

MCX/SEC/1939

June 3, 2021

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

Ref: Scrip code: 534091 Scrip ID: MCX

Subject: Transcript of the conference call with investor/analysts.

Dear Sir/Madam,

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

Sr. No.	Investors/Analysts	Date of Call	Time	Annexure
1.	DSP AMC	May 28, 2021	4.00 pm	<i>Annexure - A</i>

Note: The audio/video recording(s) of the above meeting(s) has/have been uploaded on the website of the Company at <https://www.mcxindia.com/investor-relations/ir-meetings>

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For Mufti Commodity Exchange of India Limited

Ajay Puri
Company Secretary



“Multi Commodity Exchange of India Limited DSP AMC Conference Call”

May 28, 2021

Disclaimer:

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This document may contain “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward looking statements often address our expected future business and financial performance, often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “should” or “will”. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause our actual results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.



**MANAGEMENT: MR. SATYAJEET BOLAR -- CHIEF FINANCIAL OFFICER,
MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. PRAVEEN DG -- INVESTOR RELATIONS (HEAD),
MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. VIJAY GANESAN IYER -- MULTI COMMODITY
EXCHANGE OF INDIA LIMITED**

Vijay Ganesan Iyer: Okay, Hi, everyone. Good evening. I am Vijay Iyer from MCX Investor Relations team. So we have with us Mr. Satyajeet Bolar – CFO and Mr. DG Praveen, the Head of Investor Relations for this call. So, I would just one thing I would like to reiterate that as per the new SEBI guidelines we are recording all the IR meetings and subsequently we'll be putting out in our website as the new compliance, we have started implementing that. So, I thought I will just inform you. And now the floor is open so Mr. Vinit Sambre you can take it forward with our senior management. Thanks.

Vinit Sambre: Thank you very much for your time today. We are actually looking forward to this meeting. And as a background, let me also tell you that Charanjit did take us through very briefly with your business model. So the whole idea Mr. Praveen, Satyajeet and Mr. Reddy if he is there, is to sort of before we get into the details of the business and try to understand the potential for the sort of the commodities, the future market in India. It will be actually good for us because, also what has happened is that we've not been sort of tracking the company for some time and just sort of exploring this company, so if you can just take us to some of the changes, which has happened in the past few years. And how are we set up in terms of the current management, the regulatory setup and then probably we can get on to a specific questions which are Charanjit will have and other team members will have.

Praveen DG: So, what are the recent development maybe the last two years what all happened. So, maybe we can go by segment-to-segment where in generally we categorize into four segments, one is Bullion, energy, base metals and agri that is the way we look at it. And in case of base metals coming to that one, a lot many changes happened, because regulator SEBI, it is being told that the contracts all have to be compulsory delivery contract, that is one logic it has been put forward.

Second is, we cannot have multiple contracts, rather we need to have one single contract, it can be a main contract or it can be a mini contract. This is a second one, third one it is like, the delivery unit and the trading unit all should be like same, that means it cannot be different from each other, that means unless it is warranted that can be looked at differently, but in normal cases, both the trading unit and the delivery unit should be same. So earlier you all would be knowing that our contracts, basically the base metals were based on London Metal Exchange prices. And copper we used to take it from Chicago Mercantile Exchange, the COMEX division. But after this one we have started converting all our metal contracts into compulsory delivery contracts. So, initially we stopped doing all the things in one go, we have depending upon the market requirement, because each product have a different delivery lot and considering all the stakeholders feedback another thing we started gradually converting contract after contract into compulsory delivery contract which essentially means that if somebody holds on till the expiry it will result in the delivery of that particular metal.

So, that is what all happened during the period, I can say that largely during 19-20 most of these contracts have started getting converted into compulsory delivery contracts. In some cases, we have to even like metals earlier, we used to have both main and mini contracts, which in some

of the metal it is used to be like a five metric ton. And we also used to have one metric ton which used to be a mini contract. So, there was a sizable participant base was there, because mini used to have many participants compared to the main but the contracts, main contracts used to bring in a lot of liquidity and it is going to serve differently. So basically, both are going to use it to complement each other and we use it to have a greater level of participation in all the contract, but with this regulatory development, we had to discontinue many of the contracts and we have to make it into only one single contract. That is how we have gradually progressed and from 2020 we have completely converted our contracts that means, we have only single contract and that single contract also we had to made trading unit and the delivery unit uniform. So that is the way we have done it in the metal contract. But we have now our Clearing Corporation has come out with some designated warehouses. So metal is getting deposited, and deliveries are happening now. And we are now seeing very healthy participation and we can see that lot of deliveries happening that is bigger, that means we are now getting much closer to the ecosystem that way. So, that is what happened in the metal case and we are also increasingly looking at how we can able to expand this ecosystem by, even today it is like our metal and especially in our metal contracts it is only the LME approved brands only those brands can get delivered on the exchange, it's not like the brand which is outside that one can deliver.

So, going forward, we have an interest like incrementally we wanted to bring even the domestic producers who are not part of this LME, they also wanted to be part of to join this ecosystem. So, we have already come out with the detailed guidance on that one, how people can be able to apply to the exchange and we already have received, we started this one lead contract and we already started getting some responses from domestic producers because the process will take some time it is going to be gradual, because there will be some audit will happen and there also some criteria are there. So then it has to be like the buyer testing have to be done. So, after all these things only then the person your producer can get registered themselves as an empaneled brand. So, after that one that metal also can get delivered on the exchange and that will be treated as a good delivery. This we already have done a similar thing we have done in case of over Bullion contract. Now, we have already empaneled two domestic refiners and that particular brand also can be delivered in addition to the LBMA brand, otherwise earlier it used to be mainly LBMA brand that was the one they used to be that brands used to be approved, but now it is like even these two refiner brand, particular brand also can get delivered on the exchange.

So, this is another development that happened, metals and the Bullion. Bullion however, in case of Bullion the regulator is when it comes to the regulation it is okay in having multiple contract variants. So, still in case of this one we have gold, gold mini similarly we have silver, silver mini and silver micro contracts that are available, which are of different sizes, which is catering to the different set of market participants.

And in case of energy, again it is like we had mini contract in crude oil, but now with that regulatory stipulation we had to discontinue that particular thing, today we have one crude oil contract which is about 100 barrel contract and we have natural gas contract, but these two are basically the cash settle contracts apart from whether you take the metal or bullion contract.

Leaving apart indices, of course index contracts are basically the cash settled contracts, but leaving that, if you look at other commodities, these are the two commodity contracts which are cash settled contracts and here one of the challenge that we had to face in energy is one anyway like I said it is we had to discontinue the mini contract. Another thing is in the month of April there was like you all would be knowing that the crude oil especially the WTI contract has gone into the negative territory and we had to settle our contract in negative price.

So, that actually led to, because of that there is a significant moment happened on that particular single day all this led to a substantial increase in the margin requirement. So at one point of time, it is like we had to charge about more than 100% but now things are slowly coming under control and the regulator also has given us certain concessions based on that one we could be able to bring the margin down today, it is the crude oil is around 20% margin roughly around 20%, 21% is the margin that is the way it is there. But we lost significant amount of turnover in case of the crude oil. But some of the turnover has been that means it has gone to the natural gas, but still to that extent as a segment also it is like comparatively last year as compared to the last year there is a drop in the turnover that is one other major thing that happened, but we are still looking at we are taking different proposals to SEBI like if margins, either a possibility of further bringing the margins like if somebody holds the position only during the overnight can there be a different slightly additional margins can be charged for those positions where only VaR margins can be charged for intraday position, but these are all in discussion stage. So, we have to see that how these things will pan out to be over the period of time and gradually even in case of agricultural commodities, commodities like CPO crude palm oil and Cotton are now doing pretty well.

Cotton also last year was majorly impacted because of the lockdown and other things but now it is like most of the warehouses are running in normal way, so that way it is like we can see that things are, if you look at even the overall turnover wise, overall turnover wise this year as compared to the last year, it is a very marginal drop, because in the initial period of the lockdown, there was a challenge that you all would be knowing that regulator wanted us to truncate the trading hours. So the trading timings were truncated in the initial period of lockdown, but there because of that one, our volumes have fallen significantly, you all have experienced that initial days had been different due to COVID and because of that one, the overall volumes have fallen to a great extent during the month of April 2020. But, things have gradually improved like in April for example, I will tell you last year it is like April 2020 we have done 15,650 crores roughly around that particular thing as compared to our turnover of around 32,550 during the financial year 19-20, so there was a drop that happened in that particular month, but after that because we have been functioning because we have been an essential service provider so because of that one our operations have been there throughout this period even today things are going as usual.

Participant: Sorry, what is the current turnover now?

Praveen DG: See current turnover, it is like I'll give the last quarter you can.

Participant: Last quarter, that is fine yes.

Praveen DG: That's fine right. So, last quarter we have done something around 31,500 roughly around that one. Only, I can say recently the peak margin maybe you all would be interested to know about that one peak margin thing. So, we have for example, I'll give the February we have done something around 36,900 and January we have done something around maybe close to 31,800 like that we are done it and in March we have done 26,500 roughly that is the way we have done, in the month from March the peak margin reporting has been increased from 25% to 50% that is one thing but how far is the impact another thing because there are several factors will really impacted the turnover like because the volatility amount of volatility and other factors are also there.

So, how far really it has impact is the thing, but what at this point we can definitely can say is other things remaining constant definitely the peak margin at present has impacted but today if you look at this month, maybe if you can take the month of May we have done something close to 32,000 we have done as of today, that is the way we are positioned today. But both March and April, we have a very lesser turnover as compared to the May. Now the market has been volatile and other thing. But definitely earlier in the normal circumstances and other things without any volatility only we used to do something around 30,000 crore roughly but now, things have changed but we have to see that how far things will unfold, because the tendency of the things is generally India or any other market is that people will take some time to get themselves adjusted to the changes/developments that is happening in the market. So, we have to seen that how far going forward the things will unfold, maybe we feel that generally margins will be people initially react, but over the period of time, gradually people will get adjusted to that, but that is the way we have to look at it. And we have to see that when people in this market are able to accommodate this kind of new developments. There I will leave it and better we will discuss more in the question-and-answer session.

Vinit Sambre: Yes. So, thank you for that summary but let me invite Charanjit here. I have few more questions but I'll come later. Charanjit, why do not you go ahead.

Charanjit: Yes sir. Sir closed a loop on that margin part definitely there was another long question which you wanted to ask, now we have seen the impact till 50% but then this 100% or 20% margin by September. So, do you see that volumes further dropping and as you highlighted that may volumes can come back, but can they come back in this financial itself or they could take even longer to come back, like how do the traders get impacted with these kind of rules, that is my first question.

Praveen DG: Generally, the way it happens is, see 50% is already there. It is a substantial thing. So, we have to see that when people are getting adjusted to this 50% So, because from zero coming to 50% is something different, but it is like already people now, today they know that 50% is getting there and the market is now anyway are aware of it and it is gradual had it been implemented. If all in one go, definitely the impact would have been much higher, but it is all happening in a

gradual manner like over the period of time, but still I said that other things remaining same we definitely had been hit as compared to the other markets because it is like, they have a broad investor base and other thing and they have institutional participation for a very long time even the client they were planning large and other things. So that way it is like, this is a market but we have to see that normally in all these cases, generally people will take maybe a quarter or two quarters they may take and get themselves adjusted to that one but we have to see that how the things will shape up.

Charanjit: Okay. So, should be rightly understand that the incremental negative impact may not be that high as what we have seen that is in the volumes for the.....

Praveen DG: Like I have given the example of the same thing you have seen like today in the month of May, the volatility is there and good, like because of the volatility and other things we have again could be able to do something around 32,000 but March and April definitely the period was not that volatile the commodities were not that volatile, that way. And over and above the things have been now increased from that time it was included for 25% to 50% all has resulted like, so it's very difficult to say that were exactly we have to put a thing and say that what led to how much impact but if you have good volatility and other thing remains same we can continue to better perform but otherwise it is like because generally the volatility is the main factor for any market like exchanges, because the moment you have whether it is an uptrend or a downtrend, it all depends upon how much the volatile the market is, if it is there definitely you can able to perform better, after that one we can work more towards enlarging the ecosystem and how we can ourselves can get integrated with the ecosystem, the closer we are it is better it is like more efficient will be the price discovery and also it is like, more and more participant, that is the reason even in base metal we started increasing our delivery centers like for example earlier aluminum, it was only we were having Thane as delivery point, but now it is like we have made Raipur as delivery center that way it is like, we are making more and more the physical market participants getting into this particular market and not only this market is used for hedging some participants are also using it as a delivery of last resort that is what we have seen all this period during the COVID period.

Charanjit: Okay. So, sir the first question on the commodity futures market itself, how we should see the overall market size in terms of do you thing that it is the right way to look at any kind of a benchmark in terms of turnover to GDP or commodity turnover to equity. So, which can give us some benchmark in terms of understanding that how large this market could be and what could be the sustainable growth in the turnover for the future?

Praveen DG: The way it is like suppose we wanted to do it a benchmark because definitely the multiples generally in some of the markets they use the multiples, what is the size of this market compared to the physical market, that is one way of looking at it. Some even rightly like you have said that, even it can be comparable to the GDP versus other things, but apart from that on parallel you have to look at like how the regulatory framework is for example like that it is like still the markets are like there are certain restrictions are there, like I will give an example in case of

gold, mutual fund/institutions can able to hold up to 180 days, but when it comes to metals, you are not able to hold it for more than 30 days. So, there are certain things like index options currently not available in this market. And maybe like, there are scope for more new products can come into this market like we are looking for electricity and like another development which you would have seen like SEBI has come out with a discussion paper on the spot trading platform for the gold. So, these are all which can differentiate our market from the others, but you want to compare you can compare it with for example, if it is a LME market generally London Metal Exchange, this is generally considered to be a market for pan global market. So, in that case, you have to see that whether you have to take GDP of UK or whether you have to take GDP of global because that is the way you have to look at it. So, it all depends upon market-to-market but definitely in my view, I feel that still we are a long way to go to make because our India has been a major producer and consumer of many of these commodities and definitely we have to play a greater role rather than we should not be a just a price taker, we should also become a price giver that is what the way I look at it.

Rohit Singhania:

Sir, sorry this is Rohit Singhania here, one question from my side. Sir when we look at your business model and I've been reading your last three, four years transcript and trying to understand. So, the main impact is how do we grow our top line, which could include maybe launching of new products, new contracts or higher delivery volumes or higher participants. So, like you mentioned for base metals you have increased the warehouses you had one in Thane now in Raipur. So, if I see in terms of delivery base, what were your volumes two, three years back, how they are today for base metal have you seen an increase, and since you opened your Raipur warehouse, have you seen any increase in volumes for those base metals where you have after opening up the Raipur warehouse one, and two in terms of your customers really how many of them are actual consumers if you have some data or this square up your positions booked profits, over the month or a week if you could give some explanation for us to understand the whole top line part, how can that move on a steady basis?

Praveen DG:

So, if you take the same example like the base metals, I will just give you the numbers which will give you some fair idea where do we stand and how the things can unfold. For example, in 18-19 financial year, the base metals we used to do something around 9800 crores, that was the turnover we used to do. In 19-20 our turnover has come down to 6000 in 19-20. In 20-21 it is about 6200. And today just I'm giving an example only for the month of May which you can take it like it is 8400, but it may not be like you cannot take one month as the basis but the May month has been very active especially for the metals and other things. And we could be able to do, not only the May even in the month of February and other thing we have done close to around 8450 crores again we have done that even during the month of February. So, that way it is like you can see that earlier it used to be a cash settled because of that one there could be some people, set of participants who used to participate but may not be actual people in the value chain, because it is like in case of not everybody suppose that person if he is looking at the exchange for a delivery purpose or some other purpose then it is like for him a cash settle contract, which will make the things difficult.

So, definitely by adding this kind of thing, why do we wanted Raipur for example, Raipur we have added only for the aluminum, we have not added for everything. Because still there are certain challenges are there like for example, GST challenge is there, if the participants are located from different location my warehouse is in Raipur so, what kind of GST can be given. So, still it is like, we already have recommended to GST council that if the GST council can allow us all the contracts wherever the buyer and seller is outside the state that means the state of where the warehouse is located, in that case can they be given only the IGST because it is a revenue neutral proposition for them. So, that way it is like they are seriously considering our request how we have to see that, how, when we can able to get that kind of thing, but if with this kind of GST concerns and other things will happen one more suggestion that has come if it is like Clearing Corporation only can act as the Agent type of thing which used to be earlier you all would be knowing, if that is the case and anybody can hold the contract, hold the good, and they can just go out in that case it will add more convenience to the market participants.

That way it is like more and more participants can get added to that one. So, there are certain challenges, certain bottlenecks are there which if it gets eased out the market potential is going to be much higher because by adding why do we want to add Raipur, it is in the center location, if you look only aluminum wise yes, we have seen very good deliveries are happening but, just one point we all have to keep it in mind is deliveries generally for exchanges, it is generally call the exchanges as the exchange for the last resort, so that means you don't have any other options when you come on to the exchange and do it because otherwise what will happen in a city like, I always can have a better way to deal with a friend or the one who is next door, at the same time there could be some amount of basis risk. So all these things actually encourage for the OTC, that is the reason many people will not be end up taking the delivery on the exchange. So, even though whatever is the amount of volume that is happening in the exchange, whether it is India or globally. Only less than 1% will result in the delivery but, how are we serving by doing that on. Yes, by having Raipur many people who are located in that location, they can also get added to the ecosystem, they will also feel that we can also start trading in this contract.

Okay, that is the way but definitely we don't want to have a delivery location every nook and corner of the country that is not the way we are looking at it. We wanted to have few important centers, important centers we wanted to concentrate, and we are also equally looking at some swap kind of, you would have heard of LME sword that kind of thing where even the goods can we swapped that kind of platform. So, this all we are looking at it, how we can do it so that if somebody is given in Raipur, but he wanted to have it in Chennai so how the things can get others.

So, all these things may goslowly, we will not be able to expand our delivery centers like anything, at the same time we wanted to serve basically maybe the main centers maybe four or five in location that to on a gradual basis not in one go to make it everything possible. So that every person whoever is located nearby that one whole country can start participating on that one that is the reason even today we are not giving any discount for any contract whether it is delivered for example lead is there, we have a Chennai delivery center we have a Thane delivery

center, we are not giving any discount for that one. So both are treated at par, that means we are looking India say market as a whole. So ones this looks like we feel that we can withstand further we can integrate ourselves better with the ecosystem and we can move forward further.

Rohit Singhanian:

And sir one more question before I hand it over to Charanjit. So, like in equity markets we see in the last one year or 14 months, there has been a lot of participation from a Chennai retail directly into equities, because sitting at home, no work everything going up. So, I was reading your transcript also for fourth quarter even you mentioned some details. So, in equity we believe if there is one correction they will go away, the retail guys who have come in directly thinking, they all will go away. And in case of your exchange, how do you see it and are you really seeing aggression or things changing fast prices have been moving 1%, 2% only people are changing their position. How are you seeing that and how do you see it as a long term opportunity, or it's a short term thing where people have nothing to do right now, so they are trading on exchanges whether it's equity or whether the MCX.

Praveen DG:

See the way we look at it is like this, generally we would have learned many lessons during this COVID period time in the last one year, many things really maybe going forward we will continue to adopt it because it has given for example today the way we are meeting, virtual meetings are happening for example, it because so comfort, the people had it been in a normal people would not have preferred that kind of virtual meeting, but the moment we have. everybody has learned it, the way how to deal with it. Today, the mobile trading for example you would be having more statistics on this one, the mobile trading has been increased so much that even recently even in case of commodity, ICICI has started to their clients and other thing they have started their mobile trading, so people are looking at this kind of new technological developments has really have taken the market and we have seen like the last year there were around 4 lakh participants and this year we have more than 4.5 lakhs. So that way it is like there is a significant development so that means significant increase of participant that we could be able to see whether everybody will go away that is a different thing, but I feel that people know the market, people get to know that means earlier things are different, now people learned how to deal with the things and they know the market it is there. So definitely we expect that many of the people will continue to be there in this market.

Rohit Singhanian:

Okay, thank you sir. Charanjit over to you I'll come back.

Charanjit:

Yes, sir. So, Rohit sir also mentioned about this thing, if you can help us understand in terms of the volumes how they are split between retail, institutional, algo, non-algo, plus hedging versus speculative and how the trend would have changed over the years. So, what is retail institutional, algo, non-algo and then hedging and speculative?

Praveen DG:

Okay. So, the way we have the statistics, for example, I will tell you is we categorize the trading to an algo or a non-algo that is one way where we are looking at it. For example, this is roughly today it is about 40% to 60% roughly I'm saying, like algo is around 40% were in the non-algo is around 60% that is the way we have it. And even a year back like for example 19-20 the

numbers are not very significantly different, it is very close, these numbers are very close, slightly maybe (+/-2%) is there between the algo or non-algo. So, that is a way if we can look between this one. Similarly the client participation for example, the way we can see the cliental thing also it is more or less same, it is like if you look at proprietary versus clientele participation, it is roughly in today we stand around 35% to 65%, 35 is proprietary and 65% is the clientele thing that is what we can look at it, the trend remains more or less the same. There is no significant change in this kind of trend that has happened over the period of time and mobile trading definitely has gone up maybe we could see really some good progress 5% to 6% movement more is happening in case of mobile trading, definitely there is an increase that we could be able to see.

And regarding the physical market participants and other things. So, generally the way we capture the information is more of voluntary in nature because that particular participant or a particular client has to explicitly express that whether he is hedger in a particular category or it is more on a voluntary basis because unlike in global markets, we won't differentiate whether he is a retailer or whether he is a value chain participant in this one or not. So, margins remains the same or any other treatment will remain the same. So, that way it is more voluntary basis and other thing, but the way we look at it is mainly the open interest we looked at it, because at the end of the day only, we will be knowing a precise number how the things are there but we definitely can say that a significant percentage maybe ranging from 20 to 40 or something is there between hedger positions are there in different contract. So, there is a good participation in that, but it is only confining to open interest I'm not talking about because there could be a lot of trading that could happen in the form of intraday trading, that is we all know that one, that is the way it can happen but yes there is a significant level of participation is happening but in case of institutional participation and other things, still there is a long way to go, their participation is not significant as of now, it is very marginal. Maybe very few mutual funds have get into this like Tata, Nippon and maybe the ICICI Pru, they all have started participating in this market and they are participating in some select set of commodities.

Similarly, the banks subsidiaries they started expanding the clientele base but registered clients that way it is like there is a big jump is happening because it became very easy now to become convert a particular thing because a lot of integration happened between the commodity brokers and security that means earlier they used to have two different arms and other things, but many other people now after the commodities market coming into the fold of the commodities market, then things became like many people have gone for maybe single registration and that kind of thing. So, that they are also some amount of consolidation happened and it is actually there it becomes very easy to convert a client from commodity to security because commodity derivatives also been considered as a security itself that way.

So, that way it became a thing but it is a long way to go in case of especially the institutional participation most of them are now I can say that the corporates retail and other set of participants and the brokers who trade in the market now.

Charanjit: Okay. And sir in terms of our client concentration overall top 10 members or top five members, how much will they be contributing and again that concentration how is the shifting?

Praveen DG: Just a moment I'll see if I have numbers, we can say that there is some amount of concentration has been, little bit increased during this year compared to the last year. But the way we look at it is, it is like because when a lot of changes have happened in this market, you all know that we have migrated from a normal market to a compulsory delivery contract and many mini's have been discontinued. And there is a certain amount of integration happened at intermediate level. All this has led to some amount of slightly higher concentration as compared to the previous year. But how long, Bolar can you throw something on fee realization that will be an example like how, the transaction fee realization that we'll throw some light on the concentration.

Satyajeet Bolar: Good afternoon. As Praveen said, we have two slab on what we collect from our members. So, we have a slab of up to 350 crores where the members are charged Rs.2.60 per crore or Rs.260 and then as the members turnover is more than 350 crores they pay as Rs.1.75. So, the average realization for the quarter that is March quarter was reasonably better Rs.2.068 per lakh as compared to Rs.2.055 per lakh in the previous quarter but if we look at it for the year, year wise then our concentration as Praveen said because there is concentration amongst the top member, say for the realization has reduced as compared to the previous year but on quarter-to-quarter in the March quarter we were better than December, but overall if you compare March 21 with March 20, then the realization has dropped a bit. But, that goes with the industry isn't it, while we would ideally want to have more to be even based, but the fact is that you will have a few members. And this is not Praveen would correct me, but this keeps changing, it is not that one member would be in the top three or top five it keeps changing. So it is not that the concentration is only with the top five, and the top five doesn't change. So while it may be in the top five, the members within the top five will keep changing. I hope I has given some explanation to the concentrate.

Charanjit: Yes, that's helpful sir. So, now you talked about all this initiatives. One is definitely the bank subsidiaries, started distributing the product and we're also looking at new products like power derivatives or gold spot or others spot exchanges. So, one is from the contribution from Bank subsidies itself what percentage is now in the distribution overall coming from bank subsidiaries and they could have got impacted because this crude overall volatility, but do you think that their participation going forward can increase, that could have overall impact on our overall turnover growth perspective. So, that is from the new products?

Satyajeet Bolar: Just a bit in we should also remember that from April 21 we have also started charging for our indices from the BULLDEX and all this, Praveen will give you more details, but that is an additional product on which we have monetized like though we had launched it in 2020 they started monetizing it from April, so in April the turnover is around 260 crores, and it is around, +400, so we have started monetizing it. So that's an additional product that you have. Praveen you can take it forward.

Praveen DG:

Yes, so it is having a history of only six months roughly I am telling BULLDEX we have promoted in the month of August and the base metals index we have started in the month of October, both really got very good response and maybe around 300 to 400 crores we are doing it on a daily basis that is a very good thing. And we have to see that because indexes for a long in this market we could not have any business but with this one development and other thing really with mini contracts going out, and other thing, this definitely is going to be a great contribution to the exchange going forward and also it is like today, index futures have been allowed. And I think index options are to be also allowed once SEBI allows us to do that one where we can see that the options also will complement these kind of products, that is definitely going to be big advantage to the exchange.

One more thing that we have to look at is today cross margin benefit between the index and the underlying futures is not there, at present it is not given but we have already represented to the SEBI and we are very close to that, very soon we will be able to get that permission for giving that cross margin that means one is having one leg on the index and other leg on the underlying commodity, then they will get a significant margin benefit that all can definitely can add to the advantage of these products and both not only this index per se, it will also complement the underlying commodities because there can be many investors maybe the people who are very averse to the initially to get into the delivery based contract and other thing, for those kind of sets of participants and other thing even today in equity market for example, if you looked at it, a significant amount of maybe the 80% or something is coming from index options and futures that is a way we can look at it.

So these products definitely will add convenience to the retailer, I am telling this more and more products with this kind of index, index options and maybe this one and with mobile technologies all this will definitely supplement to this progress in this market.

Charanjit:

Praveen we are also launching the MCX electricity futures and also iron?

Praveen DG:

Those are actually in the pipeline, the way we are looking at it is like, you would have been already known that we had signed a licensing agreement with IEX for settling our contracts, Electricity derivative that is one thing we are looking forward. Second we are also looking for, because once delivery people now, delivery not considered to be a really concern for many now because people now it is almost a year people now got used to trading, how to trade in this kind of contract. And we are seeing that yes, both the investors and other kind of set of participants, category of participants are also increasingly participating in both compulsory delivery kind of contracts, so with this one even if going forward if you can be able to come out with some of the delivery based contracts. We have learned long, we also have learned over the period of time, many got the experience and everything now.

So, the things maybe once we come out with a new contract which like contracts like we are an aluminum alloy, steel we are all planning to come out with these contracts, but delivery is no more is we see it as a major challenge to the exchange or the parties, the way we look at it. And

yes, the people will this is a relatively a comparatively still in the nascent stage as compared to the equity market where everybody is allowed like for example foreign participation is not allowed in the commodities market, only the people who are having exposure in the commodities market in Indian market, they only can able to participate, but recently we have conducted some meeting with the regulator and other people and many people from the industry have participated and they have given that position like because maybe at least to a particular strength, if they can able to allow the participants without having any exposure to trade in this Indian market. So, that way it is like we can, if that kind of regulatory enablement will happen over the period of time we can see that the market we could see that some people also may be looking at Indian markets, which can definitely look forward as the prices that they are going forward.

Charanjit:

So, there are a lot of these positive things which are happening, new products getting launched, new distribution channels. So one, if you look at the baseline growth which you would have thought in the turnover that you would be factoring in, what would be that if you have to look at from next three to five years perspective and when you look at these new products, and all these new initiatives being taken care of, how much additional growth can come because of these factors. So one is the base growth and what could be the additional on top of that because of all these factors?

Praveen DG:

Bolarij you would like to take it?

Satyajeet Bolar:

If you take our CAGR on the ADT, for the past three years it has been at 8% and if you actually look at our turnover, I have the figures with me. So, if you look at our turnover in the past five years we were in the range of around 23,000 per year, average daily turnover. So we had a big jump in 19-20. In 19-20, we had a turnover of 32,550 and we were hopeful all of us were positive that 2021 would be even better. Having said that, we know what happened last year and Praveen just explained that the first quarter of 2021 was a total washout, but thanks to the volatility in Bullion, we made some lost ground and we ended up at 31,200 crores turnover. This year April has been bad 25,000 crores this month has been good, if the markets are volatile everyone I speak to tell me that you are in a boom phase, the commodities are in a boom phase. I hope it translates on our turnover and as you were mentioning on the volume wise, not only on the price because while we may be agnostic on the pricing because we charge on the price our turn our revenues on the price. So, while we're happy with the price going up we definitely want the volume to go up and it has been going up in base metals especially.

But going forward, as you rightly said if we have more products as well as a better distribution then it would be definitely and the way the economy is growing and if you see that this is going to reflect, going to be a reflection of the spot exchanges with the better integration between the future exchange and the spot exchange, we are on a positive trend. But, they are lot of that is on the long term, but short term all of us have this issues every quarter-on-quarter 2017-18. While now we are all happy with Bullion in 2017-18 when the demonetization came, that time Bullion was wiped off, that time we were on base metal. We were depending on base metals and on crude. Now, in this quarter, the base metals has again shown some recovery this quarter and the

previous quarter, others base metals because of the change in the system of the contract system, and the compulsory delivery and the regulator said you have to have only one contract, and you can't have many and large so the size change, so base metal took a bad beating. But last year was basically we managed and survive because of Bullion so we are lucky and that we have these products, we'd like to increase the product even more, but the fact is that we have a Bullion, we have energy and we have base metals, the way the economy moves, the global economy and the Indian economy moves we will have a pie in the segment, so we are they, now it is less to us whether how to bring an additional product. ... was telling us about aluminum, was also telling us about electricity.

So, the plan now it depends on how we execute it, is not it and with the support from the regulator, we can tweak it to our advantage. And everyone would want India to be a destination isn't it, the way we are the price setter, isn't it or all the products in which we are a major consumer. So, going forward it's a rosy picture, but it is how we navigate and how we are able to convince the regulator as well as the participants. Then they see value in what we are delivering, I both are able to see value in what we're delivering, we should be able to be in a much better position and CAGR should be more than 8% going forward, because we had a tough year, 2021 was a tough year if it was not for Bullion it would have been very, we'd have been in real difficult times, but thanks to the volatility in Bullion we had a turnover of 31,200.

Charanjit: Okay. Sir what proportion of these turnover within the base metals will be. So, now we have formed a new base for this base metal I mean it is no longer been there?

Praveen DG: No, currently there is anyway there are not many. So, however anyway we are just looking for representation to SEBI on because there are set of participants even would be requiring that kind of metal in a smaller quantity. So, we have to see that how the regulatory things will unfold. But as of today, it is like most of the metals are out for example if you take the case of zinc, lead and zinc lead we are of the size about 5 metric tonne, and the copper is about 2.5 metric tonne and the nickel is about 1.5 metric tonne, that is the way it is. Most of them are closer to our earlier the main contract, but even in case of certain contract like copper for example, earlier it was only 1 metric tonne, but it is now it has been increased to 2.5 metric tonne, because it has to be also be in-line with the deliverable lot. So, that is also we have to see that how it is going to be bundled, how it can be transported, all these things considering into this one it is like we cannot have in any number but we will have to depending upon the industrial practices we have to decide it, but as of now it is yes, we have mainly one and this itself became the base and we have to see that going forward whether we can able to. If regulator permits we can look for maybe again, the minis we can look at it if at all that is permit regulator otherwise apart from that one there are other products as well like I said, aluminum alloys, steel and all those things will be looked at.

Parallely we also wanted to expand the delivery location in a phased manner such that it is like all the key locations will be well captured and the market can get more and more integrated with this derivatives market.

Charanjit: Okay. So, this would have been the key reason that while you have the base metals saw a huge volatility in the pricing, our turnover didn't see that kind of an increase. In FY21 the base metals price volatility was pretty high, but in terms of our turnover the growth was not that high because generally it is linked to the volatility.

Praveen DG: Like I said, there are many things during 2020, all the conversion, everything happened over the period of time between 19 to 20 months during that period. So, the contracts are pretty new, and minis have been discontinued, you can understand that there were many things' people would have been taking some time to get adjusted to the new thing. Because the last five years having changed, it became compulsory delivery, then people have to look for how to handle the GST registration, that kind of thing. So, all these things people taken time because the participants getting adjusted to the new environment, that is the way people are, that is a reason who two have been not exactly able to capitalize on all the volatility whatever is there in the market.

Satyajeet Bolar: And also last year, in the first quarter, we had all this, with the lockdown warehouses and all the logistics was very difficult. So, the first quarter, June 20 quarter, the lockdown being very restricted.

Praveen DG: This time even if you look at it, despite that kind of lockdown and other things, deliveries have been pretty good. That means people for example in the financial year 2021 we have done something around 60,000 metric tonne we have done it, earlier we have done something around 75,000 metric tonne we are done. But like I said, this is not a delivery it's more an indicator but it shows that how yourself have got integrated with physical market. Because delivery is more like I need to have a delivery mechanism so that it can act as a threat of delivery at the moment you have a threat, threat of delivery that will ensure that the spot and futures will converge at the time of expiry.

Charanjit: Okay. And sir institutional participation like you mentioned, it is pretty low right now. So what are the factors which can drive that institutional participation from the regulatory front, from our side what we are trying to do, and do you think that it can become meaningful in the next three to five years or it is a in term to be a very long drawn process for us and it will be mainly the smaller traders or SMEs will be the main participants there?

Praveen DG: Currently the institutional wise, I'm not talking about the corporates I'm talking about like the mutual funds or PMS for example, in case of PMS, till clarity is not there whether the GST has to be against each name like each client's name along the PMS is getting maintained. In that case, it becomes even more complex for a fund manager to have different GST registration for a client. In that the moment the GST clarification and other things can come definitely that can be helping for these people to take the market forward.

Second thing is, if you look at the mutual funds like the way I was telling earlier for in a gradual manner initially because for every mutual fund it is like you require a custodian is required, initially custodians were allowed for gold, later custodian were allowed in the recently they were

also been allowed in the base metals. So they started participating in that one, the product like indexes have been launched very recently. Options started to take place; options are yet to fully graduate to that level the way equity markets are functioning because it is slightly different animal as compared to the equity market. These are option on futures as compared to those are offering cash or option on spot kind of instruments. And even though in case of institutional market participants, today's only gold ETF is allowed, silver ETF is not allowed or ETF similar to somebody can you able to make crude oil ETF and those are all not allowed as of now. At the same time there are restriction like they were, not more than 10% exposure can be there in a single commodity. So, all these things because even the regulator will not open up all these things in one go, he wanted everything to be gradual, naturally, because everything as things get progressing automatically will start opening up, the markets will start opening up that kind of enablement definitely will contribute to this market.

Satyajeet Bolar: Praveen, also last year we didn't have any mutual funds now, at least we have three to four mutual funds who are participating, that a very positive. It will be baby steps, but it's a big positive that they went, that they are participating.

Praveen DG: And see all the existing funds cannot get into this one because, the rule says that for existing investors have to agree to that one, to make even the commodities became part of that existing scheme. So, the new schemes can come with all the disclosures in the beginning only but nobody will be willing to change the old scheme or what is already been running because they have to take a consent from existing investors and such kind of all these issues are there, so anything will happen it will be gradual, but it will not be happening in one go big way.

Charanjit: Okay. And the other aspect was from the hedging perspective where corporate for example, a Larsen or any other companies wants to hedge, when we can see that kind of liquidity increasing?

Praveen DG: For example, I'll take the case of gold for example. RBI earlier has stopped giving permission for people, domestic companies to go and hedge overseas after that one, a significant open interest has been built up in all the Bullion contracts. So, because it is like now, at the same time we could able to, that means our liquidity, our depth was sufficient enough it could be able to observe that kind of OI of that kind of thing. So, if that kind of any regulatory enablement happened in case of metals because today metals they don't have any that kind of thing because even that the large producers who are, they have access to the global exchange, but SMEs and another thing anyway, for them they look for because for them, even the delivery locations matter, because they look for the basis risk and other thing maybe those people and the GST issues once it gets resolved, this all can make the people like SME all those people to come, but today for listed companies SEBI has come out with the regulations for LODR regulations and other thing.

Wherein every listed company is compelled to make certain amount of disclosure. By doing that one they will know that, what is the extent of that means, they will know that because the shareholders of that particular company know that how the hedging policy of that company that

means, the SEBI, the regulator as well as regulator is making its effort really to make the people, the companies sensitizing about the amount of price risk and making the shareholders aware of it, that way it is like indirectly it is making. So, if is a direct mandate like in case of gold and other thing, the things can be go pretty fast, but in this case, I can say that it can be only a gradual process and maybe the ones maybe the foreign institutional participation more and more relaxations may come, this market can also can become much bigger at the same time we are definitely not comparing with the global exchanges because it is like our contract size itself is very difficult for example, if you take a LME contract it is of a size of 25 metric tonne as compared to our contract of 5 metric tonne so it is a big different and it is our loss or smaller we are catering to our set of domestic market participants. So, there are still certain number of challenges there, so we cannot expect that all corporates will come but you are looking at the picture of the way, like the way I was telling that a significant percentage of open interest is coming from the value chain participant that is what is increasing.

Satyajeet Bolar: Praveen, also you may like to add on the eligible foreign entities?

Praveen DG: Yes, I told in a way so, it is like basically those who are having only exposure in the domestic market, they only can be able to hedge, they can able to come into this market and other thing, but it will put a lot of challenges to these people because no other market is like if you take the global market and other thing they don't have any that kind of restrictions, any company can go and trade there so that way it is more liberal and that is the reason the market can become bigger, but in our case it is gradual the only thing is once one, after one regulatory enablement and other thing people getting adjusted to this one, all these things will be gradual in Indian market.

Satyajeet Bolar: And also we should keep in mind that our regulators, SEBI has just taken this commodity space in 2017-18 so probably they want to trade a bit slowly till they get a comfort, but they have already made so many positive announcements in the commodity space. So, things would only improve going forward.

Charanjit: Okay. So, another one question on the options side generally what we've seen is that the option volumes tend to be much higher than the future side, on the option front, how do you see the things can shape up for us, even in the equity options they have much more liquidity than the futures but on the MCX we have a opposite volumes so, if you can just highlight from that and how we can see options gaining more momentum?

Praveen DG: Today if you look at it, equity market it is predominantly the index options. So, in case of like for example, even in the stock options, all these markets were initially the contracts were cash settled. Gradually, recently only that stock options have become like a delivery type of the contract that means, you already have a big investor base in these contracts. But, when it comes to the commodities market, when we started only all the restrictions were already there, like for example, we could able to come only with the option on futures, wherein there is a concept of devolvement is there, devolvement margins are involved, this is a slightly different, and the investors are not getting used to it, at the same time we still don't have any index options are not

allowed, even the index futures were just been launched, that means it is just a not even having a history of this one. So, we have to see that all these products, once it reaches to a particular threshold, then we can see that it can be able to get good traction from different set of investors, till that time it is like our markets are still, because we require option writers are required, we require different set of participants. But anyway, recently we started maybe the peak margin to some extent maybe has contributed to increase in the margin turnover, auction turnover and other thing. So we have to see that how the things will do but it is still a long way we cannot expect that all can happen, but maybe this kind of products, new products if they start coming into this market and other thing and we can see that more and more people can start looking at the options.

Vinit Sambre: I think Charanjit got dropped off.

Rohit Singhania: Vinit, nothing else from me, Vinit anything else from you?

Vinit Sambre: No, you have covered. Charanjit anything, I think you got dropped off?

Charanjit: No, actually I was on mute actually, sorry. So, the other aspect is, just two more things one is in this technology cost which is a substantial cost for us and there you are doing some changes in terms of the new contract with TCS, so in terms of what could be the onetime payment which you intent to do there and what's the kind of benefit which we can get in terms of reduction in the overall technology cost what we see in the P&L. And would you be also utilizing the same platform for the new product like which are coming in spot exchanges and all?

Satyajeet Bolar: Yes, so while they take it I'll just give a view, we have existing arrangement with the present service provider is valid till September 22. So we have entered into this agreement with TCS and they are going to develop the platform, and hopefully it will that is our target sometime in July 22 we would go live anytime between July and September, we will go live. So basically when I am saying we will be running parallel before that, but when we go live we cut off from the present system and we are on the new system totally. So there's a fixed cost, the fixed cost would be using the Deutsche Börse T7 license platform for the trading part. And with TCS is tweaking to meet our Indian requirements. So, that is the trading part, they are also developing the clearing and settlement platform so together, that is the platform that they are developing. Obviously, as MD mentioned in the investor call that we won't be able to give the figures but it is very competitive.

On the operational aspect, I'm presently aware that we pay a fixed as well as variable costs to the present service provider. So, presently it works out to around 14% to 15% of our transaction charges, if it's Rs.100, I pay them Rs.15 as operational expenses. But going forward, we'll be paying TCS a fixed AMC. So obviously the AMC is not linked to our transaction charges. And hopefully, as volumes increase and incidentally our MD mentioned in the concall also that the AMCs are reasonable amount, you can't compare the two. So obviously, there's going to be a lot of savings from the operational side. But we also have to keep in mind that we will be

capitalizing the license and customization and implementation cost, and then it would be amortized over a period of six to eight years so those expenses will go up.

We are also beefing up our IT bench strength so once the system gets amortized there will be some additional cost that could come on from the IT front. Also there will be some new systems that would come in, but on net, net, there will be a substantial savings on the operational expenses from the IT perspective. And this will be used for all the products that we're offering on our present platform on the futures platform. So the agreement is that all existing products, and also new product which SEBI allows till we go live that would come in and then we discussed with them and take it forward and it is a perpetual license. As long as we pay the AMC we use the platform.

Charanjit: Okay. And just lastly so in terms of the cash balance which will be left once we pay out so any utilization for us in terms of dividend?

Satyajeet Bolar: MD has said that two things that we are looking at in addition to the commodities derivatives products, one is the co-location which SEBI is yet to come and give us approval so we will have to setup a data center. Second this is also, we may have to set up the international Bullion exchange, as well as the spot exchange, Bullion spot exchange. So, we will have to capitalize both the entities. So there will be some cash outflows for the international Bullion exchange, which will be a consortium with other exchanges and GIFT City, as well as for the slot exchange, we have not received proper clarity, but in case it has to be set up with a separate exchange then there would be, we will have to capitalize it, if it's going to be part of the exchange itself then probably it would be another vertical, another segment, but then there may be some settlement guarantee funds requirement. So, not too much of clarity on that so far, but these are the three main reasons why we may need some cash going forward.

Charanjit: Okay. So, you also talked about this SGF part, so in terms of a SGF sir if you can give us an understanding, how we go about hedging, what would be our SGF?

Satyajeet Bolar: As on 31st March we had an SGF of around 469 crores. So, as per the SEBI guideline is a contribution from the exchange that is 25% that has been contributed by the exchange and the balance has to be contributed by the Clearing Corporation. Also, SEBI says that you can take it from members also, so the industry practice so far is that none in the equity market. NSE nor BSE nor the other exchanges none of them take any contribution from members. So, that's the industry practice. So, basically the 469 crores is contributed by the Clearing Corporation as well as the exchange. And unfortunately in SGF what goes in doesn't come back. So it's a one way street. And the income then accrues whatever interest is earned on the corpus accrues back to the SGF. So that is how it is, there is a shift in the Clearing Corporation. And when we consolidate our books, there's a separate line item in our balance sheet which talks of the SGF. So it's around 469 crore as on 31st March, it's now around 473, 474 on April, so it will keep growing, the interest will keep accruing.

- Charanjit:** So, for us it is 25% of what sir, overall transaction, or how is that?
- Satyajeet Bolar:** No, of the SGF so there is also in the SGF there is something known as a minimum required – corpus so as per the SEBI methodology you have to work out the minimum required corpus which is known as MRC. So, on the MRC, the exchange has to contribute around 25%. Now, the minimum required corpus is around 366 crore so we have already contributed, I just mentioned once it is in, it is in there is no way it can come out. So, that is how it is.
- Charanjit:** Our incremental contribution to SGF what we issue in the P&L that will not be very significant?
- Satyajeet Bolar:** No, we have not made any contribution in 2021 from the P&L. We had made around 4 crore contribution in 19-20. And last year we didn't make any contribution.
- Charanjit:** Okay, but going forward will we have to do?
- Satyajeet Bolar:** I hope not because we feel that this is quite sufficient. Unless there's some hiccups, we don't foresee any contribution this year and at this point of time nothing.
- Charanjit:** Okay. So those are my questions, anybody else Vinit sir, Rohit sir do you have any further question?
- Vinit Sambre:** No, nothing from me Charanjit.
- Charanjit:** Thank you sir for your time. And take care, all the best sir. Thank you.
- Praveen DG:** Thank you.
- Satyajeet Bolar:** Thank you.
- Vinit Sambre:** Thank you.
- Rohit Singhania:** Thank you.