

Date : 10<sup>th</sup> June, 2012

## Multi Commodity Exchange (MCX)

### IPO Proceeds Utilization :

The company had come up with the IPO primarily to facilitate the offloading of shares by the selling shareholders in the company. It will also enable the company to provide liquidity to its existing shareholder and to avail the benefits of listing on the bourses.

### Snapshot of Performance & Analyst's Notes :

(Rs. in Millions)

Particulars	Standalone Financials			Consolidated Financials		
	Q4 FY12	Q4 FY11	% Change y-o-y	FY 2012	FY 2011	% Change y-o-y
Total Income from Operations	1,547.1	1,299.5	19.1	6,292.7	4,475.6	40.6
Employee Benefit Expenses	78.5	61.6	27.3	279.9	264.3	5.9
Finance Costs	0.0	0.2	(84.7)	0.1	0.3	(59.8)
Depreciation	67.3	66.7	0.9	271.7	246.6	10.2
Software Support Charges	178.4	157.5	13.3	756.1	543.1	39.2
Other Expenses	240.1	247.0	(2.8)	879.4	964.1	(8.8)
Total Expenses	564.4	533.1	5.9	2,187.2	2,018.4	8.4
<b>EBIDTA</b>	<b>1,050.0</b>	<b>833.1</b>	<b>26.0</b>	<b>4,377.2</b>	<b>2,703.8</b>	<b>61.9</b>
Exceptional Items	142.3	-	-	142.3	-	-
<b>PBT</b>	<b>840.4</b>	<b>766.6</b>	<b>9.6</b>	<b>3,963.3</b>	<b>2,457.5</b>	<b>61.3</b>
Current Tax	187.1	210.4	(11.1)	1,101.4	703.5	56.6
Prior Period Tax	-	-	-	(27.2)	2.0	(1,474.2)
Deferred Tax	(6.2)	6.6	(192.9)	23.6	20.8	13.5
<b>Net Profit After Tax</b>	<b>659.5</b>	<b>549.5</b>	<b>20.0</b>	<b>2,867.2</b>	<b>1,733.5</b>	<b>65.4</b>
<i>Operating Margin</i>	64 %	59 %	500 bps	65%	55%	1000 bps
<i>Net Profit Margin</i>	43 %	42%	100 bps	46%	39 %	700 bps

### Analyst's Notes :

- 1) The topline has grown significantly in FY 2012 as against FY 2011. The Total income from operation stood at Rs. 6,292 million as against Rs. 4,475 million registering a growth of ~41 per cent. The growth in topline can be attributed to increase of 57 per cent in the average daily turnover, traded on the exchange during FY 2012 as against FY 2011.

- 2) On a standalone basis in Q4 FY12, the EBIDTA and EBIDTA Margin stood at Rs. 1,050 million and 68 per cent respectively. The rise in EBIDTA has been due to increase in topline and a subsequent decline in total expenses that led to a sharp improvement in the margins. While on a consolidated basis also the company reported sharp growth in EBIDTA Margins which stood at 70 per cent.
- 3) In line with its topline and operational performance, the bottomline as measured by the Profit After Tax (PAT) too increased by nearly 65 per cent to Rs. 2,867 million in FY 2012 as against Rs. 1,733 million in FY 2011. However, for Q4 FY12 the PAT increased by 20 per cent at Rs. 660 million as against Rs. 550 million in the corresponding period during the last fiscal.
- 4) The significant growth in the overall financial performance of the company has been on account of an 83 per cent increase in total number of commodity futures contract traded on the exchange during FY 2012. The rise in the total traded contracts could be due to increased volumes in the Gold Futures contract due the uncertain equity market conditions.

Resultantly, the rise in prices of gold led MCX to become the largest exchange in the world in terms of gold futures contracts traded. As regards other commodities like Silver, Natural Gas and Crude Oil it has been able to maintain its position in the commodity markets.

- 5) Further, MCX has now become the third largest exchange globally in terms of number of futures contracts traded during CY2011 as reported by FIA Annual Volumes Survey.

### Outlook :

A market leader in commodity trading with an 86 per cent market share, MCX is likely to maintain the same going forward. Further, the improved performance during Q4 FY12 and FY 2012 has been on account of appreciation in the prices of precious metals as well as crude oil that has boosted growth. Further, continued global uncertainty and weak economic environment would continue to drive up prices of precious metal especially gold.

This in turn is likely to be favourable for MCX as its revenue model is dependent on the value of the contracts traded. Moreover, it continues to be one of the actively traded exchanges for commodities thereby providing liquidity and lowering impact costs.

Further, any positive regulatory announcements like allowing Banks, mutual funds & FIIs to trade on the commodity exchanges, introduction of options and indices trading and any

favourable court verdict in the MCX – SX case will provide the necessary triggers for growth in the medium to long term.

Nevertheless, introduction of Commodities Transaction Tax (CTT) could significantly increase the cost of executing an order and hence negatively impact volumes traded on the exchange albeit, it doesn't affect MCX in the near to medium term.