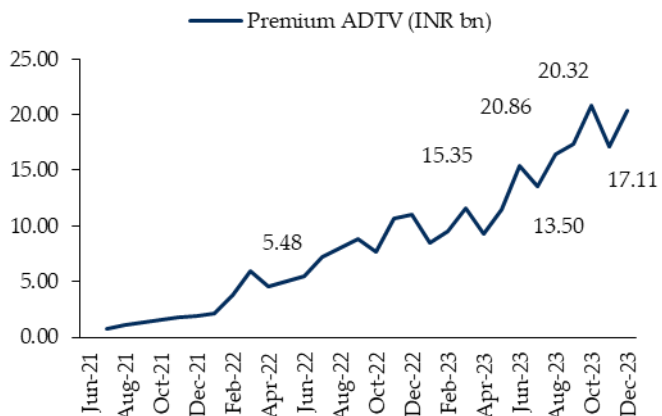
Source: Company, HSIE Research

#### Crude and Natural Gas contracts account for >90% of options volume and crude is now >1trn volume



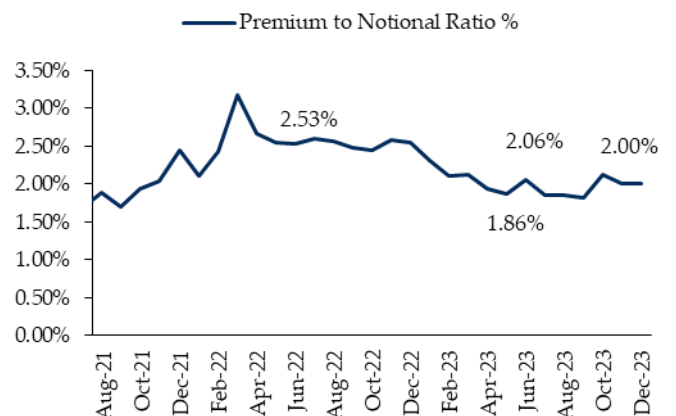
Source: Company, HSIE Research

#### The options premium ADTV has registered strong growth, up 23/97% QoQ/YoY in Q3FY24



Source: Company, HSIE Research

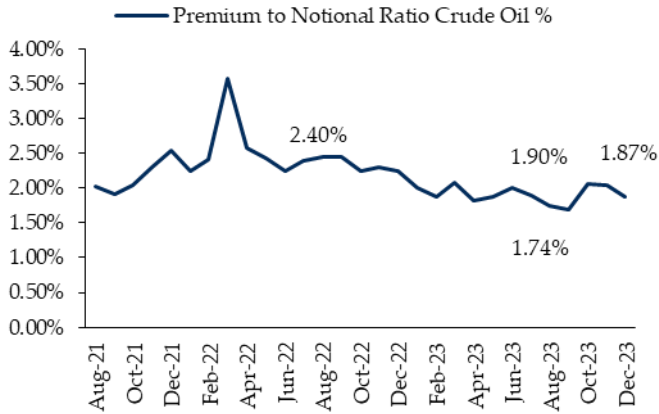
#### The premium to notional ratio is coming down gradually, it was stable in the last three months



Source: Company, HSIE Research

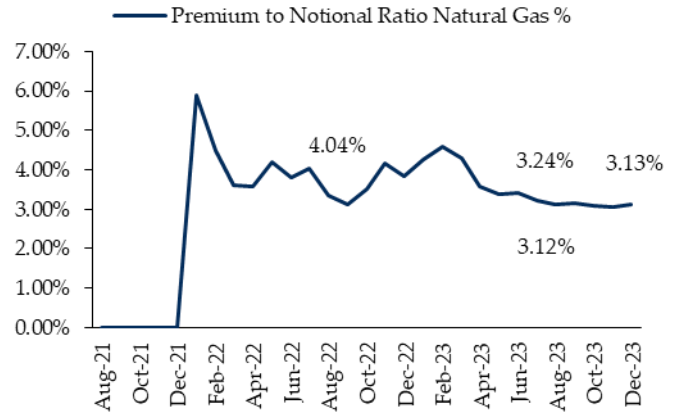


**The options premium to the notional ratio for Crude Oil contract is in line with the company's average**



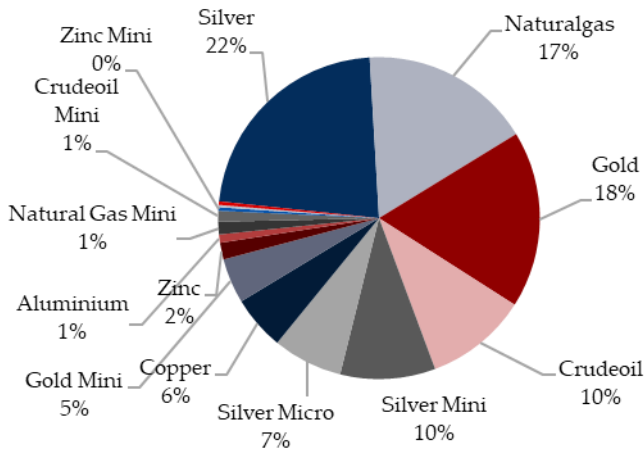
Source: Company, HSIE Research

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



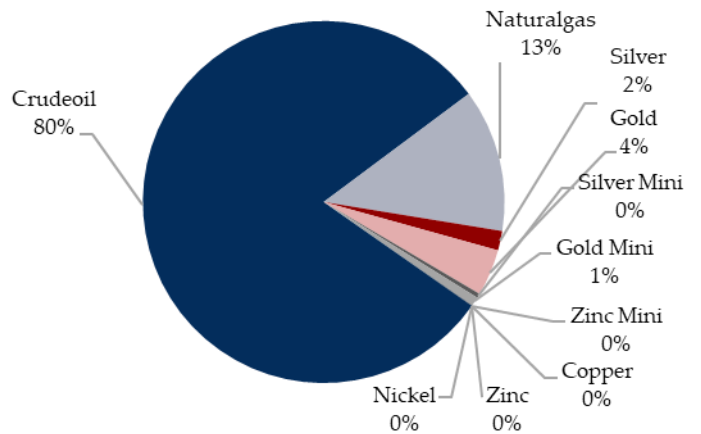
Source: Company, HSIE Research

**Commodity futures top traded contracts—Silver, Gold Natural gas and Crude oil account for ~67% of the volume**



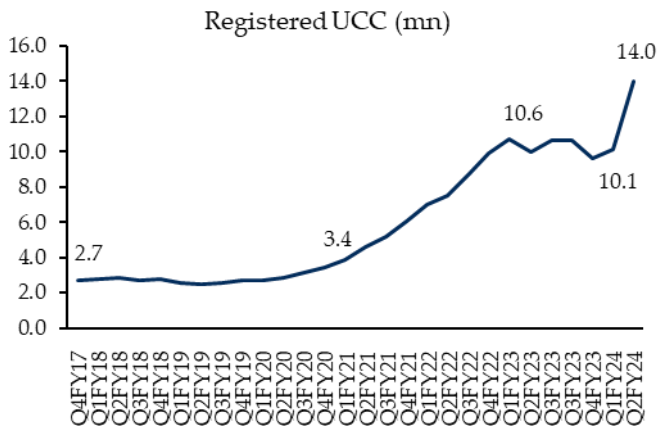
Source: Company, HSIE Research, volume mix for September 2023

**Commodity options volume is dominated by crude and natural gas contracts, constitute ~93% of the volume**



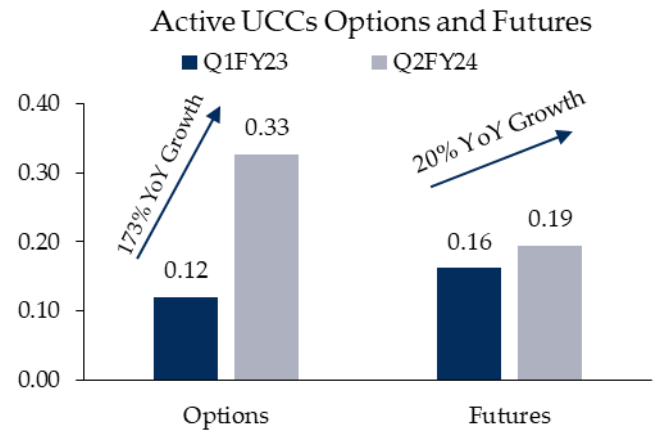
Source: Company, HSIE Research, volume mix for September 2023

**Total active unique client codes (UCC) has spiked post technology transition**



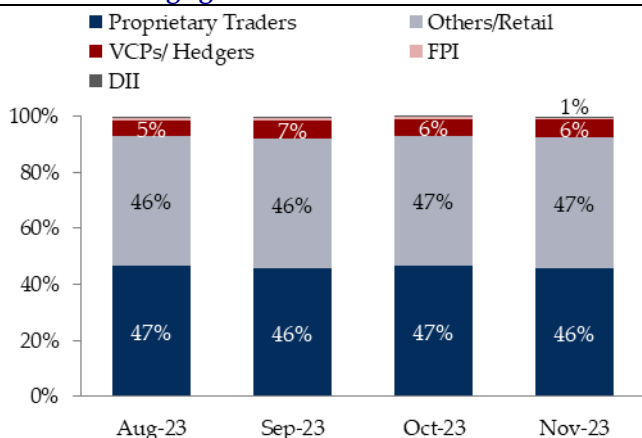
Source: Company, HSIE Research

**Options traded UCCs have registered ~173% YoY growth and is ~2x of futures active UCCs**



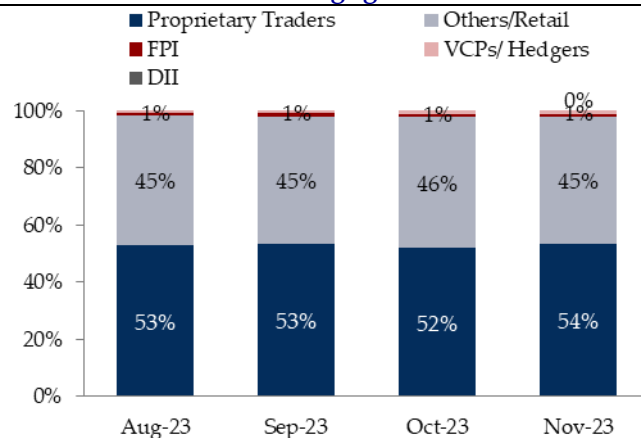
Source: Company, HSIE Research

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



Source: Company, HSIE Research

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



Source: Company, HSIE Research

**Futures volume participants mix: Algorithmic trading dominates the volume; mobile trading percentage is much lower vs equities**

Futures Mix	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Algo %	56%	54%	51%	50%	52%	52%
Non Algo %	44%	46%	49%	50%	48%	48%

Mode of trading	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Client Trading %	50%	51%	53%	53%	51%	53%
Mobile Trading %	20%	21%	23%	22%	23%	22%
Others %	30%	28%	23%	24%	26%	25%

Source: Company, HSIE Research

**Options volume participants mix: Algo trade forms the bulk of trades, mobile trading is higher vs futures but lower than equities**

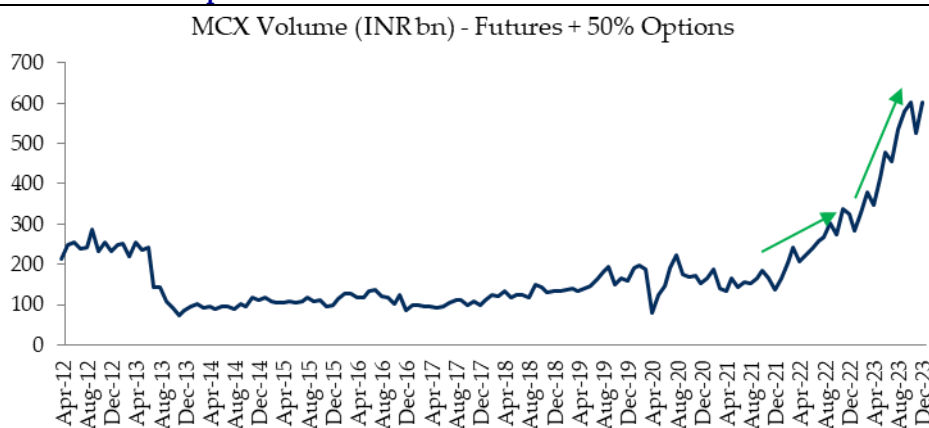
Options Mix	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Algo %	52%	53%	54%	55%	55%	54%
Non Algo %	48%	47%	46%	45%	45%	46%

Mode of trading	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Client Trading %	52%	51%	51%	49%	48%	47%
Mobile Trading %	32%	31%	30%	31%	31%	31%
Others %	16%	18%	19%	20%	21%	22%

Source: Company, HSIE Research

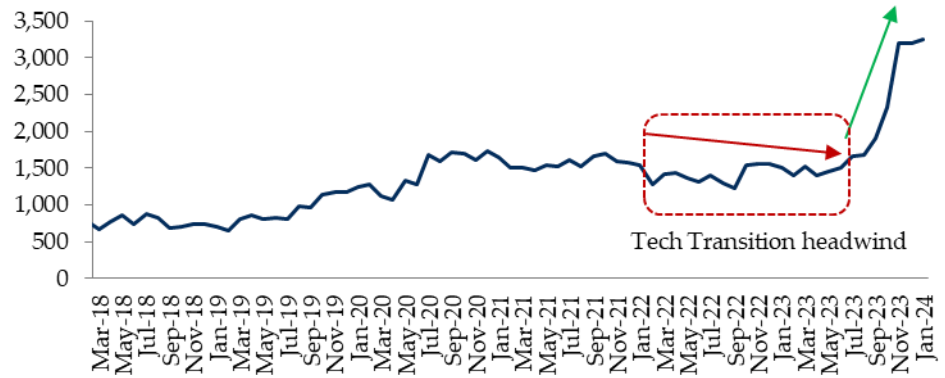
**MCX volumes and price chart – 10Y correlation of ~74%**



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

**Change in estimate**

INR mn	FY24E		Change %	FY25E		Change %	FY26E		Change %
	Old	Revised		Old	Revised		Old	Revised	
Revenue	6,804	6,985	2.7	8,208	8,561	4.3	9,628	10,460	8.6
EBITDA	1,043	1,299	24.5	5,346	5,872	9.8	6,452	7,380	14.4
EBITDA Margin (%)	15.3	18.6	326bps	65.1	68.6	346bps	67.0	70.6	354bps
APAT	1,224	1,396	14.1	4,452	4,810	8.1	5,329	6,015	12.9
EPS (INR)	24.0	27.4	14.1	87.4	94.5	8.1	104.7	118.2	12.9

Source: HSIE Research

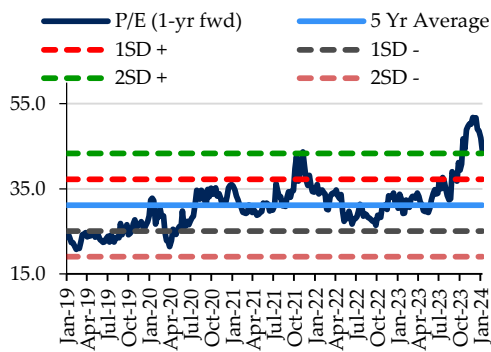
Peer valuation

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				ROE (%)				Rev CAGR% FY23-26E	EPS CAGR% FY23-26E
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E		
MCX	163	3,193	3,650	BUY	29.3	27.4	94.5	118.2	109.1	116.4	33.8	27.0	10.3	9.3	30.1	33.6	26.8%	59.2%
CDSL	190	1,821	1,700	BUY	26.4	35.7	40.0	48.0	68.9	51.0	45.5	38.0	23.9	29.0	28.9	30.7	20.5%	22.0%
BSE	311	2,298	2,490	BUY	23.0	35.3	55.6	68.4	99.8	65.1	41.3	33.6	11.6	14.7	17.3	19.2	35.5%	43.8%

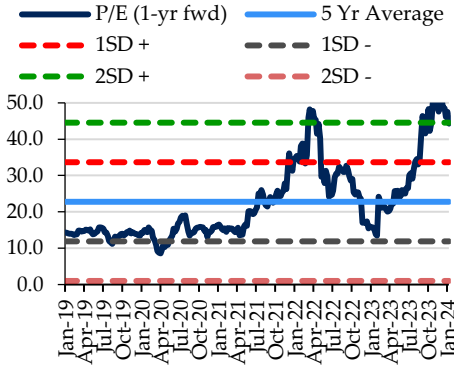
Source: Company, HSIE research. CMP as on 18<sup>th</sup> Jan, 2024

Valuation charts

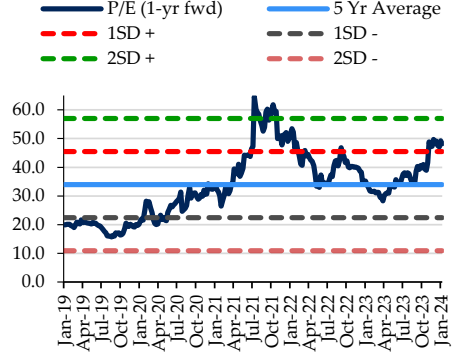
MCX P/E (1-yr fwd) trend



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>6,985</b>	<b>8,561</b>	<b>10,460</b>
<i>Growth (%)</i>	<b>15.5</b>	<b>32.6</b>	<b>(1.8)</b>	<b>(6.1)</b>	<b>40.0</b>	<b>36.0</b>	<b>22.6</b>	<b>22.2</b>
Software support charges	614	689	636	640	1,961	3,678	400	440
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	651	770	941
<b>EBITDA</b>	<b>940</b>	<b>1,784</b>	<b>1,852</b>	<b>1,622</b>	<b>1,497</b>	<b>1,299</b>	<b>5,872</b>	<b>7,380</b>
<i>EBITDA Margin (%)</i>	<b>31.3</b>	<b>44.8</b>	<b>47.4</b>	<b>44.2</b>	<b>29.1</b>	<b>18.6</b>	<b>68.6</b>	<b>70.6</b>
<i>EBITDA Growth (%)</i>	<b>30.7</b>	<b>89.9</b>	<b>3.8</b>	<b>(12.4)</b>	<b>(7.7)</b>	<b>(13.2)</b>	<b>352.2</b>	<b>25.7</b>
Depreciation	154	182	221	227	216	226	508	576
<b>EBIT</b>	<b>785</b>	<b>1,602</b>	<b>1,632</b>	<b>1,395</b>	<b>1,281</b>	<b>1,072</b>	<b>5,363</b>	<b>6,804</b>
Other Income (Including EO Items)	748	1,053	1,038	461	677	777	863	967
Interest	0	2	3	2	2	3	3	3
<b>PBT</b>	<b>1,533</b>	<b>2,653</b>	<b>2,667</b>	<b>1,853</b>	<b>1,955</b>	<b>1,846</b>	<b>6,223</b>	<b>7,768</b>
Tax (Incl Deferred)	75	289	415	406	416	406	1,369	1,709
Minority Interest & Associate profit	4.3	0.4	0.9	-12.7	-49.6	-43.6	-43.6	-43.6
<b>RPAT</b>	<b>1,462</b>	<b>2,365</b>	<b>2,252</b>	<b>1,434</b>	<b>1,490</b>	<b>1,396</b>	<b>4,810</b>	<b>6,015</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>1,396</b>	<b>4,810</b>	<b>6,015</b>
<i>APAT Growth (%)</i>	<b>56.9</b>	<b>39.1</b>	<b>(4.8)</b>	<b>(27.2)</b>	<b>(9.1)</b>	<b>(6.3)</b>	<b>244.5</b>	<b>25.1</b>
<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>836</b>	<b>4,183</b>	<b>5,307</b>
<i>Core PAT Growth (%)</i>	<b>83.7</b>	<b>91.2</b>	<b>(3.5)</b>	<b>(20.9)</b>	<b>(7.4)</b>	<b>(17.1)</b>	<b>400.2</b>	<b>26.9</b>
<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>27.4</b>	<b>94.5</b>	<b>118.2</b>
<i>EPS Growth (%)</i>	<b>56.9</b>	<b>39.1</b>	<b>(4.8)</b>	<b>(27.3)</b>	<b>(9.1)</b>	<b>(6.3)</b>	<b>244.5</b>	<b>25.1</b>

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	14,614	16,305	18,474
<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>15,124</b>	<b>16,815</b>	<b>18,984</b>
Settlement guarantee fund	3,298	4,098	4,692	5,256	5,898	6,126	6,358	6,595
<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>21,810</b>	<b>23,734</b>	<b>26,140</b>
<b>APPLICATION OF FUNDS</b>								
Net Block	1,580	1,583	1,594	1,565	1,502	1,694	1,614	1,561
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>4,456</b>	<b>4,410</b>	<b>4,393</b>
Debtors	60	65	90	115	146	115	141	172
Other Current Assets	945	753	948	1,221	2,310	2,863	3,518	4,299
Cash & Equivalents	17,243	23,878	21,339	23,403	23,540	24,645	27,633	31,094
<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>27,623</b>	<b>31,292</b>	<b>35,565</b>
Trading margin from members	3,518	7,599	4,296	6,429	7,584	8,667	10,127	11,700
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>10,269</b>	<b>11,968</b>	<b>13,818</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>17,354</b>	<b>19,324</b>	<b>21,747</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>21,810</b>	<b>23,734</b>	<b>26,140</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	1,846	6,223	7,768
Non-operating & EO items	(954)	(1,224)	(981)	(419)	(590)	(777)	(863)	(967)
Interest expenses	0	2	2	2	2	3	3	3
Depreciation	155	181	221	227	216	226	508	576
Working Capital Change	2,153	3,402	(3,274)	2,572	326	695	940	958
Tax Paid	(295)	(523)	(479)	(323)	(495)	(406)	(1,369)	(1,709)
<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>1,588</b>	<b>5,442</b>	<b>6,629</b>
Capex	(271)	(277)	(211)	(820)	(713)	(419)	(428)	(523)
Free cash flow (FCF)	2,320	4,215	(2,055)	3,093	702	1,169	5,014	6,106
Investments	0	0	0	0	0	0	0	0
Non-operating Income	445	407	302	220	425	777	863	967
<b>INVESTING CASH FLOW ( b )</b>	<b>174</b>	<b>130</b>	<b>91</b>	<b>(600)</b>	<b>(287)</b>	<b>358</b>	<b>435</b>	<b>444</b>
Debt Issuance/(Repaid)	0	0	0	0	0	0	0	0
Interest Expenses	(0)	0	(0)	(1)	(2)	(3)	(3)	(3)
FCFE	2,320	4,215	(2,055)	3,092	699	1,166	5,011	6,103
Share Capital Issuance	0	0	0	0	0	0	0	0
Dividend	(1,045)	(1,230)	(1,530)	(1,408)	(887)	(838)	(2,886)	(3,609)
<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>(841)</b>	<b>(2,889)</b>	<b>(3,612)</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>1,105</b>	<b>2,988</b>	<b>3,461</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>24,645</b>	<b>27,633</b>	<b>31,094</b>

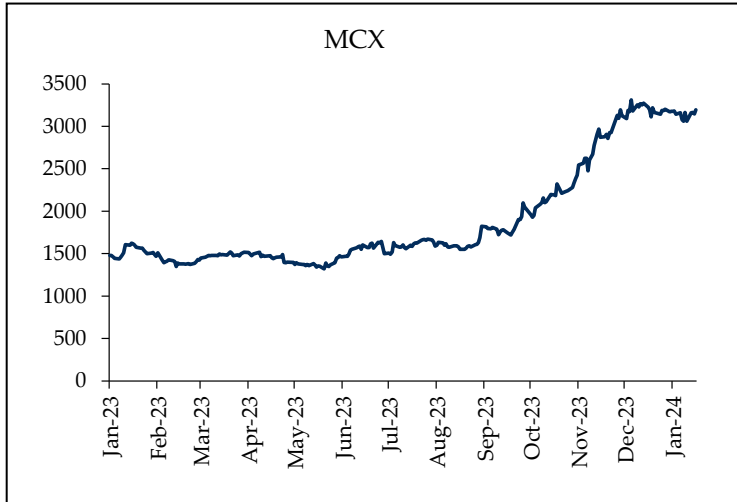
Source: Company, HSIE Research

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>PROFITABILITY (%)</b>								
GPM	79.6	82.7	83.7	82.6	61.8	47.3	95.3	95.8
EBITDA Margin	31.3	44.8	47.4	44.2	29.1	18.6	68.6	70.6
APAT Margin	56.7	59.4	57.7	44.7	29.0	20.0	56.2	57.5
RoE	12.9	18.1	16.2	11.6	10.3	9.3	30.1	33.6
RoIC (or Core RoCE)	17.7	25.4	23.4	16.2	10.4	9.3	30.1	35.8
RoCE	10.6	13.7	12.0	8.3	7.2	6.5	21.1	24.1
<b>EFFICIENCY</b>								
Tax Rate (%)	4.9	10.9	15.6	21.9	21.3	22.0	22.0	22.0
Fixed Asset Turnover (x)	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.3
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	126	440	431
Cash Conversion Cycle (days)	-155	-313	-262	-301	-12	30	-284	-275
Debt/EBITDA (x)	-9.6	-5.9	-6.0	-7.8	-5.3	-6.1	-1.6	-1.5
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	27.4	94.5	118.2
CEPS	36.4	50.0	48.6	36.7	33.5	31.9	104.5	129.5
Dividend	20.5	24.2	30.1	27.7	17.4	16.5	56.7	70.9
Book Value	245.8	267.1	278.6	278.6	290.6	297.1	330.3	372.9
<b>VALUATION</b>								
P/E (x)	95.6	68.7	72.2	99.2	109.1	116.4	33.8	27.0
P/BV (x)	13.0	12.0	11.5	11.5	11.0	10.7	9.7	8.6
EV/EBITDA (x)	163.4	85.3	81.8	92.4	103.3	119.1	26.1	20.5
OCF/EV (%)	1.7	3.0	(1.2)	2.6	0.9	1.0	3.6	4.4
FCF/EV (%)	1.5	2.8	(1.4)	2.1	0.5	0.8	3.3	4.0
FCFE/Mkt Cap (%)	0.2	0.3	(0.1)	0.2	0.1	0.1	0.4	0.4
Dividend Yield (%)	0.6	0.8	0.9	0.9	0.5	0.5	1.8	2.2

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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