

## Multi Commodity Exchange Clearing Corporation Limited

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Issuer rating	0.00	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Issuer rating of Multi Commodity Exchange Clearing Corporation Limited (MCX CCL) factors in the strong parentage of Multi Commodity Exchange of India Limited (MCX), strong linkages with the parent as MCX CCL functions as a central counterparty (CCP) for clearing and settlement (C&S) of all trades executed on MCX, revenue sharing arrangement between MCX and MCX CCL and expected capital and operational support to MCX CCL. The rating also factors in leadership position of MCX in the commodity derivatives segment in India, adequate capitalisation of MCX CCL, improving financial performance supported by lower technology and related expenses, adequate counterparty and operational risk management in place through a well-defined margin framework, liquidity management through well-defined waterfall mechanism and Core Settlement Guarantee Fund (SGF) and strong regulatory oversight considering systemic importance of the exchange. The rating also takes note of improved average daily turnover (ADT) in FY24 and 9MFY25, however, its sustenance is critical to continue the trend in income profile.

The rating is constrained considering exposure of MCX to single segment, commodity derivatives, which is relatively a newer segment compared to equities and equity derivatives, high technology risks due to switching to commodity derivative platform (CDP), income profile volatility due to relatively high volatile nature of commodity prices and trade volumes, sustenance of reduced technology costs and challenges involved in warehousing operations in delivery-based contracts.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Proven track record as an independent clearing house and continued parent support
- Significant improvement in the credit profile of the parent, MCX.
- Sustained improvement in profitability and stable performance of CDP software.

#### Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Shortfall in actual SGF from regulatory requirement.
- Moderation in MCX's leadership position in commodity market or moderation in credit profile of MCX.
- Weakening linkages or support with the parent group, MCX

### Analytical approach: Standalone

CARE has analysed standalone credit and risk profile of MCX CCL and has factored in the shareholding and strong operational and financial linkages with its parent MCX.

### Outlook: Stable

The 'stable' outlook takes into consideration continued support from the parent MCX.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Strong parentage of MCX and strong linkages with parent

MCX CCL is a wholly owned subsidiary of MCX, which has been operating as a commodity derivatives exchange since 2003. Following the merger of the Forward Market Commission with the Securities and Exchange Board of India (SEBI) in 2015, MCX was mandated to establish a separate clearing house within three years to mitigate settlement risks. Consequently, MCX CCL was established and received recognition from SEBI as a clearing corporation on July 31, 2018. Since the commencement of MCX CCL's operations, MCX has cumulatively infused equity capital amounting to ~₹240 crore up to December 31, 2024. CARE Ratings Limited (CARE Ratings) notes that there was no equity capital infusion in FY24 and 9MFY25.

As a wholly owned subsidiary, MCX CCL plays a crucial role in ensuring smooth functioning of MCX's operations by providing clearing and settlement (C&S) services for all trades executed on MCX. Given its significance in C&S operations and risk management, MCX CCL maintains strong linkages with MCX and receives substantial support from the parent company in terms of technology, infrastructure, and other resources. A revenue-sharing agreement exists between MCX CCL and MCX, under which MCX CCL receives 12.5% of the transaction fees charged by MCX from its members. MCX regularly contributes to the Settlement Guarantee Fund (SGF) maintained by MCX CCL to cover losses arising from client defaults.

#### Leadership position of MCX in the commodity derivatives segment

MCX is India's first listed commodity derivatives exchange, facilitating online trading in commodity derivatives. Incorporated in 2002, MCX commenced operations in November 2003. Among all exchanges offering commodity derivatives, MCX holds a leadership position in the Indian commodities derivatives segment. As of December 31, 2024, MCX commanded 97.97% of the market share in the commodity futures market in India, up from 95.9% as of March 31, 2024, and 96.8% as of March 31, 2023. MCX consistently maintains a market share exceeding 90% in the commodity derivatives segment in India.

In FY24, the ADT for futures and options surged by 89.32% to ₹108,880 crore, compared to ₹57,512 crore in FY23. This increase was primarily driven by a significant rise in the average daily notional turnover in options trades, which reached ₹89,244 crore in FY24 (ADT futures: ₹19,636 crore), up from ₹33,998 crore in FY23 (ADT futures: ₹23,514 crore). For 9MFY25, the ADT for futures was ₹207,090 crore, while the ADT for options was ₹28,410 crore.

#### Adequate capitalisation levels of MCX CCL with nil gearing

As on March 31, 2024, MCX CCL's capital position of remains adequate, with a tangible net worth of ₹846 crore, compared to ₹708 crore as of March 31, 2023. The borrowings were nil as of both March 31, 2024, and March 31, 2023. MCX CCL has a working capital limit of ₹98 crore as a backup facility; however, the average utilisation was negligible as of March 31, 2024, and ₹44 crore as of September 30, 2024. Against the minimum required corpus (MRC) of ₹626 crore for September 2024, MCX CCL had a Settlement Guarantee Fund (SGF) of ₹860 crore as of September 30, 2024. As of December 31, 2024, the Core SGF further increased to ₹896 crore.

The MCX's tangible net worth declined by 7.55% year-on-year, from ₹1,465 crore as of March 31, 2023, to ₹1,355 crore as of March 31, 2024. This decline was primarily driven by the declaration of a dividend by the MCX's board of ₹7.64 per share (record date: September 18, 2024) and an increase in intangible assets.

#### Strong regulatory oversight considering systemic importance

MCX CCL serves as a central counterparty (CCP) for clearing trades executed on MCX, holding significant systemic importance in the financial sector by bearing the counterparty credit risk of trading parties. Increasing regulatory scrutiny by SEBI and continuous regulatory developments underscore its growing importance. The clearing and settlement (C&S) operations of MCX CCL are closely regulated by SEBI, which mandates the maintenance of a Core Settlement Guarantee Fund (SGF). Contributions to the Core SGF are made by MCX CCL, MCX, and clearing members to ensure the settlement of transactions a clearing member's default. MCX CCL operates with a distinct board of directors and management team separate from its parent company. The Board of Directors comprises seven members, including the Chairman, Managing Director & Chief Executive Officer (MD & CEO), three additional public interest directors, and two non-independent directors. Prafulla Chhajed, a Chartered Accountant, Director at SBI, and former President of the Institute of Chartered Accountants of India, serves as the Chairman of the Board. The management is led by Narendra Kumar Ahlawat, MD & CEO, who has over two decades of experience in managing clearing and settlement, risk management, trading operations, surveillance, and other regulatory processes of commodity derivatives and stock exchanges. His previous associations include the National Stock Exchange, Metropolitan Stock Exchange of India, and MCX.

**Adequate counterparty and operational risk management**

As the central counterparty for clearing and settling trades, MCX CCL bears the credit risk of default by a clearing member, which is rigorously managed by collecting regulatory-prescribed margins from its members. MCX CCL has implemented robust operational risk management measures applicable to members who fail to meet their pay-in obligations by the scheduled date and time. Failure to settle the pay-in obligation by the scheduled date and time is treated as a violation and attracts penal actions as stipulated by MCX CCL, which may include blocking of collaterals, suspension of trading terminal, and placing the member in square-off mode.

Clearing members are required to maintain a minimum liquid net worth of ₹50 lakh. Members of MCX CCL must provide an interest-free security deposit as prescribed by MCX CCL at the time of admission, which will be used as a margin deposit against the members' exposure. This deposit must be at least 50% in cash, with the balance in the form of fixed deposit receipts or bank guarantees. MCX CCL may request additional margins to increase trading exposure limits. MCX CCL also collects margins such as extreme loss margin and special margin, depending on market conditions. Mark-to-market (MTM) losses are monitored in real-time by the system to prevent defaults in day trading. As of September 30, 2024, cash (5%), fixed deposit receipts (44%), and bank guarantees (18%) constituted nearly 67% of the overall client margin held by MCX CCL. The overall margin stood at ₹28,317 crore as of September 30, 2024.

**Adequacy of Core SGF and well-defined default waterfall mechanism**

Per the August 2014 circular, SEBI has mandated the formation of a Core Settlement Guarantee Fund (SGF) by clearing corporations, against which no exposure is granted to clearing members. This fund is readily and unconditionally available to cover counterparty default risk. The MRC that MCX CCL must maintain in the SGF is computed based on stress test results, which consider historical data and extreme loss scenarios. SEBI guidelines define a waterfall mechanism to address losses due to counterparty defaults, ensuring uninterrupted operations in case of member defaults.

MCX CCL is required to conduct daily stress tests to assess the adequacy of the Core SGF. As on September 2024, the SGF of MCX CCL stood at ₹860 crore, against a regulatory requirement of ₹626 crore. By December 31, 2024, the SGF increased to ₹896 crore. The SGF can only be used for settling claims arising from settlement defaults. To date, there has been no default in settlement on MCX, and hence, this fund has not been utilised.

**Improving Financial performance supported by lower technology related expenses**

In FY24, MCX CCL reported a total income of ₹169 crore, compared to ₹118 crore in FY23, reflecting a year-on-year growth of 43%. The company's profit after tax (PAT) increased by 33% to ₹33 crore in FY24, up from ₹24 crore in FY23. Return on Total Assets (ROTA) improved from 3.08% in FY23 to 3.41% in FY24. In 9MFY25, the company reported a PAT of ₹111 crore, compared to ₹9 crore in the same period of FY24. This significant increase was primarily due to lower operating expenses, resulting from a reduction in information technology (IT) and related expenses and increase in the revenue from operations by 45% in 9MFY25 compared to 9MFY24. The lower IT and related expenses in 9MFY25 were attributed to the migration to the new CDP developed by TCS.

For the parent entity, MCX, high software costs in FY24 impacted overall financial performance. This was due to development, testing, and delivery of the CDP by TCS. In the development phase, the company continued to utilise the services of the previous vendor, 63 Moons Technologies Limited, to ensure continuity of commodity trading and clearing platform, leading to high software fees and affecting overall profitability. However, effective October 16, 2023, the company transitioned to the new CDP platform with TCS. This transition to the new CDP software helped reduce technology costs, resulting in improved profitability in 9MFY25. Going forward, sustenance of profitability led by reduced technology costs and improved income profile, would be a key monitorable.

**Key weaknesses****Single segment of operation of MCX Limited subjected to volatility in trading volume**

Although MCX holds a leadership position in the commodity derivatives market in India, its presence is limited to a single segment (commodity derivatives), which poses a business risk adverse conditions in global commodity markets. Within the commodities market, MCX is involved in metals, energy, and agricultural commodities. Top four commodities traded on MCX—silver (36%), gold (29%), natural gas (15%), and copper (8%)—accounted for 88% of the total turnover on MCX in 9MFY25 (compared to 90% in FY24). This concentration poses a risk, as adverse movements in prices and volumes of these commodities could significantly impact overall turnover.

The revenue of MCX depends on volumes in the commodities derivatives market. Volatility in commodity prices would lead to fluctuations in trading volumes, causing volatility in business revenue. Consequently, the business prospects of MCX CCL are closely tied to those of MCX. MCX CCL's revenue predominantly depends on MCX's revenue, as it currently earns a fixed return of 12.5% of MCX's transaction charges, per the agreement with the exchange, which is also susceptible to the concentration risk.

**Moderate despite improving track record as a standalone entity**

Following the merger of the Forward Market Commission (FMC) with SEBI in 2015, MCX was mandated to establish a separate clearing house within three years to mitigate settlement risks. Consequently, MCX CCL was established and received recognition from SEBI as a clearing corporation on July 31, 2018. Operating independently, MCX CCL commenced its operations on September 03, 2018, and has since developed a moderate track record. However, it is reassuring that MCX previously performed the clearing and settlement (C&S) functions, and the same team and infrastructure have been transferred to the standalone entity, MCX CCL.

**Increase in competition for MCX due to unified exchange regime**

In the Union Budget for FY17-18, the finance minister proposed further integration of commodities and securities derivative markets by aligning participants, brokers, and operational frameworks. SEBI approved a proposal to permit trading of commodity derivatives and other segments of the securities market on a single exchange, by amending the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporation) Regulations, 2012 (SECC Regulations). These amendments came into effect on October 01, 2018. This regulatory change has increased competition from other exchanges in the commodity market, posing a potential risk to MCX. Some exchanges have already commenced trading in commodity derivatives under the new unified exchange regime. Despite this increased competition, MCX has maintained its market leadership position among national exchanges offering commodity derivatives in India.

**Risk associated with warehousing**

MCX CCL has a dedicated warehousing operations division that caters to storage requirements of members and their respective constituents/depositors, who are willing to store goods and facilitate delivery on the MCX CCL platform. This division coordinates with warehouse service providers (WSPs) and accredits warehouses for safe storage and preservation of goods deposited by business participants for delivery on the MCX CCL platform. As of March 31, 2024, MCX CCL had agreements with five WSPs to facilitate physical deliveries in agricultural commodities and base metals. MCX CCL had accredited 28 warehouses of these five WSPs, of which 12 warehouses are registered with the Warehousing Development & Regulatory Authority (WDRA), while the remaining 16 warehouses for metals do not require WDRA registration. MCX CCL entered agreements with four Vault Service Providers (VSPs) to facilitate deliveries in bullion.

While MCX CCL has appointed auditors to conduct regular audits and checks across warehouses, there are operational, and fraud risks associated with the warehousing aspect of the commodity derivatives business. These risks are partially mitigated by requiring warehouse service providers to maintain a deposit with MCX CCL as security and by enforcing mandatory insurance coverage for all warehouse service providers against risks, such as fire, natural calamities, and fraud.

**Technology risks arising from migration to new CDP platform**

In FY24, the company migrated to a new technology platform for collateral, risk management, delivery, clearing, and settlement. This new platform has enabled the company to achieve higher trading volumes and quickly launch new products, enhancing efficiency and adaptability.

The company relies on third-party vendors for essential technological services. Consequently, disruption or termination of these critical supplies or services by third parties can negatively impact business operations. Failing to keep up with industry technology standards and participant preferences can adversely affect operations. Since the platform has recently launched, the company is yet to fully witness its success, and there may be long-term operational and technological risks associated with the CDP. CARE Ratings will continue to monitor operational performance of the company's new CDP software, and its cost implications on overall profitability.

**Liquidity: Strong**

MCX CCL has strong liquidity to manage both its clearing member defaults and to support its business operations. In addition to Core SGF, MCX CCL had cash and cash equivalent of ₹1884 crore as on September 30, 2024. MCX CCL also has sanctioned overdraft (OD) facility of ₹98 crore having average monthly utilisation of ₹44 crore as on September 30, 2024. The utilisation of this OD limit remained minimal in FY24 and in H1FY25. MCX CCL had SGF of ₹860 crore as on September 30, 2024, against MRC of ₹626 crore. As on December 31, 2024, the SGF stood at ₹896 crore.

**Assumptions/Covenants** – Not applicable

**Environment, social, and governance (ESG) risks** – Not applicable

**Applicable criteria**

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Issuer Rating](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Capital markets	Depositories, clearing houses and other intermediaries

### About MCXCCL

SEBI granted recognition to MCX CCL, a wholly owned subsidiary of MCX, as Clearing Corporation for providing Clearing and Settlement services to MCX. Per SEBI guidelines, at least 51% shareholding in a clearing corporation is to be held by one or more recognised stock exchanges and no recognised stock exchange, directly or indirectly, either individually or together with persons acting in concert, acquire or hold over 15% shareholding in over one recognised clearing corporation. MCX CCL is the first clearing corporation in the commodity derivatives market in India. It provides secured counterparty risk management and post-trade services to the market participants that would help mitigate risks and step-up operational standards for clearing and settlement functions in the industry.

### About MCX

MCX is India's largest commodity derivatives exchange that enables online trading of commodity derivatives, providing a platform for price discovery and risk management. Since its inception in November 2003, MCX has operated under the regulatory framework of SEBI.

MCX offers trading in commodity derivative contracts across segments, including bullion, industrial metals, energy, and agricultural commodities, and indices derived from these contracts. It is India's first exchange to introduce commodity options and futures contracts on bullion, base metals, and energy indices. As of December 31, 2024, MCX has a broad national reach with 540 registered members and 35,162 Authorised Persons across India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	118	169	182
PAT	24	33	111
Total Assets*	844	1069	-
Net NPA (%)	-	-	-
ROTA (%)	3.08	3.41	-

A: Audited UA: Unaudited; Note: these are latest available financial results

\*Tangible assets excluding Settlement Guarantee Fund

### Status of non-cooperation with previous CRA: Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE AA+; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA+; Stable	-	1)CARE AA+; Stable (05-Jan-24)	1)CARE AA+; Stable (26-Dec-22) 2)CARE AA+ (Is); Stable (09-Dec-22)	1)CARE AA+ (Is); Stable (27-Dec-21)

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities** – Not applicable

**Annexure-4: Complexity level of instruments rated** – Not applicable

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

### Contact us

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#### About us:

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#### Disclaimer:

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