MCX/SEC/2192 February 20, 2023

The Dy. General Manager
Corporate Relations & Service Dept.
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai - 400001

Scrip code: 534091, Scrip ID: MCX
Subject: Transcript of calls with Investor/Analysts

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed herewith the following transcript of the call with investor/analysts:

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	SBI Mutual Fund	February 13, 2023	04:00 PM	***Annexure - A***

The said transcript is also uploaded on the website of the Company at https://www.mcxindia.com/investor-relations/ir-meetings

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For Multi Commodity Exchange of India Limited

MANISHA HARSHAD THAKUR
Digitally signed by MANISHA HARSHAD THAKUR
Date: 2023.02.20 19:29:36 +05'30'

Manisha Thakur
Company Secretary

Encl: As above

"Multi Commodity Exchange of India Limited"

Meeting with SBI MF

February 13, 2023

P. S. REDDY: **MR. P. S. REDDY – MD & CEO, MULTI COMMODITY EXCHANGE OF INDIA LIMITED**
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER, MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. PRAVEEN D G – CHIEF RISK OFFICER, MULTI COMMODITY EXCHANGE OF INDIA LIMITED

Analyst 1: Yes. So, options volumes, just to start on the growth side, options volumes have been up quite well and it's a new and growing product. So, there are obviously some constraints where shorter duration products are not there yet. And also, some of the mini contracts are in the process of getting launched. And a lot of those -- we need approvals. So, if we could just outline where do we see the growth opportunity over the near-term?

P.S. Reddy: Well, you are rightly pointed out options contract is the one where we are looking at and mini is the second. And the third one is the new products. So, these are the two, three categories that we are looking at.

So on the mini's, yes, approvals are yet to come. We have already submitted, for all the products which are earlier there. And with regard to the options, we have got a monthly option over a bimonthly futures contract. But we are testing in the new system, whether that is working or not. Once that is confirmed, then we will introduce in the existing system so that once the migration comes, the open interest that is created in the whole system will be easily transferable to the new system.

But it should work there. That's what it is. And yes, the smaller tender options contracts are increased, but it will take some time for us to actually study which are the ones which we have to make application to.

But currently, what we have is, what we were looking at is a rolling options contracts essentially every week, one-one will expire, but its a monthly option contract. These are all rolling options.

Analyst 1: Okay. So monthly expiry that can be rolled-over?

P. S. Reddy: No. Monthly expiry, 15th August, let's say 15th-to-15th, 21st-to-next-21st, another option. And so there will be an overlap of contracts, but it is, each contract is expiring with a gap of one week, that's the way it is.

Analyst 1: So, to just understand a little bit in detail, when you look at the mini's or the options or the short tenure, we would need a regulatory approval for all of these?

P. S. Reddy: Yes, everything.

Analyst 1: Are there some products where we can, launch them?

P. S. Reddy: No contract can be launched without the express approval of regulator. Even the existing contracts, they give a calendar, one year, two years, whatever it is, before the calendar expires, we apply to them for extension of that.

Analyst 1: But in the discussions you would be having with the regulators, I mean, obviously, the shorter tenure contract or the mini contracts are better even for the players in the market. So, what sense do you get? I mean, should we expect a positive outcome over the medium term, in terms of some of these contracts, because some of them used to be there and they were sort of, rolled back?

P. S. Reddy: No, that is what you're talking about, the mini's? Mini's is behind us now, in the sense, the decision has been taken, and we are applying it and then we will get, if not today, maybe next week, or of maybe next month, kind of thing.

Analyst 1: So mini, you are comfortable.

P. S. Reddy: Mini, no issues.

Analyst 1: And which commodities or which products to be sort of expect to launch in the mini contract side?

P. S. Reddy: We have applied for Aluminium, Zinc and Lead, where the trading unit and delivery unit matches, in the metal segment. And in the energy segment, we have applied for crude oil.

Analyst 1: And on the shorter tenure options, so just want to understand from you, how good are we to get something -- approval, or what is the regulators review in terms of allowing some of the shorter tenure contract?

P. S. Reddy: I think they should be open because it is there in equity markets, that short tenure. So they will be open. I don't think, I mean, they're not prejudiced about anything. They are very open. Once we submit, probably we will come to know of it, outcome of it. If they have any doubts, they will ask, they will clarify.

But we need to see traction in other option contracts also. So that's where we have to work on. We are working on it, focus. So, your metals, you have some option contracts, they are not so vibrant, they are not showing well. Those are the contracts we are focusing on.

Analyst: So, that was one of my questions, so as an exchange, what is there in our hands on what can we do to improve activity levels in a certain contact? Because the margin requirements are what they are -- so like, how much of it is in our hands to ensure that volumes pick-up for some of these options?

P. S. Reddy: You see, in the case of options, the option writer has to pay those high margins, but the option buyer, be that is put-option or call-option, they just pay the premium, that's a way it is. So there's no margins problem out there.

Market-making, I don't know, how far it is helpful, because we did it earlier in gold options, but options on goods, it didn't work, so we discontinued early on. Essentially, the players have to increase in all these products lines. So, if there is an adequate or requisite or a sustained volatility in any product, probably players will step in, take the risk, create that liquidity, once the liquidity comes in, it thrives on itself. So that is what we need to see, that's what we are looking for. You want to anything you add, you, please add.

D. G. Praveen: But there are in many future contracts, we can do a lot like, we have come out with the Atmanirbhar, under that one…

P. S. Reddy: No. he is asking, what the Exchange can do to increase liquidity in options is what he is asking.

D. G. Praveen: So one is, anyway, we spoken about that mini-series and other thing. And it's like margins, if it can little bit, if it can able to come down, futuristically, maybe that time it is like, there is a possibility that even the writers also will be more convenient, that they find it more convenient to look at it.

Then I feel that it is kind of market participants who will enter into this market. And we do the awareness programs and other things, lot of awareness programs. We do it especially as the market has gone bigger for options, our focus started putting lot of emphasis on options, wherein they will know that -- because education of options are very important, compared to the futures, where it is very easier for anyone to trade. Our options are slightly different from what is been getting traded in the equity market, ours is options on futures. So there lot of education is needed, that means that is what we have been doing now.

And under them, by doing that one, once we get, if you can see even the participation growth that we have witnessed, not only ADT, which has gone up, it is along with the ADT, you also can see that the traded UCC also has gone up significantly. So that is where you can say, that there is the participation from across, as people have started participating into this contract.

P. S. Reddy: So options is something that we are zeroing in on, or we are focusing on. But while if you see the options in equity markets, you have Nifty 50. I mean, that is Index options and the Bank. These are the two, although there are many other segments, but they're not so active.

Number two, in those contracts, you pay a small premium, you can buy few. That's not the case with commodities, because you are buying a lot, lot means it runs into few lakhs of rupees, minimum. So, to that extent, again, the premium will be high or a margin will be high, whichever side you are, depending on it.

So I think to that extent, I'm not strictly comparing the equity markets with our market, the commodity market. You want to buy just one lot of gold, means, 100 grams also you buy, it is costing you INR 5.5 lakhs kind of thing. So that's very big money. That's a challenge. So the lot size has to come down and we can't bring it down. Just can't bring it down. One share can be even INR 100 also, but that's no such investment here.

Analyst 1: And you mentioned about the number of participants, the UCCs, they have obviously grown very…

P. S. Reddy: A lot of participation is coming from crude options, NG options. That's the way it is.

Analyst 1: But if, we sort of go a step further and look at the trading levels or activity levels per UCC, then that would have tapered off because, in essence we would not have seen a lot of growth in turnover adjusting for the UCC growth. So, the client numbers have grown quite well.

P. S. Reddy: No. I'm talking about actual trading members numbers have gone up. What you're talking, maybe UCC registered is some 1 crore or 75 lakhs or something. We don't look at that number at all. That is an aspirational number. But what actually on the ground is happening, last year, about 4.5 lakhs UCCs have traded unique. I think this year 4.9 lakhs or something like that. How many…

P. S. Reddy: Total, how much is that?

D. G. Praveen: Total, it is last year, it was 3.84 lakh, April to December, compared to that, this year it is 4.99 lakh.

Analyst 1: And how do you define these active clients? Somebody who traded like once a month?

P. S. Reddy: In the in this year, he must have traded.

Analyst 1: In the year?

D. G. Praveen: You should have traded…

P. S. Reddy: In this year. And in fact, last year, full year 4.7 lakhs UCCs have traded. Even in these nine months, 4.99 lakhs have traded. So still, you are left with January, February, March to add to this list.

Analyst 2: Have you done some sort of study to understand what is the overlap between our customer base and lets say, customers that we have who are active and also trading in the equity markets?

P. S. Reddy: We don't have the database of equity markets.

Analyst 1: Have you done any survey or a dipstick survey to understand the client activity levels?

P. S. Reddy: There may be there, but members are common. The very fact that members are uploading about 10 lakhs, 20 lakhs in a year kind of UCCs, they're all coming from equity. In equity they give only one application form, they put a tick mark which is you want in equity, commodities, currency, interest rate, everywhere they take it and they upload everywhere. That's how it's happening.

So obviously they must, those clients will be there in that. But corporates may not be there. Maybe they are corporates, but then not because they are

trading, in equity market they have come here. They have a genuine need to hedge their exposure to commodities that is why coming here, most of them.

Analyst 1: And how much of our business volumes will be from the true hedgers.

P. S. Reddy: Okay, now we don't, we never see corporates will contribute to the volume. Volume is on a day-to-day basis trading. They contribute to the OI. That is where their contribution is coming from. Open Interest.

D. G. Praveen: Hedger's main goal is into the price discovery process. That is the reason. So it is the people, whenever a hedger wanted to transfer his risk, you immediately have to find an alternative one. That means who is ready to take that particular risk, that is why, the speculators or arbitrageurs, they come and they play a significant role.

So if you look at the which we keep publishing, those numbers like that, where the hedger's percentage to the overall of open interest, that varies from, there are cases where we have more than even 30% in certain commodities. So that way, it's very good participation in terms of their contribution to the open interest. But nowhere, I'm telling, in the international market also, they take hedger's role in the volumes. It's very -- in fact, they won't play a very significant role.

P. S. Reddy: The other day, in some SEBI meeting, when we looked up the ICE cotton contract, the number of hedgers is in cotton contract is much less than what we display on our website. So that is the kind of vibrancy we have in terms of number. Yes, they're very big. And in terms of huge exposure, each one client takes it. So that that doesn't mean that, we don't have a number in that sense. We have a number. We are catering to the groups who can afford to -- I mean, those were going there, they are the ones who can afford ICE contract. There

are smaller players, small-or-medium, they can afford MCX. And they come over here.

Analyst: Just want to also understand from the operating expense side, you did mention that, from Q2 onwards, on a like-for-like base, given the volumes are steady, the new contract will not add, may not be detriment.

P. S. Reddy: That's correct.

Analyst 1: So just want to understand, so let's say the TCS contract with TCS, let say, goes live in the month of June, so there will be an amortization charge over the next five years?

Satyajeet Bolar: So six to seven years, because you have the server, switches, you have…

P. S. Reddy: Depends on product. Some hardware we have at one rate, and then software will be at another rate.

Analyst 1: So what will be the ongoing capex to sort of keep the hardware replacement also in place?

Satyajeet Bolar: So far, we're not -- because the project has not gone live, so we're not capitalized it. So still everything in CWIP. So, once we go live, we'll capitalize it. And then as per the normal terms, I mean, how many years they would take to replace server? That would kick in the general between five to six years, isn't it?

Analyst 1: So let's say, we are in June '23. So from June '23 to, let's say June '24, what should be the total opex-plus capex to keep -- the cash charge, which is…

Satyajeet Bolar: Opex will be the same. There would be a large -- there'd be a surcharge amount will come in as depreciation or amortization.

Analyst 1: And the associated capex in the next year is what I am really trying to understand?

Satyajeet Bolar: I mean, once we have already invested in capex, obviously, you're not going to replace it immediately…

Analyst 1: So there is a life till which it is available and then subsequently, maybe 3-4 years out we will have to…

And in terms of the regulatory requirements, the onsite employees from TCS, the integration between the TCS product and the various clearing member or the trading members interfaces, how comfortably are we placed there? Because we have to do a test and where the different members use different products through different vendors.

So in terms of the, let's say, certain number of members would be contributing to a large proportion of the volumes for us. So in terms of the trial runs in that cohort, how are we placed?

P. S. Reddy: The mock run that we are seeing, it is with members only.

Analyst 1: Correct. So, in that how comfortably are we placed in terms of having the comfort around the transition along with members who contribute to a large proportion of the volumes for us, is what I want to understand.

P. S. Reddy: See, as I told in the call also, about 370 or 380 members are participated when we launch this mock in November-December, that itself is a 90%-plus of the total OI, total volume that we are getting… 90%-plus. So I think it is like that. It will be like that.

Analyst 1: And what proportion of the trial runs would have been successful in your assessment or without any hitches…

P. S. Reddy: No, see, we have released T7 only to them, last time. So the back office files will be giving it now. But now this will be a complete one, like including their back office files. So they should consume it and then put it, and generate a pay-in file or pay-out file, or whatever that they should get it for bank file, upload it, and then we will get the response. So all that will be done.

Analyst 1: But do we see some challenges from the member side to migrate, or… to enable the integration.

P. S. Reddy: We have not seen. I don't think, anybody has come back. And all that they said is give us lead time of a month or two.

Analyst 1: And how much of expense would this until on there into sort of to migrate? Is that something that we discuss internally, or something like that?

P. S. Reddy: I don't think there will be any extra, that is what my view. Because no broker has come back and then told that that this is what it is costing, I have to dump my old system. No, nothing like that, because we try to use the same, old APIs, whatever that is, maybe minor tweaking is needed. And they've tested it using that to API only. So already it is in that sense, integrated. And another thing is, most of them are also members of BSE. So they have also used the T7. So they are familiar with the T7 APIs.

Analyst 2: So just one question on, nickel was banned three-four quarters back, so incrementally so is that, when could that be expected to come back? You understand, there is some issues with global supply, but should some resolution, we see some resolution happening in the horizon. From an exchange perspective, when could that come back?

P. S. Reddy: Look, it is more to do with the business of nickel than the business of nickel on exchange. And, as you rightly pointed out, Trafigura has been cheated. You read it know, in the what is…

Analyst 2: There is no nickel in the…

P. S. Reddy: Nickel in the warehouse. And one Pratik Gupta, somebody has done that, all that. So while we are here hearing this kind of news, they are scaring away the people, I know, traders. In fact, traders have incurred a huge loss here also. The reason being is, for every 15 minutes, you are opening the circuit filter, it is getting stuck at the next, up, up level. And there's no end to it. I mean, nine, 10 times it was circuit got reopen. But still, they couldn't close their positions. And they couldn't close their positions means, at each time the M2M is calculated at that price that they have to sell margins they have took. That is what the problem of liquidity is, liquidity rather. And so people say, no, we don't want, we have burnt our fingers, while it they allow, okay, 15 is okay, but not to the extent that Nickel has done it. That's what it is.

Analyst 2: What if say, supply stabilizers, say 1.5 year, one year down the line…

P. S. Reddy: Of course, that contract is still there with us, not that it is exhausted. We are trying also, asking the member brokers, they say that no, our clients don't want to trade in that. Again, the episode, whatever is that. And yes, it's like that.

Analyst 1: And sir, in terms of the migration, June is the actual sunset date. So can the migration also happen?

P. S. Reddy: It should happen earlier than that, much earlier than that. We don't want to wait till 30th of June to migrate.

Analyst 1: And sir, in terms of the SGF contribution, how are we placed there?

P. S. Reddy: Yes, currently, that SGF thing, I think it was, it was discussed in our meeting and we are awaiting minutes. And let us see what is the final decision they will take?

Analyst 1: And just one question. So, also ask during the call, I wanted to understand this better. So, this white paper on margin money getting blocked, you said that it does not affect our…

P. S. Reddy: That is our understanding because we have not seen the detailing of it, how it functions and other things. And again, most of the margins are in bank guarantees and FDs for us, only when there is a volatility, suddenly people have to contribute money. That's how they give this cash.

And once the volatility goes down, the cash are out, because they are able to operate with the existing markets, which are NIFTY and Bank Guarantee.

Analyst: So this will be required to maintain margin, it is not as if, you know, it will automatically get blocked in their bank account. That it is, in case of, say, you are subscribing to an IPO, it gets locked in…

P. S. Reddy: I know as my account you talking about. What I wanted to say is the retail clients don't directly keep it with us. If SEBI wants it that way to happen, it maybe it may take some time, but it is a broker, usually the client would like to keep it with the broker or a clearing member. And maybe some of the big institutions, some big clients want to keep directly at the exchange. That's the way it is. But the -- as I said, this one is applicable work for cash, hard cash. But hard cash is much lesser amount here, except during the period of volatility, otherwise FDs, and FDs going to earn interest on it. And then they are pledged, in essence, with the exchange, so we don't get anything, so are the bank guarantees.

Analyst: On the equity markets. I'm sure you saw the discussion paper that was sort of released by SEBI, in terms of the number of participants and a proportion that made money and losses and all of that…

P. S. Reddy: Nine out of ten are lost.

Analyst: Nine out of ten lost -- in the quantum was quite massive.

D. G. Praveen: So quite massive. One guy has made that massive money. It's you lose, I gain, or I lose and he gains. That's the way it is.

Analyst: So what I just did that Saturday or Sunday, so we just multiplied the average losses by the number of clients who lost money. So the aggregate quantum of losses was, I think, 3 or 4x, because there will be other participants as well. Because that was just for the retail participants.

P. S. Reddy: But where is that money gone? Somebody has gained.

Analyst: Institutions...

P. S. Reddy: Anybody.

Analyst: But retailers net-net aggregate lost a fair bit of…

P. S. Reddy: But that's not the right way of doing it, only… nine out of ten – that's not correct -- they are concerned, yeah somebody, there is an estimate -- information estimate. Somebody has got some better range -- they maybe making money. Like what is that, Adani report -- Hindenburg. What do they do? They do a good research, take a short position, disclose the details, that's it.

Analyst: But any thoughts there in terms of how we could see because there has been a fair bit of growth in this product, you know, on the equity side, the options and all over the last couple of years. Obviously, you know, derivative, the commodities are nowhere close to where we are on the equity side.

P. S. Reddy: As I said, we will not be close to equities. The number may be more, but it is the corporates which have to come and trade. They have to hedge. And that will take time. They don't mind disclosing in the – under the LODR, in the

annual report, we don't hedge, because that is a bad for their – maybe. But the day should come and investors are questioning those Companies – 'why you are not hedging your commodities risk?' Then they will start thinking.

Analyst: But what can prompt us, or what can prompt the corporates because, the larger ones would obviously be going to the LME...

P. S. Reddy: They are doing it in International market.

Analyst: But what can prompt volumes from hedgers to increase materially and sustainably for us as an instance…

P. S. Reddy: No, that is where the financial, what we call discipline or financial prudence that should be kept in the companies. There should be a risk management policy in the companies. How do they hedge their risk? How many of them have this kind of policies? Many don't have. Risk management policy should be there, specifically with regard to their exposure to commodities.

Analyst: But the larger ones would have this…

P. S. Reddy: They must be having it.

Analyst: But it's more about the small ones?

P. S. Reddy: Yeah, medium and small and the larger ones are anyway going to international markets, they are doing it. How many are such larger there. Not too many. And some of the PSUs they say that, no they are not permitted to do this, hedging in the Indian exchanges. Some exchanges don't do it in India because the regulatory framework or the operations are not convenient to them. Operational difficulties, like every day you to do M to M. Okay, so it will, their cash flows will be impacted. One day money they run one, one final market goes up or down. What if there's a loss in whatever balance they kept it? They should give it. So they are looking for a third party kind of thing. The bank, or

line of credit is provided, they will manage the M to M losses and profit, and they will give some bank guarantee. What are guarantees that they want? They are willing to, but somebody else manage it. I will hedge.

Analyst: This is how it would be. Even, even for…

P. S. Reddy: Yes, internationally, that is the way it is. But in India, Government, I mean, SEBI said that, yes, no, the broker should not be involved in that arrangement. But and there should not be a tri-partite agreement if I'm not mistaken, but without a tri-partite agreement, no bank will come forward.

Analyst: So the bank's interest in the current scheme of things are not protected.

P. S. Reddy: I mean, earlier there was a financing, maybe broker arms or NBFC are financing, but then there should be no, I mean, they should be, there should be no talking between the broker and the financer. That may not happen practically speaking, because at times if I default on the loan that is taken, if the financer checks the broker, you don't know this, you square it up. You should square it or not, because I know I have, I have asked you to keep it the financer saying to square it up, because he is forcing a problem from me. Okay. Those things may not work. They work elsewhere.

Analyst: So the system has to be revised.

P. S. Reddy: This kind of regulatory enablement's are required.

Analyst: Understood, done.

P. S. Reddy: Thank you. Good. Thank you.