

MCX/SEC/2088

August 19, 2022

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:

| Sr. No | Investor/Analysts | Date | Time | Annexure |
|---------------|--------------------------|-----------------|-------------|---------------------|
| 1. | Franklin Templeton | August 12, 2022 | 12:30 p.m. | <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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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

Ajay Puri
Company Secretary

Encl: As above



“Multi Commodity Exchange of India Limited
Conference Call”

August 12, 2022



**MANAGEMENT: MR. P.S. REDDY – MD & CEO, MCX
MR. SATYAJEET BOLAR – CFO, MCX**

- P.S. Reddy:** Good afternoon. Sorry I was held up in another meeting, so shuffling between the meetings. I am sorry I am late.
- Moderator:** Good afternoon, everyone. I would like to introduce our MD and CEO, Mr. P.S. Reddy and Mr. Satyajeet Bolar, who is our CFO. Amit I will hand this over to you. If you would like to take the introduction of the team that's there.
- P.S. Reddy:** Amit I don't need introduction to my shareholders. They are anyways my shareholders.
- Anand Radhakrishnan:** I will take lead here. I am Anand, CIO of Franklin Templeton. We have in this call Ajay Argal, Senior Portfolio Manager, Janakiraman, Senior Portfolio Manager, Nikhil Walecha who tracks the company, Nikhil Kalode who tracks the financials from our side. I will request Janaki and Nikhil to make the call with the specific questions.
- Nikhil Walecha:** Thank you Mr. Anand.
- Amit:** Thanks for taking the time and the meeting. So, as it's a no broker call, so I will just leave and over to you gentlemen. Thank you.
- P.S. Reddy:** Go ahead Mr. Nikhil please five questions.
- Interviewer:** Starting with the contract with the 63 Moons, so I think there has been some glitches in the TCS app for which you are renegotiating the terms. So, is the ecosystem prepared for the transition and the alternative solution which you have finalized? Do you think there will be a risk and any challenges due to the change in the technology? How are the things progressing on the technology shift? Will that enable us to launch more products or does the platform have some problem?
- P.S. Reddy:** Primarily the technology shift is happening because the contract with 63 Moon is coming to an end and that was the contract which 63 Moon centered maybe in 2003-04 when it started. They were all group entities, so their model of dealing with this is different. So, it was a perpetual contract, perpetual services agreements etc. so that is why this particular contract has been renegotiated in 2014 when the control of the 63 Moons over MCX has been seeded because of the not fit and proper kind of thing has made order against the 63 Moons promoters etc., or MCX promoters were done. So, for that reason it was completely renegotiated. Having renegotiated and having realized at the payment terms were more tilted in favor of the vendor, so they decided that we should put an end to it. So that's how this contract but then that contract says you cannot float or you cannot engage with a new vendor prior to September 2020. You have then left with only 2 years, strictly 2 years. You have to develop a new system and then get going. So, in fact we worked even prior to that in terms of preparing RFP and other things by 17th of October we have floated RFP, 17th October, 2020. So background we have done that without losing any time and then by end of January in the 3 months' time RFP has been closed and contract was awarded to TCS. So, it is primarily the TCS which is bringing in the trading software of Deutsche Bourse

and the TCS banks which is the backend or clearing and settlement functionality will be looked after by the TCS banks. So, they are marrying the two and then delivering it. Even the T7 in Germany is maintained by them TCS itself. Maybe ownership belongs to the Deutsche Bourse but then they are the ones who are servicing that. So that is the arrangement. Now when they have evaluated on their technical terms, they found this is superior over the existing technology platform, in fact existing technology platform they don't disclose anything. That's the way it is. We don't know what is there inside, how it happens and all that kind of thing. We don't have any documentation. For us it's a black box until the contract ends. Whether the new thing will allow you to introduce more contract even existing one allows you to do the more contract. There's no restriction on it. But for every change you have to pay here and there is a volume transaction income related payment of fee apart from a fixed fee. That is something which is going to take away some share of our growth. In the case of TCS, there is no such contract, I mean such kind of revenue sharing. So that is the major difference. But otherwise the existing platform as well as the TCS platform does not come in the way of introducing more products or trading any number of products for that matter. Have I made myself clear? Now this is one part of it.

The second part of it is, we were to go live. I mean the initial proposal was to live in July. Now as we went on fixing bugs and the delivery has not fully come. Now they are looking at by end of August they will give full delivery. Thereafter maybe we will do a clean run, mock UAT parallel etc. and expecting by November we should be able to, November end maybe we should be able to launch the new platform is the whole proposal at this point in time. But contract ends at the end of September. So, we have 2-3 alternative plans. Plan A is definitely to seek 63 Moons to give us a support for 3 to 6 months maximum period which we have sought. They are yet to come back, maybe in the next one week or so they will respond to us. If there may be some more commercials involved be that so, but at least we will secure the position for the time being and when the TCS system is ready we will migrate it.

Interviewer: With this migration would some arrangements with the erstwhile thing will be more or less over, right? You will become a proper independent.

P.S. Reddy: Mr. Anand, I'm not able to hear you properly.

Interviewer: I thought with this transition your relationship with the erstwhile organic promoters will end formally, right?

P.S. Reddy: That's right.

Interviewer: And then you will become an independent entity both commercial...

P.S. Reddy: Even today we are independent except for technology. Going forward even technology also

Interviewer: Some commercial arrangements continue to exist that's what I mean to say.

- P.S. Reddy:** That will come to an end. That's right.
- Interviewer:** But unlikely event that the 63 Moons declines to offer technical support beyond September, are there any fallback plans?
- P.S. Reddy:** Yes, that's what we have a plan B, plan C all are there. But we are working parallelly on everything. My view is that they should be able to give us if we pay something more. I mean if that is the case then we will pay more. That's the way it is. We will negotiate. Apart from that there's no reason why they should say no. That's the way it is. If they say no assuming that this is the worst-case scenario, we have a fallback arrangement. In fact, I don't want to disclose that because we have shared with SEBI also. I mean discussions we had with SEBI also this is what we plan to do it and fortunately what we have done it also, I can tell you this. Because of this very what you call legacy contracts they are all perpetual contracts, so you have a license to run it. You may not get the support in terms of when there's a problem then they will not come and support. That's the way it is. Otherwise, you have a license to run it. That's point number one. Second, we are also not introducing any changes in the existing system, so that the stability of the system is protected. And then going beyond that some kind of support also we are looking at it and it will come. That's what my view is.
- Interviewer:** Will this new software have any influence in terms of attracting more algos and proprietary traders?
- P.S. Reddy:** I think it is agnostic and we are trying to give more speed in the new application. Maybe whatever BSE claims that they do have T7 platform, they say we are the fastest in the world. Whether they are or not but then at least we would like to couple with fastest with the world and biggest business also, largest business also would like to have it with that being fastest is not enough.
- Interviewer:** Coming to the options, currently only two contracts which is the crude and natural gas which are the two major contributors in the options volume. While the other contracts like gold and gold mini are not scaling up, so what is the roadblock over there? To just add the absence of the spot market is also some kind of deterrent. Is there any way to overcome?
- P.S. Reddy:** Yes, I will handle in the same sequence. Yes, the concentration is at this point in time only in these two. If you have seen the crude oil contract got activated because of very high margins and negative or peak margin circular that has come in the place which has taken away the leverage and in the case of options you just pay the premium and then keep working on it and there's a premium plays, lot of things that is happening and there are people who option writers are by and large proprietary, mostly. Anyway, they have bank guarantees given and they don't care much about what you call the margins etc. because they don't need to move in cash in and out kind of thing. The options play has picked up in crude then NG we have introduced just in the month of January, so it's about 8 months old in that sense, not even fully 8 months old and it has picked up well. We are also planning to reduce a monthly options contract in a bimonthly gold

contract. That means in one contract of underlying feature there will be two options. So, it will devolve into the underlying futures and then if somebody wants to go to the next options contract, they will go to the next options contract also. What will happen is it will reduce the premium cost. Now coming back to the mini options yes, we thought that that will pick up but again in the kind of ratio that you see that is in the futures ratio to the underlying gold futures versus mini futures. If you see that ratio, the mini was never bigger than this one. Maybe it is 20%-25% only that's a mini contract or even less at times. The options are also on the same lines, pattern that's following it. The clients also we have seen it they are different one, for 1 kilo they are different bar and then for 100 grams there is a different clientele base. It will take some time for us to bring in retail investors into this options contract. What we did was, you may be aware of it also and we have recently told that gold can be delivered to home delivery can be made. We are tied up with these vault managers. If somebody takes delivery via the option route, they can definitely get gold delivered at their doorstep deliveries happening. We wanted to bring in more or attract greater participation of retail investors into this contract. Hopefully we will be able to do that and the other contracts, we had especially NICKEL is something which has spoiled our METLDEX contract but otherwise it was doing well. METLDEX was doing well. All of a sudden because NICKEL has got a 25% weightage, all of a sudden, the contract got deactivated. I mean METLDEX has become almost nil. Otherwise, SEBI has already come out with the options on index futures. Probably that we would have launched unless the strong underlying futures is there I would not like to launch options contract because obviously it will devolve into the underlying futures and that is where our efforts are at this point in time. We want to rebuild those contracts and bring in the last fizz in those contracts. That's way it is we're working on. So, Nikhil does that answer?

Interviewer: Yes. Currently like you said on the index what is our view on the index option? Given the index future volume is currently struggling and despite it being....

P.S. Reddy: That's why we are not moving towards that. We have not done market survey as to when to introduce and all that. Our focus is to build that base itself. The index futures itself wider then I would like to bring in the options.

Interviewer: What are the reasons why it is struggling despite it being cash settled?

P.S. Reddy: The only BULLDEX is doing well at this point in time. Well in the sense it's about 150 crores ADT at this point in time but otherwise as I told you NICKEL, METLDEX was doing very well and almost all 300 crores, it has clocked the turnover but thanks to the NICKEL debacle that happened in LME and the underlying futures contract has dried up and the main index futures contract also has resulted into zero volume. First is to revive the NICKEL contract. We have gone back to SEBI, telling them the NICKEL contract size is almost all 1.5 tons contract, metric tons which almost all Rs. 35 to 40 lakhs, on which the margin works out to be 20%. It's about Rs. 7 to 8 lakhs of margin 20%. We said this is too heavy and people are desisting from getting into this contract. We would like it to be reduced to 500 kgs which we had once. So, SEBI is positively considering it and so much value of the contract is definitely not in the interest of the

market players. Once that is reduced probably, we will be able to rejig the indices based on that change in the underlying portfolio then we will reintroduce.

Interviewer: Got it. Also, can you clarify on the SGF part, especially with the regulator feedback on the SGF with regards to the crude all futures, with the background like why it was being done and currently we are right now on the SGF discussion?

P.S. Reddy: See in the past 2-3 calls I have mentioned it, the crude oil contract currently have about 25% to 35% margin. Now whenever the open interest in crude oil increases, especially in both crude and NG and even in the options there is an open interest because the option writer keeps the open interest. Now as a result of which the SGF requirements are increasing it. If the SGF requirements are increasing it then we have to put additional margin such that SGF margin requirements go down. We have a SGF cover of about 410-420 crores, something like 410 or 420 crores. Now the penalties contribute another 110 crores or 120 crores. But for the purpose of SGF cover when we want to calculate under stress test results that 100 odd crores of penalties are not to be considered that's what the SEBI rule is. In a sense we have only 410 or 420 crores is the SGF of cover. Now the moment we imposition margin because this SGF of cover is insufficient then the volumes go down. So, it's egg-chicken situation for me. What we told SEBI is, we will contribute to SGF provided you allow me also to withdrawal when the SGF requirement goes down which SEBI is currently, they have put it before the RMRC, Risk Management and Review Committee before them which is likely to meet in the month of August now. If not August, early September they will definitely meet and then give that dispensation. Today our treasury is earning about 4%-5% or 6% whatever it is. Instead of doing that I might as well put in SGF and not to impose additional margin then volumes will increase, I will get more transaction revenue. In the net-net, you will be benefited rather than putting it and earn some more treasury income. That is what the whole connect between SGF and the crude oil margin kind of thing. Even in gold we have imposed additional margin.

Interviewer: Sorry Mr. Reddy. How much additional fund is required in the SGF from the stress test perspective?

P.S. Reddy: No, the stress test is done every month. There's nothing fixed. Depending on the open interest of the previous month, the next month SGF contribution will be decided. Since it is volatile it keeps going up and down, this SGF requirements also go up and down. That is why we said it. You should give that freedom to contribute and then withdraw. We don't want to keep there only that's what because the interest income on the SGF also goes back to the SGF.

Interviewer: But ballpark it will be like a small amount, let's say 10-20 crores or it will be...?

P.S. Reddy: No, it will not be 20 crores. At times it comes to 600 crores, 700 crores SGF requirement. Then what we will do is we impose 10% additional margin. On 25,000 crores open interest, currently we have about 18,000 crores in the futures about 6,000 to 7,000 crores in options. So together it's 24,000-25,000 crores. So, on that the requirement increases.

Interviewer: Understood. Thanks. But is the cost benefit analysis very clear? Because you'll be like you said losing the...

P.S. Reddy: Yes, we are very clear on that. We are very clear.

Interviewer: Like in rest of the world the far month contracts that see a decent liquidity and I think MCX also tried with LES and have cut the price also by half but still that liquidity. So, can you discuss like also other thing is when the typical option contracts are squared off, so what happens at the time of expiry of the option contract?

P.S. Reddy: Option contract expires 5 days before, 6-7 days before the underlying contract futures contract expires. It devolves into if there's an open interest of the option let's say it is in the money or at the money and the participant would like to exercise their right then it gets converted into a futures contract, open interest. Then the next 5 days if they want to close it, they can close it. If they want to take delivery, they can take delivery. That's what the options and futures is all about. It's not an option on commodities where option on commodities means if you exercise that then directly commodity will come to you. But here it is option on futures. Now this is one part of it. Coming back to the other question that, why this, what you call the far month contracts are not active. Yes, that is where we are aggressively pursuing what you call with the hedgers, it is a hedger who takes a far month view and then they are the ones who keeps the open interest. Currently about 3 months contracts are the most active generally speaking. Now if you are comparing with US or LME or China and other things, maybe 6 months contracts are also active. In some cases, even 3 months contracts, 3-year contracts are also active. We have not reached that stage as yet and the participation is still dwindling. In fact, some of our players only go there and then trade or hedge on those markets. It's an egg-chicken situation for me. If you ask the big players to come and hedge, they say that you don't have liquidity. So, what we are focusing is let us build from the bottom up. Small players our liquidity is good enough, so bring them onto the platform, make them what you call hedge on the exchange platform. If once the liquidity pool increases, the open interest of the smaller players gets added up then bigger players, next level of players can be what you call enticed or are reasoned with. Look here is the open interest. Now you can also join the exchange ecosystem. That's the way we are proposing.

Interviewer: Yes. So that was the next question. Like why international players are not hedging on the domestic exchange. I think you answered it partially because....

P.S. Reddy: International players are currently not permitted. They are not permitted. Only domestic players are permitted. Even the domestic players can go and then hedge in international markets. But international players are not allowed to come and hedge. Once the FPI rules are made which SEBI has already permitted and their regulations are being prepared or circulars are getting prepared. Once that is prepared then they will start, they are allowed to hedge in the domestic market also.

Interviewer: Okay. Anything else that you can do to attract the institutional participants like any categories that you can launch where they are not yet present and anything? What are the key drivers for the institutional participants in FPI to move from global exchanges to MCX?

P.S. Reddy: As I told you regulatory framework is not in place so FPIs cannot come. Only about 2-3 months ago SEBI has permitted. Permitted means they have only in principle approval has been given. The board has cleared it. The regulatory framework is yet to be put in place. Meanwhile we are working with the FPIs. One area where FPIs may immediately come or rather two areas I would say. There is international arbitrage that can take place, LME versus MCX, CME versus MCX etc. Currently they have to have two legal infrastructures, what you call legal entities, one to trade and then settle the books on LME, another to trade on the MCX and then settle it because this has come under Indian jurisdiction. If they permit the FPIs then one single FPI can trade both in, I mean they can consolidate the books, both India as well as the international books and then trade without any problems. That is something which many of the players, in the past some players may be doing it without much regulatory framework being in place. Once the tax authorities have come down heavily, I think they've discontinued it and now that will officially will happen. That's one view that is what I was told. Second thing is the cash and carry arbitrage opportunities will come, if it comes in our market and it may be there in other markets also but there are some cash and carry arbitrage opportunities. We have seen last year in silver there is a huge cash and carry arbitrage opportunities. A lot of silver was lying in our vaults and a lot of companies, I mean a lot of hedgers have made money on that also. Such kind of opportunities as and when they come, they can also participate. Does that answer?

Interviewer: Yes, and on the bank subsidiaries which are I think less than 10% of the volumes, is there a scope to further increase?

P.S. Reddy: Yes, they are ramping up. All of a sudden for me this technology migration has come. Some of the big players are saying it, your technology migration gets it done then once it is done then I will work on the new platform rather than working on the old platform is another thing that they were saying but the existing players are ramping up their business no doubt about it.

Interviewer: Any specific products or anything, enablers that you would want to bring in to improve the volumes in the Algo-traders? I understand it's very high but still anything that can be further done to increase the volumes and also, I think the pricing is not different but can it be different at the regulations?

P.S. Reddy: No, I think regulators are very clear. In fact, there's a circular also which says that you can't discriminate between A and B. But whatever it is the discrimination, not by class but by volume, turnover you can give it. Which we have currently that kind of thing up to 350 crores you have one tariff and then beyond 350 crores you have a different tariff. That is what the like income tax slab we have there are two slab only and currently the average comes to about Rs. 207 per crore is what we are earning currently. Otherwise, I can't distinguish between Algo and non-Algo and then give discounts.

- Interviewer:** Anything that you can launch to increase the volumes further?
- P.S. Reddy:** Yes, obviously new products is another one as you keep asking me. You have a concentration in crude and then energy or energy basket so we want to go away from that and then try to disperse as much as we can. That is where we are trying to activate our metal contracts is one and the second one is we would like to introduce aluminum alloy; electricity futures and all steel TMT bars. I think approvals are still pending and it takes time for us to get this approval, some of them and especially the electricity futures have to be approved by two regulators CERC and SEBI. There's a joint working group and almost on 1.5 years ago we filed our contract with them and I think now that things are happening hopefully, we'll get it cleared this quarter.
- Interviewer:** Historically we have seen whenever we have launched the new, adopted any new initiative be it the product or in terms of the participants; following that announcement the process has been very slow due to the operational issues. Just wanted to understand whether what exactly the market participant needs to start adopting and trading in that product?
- P.S. Reddy:** Internationally also almost 3 years a contract takes to mature. Mature in the sense to attain a reasonable level of liquidity. Now while we conduct, we have a product advisory committees take the feedback of the product advisory committee in designing the contract and then we go on what you call creating that awareness etc. But still in India the understanding even among the corporates also is very poor in terms of hedging. Hedging means no loss no profit. But they don't understand like that and to understand no loss no profit both the books they have to put together and then say that yes one book the physical book is lost then the financial book will be profit or vice versa it will happen. But when it comes to loss on the exchange they forget about the physical book and then they made money; they say that anyway we would have made money. I mean you have lost money in the financial book. That is the way they are questioning the purchase managers and other things. So, a lot of education is needed. In fact, we have engaged also in the past with the CFO some of these companies and trying to conduct a one-day workshop as to how this works and industry wise we have done it. One is for Bullion industry. Whichever our companies that are into the dealing in Bullion their CFOs have been explained as to how they should be looking at hedging similarly the metal etc. But then it takes time for them to accept it and then get them accepted by their bosses also. Yes, it is a Herculean task but we don't leave it like that and we will make it happen.
- Interviewer:** Can you briefly tell us about the profile of the option investors and how many of these are the new customers? How many of the old customers? If there is any slowdown over there then do you think the new customers which have come recently, they may exit and who are the major participant retail, prob book PMS etc.?
- P.S. Reddy:** So, as I told you a lot of customers who were earlier trading in the crude oil post negative pricing, they have deserted the counters. Now subsequently when we introduce this options contract many have come back and in addition to that a lot of new clients have come with options. Now in the clients also as I told you the option buyers or option whether they buy a put option or a

call option in that category they are all retail on the option writers. Whether they write a put option or a call option they are all the proprietary and concentrated among the big ones. Obviously, they need a lot of money to write option contract because the benefit is only premium but then actually the downside is unlimited. Whereas in the case of option buyers be that put or call option it's limited to the option premium. So, keeping that in view this is how the distribution is. Yes, a lot of new investors are coming. Maybe Indian investors are used to option contracts in equity markets, so even they are also looking at it and some of our member brokers are also in their morning calls or research calls or whatever the market view calls, they are also marketing these products to their clients. Everyday morning, they have a client call and they are marketing even these products also. That is something which is renewing the interest of a lot of investors.

Interviewer: In terms of the new products like I think the monthly option bimonthly gold futures, electricity futures and I think some time you mentioned steel also. Where do you think are the largest potential and do you think what would be the pricing mechanism in the electricity futures and at what volume will they become profitable?

P.S. Reddy: I would say this way. There's nothing called not being profitable because you just introduce it and whatever is the ADT you will keep earning the transaction charges. Now maybe some manpower may be hiding or if at all we are hiding there's no such thing that we have done it. For example, energy basket is there and the electricity goes under that and the same team is working on that. There's nothing extra that we have done it on that in terms of expenditure. The pricing also will not be different. We don't do pricing product by product and we shouldn't do it because SEBI is very clear you, should just have a tariff across all. So that's the way we do that. If at all you want to introduce a LES you can introduce liquidity enhancement scheme but not by way of a reducing the tariff. They don't want that. It's a non-transparent way of doing it so you please don't do that. That's the way it is. So, coming back to the others what will be the contracts? I think electricity is something which we are looking at it maybe in the next 3 to 5 years that should do well once we introduce it but yes that's the way it is.

Interviewer: And need some clarity on the OPEX side. So, there are three elements. One is the tech where you're already renegotiating with that, you have renegotiated data terms. How much would be the saving over there? Then secondly is the employee cost. Can you tell us like how much is that in fixed in nature and how much increase can we anticipate in the employee cost and the other OPEX which is a major constituent and how much increase can be there in the other OPEX? What are the key things? It more variable or fixed in nature?

Satyajeet Bolar: Start with the employee cost. If you compare it with March as we mentioned in the call that we had made a provision for variable pay and it was a budgeted figure and then when we came to March, we realized the actual realization and then there was a reversal. There's a small component of around on an annual basis maybe around 10 crores for the variable. The rest is all fixed on the employee costs and I think this run rate would continue, the present till we come to March and hopefully we'll meet targets and we'll be paying what we are budgeted for. When you come to the IT there's a fixed component as well as a variable component that we pay to 63

Moons and also the product cost also includes what we pay to CME. There's a minimum commitment charges that we pay to CME, going forward once we go live there would be only the AMC. I mean the first year with TCS is under warranty but there would be an AMC that would kick in from after 1 year and also there'll be various operating expenses operating softwares that we have procured and which will continue to pay because most of the vendors have moved into subscription-based model from perpetual model for licenses. Those licenses would kick in once we go live. Also, the amortization of an asset that is the software as well as the various servers that we have purchased for the new software that would kick in once we go live. Other expenses are mainly, we are maintaining we run the building so there would be electricity, maintenance and there are some traveling expenses which is I think in the normal run it would be there.

Interviewer: Also, can you give some clarity on the tax rate because the tax rate currently is around?

Satyajeet Bolar: Tax rate on standalone is around 25%. Till last year we had a MAT credit we have fully utilized the MAT credit. Earlier tax rate was 29%. After utilizing the MAT credit now, we have moved to the lower rate which surcharge and all it will come to around 25%.

Interviewer: For consol entity it would be 25% from now onwards. it will be around.

Satyajeet Bolar: It will be around 20% and this is standalone it will be around 25%.

Interviewer: What is the difference?

Satyajeet Bolar: Because when CCL when they have contributed to the SGS they've taken that as part of their spend, so brought forward loss for CCL.

Interviewer: And dividend payout, how much are we looking at?

Satyajeet Bolar: Up to 75% is what we, the cash that we earn during the year is what we disperse.

Interviewer: Mr. Reddy on this proposed approval for FPI to invest in participate in domestic commodity exchanges, you also mentioned that they can combine their books across different tax jurisdictions. Is that realistic to expect?

P.S. Reddy: Not different tax jurisdictions. What I am saying is an FPI can trade on CME as well as trade on MCX and they can do the arbitrage and then that arbitrage income they can show it. There's no problem.

Interviewer: That is like a normal trading in the sense whether it is a hedging or an arbitrage that is of little concern to you right? As far as you are concerned you will get a volume?

- P.S. Reddy:** That's right. That's what I'm saying, we will get the volume. But currently what the brokers used to do it is that's what I was told, that they had one book for the international maybe from Dubai or something we are trading maybe. One here there are losses here or there are losses there and then profits here. They are not able to adjust between the two.
- Interviewer:** Right. I'm also seeing some slightly higher interest coming for this Gift City operations. Does that have any relevance for you?
- P.S. Reddy:** Well in the Gift City we have invested also in the Gold exchange the spot exchange and we have a 20% stakeholder along with other four others. So equally held, three exchanges and two depositories. We expect once the gold lands in India probably they have to hedge their risk also. So that is dollar denominated here, once they come in, bring into India they have to hedge their risk in rupee terms also. I think that is a win-win for us anyway. Even today also whoever is bringing the material, where the channelizing agencies, they are also hedging on exchange because the RBI rules do not permit hedging and international exchanges as Gold is concerned. They are hedging on MCX there's no doubt about.
- Interviewer:** But beyond gold, you mentioned that even products like steel, especially in the last 1 year we have seen a lot of companies suffer significant margin volatility because of this commodity price volatility. Now there should be much higher willingness on their part to hedge their exposure, right. Why is still....
- P.S. Reddy:** We don't have a contract as yet, no. We don't have a contract as yet. We are still waiting for SEBI to approve.
- Interviewer:** Is that taking too long? I'm also using the example of your electricity contract.
- P.S. Reddy:** Yes, it is taking too long. It's taking too long, yes.
- Interviewer:** Is it just because of the bureaucracy or some of the existing exchanges are also putting up some resistance for these approvals?
- P.S. Reddy:** For example, electricity, the CERC is obviously the spot market development and they would like some of those contracts. Forwards, they wanted to be introduced which they did, very recently IEX has introduced some forwards and we would like the futures to be introduced and that's why they are not giving it that's what but then SEBI is also pursuing it. These are regulatory issues primarily speaking. It's nothing to do with the exchange contract. That's the way it is.
- Interviewer:** Okay, can you clarify once again, our cost saving when you migrate to TCS like including, even taking into depreciation in new account. For example, if we are spending 100 today in the 63 Moons, so when we move to TCS how much overall cost saving will be there?

- P.S. Reddy:** We have not disclosed the figures as yet. Bu the way that I'm explaining, in fact the other day also explained. Given the present volumes, the turnover etc., maybe there may not be any cost saving but once the volumes increase then that upside will not go a part of it into the IT expenditure, it will go into the bottom line. That's the way it is. With increase in volumes there won't be any additional cost on IT. Today we are showing one variable cost. If you see that there's one entry variable cost, so that will not be there.
- Interviewer:** But assuming if volumes remain flat then you're not expecting any improvement in the cost side in a technology side?
- P.S. Reddy:** Not immediately because of the depreciation.
- Satyajeet Bolar:** The substantial amount has amortization, isn't it? One is for the software as well as for all the new servers and hardware that you have procured for the plan.
- Interviewer:** Understood. This Gold Spot exchange, there are some issues with related to GST, right? What's the progress on that?
- P.S. Reddy:** That's right. See the domestic Gold Spot Exchange yes, we do want to be there. But one is that our technology platform has to be ready and we have awarded a contract to TCS even for Spot. They said that once they deliver this CDP, derivatives platform then they will pick up that software and then tweak it for Spot also and then give it. That being the case, we are also not in a hurry in the sense the EDRs, electronic EGDR or Gold Deposit Receipts are securities. So, securities don't attract GST. Now the guy who is depositing first time the gold in the vault, he needs to get his GST back, whatever the credit. Now if he deposits and converts into EGR then EGR we don't know when it will be rematerialized and gold will be taken out of the vault. Till then the introducing member or introducing party does not get the credit that may be in few crores. That is something which is coming in the way at this point, GST issue.
- Interviewer:** So, there will be no kind of overlap or competition with what you are doing in the Gift City for the Gold exchange?
- P.S. Reddy:** That is purely only select brokers are permitted. Qualified jewelers are permitted. Not everybody can go there and import.
- Interviewer:** Okay, thanks. Is it fair to say that the increase that we have seen in the UCC for MCX, I mean, it's largely due to the increase in the option trading volume?
- P.S. Reddy:** That's right.
- Interviewer:** Okay.
- P.S. Reddy:** Mr. Akhil, where are you? Are you there on the call?

Interviewer: No, I think he's dropped out. So, Nikhil, are you done with the question?

Interviewer: Yes, we are done.

Interviewer: Thank you so much for your time, sir. I really appreciate.

P.S. Reddy: Welcome

Interviewer: All the best.

P.S. Reddy: Stay invested. Thank you for staying investing also and we will see to that. We'll call all our weight behind the company and see that we reach a greater height. Thank you. Thank you so much.

Interviewer: Thank you, sir.

Management: Thank you, gentlemen.