

MULTI COMMODITY EXCHANGE OF INDIA (MCX) :

Excellent, Must subscribe

IPO Note: Largest Commodity Futures Exchange with 80%+ market share

Rating: *****

Issue details

Price band (Rs)	Rs.860-1032
IPO Opening Date	22/02/2012
IPO Closing Date	24/02/2012
Issue Size	Rs.552.75-663.31 Crore

Valuations & Recommendation

For the nine months ended December 31, 2011 MCX had total income of Rs 474 crore and net profit of Rs 220 crore. **It is seeking a PE multiple of around 18 times its trailing net profit on an annualised basis.** For FY11, total income of the company was placed at Rs. 448 crores, with PAT at Rs. 176 crores resulting in an EPS of Rs. 34.50.

Transaction fee is the largest contributor to operating revenue and its share has grown from 88% in FY09 to 96% in 6MFY12. MCX's operating revenue has grown at a CAGR of 32% over FY09-11.

MCX will be the first of its kind stock in the market, just like Coal India, and there is no peer for a valuation comparison. Looking to its debt-free status, large market share and fundamentals we recommend to subscribe in the IPO. Also accumulate this stock in dips after listing for steady gains over long term.

Highlights

- ◆ **MCX is the largest among Indian commodity futures exchange industry and have above 80% of the market share**
- ◆ **For FY11, total income of the company was placed at Rs. 448 crores, with PAT at Rs. 176 crores resulting in an EPS of Rs. 34.50.**
- ◆ **As on 31/12/2011, the company has cash and cash equivalent of over Rs. 1,200 crores**
- ◆ **CRISIL has assigned an IPO Grade 5 to MCX IPO**
- ◆ **The shares of the MCX will be listed only at BSE**

Company Introduction

About Company

The company is a leading Commodity Exchange, with a demutualised exchange for nation wide on line trading, clearing and settlement operations of Commodities Future transactions. The company is offering trading in 49 commodity futures, which includes bullions, ferrous and non-ferrous metals, energy and agriculture. As at 31-12-2011, it had 2,153 members with over 2,96,000 terminals, including CTCL spread over 1,572 cities and towns across India. The company derives its income from transaction fees, with respect to the trades executed on the exchange, annual subscription fees, members admission fees, terminal charges, proceeds of sale and dividends from



www.mcxindia.com

Financial Summary

Particulars	FY11	FY10	FY09
Total Income	447.29	493.55	365.84
Net Profit	172.82	220.62	158.03
EPS (Rs)	34.33	27.7	20.01

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

investments and interest from bank deposits.

About Promoters

It is promoted by FTIL with a pre-IPO stake of 31.18%. FTIL is a Software developer and a technical service provider of automated electronic solutions for foreign exchange, commodities and equities.

Position in world

MCX is the largest silver exchange, the second largest gold, copper and natural gas exchange and the third largest crude oil exchange, in terms of the number of commodity futures contracts traded for each of these commodities.

Largest among commodity exchange

There are five officially recognized electronic multi-commodity national exchanges in India including MCX, NCDEX, NMCE, ICEX and ACE. These five national multi-commodity exchanges accounted for 99.5% of the turnover of commodity futures contracts traded in India. MCX is the largest among these and have above 80% of the market share of the Indian commodity futures exchange industry.

Financial

Transaction fee is the largest contributor to operating revenue and its share has grown from 88% in FY09 to 96% in 6MFY12. MCX's operating revenue has grown at a CAGR of 32% over FY09- 11, with much of the growth coming through transaction fees, which grew at a CAGR of 37% over the same period.

EBITDA margin improved to 60.4% in FY11 from 53.6% in FY09, on account of operating leverage – most of MCX's operating costs are fixed and semi-fixed in nature. Likewise, adjusted PAT margin also improved from 35.5% in FY09 to 39.4% in FY11. Return on equity decreased marginally from 24.4% in FY09 to 22.8% in FY11.

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