

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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