

MCX

On a strong footing

MCX options volume is scaling new highs and the futures volume is catching up. Post the tech transition in Oct-2023, the options volume is up 60% and the futures volume is at a multi-quarter high. We believe MCX will be the least impacted by the ongoing regulatory risk as (1) it has near-zero exposure to weekly options, (2) crude, which is ~80% of options volume, is monthly expiry and gold has bimonthly expiry, (3) the number of retail options traders on MCX platform is ~17/23% of NSE/BSE, and (4) growth in options premium ADTV (~106% YoY in FY24) is led by the rise in the options traders (+81% YoY) while the exposure per option traders per day is only INR 23K up 14% YoY. There has been a delay in the appointment of the new MD & CEO—the final list of candidates is with the regulator and we expect the announcement soon. The new strategic direction will be on launching new products, enhancing the technology stack, increasing institutional participation/hedging, and improving profitability. The launch of monthly series contracts (subject to regulatory approval) is expected to boost notional/premium volume by ~50/17%. The premium-to-notional ratio will decline as there is a shift to weekly expiry. We expect notional/premium volume to register a +58/39% CAGR over FY24-27E. We increase our EPS estimate by 8/5% for FY25/26E to factor in the options volume surge. We maintain our BUY rating with a target price of INR 4,400, based on 35x FY26E core EPS + net cash ex-SGF.

- Options strong and futures gaining traction:** The options volume is getting broad-based; the contribution of crude is gradually coming down (~73% vs ~80%) and gold/silver options are witnessing growth (~15% of the volume). Commodity options volume is showing continued strength but is still in its infancy compared to equities. Notional ADTV in Q1FY25 stood at INR 1,467bn, up 29/137%, and options premium at INR 23.68bn was up 16/95% QoQ/YoY. As per sensitivity, a ~10% increase in options volume boosts EPS by ~8%. We expect the options premium to reach INR 36.68bn in FY26E, which assumes a growth of ~45% from the June 2024 level. The futures volume registered strong volume growth in Q1, with ADTV at INR 259bn +48/22% QoQ/YoY. The futures volume is at a 20-month high, led by the rise in bullion prices and the launch of mini contracts.
- New products optionality, least exposed to regulatory risk:** The derivative volume in equities is dominated by shorter-duration weekly contracts while MCX has monthly contracts. This is positive in the current scenario as the regulator is concerned with the rising retail speculation. The retail traders on the MCX platform have increased but the exposure per client has not increased significantly. The options premium exposure per retail client is 1/4th of NSE and ~2x of BSE. MCX has plans to launch multiple crude monthly contracts which will expire every week. The expiry week volume is ~45% higher but the P/N is ~28% lower, resulting in a net positive impact of ~17% on options premium. Launches of new contracts like index options, electricity futures, cotton candy and monthly gold options will further boost volumes.

Financial Summary*

YE March (INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	3,668	5,135	6,836	9,682	11,970	14,048
EBITDA	1,622	1,497	888	6,465	8,438	10,066
APAT	1,639	1,490	831	4,964	6,445	7,791
Diluted EPS (INR)	32.2	29.3	16.3	97.5	126.6	153.1
P/E (x)	122.9	135.1	242.2	40.6	31.2	25.8
EV / EBITDA (x)	116.3	129.2	214.1	29.4	22.4	18.5
RoE (%)	11.6	10.3	5.8	34.1	39.3	41.5

Source: Company, HSIE Research, *Consolidated

BUY

CMP (as on 08 July '24)	INR 3,955
Target Price	INR 4,400
NIFTY	24,321

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,200	INR 4,400
EPS %	FY25E +7.6	FY26E +5.4

KEY STOCK DATA

Bloomberg code	MCX IN
No. of Shares (mn)	51
MCap (INR bn) / (\$ mn)	201/2,410
6m avg traded value (INR mn)	2,664
52 Week high / low	INR 4,270/1,538

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.7	24.9	147.2
Relative (%)	2.7	12.8	124.7

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	0.00	0.00
FIs & Local MFs	53.02	56.88
FPIs	26.61	23.22
Public & Others	20.37	19.90
Pledged Shares	0.00	0.00

Source : BSE

Amit Chandra

amit.chandra@hdfcsec.com
+91-22-6171-7345

Dhananjay Jain

dhananjay.jain@hdfcsec.com
+91-22-6171-7339

- Valuations and view:** MCX is up ~13/28% in the last 1M/6M vs BSE, which is down -12/+3% in the last 1M/6M. The rising volumes, stable tech platform, and the option value linked to the launch of new products are resulting in outperformance vs peers. The stock has traded at an average one-year forward P/E of ~33x and is currently trading at a P/E of 41/31x FY25/26E EPS. We expect further rerating with the announcement of the new MD & CEO and more clarity on the timeline of new product launches.

MCX SoTP valuation

Core PAT FY26E (INR mn)	6,104
35X Core PAT (INR mn)	2,13,652
Add: Net Cash (INR mn) ex SGF	10,320
Mcap (INR mn)	2,23,972
TP (INR)	4,400
Upside (%)	11%

Source: HSIE Research

Volume and target price sensitivity

TP sensitivity to Option turnover and P/N ratio		Options notional ADTV FY26E (INR bn)				
		1,349	1,798	2,398	2,877	3,453
Premium to notional (P/N) ratio %	1.3%	2,554	3,143	3,928	4,556	5,309
	1.4%	2,687	3,320	4,164	4,839	5,649
	1.5%	2,819	3,497	4,400	5,122	5,989
	1.6%	2,952	3,674	4,636	5,406	6,329
	1.7%	3,085	3,851	4,872	5,689	6,669

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

The base case assumes notional volume of INR 2,441bn, premium ADTV of 37.22bn, P/N of 1.5%, PAT of INR 6,405mn and multiple of 35x, resulting in a TP of INR 4,400

MCX Option ADTV Premium sensitivity		Options notional ADTV FY26E (INR bn)				
		1,349	1,798	2,398	2,877	3,453
Premium to notional (P/N) ratio %	1.3%	17.94	23.92	31.89	38.26	45.92
	1.4%	19.29	25.71	34.28	41.14	49.37
	1.5%	20.63	27.51	36.68	44.02	52.82
	1.6%	21.98	29.31	39.08	46.90	56.28
	1.7%	23.33	31.11	41.48	49.77	59.73

Source: HSIE Research

We have not assumed any contribution of monthly series contracts in FY26E and expect it to come in FY27E

FY26E PAT (INR mn) sensitivity to Option turnover and P/N ratio		Options notional ADTV FY26E (INR bn)				
		1,535	1,918	2,398	2,877	3,453
Premium to notional (P/N) ratio %	1.3%	4,086	4,820	5,736	6,653	7,753
	1.4%	4,308	5,096	6,082	7,068	8,251
	1.5%	4,529	5,373	6,428	7,483	8,749
	1.6%	4,751	5,650	6,774	7,898	9,247
	1.7%	4,972	5,926	7,120	8,313	9,745

Source: HSIE Research

TP sensitivity to Option Premium and multiple		Options premium ADTV FY26E (INR bn)				
		23.48	29.35	36.68	44.02	52.82
P/E Multiple	25	2,230	2,645	3,165	3,685	4,309
	30	2,676	3,175	3,798	4,422	5,170
	35	3,099	3,677	4,400	5,122	5,989
	40	3,545	4,206	5,033	5,859	6,851
	45	3,991	4,736	5,666	6,596	7,713

Source: HSIE Research

MCX revenue assumptions

MCX (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR % FY19-24	CAGR % FY24-27E
Futures ADTV (INR bn)	256.48	324.24	312.81	257.45	233.35	195.27	260.11	268.35	275.03	-5.3%	12.1%
Growth %		26.4%	-3.5%	-17.7%	-9.4%	-16.3%	33.2%	3.2%	2.5%		
Options ADTV (INR bn)	7.04	11.26	8.98	78.29	338.66	888.94	1,681.11	2,397.88	3,510.73	163.2%	58.1%
Growth %	1634.6%	59.9%	-20.3%	771.7%	332.5%	162.5%	89.1%	42.6%	46.4%		
Options Premium ADTV (INR bn)				8.20	16.91	26.73	36.68	45.64			39.2%
Growth %					106.3%	58.1%	37.2%	24.4%			
Premium/Notional %					2.4%	1.9%	1.6%	1.5%	1.3%		-11.9%
Futures Revenue	2,863	3,535	3,404	2,837	2,512	2,089	2,786	2,874	2,946	-6.1%	12.1%
Growth %		23.5%	-3.7%	-16.7%	-11.5%	-16.8%	33.3%	3.2%	2.5%		
% of Transaction Revenue	100.0%	100.0%	100.0%	89.8%	58.8%	37.3%	33.5%	27.4%	23.7%	-17.9%	
Option Revenue	0	0	0	323	1,761	3,515	5,543	7,607	9,464		39.1%
Growth %				444.6%	99.6%	57.7%	37.2%	24.4%			
% of Transaction Revenue	0.0%	0.0%	0.0%	10.2%	41.2%	62.7%	66.5%	72.6%	76.3%		
Total Transaction Revenue	2,863	3,535	3,404	3,160	4,273	5,605	8,328	10,481	12,410	14.4%	30.3%
Growth %		23.5%	-3.7%	-7.2%	35.2%	31.2%	48.6%	25.8%	18.4%		

MCX (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR % FY19-24	CAGR % FY24-27E
Transaction Revenue	2,863	3,535	3,404	3,160	4,273	5,605	8,328	10,481	12,410	14.4%	30.3%
Other Operating Revenue	137	444	502	508	862	1,231	1,354	1,489	1,638	55.1%	10.0%
Total Revenue	3,000	3,978	3,906	3,668	5,135	6,836	9,682	11,970	14,048	17.9%	27.1%
Growth YoY %	15.5%	32.6%	-1.8%	-6.1%	40.0%	33.1%	41.6%	23.6%	17.4%		

Source: HSIE Research

Weekly calculations (49% increase in Notional and 17% rise in premium)

Notional Volume (INR cr)		Premium Volume (INR cr)	
Existing	Post Monthly Series	Existing	Post Monthly Series
1,62,870	2,33,388	3,112	2,991
2,33,388	2,33,388	2,991	2,991
1,07,412	2,33,388	1,856	2,991
1,24,744	2,33,388	2,261	2,991
1,57,104	2,33,388	2,555	2,991
Increase	49%	Increase	17%
P/N %		1.6%	

Source: MCX, HSIE Research, existing volume data for June 2024

Retail premium exposure

Premium Exposure	NSE	BSE	MCX
Retail/Client Contribution to Premium	^32%	^30%	46*%
Retail Option volume/day (INR bn)	202.63	15.58	7.79
No of Retail Option Traders (Nos)	43,65,965	31,28,000	7,30,000
Options premium exposure/day/Retail (INR)	46,412	4,982	10,671

Source: MCX, HSIE Research, MCX/NSE data is for FY24, and BSE data is for March 2024, * Client trading, ^ mobile, IBT and non-algo volume is considered retail

Q1FY25E revenue growth is expected to be at INR 2.28bn up 26/56% QoQ/YoY driven by +21/52% QoQ rise in options/futures revenue.

Options ADTV was up 29% QoQ while premium turnover was up ~20% QoQ. The premium to notional ratio stood at 1.6% vs 1.8% in Q4FY24.

Options will become 55% of total consolidated revenue in Q1FY25.

Futures volume has witnessed strong recovery (~50% QoQ growth) led by gold, silver, and silver mini volumes.

Margins will expand to 65% led by non-linearity. We have assumed ~100mn of SGF contribution and PAT post SGF is at INR 1.12bn

The software support charges will be elevated till Q3FY25E (1 year of CDP launch) and will moderate gradually.

MCX quarterly estimate

MCX Quarterly Snapshot (INR mn)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25E	QoQ %	YoY %
Net Revenue	1,274	1,436	1,338	1,458	1,651	1,915	1,811	2,276	26%	56%
Software service expenses	219	676	874	888	1,345	1,463	233	238	2%	-73%
Employee Expenses	229	229	234	253	274	290	307	304	-1%	20%
Computer & Tech exp	69	75	66	74	78	79	92	94	2%	27%
Other Operating Expenses	102	128	143	136	128	149	160	161	1%	18%
EBITDA	656	327	21	107	(173)	(66)	1,020	1,480	45%	1284%
Depreciation	58	43	58	43	66	113	138	141	2%	225%
EBIT	598	285	(37)	64	(239)	(178)	882	1,339	52%	2005%
SGF Contribution					114	131	-	100		
Other Income	182	201	201	204	189	177	183	208	14%	2%
PBT	781	485	163	267	(164)	(133)	1,065	1,447	36%	442%
Tax	135	90	86	58	16	-91	205	316	54%	446%
RPAT	633	388	55	197	(191)	(54)	879	1,120	27%	470%

Source: Company, HSIE

MARGIN ANALYSIS %	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
EBITDA Margin (%)	51.5	22.8	1.5	7.3	(10.5)	(3.4)	56.3	65.0
EBIT Margin (%)	47.0	19.8	(2.8)	4.4	(14.5)	(9.3)	48.7	58.8
Tax Rate (%)	17.2	18.5	52.6	21.6	(9.9)	68.3	19.3	21.8
APAT Margin (%)	49.7	27.0	4.1	13.5	(11.5)	(2.8)	48.5	49.2

Source: Company, HSIE Research

Futures ADTV (INR bn)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	QoQ %	YoY %
Bullion	105.00	115.44	118.82	129.19	111.62	130.59	116.57	178.00	53%	38%
Energy	91.94	81.44	54.07	61.89	54.65	56.55	43.56	49.57	14%	-20%
Metals	40.64	40.58	32.65	22.24	20.79	17.19	15.07	31.90	112%	43%
Agri & others	0.64	0.63	0.17	0.25	0.23	0.15	0.24	0.15	-38%	-41%
Total	238.22	238.09	205.71	213.57	187.30	204.49	175.43	259.62	48%	22%

Options ADTV (INR bn)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	QoQ %	YoY %
Crude	235.02	281.85	369.10	475.18	661.49	731.70	885.50	1,063.	20%	124%
Natural Gas	62.79	84.72	52.38	73.05	111.44	130.54	125.46	180.88	44%	148%
Bullion (Gold + Silver)	15.97	21.37	35.59	71.00	85.62	82.37	125.55	221.85	77%	212%
Others	0.02	0.03	0.03	0.05	0.18	0.28	0.22	1.27	480%	2254%
Total	313.81	387.96	457.10	619.28	858.73	944.89	1,136.	1,467.	29%	137%

Options Premium ADTV (INR bn)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	QoQ %	YoY %
Crude	5.72	6.37	7.36	9.12	11.69	14.55	14.91	16.32	9%	79%
Natural Gas	2.17	3.29	2.28	2.51	3.53	4.03	4.59	5.42	18%	116%
Bullion (Gold + Silver)	0.11	0.18	0.26	0.53	0.58	0.77	0.89	1.93	118%	268%
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	735%	1968%
Total	8.00	9.83	9.90	12.16	15.80	19.35	20.39	23.68	16%	95%
P/N%	2.6%	2.5%	2.2%	2.0%	1.8%	2.0%	1.8%	1.6%	(18)	(35)

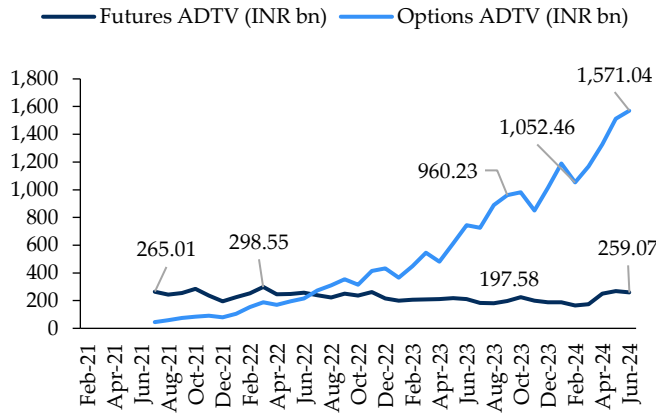
Revenue Mix (INR mn)	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	QoQ %	YoY %
Futures revenue	644	643	547	573	507	545	465	706	52%	23%
Options revenue	430	530	525	650	825	1,010	1,030	1,247	21%	92%
Other Operating	200	263	266	235	319	360	317	323	2%	38%
Total revenue	1,274	1,436	1,338	1,458	1,651	1,915	1,811	2,276	26%	56%

Source: Company, HSIE Research

Cost Structure (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR % FY19-24	CAGR % FY24-27E
SSC (Software Support)	614	689	636	640	1,961	3,929	934	1,034	1,176	45.0%	-33.1%
SSC Fixed	180	180	180	180	180	549	510	452	452	25.0%	-6.3%
SSC Variable	434	509	456	460	1,781	3,380	424	582	724	50.8%	-40.2%
Computer & Tech	205	206	211	205	270	322	371	397	436	9.4%	10.6%
Other Overheads	517	526	456	402	488	573	629	682	801	2.1%	11.8%
Employee Cost	725	773	751	800	919	1,123	1,283	1,419	1,569	9.2%	11.8%
Total Cost	2,061	2,195	2,053	2,046	3,638	5,947	3,218	3,532	3,982	23.6%	-12.5%
Adjusted Cost	2,061	2,195	2,053	2,046	2,438	3,897	3,218	3,532	3,982	13.6%	0.7%
EBITDA mn	940	1,784	1,852	1,622	1,497	888	6,465	8,438	10,066	-1.1%	124.6%
EBITDA margin %	31.3%	44.8%	47.4%	44.2%	29.1%	13.0%	66.8%	70.5%	71.7%		
Adjusted EBITDA	940	1,784	1,852	1,622	2,697	4,188	6,465	8,438	10,066	34.8%	33.9%
Depreciation	154	182	221	227	216	359	570	612	675	18.4%	23.4%
Growth YoY %	-7.3%	17.6%	21.5%	2.9%	-4.9%	66.5%	58.7%	7.3%	10.3%		
EBIT	785	1,602	1,632	1,395	1,281	529	5,894	7,826	9,391	18.3%	160.9%
EBIT margin %	26.2%	40.3%	41.8%	38.0%	24.9%	7.7%	60.9%	65.4%	66.8%		
Other Income (including	748	1,053	1,038	461	677	509	492	459	620	-6.0%	6.8%
PBT	1,533	2,653	2,667	1,853	1,955	1,035	6,384	8,282	10,008		
PAT	1,462	2,365	2,252	1,434	1,490	831	4,964	6,445	7,791	6.6%	110.9%
APAT	1,700	2,365	2,252	1,639	1,490	831	4,964	6,445	7,791	6.6%	110.9%
Core PAT	747	1,428	1,377	1,089	1,008	433	4,598	6,104	7,325	19.9%	156.8%
Adjusted PAT for Tech cost	1,700	2,365	2,252	1,639	2,390	3,306	4,964	6,445	7,791	17.1%	33.1%
EPS (INR)	33.4	46.5	44.2	32.2	29.3	16.3	97.5	126.6	153.1	6.6%	110.9%

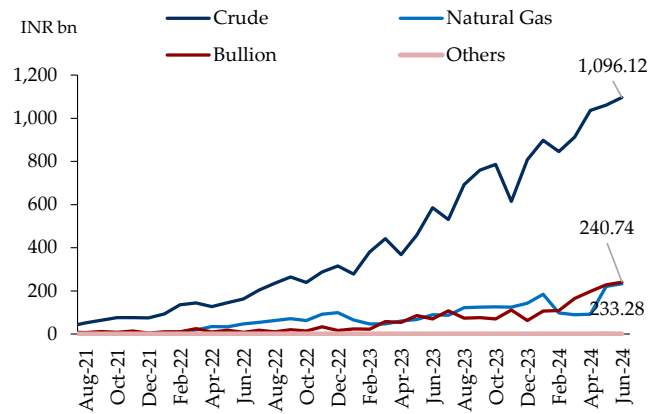
Source: Company, HSIE Research

MCX options ADTV is scaling new highs, up ~2.2x YoY in June-24, futures jumped ~48% QoQ in Q1FY25



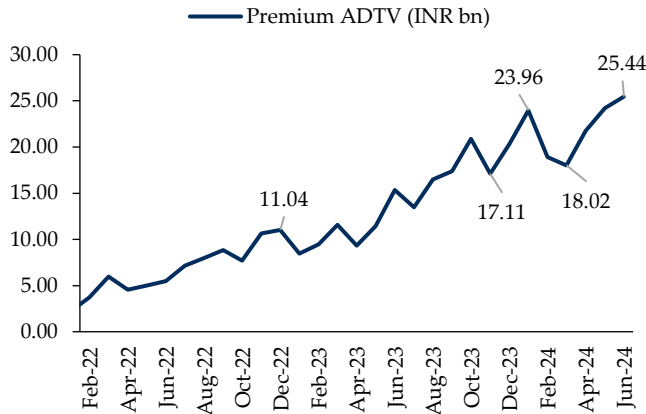
Source: Company, HSIE Research

Crude and Natural Gas is 85% of options volume, bullion has picked up (~3.5x YoY, ~15% of volume)



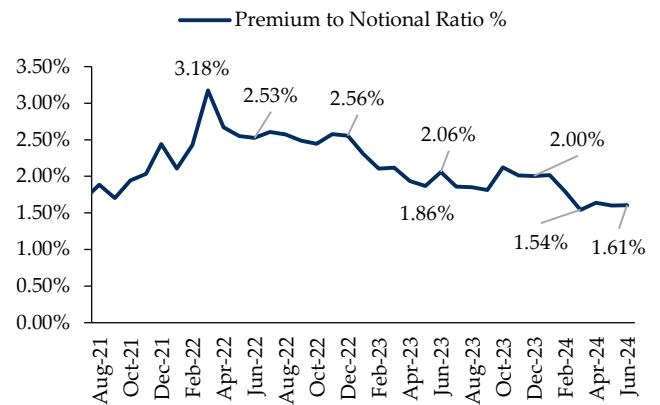
Source: Company, HSIE Research

The options premium has registered strong growth, up 20/144% QoQ/YoY in Q1FY25.



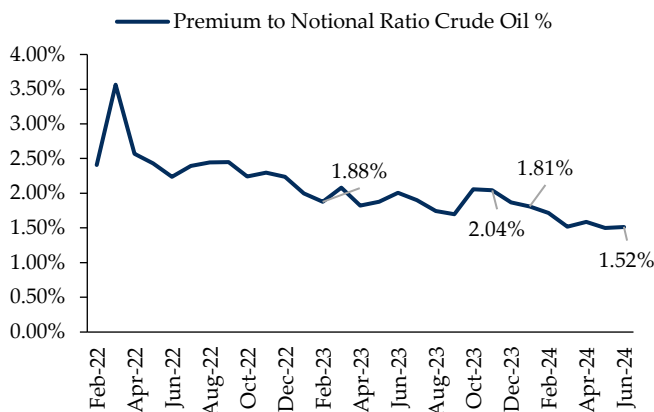
Source: Company, HSIE Research

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



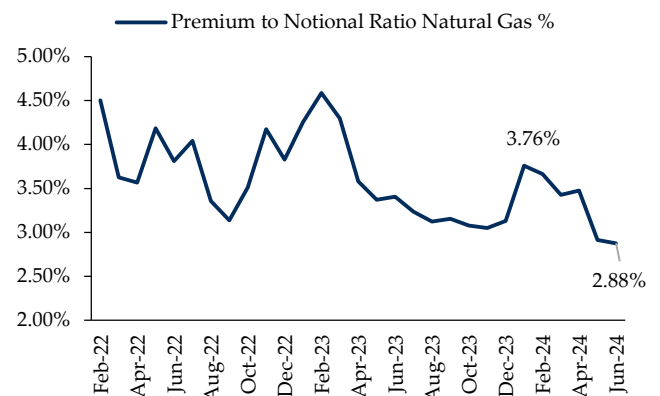
Source: Company, HSIE Research

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



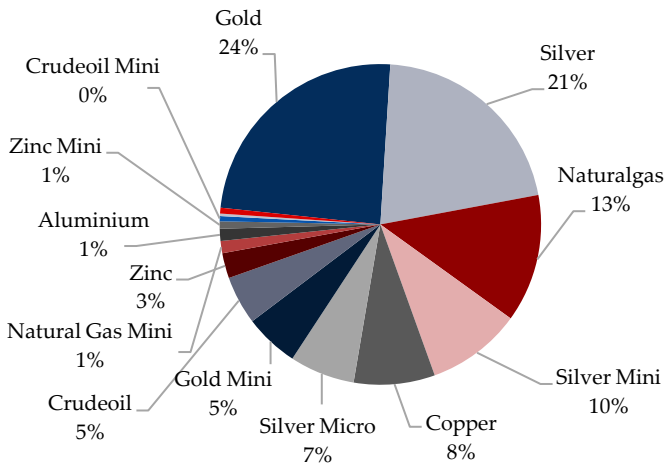
Source: Company, HSIE Research

The premium to notional ratio for Natural gas is coming down due to lower volatility.



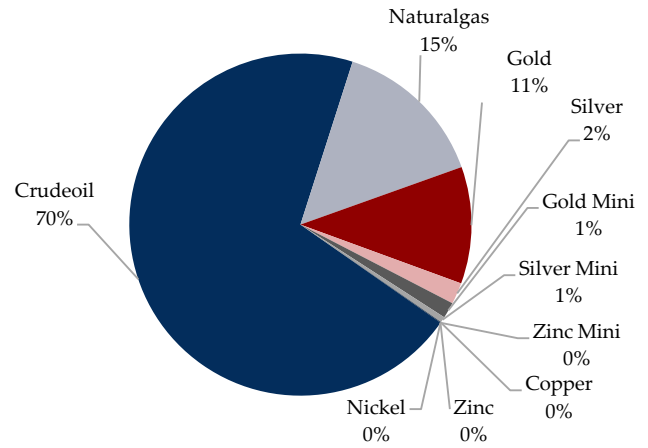
Source: Company, HSIE Research

Commodity futures top traded contracts—Silver, Gold Natural gas and Silver mini account for ~68% of the volume



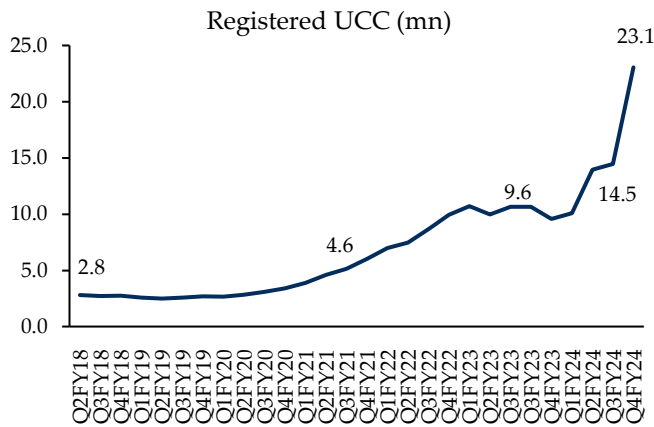
Source: Company, HSIE Research, volume mix for May 2024

Commodity options volume is dominated by crude and natural gas contracts, constituting ~85% of the volume, gold is now 11%



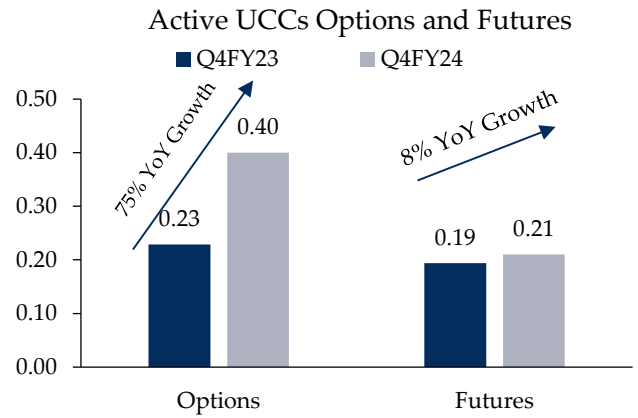
Source: Company, HSIE Research, volume mix for May 2024

Total active unique client codes (UCC) have spiked post-technology transition



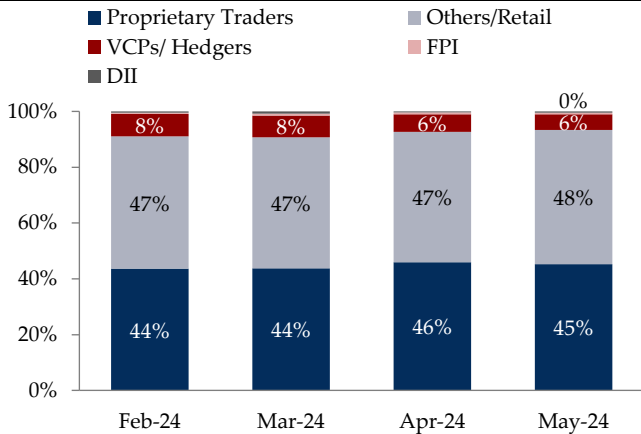
Source: Company, HSIE Research

Options traded UCCs have registered ~75% YoY growth and are ~2x of futures active UCCs



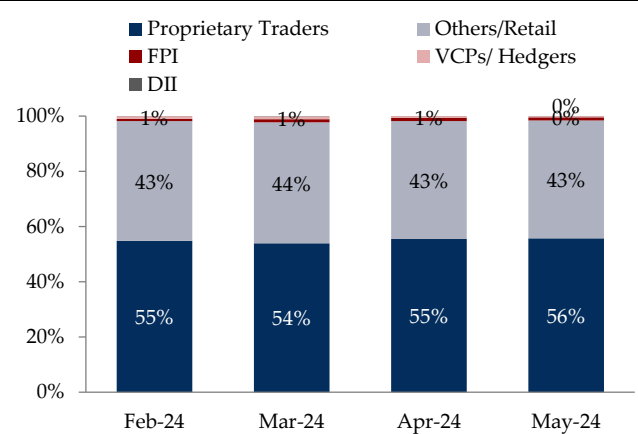
Source: Company, HSIE Research

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

Change in estimate

INR mn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	9,289	9,682	4.2	11,748	11,970	1.9
EBITDA	6,008	6,465	7.6	8,083	8,438	4.4
EBITDA Margin (%)	64.7	66.8	209bps	68.8	70.5	169bps
APAT	4,610	4,964	7.7	6,115	6,445	5.4
EPS (INR)	90.6	97.5	7.6	120.1	126.6	5.4

Source: HSIE Research

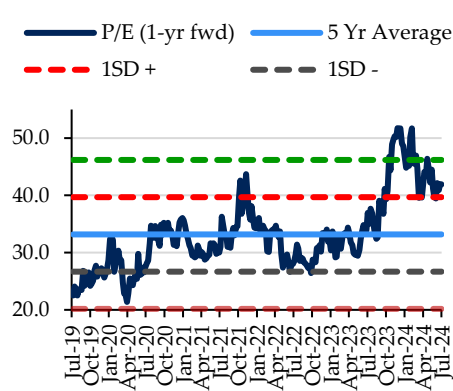
Peer valuation

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)			P/E (x)			ROE (%)			Rev CAGR% FY24-26E	EPS CAGR% FY24-26E
					FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E		
MCX	201	3,955	4,400	BUY	64.9*	97.5	126.6	60.9*	40.6	31.2	23.1	34.1	39.3	32.3%*	39.6%
CDSL	241	2,309	2,370	BUY	40.1	50.3	59.0	57.5	45.9	39.1	31.3	33.5	34.3	21.0%	21.3%
BSE	323	2,385	2,860	REDUCE	39.9	68.0	83.7	59.8	35.1	28.5	25.9	26.2	28.9	42.8%	44.8%

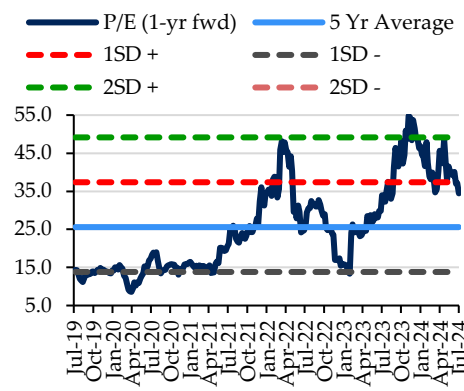
Source: Company, HSIE research. CMP as of 08th July, 2024, * Adjusted for payment to old technology vendor

Valuation charts

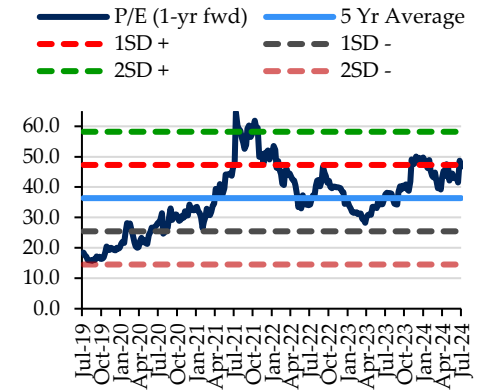
MCX P/E (1-yr fwd) trend



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)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	3,978	3,906	3,668	5,135	6,836	9,682	11,970	14,048
<i>Growth (%)</i>	<i>32.6</i>	<i>(1.8)</i>	<i>(6.1)</i>	<i>40.0</i>	<i>33.1</i>	<i>41.6</i>	<i>23.6</i>	<i>17.4</i>
Software support charges	689	636	640	1,961	3,929	934	1,034	1,176
Employee Expenses	773	751	800	919	1,123	1,283	1,419	1,569
Tech & SG&A Expenses	206	211	205	270	322	371	397	436
Other Operating Expenses	526	456	402	488	573	629	682	801
EBITDA	1,784	1,852	1,622	1,497	888	6,465	8,438	10,066
<i>EBITDA Margin (%)</i>	<i>44.8</i>	<i>47.4</i>	<i>44.2</i>	<i>29.1</i>	<i>13.0</i>	<i>66.8</i>	<i>70.5</i>	<i>71.7</i>
<i>EBITDA Growth (%)</i>	<i>89.9</i>	<i>3.8</i>	<i>(12.4)</i>	<i>(7.7)</i>	<i>(40.7)</i>	<i>627.8</i>	<i>30.5</i>	<i>19.3</i>
Depreciation	182	221	227	216	359	570	612	675
EBIT	1,602	1,632	1,395	1,281	529	5,894	7,826	9,391
Other Income (Including EO Items)	1,053	1,038	461	677	509	492	459	620
Interest	2	3	2	2	3	3	3	3
PBT	2,653	2,667	1,853	1,955	1,035	6,384	8,282	10,008
Tax (Incl Deferred)	289	415	406	416	189	1,405	1,822	2,202
Minority Interest & Associate profit	0.4	0.9	-12.7	-49.6	-15.2	-15.2	-15.2	-15.2
RPAT	2,365	2,252	1,434	1,490	831	4,964	6,445	7,791
EO (Loss) / Profit (Net Of Tax)	0	0	-204	0	0	0	0	0
APAT	2,365	2,252	1,639	1,490	831	4,964	6,445	7,791
<i>APAT Growth (%)</i>	<i>39.1</i>	<i>(4.8)</i>	<i>(27.2)</i>	<i>(9.1)</i>	<i>(44.2)</i>	<i>497.3</i>	<i>29.8</i>	<i>20.9</i>
Core PAT (ex other income)	1,428	1,377	1,089	1,008	433	4,598	6,104	7,325
<i>Core PAT Growth (%)</i>	<i>91.2</i>	<i>(3.5)</i>	<i>(20.9)</i>	<i>(7.4)</i>	<i>(57.1)</i>	<i>962.9</i>	<i>32.8</i>	<i>20.0</i>
Adjusted EPS (INR)	46.5	44.3	32.2	29.3	16.3	97.5	126.6	153.1
<i>EPS Growth (%)</i>	<i>39.1</i>	<i>(4.8)</i>	<i>(27.3)</i>	<i>(9.1)</i>	<i>(44.2)</i>	<i>497.3</i>	<i>29.8</i>	<i>20.9</i>

Source: Company, HSIE Research

Balance Sheet (Consolidated)

YE March (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS								
Share Capital - Equity	510	510	510	510	510	510	510	510
Reserves	13,084	13,672	13,671	14,283	13,275	14,860	16,938	19,555
Total Shareholders Funds	13,594	14,182	14,181	14,793	13,785	15,370	17,448	20,065
Settlement guarantee fund	4,098	4,692	5,256	5,898	7,806	8,206	8,706	9,206
Total Debt	0	0	0	0	0	0	0	0
Net Deferred Taxes (Net)	18	0	98	0	82	82	82	82
Long-Term Provisions & Others	528	573	559	561	574	574	574	574
TOTAL SOURCES OF FUNDS	18,237	19,447	20,095	21,252	22,246	24,232	26,810	29,927
APPLICATION OF FUNDS								
Net Block	1,583	1,594	1,565	1,502	3,794	3,708	3,694	3,722
CWIP	237	263	948	1,685	159	159	159	159
Investments	123	124	124	383	371	371	371	371
LT Loans & Advances	708	667	631	660	986	1,036	1,087	1,142
Total Non-current Assets	2,651	2,649	3,268	4,230	5,310	5,273	5,312	5,393
Debtors	65	90	115	146	679	159	197	231
Other Current Assets	753	948	1,221	2,310	1,054	3,979	4,919	5,773
Cash & Equivalents	23,878	21,339	23,403	23,540	27,044	29,060	33,938	39,069
Total Current Assets	24,695	22,377	24,738	25,997	28,778	33,198	39,054	45,074
Trading margin from members	7,599	4,296	6,429	7,584	10,254	12,493	15,721	18,614
Other Current Liabilities & Provns	1,510	1,282	1,482	1,392	1,588	1,747	1,834	1,926
Total Current Liabilities	9,109	5,578	7,911	8,976	11,841	14,239	17,555	20,540
Net Current Assets	15,586	16,799	16,827	17,021	16,936	18,959	21,499	24,533
TOTAL APPLICATION OF FUNDS	18,237	19,447	20,095	21,252	22,247	24,232	26,810	29,927

Source: Company, HSIE Research

Cash Flow (Consolidated)

YE March (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	2,653	2,667	1,853	1,955	1,035	6,384	8,282	10,008
Non-operating & EO items	(1,224)	(981)	(419)	(590)	(709)	(892)	(959)	(1,120)
Interest expenses	2	2	2	2	3	3	3	3
Depreciation	181	221	227	216	359	570	612	675
Working Capital Change	3,402	(3,274)	2,572	326	5,032	(72)	2,271	2,027
Tax Paid	(523)	(479)	(323)	(495)	(511)	(1,405)	(1,822)	(2,202)
OPERATING CASH FLOW (a)	4,492	(1,844)	3,913	1,414	5,209	4,589	8,387	9,392
Capex	(277)	(211)	(820)	(713)	(1,432)	(484)	(598)	(702)
Free cash flow (FCF)	4,215	(2,055)	3,093	702	3,777	4,105	7,788	8,689
Investments	0	0	0	0	0	0	0	0
Non-operating Income	407	302	220	425	133	892	959	1,120
INVESTING CASH FLOW (b)	130	91	(600)	(287)	(1,300)	408	361	418
Debt Issuance/(Repaid)	0	0	0	0	0	0	0	0
Interest Expenses	0	(0)	(1)	(5)	(0)	(3)	(3)	(3)
FCFE	4,215	(2,055)	3,092	696	3,776	4,102	7,786	8,687
Share Capital Issuance	0	0	0	0	0	0	0	0
Dividend	(1,230)	(1,530)	(1,408)	(887)	(974)	(2,979)	(3,867)	(4,675)
FINANCING CASH FLOW (c)	(1,230)	(1,530)	(1,409)	(893)	(974)	(2,981)	(3,870)	(4,677)
NET CASH FLOW (a+b+c)	3,392	(3,284)	1,904	234	2,935	2,016	4,878	5,132
EO Items, Others	3,243	744	160	(96)	569	0	0	0
Closing Cash & Equivalents	23,878	21,339	23,403	23,540	27,044	29,060	33,938	39,069

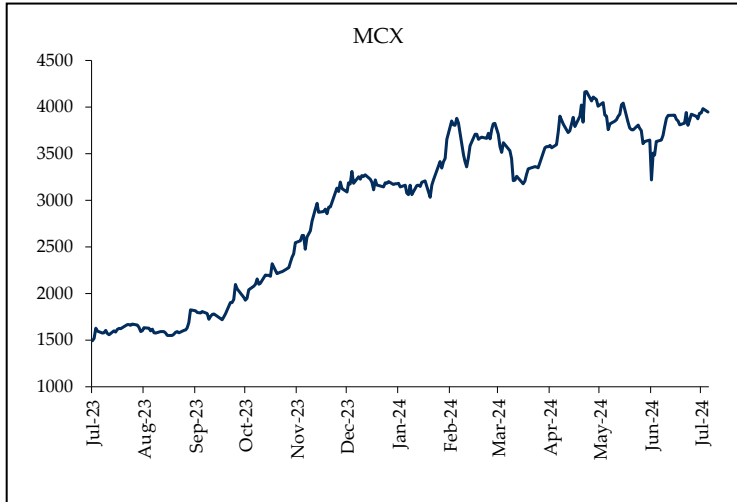
Source: Company, HSIE Research

Key Ratios

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY (%)								
GPM	82.7	83.7	82.6	61.8	42.5	90.3	91.4	91.6
EBITDA Margin	44.8	47.4	44.2	29.1	13.0	66.8	70.5	71.7
APAT Margin	59.4	57.7	44.7	29.0	12.2	51.3	53.8	55.5
RoE	18.1	16.2	11.6	10.3	5.8	34.1	39.3	41.5
RoIC (or Core RoCE)	25.4	23.4	16.2	10.4	6.6	33.0	40.2	45.8
RoCE	13.7	12.0	8.3	7.2	3.8	21.4	25.3	25.9
EFFICIENCY								
Tax Rate (%)	10.9	15.6	21.9	21.3	18.2	22.0	22.0	22.0
Fixed Asset Turnover (x)	0.1	0.2	0.1	0.2	0.2	0.3	0.3	0.3
Debtors (days)	6	8	11	10	36	6	6	6
Other Current Assets (days)	69	89	121	164	56	150	150	150
Other Current Liab & Provns (days)	388	359	434	187	120	330	317	291
Cash Conversion Cycle (days)	-313	-262	-301	-12	-28	-174	-161	-135
Debt/EBITDA (x)	-5.9	-6.0	-7.8	-5.3	-12.5	-1.7	-1.5	-1.5
Net D/E (x)	-0.8	-0.8	-0.9	-0.5	-0.8	-0.7	-0.7	-0.7
Interest Coverage (x)	NM	NM	NM	NM	NM	NM	NM	NM
PER SHARE DATA (INR)								
EPS	46.5	44.3	32.2	29.3	16.3	97.5	126.6	153.1
CEPS	50.0	48.6	36.7	33.5	23.4	108.7	138.6	166.3
Dividend	24.2	30.1	27.7	17.4	9.8	58.5	76.0	91.8
Book Value	267.1	278.6	278.6	290.6	270.8	301.9	342.8	394.2
VALUATION								
P/E (x)	85.1	89.4	122.9	135.1	242.2	40.6	31.2	25.8
P/BV (x)	14.8	14.2	14.2	13.6	14.6	13.1	11.5	10.0
EV/EBITDA (x)	107.0	102.7	116.3	129.2	214.1	29.4	22.4	18.5
OCF/EV (%)	2.4	(1.0)	2.1	0.7	2.7	2.4	4.4	5.0
FCF/EV (%)	2.2	(1.1)	1.6	0.4	2.0	2.2	4.1	4.7
FCFE/Mkt Cap (%)	0.2	(0.1)	0.2	0.1	0.2	0.2	0.4	0.5
Dividend Yield (%)	0.6	0.8	0.7	0.4	0.2	1.5	1.9	2.3

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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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com