

# Multi Commodity Exchange

## Strong recovery in volume

MCX market share increased to 96.7% (+530bps YoY), which demonstrates the core strength of the franchise. Both revenue and margin performance was weak in 1Q but stood better than expectation. Trading volume was down 37% QoQ in 1Q due to the impact of COVID-19, change in exchange timing (April-20) and crude fiasco, which recovered strongly to pre-COVID levels in July-20 (Rs 346bn, ~5% below 4Q level). Bullion (57% of volume) continues to drive volume (+52% above 4Q level) supported by volatility in gold/silver prices. Crude (~25% of volume) is impacted by the high margin requirement (~100%) and extreme volatility. Tailwinds like institutional participation, indices launch (Aug-20), and increasing retail penetration should boost volumes. We increase the EPS estimate for FY21/22E by +27.4/+13.6% to factor in volume recovery and better margin. The stock has rallied ~48% in the last three months and now trades at a PE of 33/28x FY21/22E EPS. We assign 30x to June-22E core PAT and add net cash (ex-SGF) to arrive at a target price of Rs 1,600. Maintain ADD.

- **1QFY21 highlights:** MCX revenue was down 30.7/8.1% QoQ/YoY to Rs 0.73bn (vs. expectation of Rs 0.64bn). Traded volume was down 41.6/18.5% QoQ/YoY to Rs 14.11tn. Total ADTV was down 36.9/15.8% QoQ/YoY to Rs 231bn. The bulk of the decline in 1Q was due to Energy (-65.9% QoQ) and Metals (-21.5% QoQ). Bullion was down only 6.6% QoQ in 1Q but is up 87% YoY in July-20. EBITDA margin stood at 38.7%, down 235bps QoQ, higher than our estimate of 26.5%.
- ADTV recovery has been strong in the past three months; in July-20, it was at Rs 345.85 (+9.9% YoY), led by Bullion and Metals. The crude volume is still down due to high margin requirements (~100% vs. ~10% earlier). MCX is planning to launch spot exchanges for Bullion and Natural Gas.

### Quarterly Financial summary

YE March (Rs bn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	0.73	0.79	-8.1	1.05	-30.7	3.00	3.74	4.15	4.95	5.88
EBITDA	0.27	0.28	-4.3	0.41	-34.9	0.94	1.55	1.93	2.53	3.21
APAT	0.56	0.44	29.1	0.66	-13.8	1.7	2.33	2.39	2.81	3.40
Diluted EPS (Rs)	11.1	8.6	29.1	12.9	-13.8	33.4	45.7	47.0	55.3	66.9
P/E (x)						46.3	33.9	33.0	28.0	23.2
EV / EBITDA (x)						74.2	44.1	35.2	26.8	20.9
RoE (%)						12.9	17.8	17.3	19.9	23.2

Source: Company, HSIE Research, Consolidated Financials

### Change in Estimates

Rs Bn	FY21E Old	FY21E Revised	Change %	FY22E Old	FY22E Revised	Change %
Revenue	3.45	4.15	20.1	4.56	4.95	8.5
EBITDA	1.31	1.93	48.1	2.17	2.53	16.4
EBITDA Margin (%)	37.9	46.7	882bps	47.6	51.0	344bps
APAT	1.87	2.39	27.4	2.48	2.81	13.6
EPS (Rs)	36.8	47.0	27.4	48.7	55.3	13.6

Source: Company, HSIE Research

## ADD

CMP (as on 28 Jul 2020)	Rs 1,699
Target Price	Rs 1,600
NIFTY	11,301

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 1,340	Rs 1,600
EPS %	FY21E +27.4	FY22E +13.6

### KEY STOCK DATA

Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (Rs bn) / (\$ mn)	87/1,158
6m avg traded value (Rs mn)	502
52 Week high / low	Rs 1,730/779

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	55.0	23.4	101.0
Relative (%)	35.2	29.4	99.4

### SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	0.00	0.00
FIs & Local MFs	39.31	39.65
FPIs	32.57	36.43
Public & Others	28.12	23.92
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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