

Date: 11/02/2021

Recommended Price: 1500-1530 · Target: 1850 · Stoploss: 1390

Time Frame: 3 To 6 months

MCX - Weekly Chart



- The stock on a weekly scale has witnessed a breakout of the rounding bottom pattern as highlighted in the above chart. Post breakout the stock is consolidating in the band of 1500-1900. Currently, the stock is placed close to the lower band of the short-term consolidation zone.
- Moreover, the stock has formed a reciprocal AB=CD harmonic pattern on a weekly scale with Potential Reversal Zone (PRZ) around 1490 levels.
- 50 WEMA is placed close to 1470 and 200 DSMA is placed close to 1480 levels. Thus, 1470 will act as strong support for the stock.
- stochastic oscillator on the weekly scale is placed in a highly oversold zone.
- Based on the above technical set up, we recommend buying MCX in the range of 1500-1530 with a stop loss of 1390 for the target of 1800-1850.

Fundamental Rationale

- The Indian commodity market is dominated by two exchanges wherein MCX continues to maintain its monopoly in market share (~94% in FY20, 96.48% in Q3FY21) despite increasing competition from other exchanges. The second player - NCDEX is a distant peer with ~4.95% in market share in FY20. In exchanges, depth, liquidity and impact cost are most critical factors that are difficult to replace. Therefore, it is difficult to shift volume from an exchange based on pricing.
- Commodity wise, MCX is practically the sole exchange with 98.57% share in precious metals, ~99.95% share in energy and ~100% share in base metals. In agri commodities, MCX has market share at ~17.2% as of March 2020.
- The Indian commodity market still remains underpenetrated. Therefore, it is witnessing a steady rise in turnover from 62 lakh crore in FY15 to 89 lakh crore in FY20. SEBI has undertaken measures to increase participation in commodities exchange over the years; MCX is one of the primary beneficiaries given its substantial market share.
- With 692 registered members and 54,900 authorised persons across 1010 cities and towns in India (as on 31 March 2020), MCX has an extensive national presence. Furthermore, MCX has strategic alliances with leading international exchanges like the London Metal Exchange (LME), CME Group, Dalian Commodity Exchange (DCE) and Taiwan Futures Exchange (TAIFEX).
- In the last three years FY18-FY20, MCX's operating revenues and profitability have grown by a CAGR of 13% and 23% respectively. Further, during the same period, company's operating profit grew by a CAGR of 25%. The company's operating margin has improved from 31% in FY18 to 41% in FY20. MCX being a Platform business works on an asset light model with employee and software expense contribute ~90-94% of overall cost. MCX is a debt free company with cash rich balance sheet. Hence we recommend to **"ACCUMULATE"** the stock.

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