

MCX/SEC/2188

February 14, 2023

The Dy. General Manager  
**Corporate Relations & Service Dept.**  
BSE Limited,  
P.J. Towers, Dalal Street,  
Mumbai - 400001

**Scrip code: 534091, Scrip ID: MCX**  
**Subject: Transcript of calls 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 of the call with investor/analysts:

| <b>Sr. No</b> | <b>Investor/Analysts</b>          | <b>Date</b>       | <b>Time</b> | <b>Annexure</b>     |
|---------------|-----------------------------------|-------------------|-------------|---------------------|
| 1.            | Ashmore Investment Management Ltd | February 07, 2023 | 02:30 PM    | <i>Annexure - A</i> |

The said transcript is also uploaded on the website of the Company at <https://www.mcxindia.com/investor-relations/ir-meetings>

Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

**For Multi Commodity Exchange of India Limited**

**Manisha Thakur**  
**Company Secretary**

*Encl: As above*



## “Multi Commodity Exchange of India Limited”

Meeting with Ashmore Investment Management Ltd.

**February 07, 2023**

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. P. S. REDDY – MD & CEO, MULTI COMMODITY EXCHANGE OF INDIA LIMITED**  
**MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER, MULTI COMMODITY EXCHANGE OF INDIA LIMITED**  
**MR. PRAVEEN D G – CHIEF RISK OFFICER, MULTI COMMODITY EXCHANGE OF INDIA LIMITED**

- Management:** Welcome Madam, please go ahead. Fire your questions.
- Speaker:** Thank you so much. So sir, from the operating expenses part going forward, once things normalize and we do more have the extra expense that we are incurring for the next couple of quarters. Where should operating or the expenses settle down?
- Management:** So, as I said, the technology point of view, you know that what is the expense that we are going to pay in the next 2 quarters...
- Speaker:** Correct. So going forward where should that settle at the... maybe...
- Management:** Maybe that should settle down at the pre, what we call, termination of the contract with 63 Moons. That is at this turnover level, ADT levels. If ADT goes up, maybe that will not go up, because earlier the contract was linked to the ADT, that will not be there.
- Speaker:** This is a fixed?
- Management:** That's right.
- Speaker:** So it is irrespective of whether you introduce new contracts?
- Management:** In respect of anything.
- Speaker:** So, irrespective of option contracts. You are saying more single commodity contracts or the tenure changing?
- Management:** Yes, it all boils down to ADT, Average Daily Turnover. So whether it is driven by one product or 10 products, 20 products, it doesn't matter. So that's the way it is...
- Speaker:** So, it's more like a fixed cost for 5 years, that would be...
- Management:** Fixed cost -- yes, you're right.

- Speaker:** And this contract, obviously, I'm guessing all the previous issues of not happening... the codes and all of that happened...
- Management:** Yes. See, it is a perpetual license provided, you pay AMC.
- Speaker:** Okay. So AMC starts after 1 year...
- Management:** It's a very single-digit figure, very small amount.
- Speaker:** So what is the 5 years that you were making in the call?
- Management:** 5 years, they will support and that we have also.. see there's L1 support is there for the first year, if I'm not mistaken, which is a warranty period. Thereafter for 5 years, we pay AMC where they will provide a service of L2 and L3 services in that AMC. And it will continue thereafter.
- Speaker:** And generally, let's say, as time evolves -- there are new regulations or new things that may be required for...
- Management:** If anything related to the regulatory changes come there, which are required to be monitored online, then you need their help to fix it online. But if it is something which is offline can be monitored and then fixed, then we don't need it because APIs are there and you generate the reports and then you do the needful.
- Speaker:** Look, or in general, in like supporting if you want to modify some bit of -- so that would be over and above...
- Management:** That is what you call customer -- what is you call -- enhancement.
- Speaker:** So that will be on cost...
- Management:** On a man-month basis. It is what the change we want. They will give you the manpower man-month estimates and then they will implement.
- Speaker:** So the software and hardware is owned by us...

- Management:** Software is not owned by them. We got a license, hardware is owned by us.
- Speaker:** So on the business track the better part of -- your revenues have been surprising. Even for people like us to look at volumes on a daily basis, which is given out publicly right Obviously, we all have started charging for option...
- Management:** Well in time.
- Speaker:** Well in time. The calculation that we did for the value that it could bring somewhere we are underestimating it because we are getting surprised positively each type. What is happening? Is it because as we're taking certain averages, but obviously, there's a mix of options that are out of money -- in the money, in the money, obviously, the percentage is higher and that makes that is giving a surprises?
- Management:** Now one is the volume of options itself has increased, that's your...
- Speaker:** That you get on daily basis, we get that.
- Management:** No, you get that, I'm saying, where you may be missing it. Obviously, the premium depends on whether it is in the money or of the revenue. I think the average realization is about 40%. Is that correct? I've been 40% means, earlier, we thought it's only options will yield 1/3 of the futures, but we were getting about 40%, 45% of that. So it's so much is the kind of...
- Speaker:** Is that stabilized? I mean I don't understand what is the ....
- Management:** Remain there on that.
- Speaker:** No. So again, because first, we were charging it all. So we as outsider didn't have an idea of that mix. So it is always been about that level?
- Management:** Yes, yes. But what are we told is conservative in that sense. 1/3, yes.
- Speaker:** So given stores, what we have seen is that the activity in the F&O market in India, in particular, has been far higher than what is observed in the other

markets, other global exchanges has been. And part of it is with the fact that there is a lot of speculation, which happens in the...

**Management 1:** Speculation is one thing, but you also have CTT, which is relatively lesser in options compared to futures. In international market, you don't have any taxation. Transaction taxes are not there..

**Speaker:** So on options, again, we only have data for a couple of quarters of pricing on all have for longer -- have you all found that the mix of the at the-money option out of the money options or in the money options changes with the volatility in the market or it's fairly consistent irrespective?

**Management 1:** It changes. But what we have to see is as the market started peaking like options that is when we have introduced the pricing. Prior to that one, it was like we were only doing good in gold. Gold was launched sometime in 2016 - 17. From there, actually, it was giving a very decent amount of option volume, but it is not significant. Only when the client margin reporting has come into the place, people started looking at the options.

So as the implementation of that phases has started coming in, the volumes of options has picked up. That completely has changed. So, if you take a period prior to that margin reporting, then it cannot give you the right perspective of that like how, what people are looking at it. But definitely, the realization is because we can say that most of the people are trading in-the-money options.

**Speaker:** The money options and therefore...

**Management 1:** That is the reason, you are getting better...

**Speaker:** I agree, which is my point to you that do you see any connection of does that change if the market is very boring and say -- there's no volatility, you start to see less activity in the money and more activity out-of-the money?

**Management 1:** In each segment, for example, if you take the equity, the trend is different. Even similarly, currency options, again, when we look at, all segments are different....

**Speaker:** Different segments in averages somewhere or the other -- so 40% is a reasonable number?

**Management 1:** We thought at least to that starting, 1/3 could be the reasonable one -- so we got something better than that. But we have to see now it is only two years' time. There's still a thin...

**Management:** But what I understand is madam -- the more the volatility, the greater the chances of options being away from the - what we call - from the money -- obviously, that's what the betting there to...

**Speaker:** That be logical I understand it, which is I'm asking it was then because out of the money, your premium will be lower.

**Management:** That's right.

**Management 1:** It could be one, even the type of participants who are participating, like for example in equity, you will find very small, small retailers who are trading into that kind of contract. But here, it is like at least the contract size itself is a decent size. So only those people can able to come and the duration of the contract in our case is higher as compared to the equity market because in equity, the options which are doing better is a weekly not the one we are doing.

So in our case, what will happen means out-of-the money, people can prefer because the expiry is a week ahead so even by taking out-of-the money, there is a possibility, high possibility that it can become in-the money. But in our case, it is a bimonthly contract. So the period also matters, right? That's why I'm telling.

**Speaker:** In which is where the question was whether that thought process there, you want to, let's say, introduce the weekly and which commodities or which underlying



where weekly would wear it would make a lot more sense because the pricing would be far more transparent as compared to, let's say, agri where you may not have a lot of takers for the...

**Management:** So initially, we thought to come out with the gold option monthly contracts, wherein it is like the futures can continue to be bi-monthly contract, but the options will be a monthly one so that people can, but that means both will devolve into the same underlying -- but by reducing the duration, people can look for it and start looking at it. But what we thought now is it is like the new platform, that means whenever we wanted to launch that particular product, it has to be traded in the future.

That means the new platform also as well as in the old one. We can -- right now, we can launch it, but we also should be 100% sure that it is also we can continue to trade in the new setup also. So once we get that clarity, we are working on it, we can start rolling out those products. So...

**Speaker:** Correct me if I understood you right -- what you're saying is that if you want to introduce weekly options, you need to have weekly future...

**Management:** No, not required -- but it is like in equity market, if you look at it, there are monthly contracts futures are there and weekly options are there.

**Speaker:** We are looking at both the possibilities like tiff I look at equities, the weekly Nifty and bank Nifty and futures are both these as well as the individual stocks...

**Management:** But domination is more than 90%, is coming from weekly options.

**Speaker:** So then what is it that is stopping us from launching the weekly options?

**Management:** So like I said, it is like the new platform also should facilitate that kind of weekly options. I suppose when if I'm introducing that particular thing right now.

**Management:** Essentially saying if we get SEBI approval, we don't know whether regulators will give approval or not for weekly. Once we propose to introduce in the

existing platform that, then I should prepare the new platform also to migrate all the contracts.

**Speaker:** In the TCS..

**Management:** Yes. Yes. So yes, that's what it is. So...

**Speaker:** To that economies made and let this TCS being rolled out and then to the weekly...

**Management:** Once we get the confidence, we can go -- In fact, the monthly gold contract that you talked about on the bimonthly underlying futures, we have got the permission in the existing system, we can do it. But we are just waiting for TCS to test that and then say that okay it is ready. So as and when you migrate it, I will be able to seamlessly transpose all.

**Management:** No, you can't afford. Open interest will be there. You have to have that. We have to add all the contracts...

**Speaker:** And then you want to... for weekly option side, so Bullion or Crude? Or is there anything underlying where you believe that there will be...

**Management:** Cash, it is the best one to fly. So obviously, crude and energy is the 2, Index is the one. But Ends again, gold is there engine when energy investors Ends have petered out. It's -- I think we will relaunch it. But at this point, as Madam has asked us to focus only on the on the technology platform technology -- that is the only 1 mantra. We are not a -- nothing else, nothing -- You were at midnight, give me a ring Mr. Reddy what are you thinking -- then you say that Madam -- Technology...

**Speaker:** No. I mean like I said, I think you have that sorted out.

**Management:** Yes, it's all behind us. I'm telling once that is sorted out now, I mean we are happy to go anywhere.

- Speaker:** The margin money that you get on the options side. you be investing short-term Government bonds...
- Management:** Margin money is handled by the clearing corporation. It's a wholly owned subsidiary. We don't get it. So they all, SEBI has decided where you can invest, where you not invest. So they can put it in fixed deposit or... governed by them.
- Speaker:** But it's done either.
- Management:** It's all by them.
- Management:** It is reflected in the...
- Speaker:** Consolidating -- that's why the -- while the interest arts are going up for the short term, you will have higher.
- Management:** That's -- CCL presentation is there --Do you have.
- Management 1:** Is only. So we are planning to introduce mini contracts. So that is something which will happen shortly once SEBI gives us approval. We expect to launch this month...
- Speaker:** That's actually to some -- so earlier...
- Management 1:** Earlier, it was about 20% to 25% of volume was brought by mini contracts. We expect the same reason, but it may take a lead time of 3 months to reach that. But yes, it will happen. It should have -- that will happen in metals to begin with. And we have also applied for what to call energy also this mini contract crude, and we will be applying platform.
- Speaker:** So the other interesting bit pick from the call was the number of customers which have increased the unique customers that come in. Is there any profiling that you would have done as to what is the new customer base that is coming in. What if I slice on maybe lead for the SME loan market participants. So what is the kind of profile of customers that are coming into right now?

**Management 1:** You have done any profiling? I do not know, but -- We will have the data -- we are not...

**Management:** Is another thing that way we won't be having that one. But what we publish the numbers, I think which already we have given presentation.

How much is your... for retail, how much is the share? And -- but it's very algo like always one aspect which is dominating. That is about around 50% is algo trading, what is happening...

**Management:** But that's true with every leading exchange, Algo dominates -- and let's understand Algo players themselves are not contributing. All Algo payers are there because there's a lot of non-Algo players up there. They're not -- they eat that the spread between, I mean, what is being shared by the non-algos. So the more the -- not algos, the more will be the algos, put it that way. It's not that who drives who Algos don't try on algos. Its non-algos who drive algos.

**Management 1:** Which is where the price is. Yes. That's right. That's right.

**Management:** That's right. in terms of the volume, what would be a customer volume...

**Management:** Are you saying customers or members -- members is about 60%.

**Management:** Top 10 accounts for 66%... but it's not too much of a concentration, I would say.

**Management 1:** Use from the regulators, I think that the regulator said about...

**Management:** Regulators, they peeping over our shoulder every night, every day. There's no time left. How many have participated, how many have not participated. Why only -- I mean they take a daily one and then say that while only 100 participated. So it's not 100, you should see who have participated cumulate over a period. That's because once they participate, they know how the system works, every way they may not do it.

And we tell them, look, 90% is covered... unique members have participated and the effort for 90% of business, what more you wanted because we are not changing much of these APIs and others, which interface with the brokers.

So there -- in that sense, we have least disrupt in terms of this migration. Okay. So not much change. And all back-office vendors, they are comfortable. They all are participating in, okay? Even if one -- I mean, there are 67 CTCL vendors. If they all participate the universe is covered. -- for me. So they're all participating it. what more you wanted. But genuinely, they are also concerned, I must say that regulators because it's a reputational risk, MCX is a leading international exchange in that sense. And the reputational risk if something goes wrong. And they are also keen that we transitioned very carefully and -- but decisively. That's the way it is. So they're supporting us. I mean, I must say that they are supporting us...

**Management 1:** Because it's impossible to move on. And we have seen that in equity that where the volumes are, the liquidity is patients will come to that exchange that perfective of whatever incentive. The other was to provide the volumes don't -- the liquidity doesn't move -- in terms like asset side in the situation...

**Speaker:** I don't know what you could have done...

**Speaker:** Which is where I said just something you take on the chin and move on and like you put it out there...

**Management:** I'm very happy that we have one in Ashmore, a very understanding...

**Speaker:** Very understanding. That's what...

**Management:** Absolutely, definitely absolutely. As somebody on the investor call said you should have bought over the 63 months, you would have paid INR 1,000 crores. That's what some investors call it, I'm sure you must have heard of it.

**Speaker:** You have gone with the best in the country.

**Management:** TCS is the...

**Management:** Yes, yes, that's right.

**Speaker:** Unfortunately, this is at this point of time. Yes, that's right.

**Management:** Move on. That's all -- it's behind us. And we are determined to make it happen this time, at least, is.

**Speaker:** How long have you been engaging with TCS now?

**Management:** From '21, February, we have issued a letter of intent.

**Management 1:** It's been on to say 2 years, 1.5 years of development... Thank you, Madam...

**Management:** Thank you so much all.