

PRODUCT NOTE

Multi Commodity Exchange of India Ltd

February 16, 2012



IPO Details

The Offer	Multi Commodity Exchange of India Ltd
Sector	Finance - Other Services
Transaction	100% Book Building
Offer Size	64,27,378 equity shares of Rs 10 each aggregating to Rs (*) 12.11% of the fully diluted post issue paid-up capital
IPO Date	Feb 22nd 2012 - Feb 24th 2012
Price Band	Rs.860 - Rs.1032
Bid Lot	6 Equity Shares & in multiples of 6
IPO Grading	CRISIL : 5/5 - Strong Fundamentals
Exchanges	BSE
BRLM	Edelweiss Financial Services Limited ; Citigroup Global Markets India Private Limited ; Morgan Stanley India Company Private Limited
Registrar	Karvy Computershare Private Limited

Objects of the Offer

Since the Offer is a pure offer for sale and the Company would not receive any proceeds from the Offer, the Company has not appointed a Monitoring Agency for the Offer.

The Business

Multi Commodity Exchange of India Ltd (MCX) is the leading commodities exchange in India based on value of commodity futures contracts traded. It is a de-mutualised exchange and received permanent recognition from the Government of India on September 26, 2003, to facilitate nationwide online trading, clearing and settlement operations of commodities futures transactions. The total value of commodity futures contracts traded on its Exchange in the nine months ended December 31, 2011 and the fiscals 2011, 2010 and 2009 was Rs.119,806.89 billion, Rs.98,415.03 billion, Rs. 63,933.03 billion and Rs.45,880.95 billion, respectively. According to data maintained by the FMC, these amounts represented 87.3%, 82.4%, 82.3% and 87.4% of the Indian commodity futures industry in terms of the value of commodity futures contracts traded during the same periods.

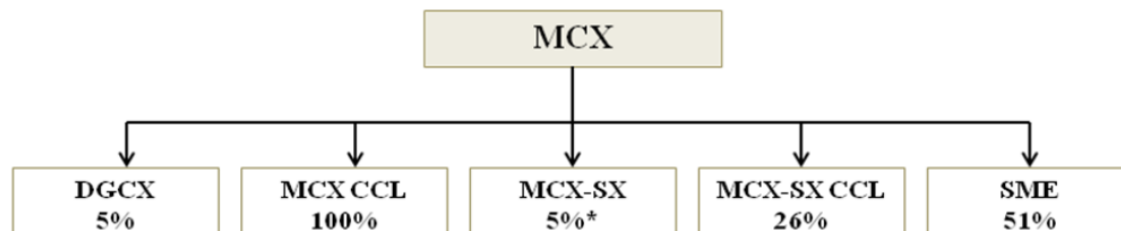
A majority of the commodities it offer are significant in the Indian and global context and are also traded on international exchanges. As of December 31, 2011, it offered trading in 49 commodity futures based on contract specifications, from a diverse range of classes including bullion, ferrous and non-ferrous metals, energy and agriculture. As of December 31, 2011, it had 2,153 members on its Exchange's platform, with over 296,000 terminals including CTCL spread over 1,572 cities and towns across India.

For the nine months ended December 31, 2011, the total number of futures contracts in silver, gold, crude oil and copper, which were the top four commodities traded on its

Exchange, was 101.80 million, 72.80 million, 42.66 million and 26.87 million, respectively. During the fiscal 2011, the total number of futures contracts in silver, gold, crude oil and copper, which were the top four commodities traded on its Exchange, were 46.0 million, 30.5 million, 46.3 million and 31.0 million, respectively. Based on the comparison of the trading volumes of its Exchange with those of the leading global commodity futures exchanges in the world, for the calendar year 2010 and the six months ended June 30, 2011, it was 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 for this period. It was also the fifth largest commodity futures exchange globally, among all the commodity exchanges considered in the Futures Industry Association ("FIA") survey, in terms of the number of contracts traded for the six months ended June 30, 2011.

MCX was the first national commodity futures exchange in India to offer futures trading in steel, crude oil and several other commodities, including carbon credits. It was the first exchange in India to initiate evening sessions to synchronise with the trading hours of global exchanges in London, New York and other major international markets. It has been certified under ISO 9001:2008 for quality management standards and ISO 14001:2004 for environmental management systems with respect to developing and providing services for online trading, clearing and settlement facilities, and risk monitoring of commercial derivatives market. It has also achieved the ISO/IEC 27001:2005 certification, which is the global benchmark for information security management systems.

Its Promoters owns 31.18% of its equity share capital. Its other larger shareholders include financial institutions and other entities from the financial sector, such as FID Funds (Mauritius) Limited (an affiliate of Fidelity International), Euronext N.V. (an affiliate of NYSE Euronext) and Merrill Lynch Holdings (Mauritius). The following chart shows its strategic investments as of the date of this Red Herring Prospectus:



Commodities Indices

On June 7, 2005, MCX launched the MCXCOMDEX, which is the India's first composite commodity futures price index, along with three group indices. The MCXCOMDEX comprises commodities included in the three group indices, namely MCXAgri, MCXMetal and MCXEnergy.

Strategic Alliances

As part of its continuing efforts to introduce new products on its Exchange and strengthen its product offerings, MCX has formed strategic alliances and joint ventures with domestic institutions and leading international associations and exchanges. It has also entered into various memoranda of understanding (MoUs) and agreements with organisations such as the Department of Economics (Autonomous), University of

Mumbai; FT Knowledge Management Company Limited, Symbiosis Institute of International Business and Takshashila Academia of Economic Research Limited, to jointly conduct industry focused management development 146 programmes and consultancy and also to educate existing and potential market participants.

Strategic Alliances and Memorandum of Understanding – Domestic

- National Bulk Handling Corporation Limited
- FT Knowledge Management Company Limited
- Alliances with Indian Commodity Associations
- Partnerships for price information dissemination

Strategic Alliances and Memorandum of Understanding – International

- New York Mercantile Exchange (NYMEX)
- London Metal Exchange (LME)
- LIFFE Administration and Management
- Shanghai Futures Exchange (SHFE)
- The Baltic Exchange Limited (BEL)
- Taiwan Futures Exchange (TAIFEX)

Competition

MCX faces competition in all aspects of its business and compete directly with four other national level commodity exchanges in India, namely NCDEX, NMCE, ICEX and ACE. It believes the principal factors affecting competition with its Exchange include product portfolio, quality of technology (which includes ease of use, connectivity, security, scalability and customer service), liquidity, transaction costs, speed of execution and transparency.

Strengths

- Leadership Position in the Commodity Futures Industry
- Product and Service Innovation
- Technology Infrastructure
- Scalable Technology Platform and Business Model
- Integrated Infrastructure and Network of Alliances
- Experienced Board of Directors and Management Team

Strategy

- Expand Market Presence and Increase Participants
- Enhance Marketing, Educational and Awareness Efforts
- Introduce New Products and Services on our Exchange
- Continue to Pursue Strategic Initiatives to Open Up New Revenue Streams
- Generate New Revenue Sources from Existing Products

Offer Size

(Rs in crores)

Category	# of Shares @	Amount @ Rs Cr.	
		860	1032
Offer	6,427,378	553	663
Employee Reservation	250,000	22	26
Public Issue	6,177,378	531	638
QIBs	3,088,689	266	319
Non Institutional	926,606	80	96
Retail	2,162,083	186	223
Pre Issue # of shares	50,998,369		
Post Issue # of Shares	50,998,369		

Registered Office: Exchange Square, Suren Road, Chakala, Andheri (East), Mumbai 400 093.

Promoters

- FINANCIAL TECHNOLOGIES (INDIA) LIMITED

Shareholding Pattern (%)

	Pre Issue		Post Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoters	15,903,491	31.18	13,259,575	26.00
Public	35,094,878	68.82	37,738,794	74.00
Total	50,998,369	100.00	50,998,369	100.00

(Source: Red Herring Prospectus)

Financials

Extracts of the Statement of Profit & Loss Account, As Restated

(Rs in Million)

Particulars	For the year ended March 31			For the period ended Dec
	2009	2010	2011	31st 2011
Income from operations	2,124.48	2,873.82	3,688.92	4,023.33
Total Income	3,658.44	4,937.01	4,475.60	4,745.02
Total Expenditures	1,561.77	1,706.10	2,018.10	1,622.58
Profit Before Tax	2,096.67	3,230.91	2,457.50	3,122.44
Profit After Tax	1,588.38	2,208.08	1,762.73	2,179.52

(Source: Red Herring Prospectus)

Extracts of the Statement of Assets and Liabilities, As Restated

(Rs in Million)

Particulars	As at March 31			As at December
	2009	2010	2011	31st 2011
Fixed Assets	2,088.60	1,927.85	1,953.46	1,930.48
Investments	4,698.18	6,170.15	8,237.44	10,958.12
Current Assets, Loans & Advances				
Sundry Debtors	268.95	303.81	488.68	494.03
Cash & Bank Balances	4,058.54	2,700.53	3,311.71	2,285.66
Other Current Assets	91.74	78.34	113.13	96.73
Loans and advances	452.42	1,107.94	896.61	960.88
Total Current Assets	4,871.65	4,190.62	4,810.13	3,837.30
Less : Liabilities & Provisions				
Current liabilities and provisions	6,634.75	5,214.24	6,385.46	5,829.77
Deferred Tax Liability	87.18	106.26	127.08	156.88
Total	6,721.93	5,320.50	6,512.54	5,986.65
Net Worth	4,936.50	6,968.12	8,488.49	10,739.25
Represented By				
Share Capital	407.96	407.99	509.99	509.99
Stock Option Outstanding Account	0.24	-	-	-
Reserves & Surplus	4,528.30	6,560.13	7,978.50	10,228.81
Minority interest	-	-	-	0.45
Net Worth	4,936.50	6,968.12	8,488.49	10,739.25

(Source: Red Herring Prospectus)

Extracts of the Statement of Cash Flows, as restated,

(Rs in Million)

Particulars	As at March 31			As at Dec
	2009	2010	2011	31st 2011
Net Cash Flow From /(used in) Operating Activities	2,853.07	(918.73)	2,699.56	1,637.00
Net Cash From /(used in) Investing Activities	(1,370.77)	(122.73)	(2,326.31)	(1,473.29)
Net Cash From /(used in) Financing Activities	115.88	(238.53)	(238.07)	(295.93)
Net Increase /(Decrease) in Cash & Cash Equivalents	1,598.18	(1,279.99)	135.18	(132.22)
Cash & Cash Equivalents at the Beginning of the Period/Year	166.54	1,764.72	484.73	619.91
Cash & Cash Equivalents at the end of the Period/Year	1,764.72	484.73	619.91	487.69

(Source: Red Herring Prospectus)

Ratios

Particulars	For the year ended March 31			For the period ended
	2009	2010	2011	Dec 31st 2011
Earning per share	31.44	43.29	34.56	42.74
Net Asset value	96.80	136.63	166.45	210.58
Return on Net Worth (%)	32.18%	31.69%	20.77%	20.29%

(Source: Red Herring Prospectus)

	Pre Dilution	Post Dilution
EPS - 31st Dec 11	56.98	56.98
P/E Ratio		
At Rs. 860	15.09	15.09
At Rs. 1032	18.11	18.11

Peer Comparison

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

Please refer to the Red Herring Prospectus for Risk Factors

Disclaimer

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Our Network

Mumbai

Corporate Office

Apeejay House.

Dinshaw Vachha Road,
Churchgate, Mumbai – 400020
Tel : + 91 22 67040404

Fort

2,3&4 Kamanwala Chambers,
Sir P M Road, Fort,
Mumbai - 400 001
Tel: + 91 22 66333030

Vile Parle

1st Floor, Patel House,
M. G. Road, Next to Bank of Baroda
Vile Parle East, Mumbai - 400 057
Tel : + 91 22 67077440

Andheri

2/003, Anushka, New Link Road
Opp. Oshiwara Police Station,
Oshiwara, Andheri (W), Mumbai - 400 053
Tel : + 91 22 6619 1600

Malad

Palm Court, 4th Floor, M wing, Link
Road,
Malad (West), Mumbai - 400 064
Tel : + 91 22 6761 7000

Borivali

118, Dattani Trade Center, 1st Floor
Shop No 6,
Chandavarkar Road, Borivali West,
Mumbai - 400 092
Tel : + 91 22 66959120

Ghatkopar

424/ 425, 4th Floor, Kailash Plaza,
Vallabh Baugh Lane, Ghatkopar (E),
Mumbai - 400 077
Tel: + 91 22 67104559

New Delhi

114-Himalaya House, 11th floor
23, Kasturba Gandhi Marg,
New Delhi - 110 001
Tel : +91 11 30925500 (011) 4130 5650

Ahmedabad

Ashram Road

G - 10, Chinubhai Center,
Near Nehru bridge Corner, Ashram
Road,
Ahmedabad - 380 009
Tel : + 91 79 2657 6666, 079-30013722

Atira Branch

B-101 - 104, Shivalik Plaza,
Opp.AMA, IIM Road,
Nr. Panjarpole Cross Road
Ambawadi, Ahmedabad – 380 015.
Tel : +91 79 3982 6700

Bengaluru

Residency Road

97/4, Residency Road,
Bengaluru - 560 025
Tel : +91 80 3091 2400 (080) 2299 7711

Malleswaram

199, 1st Floor, Yathi Raj Mutt Building,
11th Cross, Malleshwaram,
Bengaluru – 560 003.
Tel : +91 80 3983 0600 (080) 41282444, 41228380

M.G Road

14th floor, Premises No. 15-16/58-59
Vayudooth chambers,
No. 15 - 16, M. G. Road,
Bengaluru- 560 001
Tel : +91 80 3092 6900

Chennai

Gee Gee Crystal

5th Floor, 91-92,
Dr. Radha Krishnan Salai, Mylapore,
Chennai - 600 004
Tel : +91 44 42255666

Indore

D.M.Tower, UG 7 & 8, Ground Floor,
21/1 Race Course Road, Indore - 452 004,
Tel : +91 731 3072 111

Secunderabad

3rd Floor, 305, Jade Arcade,
Opp Paradise Hotel, M.G. Road,
Secunderabad - 500 003
Tel : +91 40 39825200

Hyderabad

9-10, Uma Chambers, 3rd Floor,
Road No 1, Banjara Hills, (Nagarjuna
Hills), Hyderabad - 500 034
Tel : +91 40 66360009

Kolkatta

Kankaria Estate, 6 Little Russell Street,
Ground & 8th Floor, Kolkatta - 700 071
Tel : + 91 33 39870330 (033) 2281 6690-95

Pune

205, Business Guild,
Opp Krishna Dining Hall,
Law College Road, Erandwane,
Pune - 411 004
Tel : +91 20 39871600 (020) 6603 3730, 66207735/6

Jaipur

G-7 & G-8, Brij Anukampa,
Plot no. K- 13, Ashok Marg,
C-scheme, Jaipur - 302 001
Tel : +91 141 3984400

Rajkot

202, Solitaire, 2nd Floor, Swami
Vivekananda Marg, Near Municipal
Commissioner's Bungalow,
Ramakrishna Nagar, Rajkot - 360 002
Tel : +91 20 39871600 (0281) 3984000 / 3984101 – 3984110

Surat

407, 4th Floor, 21-Century Business
Center, Near Udhana Char Rasta,
(0261) 3984000
Ring Road, Surat – 395 002
Tel : +91 261 3984000

Vadodara

G1 - Ground Floor, "Soham",
49 Alkapuri Society, Opp. HDFC Bank,
Alkapuri, Vadodara - 390 007.
Tel : +91 265 6626387

Vizag

Nandan Nirman,
Door No: 9-1-224/4/3, 1st floor
CBM Compound, Near Ramatakkies
Junction.,
Visakhapatnam - 530 003.
Tel : +91 891 3983737

JM Financial Services Pvt. Ltd.

Regd : JM Financial Services Pvt. Ltd 141, Maker Chambers III, Nariman Point Mumbai – 400021.

NSE - Capital Market INB 231054835 | F&O Segment INF 231054835 | BSE - Cash Market INB 011054831

F&O Segment INF 011054831 | Depository Participant - NSDL DP: IN-DP-NSDL-241-2004

CDSL DP: IN-DP-CDSL-236-2004 | Portfolio Manager: INP 000000621