



MCX/SEC/1858

August 13, 2020

BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001.

Ref: Scrip code: 534091 Scrip ID: MCX

Subject: Transcript of the conference call with investor/analysts on Q1 FY2021 results

Dear Sir,

Please find enclosed herewith transcript of the conference call with investors/analysts held on July 27, 2020 at 4.00 p.m. IST, on Q1 FY2021 results.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For Multi Commodity Exchange of India Limited

Ajay Puri
Company Secretary



“Multi Commodity Exchange of India Limited Q1 FY2021 Earnings Conference Call”

July 27, 2020



MANAGEMENT: **MR. P.S. REDDY- MANAGING DIRECTOR AND CHIEF EXECUTIVE
OFFICER - MULTI COMMODITY EXCHANGE OF INDIA LIMITED**

**MR. SATYAJEET BOLAR - CHIEF FINANCIAL OFFICER
MULTI COMMODITY EXCHANGE OF INDIA LIMITED**

**MR. PRAVEEN DG - HEAD - CORPORATE OFFICE &
PROJECTS, RISK OFFICER
MULTI COMMODITY EXCHANGE OF INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Multi Commodity Exchange of India Limited Q1 FY2021 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. P.S Reddy - Managing Director and Chief Executive Officer. Thank you and over to you Sir!

P.S Reddy: Thank you so much. Good evening everybody, thank you for attending the investor conference call.

This quarter as we have already said in our guidance note on account of COVID-19, things were very bad in the month of April but thanks to the markets how they have recovered and member, brokers and the clients. The May turnover has improved and in the month of May we had about Rs. 23,700 crores ADT and in the month of June we had Rs. 28,633 crores. The April was very bad because till April 22, 2020 the market trading time was reduced from 9 o'clock to 5 o'clock and subsequently they got extended till late into the night in compliance or rather in consonance with the international markets. Mostly our crude and gold, these two are driving our business and subsequently toward the end of the month of May the agri commodities also was allowed to be traded till 9 o'clock in the night.

The July month is even still better and so far we have clocked an average daily turnover of Rs. 34,500 crores and that is the way the roadmap was so far we have done. Yes, we have recently average daily turnover of the last financial year almost all we have touched or little more than that,

last year we had Rs. 32,550 crores but in the month of July we have about Rs. 34,000 crores.

As against Q4 that was about January to March 2020 Rs. 36,600 crores is there and that is yet to be touched probably and I am sure we will make every effort to reach that as well but ADT for Q1 FY2020-FY2021 is the Rs. 23,149 crores that is the way it is so far.

From today onwards, we have released the negative price software phase 1 into live scenario and almost all market interphase related things are already in place, now we have also applied to SEBI for permission to reduce the margins and clarifications have been send and we have already provided them. So with the release we have gone live, so absolutely no problem and I am sure we will do well as we go along.

This is with regard to the current performance. In the case of crude oil of course it is the energy product basket, crude oil is almost about Rs. 3,000 crores and natural gas is Rs. 3,000 crores and we have reached just half what we have clocked in the last of financial year around little less than last year's total ADT. Last year we had about crude Rs. 14,779 crores average daily turnover in the energy basket and now currently we have about in the month of July of course I am talking about we have Rs. 6,126 crores.

Another thing is in the case of base metals yes we have seen a good improvement. In the month of April of course it has fallen because of the closure of these warehouse and other thing now they are all opened and trading is taking place, the deliveries are taking place as if nothing has happened and currently the ADT in the month of July of course is about 6600 Crores and in the first quarter if you talking about quarter numbers 3,898 Crores, these are the base metals. Of course agri commodities again in agri we have a major is cotton because of the COVID again international markets are not doing so well that is where some kind of beating has taken and in the month of July it is around 316 Crores but ADT I am talking about in the first quarter is about 232 Crores as against

for the entire financial year 391 Crores last year. Now in terms of unique client codes not much change is there, in fact it is doing healthy as compared to last year. We are on the track. There is hardly any fall in this and in terms of new clients who are adding ADT 10% of ADT in this current quarter is added by the new client, so that is a good development even in this kind of bad phase of our growth.

Coming back to decision that is taken in the board we have signed an MoU or will be signing an MoU with Mjunction and I am sure most of you know that Mjunction is a 50:50 joint venture between Steel Authority of India and Tata Steel which has been into various e-auction platforms and you name it most of the segments they are there. They have a coal junction which undertakes the coal auctions, so we have signed up MoU to diversify our business into spot exchanges.

To begin with of course we will jointly conduct a feasibility study and all this. Subject to regulatory approvals and we will also form a JV with Mjunction and which will undertake the activity as we envisage in the MoU. Primarily to start the coal exchange as the government is keen that most of the coal blocks will be auctioned and whether the bidder has any usage of coal or not in capital usage of coal or not, they are eligible to it so that they can lot of trading buying and selling takes place through an exchange platform.

So these are the developments at this point in time and we have also given Mr. Bolar will speak because what helped us this quarter definitely is the other income especially the interest income or the income from investments as it say and so Mr. Bolar will brief the details on financial, he is our CFO.

Satyajeet Bolar:

Thank you Mr. Reddy. During this quarter thanks to other income which is mainly as you are aware because the liquidity in the debt market and all of you have been following our stock to know that we have invested in tax free bonds as well as mutual funds. So we have been able to earn substantial gains. Part of it as notional, part of it is what we have booked

in our books. Thanks to the other income as well as the cost cutting measures that the management has taken we have been able to improve our EPS as compared to the June quarter and our expenses under Mr. Reddy's leadership has been kept under strict control. As we mentioned in the earlier concall that we will be keeping a strict control on the costs, we have been able to do that mainly as we are aware this quarter was a washout for travelling, advertisement, so we have been able to manage that and I think the subsequent quarter also we will be able to keep advertising as well as travelling cost seminar costs under control and also earlier mentioned that senior staff has taken a 10% cut which were effective for the month of June. In our financial this comes for just for one month for the June quarter. We have also made some payments for as an incentive for employees who stayed in the premises on account of the COVID-19 situation. Net-net thanks to the increase in turnover in May and June treasury income as well as cost cutting measures, we have been able to maintain our position. Thank you.

P.S Reddy:

As Mr. Bolar has touched upon in fact some of you are aware we had kept some of the employees in our premises to manage during the COVID situation now all those arrangements have been dismantled, everybody is healthy and whatever we have paid some employees are not well and other things, all those employees are well and they are now working from home and some of them are attending office on a daily basis and it is really back to normal for us. Of course we continue to encourage work from home and most of the employees may be more than 90% of the employees are working from home. Now I will live it to open for a question and answers. Thank you.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Rishi K from India Capital. Please go ahead.

Rishi K:

Many congrats on the great set of number first of all and team efforts to live the same during the COVID situation first of all, secondly, you just mentioned that you are going to cut cost of some advertisement and

promotional activity, so India has a market for the hedging and for the commodity exchange, has just been started it has not reached the peak, so I just wanted to learn what is your view on the a long-term vision that where our numbers can go in three years-four years period, how many new kind of traders or new kind of hedging situations in terms and what are the new contract we can offer to the potential clients? Secondly, there is no representative from Kotak Mahindra Bank in our board right now what I believe is from Mr. Rakesh Jhunjhunwala is a very marquee investor, he is already got Amit Goela as a Board of Director here, so you are taking Board of Directors as per the investments or as per the decision by the government?

P.S Reddy:

Well let me clarify that Mr. C. Jayaram represents Kotak Mahindra Bank in the Board and he has been there not today or yesterday, but for few years he has been there and so he is representing Kotak Mahindra Bank and there are many other also who are representing but we must understand on thing, they are not just representing the investments that Kotak Mahindra Bank or Mr. Rakesh Jhunjhunwala or whosoever has made it under LODR as per SEBI Exchange Regulations, they have a responsibility towards all investors irrespective whether they are Kotak Mahindra or anybody and all directors have all responsibilities that is one part of it. The second thing is on the cost control and other thing the way that Mr. Bolar has explained is currently we are able to control cost because the print media expenses, advertisement expenses and we have cut because hardly anybody is purchasing newspapers because of this COVID-19 situation and other things. The travelling costs have come down because the travel is not there be that business development travel or Board of Directors travel or anybody for that matter. Now I am not saying that going forward we will not be advertising it and we will not be incurring those expenses but for the time being those costs were under control or overall costs are under control because these are also having a substantial impact in controlling the cost but as long as we see value in any of these especially the advertisement and other things we will continue to do that, there is no absolutely restriction on that and coming back to the numbers how do you look forward four years down the line

and other things, I think I am afraid that those are not something that I can talk about although we have internal ambition and internal numbers which are challenges but I will not be able to give any of those.

Rishi K: Just a vision point of view you can give this in two year-three year means how much markets are matured in India just like you see what kind of things LME is doing or we see what is happening in US?

P.S Reddy: For example, LME in the case of they are aware LME brands currently we are expecting this, now we propose to have our MCX brands also, this is one step in that direction where we want to set ourselves. Now our vision as I said in the past also is to make in India, price in India, trade in India, now to trade in India you need some kind of costs are there which have to be reduced you have to be competitive I understand that similarly price in India the quantity of the quantum of trade that is taking place the liquidity that is available on the exchange must be vibrant enough for those contracts to establish an international benchmark or it is not international it is actually domestic benchmarks, so that is the vision that we have and we want to make that happen that is what we are all working towards that, so we propose to start with lead metal brand as MCX brand so the domestic producers or refiners will be their brands will be if they meet the criteria they will be admitted as deliverable brands on the exchange platform. We are also in the process of compiling domestic refiners so this kind of fusion between the domestic industry and the exchange platform will bring in more and more hedgers to come into the platform and make the price set on the exchange platform and India benchmarks are India standard. Now that is what the roadmap is and we are pretty clear that this we want to do it and without looking back.

Rishi K: Sir our warehousing prices do you see there are competitive with the whole world, it is Rs.35 per kg in some of the places plus what kind of regulations your internal staff is putting upon eye on them just like what so ever happened in 2016-2017 should not repeat, what kind of

precautions you guys are doing just from a layman's perspective if you can explain us?

P.S Reddy: I am not too sure what happened in 2016-2017 but yes we are keeping the rates how to be competitive wherever it is feasible at least vendors or two wherever service providers are kept and we will make them competitive, that is what our interest. We are not keen on making any money out of it but our interest is they should have robust risk management system, they should have an international standard warehouses and it should reinforce thrust in the ecosystem so that more and more participation will come into that but we have a product committees and other committees also and clearing corporation was also got committees which keeps reviewing it from time to time, so there is absolutely no out of place charges, there are some high because it cannot be the same on par with anybody else who does not take any regulatory responsibility but these guys have got some regulator responsibilities so to that extent costs of compliance will be there and to that extent the charges will be little high but obviously it will not be far from what other charges.

Rishi K: Thank you.

Moderator: Thank you Sir. We have next question from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

Subramanian Iyer: Thanks for the opportunity and congrats on a good set of numbers. I have a few questions on the numbers, so one is basically your average realization for the quarter was Rs. 2.13, it is just a marginal improvement over the last quarter that is fourth quarter whereas basically the volumes are down quite come to the fourth quarter and if I were to actually flashback to FY2018 when you saw similar level of volumes of as this quarter, your average realization used to be about Rs. 2.22 so just wanted to understand that better why is the average realization much lower this time and then corollary to that is that your other operating revenues were quite good during the quarter about close

to Rs. 13 crores versus say on an average Rs. 2.7 crores so if you could throw some light on that and my last question is from the tax rate, I mean if you could just mention what is the sustainable tax rate that we should build because there has been a lot of volatility in that line and this quarter it was around 21% or should be forecasted going forward?

Satyajeet Bolar: I will take the last question first. The tax rate this quarter and when I look at standalone was 23%. This was as compared to 19.69% in June and in March we did not have any and for the whole year it was 14.65%, so as we discuss during this year this quarter there is a substantial amount of notional gains that we have booked and that would come under the deferred tax, so we have to provide under the deferred tax. The good part is that we have been able to utilize some of our MAT credit. We could utilize about Rs. 2 crores from our MAT credit so we have still around as we mentioned in March we have around Rs. 22 crores which is now they utilized Rs. 2 crores so once they utilize the MAT credit will be there and will be able to go to the new tax rate because now presently our corporate just 29.12% but once we use the MAT credit we will be able to go to the new corporate rate of 25.63%. So I think the tax rate would be in the range of 20%. The second point the average realization rate is I mean I have rightly said has been our rate of Rs. 2.12 or Rs. 2.13. I think going forward as more and more members trade and the volumes of those contribution of those members increase obviously the ARR will show a slight dip, so that is the main reason, so that is it and the other income as I told you was basically because we have in over a period of time invested in tax free bonds and in mutual fund schemes. We have been able to book substantial notional gains on this but the good part is that we also booked actual return on this also where on 32% of other income has actually been booked, actually received money in a bank account. Thank you.

Subramanian Iyer: Sorry actually just a clarification on the last two questions, so one is on the other operating revenues I mean basically the operating revenues outside the transaction revenues, so which was about 13 Crores for the quarter, if you could throw some light on that and also with respect to

the realization just wanted to understand if at all there was a lot of concentration in the volume this quarter because of which the improvement in the realization despite the fall in volumes not which should have happened? Thank you.

Satyajeet Bolar: I mean you are talking of other not operational you are talking of operation income, yes so fair enough.

P. S. Reddy: Operation income their transaction and other mix?

Satyajeet Bolar: In addition when you are looking at it from a consolidated basis like any other clearing corporation MCXCCL also shows the income that is earned on its margin fund as operational income as an industry practice. From this quarter onwards while consolidating because we are consolidating line to line to the operation income of MCXCCL is shown as operational income in the consolidated finances so that contributed around Rs.6 Crores to the other operational income in the consolidated finances.

P. S. Reddy: On the average realization rate Mr. Subramaniam the way that it works is if the number of members are faced tandems, the concentration moves towards few and those who are contributing heavily anyway the average realization rate would have been fallen but that is not the case so, more and more brokers are coming also we have admitted some new members also and that is the one reason why the average realization rate is improved apart from notwithstanding that fall in the volumes.

Subramanian Iyer: Thank you.

Moderator: Thank you. We have next question from the line of Sudhir Jain from ASK Investments. Please go ahead.

Sudhir Jain: Sir, you explained of the Rs.73 Crores revenue Rs.60 Crores transaction fees, Rs.6 Crores from consolidation of clearing corporation what is the remaining Rs.6 Crores to Rs.7 Crores coming from?

Satyajeet Bolar: Basically like every other quarter we have our membership income, we also have connectivity income, data feed income so all these adds up to the remaining.

Sudhir Jain: In the notes, you mentioned Rs.18 Crores kept for software vendor mostly I believe that that is capitalized and that has not gone through P&L there is a committee which is looking into it, the vendor has not met the timelines. So, what is the status there will you have to change your vendor to get the spot exchange software going and then therefore to what extent the timelines are extended?

P. S. Reddy: With respect to that, which is about the spot exchange platform and in fact we thought that it will come in the gold spot exchange and in domestic market it is not there it was aroused in the international GIFT City and of course the other natural gas spot exchange is also there in that particular piece that we were to get it. So, there is lot of delays in that in that delivery we have not paid anything and whatever the payments were made will be last financial and we are not willing to give anything additional for this we want them to deliver and if they do not deliver then the empowered committee will take necessary decision what to do but that will happen in the current quarter we will definitely take a final view that is what my desire also.

Sudhir Jain: Rs.18 Crores has been paid so far?

P. S. Reddy: Yes, Rs.18 Crores expenditure has been incurred but then a part of it may be Rs.1 Crores or Rs.2 Crores is project management so where we engage some employees for testing that software whatever the little developed and all that stuff that is the one part of it. But yes, you can take it as Rs.18 Crores on this project.

Sudhir Jain: What is the progress with bank brokerage such as Axis capital where I believe they have life tested their platform but there is no client on boarding that is happening?

P. S. Reddy: This COVID has really spoiled everybody's business clients I would say that. So, if you specifically ask me what they are doing I would not be able to discuss specific to each of these member brokers and we are constantly engaging with them and obviously the clients need to board on to the equity platform then the commodities and so it is taking time and one more thing we must also remember one is the trading part of it and another thing is to bring hedgers and that is where we are majorly engaged. The hedgers are very important and we are telling these bank subsidiaries to listen to their corporate clients and advise them to trade through them in hedging their commodity space. That is something it will take little more time because one-to-one engagement has to happen and once that happens that will come through and there is LODR requirement is also there for those corporates to disclose whether they are hedged or not hedged and other things and as we go along probably that may get tightened also so, obviously they need to really take a serious look at these corporates and then come on board to hedge their risks. So, is it a retail product my answer is may be no, but yes if the retail clients come and then trade that is fine but it is not so much of a retail in that sense business-to-business.

Sudhir Jain: Finally, software issue what it states to how long it is going to take to introduce negative pricing and then therefore reduce margins?

P. S. Reddy: As we are speaking those constraints have gone as far as trading interface is concerned. What is pending phase-II is only their reports related some of them internal requirements okay. As far as market is concerned it is done kind of thing. So, there is no huddling that is why we have already requested the regulatory to re-look into the margins.

Sudhir Jain: Thank you.

Moderator: Thank you. We have next question from the line of Kunal Sanghvi from Banian Tree Advisors. Please go ahead.

Kunal Sanghvi: Thank you for the opportunity. Sorry Sir I joined bit late maybe I may repeat some questions. Basically I wanted to understand some color on new products both indices that we will be talking and the energy exchange that we have been talking about any update on both of them?

P. S. Reddy: Sure. We have got the permission for both bullion indices as well as the metal indices launch from the regulator and we propose to launch bullion indices from August 14, 2020 that is what our tentative date is and soon thereafter maybe we will see the performance and what all needs to be done, we will do it and then we will launch the base metal indices also. As to colors to electricity features contract that is the power ministry has come out with a circular or note or whatever it is you call it saying that these are the activities that CERC is responsible for these all the contracts where SEBI is responsible in the case of electricity products and both of them will work together to put the framework in place. Once the framework is in place then they can start doing that by that time and it is all said that it is subject to the approval of the Supreme Court where the judgment is pending and once that is done probably we are good to go and on our part we are in advanced stage of discussions with IEX for using their prices and for designing our products.

Kunal Sanghvi: Once the Supreme Court approval comes in, it should done somewhere in June, right?

P. S. Reddy: Yes, but then you know the COVID situation and then only urgent matters are being heard that is not in our hands and some scheduling is taking place in terms of hearing but then that is the way it is.

Kunal Sanghvi: In this indices product can you give a flavor on how we are looking at in terms of prices would that be we will follow the same strategy that we followed in options like going launching and trying to scale up the volumes and then start that?

P. S. Reddy: Yes, probably we may not go for one year or kind of thing we will just be at best look at only three months that is all. That is the way it is. No

transactions for maximum of three months that is what we are looking at at this point in time.

Kunal Sanghvi: Last question on cost reduction can you throw some light on how we are looking at the cost structure what are the things that we can look up to in terms of improvement since there would be lot of things that most of the companies are talking about post COVID the cost structures become leaner. So, how we are looking at them and what should we expect on the bit?

P.S. Reddy: Unlike other companies where they have a work force or feet on street kind of thing, we have few business development people but then our engagement if not on through physical meetings it is happening through the VCs and I myself is having meetings with many of the member brokers on a one-to-one basis almost all three-four meetings in a week. So, that engagement will continue. I do not think we will be able to do away with it what other companies have done is to cut down the cost by removing the people or retrenching it. I do not think there is any scope out there for me. But other costs have substantially come down as I said that travel cost have come down, work from home, there is lot of utilization of the space and office and all that is go on in fact it is also our insignificant I can tell you a part of our GIFT City office has been leased out, because now that in GIFT City the government has said that the stamp duty is zero if you participate from that. So, many of the proprietary trades can take place from GIFT City so that they do not have to pay any stamp duty. So, some brokers have asked for it and we have apportioned it and then rented it out so, some of them are revenue cost cutting majors and not only cost cutting but then it also generating some revenue.

Kunal Sanghvi: Sure Sir, I will get back in the queue. Thank you.

Moderator: Thank you. We have the next question from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Thank you for the opportunity. Sir, my question is related to the Rs.6 Crores income from the clearing corporation that we have included in this quarter. So, now this number might be included and for the last quarter also in terms of consolidation that were happening. So, can we have the sequential number for that what it was last quarter and year-on-year and this number is basically because of the higher margin collection that we are doing for the crude contract. So, maybe you can through some light there that what margins we are collecting there and may be when these normal trading is likely assume then may be this margin collections can come down and this can be like one off item?

P. S. Reddy: Mr. Bolar will give some of these numbers, but it is not true to say that because of the crude oil the margin collections are more because in the crude oil volumes have come down substantially. So, obviously the collection will not be so much and there are lot of bank guarantees that we have it so, either is hat back guarantee also can be adjusted to margin requirements. Anyway Mr. Bolar will give the numbers.

Satyajeet Bolar: I will just give you a context to it, in the March quarter 13% of our collateral was collected in the form of cash, while when we came to June it has come down to 10%, which is a marginal fall. But even in March it would have been around Rs.8 Crores the treasury income on the margin front. But this is an industry phenomenon and it will keep continuing so if members are comfortable in giving cash they will give cash, if they are comfortable in giving collaterals they will give collateral. I mean this is part and parcel of the industry that is how we operate in the Indian market.

Amit Chandra: Sir, you are saying in the sequential basis it was Rs.8 Crores?

Satyajeet Bolar: Yes that is right and again this is all invested as per the SEBI guidelines. SEBI is very strict on investment made by the clearing corporation. They can invest only in liquid schemes or an overnight scheme and again only in fixed deposits or in government security unlike other corporates so, the investment part also very compact.

Amit Chandra: Sir I understood that but this Rs.6 Crores number that what we have this quarter what was this last quarter so, you mentioned Rs.8 Crores so, it is not reflecting in the other operating income are we including it from this quarter or we are doing it?

Satyajeet Bolar: When I am talking of March, we have re-grouped it.

Amit Chandra: Sir on the institutional participation what has been the progress and how these indices are launched. So, what have been the talks with the various institutional participants? Can we see increase in institutional participation after this indices part is launched what is your sense in that?

P. S. Reddy: My sense is that, once indices are launched some good amount of participation is expected that is what my expectation is but what is more important is we have asked a cross margin benefit in these indices. That is how you take some position in the indices that index futures but then underlying also you hedge it or whatever position you take it contra position may be then you need to get a cross margin benefit which is not there as it for the commodity indices and that is there for all other indices. We have requested the regulator and they are looking into it. This is very important for us for the success of this product and it is there in for other indices.

Amit Chandra: My last question would be we have paid around Rs.18 Crores for the development of the spot exchange matching engine so that we had even the contract two years back and now after two years also of the matching engine has not been developed up to the mark so what was the name of the company if it further remains you could mention that and what we are doing for the existing platform with the contract that we have with 63 moons so maybe that is also coming to an end within the next two years because one of the development of the platform takes a lot of time and a lot of complicity is involved so what are the steps you are taking there if you can throw some light?

- P. S. Reddy:** The name is the PESB that earlier one what you are talking about first one but these two are unrelated that was meant for a spot platform and may not be a low latency engine etc., it is just an order matching continues auto matching system. The 63 Moons is the existing vendor for present platform and we have September 2022 time limit and the SCT and the Board is ceased off this matter and we will take the call may be by December I would say.
- Amit Chandra:** Okay, by December?
- P. S. Reddy:** By December current year.
- Amit Chandra:** As per the agreement from October onwards we can start thinking about it?
- P. S. Reddy:** So, you to three months window to do whatever you wanted so that we will give the opportunity for everybody and then do whatever it is needs to be done and we have to be fair and transparent to everybody also.
- Amit Chandra:** So, the final decision has to be submitted to 63 Moons by what timeline?
- P. S. Reddy:** There is no decision to be submitted to 63 Moons there is nothing like that, they took and participate let us say if we call for a bid, I am just giving an example: they too can participate as per the RFP document they can say that my product is like this and it will that this is the technology latest technology and it will all that kind of thing everybody and anybody can participate in that.
- Amit Chandra:** Okay Sir, it will be RFP based contract so you will float an RFP for this?
- P. S. Reddy:** That is what I am saying if we choose to do that then we have to take that decision and any way we will freeze this issue by December that is what my expectation is.
- Amit Chandra:** Thank you.

- Moderator:** Thank you. We have the next question from the line of V Karthik from Investec India. Please go ahead.
- V Karthik:** Thanks for the opportunity. My question is also on similar lines to what the earlier participants asked. If you were to adopt a route with IEX adopted to fully purchase the technology from 63 Moons have you tried to estimate the potential cash also?
- P.S. Reddy:** As I said I would not like to answer any hypothetical questions, it is not fair to do that and let there be a transparent way of arriving at it, whether IEX has done right or wrong I will not get into it, what they did also, what kind of price they have paid, what I am only saying is whatever we pay that must be fair and arrived at by a competitive process. Now, how that will be arrived or will there be a fair evaluation, valuation done by somebody I do not know all this, Board is ceased of it we have an SCT Committee which deals with technology related issues, which has got lot of experts from other outside also. So, we will be taking a collective view of it and then we will be deciding it.
- V. Karthik:** Rs.18 Crores that was mentioned in the note to account it is not clear whether there is going to be a claw back or not, what was the message from the note to account with respect to claw back or cash outflow is not very clear from the messaging, could you clarify that?
- P.S. Reddy:** There is an arbitration clause also in the agreement. It is not that the agreement is not signed and we will see if they are able to give as per the development what they have done is worth Rs.15 Crores or say Rs.18 Crores. What we can do all that we will be empowered committee will look at it and the worst case scenario, if you say that, you should go and then fight with them or arbitration is one way to tackle the situation. So, that is the reason why this has kept open.
- V. Karthik:** Got it. Just one last bit from my end, if we booked so how much treasury gains during the quarter, is there a risk that our future treasury income

would be lower because you would be redeploying the securities at a lower yield?

Satyajeet Bolar: That is the challenge of the bond market that is challenge for everyone presently. Now in government securities I will get only 4% yield so that is a challenge, you have rightly said it is a challenge.

V. Karthik: Thank you so much.

Moderator: Thank you. We have next question from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Congratulations for good set of numbers. Sir, one question on the energy exchanges, are you looking, I am talking about the spot gas exchange, so there are any plant launch, the gas spot exchange, have you been in talks with the regulator and I believe that the regulations are out for the comment?

P.S. Reddy: Yes, you have rightly pointed out that PNGRB has put for public comments their regulations and those regulations are much the same way as the SEBI is currently asking the exchanges to operate and there few matters like SGF or the capital requirement or networth requirement or the contribution to SGF etc., where more clarity has to be provided. We will definitely evaluate it, it is on the top of our mind but definitely we will go with IEX that is what we have decided once the discussions between the regulators are finalized, then we would like to launch the electricity futures. On the gas we will work, and we will see on how it is panning out but yes IGX, Indian Gas Exchange is already working and let us see how the baby steps will grow. So, accordingly we will take a call on that.

Mohit Kumar: One clarification, I think I understand for PNGRB I mean regulation, you have to launch separate company?

P.S. Reddy: That is right.

- Mohit Kumar:** Secondly on when you expect the crude to be in a normal for you guys?
- P.S. Reddy:** Good question and I am also eager to get back that volume but the margins have to come down and for which we have requested the regulator to relook at it and obviously only today we have launched / released that phase one of the software interfacing the member brokers and trading system for 0 and negative pricing. I think it is behind us in that sense and I am sure sooner than later it will come back that is what my ambition and desire is.
- Mohit Kumar:** Understood. Thank you.
- Moderator:** Thank you. We have the next question from the line of Kajal Gandhi from ICICI Direct. Please go ahead.
- Kajal Gandhi:** Good evening Sir. Congratulations on good set of numbers. Just to understand on this yield rise which has happened in this quarter in spite of lower volumes, so what we have to read in that?
- P.S. Reddy:** The realization our pricing is based on a slab, so up to a certain amount say X amount and if they go beyond that then they get a discount so that is the pricing mechanism for the transaction charges.
- Kajal Gandhi:** So, that is why the yield is looking higher because the volumes are on the lower side of it?
- Satyajeet Bolar:** Not really I mean as MD said that in spite of low volumes we have been able to get better traction from members as compared to the March volumes. There is interplay so it is like whose contribution increased our transaction charges.
- P.S. Reddy:** I would put it this way even two paisa, three paisa is going down is no problem but if our volumes double that is the way I look at it and I prefer that kind of growth and that is going to happen as we go along.

- Kajal Gandhi:** What is the trend that we are seeing on the silver side because it has just picked up now, so as you say always volatility rises and it can contribute to the higher volumes so what is the trend that you are picking there?
- P.S. Reddy:** Well, in May for example we had about Rs.6000 Crores in June ADT we have Rs.8000 Crores in July, we have Rs.12000 Crores so these numbers indicate a trend and that is the way it is at this point in time, but I am not going to give you any guidance on how the silver as a product.
- Kajal Gandhi:** Lastly on this delivery side also you are seeing more volume, more delivery happening?
- P.S. Reddy:** By and large the delivery has remained the same because most of this gold and silver where there is a high volume is there they are what you call a bimonthly contract and in those big contracts for example in the month of June you have delivery in kilos it is about 700 kgs gold and gold guinea is about 1 kg that is 8 gram and gold mini which is 100 gram is 119 kgs and gold petal is 1kg that means 1000 one gram gold coins that was released. In the case of silver in the month of June we have 5603 kgs and silver micro I said, silver is the main contract where it is about 52500 kgs and in the case of silver mini 3600 which just got recently launched. So, the silver mini is 100 gram, 1 kg that is how it is.
- Kajal Gandhi:** Okay, so you get any advantage if the deliveries are on the higher side?
- P.S. Reddy:** Not any great advantage as such and yes there is a little bit of income for the deliveries that has executed but not much.
- Satyajeet Bolar:** But also it helps that actual physical delivery happens on our platform.
- P.S. Reddy:** So, there is a threat of for deliveries so the prices reflect delivery that is true value of surplus.
- Kajal Gandhi:** Thank you very much Sir.

Moderator: Thank you. We have next question from the line of Rajesh Chowdhary from Zenith. Please go ahead.

Rajesh Chowdhary: Good evening. My question is that what is the status on gas exchange and gold spot exchange at the moment?

P.S. Reddy: Well for gold spot exchange for international financial center I think some kind of guidelines have to come from the regulator and nothing has come as of now and in terms of gas exchange again as I said within the PNGRB has released guidelines for discussion, regulations for discussion and we do not want to get into general speaking into any kind of business which is not as at regulated by any regulator that is the way it is.

Rajesh Chowdhary: Once the regulations are in place then we will be launching the gas spot exchange?

P.S. Reddy: Spot exchange again you need a separate company. You need to take the reapproval of the regulators also. SEBI has to give you permission to invest other than the treasury investments you need permission of SEBI if you want to do anything with that money. So, again you need to go through that regulator, take their approvals then only we can do all that so it will take time but just we have good cash on books so we can go ahead and then venture into anything.

Rajesh Chowdhary: My next question is like what is the margin money paid for the energy contracts? Is it 200% at the moment?

P.S. Reddy: Come again.

Rajesh Chowdhary: What is the margin money that paid on MCX for energy contracts?

P.S. Reddy: See, in crude oil it is substantially high and there is a volatility margin which is almost all 101% to 100% around that and there is also additional margin which is imposed and that is almost about 95000 in the near month contract and 50000 other contracts so that is the way it is currently and we have requested those additional margins be

substantially be reduced is our request, the volatility margin will continue to be there as per the formula that is span model or whatever volatility margin.

Rajesh Chowdhary: My question was like what were the margins before the negative primary issues?

P.S. Reddy: That was about 80% also so subsequently when the prices of crude oil fell down then we have introduced these additional margins and it continued to be same.

Rajesh Chowdhary: They will continue to be same, then how...

P.S. Reddy: As I told you I do not know whether you participated, whether you are there from the beginning or not we have already represented to SEBI and then SEBI has to give us the go ahead to reduce the margins.

Rajesh Chowdhary: Fine. Thank you so much.

Moderator: Thank you. We have the next question from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Deepan Shankar: Thanks for the opportunity and congratulations for good set of numbers. Just wanted to understand what is the status or progress on the participation of institutional investors like this mutual funds or PMS?

P.S. Reddy: Well, I do not want to names but two mutual funds are participating in some PMS also have come, AIFs have come and earlier there was a restriction especially the mutual funds. SEBI has relaxed that especially for holding the gold, they cannot hold for more than 30 days now it has been increased to 180 days and I believe one major fund is coming out it is a multi-asset fund sometimes next month I suppose I mean whenever this kind of developments takes place obviously we will be having their participation increase. Now because of the COVID the incomes are investible surplus is I would say not that great and obviously these mutual funds will look for those investments surpluses then only they will be

able to do all that so that impact is there on them so it is also felt here whether it is a PMS or mutual funds anybody for that matters.

Deepan Shankar: Initially during the call you have been mentioned that 10% of the ADTV was contributed by newer clients so what is the kind of contribution we are expecting over three years or five years kind of time horizon?

P.S. Reddy: No, I will not be able to give that and I will not give any those projections. I will not be able to give that.

Deepan Shankar: Thanks a lot.

Moderator: Thank you very much Sir. Ladies and gentlemen due to time constraint that was the last question. I now like to hand the conference over to Mr. P.S. Reddy, Managing Director and Chief Executive Officer for closing comments. Over to you Sir!

P.S. Reddy: Thanks to all of you for patiently listening to me and asking questions. The more questions you asked the more clarity emerges and I am sure as a company we will ensure that all stakeholders interests are protected as we go along. Thank you so much.

Moderator: Thank you very much gentlemen. Ladies and gentlemen on behalf of Multicommodity Exchange of India Limited that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.