

MSEI's Meteoric Rise: A Golden Opportunity or Time to Exit?

The **Metropolitan Stock Exchange of India (MSEI)** is making waves—and investors are paying close attention. Once an overlooked player in India's financial ecosystem, MSEI has staged a **stunning comeback**. **Its stock price has surged by a staggering 596% in just five months**, turning heads with its meteoric rise.

But now comes the tricky part: **Should investors hold on for more gains, buy at current levels, or lock in profits?** Let's dive in and explore.

What's Driving This Rally?

- Between **September 2024 and January 2025**, MSEI's stock price **exploded from ₹1.25 to ₹8.70**, even hitting an **all-time high of ₹12.50 in December 2024**.
- This isn't just market euphoria—it's backed by a significant **₹238 crore capital infusion**, signaling strong investor confidence.
- Heavyweights like **Share India Securities Limited, Billionbrains Garage Ventures (Groww), Rain matter Investments (Zerodha), and Securocorp Securities** have **snapped up a 20% stake**, pushing MSEI's valuation to **₹1,200 crore**.

So, what's next? Is this the beginning of a more extensive bull run, or has the best already passed? Let's dig a bit deeper.

MSEI: A Strategic Path to Financial Revival

- The **Metropolitan Stock Exchange of India (MSEI)** is entering a pivotal phase of transformation, backed by **regulatory support** and a strategic **capital infusion** approved by SEBI in late FY25. This funding will enable MSEI to **relaunch its trading operations** at the start of FY26, marking a key milestone in its growth trajectory.
- With India's economy set to grow at a robust **6.5% annually by FY27** (as per IMF estimates), MSEI is positioning itself to **compete head-to-head** with the NSE and BSE in the rapidly expanding equity and F&O markets.

However, the road ahead won't be without challenges. **SEBI's recent research reveals that 92.8% of retail traders** in the F&O segment have incurred losses over the past three years, and **76% of individual traders in FY24** earned less than ₹5 lakh annually^[1].

- In response to these trends, SEBI has introduced reforms aimed at **protecting retail traders**. Starting **November 20, 2024**, exchanges will only offer **weekly expiry derivatives** on one benchmark index: NSE will focus on the Nifty 50, and BSE will retain Sensex, discontinuing other indices. These measures are expected to cause a **40%-50% decline in active F&O traders** over the next few years^[2].
- Despite this contraction in trader numbers, **turnover is expected to remain stable**. This is due to SEBI's decision to **increase contract sizes**—for instance, the Nifty 50 will rise from 25 to 75 contracts, and the BSE Sensex will increase from 25 to 60. The smaller, more institutionalized trader base will likely **sustain market activity**, enabling exchanges to **stabilize revenue streams** through higher transaction charges.

Unveiling MSEI Revenue Journey:

Particulars	FY26 (P)	FY27 (P)	FY28 (P)	FY29 (P)	FY30 (P)
*Revenue (in Rs. Cr.)	88	145	240	425	766
Revenue growth %		64.8%	65.5%	77.1%	80.1%
Total Expenses (in Rs. Cr.)	79	116	168	276	459
Total Expenses (% of Revenue)	90%	80%	70%	65%	60%
PAT (in. Rs. Cr.)	9	22	48	106	230

***Note:** The revenue projections are based on SEBI's recent research report on F&O traders^[1], along with the NSE and BSE FY24 annual reports. However, the actual figures may vary. While the cash segment generally generates more revenue through trading and listing fees, MSEI currently has fewer companies listed in this segment. These projections primarily focus on F&O trading, with the expectation that stabilized volumes will lead to more equity listings, driving growth in the future.

- MSEI's growth strategy is built on **innovation** and **diversification**. The exchange plans to relaunch its SX40 Index, introduce FNO contracts, and roll out weekly expiry contracts for the SX40, expiring every Friday, offering traders an additional day of activity.
- With approximately 266 listed companies, including 211 exclusively listed and 55 dual-listed firms, MSEI is strategically positioned to attract both traders and issuers. Revenue projections underscore this potential, with estimates of ₹88 crore in FY26, ₹145 crore in FY27, and ₹240 crore in FY28, reflecting a compound annual growth rate of over 65%.
- Initially, MSEI's revenue will be **driven primarily by the F&O segment**, capturing an estimated **2%-5% market share** in equity and F&O trading over the next three to five years. As trading volumes stabilize, MSEI plans to attract more companies to its **cash segment**, further boosting its revenue through **listing and trading fees**.

Exploring the Company's Track Record:



How MSEI Stacks Up Against Its Peers Financially?

Particulars	BSE (FY24)	NSE (FY24)	MSEI (FY24)	#MSEI (FY30)
Market Cap (in Rs. Cr.)	71,587	4,45,500	3,848	9,200
P/E Ratio	76.5x	53.8x	N/A	40x
ROE (%)	15.2%	28.4%	-22.5%	-
Net Profit Margin (%)	48.5%	56.2%	N/A	30%
Stock Price (in Rs.)	5,306.0	1,800.0	8.15	15.3

[#]With BSE and NSE trading at P/E multiples of 86.2x and 53.8x respectively, let's consider a conservative scenario where MSEI secures a P/E multiple of just 40x by FY30. Given the **projected profit after tax (PAT) of ₹230 crore in FY30**, this would imply a **market capitalization of ₹9,200 crore**. Assuming the **number of shares remains constant at ~600 crore**, the estimated share price could reach **₹15.3 per share** by FY30.

What Should Investors Do?

- **Aggressive Investors** (who entered early at ₹1-₹2 per share) have already secured massive gains. With the stock's upside now more limited, they **may consider booking profits and exiting at current high valuations** rather than waiting for moderate growth over the next five years.
- **Long-Term Investors** can continue holding as the stock still has **the potential to double over time**. While the pace of growth may slow, staying invested could be beneficial for those willing to wait for the exchange's full turnaround.
- **New Investors** may find **limited upside at current valuations**, especially given the company's negative earnings. With the stock already surging significantly, fresh entry **does not present an attractive opportunity at this stage**.

Sources:

^[1]<https://www.sebi.gov.in/reports-and-statistics/research/sep-2024/study-analysis-of-profits-and-losses-in-the-equity-derivatives-segment-fy22-fy24-86905.html>

^[2]<https://legal.economictimes.indiatimes.com/news/regulators/sebis-new-measures-could-halve-trading-volumes-in-fo-segment/113900998>