

MCX/SEC/1193

October 28, 2016

The Dy. General Manager,  
**Corporate Relations & Services Dept.,**  
The Bombay Stock Exchange Limited  
Phirojsha Jeejibhoy Towers,  
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**Ref.: Scrip code: 534091 Scrip ID: MCX**  
**Sub. : Transcript of the conference call with investors/analysts**

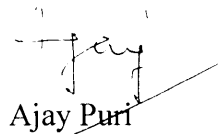
Dear Sir,

Please find enclosed herewith transcript of the conference call with investors/analysts held on October 26, 2016 at 2:30 p.m. IST.

Kindly take the same on record and acknowledge.

Thanking you,

Yours faithfully,  
**For Multi Commodity Exchange of India Limited**



Ajay Puri  
**Company Secretary & CCO**



## “Multi Commodity Exchange of India Q2 FY17 Earnings Conference Call”

**October 26, 2016**



**MANAGEMENT: MR. MRUGANK PARANJPE – MANAGING DIRECTOR &  
CEO, MULTI COMMODITY EXCHANGE OF INDIA  
MR. AJAY PURI – COMPANY SECRETARY & CHIEF  
COMPLIANCE OFFICER & HEAD IR, MULTI  
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MR. VIKAS PHADKE, VICE PRESIDENT, FINANCE &  
ACCOUNTS, MULTI COMMODITY EXCHANGE OF INDIA**

**MODERATOR: MR. GAUTAM CHHAOCHHARIA – HEAD OF INDIA  
RESEARCH, UBS SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY17 earnings conference call of Multi Commodity Exchange of India hosted by UBS Securities. 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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gautam Chhaochharia, Head of India Research, UBS Securities, thank you and over to you sir.

**Gautam Chhaochharia:** Thanks. We are pleased to have the MCX management to present on the Q2 call, we have with us Mr. Mrugank Paranjape, Managing Director and CEO, Mr. Ajay Puri, Company Secretary and Chief Compliance Officer as well as Head IR and Mr. Vikas Phadke, Vice President, Finance and Accounts. I will hand over to Mrugank to give an overview of the numbers and the Q2 details and then we will open it up for Q&A.

**Mrugank Paranjape:** Thank you. Thanks Gautam and thank you everybody and to all of you a welcome back to the earnings call from MCX. As you know we used to have this probably quite some time back and we agreed with everybody that we will renew this and do this on a quarterly basis, so again thanks for joining in today.

A quick overview in terms of the business itself, I think beginning of this financial year as SEBI took over FMC and the integration was going on there was a lot of expectation and a lot of it has already come through and some is in progress. So we are seeing the roadmap for introduction of new products in terms of options already being conformed by SEBI and the C-DAC which is the Derivatives Advisory Committee looking into the other products to be launched in future. Similarly SEBI has indicated a roadmap for financial institutions, banks, mutual funds, incoming into this market, etc. So clearly an opportunity which everybody saw already in some parts fructified but needs a long term in terms of the actual regulations to come in. We also think that

SEBI with its enhanced powers which it has as a regulator will make this a much better market in terms of its integrity and help it going forward. So that's really how we have seen this first half of the year and what we expect SEBI to continue doing in terms of the development and in terms of its oversight of this market.

Quick snapshot in terms of our shareholding, we continue to have a very diverse shareholding consisting of financial institutions, banks, mutual funds, FIIs and corporates and locals and as we have given in the details we now have a very well diversified Board which includes independent members 7 of them, 6 shareholder Directors including one whose appointment is currently under regulatory approval and we have a very well diversified background as well for these people. So from my perspective and since this is the first time I am coming in front of you for a call 5 months plus in this job and I think everything that we have seen here points to a very solid foundation and I would just like to run through the numbers now to give you an idea on way we see the numbers for this quarter as well as the first half of the year and would be very happy to take questions thereafter.

So if you look at our Q2 FY17 numbers, our operating income is 65.25 crores and as compared to the corresponding quarter last year is 7% increase and our Other Income which is the income coming out of the treasury operations is an increase of 5%, so both are very healthy numbers. If you look to our turnover number in terms of the ADT that we have for the corresponding period we have had an increase of 12% in our ADT which reflects that we, of course, have some of our larger members doing more business in this period because of which the average realization has gone from 1.81 to Rs. 1.77 per lakh in terms of turnover. Total Income we have reported a 6% increase. And just a quick note on the Other Income we see this Other Income in spite of the lower rates that have come through in the corresponding period predominantly because we have had some change in our portfolio and we are using more efficient instruments as well as looking at our portfolio to see how we can maintain the returns that we get given the liquid money that we have available with us.

In terms of the Operating Expenses, very happy to note that we have kept them well under control. They are 7% below the number for last year and even on a quarter-to-quarter basis they are absolutely looking healthy. So clearly in terms of some of the details which have also been given in the exchange release that we had, predominantly in this year we have seen the costs go up on our headcount and our people related cost. This is driven by three factors; one is of course, a natural increase which we have to keeping in mind the Indian employment conditions. The second big chunk comes from the fact that we have increased our headcount significantly, in this period last year our headcount has gone up from 286 for the corresponding period last year to 253 for this year and most of that increase is in technology and risk. Last but not the least, over this period we have also filled in a whole lot of senior management positions which in the interim, as some of you would be aware, were vacant. But in spite of this we have managed to contain our costs predominantly in the area of advertisement and in some of the other expenses that we had, ancillaries, software, etc., to keep the overall expenditure absolutely below last year and contributing therefore to our EBITDA margin which has gone up from 52% to 58% now.

Interest and depreciation is again gone down from 6.52 to 4.28. This is driven by two factors, one, the introduction of IndAS for the accounting has led to a change in the way the gross block and net block was considered and given a larger operating life that we use for assets which reduce the depreciation number. In addition to that there are also some assets which got fully depreciated during this period and that's adding to what we have as a reduced interest and depreciation cost.

Overall our Profit Before Tax has moved from 40.3 crores to 51.07 crores and with the provision for taxation we have Profit After Tax at 37.65 crores for this quarter as compared to 30.59 for the last quarter. As you would be aware treatment of certain investments especially in subsidiaries or other equities is now treated under OCI, Other Comprehensive Income for us, so subsequent to the introduction of IndAS the 6.74 crores which you see here is the impact of the MSEI investment where we had out of court settlement. We got our

warrants converted to shares and we also got a refund of 15.07 crores to end that litigation. So that sort of gives you an idea of our quarter-on-quarter numbers.

If we then look at our half yearly numbers, again the trend is very similar. In terms of Operating Income it's a 9% increase for the half-year. In terms of Other Income it's a 25% increase. And if you look at some of the other operating parameters, on the EBITDA margin for the half year it's very similar numbers for last year which for the half year was 52% and this year for the half year we are seeing it at about 57%. More importantly in terms of our total Profit After Tax the increase is pretty similar, we have a 51.8 to going up to a 70.46 which is a 36% increase in a year-on-year comparison.

So that really is some of the key highlights in terms of the operating details. I think we would take questions from here on Gautam.

**Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

**Kunal Shah:** The question is with respect to cost, so broadly when we look at the cost and compared it with Q1 it's almost stable. So what would be the outlook out there, not only with respect to the variable obviously that would be more transaction fee oriented but outside of that how are we looking at the overall cost trend?

**Mrugank Paranjape:** One, we really are not giving any forecast numbers just now but if you look at all the 5 key heads that we have listed in the details, employee expenses are somewhere in the range that we expect it to be. There could be about 15-20% increase probably in the employee expenses which will be more an impact of either annualization or an impact because of some of the balance hires which we are completing at this point of time. The depreciation expense will be in line with what you are seeing and advertisement expenses is something where definitely for this quarter we will not have any increase but we do expect an increase in the advertisement expenses in the fourth quarter of this year in

line with the fact that we expect a lot of activity to be done in line with the options launch and that is where we will spend some money in terms of investor education, in terms of actual reaching out to participants, hedgers, etc., so that is the one line where you would see some increment. So those are the two or three places where they would be a change but otherwise, yes, this is the trend we expect for the rest of the two quarters as well.

**Kunal Shah:** So on software also we are not seeing any major change?

**Mrugank Paranjape:** Absolutely, as you know predominantly on the software the biggest chunk is a revenue related variable price that we pay to our software partner and, therefore, the change will be in line with our ADT numbers and nothing else.

**Kunal Shah:** Overall in terms of comprehensive income net of tax which is there what exactly is that related, there is some breakup which is there obviously in the disclosures but for say particularly with respect to the projection how should we look into this?

**Mrugank Paranjape:** Just as we had explained earlier as well OCI includes the impact that comes through predominantly on account of any investments that we would have made in subsidiaries and in other equity like instruments. From our perspective as you know we, of course, have our own 100% subsidiary which is our clearing corporation but we do not expect any negative impact from that. The one which has contributed to the negative impact is the investment that we have in MSEI. Like again I explained, we had a 41 crore warrants which was under a dispute. As you would be aware we had declared in the last quarterly as well we had reached an out of court settlement with MSEI on this one. As part of the settlement a portion of our warrants which is roughly 26.51 crores of our warrants were converted into shares and we got the balance money as a refund from the Indian courts as a part of our out of court settlement. On our existing investments, we need to do a mark-to-market and that is the reason for the 6.74 other comprehensive income loss that you are seeing. So that's the mark-to-market valuation impact of the MSEI shares that we hold.

**Kunal Shah:** With respect to MSEI now everything is settled, so now there would be no further provisioning requirement in P&L going forward.

**Mrugank Paranjape:** I would not be able to say that because I cannot predict the price of MSEI, but yes to the extent the price will be.....

**Kunal Shah:** So maybe apart from the prices maybe in terms of the settlement, so may be in terms of a deposit which we have kept over there, so you are saying maybe that one-time settlement is already done.

**Mrugank Paranjape:** Yes.

**Moderator:** We have the next question from the line of Paresh Jain from Max Life Insurance. Please go ahead.

**Paresh Jain:** Just wanted to check that post the price increase that we have done what changes are we seeing in the market place?

**Mrugank Paranjape:** There are two distinct parts as I would see, one is, the price increase that we have done do we believe that there is anything in terms of members, feedback which is contrary to what was being expected. No, there is certain feedback in terms of how we should look at this in terms of the future business but clearly there is nothing to suggest that this has not been absorbed by most of the market. There are pockets of feedback which we are already looking into on what we could do but broadly if I take across all the segments that trade with us including brokers who are algorithmic high-frequency, large national brokers or smaller localized brokers, this is something where given that we had not done anything for the last 2.5 years and that we have been proactively communicating with our members continuously over the last 3-4 months, making them aware of the investments we are making on why we need to keep doing some of these investments, what are the reasons for our cost base increase, I think this is something which has been well taken by the members.

**Paresh Jain:** Post this change are we seeing a scenario wherein probably bigger brokers are becoming even more bigger or is the pie getting split?



**Mrugank Paranjape:** I think we have not seen any change in the composition of our top 25, top 50, top 100 brokers. Those numbers remain pretty much similar for the previous quarter as well as the 20-25 days that have passed since the price change.

**Moderator:** The next question is from the line of Manish Goel from Enam Holdings. Please go ahead.

**Manish Goel:** Just wanted to get the sense on the new product launches, no doubt options is something which you touched upon in your initial remarks as to you expect that to start in Q4. How many products can we see to start with, number one? And number two, apart from options any other commodities we are planning to launch?

**Mrugank Paranjape:** I think you are absolutely right the focus will remain on options where we will work with the regulators being a part of the C-DAC and in terms of other regulatory committees to see what we can make sure that what reflects market requirement. There are still a few questions which have not been answered in the product whether it will be an American or an European type of option, whether we will look at cash settlement or not, it is also whether we will allow every exchange to make a choice or whether it will be market wide one commodity, etc., and those are the things where we will sort of really be putting our energies into as well as in terms of the market education. So clearly over the next two quarters you should see more sort of focus in terms of getting options off the ground. At the same time, there are two pieces in the regular futures product we are looking at. One, as you would be aware the government notified the revised list of commodities where we can have trading. There are at least 6 commodities which stand out and we are actively looking at the metal space where there is brass and ferrous metals which have now been included and we are looking at those and within the agricultural space there is tea and probably pepper which we continue to have a look and we will see whether we can come up with anything on those.

**Manish Goel:** Which products you mentioned under ferrous in metal?

**Mrugank Paranjape:** In metal there is brass which has also been included in the new list that was notified by the government of India.

**Manish Goel:** Apart from bullions like gold and silver?

**Mrugank Paranjape:** Gold, silver the other base metals which we have are there and there is no change in that. Brass has just been included in the new notification which is why we are evaluating whether we could look at brass.

**Moderator:** The next question is from the line of Ashish Chopra of Motilal Oswal Securities. Please go ahead.

**Ashish Chopra:** Mrugank, you mentioned that there are still a few more questions that you wanted to try to figure out in terms of options and also the fact that 4Q may actually see a built up in costs because of some of these investments around options. But is there a clear visibility right now that 4Q of this fiscal would be the first full quarter then options will be traded or there still prevails some uncertainty around it?

**Mrugank Paranjape:** It will be difficult to pinpoint but I would say that Q4 full trading may still not happen is our view. This is because we are already a month into the third quarter. As you know we will need the final notification from SEBI on all the operating parameters for which SEBI will see that committee is continuing to work. Subsequent to which we will apply on the products where we feel market has a demand and our members are keen to trade. So the likelihood of a trading date start of 1<sup>st</sup> January may not be there. However, we are very confident that it will be a date within the Q4 of this year that trading will start, so full Q4 options trading may not happen.

**Ashish Chopra:** If I look at the admin and the advertisement cost this quarter so that is closer to 16 crores but then as these increase with greater advertisements and then these educational programs what should be the reference that we should take? We have had this in quite a volatile band between 21 crores to as low as 16 crores or 15 crores in the last quarter. But do you think something closer to the higher end of this band would be a more prudent estimate to go with as

these costs increase or do you think that would not be a figure but could be somewhere in between?

**Mrugank Paranjape:** I think I would split this into two parts given that we are also sort of in our results showing this is distinctly as advertisement expenses and other expenses, so the way you asked me the number I think you are clubbing these two in the number that you asked me because this is the number which was 16 crores last quarter its 15 crores for this quarter. So if I look at Other Expenses which is all the other stuff other than the 4 mentioned I think that's been a very flat number and we expect it to remain there. I think if the key question is around advertisement expenses my view is as I said that we think that even though third quarter of this year will be close to what you are seeing currently so it's in that 1 crore range but it is really the fourth quarter where it will probably go back to a 4-5 crore range because that's where we expect to spend when options come in.

**Ashish Chopra:** Also if you could just help me understand a little bit more on the SGF front. While you have mentioned that we are adequately provided for as far as the SGF is concerned. If you could just explain some rationale as to how this increase is or also in terms of the volume band that you would need to reach for a further SGF to be provided just to get some sense on how would this work and also would there be any changes under the way this is calculated under SEBI versus FMC?

**Mrugank Paranjape:** As you know we have been doing it under the SEBI calculations now and SGF essentially is based on a stress test which looks at the adequacy of the fund vis-à-vis the concentration that builds up in your top few members across that period. So from that perspective we do not see any big requirements of increase in SGF at this point of time. To the other question given that would options really start trading this quarter, not likely and would options come in very big in the fourth quarter, again not likely. Would there be any big change in the trading patterns or the concentrations in the top few brokers for us, unlikely so. Those are the reasons why we are currently very

well-funded and we will not have to make any fresh contributions we think in the next one or two quarters.

**Ashish Chopra:** One book keeping if Vikas could help me with the CAPEX number for this quarter in the first half?

**Vikas Phadke:** CAPEX numbers as of 20<sup>th</sup> of September basically were to the extent of 133 crores in comparison to 142 as of March 2016.

**Moderator:** We have the next question from the line of Amaya Sathey of Tata Mutual Fund. Please go ahead.

**Amaya Sathey:** Two questions, one is that in terms of participants on options is it fair to assume that the participants will be the same who are doing the trading on our future segment currently?

**Mrugank Paranjape:** Two parts to that, obviously from a members perspective, yes, definitely the same but from an end client perspective we think this is going to be a little bit of a game changer in terms of the way it could expand the horizon for the end clients because as is well known options is a better tool in terms of protecting against downside risk, it is very akin to an insurance where you could pay the premium to protect your downside risk which is not what you could do in that sense with the futures products. So we believe that in terms of the participants who come in definitely this will lead to a much wider participation in our market as we see more options coming in. In fact, which commodity to go for will be also driven a lot from the way we are receiving feedback where there is a whole host of hedgers and actual consumers who are letting us know whether they believe they would be participating in options, so that would also decide which commodities we go first when we look at options.

**Amaya Sathey:** How much of the cannibalization you expect happening because of the options introduction to futures volume?

**Mrugank Paranjape:** Again, I don't think there's any scientific basis or numeric basis that we have on this one. Generally speaking it is known that options do have some sort of

a hockey stick effect on the overall volumes in the sense that they take away a little from your futures and while on a volume basis it may not be any detrimental because the revenue itself is lower that's what the hockey stick effect is. From our perspective the fact that SEBI and we are working together for a very gradual incremental introduction of options we don't think that will really cause a blip in terms of the revenue side because as you gradually introduce options by the time your first one or two commodities have matured and are starting to give you the upside of revenue that's when your other commodities would come in so that should actually neutralize any downside of the subsequent commodities.

**Amaya Sathey:** The last question, is it possible to share some sense on the pricing of options?

**Mrugank Paranjape:** Too early and the reason is not because we are just trying to hedge an answer but I think we also need much more clarity in terms of how some of the settlement features will work as well as which commodity to go for because that would determine how we want to price the initial entry point.

**Moderator:** The next question is from the line of Prashanth Kothari of Pictet. Please go ahead.

**Prashanth Kothari:** Two questions, firstly on this options trading, how much of the current future volumes could be cannibalized when options come in because I believe that would be a cheaper way to do the same trade.

**Mrugank Paranjape:** I just told Amaya as well but yes, one, we don't really have a hard number to this. Our view is that options we believe will be used by a much wider audience and also a new class of audience which is why in terms of cannibalization the effect should be minimal. Second, because we are not going with the big bank approach where we will have the whole 10-12 commodities coming in with options on day one, it will be an approach where both from a regulatory perspective and even from our perspective we believe it's better to start with just one commodity at a time. The impact of that one commodity will again not be too much in terms of cannibalization from a revenue perspective.

**Prashanth Kothari:** So if the cannibalization is more than what you anticipate would you not introduce options in more commodities there?

**Mrugank Paranjape:** The way I would just look it is, yes, if we see the cannibalization happening we will have to see what we can do to actually expand the market because I don't think we are going to stop introducing new products because that's again something which we want to do, but yes, we will have to look at other mechanisms to expand the market instead of just stopping introduction of options.

**Prashanth Kothari:** Are you mandated by the regulator to introduce options by a certain time period?

**Mrugank Paranjape:** If you see, one, there is still clarity expected on a whole lot of the timelines. The current indication comes from the fact that the SEBI Chairman as well as thereafter there was an actual SEBI release categorically stating that there is going to be options in one commodity each in the Agri and Non-Agri segment. So anyways from a regulatory perspective the next steps are where they will define how they expect the market to expand and therefore there is absolutely nothing there which we think is like saying that if we allow a commodity to be included under options you only have a certain timeframe. Our understanding is that it's on tap afterwards.

**Prashanth Kothari:** The second question is on the impact of this price increase. One concern in our mind is whether volumes will get shifted to the unorganized market? I know that it's already a very large market but there will be a greater incentive not to do the 'dabba trading' as we call it.

**Mrugank Paranjape:** I know as a market commodities market has been through this fairly big impact of CTT which all of us believe moved a significant amount of our business away to the 'dabba market'. From the actual numbers perspective what we have done is a very small fraction of what happened during the period of CTT, so therefore this moving business away to 'dabba' and we don't think that will happen.

**Prashanth Kothari:** The trading cost maybe doesn't increase as much for your bigger volume such as the non-accrued but on the Agri commodities it increases a lot.

**Mrugank Paranjape:** If you look at the percentage increase, yes, there is a wider increase in the Agri commodities that we have done but on a comparative basis we are still I think better off compared to the other exchange where Agri commodities are predominantly traded. So therefore it's not something which is a very big hit again and what you also would need to factor is that in the Agri commodity there is no CGT, so actually cost of trading in the Agri commodities is inherently lower already.

**Moderator:** The next question is from the line of Ambuj Sukhreja of Saif Partners. Please go ahead.

**Ambuj Sukhreja:** You mentioned that SEBI is working on a roadmap for allowing institutional participation, so any thoughts on the timeline as to when can we expect the participation to come in?

**Mrugank Paranjape:** Honestly no, because two reasons, a) it is SEBI's prerogative, b) I think C-DAC which is the committee constituted by SEBI of which we are a very integral part and play a very big role has given us recommendations but it's not something that we would be able to disclose here. What SEBI did mention and you would have seen the Chairman SEBI speak from a couple of public fora and as well as his statements earlier in the month where he categorically mentioned that they are looking at I think mutual funds is what he specifically mentioned and other institutional segments that I think follow.

**Ambuj Sukhreja:** Any thoughts on the dividend policy? Will the Board formalize a policy or any other avenues to maybe return back cash to shareholders?

**Mrugank Paranjape:** First, there is already a Board approved dividend policy. It is on our website. Just have a look and if you need any more details on that specific policy very happy to separately revert back but we have a Board approved dividend policy which is now in place and has been put up on our website. To your second question at this point of time, no, there is no active thoughts in terms

of any share buyback or any other way of returning the money back to shareholders for now because we genuinely believe that we need to conserve our cash and as one would say keep the ammunition dry for the investments for the product development in terms of new products, the market development in terms of new participants, the fact that we have applied for our clearing corporation which will need capitalization, last but not the least while there has been talk of enhanced competition which we don't know the timelines for but we need to again be ready and to really make some more investments if needed for that enhanced competition. So I think for the near future we do believe we need to conserve cash.

**Moderator:** The next question is from the line of Atul Mehra of Motilal Oswal Asset Management Company. Please go ahead.

**Atul Mehra:** Just one question in terms of if we look at some data for NSE so what we observe is the price realization or yield if we were to look at it from a notional turnover perspective is basically 5 times that of an option yield, so would we typically have a similar level of pricing structure for options or would we initially given there is no competition at all we will look to have much superior pricing in options?

**Mrugank Paranjape:** I go back to what I had said earlier, how we price options will depend on a) the type of options that are allowed, b) which commodity we look into because all of it will determine how we want to launch this product and how we want to drive the volumes there. Our interest in the short run will be to make sure that the contract is successful in generating wider participation and much larger liquidity. We believe that is much more critical to generate in the initial few months than looking at any upside to revenue. Having said that, actual pricing will be decided much more closer to when we speak. So very difficult to comment on whether we will do something which is going to be much more expensive or much less expensive as compared to the current equities market pricing, but for us we will want to drive liquidity and participation much more as we launch this product than look to very short term revenue from it.



**Atul Mehra:** Is there any clarity in terms of whether we can also launch long dated kind of options or is it more near the maybe next 1 or 2 months forward, is there anything to that, or even that is like....

**Mrugank Paranjape:** So again part of the C-DAC mandate and therefore part of what SEBI needs to revert, but to a great extent as you know in the Indian market it is not really a regulatory limitation generally in terms of the far month contract that you could offer. It is more in terms of where you are seeing the participation and where you are seeing liquidity. So I do not think regulators really say that you can launch, there is of course, a limit which they generally put but they really mandate thing, you can only do one, two, three or something like that. If you see enough liquidity in more than three months, I am sure, you can do that in various products in India already and I do not think they will change just for commodity options.

**Moderator:** Thank you. Next question is from the line of Manjeet Buaria of Solidarity Investment. Please go ahead.

**Manjeet Buaria:** My first question on the pricing we have, now, MCX does it pricing on the value traded. So you know, I just wanted to understand the logic would not it be in the longer-term better to move to pricing it on the volume traded to avoid the vagaries of commodity prices in our business?

**Mrugank Paranjape:** When you say volume traded, I assume you mean contract.

**Manjeet Buaria:** Contracts, yes.

**Mrugank Paranjape:** So, this is something where we stand out as a country and not just as MCX. To the best of my knowledge, internationally most exchanges price on contract basis and not on ad valorem based on the value of the contract. You are right. However, in India for the times immemorial as far as I am concerned, 20 years - 25 years since when I have been seeing trading on BSE, NSE, it has always been ad valorem on the total value of the contract. So, India has been like that and I think it too bigger task to try and change the entire market so, for the time being no plans to move per contract pricing.

**Manjeet Buaria:** Okay, fair enough. My second quarter was in terms of increased competition, you mentioned some time back. Historically, we have seen the entrance players are normally entrenched displays, as we saw with derivatives which BSE tried to introduce, etc. So, what in your mind are the key risks where you see, may be some competitor can come in and take a material share from MCX?

**Mrugank Paranjape:** So, one, you are right, we genuinely believe that, this business is a business where liquidity remains unless you make mistakes. So, from our perspective, we will be on our toes to make sure that we do not do anything wrong either in terms of the construct of the contract, most of which is in terms of making sure that you are regularly in touch with the market participants both the hedgers as well as the traders to make sure that your contracts reflects the reality which everybody wants to hedge and trade. So, your contract needs to be absolutely in line with the market. And the second is that you should not make a mistake in terms of any of the operating infrastructure. So, you need to make sure, your technology, your margining, your day to day process are absolutely running well. So, that is really the two risks that you always run and we will be on our toes to make sure that we do not run those risks. But, yes, we do believe otherwise liquidity does not go away and we will make every possible effort to make sure that, that remains for us as well the case.

**Manjeet Buaria:** Sure. And one final housekeeping question, presently what expenses are link to revenue a as a percentage of revenues basically?

**Mrugank Paranjape:** So, as you know we have a software charge which we pay to our technology partner which is linked to the turnover itself.

**Manjeet Buaria:** That would be 8%?

**Mrugank Paranjape:** That is 10.3% that we paid.

**Manjeet Buaria:** Other than that no expenses are linked to revenue basically?

**Mrugank Paranjape:** None of them.

**Moderator:** Thank you. We will take the next question from the line of Jatin Aggarwal of Perfect Research. Please go ahead.

**Jatin Aggarwal:** I just have a couple of questions to ask. First is like we are the dominating player in own agri commodity, like 100% share in bullion, energy, base metal, etc. But we are limited in agri space, just having only 16%. So, can you please tell me reason what is the main reason behind this?

**Mrugank Paranjape:** One as we have been discussing, this is a business where liquidity does not move away unless you make some fundamental mistakes generally. It is very difficult to move liquidity away from one exchange to the other. Traditionally as you know MCX including our branding tagline where we clearly said we are metal and energy sort of focus exchange, has not concentrated too much on agri. So, that is the predominant reason why we are not so big in agri. At the same time, where we do have our contracts which are very-very well running contracts, each of those four contracts has very wide participation and 100% market share. So, yes, we are smaller in that sense but there is a historical reason and as and when opportunities come we will look how we can incrementally increase our market share in the agri space.

**Jatin Aggarwal:** Sure. And sir, secondly, just like we can see that the exchanges at the win or take market, like who is the first mover, derive the liquidity and has a competitive advantage, which creates a difficulty for new players. So, considering that NSE is a dominating player in equity platform. So, just wanted to know what is our thought process in running MCX SX platform? And how we can deal with such challenges?

**Mrugank Paranjape:** So, I just want to make sure that you are aware but MCX SX is an absolutely independent legal entity, this is a question you should be asking them. I do not think we could answer that.

**Jatin Aggarwal:** Like this we have the thrust to increase the future value multiplier, like in the presentation we have given that we are in own penetration stage. So, I just wanted to know that what are our efforts to increase the future value multiplier?

**Mrugank Paranjape:** So, just to give you an idea. One, the future value multiplier is an indicator to just give you an idea of how much volumes exists in some of the global markets for each of the underlying classes versus how much volumes exists in India. So, in order to get to the levels that we see in international markets you need a couple of things. The first is you need incremental products and you need incremental participants both of which as I have mentioned, we are working with the regulators to see how we can get options industries, etc., introduce and we are working with the regulators to see, how we can get institutional participation so, that is one part. The second is to increase the number of actual users in the underlying market which is by having more investor education and more industry education. Just again, as a number over the last three years MCX has been clocking more than 1.2 trainings per day consistently so, we have crossed over a thousand trainings over the last three years which are focused towards industry. Out of these thousand more than 400 are specifically towards hedgers. So, our efforts are continuing, we engage with direct hedger and industry bodies to increase the participation there. Last but not the least is education, we need in this country as much as we have in the securities market much more diversified pool of people who understand commodities. As you are aware we continue to sign MOUs and increase the number of universities which can partner with us to offer education and we will continue to keep our focus in that areas as well. So, those are three ways or four ways in which long-term increase in participation would go up.

**Moderator:** Thank you very much. Due to time constraints, that was the last question. I would now like to hand the conference back to Mr. Gautam Chhaochharia for closing comments.

**Gautam Chhaochharia:** Yes, thanks Mrugank, it was very-very useful. I look forward to having this more regularly now.

**Mrugank Paranjape:** Absolutely, pleasure and thank you Gautam and thank you everybody on the call for your time and we will be in touch regularly as promised. Thanks a lot.

**Gautam Chhaochharia:** Thank you.

**Moderator:** Thank you very much. On behalf of UBS Securities, that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.