Equity Research

September 27, 2016
BSE Sensex: 28224

INDIA

Multi Commodity Exchange of India

BUY
Maintained

Structural growth story intact

Rs1,150

Reason for report: Company update

Our recent meeting with the Multi Commodity Exchange of India (MCX) management strengthens our positive view on the stock. The long overdue introduction of options in commodities seems a reality now with final decision by SEBI expected soon. Given the continued near-monopoly of MCX in non-agri commodities as well as preparedness with respect to technology infrastructure, the company will be a significant beneficiary of a favourable decision. Despite the stock moving up by 17% over the past one month, we maintain our BUY rating with a revised target price of Rs1,320 (earlier, Rs1,153) as we incorporate the revised transaction charges (increased by 24-25% for non-agri commodities) in our estimates. We currently don't factor an increase in turnover due to options in our estimates.

- **Announcement on introduction of options expected soon:** SEBI's advisory committee for commodity markets has proposed introduction of options in high liquidity commodities as well as participation of banks, mutual funds, etc. to deepen the commodity market. While the final decision of the SEBI board is still awaited, we believe MCX will be a significant beneficiary of a favourable decision given its dominant market share (88%) in commodity derivatives and robust technology infrastructure. While we are not factoring incremental turnover from options in our current estimates, a 50% increase in ADTV of high liquidity commodities such as crude oil, gold & silver on account of options can increase the transaction fees by 10% and PAT by 7% in FY18.
- **Fully prepared in technology:** MCX's technology contract with Financial Technologies exists till FY22 and it covers option contract as well. Once approved by SEBI, MCX can launch the contracts soon, as it has already done in-house checks and is confident of going live without many hurdles. Further, there will not be any increase in the fixed charge payable to the software provider (currently Rs15mn per month) post the introduction of options.
- **Universal exchange a threat to MCX?** Though SEBI has decided against allowing NSE and BSE to launch commodity trading for now, the same cannot be ruled out in the long term. However, given the stickiness in commodities market with respect to a particular exchange as seen during NSEL fiasco in FY14 (when MCX hardly lost any market share to NCDEX) and also evident from the near-monopoly of both MCX and NCDEX in non-agri and agri commodities respectively, we believe any impact on MCX post the entry of NSE and BSE in existing commodities would be minimal. On the contrary, margin fungibility, if allowed (currently allowed only between NSE and BSE) would be a positive for MCX as it will increase its member base as many members currently trade on NSE and BSE, but not on MCX, due to lack of margin fungibility across exchanges.
- **Transaction charges increased by 24-25% for non-agri commodities:** On 26-Sep'16, MCX revised its transaction charges by 24-25%. While the increase appears high from the point of view of MCX, for a trader the cost of round trade will rise by only 6%, hence impact on volumes is not going to be high. Even after incorporating 200bps reduction in turnover growth in FY18 anticipating a reduction in volumes on account of increase in charges, we estimate an upward revision by 12% in our FY18 EPS estimate. We now expect 15% turnover growth in H2FY17 and 20% turnover growth in FY18 as against our earlier estimates of 18% and 22% respectively.

Market Cap	Rs58.7bn/US$883mn
Reuters/Bloomberg	MCEIQF.BO/ MCX IN
Shares Outstanding (mn)	51.0
52-week Range (Rs)	1086/740
Free Float (%)	100.0
FII (%)	17.8
Daily Volume (US$/'000)	3,665
Absolute Return 3m (%)	15.1
Absolute Return 12m (%)	20.8
Sensex Return 3m (%)	7.4
Sensex Return 12m (%)	10.8

Year to Mar (Cons)	FY16	FY17E	FY18E	FY19E
Revenue (Rs mn)	2,135	2,702	3,541	4,227
Rec. Net Income (Rs mn)	1,092	1,585	2,083	2,406
Rec. EPS (Rs)	21.4	31.1	40.8	47.2
% Chg YoY	(13.2)	45.2	31.4	15.5
P/E (x)	53.7	37.0	28.2	24.4
CEPS (Rs)	26.2	35.6	45.9	52.7
EV/E (x)	86.1	48.5	29.0	22.3
Dividend Yield (%)	0.6	1.2	1.5	1.8
RoCE (%)	1.8	4.2	7.0	8.3
RoE (%)	9.1	12.7	15.6	16.6

Please refer to important disclosures at the end of this report

Mid-Cap

Target price Rs1,320

Earnings revision

(%)	FY17E	FY18E
Sales	↑ 6.3	↑ 13.9
EBITDA	↑ 11.8	↑ 27.7
PAT	↑ 3.8	↑ 12.7

Target price revision

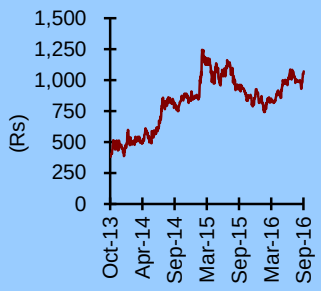
Rs1,320 from Rs1,153

Shareholding pattern

	Dec '15	Mar '16	Jun '16
Promoters	0.0	0.0	0.0
Institutional Investors	55.7	56.9	58.4
MFs and UTI	18.1	19.6	20.1
FIs/Banks	22.3	22.0	20.5
FIIs	15.3	15.3	17.8
Foreign Corporate Bodies	0.0	0.0	0.0
Others	44.3	43.1	41.6

Source: BSE, NSE

Price chart



Research Analysts:

Nimit Shah
nimit.shah@icicisecurities.com
+91 22 6637 7588

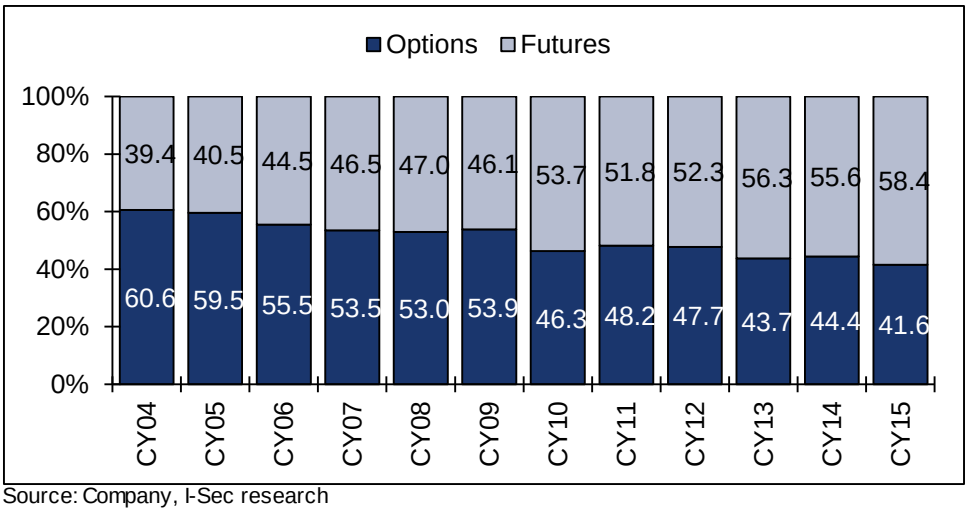
Rohit Gupta
gupta.rohit@icicisecurities.com
+91 22 6637 7650

Announcement on introduction of options expected soon

SEBI's advisory committee for commodity markets has proposed introduction of options in high liquidity commodities (gold, silver and crude-oil) as well as participation of banks, mutual funds, etc. to deepen the commodity market. While the final decision of the SEBI board is still awaited, we believe MCX will be a significant beneficiary of a favourable decision given its dominant market share (88%) in commodity derivatives and robust technology infrastructure.

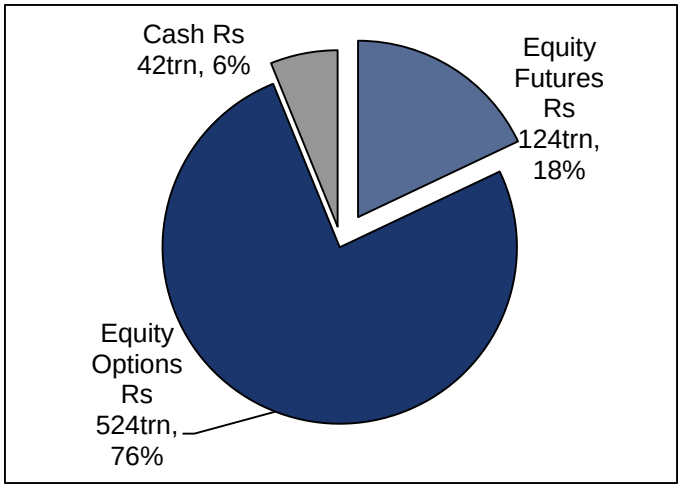
Globally, options constitute 42% of the total contracts traded on exchanges (including equities, commodities, etc.). Back home, options constitute majority of the equity turnover at both NSE and BSE. Equity options on NSE have grown at a CAGR of 35% over FY10-FY16 in value terms and constituted 76% of the total equity turnover in FY16, while futures have grown by 5% over the same period. On BSE, options constitute 86% of the total equity turnover.

Chart 1: Split between options and futures traded globally



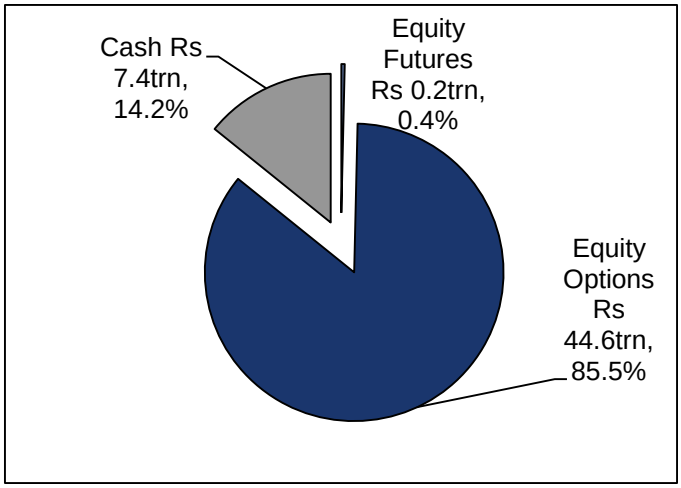
Source: Company, I-Sec research

Chart 2: Options constitute majority of NSE's equity turnover (FY16)…



Source: NSE, I-Sec research

Chart 3: …and of BSE as well



Source: BSE, I-Sec research

Table 1: Historical data of equity futures traded on NSE

Equity Futures	FY10	FY11	FY12	FY13	FY14	FY15	FY16	CAGR (FY10-16)
Total Turnover (Volume)	323,898,129	351,065,112	304,533,357	243,812,076	275,667,169	366,907,785	374,782,641	**2%**
Total Turnover (Value Rs mn)	91,296,353	98,525,112	76,526,691	67,510,028	80,323,850	123,989,815	123,857,177	**5%**
Growth(%YoY) in Volumes	-25	8.4	-13.3	-19.9	13.1	33.1	2.1	
Growth(%YoY) in Value	29.5	7.9	-22.3	-11.8	19.0	54.4	-0.1	

Source: NSE, I-Sec research

Table 2: Historical data of equity options traded on NSE

Equity Options	FY10	FY11	FY12	FY13	FY14	FY15	FY16	CAGR (FY10-16)
Total Turnover (Volume)	355,395,793	683,146,950	900,512,107	887,655,342	1,008,739,606	1,470,122,072	1,723,827,660	**30%**
Total Turnover (Value Rs mn)	85,340,294	193,957,100	236,970,628	247,820,014	301,768,299	432,052,157	524,401,034	**35%**
Growth(%YoY) in Volumes	57.7	92.2	31.8	-1.4	13.6	45.7	17.3	
Growth(%YoY) in Value	115.5	127.3	22.2	4.6	21.8	43.2	21.4	

Source: NSE, I-Sec research

Table 3: Historical data of equity futures traded on BSE

Equity Futures	FY10	FY11	FY12	FY13	FY14	FY15	FY16	CAGR (FY10-16)
Total Turnover (Volume)	4,137.0	6,444.0	7,388,279.0	4,838,654.0	4,038,146.0	1,533,640.0	358,000.0	**110%**
Total Turnover (Value Rs mn)	1,107.0	1,788.8	1,883,491.8	1,248,290.2	1,181,031.3	584,266.1	189,231.7	**136%**
Growth(%YoY) in Volumes	(99.2)	55.8	NM	(34.5)	(16.5)	(62.0)	(76.7)	
Growth(%YoY) in Value	(99.1)	61.6	NM	(33.7)	(5.4)	(50.5)	(67.6)	

Source: BSE, I-Sec research

Table 4: Historical data of equity options traded on BSE

Equity Options	FY10	FY11	FY12	FY13	FY14	FY15	FY16	CAGR (FY10-16)
Total Turnover (Volume)	5,255	5	24,823,872	257,539,677	297,904,295	503,945,229	105,850,000	**422%**
Total Turnover (Value Rs mn)	1,372	1	6,197,102	72,066,118	128,797,361	115,807,802	44,619,470	**465%**
Growth(%YoY) in Volumes	1,309	(100)	NM	NM	16	69	(79)	
Growth(%YoY) in Value	1,413	(100)	NM	NM	79	(10)	(61)	

Source: BSE, I-Sec research

While we are not factoring incremental turnover from options in our estimates currently, a 50% increase in ADTV of high liquidity commodities such as crude oil, silver & gold on account of options can increase the transaction fees by 10% and PAT by 7% in FY18.

Table 5: Scenario analysis for FY18 if options are introduced in FY17

Increase in ADTV of crude oil, silver & gold (%)	25%	50%	75%	100%
Share of crude oil, silver & gold in total turnover (%)	68	68	68	68
Increase in daily ADTV (Rs mn)	52,378	104,755	157,133	209,511
Option premium (2.5%)	2.5%	2.5%	2.5%	2.5%
ADTV on which transaction charges is levied	1,309	2,619	3,928	5,238
Increase in the transaction fees (assuming TC of Rs 500 per Rs1mn turnover)	164	327	491	655
% increase in the Transaction fees	**4.8**	**9.6**	**14.4**	**19.2**
Increase in EBITDA assuming 65% EBITDA M	106	213	319	426
% increase in EBITDA	**6.8**	**13.6**	**20.4**	**27.2**
Increase in PAT assuming 30% tax rate	74	149	223	298
% increase in PAT	**3.6**	**7.2**	**10.7**	**14.3**

Source: Company, I-Sec research

Fully prepared in terms of technology

MCX's technology contract with Financial Technologies exists till FY22 and it covers option contract as well. Once approved by SEBI, MCX can launch the contracts soon as it has already done in-house checks and is confident of going live without many hurdles. Further, there will not be any increase in the fixed charge payable to the software provider (currently Rs15mn per month) post the introduction of options.

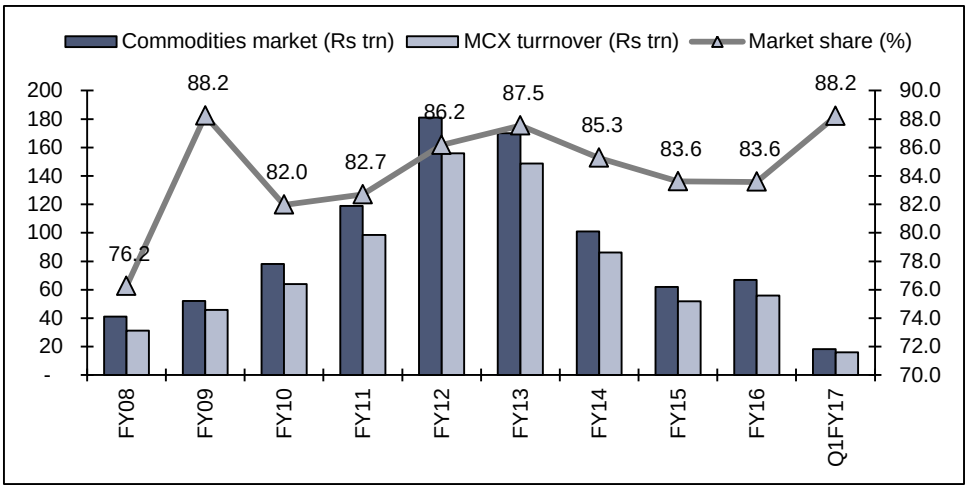
Separate Clearing Corporation will improve transparency

SEBI has mandated commodity exchanges in India to have a separate Clearing Corporation in lines with the equity exchanges. MCX has already started the process and is confident of setting up a 100% subsidiary within the SEBI stipulated timeline (FY18). It will be a 100% subsidiary of MCX and will have an initial net worth of Rs1bn, which will increase to Rs3bn over the next three years.

Universal exchange a threat to MCX?

Though SEBI has decided against allowing NSE and BSE to launch commodity trading for now, the same cannot be ruled out in the long term. However, given the stickiness in commodities market with respect to a particular exchange (as seen during NSEL fiasco in FY14 when MCX hardly lost any market share to NCDEX) as well as evident from the continued near-monopoly of both MCX and NCDEX in non-agri and agri commodities respectively, we believe any impact on MCX post the entry of NSE and BSE in the existing commodities would be minimal.

Chart 4: Market share trend of MCX



Source: Company, I-Sec research

Moreover, MCX will be able to introduce currency derivatives, which will give a further push to its volumes and earnings.

Table 6: Upside from currency futures' introduction

Currency Futures Market in FY16 (Rs mn)	49,030,458
Expected annual market growth over next two years (%)	10
Expected market size in FY18 (Rs mn)	59,326,854
Expected Market Share of MCX (%)	20
Expected MCX Futures Turnover (Rs mn)	11,865,371
Increase in the annual transaction fees (Rs mn)(assuming TC of Rs 12/mn)	285
% increase in the Transaction fees in FY18	**8.3**
Increase in EBITDA assuming 70% EBITDAM (Rs mn)	199
% increase in EBITDA	12.8
Increase in PAT assuming 30% tax rate (Rs mn)	140
% increase in PAT	**6.7**

Source: Company, I-Sec research

Table 7: Upside from currency options' introduction

Currency options market in FY16 (Rs mn)	26,873,419
Expected annual market growth over next two years (%)	10
Expected market size in FY18 (Rs mn)	32,516,836
Expected Market Share of MCX (%)	20
Expected MCX Options Turnover (Rs mn)	6,503,367
Increase in daily ADTV (Rs mn)	26,013
Option premium	2.50
ADTV on which transaction charges is levied	650
Increase in the annual transaction fees (assuming TC of Rs 420/mn)	136.6
% increase in the Transaction fees in FY18	**4.0**
Increase in EBITDA assuming 70% EBITDAM (Rs mn)	96
% increase in EBITDA	6.1
Increase in PAT assuming 30% tax rate (Rs mn)	67
% increase in PAT	**3.2**

Source: Company, I-Sec research

Margin fungibility, if allowed (currently allowed only between NSE and BSE) would be a positive for MCX as it will increase its member base given that many members currently trade on NSE and BSE, but not on MCX, due to lack of margin fungibility across exchanges.

Listing of BSE and NSE to aid price discovery and rerating of sector

Currently, MCX is the only listed exchange in India. However, recently BSE and NSE have announced plans for IPOs in FY17. As per media reports, NSE is likely to be valued at Rs450bn (30x FY18 projected earnings) and the DRHP is expected to be filed in early 2017. BSE has already filed the DRHP and 27.43% of its existing share capital will be sold by the existing investors including Singapore Exchange, Atticus Mauritius, Quantum Ltd., Acacia Banyan Partners, Caldwell India, etc.

Table 8: Key financials of NSE (standalone)

(Rs mn)	FY12	FY13	FY14	FY15	FY16
Total Revenue	8,455	7,892.80	8,652	11,270.8	12,339
YoY growth (%)	(3)	(7)	10	30	9
EBITDA	3,677	3,391.3	3,936	5,815.2	6,425
EBITDA margins	43	43	45	52	52
EBITDA YoY growth (%)	(17)	(8)	16	48	10
Other Income	6,884	8,588	8,046	7,910	8,107
Adjusted PAT	7,053	8,778	7,975	9,499	12,009
Adj. EPS (Rs)	157	195	177	211	267
Adjusted PAT margins (%)	83	111	92	84	97
Adjusted PAT YoY growth (%)	11	24	(9)	19	26
Net Worth	34,789	41,481	43,542	46,735	52,767
Non-current Liabilities	11,274	11,053	10,756	10,691	10,697
Current Liabilities & Provisions	6,704	7,147	13,765	14,730	16,357
Net fixed assets	4,325	4,943	4,872	5,357	5,786
Non-Current investments	3,221	3,430	15,153	20,509	35,779
Cash and Bank Balances	28,264	27,637	28,467	14,619	11,916
Short term Investments	6,877	11,471	7,154	20,408	15,452
Book Value per share (Rs)	773	922	968	1,039	1,173
Dividend per share (Rs)	40.0	50.0	68.0	79.5	73.0
Dividend Payout Ratio (%)	25.5	25.6	30.0	45.9	74.8
RoE (%)	21.9	23.0	18.8	21.0	24.1
RoCE (%)	16.2	17.8	14.9	17.0	19.9

Source: NSE, I-Sec research

Table 9: Key financials of BSE (consolidated)

(Rs mn)	FY12	FY13	FY14	FY15	FY16
Total Revenue	5,376	5,096	4,851	5,837	6,162
YoY growth (%)	8	(5)	(5)	20	6
EBITDA	3,247	2,572	2,428	2,901	2,584
EBITDA margins	60	50	50	50	42
EBITDA YoY growth (%)	6	(21)	(6)	19	(11)
Other Income	408	434	447	410	421
Adjusted PAT	2,386	2,072	1,935	2,063	1,691
Adj. EPS (Rs)	23	20	19	19	16
Adjusted PAT margins (%)	44	41	40	35	27
Adjusted PAT YoY growth (%)	11	(13)	(7)	7	(18)
Net Worth	22,302	22,898	23,764	25,722	26,253
Non-current Liabilities	1,660	2,754	658	647	636
Current Liabilities & Provisions	13,917	12,010	14,366	13,556	12,849
Net fixed assets	1,188	1,292	1,392	1,692	1,646
Non-Current investments	8,186	5,273	11,252	14,102	15,251
Cash and Bank Balances	22,161	20,484	14,695	14,525	16,101
Short term Investments	5,716	8,263	10,611	8,660	5,373
Book Value per share (Rs)	215.5	220.8	228.9	239.7	244.4
Dividend per share (Rs)	6.1	4.1	4.1	5.1	7.6
Dividend Payout Ratio (%)	26.6	20.4	21.9	26.5	48.4
RoE (%)	11.0	9.2	8.3	8.3	6.5
RoCE (%)	10.1	8.4	7.7	8.1	6.4

Source: BSE, I-Sec research

Transaction charges increased by 24-25% for non-agri commodities

On 26-Sep'16, the company revised its transaction charges by 24-25% (Rs26 *vs* Rs21 per Rs1mn turnover up to Rs3.5bn, and Rs17.5 *vs* Rs14 per Rs1mn turnover on incremental turnover above Rs3.5bn) in Non-Agri commodities while it revised it to flat Rs17.5 per Rs1mn turnover (earlier Rs7.5 up to Rs200mn and Rs5 on incremental turnover above Rs200mn) in Agri commodities.

Table 10: MCX transaction charges (old *vs* new) and comparison with NCDEX

MCX- per Rs1mn turnover (old)		MCX- per Rs1mn turnover (revised)		NCDEX- per Rs1mn turnover	
Non Agri Commodities		**Non Agri Commodities**		**Non Agri Commodities**	
Upto Rs. 3.50 bn	Rs. 21.0	Upto Rs. 3.50 bn	Rs. 26.0	**Flat**	Rs. 20.0
On incremental turnover above Rs. 3.50bn	Rs. 14.0	On incremental turnover above Rs. 3.50 bn	Rs. 17.5		
Agri Commodities		**Agri Commodities**		**Agri Commodities**	
Upto Rs. 200mn	Rs. 7.5	Flat	Rs. 17.5	Upto Rs. 1.50bn	Rs. 40.0
On incremental turnover above Rs. 200mn	Rs. 5.0			On incremental turnover above Rs. 1.50bn	Rs. 30.0
Circular Dated: February 26, 2014/ No. 053		Circular Dated: September 26, 2016/ No. 290		Circular Dated: April 13, 2016/ No. 080	

Source: Company, I-Sec research

While change in transaction charges with respect to MCX appears high, for an investor/trader the cost of a round trade is expected to increase by only 6.3% as shown below, hence should not impact volumes.

Table 11: Change in cost of round trade of Rs1mn turnover for an investor/trader

SELL Trade	Comments	Cost before increase in charges (Rs)	Cost after increase in charges (Rs)	Change (%)
CTT	0.01% of Turnover	100.0	100.0	-
MCX	On a blended cost basis on Rs1mn turnover	18.0	22.5	25.0
Service Tax	15% on MCX charges	2.7	3.4	25.0
SEBI charges	Rs2 per Rs1mn turnover	2.0	2.0	-
Stamp Duty	Rs10 per Rs1mn turnover	10.0	10.0	-
Total		**132.7**	**137.9**	**3.9**
BUY Trade				
MCX	On a blended cost basis on Rs1mn turnover	18.0	22.5	25.0
Service Tax	15% on MCX charges	2.7	3.4	25.0
SEBI charges	Rs2 per Rs1mn turnover	2.0	2.0	-
Stamp Duty	Rs10 per Rs1mn turnover	10.0	10.0	-
Total		**32.7**	**37.9**	**15.8**
Total cost on round trade		**165.40**	**175.75**	**6.3**

Source: Company, I-Sec research

Even after incorporating a 200bps reduction in turnover growth in FY18 anticipating a reduction in volumes on account of increase in charges, we expect an upward revision by 12% in our FY18 EPS estimate. We now expect 15% turnover growth in H2FY17 and 20% turnover growth in FY18 as against our earlier estimates of 18% and 22% respectively.

Table 12: Change in assumptions and estimates revision

	FY17E			FY18E		
Assumptions	**Old**	**New**	**% change**	**Old**	**New**	**% change**
Turnover (Rs mn)	66,483,492	64,188,337	(3.5)	81,109,860	77,026,004	(5.0)
Turnover growth (%YoY)	18%	15%*	(300bps)	22%	20%	(200bps)
Blended Charges (Rs) per Rs 1 mn	18.19	22.15*	21.78	18.37	22.15	20.56
Transaction fees (Rs mn)	2,418	2,578	6.6	2,979	3,412	14.5
Net sales (Rs mn)	**2,543**	**2,702**	**6.3**	**3,108**	**3,541**	**13.9**
EBITDA (Rs mn)	**858**	**960**	**11.8**	**1,223**	**1,562**	**27.7**
EBITDA margin (%)	**33.7%**	**35.5%**	**176bps**	**39.3%**	**44.1%**	**478bps**
Other income (Rs mn)	1,461	1,444	(1.1)	1,586	1,547	(2.4)
PAT (Rs mn)	**1,527**	**1,585**	**3.8**	**1,849**	**2,083**	**12.7%**
PAT margin (%)	38.1	38.2	9bps	39.4	40.9	156bps

*New charges applicable from October 1, 2016; Source: Company, I-Sec research

Maintain **BUY**

Despite the stock moving up by 17% over the past one month, we maintain our **BUY** rating with a revised target price of Rs1,320 based on 30x Sep'18E EPS (earlier, Rs1,153) as we incorporate the revision in transaction charges.

Key risks to our estimates

Sudden price declines may reduce fee income

Transaction charges, which form around 95% of the company's revenues, are charged on the traded value of the commodity contracts and not on their volumes. Hence, in the event of continually declining commodity prices, transaction charges (hence revenues) would be correspondingly lower.

Intense commodity price volatility may invite regulator's intervention

Since the commodity derivatives market is dominated by individuals / speculators, it is prone to intense volatility. This could attract intervention by the regulator, which can impact volumes at the exchange. However, most commodities traded at MCX have international linkage, hence the threat stands mitigated.

Concentration risk

MCX's turnover has largely been concentrated in bullion and energy. A sharp decline in bullion and energy volumes or a sudden decline in market share can affect the company's revenues in the near term.

Financial summary (consolidated)

Table 13: Profit & Loss statement

(Rs mn, year ending March 31)

	FY16	FY17E	FY18E	FY19E
Total Income	**2,135**	**2,702**	**3,541**	**4,227**
Operating Expenses	**1,583**	**1,743**	**1,979**	**2,257**
EBITDA	**553**	**960**	**1,562**	**1,970**
% margins	25.9	35.5	44.1	46.6
Depreciation & Amortisation	246	232	256	283
Net Interest	0.4	-	-	-
Other Income	1,198	1,444	1,547	1,608
Recurring PBT	**1,504**	**2,172**	**2,854**	**3,296**
Add: Extraordinaries	(667)	-	-	-
Less: Taxes				
- Current tax	413	586	770	890
- Deferred tax	-	-	-	-
Less: Minority Interest & Share in associates	1	-	-	-
Net Income (Reported)	**425**	**1,585**	**2,083**	**2,406**
Recurring Net Income	**1,092**	**1,585**	**2,083**	**2,406**

Source: Company data, I-Sec research

Table 14: Balance sheet

(Rs mn, year ending March 31)

	FY16	FY17E	FY18E	FY19E
Assets				
Total Current Assets	6,026	7,363	9,522	11,062
of which cash & cash eqv.	5,003	6,049	7,976	9,260
Total Current Liabilities & Provisions	6,080	6,745	8,035	8,508
Net Current Assets	**(54)**	**618**	**1,486**	**2,554**
Investments				
of which	**10,772**	**10,901**	**11,072**	**11,276**
Strategic/Group	2,170	2,170	2,170	2,170
Others	8,602	8,731	8,902	9,106
Net Fixed Assets	**1,401**	**1,389**	**1,385**	**1,308**
of which				
intangibles	153	204	256	309
Capital Work-in-Progress	31	-	-	-
Goodwill	**-**	**-**	**-**	**-**
Total Assets	**12,120**	**12,908**	**13,943**	**15,138**
Liabilities				
Borrowings				
Deferred Tax Liability	49	49	49	49
Minority Interest	0	0	0	0
Equity Share Capital	510	510	510	510
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	11,561	12,349	13,384	14,579
Net Worth	**12,071**	**12,859**	**13,894**	**15,089**
Total Liabilities	**12,120**	**12,908**	**13,943**	**15,138**

Source: Company data, I-Sec research

Table 15: Quarterly trends

(Rs mn, year ending March 31)

	Sep'15	Dec'15	Mar'16	Jun'16
Total Income	563	498	556	582
% growth (YoY)	12.6	(5.5)	3.5	12.5
EBITDA	136	134	137	174
Margin (%)	24.1	26.9	24.6	29.9
Other income	338	276	278	356
Add: Extraordinaries	-	(56)	(16)	-
Net profit	310	236	287	328

Source: Company data, I-Sec research

Table 16: Cashflow statement

(Rs mn, year ending March 31)

	FY16	FY17E	FY18E	FY19E
Op. Cashflow post tax	**526**	**641**	**1,075**	**1,381**
Working Capital Changes	518	374	1,059	216
Capital Commitments	(572)	828	841	897
Free Cashflow	**471**	**1,843**	**2,975**	**2,494**
Cashflow from Investing Activities				
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(614)	(798)	(1,048)	(1,210)
Interest paid	**(0)**	**-**	**-**	**-**
Chg. in Cash & Bank balance	**(143)**	**1,045**	**1,927**	**1,283**

Source: Company data, I-Sec research

Table 17: Key ratios

(Year ending March 31)

	FY16	FY17E	FY18E	FY19E
Per Share Data (Rs)				
EPS(Basic Recurring)	8.3	31.1	40.8	47.2
Diluted Recurring EPS	21.4	31.1	40.8	47.2
Recurring Cash EPS	26.2	35.6	45.9	52.7
Dividend per share (DPS)	6.5	13.4	17.6	20.3
Book Value per share (BV)	237	252	272	296
Growth Ratios (%)				
Operating Income	(11.7)	44.4	31.4	15.5
EBITDA	(20.1)	73.7	62.8	26.1
Recurring Net Income	(13.2)	45.2	31.4	15.5
Diluted Recurring EPS	(13.2)	45.2	31.4	15.5
Diluted Recurring CEPS	(11.8)	35.8	28.7	15.0
Valuation Ratios				
P/E	53.7	37.0	28.2	24.4
P/CEPS	43.9	32.3	25.1	21.8
P/BV	4.9	4.6	4.2	3.9
EV / EBITDA	86.1	48.5	29.0	22.3
EV / EBIT	155.1	63.9	34.6	26.1
EV / Op. FCF (pre-Capex)	186.2	52.5	26.4	31.7
Operating Ratios				
Software support charge / Revenue	17.5	16.5	15.0	14.2
Employee charge / Revenue	19.0	21.8	19.4	19.0
Effective Tax Rate (%)	27.5	27.0	27.0	27.0
Current ratio	1.6	1.5	1.3	1.3
Profitability Ratios (%)				
EBITDA Margins	25.9	35.5	44.1	46.6
Rec. Net Income Margins	32.8	38.2	40.9	41.2
RoCE	1.8	4.2	7.0	8.3
RoNW	9.1	12.7	15.6	16.6
Dividend Payout Ratio	37	50	50	50
Dividend Yield	0.6	1.2	1.5	1.8

Source: Company data, I-Sec research

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