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Indian Exchanges

Company update

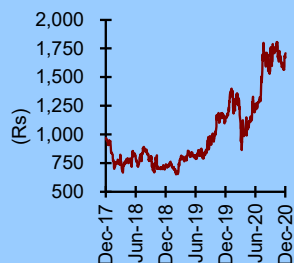
Target price: Rs1,692

Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	0.0	0.0	0.0
Institutional Investors	77.5	77.5	78.0
MFs and others	21.8	21.8	22.0
FIs/Banks	16.9	16.9	18.5
FIs	38.9	38.8	37.5
Others	22.5	22.5	22.0

Source: BSE, NSE

Price chart



Multi Commodity Exchange of India

HOLD

Maintain

Bullion volumes continue to soften

Rs1,706

Dec'20-TD MCX ADTV came in at Rs297bn vs Rs432bn in Aug'20, continuing its downtrend for 4th consecutive month due to declining bullion volumes. Gold / silver ADTV has moderated from Rs122bn / Rs176bn in Aug'20 to Rs69bn / Rs87bn in Dec'20-TD, respectively. Crude ADTV continues to remain lower at Rs11bn and has declined 61% MoM in Dec'20-TD. SEBI's decision for resolution over higher crude oil margins remains a near-term trigger for the stock. Maintain HOLD.

- ▶ MCX reported an ADTV of Rs297bn for the first 15 days of Dec'20, down 4.6 % YoY and 10% MoM.
- ▶ On YoY basis, drop was largely due to crude volumes as non-crude ADTV was up 59% YoY. Gold / silver / natural gas / copper / ALNZ grew 29% / 112% / 97% / 111% / 8% YoY in Dec'20—TD.
- ▶ On YoY basis, gold ADTV rose largely due to higher prices, while silver, natural gas and copper ADTV growth was driven by both quantities traded and higher prices.
- ▶ On MoM basis, decline in ADTV has largely been driven by lower gold and crude volumes (largely due to lower quantity traded). Natural gas ADTV declined due to price correction (average price was down 10.7% MoM).

Table 1: YoY bridge for key commodities

	Qty units	Price units	Dec-19	Dec-20	ADTVOL % chg	Avg monthly Price % Chg	Abs chg in ADTV (Rs bn)	Change due to Qty (Rs bn)	Change due to Price (Rs bn)
Gold	Kgs	per 10gm	54	69	0%	29.0%	16	0	16
Silver	Metric Tons	per kg	41	87	51%	41.1%	46	21	25
Crude Oil	Mn Barrels	per bbl	131	11	-89%	-20.2%	(120)	(117)	(3)
Natural Gas	BBTU	per bbtu	27	53	67%	18.0%	26	18	8
Copper	Metric Tons	per kg	13	28	56%	35.1%	15	7	7
All commodities			311	297			(15)	(76)	61

Table 2: MoM bridge for key commodities

	Qty units	Price units	Nov-20	Dec-20	ADTVOL % chg	Avg monthly Price % Chg	Abs chg in ADTV (Rs bn)	Change due to Qty (Rs bn)	Change due to Price (Rs bn)
Gold	Kgs	per 10gm	84	69	-16%	-2.0%	(15)	(13)	(1)
Silver	Metric Tons	per kg	89	87	-5%	2.3%	(3)	(4)	2
Crude Oil	Mn Barrels	per bbl	29	11	-65%	11.3%	(18)	(19)	1
Natural Gas	BBTU	per bbtu	60	53	-1%	-10.7%	(7)	(1)	(6)
Copper	Metric Tons	per kg	23	28	13%	8.9%	5	3	2
All commodities			330	297			(33)	(33)	(1)

Source: Company data, I-Sec research

Market Cap	Rs87bn/US\$1.2bn	Year to Mar (Cons)	FY19	FY20	FY21E	FY22E
Reuters/Bloomberg	MCEIQF.BO/ MCX IN	Revenue (Rs mn)	3,000	3,742	4,587	4,987
Shares Outstanding (mn)	51.0	Rec. Net Income (Rs mn)	1,463	2,365	2,862	2,900
52-week Range (Rs)	1806/864	Rec. EPS (Rs)	28.7	46.4	56.1	56.9
Free Float (%)	100.0	% Chg YoY	35.0	61.6	21.0	1.3
FII (%)	37.5	P/E (x)	54.0	33.4	27.6	27.3
Daily Volume (US\$/000)	8,643	CEPS (Rs)	31.7	49.9	59.9	61.0
Absolute Return 3m (%)	1.2	EV/E (x)	59.4	34.3	25.4	22.7
Absolute Return 12m (%)	53.7	Dividend Yield (%)	1.3	1.9	2.3	2.4
Sensex Return 3m (%)	19.0	RoCE (%)	5.5	8.7	11.4	11.1
Sensex Return 12m (%)	15.3	RoE (%)	11.1	18.1	20.1	18.8

Please refer to important disclosures at the end of this report

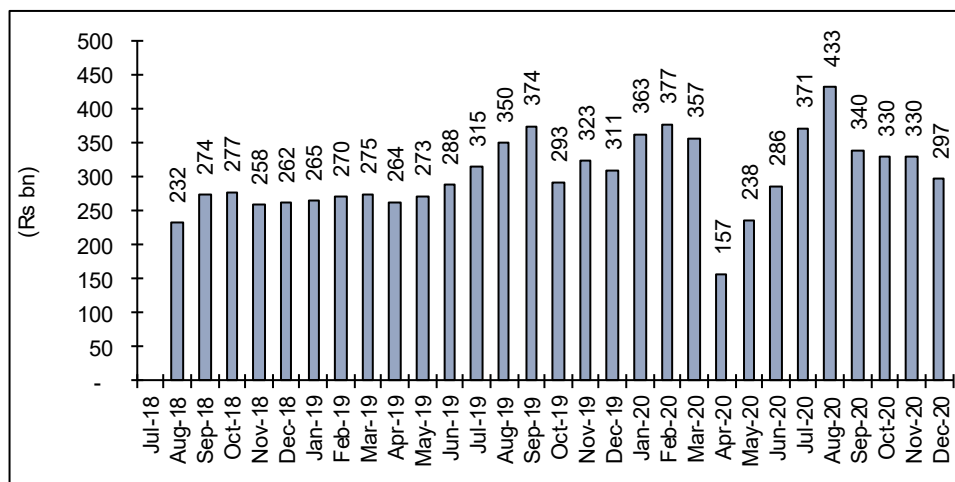
Research Analysts:

Ansuman Deb

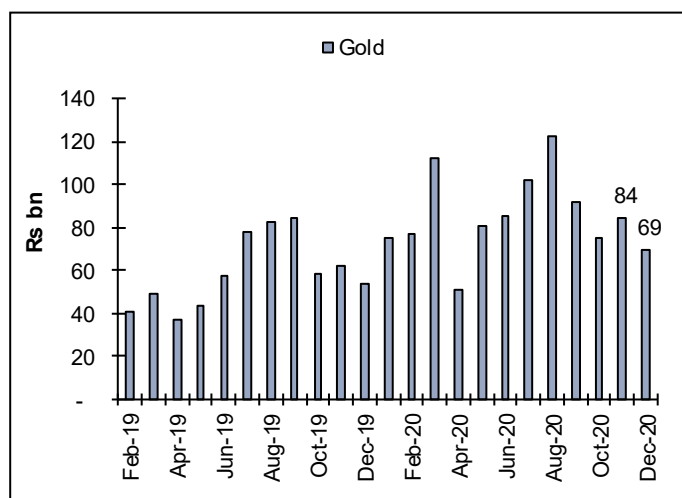
ansuman.deb@icicisecurities.com
+91 22 6637 7312

Ravin Kurwa

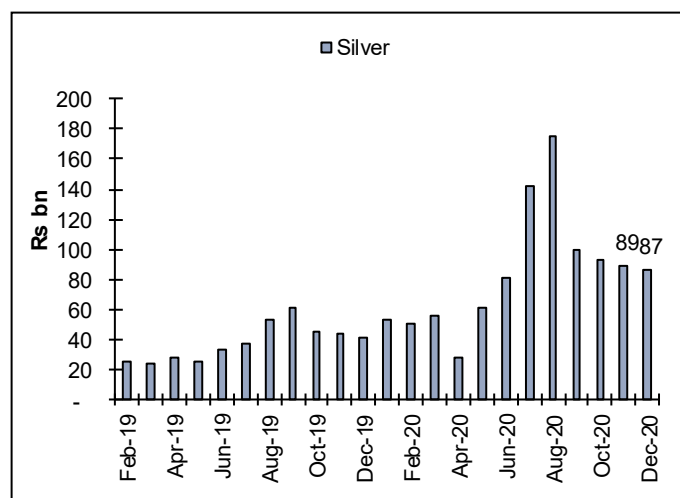
ravin.kurwa@icicisecurities.com
+91 22 2277 7653

Chart 1: MCX ADTV declined 4.6% / 10% on YoY / MoM basis in Dec'20-TD

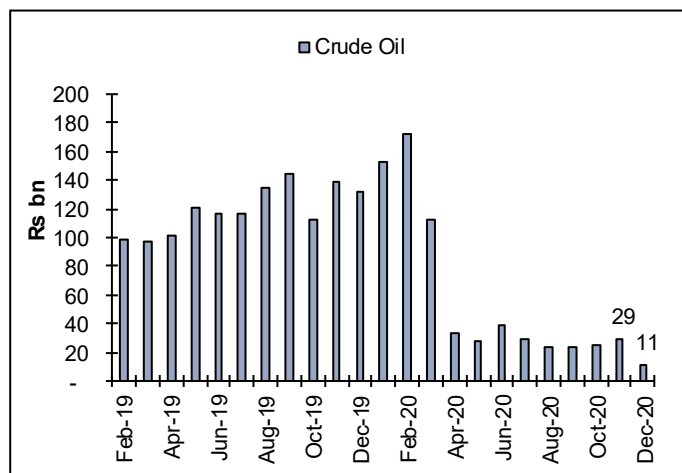
Source: MCX, I-Sec research

Average daily traded value (ADTV) commodity-wise trend**Chart 2: Gold ADTV**

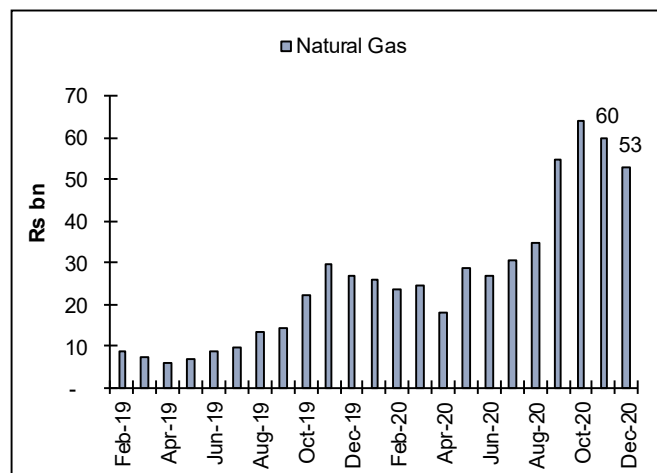
Source: MCX, I-Sec research

Chart 3: Silver ADTV

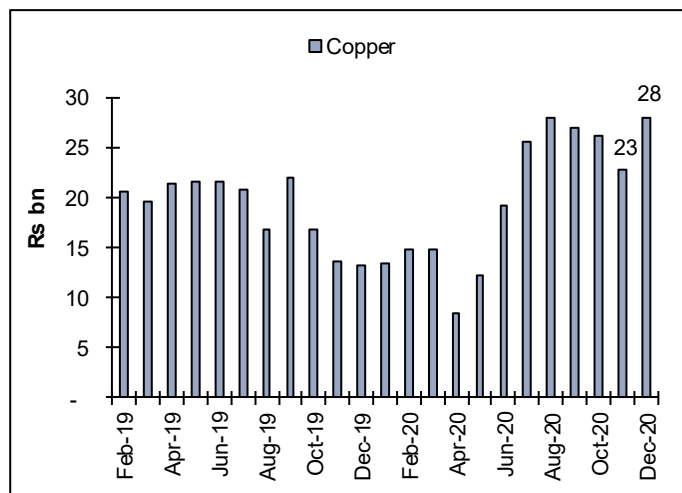
Source: MCX, I-Sec research

Chart 4: Crude ADTV

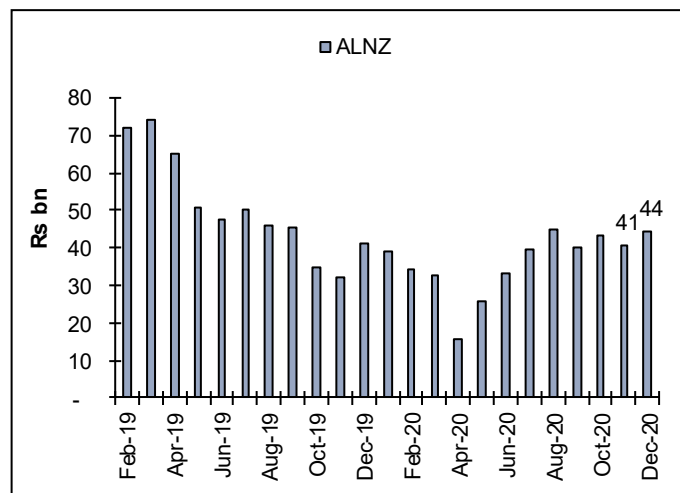
Source: MCX, I-Sec research

Chart 5: Natural Gas ADTV

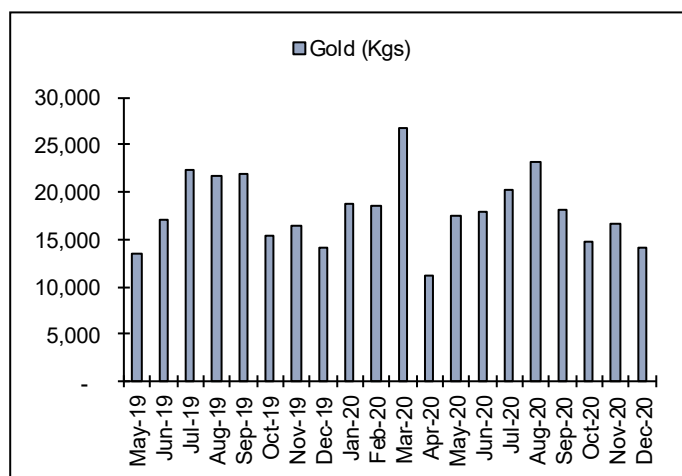
Source: MCX, I-Sec research

Chart 6: Copper ADTV

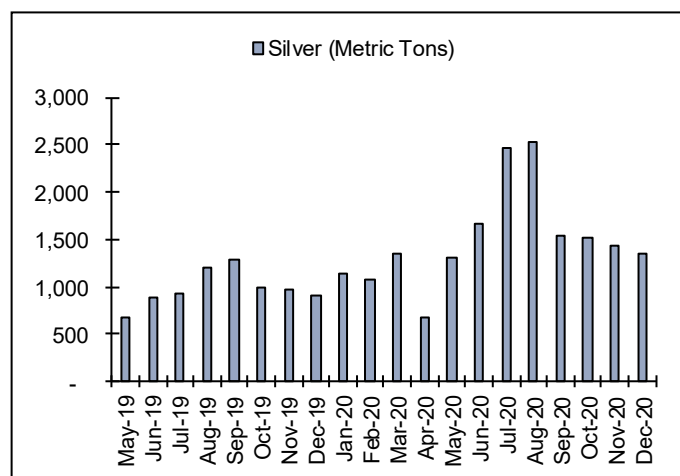
Source: MCX, I-Sec research

Chart 7: ALNZ ADTV

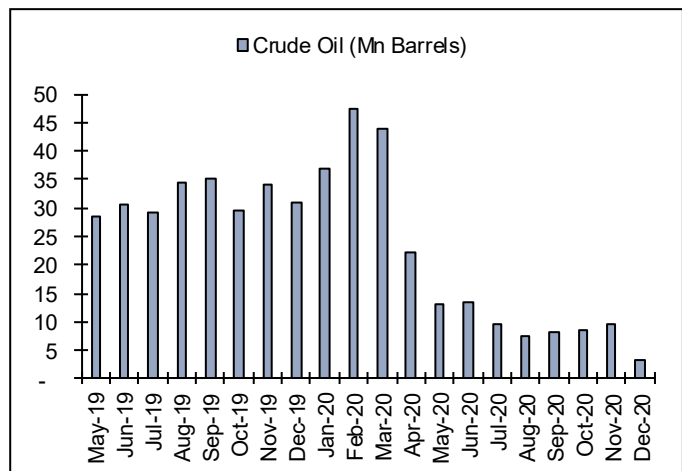
Source: MCX, I-Sec research

Average daily traded volume (ADTVOL)**Chart 8: Gold ADTVOL**

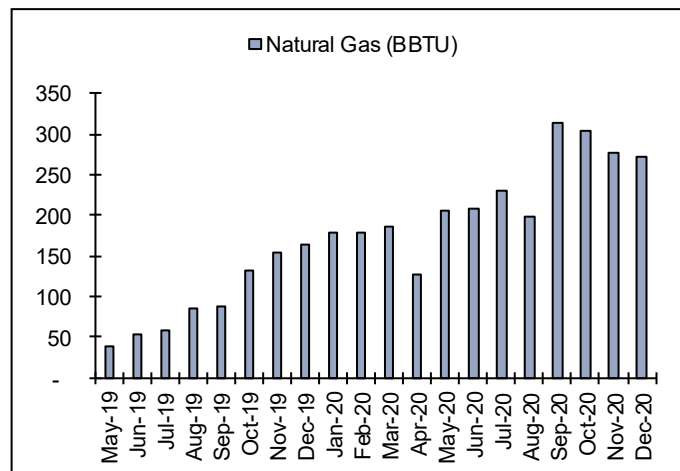
Source: MCX, I-Sec research

Chart 9: Silver ADTVOL

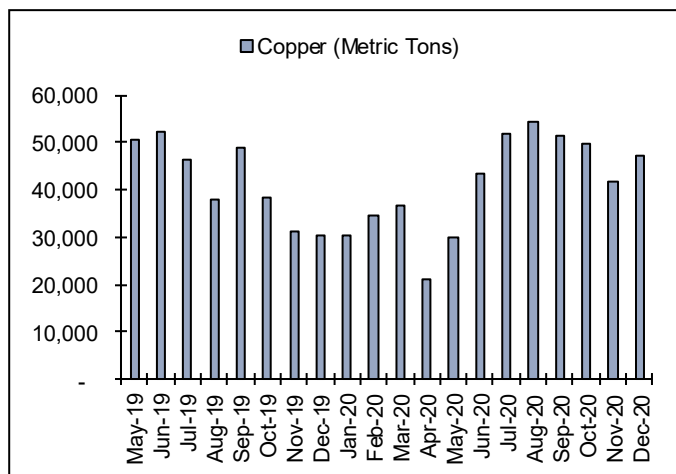
Source: MCX, I-Sec research

Chart 10: Crude oil ADTVOL

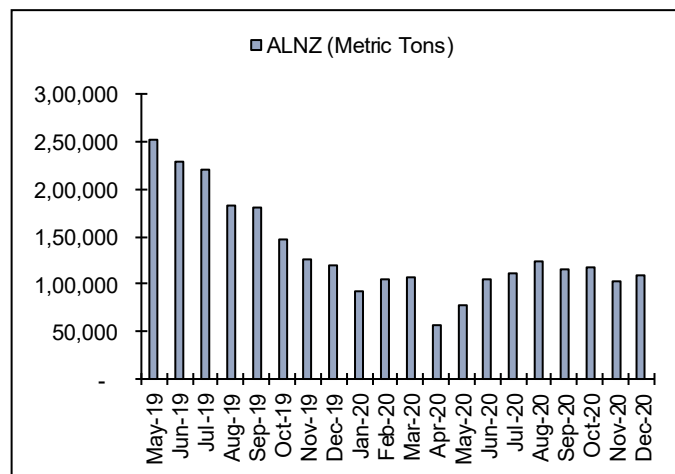
Source: MCX, I-Sec research

Chart 11: Natural Gas ADTVOL

Source: MCX, I-Sec research

Chart 12: Copper ADTVOL

Source: MCX, I-Sec research

Chart 13: ALNZ ADTVOL

Source: MCX, I-Sec research

Financial summary (consolidated)

Table 3: Profit & loss statement
(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Total Income	3,000	3,742	4,587	4,987
Operating Expenses	2,060	2,195	2,259	2,411
EBITDA	940	1,547	2,328	2,577
% margins	31.3	41.3	50.8	51.7
Depreciation & Amortisation	155	181	195	211
Net Interest	-	1.6	-	-
Other Income	986	1,290	1,444	1,450
Recurring PBT	1,771	2,653	3,577	3,816
Add: Extraordinaries	(238)	-	-	-
Less: Taxes				
- Current tax	67	317	715	916
- Deferred tax	8	(28)	-	-
Less: Minority Interest & Share in associates	4	-	-	-
Net Income (Reported)	1,463	2,365	2,862	2,900
Recurring Net Income	1,463	2,365	2,862	2,900

Source: Company data, I-Sec research

Table 4: Balance sheet
(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	8,322	12,987	12,989	14,236
of which cash & cash eqv.	6,588	8,835	8,382	9,492
Total Current Liabilities & Provisions	8,246	13,752	12,472	12,910
Net Current Assets	76	(766)	517	1,325
Investments				
of which	10,663	12,561	12,783	13,024
Strategic/Group	4,839	5,943	5,943	5,943
Others	5,824	6,618	6,839	7,080
Net Fixed Assets	1,770	1,798	1,626	1,625
of which				
intangibles	166	149	204	259
Capital Work-in-Progress	190	237	50	50
Goodwill	-	-	-	-
Total Assets	12,509	13,594	14,926	15,974
Liabilities				
Borrowings				
Deferred Tax Liability	-	-	-	-
Minority Interest	-	-	-	-
Equity Share Capital	510	510	510	510
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	11,999	13,084	14,416	15,464
Net Worth	12,509	13,594	14,926	15,974
Total Liabilities	12,509	13,594	14,926	15,974

Source: Company data, I-Sec research

Table 5: Cashflow statement
(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Op. Cashflow post tax	438	1,089	1,613	1,661
Working Capital Changes	2,153	3,403	(1,736)	302
Capital Commitments	(271)	(255)	(23)	(210)
Free Cashflow	2,320	4,237	(146)	1,753
Cashflow from Investing Activities	(664)	5	1,223	1,209
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(1,045)	(1,230)	(1,530)	(1,852)
Interest paid	(0)	(27)	-	-
Chg. in Cash & Bank balance	610	2,985	(453)	1,110

Source: Company data, I-Sec research

Table 6: Key ratios
(Year ending March 31)

	FY19	FY20	FY21E	FY22E
Per Share Data (Rs)				
EPS(Basic Recurring)	28.7	46.4	56.1	56.9
Diluted Recurring EPS	28.7	46.4	56.1	56.9
Core EPS	18.4	32.8	40.1	41.2
Recurring Cash EPS	31.7	49.9	59.9	61.0
Dividend per share (DPS)	20.0	30.0	36.3	36.8
Book Value per share (BV)	245	267	293	313
Growth Ratios (%)				
Operating Income	20.3	49.8	34.8	6.7
EBITDA	30.8	64.5	50.5	10.7
Recurring Net Income	35.0	61.6	21.0	1.3
Diluted Recurring EPS	35.0	61.6	21.0	1.3
Diluted Recurring CEPS	29.4	57.4	20.1	1.8
Valuation Ratios				
P/E	54.0	33.4	27.6	27.3
P/CEPS	48.9	31.0	25.9	25.4
P/BV	6.3	5.8	5.3	4.9
EV / EBITDA	59.4	34.3	25.4	22.7
EV / EBIT	88.5	51.0	32.0	28.4
EV / Op. FCF (pre -Capex)	27.4	15.6		38.4
Operating Ratios				
Software support charge / Revenue	21.2	17.8	15.3	15.4
Employee charge / Revenue	25.2	20.7	16.9	16.0
Effective Tax Rate (%)	4.2	14.1	20.0	24.0
Current ratio	0.9	0.6	0.7	0.7
Profitability Ratios (%)				
EBITDA Margins	31.3	41.3	50.8	51.7
Rec. Net Income Margins	36.7	47.0	47.4	45.0
RoCE	5.5	8.7	11.4	11.1
RoNW	11.1	18.1	20.1	18.8
Dividend Payout Ratio	84	65	65	65
Dividend Yield	1.3	1.9	2.3	2.4

Source: Company data, I-Sec research

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