MCX/SEC/1945 June 22, 2021

BSE Limited
Department of Corporate Services
PJ Towers, Dalal Street,
Mumbai - 400001.

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.	ENAM, AMC	June 16, 2021	4.00 pm	*Annexure - A*

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

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Digitally signed by puri ajay
Date: 2021.06.22 19:30:46 +05'30'

Ajay Puri
Company Secretary

Annexure - A

“Multi Commodity Exchange Conference Call”

ENAM, AMC on June 16, 2021

Disclaimer:

This transcript is provided without express or implied warranties of any kind, and should be read in conjunction with the accompanying materials published by the company. The information contained in the transcript is a textual representation of the company’s event and while efforts are made to provide an accurate transcription, there may be material errors, omissions, or inaccuracies in the reporting of the substance of the event. The transcript has been edited wherever required for clarity, correctness of data or transcription error.

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. PRAVEEN DG -- INVESTOR RELATIONS (HEAD)
SATYAJEET BOLAR, CHIEF FINANCIAL OFFICER
MULTI COMMODITY EXCHANGE OF INDIA LIMITED

Ashish: Mr. Praveen we can start.

Praveen DG: Yes, so can we go to directly question-and-answer if you already know about the company.

Ashish: Yes, definitely. So, I will start on the ADTV. So, our ADTV for MCX for FY21 stood at 31,200 crores, we have seen there was volatility from peak of 42,000 crores, it had come down from August levels. Now just to see, in your opinion what would be the key drivers for the ADTV in FY22-23. And if also you can touch upon the impact of this new margin norms, how do you see that sort of impacting, we moved to 75% already, we were supposed to move to in June right. So, some update on that and then then maybe further questions I will start.

Praveen DG: Okay. So, just to give the last year perspective if you look at it, it is the performance has been we can say it is modest and average daily turnover is more or less comparable to the previous year, despite the challenges and the restrictions that we had to face during quarter one of FY2021. So, during the quarter one of FY2021 at the time, the trading hours had been restricted and because of the nationwide lockdown the night trading was completely stopped. Trading was limited to only a few hours, but after that the market could able to see the complete revival and in fact performance has been very robust during quarter two of FY 2021 and thereafter even whether Q3 or Q4, the performance has been reasonably well.

So, the only thing that we have seen is, post improvisation of this one, the increased margins because you all would be knowing that, April contract had been settled in negative price and subsequent to that one because of the stress test and other thing we had to increase the margins to a substantially higher level and wherein the margins has gone up to the extent of more than 100% in crude oil and crude oil happen to be our one of the flagship products and because of the highly incidence of margins in the crude oil contract., the volumes have substantially has come down in the energy segment per se, but bullion really has done significantly well. And the volumes in fact, are marginally lower than as compared to the FY19-20 that is the way I can look at it. But in the month of March, in fact when the peak margin reporting framework has been implemented and it has gone to the second phase where peak margin reporting became 50%, the impact could be seen in the month of March and even in the month of June we could able to see the impact of this peak margin reporting. Definitely the volumes have come down. So, put it this way, if you see that all other things remain constant then definitely we can say that we witnessed some negative impact because of the peak margin reporting that is what happened, but if you look at the May again we could able to do something around 31,400 crores on a daily basis.

So, there are multiple factors that will impact the average daily turnover on the exchange, but volatility is one of the essential components and so, certain factors is really that can come and they be favorable then definitely this kind of some of the negative aspects can definitely be tamed down. But, one more thing the way we can look at it, how long the impact could be, that is one thing because there are instances even if you look at the equity market and initially it was very high as compared but later it was tapered down, that means the impact and the turnover.

Essentially the more impact has fallen on the futures as compared to the options. So, here, our market is because the clientele base as compared to the equity markets are lesser and institutions have just made an entry into this market and options have not taken a full shape. I can say that still the impact has been more as compared to the equity market in the commodities market, but we have to see that by when the market participants can able to adjust to the new mechanism, because historically what we have seen in the market is, whenever there are any changes, any new regulatory framework or anything comes people would take some time to get adjusted to that one. So, we have to see that by when people can able to get adjusted to that one. The people mindset have to get changed and accordingly it is likely we can expect that, whatever if the people wants to get used to the new way of trading and dealing with the commodities then I feel that things would come to normalcy that is the way I looked at it.

Ashish: Okay. So, if you see the ADTV segment wise, so bullion did very well in FY21, it sort of helped and balance out the impact of crude oil. We have seen base metals have not done much. And then again, this is little surprising that usually we say that volatility is good for the business and there was enough volatility in the base metal prices, but still the volume performance or ADTV performance has been little subdued. And then if you also can touch upon how do you see crude oil sort of performing, is this the margin thing already behind us and we see improved performance for FY22?

Praveen DG: Okay. So, coming to the base metals, I can say that there maybe volatility in the second half of the year has improved that means basically, because once the COVID people felt that the face of the COVID and the pandemic crisis is coming to an end, globally the economic slowdown has started coming down and people started seeing some recovery, that means it is more like a because of reduced impact of COVID and other things even we went through that, initially we went through that first phase of COVID but, subsequently it is like we even Indians could able to see that is when actually the markets all have started picking up. So, when it picked up, one of things that immediately people could see is the metals, metal sector people thought it as one of the component which is going to go closely to the economic recovery. So, because of that one we could be able to see some price increase as well as volatility in the metal contracts. But the one thing what we have to see is a lot of changes also happened in the metal contract very recently like if you looked at the FY19 20 and most of the contracts have been converted into compulsory delivery contracts. Earlier they were all settled based on London Metal Exchange based prices, that means we used to take their prices for settlement of the contract on the day of expiry.

But, subsequently once we made all these ones SEBI have also had said that you cannot have multiple variants in terms of contracts, you can may have a mini version or you can have a major version of a contract, but you cannot have multiple contracts in metal and energy contracts. So, because of that one we had to discontinue the mini versions especially we have discontinued the mini variants of the metal contracts and also in crude oil and also we had to adjust the trading unit and delivery unit to meet the deliverable standards of the industry. The copper contract which used to be earlier it was one metric tonne contract has gone up to became 2.5 metric tonne.

Similarly, nickel has substantially been increased to 1.5 metric tonne contract so, there is a big change that has happened and there were mini contracts in all metal contracts and this had to be discontinued.

So, this had a bearing and then I am telling because of the limited number for now, with not multiple variants and other thing definitely I can say that with the conversion of these contracts into the compulsory delivery contract and other thing, people immediately could not able to that means. We could definitely see a lot of improvement in metals, that way the performance of the metals are not bad. In fact it is reasonably good, that means it is very much comparable to the previous year. So, that way it is like a performance, so question whether like for example, I will give you the number in FY20-21 in base metal we have done something around 6200 crores round figure I am giving, compared to 6100 in FY19-20. So, that means technically there is no fall really we could able to see that means it is more or less it is whether 19-20 or 20-21, despite that one quarter we lost, you know that because of the COVID we lost one quarter but despite that one overall for that, yearly level it is like we are very much comparable to what we did in the previous year. And that too with discontinuation of the mini contracts and also because making them into a compulsory delivery contract that means, even after changing this many things, still we could able to perform as good as the way we have done the previous year, that way we can say that it has done very good and the volume, in fact delivery we could see a lot of deliveries have happened even during the lockdown period also.

So, that means we can say that an efficient delivery mechanism has been put in place for delivery for metals as well as for bullion contracts and agri. So, we have an efficient system in place right now. So, going by that thing, the way we are looking at it is we wanted to transform this market as a pan Indian market. So, that we are, in fact we have added some new delivery centers to the metal contracts like aluminum for example we have base delivery center has been changed from Bhiwandi we have shifted it to the Raipur after that one we could see a good amount of deliveries happening in that locality because that is centrally located in India and a lot of transportation comes in between and there are some refineries located in that area. So, all these have contributed to development of certain products.

And we are also looking for increasing our delivery centers in other localities. It does not mean that we wanted to have a delivery center in every location. We wanted to have a delivery location in primary locations maybe North, East and other thing so that it can cater to the complete country and the market could itself can be looked at as a pan Indian market rather than a more of a regional market. If you have one delivery center then it will be, but there are certain GST issues there in this way. Like, if the seller is in one location and buyer is from another location, what could be the treatment of that one whether IGST has to be given, or it is CGST has to be given, so that we have already taken up with the GST council, hopefully what we are saying is, irrespective if the buyer is located from somewhere else or the seller is located not from the delivery center, they all should be given IGST because this is a revenue neutral from the government point of view. So, that way it is like they can really look at it. So, that proposal, we have put up and we are hopeful that they will definitely consider that on positively. Second aspect in case of crude oil.

Ashish: Just want some clarification. So, we have moved from Bhiwandi to Raipur and there is only one centralized delivery center and it is one for all the?

Praveen DG: That, I will tell you, in case of aluminium the Bhiwandi continues to be there in fact, it is in Thane district mainly we can look at it, that continues to be an additional delivery center, but in addition to that one we have made Raipur as the primary delivery center. But this delivery location continues to be there. And we have done it only for the aluminum because of the strategic location of the Raipur for aluminium and depending upon each of the commodity we will look at it like for in case of lead, we have two delivery centers already one is in Chennai, one is in Thane. So, that way it is like already we have two delivery centers. So, we are looking for even other commodities also base metal contracts, whether we can have delivery centers in North or maybe the East where are the main primary locations and then depending upon the requirement and also based on the product advisory committee, we have a product advisory committee for each of the commodity or a segment. So, based on their advice we select, but we definitely cannot have say more like because there will not be too many locations that will only hamper the trade because it should be delivered, this market is more meant for price discovery and price risk management rather than for the delivery. But once you make the locations very convenient, people also can look this one as an alternative mechanism or a delivery of last resort that is the way the exchanges because bilateral trades delivery cost wise it will be lesser as compared to the exchange delivery because of the various elements. But in case of this particular people they feel that they could not able to sell it in the market and other thing always they can look this market as a delivery of last resort, that is what in fact many of them have used this market even during the lockdown period and we could see good stock levels and delivery witnessed in the metal contracts.

Ragvendra: Ashish, I have one question can I go ahead.

Ashish: Yes.

Ragvendra: Good afternoon, thanks for giving us your time. I wanted to understand basically that in this calendar year are we seeing post the rally in commodity prices, metal prices and post reduction in margins and other challenges, are we seeing now recovery in volumes, are we seeing recovery in participation levels from various segments which you look at, that's question number one. I have another question is, what are we doing really to actually look if we were the innovators in the option segment and the launching of index features, are we doing anything to deepen that market or we are just sitting and waiting for the market evolving itself because you are an innovator, you are the pioneer in that segment. So, you should at the risk of creating market for your other competitors you probably have that burden of being innovator and pioneer in that segment. So, where are we on these two aspects, thanks.

Praveen DG: Okay. So, coming to the first one, the way our markets have performed like in case of crude oil we have over 100% incidence of margins we have reduced the margins level significantly, today it stands around 21% still the margins are slightly higher comparable to global market, but it is quite less when compared to the 100% level or more than 100% level and we could see that a lot of recovery could be seen in the energy product particularly in the crude oil. But still we could not able to reach to the level where we like for example in the year FY 19-20 in crude oil alone, we have done something around 13,000 crores. Today for example, if you take the May, May we have done something around 4200 crore or I can say that to be precise April we have done something around 4600 crores we have done in the April.

So, that way it is like we could able to recovery because there was a time that even the crude oil volumes, for the financial year if you look at it, the crude volumes were something around 2800 crores .So, that way it was like it got significantly impacted, but once we started relaxing the margins, it all happened in the month of December after that one we could able to bring down the margin and we could see some good progress in that one, even in the crude oil option, not only the futures. That is a significant improvement that we could able to see in both futures and options of crude oil that is what could be witnessed. But it all coincident with the peak margin reporting what I can say that, subsequent to that one from the month of because the peak margin reporting for a client reporting the first phase of it has started in the month of December.

Ragvendra: So, just stopping you for a minute, my apologies. So, would it mean that this full year ADTV across all categories put together will be meaningfully higher than that of March 21 year, for the March 22 it will be significantly higher is that something we can gather from?

Praveen DG: I will give the numbers to you, so for example 2021 we have done something around 31,400 crore leaving of what the index trading if you leave it, 31400 we have done it and in case of FY 19-20 we have done something around 32,550 crore. So, it is very much comparable the numbers are maybe lesser by some 900 crores or something that is the way, but if you look at even if you add index and other things, that gap would be further reduced. Only in the Q1 the performance have been very bad because that was a period when there was restrictions, timing and everything have been reduced, trading hours have been reduced, all those things happened. So, overall put together, that is why I put in the beginning only the performance has been modest that way and the peak margin has impacted in the quarter four especially I can say that the March has really have seen significant fall in the turnover, something around 26,500 in the month of March 2021.

Again, April, we could see 25,400 that’s the number I can give you and May again we could able to see 31,400 so that way, that’s what I said the peak margin definitely had an impact that have pulled down our performance and we have to see that now even June contract, June also in the month of June we still could see the pain that is what is getting witnessed, but we have to see when people can get adjusted to this new regulatory framework that is what we have to see that, then that will decide like when we can able to make a turn around and we can bring down some amount of normalcy that is the way we look at in case of turnover.

Ragvendra: Sir, I have a question on options and index futures what are we doing to pick up the volumes?

Praveen DG: Yes, in case of index definitely I can say that after good number of years really this is one of the important product that we could able to bring it on the exchange in fact not one, we could be able to see two successful products on the exchange one is BULLDEX as well as the METLDEX. Both are doing very well for example, yesterday we have made a record highest open interest more than 1000 lots in METLDEX contract. And even in the last month, we could also see record turnover in the METLDEX so that way it is like both the index contracts have seen good amount of participation and also the turnover and we could see that because it is more of a retail product and also a cash settled product, this is two things and besides that, it is a monthly contract. So, differently people are really will be interested we have seen that some of the mutual funds already have started participating in these contracts.

So, that way it is like immediately contracts have been accepted we have to see that how long it will take to grow this one further it will go for that, but currently today we are doing something around close to more than 300 crores in the index contract and the fall besides of all the fall has been witnessed across other commodities, but today index per se it is more or less at the same level of around 300 crores at an average and despite the peak margin instance of this kind of new regulatory framework that is what we could see, but what we have already taken up with the regulator is, we requested regulator to look out introducing the index options. Because even if you look at the equity markets, the index options were the ones which have really driven the market largely living apart even if you compare it with the stock options and index it is index options that are more than the other. If you look at the turnover wise 90% is driven by the index products only.

So, we have to see that because here in this market, it is like single commodities have already started trading in this one. Now, in index to see that if this kind of regulatory enablement happens in case of index options, another thing definitely we can see a lot of participation that could happen in the index products like maybe because, today even one more thing that we have asked from the regulator is cross margin benefit, cross margin benefit we have from the regulator wherein it is like, if somebody is having a contrary position both in the underlying and the index which is product then they can be given some amount of margin benefit because it is like they're having one leg in index other leg is on the underlying constituents. So, ideally the risk per se it is reduced. So, still that is under consideration from SEBI, but that kind of facility or that kind of benefit is already given in the equity market. So, such kind of regulatory enablement will definitely can boost the product per se, that is the way I look at it. Both index option which can complement the index futures and maybe with the addition of this kind of benefits and other things, gross margin benefit and other things, both can really come the long way boosting these products further.

Coming to the options, like I said for the markets have been evolving over a period of time only recently the cap has been removed earlier. In case of option on futures we could only able to launch only in the five products as per the regulation. So, recently, they have removed that cap that means if some is able to meet that minimum threshold of say some number in terms of ADT of the underlying, they are allowed to be traded that means, they are products the linked option products can be listed by the exchange. So, we could now we are looking for more option products, whatever is the underlying futures could able to meet that threshold criteria, because earlier it is not only the threshold, for turnover threshold was there, it was also having a limitation like you cannot have more than it should be like restricted to only top five commodities, but now that has been removed now it has to meet only the underlying constituents should meet only that average daily turnover criteria if it can able to meet that minimum criteria ADT criteria, then the exchange can come out with the options product in that one and that is one thing that really we definitely would be looking for more and more products.

Second, we also requested for certain thing like for example, the way I can look at it is, this is more like a contrary instruction where it comes to structure of products that is slightly different, our products are slightly different as compared to the equity market wherein it is like somebody will have to give explicit instruction to say that I do not want to exercise it. So, that is one thing actually like everybody at the 11th hour that means during the late hour, they are supposed to give that kind of instruction but we requested regulator to make certain provisions in this option structure so that we can be able to make the product more similar to whatever the products that are getting traded in the equity market. So, these are the some of the things we really have taken up, but with more and more participants getting entering into this market, definitely we can see that participation in option also should go up, crude oil options already started doing well. And we could see some traction in silver options and gold options is doing pretty well that way.

Ragvendra: Thanks over to you Ashish.

Ashish: Yes, thanks. So, just on participation, if you could give us the split in volumes or ADTV between retail and institutional and between algo and non-algo and hedging and speculative. So, what has been the trends over the past few years on this and also how we can sort of increase or drive institutional participation, because that was a big thing that over the last two to three years given the changes, which has happened regulatory changes, we thought the institutional participation will increase. So, could you just touch upon that?

Praveen DG: Yes. So, recently we in fact organized one meeting with regulator and all the foreign participants including NRI and other things, because see currently only the foreign entities which are having exposure to the commodities market, Indian commodities market they only can able to trade in the commodities, in the derivatives market. But in some of the markets like currency not that kind of restrictions are there if unless it reach a particular threshold, so that way it is like they can able to come and they can able to trade freely rather than getting into many disclosures and other aspects. So, that way it is like we have clearly put up and if not in all the at least in some of the commodities can really which are not sensitive and other thing in those commodities definitely the foreign participation can be increased that is what really have played this detailed discussion and many foreign participants including the institutions have participated in that one, that we have put up.

Second, currently it is like number of with the integration and other thing like after this integration of stockbrokers and entry of bank broking firms and other thing, all we could see that the number of registered users definitely has substantially gone up. One is like, traded and other is registered that means now somebody can able because it is like, their equity arm also can now offer the commodity products to their clients. So, that way it is now registered in one segment, it is like at the time of registration only they are taking the necessary due diligence so that the client can be free to choose whatever commodity segment he wanted to do it earlier, because it was not the case because the commodity brokers need to be separate and registration used to be separate and everything. So, that kind of the things have been sorted out that is how we could see that there is a big jump in terms of registration, number of clients who have registered. And for example, if you take the case like last year in 19-20 we could witness around 4 lakh clients traded on the exchange, but this year that means FY2021. We saw 4.56 lakh, that is the number of clients, people who have traded on the exchange. That is a pretty good number and we could see that even during the COVID times, there is a significant improvement that we could see in the mobile trading, earlier mobile trading was maybe for example if you take the case of 18-19 and other thing, the mobile trading used to be very less around 12% or something. But today, in the year 2021, we could see mobile trading of 27%, which is significant that means people are adjusting to the new thing. And many banks subsidiaries like even including the ICICI they have recently added the commodities to their mobile trading facility so that now their clients can able to be able to trade in this one more conveniently that way, so that is one thing that really can boost up.

Coming to the break up between the algo and non-algo, because the way the numbers are generally generated is like what how these different algo and non-algo. And algo and non-algo is roughly between 40% to 60% that means algo is 40% and non-algo is 60% roughly I am giving the numbers and these numbers are not like even earlier, maybe there could be a slight marginal increase I can say that maybe last year the 19-20 figures were something around 37% to 62%. So, 3% to 4% gap otherwise, I do not see that one that is a major thing otherwise more or less we can say that.

Ashish: And retail institution sir?

Praveen DG: Coming to the prop and client the way, the prop and client I will tell you it is about 35% is the prop and 65% is the client. This is very much comparable to the last year. Last year it was something around 37% to 63%. That was the ratio better prop and client, so the marginal change that way it is between this one and that is because even if you, that is why the number when I am putting you that number of 4.56 lakhs clients stated definitely you can see that there is a significant improvement that could be seen in terms of retail clients participation that way, that we could see. And maybe the other breakup the numbers maybe if you want to see the hedging and other thing. Today, the way we collect the hedging percentage and other thing that is more based on a voluntary basis, because how they at the time of registration or what kind of disclosure you make it to the member, that time maybe you will have to specify that whether he is a hedger or retail based on that one we have the numbers. But because unlike in global markets and global markets, they give differential treatment to hedgers and the other people they call it commercial and non-commercial, they get some margin advantages and also they are given some other benefit, but in Indian market we will not differentiate. So, it is more dependent on how do they disclose it to the exchange, but otherwise it is yes there is a good level of share from the hedgers in the open interest of the exchange maybe around 30% to 40% depending upon what commodity we are looking at.

Ashish: Okay. And just last one on the volume on concentration part. So, we have seen that in FY21 top 10 clients have seen an increase in contribution from 55% in FY20 to 62% why am I asking is that again does this impact your average realization because as turnover increases the average realization sort of comes down?

Praveen DG: If you go by purely numbers, statistics then it is like see for example, the moment if concentration increases definitely your ARR should come down, that is the way it is being built up. But whether the people are going to be the same, whether the same number of people will remain at the top 10, for that one I can definitely say that. This will not remain the same it will keep changing because some people can be coming into the top 10, top 5 and depending upon their own performance they will be going out and in. That is a way we can look at it, but even the concentration is not very different even if you take the equity market and other thing, concentration is definitely not a big threat but it is more like about how much you can able to realize because of the concentration or during that particular period, that is the way we look at it.

Ashish: Sure, fine. Just moving on to the IT contract, that is a little topical. So, we have awarded this contract to TCS, and they will go live in July of 2022, right sir and initially it would be run parallelly and then, after September 22, we will see TCS sort of when they will be live, and if you could just highlight the difference and impact of this on your cost, that would be helpful sir?

Satyajeet Bolar: So, just a clarification when we go live, it would be basically, we intend to go live from July 22. But the contract with 63 Moons runs till September. So, when we go live, it would be live, it will not be parallel, it would be we will have to shut down one system and go live. So, either it would be July, or hopefully it would be in July that is our target for July. So, from the cost meant perspective presently now with 63 Moons, we pay a fixed component as well as a variable component on our transaction charges, which is around aggregating around 14% to 15% of the transaction charges that we earn we pay to 63 Moons presently, going forward we will be just paying of course there is a fixed cost for the licensees because they're going to use the T7 that is a Deutsche bourse trading platform, which is also used by BSE that is going to be used here on our platform. And also TCS is going to customize it to meet our requirements and implement it. So, there will be a fixed cost, which we would amortize over a period of six to eight years. So, that is one, and then there is an AMC so, the first once we go live the first year would be under a warranty period, so assuming that we go live from July 22. From July 22 to June 23, it will be a warranty period, so we will not be paying any AMC. subsequently we will be paying an AMC to TCS. And this is a perpetual license, so as long as we pay the AMC we can continue using the software. So, that is how it is and there would be some additional cost now that we will be incurring, now we will be amortizing it, the IT spend, people would be working on the system we will be amortizing all that. But going forward there may be some additional cost that we may incur because we will be beefing up our internal team, so that would one cost and also there would be some hardware cost that would come in for the new system.

Ashish: Do you want to give us a number on the AMC of fixed charge?

S Bolar: No, I will not be able to give, we have an understanding with TCS, so I will not be able to give it but if you go through what we have put up on our website, the earlier concall, there has been an indication on that which our MD had given so, to tell you frankly, since he has already mentioned it, it is in single digit in crore in the single digit.

Ashish: Okay. And when we mention there would be a cost which will be amortize over a period of time. So, that means deposition will be higher?

S Bolar: Yes, that is right. So, basically we will be incurring cost for the license, for the implement and we will have to pay TCS for the implementation and customization of the software. So, that as well as there would be some cost that our own team cost. So, our own team IT team and the functional team, so those costs will be amortized and then that will be depreciated or amortized whichever technical words you want to use over a period of six to eight years.

Ashish: Okay. And during the warranty period, there would actually be no cost even the AMC cost won't be there?

S Bolar: Yes, during the warranty period that is assuming that we go live from, we intend to go live from July 22. So, from July 22 to June 23 for that one-year period there will not be any AMC cost. And then we have locked in the AMC cost for five years. So, it is in single digits in crores per annum.

Ashish: Perfect, that is great. Sir just one on any specific CAPEX which is required, sorry got disconnected sir.

S Bolar: Yes, not a problem. You had some query regarding some CAPEX?

Ashish: Yes.

S Bolar: So, see there would be, now at the moment we do not have approval for colocation for exchanges, if SEBI gives the approvals then maybe we will have to set up a colocation, so it all depends**.** Towards some spent for that. Then GIFT City authorities have, all the exchanges would come together and setup an international gold exchange in GIFT City in the international segment so that we will have to get that entity so this is a consortium between MCX, BSE, NSE and the two depositories so, we will then and form a consortium and we will have to capitalize our part.

Ashish: Okay, fine. And just on the cash on the books, if you just for the amount received from members and applicants what would be the net cash?

S Bolar: We have around 12, so the members margins that is not in our standalone that is in a consolidated, because the margin money lies with the trading corpus. And that is as on 21st March around 375 crore is the absolutely correct.

Ashish: Okay. So, adjusting for that, then we are around?

S Bolar: Yes, so we have around 1100 to 1200 crores.

Ashish: But even SGF we did just right, or we should include SGF as well?

S Bolar: No, SGF is separate, SGF as on 31st of March it is 469 crore. But that is sitting again in the clearing corporation, when you consolidate it in a standalone it is not.

Ashish: Okay, fine. So, 1100 crores net cash for both the company.

S Bolar: Yes.

Ashish: Perfect. So, just one on the cost side. So, we have talked about the IT contract, the performance of MCX on the cost side has been exemplary. So, can we sort of sustain and now given that in positive impact, I know it is going to come in FY23. So, do we the margins sort of improving from here on?

Management: We have been able to spend substantial amount of money because of the change in our behavior, because of the pandemic, like travel, marketing, and all these events have been reduced. So, going forward also, I think that as individuals and as a community probably we would not be so aggressive because after this, it is unfortunate but after the second wave, you probably think twice, is not it. So, I know think will go back to the old norms of travel, probably all of us are indigenous also will travel only where it is needed, when it is needed. And also in our advertisement and marketing we have now moved into digital so we have stopped a lot on print media so they are moving to digital and electronic of course it is a bit expensive, but probably more effective because usually we have not used a print media as we would use earlier. So, we are hopeful that there would be some, we would be able to keep cost under control and last year also in for March 21 we should also remember that for the first quarter we had incurred about an additional crore plus because our team was located, the critical staff was located in the exchange square. So, those cost will not be there now, while we will have to sanitize and we will have keep all this COVID-19, we will have to maintain that discipline and ensure that the sanitization, cleaning everything is there. But, we do not have those other cost, like people staying back and all those cost will not be there.

Ashish: Sure. Could you give us a split of the other income, and what is directionally you are?

S Bolar: Other income is mainly our treasury income. Last year you guys know better than me, till December we had a good run in the debt market, post December that is from January, things tightened up so we had a bad quarter in March. March was a bad quarter, but thanks to March, some recovery in March, we knew this quarter, this year has never been so great for the debt market. So, we have moved our portfolio into short term funds, and ultra-short term funds to take care of, in case there is any interest movement that we can take advantage of. And we will do that, so we have kept most of our mutual fund portfolio in ultra-short term fund. And we have also got some bonds, which we are following the amortize method, so then we do not get impacted by the mark-to-mark that is one last thing that we did, but we have also bought some other legacy bonds, which are under mark-to-mark. Because once we are done with, certain policy under our IndAS we have to continue with that, I cannot keep changing the policy.

Ashish: Okay. So, adjusting for the bad quarter of Q4 the other income per se would remain at the same levels?

S Bolar: Even this quarter has not been to great, all of us are aware that was also not been – market.

Ashish: If we have to take a yearly view?

S Bolar: If we have to a yearly view from all my Interaction is a debt player in the debt market is that RBI is not going to increase interest rates till September, October, so whatever movement will come and the interest rates will come post October, so till then it will be the same, we will only have to be smart enough in ensuring that where we our investments are in. But so far it is so good, but we monitored it on a daily basis. So, yesterday for example, the GSEC closed at 6.02, is not the tenure GSEC. So, we of course, so there would be if you are looking at so I was, so June also because inflation has also increasing, the fuel prices are increasing. So, there is pressure on the debt market.

Ashish: Fine. Sir, just lastly from my side on dividend we will maintain the high dividend payout. So, we have been closer to 60% for FY21, 66%?

S Bolar: No, it is around 75% for March 21 and last year it was around March 20, it was around 90% if you include dividend distribution tax. I think you are looking at it from a consolidated basis, just look at it --.

Ashish: Yes, it is consolidated only.

S Bolar: Yes we give dividend from the standalone.

Ashish: Okay. So, no change in sort of dividend payout policy, we will remain?

S Bolar: We would like to payoff, the more we earn, the more we payoff. Because as you rightly said, what is the use of holding beyond, holding too much of cash is also a drag on our returns.

Ashish: Sure, perfect thanks. I will just check Ragvendra anything from your side?

Ragvendra: No, thanks Ashish. Thanks a lot Mr. Reddy and wish you all the best for the current financial year and the years to come. Thanks a lot.

Praveen DG: Thank you.