



**CREENCE**  
INVESTMENTS

## Credence Investments

<https://Credenceinvestments/NCDEX>

**Company Note as of 31<sup>st</sup> December 2024**



## COMPANY OVERVIEW

Metric	Value
ISIN	INE127G01010
Face Value	₹10 per equity share
Depository	NSDL and CDSL
PAN Number	AABC19479D
Market Capitalization (in cr)	Approximately ₹1,498 crore
Total Shares Outstanding	69,652,358 shares
Price-to-Earnings (P/E) Ratio	N/A
Price-to-Book (P/B) Ratio	3.08
Earnings Per Share (EPS)	-5.52
Sector	Financials
Category	Small Cap
52-Week High	₹325
52-Week Low	₹208

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## **Snapshot: NCDEX**

The **National Commodity & Derivatives Exchange Limited (NCDEX)** is a premier online trading platform in India, specializing in **commodities and derivatives trading**. Established in **2003**, NCDEX has played a pivotal role in modernizing India's **agricultural commodity trading sector**, offering a **transparent, technology-driven, and secure** platform for market participants to trade a diverse range of **agricultural commodities, metals, and energy products**. By introducing an **electronic trading environment**, NCDEX has revolutionized traditional agricultural trading practices, making them more **accessible, efficient, and reliable**.

A key function of NCDEX is **price discovery** for agricultural products, enabling **farmers and traders** to access **real-time, transparent market prices** throughout the year. This helps farmers make informed decisions on buying and selling their produce while also providing a **hedging mechanism** against potential **price volatility**, reducing financial risks associated with agricultural production.

NCDEX operates under the **regulatory oversight of the Securities and Exchange Board of India (SEBI)**, ensuring fair trading practices and market stability. The exchange was **incorporated on April 23, 2003**, under the Companies Act, 1956 and commenced operations on **December 15, 2003**. Functioning as a **demutualized entity** with an **independent board of directors and professional management**, NCDEX ensures that its operations remain **free from undue influence by trading members**, fostering trust, market integrity, and fairness.

Headquartered in **Mumbai**, NCDEX has established a **pan-India presence**, improving **market access for farmers, traders, and institutional participants**. The exchange holds a **dominant position** in the **agricultural commodity derivatives market**, offering **futures, options, and indices** on various commodities. While its primary focus remains on agriculture, NCDEX has also ventured into **non-agricultural products**, showcasing potential for **future diversification**.

NCDEX provides **electronic trading, clearing, and settlement of commodity derivatives**, offering a **comprehensive ecosystem** for market participants. The exchange is backed by **prominent financial institutions**, including the **National Stock Exchange of India (NSE)**, **Life Insurance Corporation of India (LIC)**, **National Bank for Agriculture and Rural Development (NABARD)**, and **major banks**, ensuring **financial stability and credibility**. In **September 2015**, NCDEX was recognized as a **deemed stock exchange** under the **Securities Contracts (Regulation) Act, 1956**, further strengthening its regulatory framework under **SEBI** and expanding its market reach.

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With its **robust technological infrastructure, institutional backing, and strong regulatory compliance**, NCDEX continues to play a crucial role in **enhancing efficiency, transparency, and accessibility** in India's **commodity trading ecosystem**.

## **PRODUCTS & SERVICES**

NCDEX offers a **diverse range of products and services** to cater to the needs of various market participants in the **commodity derivatives space**.

### **1. Commodity Futures**

The exchange provides **futures contracts** for a wide array of **agricultural commodities**, allowing stakeholders to **manage price risk effectively**:

- **Cereals & Pulses:** Chana, Paddy (Basmati), Barley, Bajra, Maize, Moong, and Peas.
- **Oilseeds & Oils:** Groundnut, Sunflower Oil, Castor Seed, Cotton Seed Oilcake, Soy Oil, Soybean, Mustard Seed, Palm Oil, and Sesame Seeds.
- **Fibers:** Kapas and Cotton.
- **Soft Commodities:** Gur, Coffee, and Isabgol Seed.
- **Spices:** Turmeric, Jeera, Coriander, and Pepper.
- **Non-Agricultural Commodities:** Steel Long.

The availability of futures contracts across this **broad spectrum of commodities** enables **farmers, processors, and traders** to hedge against **price volatility**.

### **2. Commodity Options**

NCDEX also provides **options contracts** on selected agricultural commodities, including:

- **Guar Seed**
- **Guar Gum**
- **Soybean**

The introduction of **options trading** enhances the **range of strategies** available to market participants, catering to **different risk appetites and market perspectives**.

### **3. Commodity Indices**

NCDEX offers **indices that track the performance of agricultural commodities**, including:

- **AGRIDEX:** A composite index covering multiple agricultural products.
- **SOYDEX:** A sector-specific index for **soybeans**.
- **GUAREX:** A dedicated index for the **guar complex**.

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These indices serve as valuable tools for **investors and traders** to gain **broader market exposure** and **benchmark performance** in the commodity sector.

#### **Additional Services by NCDEX**

#### **4. Clearing & Settlement Services**

- Provided through **National Commodity Clearing Limited (NCCL)**, a **wholly owned subsidiary** of NCDEX.
- Ensures **secure, efficient, and risk-mitigated trade settlements** for all transactions.

#### **5. Repository Services**

- Managed by **National E-Repository Limited (NERL)**, offering **electronic warehouse receipts (e-NWR)**.
- Facilitates **efficient storage and financing** of agricultural commodities.
- **Enhances market efficiency** by digitizing warehouse receipts, making it easier for farmers and traders to **access financing** and **manage inventory**.

#### **6. E-Auction Platform**

- Enables **enhanced market access and price discovery** for agricultural produce.
- Helps **farmers and traders** connect with a **larger pool of buyers**.

#### **7. Market Data & Research Services**

- Provides **data feeds and connectivity services** for seamless trading.
- Publishes **research reports and analytical tools** to help market participants make **informed trading decisions**.

#### **8. Investor Service Centre**

- Resolves **grievances of market participants**, ensuring a **supportive and responsive trading environment**.

By offering a **comprehensive suite of trading products and value-added services**, NCDEX continues to **strengthen India's commodity market ecosystem**, supporting **price discovery, risk management, and financial inclusion** for stakeholders

### **COMPANY OVERVIEW**

The **National Commodity & Derivatives Exchange Limited (NCDEX)** has achieved several significant milestones since its inception, reflecting its commitment to enhancing India's commodity markets. Key achievements include:

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- **2003: Establishment and Commencement**
  - Incorporated on **April 23, 2003**, and commenced operations on **December 15, 2003**, providing a transparent platform for trading agricultural commodities.
- **2015: Recognition as a Stock Exchange**
  - On **September 28, 2015**, NCDEX became a **deemed recognized stock exchange** under the **Securities Contracts (Regulation) Act, 1956**, regulated by the **Securities and Exchange Board of India (SEBI)**.
- **Technological Advancements**
  - Upgraded trading infrastructure by adopting **Millennium Exchange** and **Millennium Surveillance** systems from **MillenniumIT**, enhancing trading efficiency and surveillance capabilities.
- **Market Leadership**
  - Maintained a leading position in **agricultural derivatives trading**, consistently achieving high performance and liquidity in the agri-commodities segment.
- **Farmer Engagement**
  - Connected over **1 million farmers** to the exchange platform through more than **400 Farmer Producer Organizations (FPOs)**, promoting inclusive growth and direct market access for producers.
- **Product Diversification**
  - Expanded product offerings to include a wide range of **agricultural commodities**, facilitating futures and options trading in products like **wheat, sugar, spices, and cotton**, thereby aiding in fair price discovery and risk management.
- **Regulatory Compliance and Governance**
  - Operates under the stringent oversight of **SEBI**, ensuring market transparency, efficiency, and investor protection. The exchange is managed by an independent board, reflecting strong corporate governance.

These milestones underscore NCDEX's role in revolutionizing India's agricultural trading landscape, fostering transparency, efficiency, and inclusivity in the commodity derivatives market.

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## INDUSTRY OVERVIEW

### Industry Overview: Indian Commodity Derivatives Market

The **Indian commodity derivatives market** has witnessed **substantial growth** since its inception, driven by **increasing awareness, broader participation, and strong regulatory support**. This expansion reflects the **growing sophistication** of India's financial markets and the rising demand for **risk management tools** in the commodity sector.

#### 1. Key Players & Market Specialization

- The industry is **dominated by a few key exchanges** with distinct areas of focus:
  - **Multi Commodity Exchange of India (MCX):** Leads in **overall trading volume**, particularly in **metals and energy commodities**.
  - **National Commodity & Derivatives Exchange (NCDEX):** Holds a **leadership position** in the **agricultural commodity derivatives segment**.
  - **National Stock Exchange (NSE) & Bombay Stock Exchange (BSE):** Have ventured into **commodity derivatives** but maintain a **smaller market share** compared to MCX and NCDEX.

This **specialization within the commodity trading landscape** ensures that different market segments and trading needs are adequately catered to.

#### 2. Regulatory Framework & Market Transparency

- The **Securities and Exchange Board of India (SEBI)** governs the commodity derivatives market, ensuring:
  - **Market transparency & efficiency**
  - **Investor protection & fair trading practices**
  - **Orderly growth of the industry**
- SEBI's active role in **regulating and monitoring exchanges** fosters **confidence among investors** and **ensures stability** in the market.

#### 3. Emerging Trends & Growth Drivers

- **Increased Adoption of Technology:**
  - Enhanced **electronic trading platforms** for seamless execution.
  - Improved **clearing & settlement mechanisms** for risk mitigation.
- **Rising Institutional Participation:**

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- Greater involvement from **hedge funds, banks, and institutional investors**, adding **depth & liquidity** to the market.
- **Introduction of New & Innovative Derivative Products:**
  - Expansion of **commodity indices & structured financial products** to attract a broader investor base.
- **Government Support for Agricultural Trading:**
  - Policies aimed at **improving price discovery** and increasing **retail investor participation** in commodity derivatives.

#### 4. Challenges & Regulatory Interventions

- **Regulatory Restrictions on Certain Commodities:**
  - SEBI has **extended the suspension** of trading in **key agricultural commodity derivatives**, such as **wheat and moong**, to **control price volatility**.
  - While such measures **stabilize market fluctuations**, they can also **reduce trading volumes** and impact the **overall performance of exchanges like NCDEX**.

#### Conclusion

The **Indian commodity derivatives market** is on a steady **growth trajectory**, supported by **technological advancements, increasing institutional participation, and strong regulatory oversight**. While **challenges such as regulatory interventions persist**, the overall outlook remains **positive**, particularly for exchanges like **NCDEX**, which continue to **drive agricultural commodity trading** in India

### FINANCIAL HIGHLIGHTS FY 24:

#### Financial Highlights – NCDEX (FY21 to FY24)

- **Revenue Trend:** Revenue has **declined gradually**, from **₹113 Lakhs in FY21** to **₹96 Lakhs in FY24**.
- **Cost Structure:**
  - **Employee benefit expenses** have **increased steadily**, from **₹72 Lakhs in FY21** to **₹91 Lakhs in FY24**.
  - **Other expenses** have **remained stable**, with slight fluctuations over the years.

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- **Profitability Metrics:**
  - **EBITDA has remained negative**, with margins shifting from **30.09% in FY21 to -67.71% in FY24**.
  - **EBIT margins have declined**, reaching **93.75% in FY24**.
  - **PBT and PAT have shown improvement in FY24**, with reduced losses compared to FY23.
  - **Net profit margin (NPM) has fluctuated**, ranging between **12.39% in FY21 to 29.17% in FY24**.
- **Other Income & Finance Costs:**
  - **Other income has increased** in FY24 compared to previous years.
  - **Finance costs decreased** significantly in FY24 after peaking in FY23.
- **Earnings Per Share (EPS):**
  - EPS has remained **negative across all years**, with **FY24 showing an improvement** compared to FY23.
- **Market Activity Trends:**
  - **Trading activity and open interest levels** have varied over the years, influencing revenue generation.
  - **Operational efficiency measures** have impacted financial outcomes.

***NCDEX Financials Performance (INR Crores)***

Metric	2021	2022	2023	2024
Revenue	113	115	104	96
Cost of Material Consumed	0	0	11	0
Gross Margins	100	100	89.42	100
Change in Inventory	0	0	0	0
Employee Benefit Expenses	72	81	88	91
Other Expenses	75	69	71	70
EBITDA	-34	-35	-66	-65
OPM	-30.09	-30.43	-63.46	-67.71
Other Income	39	45	35	56

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Finance Cost	1	2	15	1.3
D&A	25	24	25	25
EBIT	-59	-59	-91	-90
EBIT Margins	-52.21	-51.3	-87.5	-93.75
PBT	-21	-17	-58	-33
PBT Margins	-18.58	-14.78	-55.77	-34.37
Tax	-7	-5	-16	-5
PAT	-14	-12	-42	-26
NPM	-12.39	-10.43	-40.38	-29.17
EPS	-2.76	-2.37	-8.29	-5.52

**NCDEX Financial Ratios**

Key Ratios`	2021	2022	2023	2024
Operating Profit Margin	30.09	30.43	63.46	67.71
Net Profit Margin	12.39	10.43	40.38	29.17
Earning Per Share (Diluted)	-2.76	-2.37	-8.29	-5.52

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## CONSOLIDATED FINANCIAL STATEMENTS

Financials: [Annual Report](#)

Particulars	(₹ in Lakhs)			
	Standalone (the Exchange)		Consolidated (NCDEX Group)	
	FY 2023-24	FY 2022-23	FY 2023-24	FY 2022-23
Total income	5,283	4,884	13,600	13,557
Total expenses	10,191	10,302	18,716	19,624
<b>Profit before exceptional items and tax</b>	<b>(4,908)</b>	<b>(5,418)</b>	<b>(5,116)</b>	<b>(6,067)</b>
Exceptional item	3,913	(487)	989	(533)
Share of net profit from joint venture and associate	-	-	807	799
<b>Profit before tax</b>	<b>(995)</b>	<b>(5,905)</b>	<b>(3,320)</b>	<b>(5,801)</b>
Tax expenses	(630)	(1,460)	(550)	(1,564)
<b>Profit after tax</b>	<b>(365)</b>	<b>(4,445)</b>	<b>(2,770)</b>	<b>(4,237)</b>
Other comprehensive income	(30)	(134)	(69)	(149)
<b>Total comprehensive income for the year</b>	<b>(395)</b>	<b>(4,579)</b>	<b>(2,839)</b>	<b>(4,386)</b>

Summary of financial performance of the Exchange on standalone and consolidated basis for the FY 2023-24

## SHAREHOLDING PATTERN

Category	Percentage
National Stock Exchange of India Limited (NSE)	15.00%
Life Insurance Corporation of India (LIC)	11.10%
National Bank for Agriculture and Rural Development	11.10%
Indian Farmers Fertiliser Cooperative Limited (IFFCOP)	10.00%
Oman India Joint Investment Fund	10.00%
Punjab National Bank (PNB)	7.29%
Canara Bank	6.03%
Others	13.25

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## MANAGEMENT

Board of Directors	Mr. Ashish Bahuguna	Chairman and Public Interest Director
	Mr. Hemant Adarkar	Public Interest Director
	Dr. Mukulita Vijayawargya (w.e.f. February 09, 2024)	Public Interest Director
	Mr. Prem Kumar Malhotra (upto August 08, 2024)	Public Interest Director
	Dr. Purvi Mehta (upto January 10, 2024)	Public Interest Director
	Mr. R. Amalorpavanathan	Public Interest Director
	Mr. Soma Sankara Prasad (w.e.f. July 02, 2024)	Public Interest Director
	Mr. Venkat Nageswar Chalasani (upto November 13, 2023)	Public Interest Director
	Mr. B. Venugopal (upto January 10, 2024)	Non-Independent Director
	Mr. Manikumar S. (upto September 26, 2023)	Non-Independent Director
	Mr. Rakesh Kapur	Non-Independent Director
	Mr. R. Doraiswamy (w.e.f. March 21, 2024)	Non-Independent Director
	Mr. Sanjeev Rohilla (w.e.f. January 04, 2024)	Non-Independent Director
Mr. Arun Raste	Managing Director & Chief Executive Officer	
Chief Financial Officer	Mr. Atul Roongta	
Company Secretary	Mr. Hoshi D. Bhagwagar	
Statutory Auditor	Khandelwal Jain & Co., Chartered Accountants 6-B&C, PIL Court, 6 <sup>th</sup> Floor, 111, M. Karve Road, Churchgate, Mumbai 400 020.	
Secretarial Auditor	Ragini Chokshi & Co., Practicing Company Secretaries 34, Kanner Building, 5 <sup>th</sup> Floor, 38, Cawasji Patel Street, Fort, Mumbai – 400001.	
Bankers	Axis Bank Limited Canara Bank HDFC Bank Limited ICICI Bank Limited Punjab National Bank Union Bank of India State Bank of India	Bank of India Development Credit Bank IndusInd Bank Limited Kotak Mahindra Bank Limited Tamilnad Mercantile Bank Limited Yes Bank Limited
Registered Office	First Floor, Aknuli Corporate Park, Near G. E. Garden, L. B. S. Road, Kanjurmarg (West), Mumbai 400 078.	
Branch Offices	Ahmedabad: 12 <sup>th</sup> Floor, 1201 - B, BVR- EK, Opp. Inder Residency Hotel, Ellisbridge, Ahmedabad - 380006. Indore: 3 <sup>rd</sup> Floor, 309, Gold Arcade, Opposite Curewell Hospital, New Palasiya Road #1, PentHouse, Indore - 452001. Jaipur: Vinayak Heights, 5 <sup>th</sup> Floor, Plot No 105/106, Gom Defence Colony, Gautam Marg, Vaishali Nagar, Jaipur - 302021. Kolkata: Shraichi Tower, Mezzanine Floor, 686, Anandapur, E.M. Bypass Ruby, Kolkata - 700017. Delhi: 18 <sup>th</sup> Floor, Ambadeep Building, 14 Kasturba Gandhi Marg, New Delhi – 110001. Hyderabad: Unit No-B-2-120/112/P/9/D, Park View Estate, 4 <sup>th</sup> Floor, Banjara Hills Road No. 2, Opp. KBR	

## IPO DETAILS

NCDEX has been considering an Initial Public Offering (IPO) for some time. The company filed a Draft Red Herring Prospectus (DRHP) with SEBI in FY2020. The proposed IPO included a fresh issue of equity shares up to ₹100 Crores and an offer for sale of up to 14,453,774 equity shares by the existing selling shareholders as of late March 2025, the IPO is still listed as "upcoming" by some sources, indicating that the launch is anticipated but without specific dates or a price range being officially announced. The delay in the IPO launch after the DRHP filing suggests that potential market conditions or internal strategic considerations are influencing the timing. Given the National Stock Exchange of India's (NSE) significant existing stake in NCDEX, the listing exchange is expected to be NSE. Listing on NSE could provide NCDEX with better visibility and access to a broader investor base, leveraging NSE's established infrastructure and investor network.

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## NEWS

- <https://www.moneycontrol.com/news/business/markets/ncdex-diversifies-beyond-agri-enters-equity-derivatives-with-rs-400-600-crore-investment-12939093.html>
- <https://www.zeebiz.com/video-gallery-ncdexs-discussion-with-iit-bombay-345246>
- <https://www.zeebiz.com/markets/commodities/news-ncdex-commodity-trading-news-update-latest-today-options-in-goods-contracts-on-maize-guar-complex-guar-seed-guar-gum-spices-complex-dhaniya-jeera-turmeric-commodity-market-news-283823>

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