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BSE Limited
Department of Corporate Services
PJ Towers, Dalal Street,
Mumbai - 400 001.

Ref: Scrip code: 534091 Scrip ID: MCX

Subject: Transcript of the "Earnings Conference Call" with investor(s)/analyst(s) on Q3 FY-2023 results.

Dear Sir,

Please find enclosed herewith transcript of the "Earnings Conference Call" with investor(s)/analyst(s) held on Monday, February 06, 2023 at 16.00 p.m. (IST) on Q3 FY-2023 results.

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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.

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: 2023.02.13 18:47:32 +05'30'

Manisha Thakur
Company Secretary

Encl.: As above

“Multi Commodity Exchange of India Limited Q3 FY23 Earnings Conference Call”

February 06, 2023

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MANAGEMENT: **MR. P. S. REDDY – MD & CEO, MULTI COMMODITY EXCHANGE OF INDIA LIMITED**
MR. MANOJ JAIN – CHIEF OPERATING OFFICER, 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

Moderator: Ladies and Gentlemen, Good day and welcome to MCX Q3 FY23 Earnings Conference Call.

As a reminder, all participant lines will be in the 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 '*' and 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 – MD and CEO, MCX. Thank you and over to you, Sir.

P. S. Reddy: Thank you. Good afternoon everybody. Welcome to this analyst call. Along with me our Chief Operating Officer – Manoj Jain and CFO – Mr. Satyajeet Bolar and Praveen D G, he is the Head of Investor Services, is there and I would start with my comments on the results.

Yes, this quarter in terms of revenue from operations has been exceedingly well, thanks to the options contracts that have done really great and helped us to tie over the situation, but you all know that technology platform has let us down. We could not migrate it whatever maybe the reasons and now that we here negotiated once again and then there is an offer kind of thing I mean there is nothing called a one quarter offer or anything but let us say two quarters minimum and that is the way we went ahead and then taken additional two quarters.

For each quarter we will be paying 81 crores that is again it is going to dampen our future results, but I think our focus at this point in time is something in inevitable, it is inevitable and we as an exchange which have been charged with the responsibility of making the platform up and running 24x7 we have no choice. It is a responsibility that we have to discharge vis-a-vis with SEC Regulations otherwise and I think that is the in one sense we are feeling proud that we are being trusted and we have been given this responsibility of running the platform.

On the other hand we are feeling that it is a what should I say it is a point of weakness for which region we had to pay without much negotiation whatever has been asked for that is the way it happened, but anyway our focus should be to make sure that our revenues increase going forward by introducing more commodities as well as deepening the existing lines of products and other than these expenses whatever we have supposed to be incurring in the next two quarters that is the current quarter and then quarter in first quarter in the next year all other expenses we will make every effort to keep them under control I think that is what the focus has been at this point in time. I mean everybody is very supportive of this particular approach and we are hopeful we will be able to make the platform live within this extended time that we have got.

With these words, I will leave it open to all of you for questions if any on our results. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: My first question is sir what is the timeline we are looking for the implementation of new software and do we have anything which we can get from TCS because of this huge delay?

P. S. Reddy: As far as the timeline is concerned I think as I said these two quarters are available, but we will not fully consuming that is not our intent. I think as early as possible we should go ahead and that is what the plan of action will be. We propose to launch mock as we did earlier. Again, we will release a full force mock to the member, brokers in this month and members also will be given a very clear roadmap within this period when we will exactly go live, but we will be communicating it, but I cannot specify the date, but this is the roadmap. Now as far as TCS is concerned of course it is also driven by the agreement and agreement does provide for penalties we service the delay in implementation or delay in go live.

Mohit Kumar: So, when will we get the entire clarity on the timelines?

P. S. Reddy: In the next one month to one and half months.

Mohit Kumar: My second question is sir of course the software implementation happening as of now, but do I have any plan to launch the new contract especially given that the SEBI has allowed, the stock exchange has launched multiple contract at the commodity, are we working on some long-term measures?

P. S. Reddy: The mini contract is what SEBI has permitted and I think we have already applied to SEBI. We are expecting any moment approval from SEBI for launch and as soon as we get it maybe we will be able to launch it.

Mohit Kumar: Are you looking at multiple contract across multiple commodities or it is only restricted to some particular?

P. S. Reddy: No, we have deployed three of them at this point in time base metal contracts. We have also applied in energy products also I mean we will be applying because the regulatory process within the internal within MCX is on. So, once that is done we will sent it to SEBI for their approval the energy contracts.

Mohit Kumar: You said metals is it, energy sir, you said there are three products which you are looking to launch right?

P. S. Reddy: No, I am saying in energy, you have two.

Moderator: Thank you. The next question comes from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: On that software contract so my question is like due to this ad-hoc role over of this contract over three quarters perhaps you will end up being almost like a 180 crore or so extra, you had expected a cost saving by shifting from one vendor to the other, now what kind of payback period if we were to sort of keep in mind this 180 crore cost, what kind of payback period or will they allow to save you this much of cost you can just provide some colour to understand the difference between these two contracts?

P. S. Reddy: No, I think in the case of the TCS contract we said that it will write off over a period of 6 months and there may not be much difference because of the depreciation being also high I mean after 6 years also it will see that results. Whatever we have incurred now it is not a capital expenditure it is a revenue expenditure. So, obviously it is kind of done and gone out of our this one. I do not think we can amortize any of this and then say that the payback is changed I am not comparing it that way.

Avinash Singh: For these three intermittent quarters so assuming that the second quarter of FY24 you are on to a TCS contract, will the software expenditure run rate be similar to where it was till Q2 of this year?

P. S. Reddy: Should be that is what I am saying it should be that way. EBITDA will be better, but the depreciation will be added little more that is what it is.

Moderator: Thank you. The next question comes from the line of Sujit Jain from ASK Investment Managers. Please go ahead.

Sujit Jain: Sir if you can give the transaction fee for options for this quarter?

Satyajeet Bolar: 53 crores.

Sujit Jain: And for the other operating income then comes at 26 crores for the quarter right?

Satyajeet Bolar: You said option it is 53 crores was from….

Sujit Jain: From 143 minus 53 minus 64 crores from future balance the 26 crores other operating income. So, higher compared to base quarter as well as QoQ what leads to this higher number?

Satyajeet Bolar: See one is we have been able to through our vault charges because this is a consolidated figure which it also includes by comparing the consolidated which also includes the revenue that we have got from **….** vault charges.

Sujit Jain: So, that would be there in the base as well?

Satyajeet Bolar: Yes that is right. So, mainly it is a transaction charges on options and also as a clearing corporation gets lot of some margins in cash which is then deployed and which is forming part of our operational income.

Sujit Jain: And this charge that you mentioned which gets paid to 63 moons for other quarters 61 crores, so the way to look at this is basically you pay roughly 4.5 crores for quarter plus 10% of transaction fees and then that works out to something 16 crores, 17 odd crores, amount over and above that is actually the additional charge that is to be paid in this quarter that is the way to look at it right?

Satyajeet Bolar: You see usually we pay 15 crores per quarter under the old agreement or little less depending on the volumes obviously these are turnover based fees and instead of paying 15 crores we paid 15 plus 45 crores in the quarter ended December and in the next two quarters is going to be 81 which means about 65 will be extra.

Sujit Jain: And the other thing is that if you can just give the split so, for example, there will be some portion of quotation fees that are being paid to CME which will be a part of a 67 crores software support and produce license expense for the quarter, how much that number would be?

Satyajeet Bolar: That is the balance 67 minus 60.

Sujit Jain: And in terms of the mini contracts just to understand this just correct me if I am wrong anywhere is that you already have mini contracts in bullion both silver and gold, it is in base metal and in energy you will be launching them right?

P. S. Reddy: Subject to approvals yes.

Sujit Jain: So, that will probably lead to higher ADTV eventually in options and apart from that in gold you have bimonthly contract, do you have a monthly contract in gold?

P. S. Reddy: Gold monthly is there.

Sujit Jain: Which is a monthly contract?

P. S. Reddy: That is right.

Sujit Jain: Is there a further case of reducing the size of this going for a lesser maturity and therefore expecting higher volume even from there in any of the commodities from where we are currently in terms of the maturity of a contract?

P. S. Reddy: No, these are all the combinations that we keep discussing and then working with the regulator and we did look at the monthly fortnightly contract, etc., in options. I think as we go along I think we will try to move and make an attempt to launch such contract subject to regulatory approval.

Sujit Jain: Which of the commodities where you have fortnightly contracts and which are the ones that eventually you will be launching?

P. S. Reddy: We do not have any so far.

Sujit Jain: But eventually in future there is a possibility?

P. S. Reddy: That is right.

Sujit Jain: And one last question is how much of your commodities which are to be compulsorily converted into physical delivery end of the contract period gets actually into delivery, so you give some data from the inception till date you also give every quarter how much got converted into in terms of tonnage, but in terms of percentages of the notional value how much actually gets converted into physical deliveries?

P. S. Reddy: See as I said we are a last resort for delivery and the commodity I mean these derivative markets are not meant for delivery as such. Delivery is only a threat to the people to make sure that prices move in tandem with the spot prices. So, going by that the percentage will be 1%, 2% of the total ADTV or even less. So, it depends on that kind of situation that is the way it is.

Sujit Jain: So, you are saying at exchange level across all commodities put together it will be somewhere between 2% to 3%?

P. S. Reddy: Commodity also comes to that only each commodity also comes to that only.

Moderator: Thank you. Next question come from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Firstly let me just clarify this you like for the past three quarters from the time this TCS contract has been getting delayed three, four quarters we have been saying that the impact on cost which includes the software cost and adding depreciation or amortization whatever it is together will not be any difference from what we were paying pre the extension, but post that our volumes have really searched, do you still think that there will be no implications even at the current volume, at what volumes really that will make us start making a difference?

P. S. Reddy: See the question that has been asked all along is the contract with 63 moons that is prior to September versus the TCS contract, would that yield any higher which is leave more margins on the table is what usually being asked, it is not vis-a-vis our ADTV or the volumes. So, it is in that context we have been saying it, it does not make much difference because in one case the fee itself is high and the other case it in the form of amortization etcetera. At the end it will be high so at the end of the day the net profits will be more or less will have the same contract under both that contract but having said this you have seen our fixed cost are by and large our fixed cost are under control. The only difference marginally it would have been made is because of the increase in volumes we would have also ended up paying more to 63 moons our vendor had it been a revenue linked contract vis-a-vis the TCS contract, but that would not have been so much of a difference that is the way I look at it. You are right to that extent of variable payment to be paid to the vendor vis-a-vis TCS platform.

Prayesh Jain: Sir at current volumes whatever we have today in Q3 of options and futures and let us assume that this was not at 60 crores in this quarter let us assume it was 15 crores, but still it would not have been more profitable in case we were on TCS software that is the right assumption to make?

P. S. Reddy: That is right and in fact had we had the same trend continued with whatever the pre-September probably our net profit would have been about 92 Cr something of that kind.

Prayesh Jain: Our second part of the question is on the product launches so earlier you had mentioned about monthly options on gold contract would be on the new software, do you still stick by that or would you launch on monthly contract on gold, monthly options on gold futures on 63 moons software as well?

P. S. Reddy: See we do not have a problem in launching the current platform, but if I launch it when I migrate it I must ensure that all existing products are seamlessly migrated to a new platform. So, we need to see that first tested in the new platform. Once that is there then I can launch even the current platform also so that we know it will seamlessly migrate that is the issue.

Prayesh Jain: And sir could you just give me step by step approach to this in the sense that what are the milestones that you would be looking at now you are doing the mock again complete full mock again then whether you will have parallel runs across commodities, so what will be the milestones of this transition?

P. S. Reddy: One is that parallel mocks will be done mock is with the member brokers, etc., and that will be for a long period and parallel runs are also done simultaneously which is internal to us. We will take the data from the existing system and pump in the data into the new one and see the output whether they are coming properly or not. So, that is a parallel run. So, you can do it in a day two, three parallel runs also, two, three days data you pump in each day and then you look at the results so that is another part of it which simultaneously we will be looking at it. The third dimension is performance optimization. So, while we have targets achieved in the NFR to the current production requirements in the nonfunctional requirement NFR means. So, that is already achieved, but when you put all the security apart from the system and then see how it behaves. So, cyber security related aspects are also already implemented. So, the audits also we have to do it after performance valuation is done, performance testing is done post implementation of cyber security and other various security measures then we will have to get it audited both system auditor, VAPT all the cyber security audits then thereafter we will go live that is the process.

Prayesh Jain: And sir one more question on the TCS contract so in case you are ready to move to TCS software say earlier by 31st itself you are ready to shift by all these steps that you have mentioned are all done by 31st March, do you still have to pay for Q1?

P. S. Reddy: It is take it or leave it for two quarters kind of contract that is the way it is that is why we have to.

Prayesh Jain: In a way 53 will there for two quarters or whether we have to pay for it either ways?

P. S. Reddy: That is right.

Moderator: Thank you. Next question comes from the line of Parth Agarwal an Individual Investor. Please go ahead.

Parth Agarwal: I just wanted to know the cash balance on the books?

P. S. Reddy: 918 crores as on 31st December.

Parth Agarwal: And just a second question so the platform that you are trying to develop versus the existing platform of that we source from 63 moons, is there any stock difference between the same or are we just trying to replicate the existing platform?

P. S. Reddy: See functionality there will be some superior features will be there, but at this point in time ever since we sense that delay we have given what you call a core functionalities which are needed as usual as basis kind of thing. So, we are going ahead with all these functionalities which are needed for us to run the market as we have today that is the way I say and the other forward-looking features will be coming up in Phase-2 post-go-live.

Moderator: Thank you. Next question comes from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.

Nikhil Abhyankar: Sir did you mention the quantum of liability clause for the TCS due to the delay in the contract?

P. S. Reddy: I think these are specific to the contract it is not good to disclose.

Nikhil Abhyankar: And sir also about the product launches so when are we looking to launch the electricity contract?

P. S. Reddy: The long pending wish of us it is now almost 2 years I mean I think only when it comes I can say yes it has come, but till then I do not want to make any promise, but then our efforts are there constantly, we are at it requesting the regulators to approve it.

Nikhil Abhyankar: And just a final question sir if we get the approval for the three contracts on SEBI for the mini contracts before say June 31st and we are still using the old current system, so will we still launch these products on the old system?

P. S. Reddy: Yes there is no problem on these, these are simple variants that is all there is no problem.

Moderator: Thank you. Next question comes from the line of Umakant Sharma from Safe Enterprises. Please go ahead.

Umakant Sharma: I have a few quick questions firstly when do you intend to start the mock trading with the new technology partner and how long would you needed to run it parallelly to make sure that both the new platform runs effectively because I am asking this question in light of the fact that BSE when they had to run it parallelly for nearly two years, so could you throw some colour around that?

P. S. Reddy: See it is all depends on how intensely we will be undertaking this activity maybe BSE we have done it for two years somebody else may have done it for 6 months and it all depends on again what is the preparedness of the exchange on this, as you know on 7th November we launch mock trading for a long term for a month and of two months it has continued then after picking up all the observations, etc., we have again refined the system and we will be launching in this month. So, since we have the time we will be able to do little longer mocks, but it is important for us to ensure that all the members participate. So, that is where we have been handholding them and in fact I would say 90 plus percentage of the business is covered by the members who have participated in this almost 380, 390 members have participated unique members in that sense. Everybody may not participate every day that is the different matter, but everyone has tested the systems and in the second run what we are planning I am sure the maximum number of participation will come through. So, coming back to your question there is no standard reply for that or standard that is established. As long as we get the zero in the defects and as long as the number is keep tampering off I think that is we have done kind of things and as I am speaking internally everyday testing is taking place, every day I mean it is almost about 30 people testers are doing it. So, it is not necessarily member themselves do it, in the name of members in the sense some members IDs are created and our own people are testing it as if they are the members. So, I am sure that also goes a long way in refining the system.

Umakant Sharma: Sir a few quick other questions sir we are paid nearly 60 crores to 63 moons for a September, December quarter and committed about another 162 crore till June, so would it be more prudent enough for us to buy of the entire IP asset from 63 moons technologies at a mutually agreeable price even let us say if it is a 1,000 we can write it off and we can capitalize and write it off over the next three years, would not be a much better prudent thing to do?

P. S. Reddy: See we have to keep the interest of all stakeholders in mind when we take in addition that is how the board has approached it and we are also a public institution. So, whenever we get into any negotiations, etc., it has to be a very transparent approach. So, that is why we have floated an RFP. Probably had 63 moons chosen to participate at that time we would have definitely evaluated and maybe they would have scored a few brownie points and few points also to their credit having been an existing vendor, but they chose not to participate. So, that has caused some kind of this one, but yes, it is behind us, I do not think we will be able to revisit this issue at this point in time.

Umakant Sharma: And just one final quick question so there has been too much of back and forth in terms of this whole migration from technology standpoint and we investors we see the numbers getting hit on the profitability side for our company, so is there a possibility that you could evaluate that the board could evaluate rather in terms of terminating the relationship with TCS and retain 63 moons and we continue the operations in status quo?

P. S. Reddy: We will take your suggestion before the board.

Moderator: Thank you. The next question comes from the line of Harish Iyer an Individual Investor. Please go ahead.

Harish Iyer: Sir again my question is more fundamentals sir in our meeting with various investors and specifically ….. on 16 November, we have said that the overall cost and which even today you mentioned it will be at the same level which we are paying to 63 moons, so in a nutshell we are paying the same cost and we do not own IP and eventually we again few years at the mercy of TCS because again we have to buy out IP from that, sir again this question is more fundamental technology is the heart of the business and even sir the market feedbacks are not encouraging regarding the new technology while we are putting these entire system at risk and there is a clear cut existential risk for the MCX stock exchange because sir time and again the deadlines have been extended and even today we are not sure when this will go online, so these are really serious concerns and obviously you and board is working in the interest of shareholders, but right now it is completely going on against us because even at the current volume if we take this cost next two quarters we are going to make the loss. We have already spent 15% of the net worth for this cost alone. So, there is no rationale as such for us to go with the change in technology, you yourself has mentioned there is no difference between the two technology. So, I am really baffled understanding what is the reason for all these changes I mean we are just incurring heavy cost here and which is ultimately hitting not the net worth and bottom line, but really shareholder value and these are really critical questions that management and board have to rethink?

P. S. Reddy: I think I have never said that there is no difference between the two systems you see there are technologies issues, there may be differences, there are differences when it comes to the financial impact of these 63 moons platform versus the TCS platform from that point of view you said it does not make in the next 6 years any great difference. I did not say that technologically whether there are different or not different I do not think that comment I have ever made. Having said that I mean as I said that this is the decision which we cannot take at this point in time and I am sure even you all are aware that we have seized up this matter with a great reluctance that this contract had to be extended as in the beginning I said we are responsible to make sure that the markets run and it is that regulatory obligation which drove us to discharge our responsibility and maybe that is also our weakness in that sense that somebody or anybody can misuse.

Moderator: Thank you. The next question comes from the line of Lavanya Tottala from UBS Investment Banking. Please go ahead.

Lavanya Tottala: So, here on the new product launch I just wanted to get clarity that once our gold monthly contract options are ready we are fine launching it even on the existing platform, is the understanding right?

P. S. Reddy: What we want is that once it is tested in the new trading platform and then we will be launching in the existing that is the way I said. So, when actually we migrate it all the existing contracts will be seamlessly migrated to new trading platforms.

Lavanya Tottala: So, this has to be ready in the new one first then?

P. S. Reddy: New one first that is right.

Lavanya Tottala: But this is in the case for the mini contract?

P. S. Reddy: Mini is not, Mini is a plain vanilla futures contract.

Lavanya Tottala: Other one is on like timelines or the deadlines which we have for TCS so this is the second mock trading session which we are doing, so is my understanding right that parallel run will start from the second mock trading which we do or this parallel line is happening simultaneously?

P. S. Reddy: Parallel run is simultaneous in the parallel run members will not participate it is just that you take the data all orders you take it, pump into the system, get the outputs, match it with the whether the 63 moons output as well as the TCS output is the same or not these are the parallel runs which are backend it happens. Mock is actually members brokers participate which runs whatever is the timeline and different orders are placed all that kind of thing. So, the mock is critical parallel run is important anyway we have to ensure data integrity the outputs are the same no doubt about it.

Lavanya Tottala: Now the parallel run is happening currently or is it yet to start?

P. S. Reddy: Yes it is happening parallel runs are happening.

Lavanya Tottala: Sir can you just help us understand what are the key issues that you are facing with TCS platforms like any broad top key issues that you want to highlight?

P. S. Reddy: The key issues that we have faced up the TCS systems team have faced the integration challenge and I think now they have overcome and the seamless flow of data and between the T7 and the bancs and then again back and forth it happens while going through was the challenge that was the major challenge as I said. So, that has been addressed I think we should be able to now fix other functionalities.

Lavanya Tottala: And on the TCS one which you have highlighted are software charges and amortization so the benefit of this on EPS would not be there for 6 years also you are highlighting, so we need to assume that at the current volumes it is the same, but as the volumes increase we should be seeing incremental thing?

P. S. Reddy: You are right madam.

Lavanya Tottala: So, for the current volume it is same, but as the volume increase we should be seeing even at the EPS level because if it were our older contract debatable cost would have increased along with the volume, but here incremental there would not be any impact?

P. S. Reddy: That is what I said so that impact has come now also, but unfortunately because of this lumpy payment of 60 plus 80 kind of thing 81 kind of thing that is completely they are lost, but otherwise you would have seen that kind of thing.

Lavanya Tottala: Sir one last question if I may ask so this higher other income which we are seeing this quarter and the previous quarter so this is largely driven by what I just missed in the earlier question?

P. S. Reddy: The transaction charges that we have earned on options largely by options.

Lavanya Tottala: No actually other operating income is also high in this two quarters?

Satyajeet Bolar: That is basically on the margin money that we have received from our members as part of our clearing and settlement operations which is then deployed into short term instruments.

Lavanya Tottala: So, is it because we have higher margin requirements now that this increased?

Satyajeet Bolar: Not margin requirements volumes have gone up means more margins will come. So, more margins means again if it is a cash margin then definitely you earn more.

Moderator: Thank you. We will go ahead with the next question that comes from the line of Pratik Dharamshi from Safe Enterprise. Please go ahead.

Pratik Dharamshi: Just a couple of questions from my end so in terms of payments to TCS, so can you quantify how much money we have already paid to TCS for software as well as hardware so far?

P. S. Reddy: You are asking how much has been paid.

Pratik Dharamshi: How much have we paid to TCS? Can you quantify in terms of software charges, hardware charges so far?

P. S. Reddy: See as we have been saying that the contract is confidential if I disclose it now every quarter how much we are paying incrementally then you will know that full price of the contract. I think it is not advisable to disclose it in this manner, but overall, whatever is IT expenditure it contains in that, that is the way it is.

Pratik Dharamshi: It is all part of a CWIP?

P. S. Reddy: Capital work in progress that is right.

Pratik Dharamshi: In the second one you mentioned by June you should be through with the transaction to TCS am I understood?

P. S. Reddy: That is right.

Pratik Dharamshi: Within the two quarters from now you should transition to TCS that is the timeline you are setting?

P. S. Reddy: Yes.

P. S. Reddy: Understood thanks a lot.

Moderator: Thank you. Next question comes from the line of Jainam Ghelani from Stallion Asset. Please go ahead.

Jainam Ghelani: So, I just have one question. The rest of my other questions have been answered how do we plan to diversify the product resistant option because as of now I guess mainly we are quite dependent on energy contracts?

P. S. Reddy: Yes.

Jainam Ghelani: How do we plan to diversify this like are we planning to get a product or commodity….

P. S. Reddy: If you see that some traction is seen in the gold options as well you may have seen it, but it is a bimonthly contract and the volume this is very big and that is where the premium will be higher. We propose launching the monthly contract. I think once the system updates are done then we would like to launch that also. We have received the permission as we have last time also told, but then that its holding its back.

Moderator: Thank you. Next question comes from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Just to understand how confident are we in terms of the transition that has to happen in the next quarters and also in terms of total around 500 numbers that we have, how many of them have started the mock trading and is there any issues in shifting the smaller brokers to the platform or mostly some of the larger ones the large numbers have already shifted to that platform?

P. S. Reddy: See as I have said that almost 380 plus have already participated who accounts for 90% of our business. So, that is not an issue in that sense and we need to say a clear roadmap to that telling them that by such and such date we will be moving and all of you prepare yourself is something which we need to declare. So, that we will do it after the steps that I have already enumerated earlier are done and that is what we are working now and maybe the performance fine tuning and other issues will be addressed then thereafter we will be able to release the plan of action for roll out for going live, but it has to happen before the 30th of June no doubt about it. I think we paid through nose and I do not think any one of us can justify anything going beyond this.

Amit Chandra: As per the regulatory requirement is it required that all members to shift to the new platform then only you can start with the new shift or we can shift with some of the people being on the old platform or within calculated membership or something of that sort, so as per the regulatory body through regulation in terms of the shift?

P. S. Reddy: I mean irrespective of regulation I do not think there is any specific regulation you need to give adequate time to the participants. So, from last year May, June onwards we have been telling them what will be the file formats and etcetera. So, adequate notice has been given and some of the members if they are left out they are left out we cannot help it, but this is what the solution is maybe those ones who are thinking that the commodities business is marginally adding whereas the shifting to a new platform will add to their additional costs then they may chose not to join, but then it is up to them we cannot assess for them in that sense or we can delay for them.

Amit Chandra: And sir on the options so you have mentioned the active participations around like 3 lakh people trading on options and that number has almost like tripled YoY and there is a similar number for futures around 3 lakh on a YTD for options and futures, so what is the overlap between these options and future, so is it like billing option traders or there is overlap between option and future?

P. S. Reddy: There will be some overlap no doubt about it, but we do not have immediately those overlap numbers, but there will be overlap no doubt about it.

Amit Chandra: And this still is like around 3% of the total UCCs that we have is there a chance that this can go up because if I see the total volumes the active trade per active participation comes around roughly 2 lakh which is small as compared to what is there in the exchanges, so can this increase or we can see there is increase in the acquisition almost doubling from here on also?

P. S. Reddy: I think one is that cross market comparison is like comparing apples and oranges. The reason being that ours here is one lot contract buying one contract means one lot means it is few lakhs unlike in equities you can buy one share and two shares and 10 lakh, 50 lakh. So, there any number of participants can come that cannot come here. The margins they have to pay for each lot I mean if it is a 10% margin on 3 lakh or 5 lakh minimum in this range and it is Rs. 30,000 to 50,000 get stuck in just one contract. So, let us not draw that comparison for the sake of proper analysis of what we are talking about. The second thing is as explained in some of the previous calls also the total number of UCC is uploaded is not the right benchmark against which we should be doing it because member brokers now are unified member brokers. So, when they are taking the client consent they are taking the client consent for across all products and then uploading in all the data basis. So, who knows tomorrow the client may choose to trade in commodities so need not call for additional set of data on the information or papers. So, that is the reason why the members are doing that. So, my suggestion would be that we need to see what is the growth we are making, how much incrementally we can increase the growth is what we are all focusing then setting our eyes on the total UCC base that is the way I approach this.

Moderator: Thank you. The next question comes from the line of Amrish Kakar an Individual Investor. Please go ahead.

Amrish Kakar: So, just one relating to SGF it is any visibility you can provide us for the later status on RMRC decision on fungibility of the SGF?

P. S. Reddy: SGF is about 575 crores or something like that…

Amrish Kakar: Not the amount the decision on whether we can take money out of SGF from the market?

P. S. Reddy: I think something of that kind was discussed that is what our clearing corporation people who attended the meeting of RMRC, but unless the minutes come and final addition come in the form of a surplus we do not know what exactly the outcome is going to be.

Amrish Kakar: So, we should expect maybe in some time in year also?

P. S. Reddy: Hope so.

Moderator: Thank you. Next question comes from the line of Sanket Godha from Avendus Spark. Please go ahead.

Sanket Godha: Sir, on this mini contract just wanted to understand that when you have acquired for this SEBI approval it is only for the futures or you will launch them in the options too especially in the base metal which is not there today?

P. S. Reddy: Well at this point in time we ask for the futures because for launching options you need to have underlying future act too and there should be a minimum turnover of so much then only you can ask for this one options.

Sanket Godha: Second thing, I think this question has been asked this 26 crores other operating revenue can you tell me how much of the 26 crore is money made on margin money, float on margin money interesting command on margin money?

Satyajeet Bolar: Around 17 crores.

Sanket Godha: And finally, sir just wanted to understand we have floated a white paper on block of margin money, so which is like an ASBA for the secondary market, so if it gets implemented thoroughly then do you see any sort of exchanges also the float income almost disappears though it is optional assume everything goes ASBA way, in the secondary market too then risk to the margin money with 17 crore in the current quarter is there?

P. S. Reddy: See the ASBA model is not the margins I understand, margins have to be deployed with the exchange anyway I think this may be related to the pay-in and payout related model, but it has been worked out, it is being still discussed and yes if you really say in that sense let each investor maintain an escrow account kind of thing, the banks and then put all the money there and then only exchange or clearing corporation will access it as and when there is a default otherwise it will remain there only. Yes you are right it may happen, but we need to look at the operationalization of it how they were going to operationalize let us wait and see maybe it is too early for us to understand the model.

Sanket Godha: And finally sir this again on 63 moons see we are paying almost 65, 65 plus 45 which is like 180 crores extra so to 63 moons over three quarters and I believe TCS cost might be best case 1.6x or 1.7x of the extra amount what we are paying to the 63 moons, so means in the hindsight if you see then what potential saving which we would have done seems to have not played off because of the delay in 63 moons so I know this question has been asked in different ways to you, but honestly we have not achieved ultimately the end objective which we wanted to have a fixed kind of a cost model rather than depending to the turnover cost?

P. S. Reddy: Well we embark on a good intention to implement it on time and then bring in savings to all stakeholders, but somehow we missed the target here and but then it should be behind us is my firm belief and that should not pull us down and as I said I repeat also our focus is not we are now paying to 63 moons it is gone for me and what our focus should be to increase our top line and keep all other cost under control if these two are done I think we are done of course as technology platform we will implement that is how it is.

Sanket Godha: If 63 moons was a normal contract in third quarter as it was in Q2 then probably we would have made a 84 crores, 85 crores of profit, but I think in one of the questions you have answered that if we would have been at TCS contract the profit the profit what we would have made would be 92 crores, so should I make an assumption that if we would have been on TCS contract today, in third quarter the extra profit we would have made would be closer to 7 crores, 8 crores?

Satyajeet Bolar: This is subject to EBITDA to depreciation. So, MD said is before EBITDA. The amortization factor would also come in for the new projects I think just keep that in mind because depreciation factor also has to come in.

Sanket Godha: Thank you. Next question comes from the line of Sanjay Kumar from iThought PMS. Please go ahead.

Sanjay Kumar: First is on the income from the margin I mean if you could help us model these numbers going forward.

P. S. Reddy: Sorry.

Sanjay Kumar: The 17-crore income from margin I mean it has been going up for the last two quarters is there a way to…

Satyajeet Bolar: Earlier quarter it was around 12 crores so this quarter it is around 17 crores so the margin money is in the range of 1,000 crores in cash so that as per the SEBI guidelines then deployed in liquid overnight funds or fixed deposits that is the way it is deployed.

Sanjay Kumar: So, this will track the options growth is it?

P. S. Reddy: It is essentially to fund the additional activity that is taking place which is struggled by volatility not necessarily for options it is just money is available for trading in any products futures or options.

Sanjay Kumar: Second IEX is talking about policy to create a framework for any of coal exchange, so if you could help us understand what does it mean for us since we are also talking about coal exchanges key growth drivers going forward?

P. S. Reddy: The directions of the ministry of coal are still awaited. They are also working they have appointed a consultant and who will be giving the framework I mean in one of the conferences it was mentioned by the coal ministry official that the framework will be ready by the March then thereafter they can look at it. Meanwhile we have requested SEBI to give us in principle approval so that is the status at this point in time.

Sanjay Kumar: But will both IEX and MCX they allowed to operate?

P. S. Reddy: That we do not know you see whether coal ministry wants one exchange to run or anybody can compete maybe anybody can compete, but MCX has what you call MoU with Mjunctions so that is the way at this point in time the relationship is defined.

Sanjay Kumar: Next there were news article about MCX requesting support from NSE for using their platform and allegations or possibilities of reverse mergers, so any comments on that we shareholder should know about any of these?

P. S. Reddy: Tying up a technology I mean alternatives we were all exposing, but then that is all behind us. There is no point in dwelling on these issues now.

Sanjay Kumar: Any transaction fee hike post new platform from the current 2.1 lakhs for futures or 1 lakhs for options?

P. S. Reddy: We are not looking at it I think it is too early for us to give any kind of guidance on this.

Sanjay Kumar: So, if we get the electricity derivatives approval before June 2022 will we launch it in the current platform or that will be deferred?

P. S. Reddy: I think we should be able to launch because in both the platforms it has been provided.

Sanjay Kumar: Final question on currency so any plans of getting into currency derivatives since it kind of compliments commodities?

P. S. Reddy: We are yet to get hold of one trading platform first then we can look at other platforms other products later, but yes your thought is good in that direction and that is the way one should think through.

Moderator: Thank you. The next question comes from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: My question is regarding I remember we were discussing at the software cost which comes above EBITDA would be materially low compared to what was there earlier, so the depreciation would be that high to make the overall cost equal to what was there till September 22 that is my first question in a way I am trying to understand that this was all the way our guidance that the PAT level there will be no change for the next 10 years if we shift a technology?

P. S. Reddy: Not for 10 years as I said for 5 to 6 years that is what the agreement is for and thereafter it is only we pay a very AMC which a very single digit AMC if you pay then you can use it on your own that is it and there is nothing else, but why this is so going to be high is completely entire hardware is getting replaced because the hardware what we are having and one needed for the TCS platform is totally different. So, that is the reason why it is going to undergo change.

Satyajeet Bolar: This will also be amortized I mean the hardware is generally amortized over a period of 5 to 6 years while the software maybe it is again for 6 years to 7 years so that is why amortization, depreciation cost would be high.

Ansuman Deb: I just wanted to verify that there has been no time during the last 6 months, 7 months that there has been any change in the TCS terms and conditions?

P. S. Reddy: No change in the terms and conditions.

Moderator: Thank you. The last question comes from the line of Subramanian Iyer from Morgan Stanley. Please go ahead.

Subramanian Iyer: Sir actually just wanted a clarification on the question the previous participant asked basically why do you say that for the next 5, 6 years we will be at the same level because the depreciation will be a fixed number I mean once the CAPEX is known and the duration is known and also the fee amount will also be fixed, so that part I did not follow?

P. S. Reddy: The way that I am looking at is the cost component, cost related to technology will be one is the variable and here the variable will not be there, but then in the form of huge depreciation it will come and some maintenance charges will be there which will be again fixed item. So, these are the two items which will come and irrespective of your top line this one is going to be top line in terms of revenue from operations will be fixed, but the only element as earlier also we discussed is the variable component will not be there to that extent the current charges whatever we are paying to the 63 moons is what we are comparing with the TCS contract, but if the present volumes increase double today you are having a 30,000, 31,000 crores of option if it goes to 60,000, had the previous platform continued and we would have paid more of that one that element will not be there. I am talking about at this given volumes they will be balancing out.

Subramanian Iyer: So, basically the 6 years you are saying is because you plan to amortize the CAPEX over a 5-year, 6-year period so after that is that right?

P. S. Reddy: In 5 years, 6 years we will be having a huge growth. So, obviously you would not have heard that maybe a quarter would have gone to the payment of fees to the vendor had it been linked to the volumes that is right.

Subramanian Iyer: And sir given that in two quarters from now you would anyway be on the TCS platform what prevents you from giving a broad basically estimate of what is the ultimate CAPEX going to be and the ultimate terms and conditions it would just prevent so much confusion?

P. S. Reddy: I think we will do maybe sometime in the first quarter of next year we will do that definitely.

Subramanian Iyer: And one last clarification that I would like to take so given that you have a liability clause with TCS as well, so if TCS delivers the platform on say in July do they still have some liability or is it only if they delay beyond July that the liability comes into play?

P. S. Reddy: No already liability has kicked up because we were to be delivered by July last year. So, September also they could not deliver in. So, that has kicked in, but we will see when to invoke that is how it is.

Subramanian Iyer: And would that be I would say reduced from the 160 crores that you are going to incur in the next two quarters or basically you might just take it in the CAPEX I mean you will adjust it against the CAPEX?

P. S. Reddy: You see how we recover, where to adjust and other thing is not a material point, but we need to maintain we cannot burn a bridges with the existing new vendor also and we need to maintain good relations to ensure that this platform continues, do we get that good service from the new vendor and we will see how to approach it.

Moderator: Thank you. Ladies and gentlemen that was the last question for today we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. P. S. Reddy for closing comments.

P. S. Reddy: Again, I thank all of you for patiently following the analyst call and stay invested and we would like to do our best whatever that we can do to ensure that the company does better quarter after quarter. Thanks to all of you. Thank you very much.

Moderator: Thank you. On behalf of MCX that concludes this conference. Thank you for joining us, you may now disconnect your lines.