



Issue Highlights

Industry	Exchange
Total Issue Size	6,427,378 (in shares)
Issue Size *	₹663.31cr.
Price Band	₹ 860 - ₹ 1032
Offer Date	22-Feb-12
Close Date	24-Feb-12
Face Value	₹10
Lot Size	6
CRISIL	5 out of 5

Indicating strong fundamentals

* Calculated on the basis of higher price band i.e 1032

Issue Composition

	In shares
Net Public Issue	6,427,378
QIB	3,213,689
NIB	964,107
Retail	2,249,582

Lead managers

Edelweiss Financial Services Limited
Citigroup Global Markets India Private Limited
Morgan Stanley India Private Limited

Syndicate Members

Edelweiss Securities Limited
SMC Global Securities Limited
Sunidhi Securities & Finance Limited

Name of the registrar

Karvy Computer Share Private Limited

Shareholding Pattern (%)

Particulars	Pre-issue	Postissue
Promoters and promoters group	31	26
QIB	5	5
NIB	64	56
Retail	0	13
Total	100	100

Business Overview

Incorporated in the year 2003, Multi Commodity Exchange of India Ltd (MCX) is an electronic commodity futures exchange, which provides online trading facility along with clearing and settlement operations for commodity futures across India. The demutualised Exchange set up by Financial Technologies (India) Ltd. (FTIL), holds the market share of around 80%. It has more than 2000 registered members operating through over 100,000 trader work stations, across India and has emerged as the sixth largest exchange in the world. The Exchange is the world's largest exchange in Silver, the second largest in Gold, Copper and Natural Gas and the third largest in Crude Oil futures, with respect to the number of futures contracts traded.

Strengths

Leadership Position in the Commodity Futures Industry: MCX has about 80% of the market share of the Indian commodity futures exchange industry. MCX allows trading in more than 50 commodities across categories like bullion, metals, energy, weather, and agricultural products. The company believes that its leadership position in these products gives it a competitive advantage.

Product and Service Innovation: MCX's strength lies in its ability to introduce new and innovative products; it was the first exchange in India to offer futures trading in steel, crude oil, and almond and first exchange in India to initiate evening sessions to synchronize with the trading hours of global exchanges in London, New York and other major international markets. MCX has also launched Exchange of Futures for Physicals (EFP) transactions for the first time in India in the year 2009, which enables parties with futures positions to swap their positions in the physical markets and vice versa.

Technology Infrastructure.....a key factor to development: MCX pays credits to technology infrastructure for its success and considers it to be the key factor in its development. The technical expertise and experience of FTIL enable MCX to obtain speedy and efficient technology solutions, such as customization and development of new software for new products and services.

Scalable Technology Platform and Business Model: The company believes that its current technology infrastructure is sufficient to handle daily trading volumes of up to 10,000,000 trades a day, and have handled a high of 1,867,612 trades in a day. Increased trading activity on the Exchange would result in increase in its profitability. The company believes that its overall business model is highly scalable and it offers potential for economic growth of its business with limited incremental costs.

Experienced Board of Directors and Management Team: The Company's board of directors has rich and diversified in hand experience of the exchange industry and application of technology in this sector. The knowledge and experience of its management team and independent directors enable them to respond to market opportunities, adapt to changes in the regulatory environment and bring innovations to the Exchange.

Strategy

Expand Market Presence and Increase Participants: The Company plans to establish and grow its presence in additional regions across India. The company focuses to continue to increase the number of its participants by introducing new products on its exchange, by expanding to more geographical areas and by continuing its efforts to disseminate knowledge and information about the commodity futures industry.

Enhance Marketing, Educational and Awareness Efforts: The company intends to continue to use the print and electronic media to enhance knowledge and promote awareness on the commodity futures industry among participants in related industries. The company also promotes participation in the commodity futures market in India and

Objects of the Issue

1. To sale 6,427,378 Equity Shares by the Selling Shareholders.
2. To achieve the benefits of listing on the Stock Exchange.

continues to offer training and certification programmes to educate existing and potential market participants on the benefits of trading in commodity futures and on career opportunities in the commodities industry.

Introduce New Products and Services on its Exchange: The company also plans to increase its product portfolio through R&D and through its alliances with other exchanges. Moreover the company strives to offer more customised products and services to attract a broader base of participants.

Continue to Pursue Strategic Initiatives to Open Up New Revenue Streams: The company also aims to supplement its organic growth by continuing to pursue strategic alliances and joint ventures. The company is looking for opportunities to invest in companies or assets in related industries, primarily in India and the pan-Asian region, which would enhance its growth, operations and profitability. The company intends to continue to look for such strategic alliances and joint ventures to develop new markets, enhance its services and increase its market presence.

Risk Factors

Unable to maintain or grow the turnover of commodity futures may affect the business: As the company derives its income primarily from transaction fees, the success of its business depends, in part, on its ability to maintain and increase the number of its members and the turnover on its Exchange and the resultant income from transaction fees.

Concentration in certain commodities only: The turnover of commodity futures contracts traded on the Exchange has been concentrated in certain commodities. Any decline in volume of trade or in its market share in such commodities may adversely affect its business and results of operations.

Trading volume is totally dependent on volatility in commodity prices: Generally in trading, volume is driven primarily by the degree of volatility and the magnitude and frequency of fluctuations in prices of commodities. Volatility increases the need to hedge contractual price risk and creates opportunities for speculative or arbitrage trading. Any reduction in the volatility of the prices of the commodities traded on its Exchange may result in a decrease in the trading volume on the Exchange, which could have an adverse effect on its business and results of operations.

Tough competition from existing players and new entrants in the industry: As the derivatives exchange industry is generally highly competitive in nature, the exchange may face tough competition from existing players to maintain and enhance its competitiveness. The failure to meet the challenges and increased competition could lead to intense price competition, which could adversely affect its profit margins and increase the importance of the economies of scale.

Failure to amend the The Forward Contracts Regulation, Act 1952 (FCRA) in a timely manner may have adverse affect on its operation: The proposed amendments to the FCRA have been made to strengthen the powers of FMC, permit trading in options and derivatives, demutualization of existing bourses and setting up of a separate clearing corporation. If such measures are not brought into force in a timely manner, and its inability to introduce new products on the Exchange and failure to implement its growth strategy could adversely affect the result of the company.

Much depends on FMC decision: FMC's decision has key role to play in commodity exchange. Any adverse decision by the FMC in connection with the investor protection fund required to be maintained by the Company, could adversely affect the results of operations.

Negative net cash flows: The Company has had negative cash flow since last 3 financial years such as 2009, 2010, 2011. The negative cash flow was mainly on account of reduction of current liabilities, provisions for trade payables and working capital changes arising from settlement obligations in the normal course of the company business during.

Peer comparison

Note: As there are no listed companies in India that are directly comparable to the business carried on by MCX, no comparison with industry peers is being offered.

Performance of Top Global Commodity Futures Exchanges

Rankings among Top Derivatives Exchanges Worldwide- FIA (Jan - June 2011)	Commodity Futures Rankings in Jan - June 2011	Commodity Futures Exchange	2010 Volume (in mn contracts)	2010 (Jan-June) Volume (in mn contracts)	2011 (Jan-June) Volume (in mn contracts)	Jan - June 2011 vs Jan-June 2010 Change (%)
2	1	CME Group (includes CBOT & Nymex)	609.07	298.83	352.96	18.1
11	2	Zhengzhou Commodity Exchange	495.90	226.68	217.58	(0.4)
12	3	ICE Group (includes U.S., U.K. and Canadian Markets)	264.67	134.34	159.09	18.4
14	4	Shanghai Futures Exchange	621.90	300.42	128.54	(57.2)
9*	5	Multi Commodity Exchange	197.21	90.32	127.77	41.5

Note: Volume is expressed in terms of number of contracts traded. This data is for a single-sided trade.

*FIA ranking of MCX includes MCX-SX Volumes.

Annexure

Profit & Loss

₹ in Cr.

Particulars	As on 31st DEC 11	As on 31st Mar'11	As on 31st Mar'10
Total Operating Income	402.33	368.89	287.38
Total Expenditure	141.82	177.13	145.83
Operating Profit	260.52	191.76	141.56
OPM%	65%	52%	49%
Other Income	72.17	78.67	206.32
PBDIT	332.69	270.43	347.87
Depreciation	20.44	24.66	24.74
PBIT	312.25	245.77	323.13
Interest	0.00	0.02	0.04
PBT	312.24	245.75	323.09
Tax	91.71	72.653	102.37
Profit after tax	220.53	173.10	220.73

Balance Sheet

₹ in Cr.

Particulars	As on 31st DEC 11	As on 31st Mar'11	As on 31st Mar'10
Net Block	193.01	195.30	192.52
Capital WIP	0.04	0.05	0.27
Fixed Assets	193.05	195.35	192.79
Investments	1095.81	823.74	617.02
Current Assets, Loans & Advances	383.73	481.01	419.06
Total	1672.59	1500.10	1228.86
Current Liabilities	582.98	638.55	521.42
Deferred Tax Liability	15.69	12.71	10.63
Net Worth	1073.93	848.85	696.81
Represented by			
Share Capital	51.00	51.00	40.80
Reserves	1022.93	797.85	656.01
Net Worth	1073.93	848.85	696.81



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