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MCX Listing will Yield Windfall for Three Public Sector Banks

SBI, Corp Bank, BoB's ₹3.94-cr investment in commodities exchange now valued over 100 times more at ₹444 cr

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State Bank of India, Corporation Bank, and Bank of Baroda may make paper profits of more than 100 times their investments in India's largest commodity exchange MCX if the bourse gets listed in its third attempt in six years.

The three state-run banks together bought 9.69% in MCX in 2004 at a total investment of around ₹3.94 crore, according to the offer share sale document.

The investment may now be valued at ₹444 crore, assuming that post listing the bourse, as estimated by analysts, would be valued at around ₹4,500 crore. The figures include bonus shares in the ratio of 1:4, but do not include the dividend paid by the exchange over the years.

"Given the peer valuation and strong prospects of MCX, it can be valued at around $1 billion. Apart from domestic investors, global investors with knowledge of exchange business will be keen to acquire a pie of the commodity exchange," said Nikhil Vora, managing director - research, IDFC Securities.

MCX plans to list by September — that may make it the first Indian exchange to list. In 2010, daily transactions in commodities were worth ₹50,000 crore on an average, of which 80% were on the MCX.

MCX has filed an offer document for share sale. The issue would be an offer for sale by promoters SBI, Corporation Bank, and Bank of Baroda. They offer 4.83% of their current holding.

MCX is making its third attempt at listing after filing its prospectus in 2006 and 2008

Financial Technologies, which is the main promoter of MCX with 31% stake, will reduce its stake to 26%. Other investors who will be selling are GLG Financials, Alexandra Mauritius, and ICICI Lombard General Insurance.

There have been some attempts at consolidation of exchanges recently. SGX made an $8.3 billion cash and shares offer to buy Australia's ASX in October, but that is being opposed by politicians. Nasdaq OMX and IntercontinentalExchange have made a joint $11.3-billion bid for NYSE Euronext, the parent company of New York Stock Exchange. That raises the possibility of a bidding war with Deutsche Boerse, which agreed to a $10-billion deal with NYSE in February. London Stock Exchange Group also plans to purchase Canada's exchange operator TMX Group Inc.

MCX, which is making its third attempt at listing after filing its prospectus in 2006 and 2008, will initially list only on the Bombay Stock Exchange. MCX's managing director and chief executive officer Lamon Rutten said, "We would look to list on the National Stock Exchange at a later stage. We would launch the issue as soon as the regulator gives clearance."

Other stakeholders in MCX include Fidelity, Passport Capital, Euronext, Merrill Lynch, IFCI, and Nabard among others. Edelweiss Capital, Citigroup Global Markets, and Morgan Stanley India are the bankers to the offer.

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MCX Plans to Initially List on the BSE

- MCX plans to list by September - that may make it the first Indian exchange to list. Some value the bourse at around ₹4,500 crore
- MCX says it will initially list only on the Bombay Stock Exchange

Exchange	Turnover	Net Income	Current Mcap
Bovespa	1.26	0.78	25.18
Deutsche Boerse	2.87	0.55	10.06
NYSE Euronext	4.43	0.58	10.11
Intercontinental Exchange	1.15	0.40	8.67
ASX	0.51	0.29	5.90
Singapore Exchange	0.45	0.23	8.93
Hong Kong Exchange	0.85	0.65	195.04

($ bn) SOURCE : BLOOMBERG

MCX	Mar '07	Mar '08	Mar '09	Mar '10	Sept '11
Total Income	206	274	366	494	202
PAT	93	105	158	221	75

(Figures in ₹crore)

SOURCE: CMIE, DRHP