

MCX/SEC/2095

August 25, 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.	Ocean Dial Asset Management	August 18, 2022	02:30 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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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”
Meeting with Ocean Dial Asset Management**

August 18, 2022

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 than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Analyst: So, I think you know about us. Do you know about Ocean Dial, right. I mean we don't need to introduce ourselves.

P. S. Reddy : That's why I told them that

Analyst: It's always nice to meet in person, you know some... nice to see that you've started meeting in person. We've also learned as far as possible we insist on, if possible if the management is agreeable to actually go and meet personally, you know so.

P. S. Reddy : It makes a lot of difference, it makes a lot of difference.

Analyst: So just a bit of background. We have two funds. I manage one, manages second, the group has long history of MCX. My son currently owns this historically, within his earlier job he's been a big MCX fan when he came in the first stock, he bought was MCX and I kind of followed him a bit. So really, we are just great meeting you. We like the business and our idea was really to give us this long-term perspective of where you see yourself. Just a number last 10 years you've kind of be inversely flat. Lots of reasons regulatory etc. but this is from behind.

Analyst: Yes. Exactly, if you look at the last 3 years, your turnover has been around 400 crores odd around that, run rate is about 100-110 crores or so. We understand reasons, agreed. Our whole interest is to understand from the next 3 to 5 year perspective what are the prospects for growth in terms of the size of the opportunity for you. Because we know that there are three pillars. One is the distribution part. A lot of things have happened, okay. The second is the number of participants, the nature of participants like recently FPIs have been provisionally allowed, I guess. And the third is the products. You've launched lot many new products and all. We would request you if you can take us through these three blocks as to how, what has happened, what has not, what you are not happy with and what are the possibilities in each of them and in future what are the other possibilities, of the distribution, the product part and the participant part I guess that could help us?

P. S. Reddy : Sure. Coming back to the products part of it which is something that we can do all the time and which is in our hand. And that is something which we have been looking at and electricity futures is something which we are looking at. We are major growth driver on the energy side because going forward energy is going to make a difference. And there's also a kind of a thought that you need to pay premium from renewable energy source, this one electricity generated to renewable sources. Then that is something which we may launch another contract also that is where we can say that and now carbon credit is another thing that is coming. I think these are all areas which will help in generating this particular business, especially the energy sector. That is one major thing that we are looking at. The second thing is, this again is a temporary but then it gave an opportunity to just keep into the Indian market, thanks to this Ukraine-Russia war and some of these companies in those areas are also looking at it whether I can use MCX platform including the Rossall, okay as well as the one Rosneft. There also we have an office in Delhi. They are inquiring how we deal on MCX platform and other. These kind of things will help us bring them and then see what we can offer. I think I understand this is a kind of event maybe once in a blue

moon happened this kind of war and other things when people will start looking at it how we realign our businesses vis-à-vis what is available I mean where we can be reached off. So, the participation wise if you ask me, then we would like to be not just a pan India platform but it should be catering to most of the Asian countries, Asia and Middle East country. Now it requires a much-much what should I say, much broader policy change. Okay. It's not just in the form of FPIs and other things and even those players who are in those respective domains, jurisdiction, they should also be able to participate and they all are FPI in that sense, you know. They will not be rejective as an FPI with Indian government or anything like that. Today probably to trade on LME you don't need to go and register in their local jurisdiction, the regulator and all. Just go to the broker and then give him all your KYC and do it. Something of that kind is what we look forward to. I think that if those things happen, there's nothing like that. And yeah, FPIs, I mean usually people ask me how does FPI help you, okay? Because FPIs have other markets also to hedge or participate. There are 2-3 areas or 2 areas specifically where they can only do here but not elsewhere, okay. Every market has cash and carry arbitrage okay. So, cash and carry between the two contracts, few contracts near month and far month kind of these. So, they have to actually come here, take that interest rate, interest difference I mean between the near month and then far month and then participate. The second one which we are looking at is that the international arbitrage earlier used to happen I would call rampantly, maybe unregulated and Indians only are doing there and here and then only one book they are maintaining and they faced income tax problems and other things. So, we're discontinuing that, through the FPI route. Now they can do a domestic as well as international arbitrage. That is something which can happen, okay. They still have one single book and they can off-set the profits and losses which are often between the, across the markets to put it that way. And then still participant benefit from this. So, this is 1-2 direct benefit that we get, still once our market grows, okay probably they can see other opportunities also. If they have any commodity exposure, they can definitely take exposure in the derivatives column. This is one area of participation. The another area of participation is the hedges themselves, the physical market players. That's a huge scope. But the problem is banks don't understand, the hedgers themselves don't understand, okay. And understand, not having understanding pardonable, not willing to understand is unpardonable. That is what the problem with us is. So, we are breaking our heads with many bankers, many of these people. And if they lose in the physical market or gain here 'okay profits hai ye satta bazar hai' and then they lose here and then they gain in the physical they don't look at it. Anyway I would have got the benefit actually I lost my money which otherwise I would have got, it is the way they were talking, they have to add up basically, they have to add up, that's how exchange is no loss no gain situation which the culture is not there as yet. They are not looking at the value addition which they get it as a profit. They are looking at it and the material itself, the raw material itself should be if it will fluctuate then they should make money out of it. I mean I don't think.

Analyst: So how much would be the physical market players and hedge business related...?

P. S. Reddy : Most of the open interest is held 50% to 60% is where adjust on. Open interest is generally held by them, so whatever open interest you are seeing is that...

Analyst: So that algo and the speculative part of it....

P. S. Reddy : They don't, they close the both positions at the end of the day. If at all there is left out, little is left out but mostly.

Analyst: So how can this now just be changed? I'm sure the responsibility lies in terms of educating these people and training and all that.

P. S. Reddy : So, we are doing that only essentially and also, I mean various ways of education. That's the way it is. Once we organize the CFO's program and then giving them one day workshop free of cost of companies' product, what you call material managers CFO's etc. and we ran it for 2-3 weeks and thereafter no interests have come. So that is something which we are not able to break it that conundrum. I think what we are at this point you know asking is the bank broking companies are there we have, we are asking them you tap your banking corporate client accounts and then go to them, explain and tell them that this is the way we can do it. We will join you, if need be, okay and we will explain to them, so that connect will help. Second IPA we have written and then banks also individually we have written, telling them they should tell their clients who have exposure to commodities to hedge on the exchange. Even their loan is secured in that sense indirectly. Okay.

Analyst: the physical risk clients is still there.

Analyst: What sort of companies are you talking about, the clients? These are the small and medium enterprises or are you saying the large companies also have this problem.

P. S. Reddy : Yeah, large companies also are having problems. If you see the what you call the disclosures under the listing agreement in their annual report companies are making, only 10% or so. How much is the percentage? Very less who are hedging, who are actually acknowledging that we are hedging, many said that we don't

Analyst: They take directional bets.

P. S. Reddy : Yeah, yes.

Analyst: They take directional bets.

Analyst: Not taking is impact that itself is a speculation.

P. S. Reddy : Exactly.

P. S. Reddy : So, coming back to this, so we are at different levels we are asking them to pursue this, okay. For example, we have gone to SIDBI, told SIDBI that your main focus is to protect these SMEs, MSMES, okay. You may be indirectly or indirectly extending the loans and that will go down

the drain if they don't take proper risk management measures. So, we have conducted some webinars with their, to their clients also. So, it's a continuous process, put it that way.

Analyst:

Right?

P. S. Reddy :

And for example, there is currently so much clamor, so much clamor for suspending our cotton contract. Okay. Now, no, no cotton prices are going up. But then somebody we have recently organized a textile advisory committee members and our product advisory committee. One of the members have pointed out if thermometer is showing temperature you don't break the thermometer, you know, so you better treat the you know cause of it. Why there is a, why there is fever. So, you're doing like that asking us to suspend the contract. It doesn't help because there is a cotton production, there is a deficit in this current year. I mean season is ending in the month of August-September so prices are going up. And yesterday I was reading this one, even the US cotton crop I think Texas is the state which is submitting supplying a maximum contributing to the US. There is a deficit because I think in the last decade never did it happen that kind of deficit that they're facing it. The ICE prices also gone up by 6%. The point is it is reflecting what is happening on the ground. You should see that message, hedge it. Why are you not hedging? The question is that. You are asking an instrument which is meant for you to defend you and you are asking that to be suspended. No, no because your prices are going up we have to buy in the physical market at that price. So that's not my problem boss.

Analyst:

Fair point. On the paining side, pre-COVID, you used to talk a lot about the number of sessions you did in the previous month.

P. S. Reddy :

Yeah, still we talk.

Analyst:

I don't hear as much.

P. S. Reddy :

2008, (+500) are organized. Okay but now a combination now, earlier only webinars. Now webinar cum physical awareness, physical awareness programs, 2500 we have done. That's what gave us.

Analyst:

Significant budget allocated towards.

P. S. Reddy :

By and budget is paid out of the IPF. So, we have about 10 crores is the IPF which is used. We have an ISF of Universal Service Fund, from that also we pay for it. These advertisements and others come from the IPF, is that correct? And ISF is used for investor webinars and other things like booking a hall and all that kind of.

Analyst:

In the case of the participant part of what we are discussing, the challenges to get more of these physical and the hedging...

P. S. Reddy :

That's the only thing. They keep coming, speculators will anyway come. You don't need to make any attempt to bring speculators on to the platform

- Analyst: But beyond this FPI and all I think you don't need any further expansion on that.
- P. S. Reddy : Not required. On the mutual fund side there are certain regulatory what you call clarifications needed that is not coming through, that is another way of submitting it. And mutual fund industry itself is happy where they are because they are earning a lot of money and out of equity, so they are okay. They are not looking at commodities. Now that is...so what I have requested I think Mr. Bala. Balsubramaniam has agreed to contribute a commodities committee within AMFI so that some focus will be there, people will be discussing it, what's happening in commodity markets that will happen shortly that's what my hope is.
- Analyst: So, on the products because we have discussed today, there is a mention of a product committee that you have. In anyways when we meet you....
- P. S. Reddy : Product advisory committee.
- Analyst: Product advisory committee.
- P. S. Reddy : That is for each product.
- Analyst: Okay, so that's not....
- P. S. Reddy : You have one for cotton, one for... that is the SEBI's rule.
- Analyst: Okay, so I was assuming that this is like the innovation bit like you should market it separately to come up with no.....
- P. S. Reddy : No.
- Analyst: So, this is like for every product.
- P. S. Reddy : Whenever you, like for example aluminium alloy contract we are doing, so we constituted a committee with the value chain participants of that product. So you have OEMs who use the wheelbase's aluminum alloy, actually most of these automobile sector and there are some traders in the physical market and refinery processes are there, all those are the ones who form part of.
- Analyst: So, on the product side sir what is the potential? I mean I know there are a few products waiting for approval including the electricity Futures and all that. What is the status on that and existing wise what is the scope? I know options have done very well. We'll come to that but maybe if you can on the future products what is the potential and how big and we have waited for long for the electricity to just to happen and what is the status out there?
- P. S. Reddy : That's right. Patience is running out, not only for me but even for my investors. Just before I came here, I finalized another letter to SEBI asking them on the electricity derivatives contract approval, okay and we said also in that letter, we accused in a sense, very maybe very stealthily

that by delaying it you are helping the spot exchanges to launch futures contract, forward contract with one month, one year, three months and other things and take away the domain of the future exchanges. That's the way we are telling SEBI and they are also feeling that but every time CERC says, no, no I need to understand this product better, I need to understand this product better, organize some webinars or some meetings with some of the industry participants. But we have arranged a webinar with European Exchange (EEX) and we have arranged another meeting with Statkraft, okay. You must be knowing, you must have heard of them and RWE some, they're all leading players. So, we have organized them, they know it but still they're pretending ignorance at this point in time. So, if the SEBI just to wake up and then say no you're cheating on me.

Analyst: But where is the pain point, is it IEX which is not very keen to....

P. S. Reddy : No, no. It is the CERC which is delaying it.

Analyst: That's it.

P. S. Reddy : They are a part of the joint working group, the members of the joint electric board that's the way I look at it. But we are, we want this to be cleared at the earliest. And we submitted in last October 20 or so, 2020 we submitted our reports. It's too long.

Analyst: I asked about IEX because IEX has been allowed for the forward contract now.

P. S. Reddy : But there are so many others.

Analyst: If they have a,

P. S. Reddy : No, it is not because of that. I'm not looking at because we have a relationship with them.

Analyst: Sure.

P. S. Reddy : Okay, we are going to settle our contact on IEX prices.

Analyst: On the DAM.

P. S. Reddy : That's right. That's right. So, but everybody there is Hindustan Power also has come. There is a Power Exchange, PXIL is there. Everybody who wants to launch. Hindustan Power was also inaugurated where BSE and others have....

Analyst: How confident are you on the approvals coming through very soon?

P. S. Reddy : It should. Enough of time is lost. It should get it in this quarter.

Analyst: This quarter itself?

- P. S. Reddy : This quarter itself or maybe maximum one more month if they have to work.
- Analyst: How big would that be the opportunity theoretically speaking as of now?
- P. S. Reddy : It will take some time for us to make sure this because the physical markets are the ones physical market players have to make the maximum play here.
- Analyst: Yes.
- P. S. Reddy : If CERC puts conditions on them participation, on their participation then we will have a problem. Okay. No, no you can't hedge your PPE contracts also on the exchange. Why shouldn't they, why shouldn't they take advantage of. Then we will continue to supply the power at whatever agreed price. But if they are able to make some benefit out of this market then why not do that? Okay. And there is sometimes, at times there is surplus also and they should be allowed to participate. But I think it will, there's a lot of excitement on this. There is lot of excitement. We have made (+50) meetings with each one of them one to one basis. ASCI, that is Administrator Staff College of India in Hyderabad, they conduct programs for this DISCOMS or GENCOs etc. for their internal staff and other. They invite us as one of the speakers. So that is the way that we are able to reach out to the ecosystem. So coming back to the product, yes, this is something which we, the big opportunities is what we are looking for in terms.
- Analyst: In terms of let's say EDTV on electricity Futures what could be the potential size?
- P. S. Reddy : I think the numbers.
- Analyst: Would it be 10-20-30 what?
- P. S. Reddy : I will not be able to give those numbers.
- Analyst: It won't be small though.
- P. S. Reddy : No, our ambition is to make it big. That's all I can tell you. Our ambition is to make it big.
- Analyst: Sure. Sorry I interrupted you. I'm sorry.
- P. S. Reddy : No, no. So, what I'm saying is this is one growth potential area. Metals is, base metals is another big area that I'm looking forward to. And I think some I mean again, these are all the cash settled contracts, so there's no problem of GST and other things. When it comes to these base metals and other things, GST is a big bail point for us. While we are trying to address it, we are also looking at is there any other way we can do the business? Okay, so one way which we are debating and discussing at this point is that free trade warehousing zones are permitted within the country also. Okay, so if we have north-east-west-south kind of thing free trade warehousing zones are there. If participants can take delivery there where there's no GST, no customs and other things and our price we will reflect as ex-customs, I mean what you call a free on board or

whatever you, FOB price kind of thing. Very clearly telling that anybody who is taking deliveries, they should pay the customs and then bring it. So that is something which we are working out and because this free trade warehousing zones all those are '19-20 are approved but actually in existence or in activity there are about 2-3 are there and so we have already tied up with one Arshiya at Panvel and that is something which is just started very recently about two months. Hopefully we'll get more. As I said we are looking at some of these European countries, east European countries if not and some of them may want to deliver then they can deliver here.

Analyst: Anything else on the product side, potential wise?

P. S. Reddy : Sorry.

Analyst: Product side or any other potential steel.

P. S. Reddy : See the index options is something which SEBI has recently has come out with, thanks to the Nickel contract which has caused a lot of dampness in the Nickel futures contract also. If once that product, is I mean we have approached SEBI to change the contract specifications. Currently it's 1.5 metric tons which is very high and the payment of margin on that is another 20% means about 7 lakhs, 8 lakhs ho raha hai. We have requested them a smaller size so that it is acceptable to the market participants. SEBI, if they say yes then again, we will revive the underlying futures contract. Then index futures will be active. Then we can look at this. Unless there is enough volume, we would not like to launch the options on index.

Analyst: Right. So same with the GOLDEX

P. S. Reddy : GOLDEX currently GOLDEX is to....

Analyst: So, are you surprised with the way options volumes have gone up? Is it faster than what you are...?

P. S. Reddy : It's a pleasant surprise no doubt about it. And we didn't expect so much when we budgeted for less of course. That's our usual way of working. But yes, in fact yesterday it clocked the highest turnover, 62,000, is it? Options highest day before yesterday, highest turnover clocked. But we would like this to be spread, you know.

Analyst: Yeah, it's largely energy.

P. S. Reddy : It's largely energy.

Analyst: Crude oil and natural gas.

P. S. Reddy : Crude oil and natural gas. And now we would like to introduce a monthly gold options contract by-monthly gold futures.

Analyst: One kg, right.

P. S. Reddy : One kg that's right. So that should also help us to see good amount of rating.

Analyst: What could be the potential, where do you think the options volume can settle down at? The reason I will explain what we are trying to understand out here, from a revenue perspective you know, we were looking at the equivalent of futures. So, what should it be, it should be 2.5-3 times of futures going to be neutral vis-à-vis future other options?

P. S. Reddy : As I explained we thought it is only 33%. Okay, options get me 33% revenue of futures. But it so happened that I got 48%.

Analyst: Yeah.

P. S. Reddy : You know in this quarter.

Analyst: So where do you think it will settle and what is the right thing to...?

P. S. Reddy : I would like it to keep it as 33% revenue. I know if anything that extra comes is bonus. You know that's the way it is and because currently whatever trading that is happening, it is happening in the money, close to money, at the money kind of thing. But...

Analyst: Premium is high.

P. S. Reddy : So, premium is high so we will get higher. What happens index futures and other thing elsewhere, what is happening, bank index? So, it is far away from the money. So that is pure speculation. But here that's not the case. That's where we are getting good.

Analyst: Because I think your aggregate volume if I were to add on futures ADTV the options converted to futures let's say aggregate is higher.

P. S. Reddy : So, it is about 35,000.

Analyst: So it is actually much higher than pre options and all that.

P. S. Reddy : That's what I am saying.

Analyst: There is no cannibalization anymore now.

P. S. Reddy : Yeah

Analyst: But where can it settle? That's what we are trying to understand because see that some of our...

P. S. Reddy : Why do you want it to settle? Actually, you should keep growing.

Analyst: Of course, we are coming out of phase of at the aggregate your top line has been flat for the last 3 years. So that is where we are trying to understand that have you reached an inflection point or is it something we are missing or what is it that is holding you back even now or something like that? you know just to understand that context sort of. Like for example when do you touch a run rate of 600 crores or 700 crores per year in that way?

Satyajeet Bolar: Don't forget after PTC '19-20 was the best year.

Analyst: Yes, yes, agreed, so I am not referring to pre...

Satyajeet Bolar: we had the COVID.

Analyst: Yes.

Satyajeet Bolar: We have to keep that in mind.

Analyst: In mind yeah.

Analyst: Or followed by peak margin ratios, all these things.

Analyst: Peak margin, no, so we understand the reasons. There were specific reasons. So our point is that now that we are out of it, are we sitting at a threshold of a sharper rise in your ability to transform all these things into business?

P. S. Reddy : My focus would be more and more on futures. Okay. That is the base because options are on Futures.

Analyst: Correct.

P. S. Reddy : So, we would like to continue to grow the futures and then launch options contract on it. So, then it will pick up on its own. That's the way which has happened. So we would like the options contract to I mean the futures contracts to grow. So that is where I would like to have more and more participation from these participants.

Analyst: Interesting.

P. S. Reddy : And that's the way I look at it. I'm not having a target as such for options. I don't know when options will stop and that is the way it is you know to stop doing as much as it did so far. But we would like SGF cover related issues to be addressed by SEBI which we are expecting sometime in the month of, in the end of this month or early next month is the RMRC meeting scheduled and in that meeting if this approval comes then we would like to contribute more, reduce margins, then automatically even futures will also.

Analyst: Interesting, so most of your issues are more regulatory related.

- P. S. Reddy : More regulatory related.
- Analyst: That's what we had discussed last time.
- P. S. Reddy : The mini contracts for example I mean there's no reason why they should step in and do all these kind of things. They will just simply stop mini contract. What is your problem? What is your problem? We have made a presentation, a Venn diagram, made it exclusive here this, exclusive mini contract has so many participants, common out this thing, okay who are participating in both the contracts. We've given all that presentation for each product wise. Okay. And anyway, there are some Utopians in what you call CD, what you call, what is that commodity advisory, there is a CDAC. Okay. And like what is the name, anyway members are there. No, these are all speculators, speculators. Arey without speculator nobody will survive, why don't you see that? Who is taking the risk. It is the speculator who is taking the risk and hedgers are actually giving up the risk. They don't appreciate that point.
- Analyst: The speculators are required to bring liquidity and liquidity in the system.
- P. S. Reddy : Yeah.
- Analyst: For any market you require speculators.
- Analyst: Yeah. That's a fair point.
- P. S. Reddy : Yeah. We are candid about it. We are not ashamed of telling the speculators are needed and it is, they are everywhere.
- Analyst: In terms of this IIBX, you have been saying that it is actually beneficial to you and of course that's a spot exchange. We understand that. But is there a...do you think IIBX per se is a very strong contender for very large amount of volumes out there or it will take time?
- P. S. Reddy : We expect almost all the imports to come via this IIBX only and the kind of regulatory framework is made is also conducive for that type of development. So, there are qualified institution, qualified jewelers or even today also some regulation has come for jewelers. Almost 70-80 of them have already become who are major players. They want to import via this. Okay, canalizing agencies are going to be an history. That is the way I look at it. Because they are not be able to compete with an exchange kind of like this. Then the only thing at this point in time we are yet to get confirmation is from bullion banks, some of them like JP Morgan and others, that they too should take membership and then say that I'm delivering. Currently they're participating to via-via kind of and we would like them also to directly participate, put their gold in the vaults in GIFT City and then say that now I will start functioning from here. So that is something which regulatory is also lobbying with the seniors in these bullion banks. So, people have to and in fact some of the and another thing has happened. Thanks to economic sanctions. LBMA said these refiners are not eligible. Okay. Now not because of anything else I mean just

because of sanctions they said they are not eligible. But then they are, for all these years you have accepted them as having good processes and all that kind of things. So, they are looking at.

Analyst: Interesting.

P. S. Reddy : And one guy has come here directly and then said they had discussions with our this one Cloud we use it because we are a stakeholder, no there in IIBX.

Analyst: 20%.

P. S. Reddy : Can you help us, how you do this and all that. So, we have a handheld, so some of the refiners are willing to deliver there.

Analyst: Do you think the shifting to India and you know there's been a lot of noise about this in the papers and movies on there and inaugurating all this. Do you have a rub-off effect on the commodity exchange with participants being added but it's just two very different markets altogether?

P. S. Reddy : I didn't get the question right but is it that rub-off in negative side?

Analyst: On positive side.

P. S. Reddy : Positive side. All the MCX.

Analyst: Yeah.

P. S. Reddy : But

Analyst: Just in terms of more participants looking at commodities per se or it's just a very different people who just import.

P. S. Reddy : No, publicity helps no doubt about it and gold publicity helps more. Because when women also look at that and then try to take a bit of that and we have also started... The people whether they are importing via IIBX or whether they are importing to canalizing agencies, once they import the hedge on the exchange, you know. Those who wants to hedge they will do that. So going forward also they will continue to do it even if they do the business via IIBX in all in all. The only thing is publicity helped but we are also in a sense integrating or bringing in wherever possible the spot exchange characteristics or spot exchange what to call futures related to the delivery and other things into the futures market also. So, we have recently asked our vault, one of the vaults have given quotation doorstep delivery of gold. Since we have 1 gram gold, 10 gram gold, 8 grams and 50 grams, 100 grams which I think medium to other small can always buy it on the exchange and take delivery. Okay. Now brokers also, those brokers who are not actively looking at commodities I think with the gold the door will open for them to get into the MCX fold because their customers currently may be going to the banks to buy the gold coins or

something like that. They charge Rs. 700-800 or Rs. 1000 or even more, I don't know for delivery of that coin. On the exchange platform if the broker has got 25 customers or something, 10 grams to 150 grams or something, it comes to Rs. 10 per gram. Okay so hardly any money in that sense what he pays or even much, even less, even less that is what we are charging minimum so much guarantee then I will give you fixed price that's all. So, it doesn't matter. So, they are doing it. I think we would like to spread that awareness through social media and others. So, coming back to IIBX, it's not just that but I think independently also we would like these products to create that awareness.

Analyst: So, nothing more on the product rate you will discuss everything....

P. S. Reddy : Yeah, I mean steel TMT bars and many others we wanted to introduce it. And one more thing also, we are not giving enough time for each of the products to mature also. Okay. It's like releasing something and ribbon cutting ho gaya to chalu ho gaya. No that's not the case. It takes time for the contract to mature. And brokers say that if you launch because for me at the end of the day, I go to those only 500 brokers who have, okay, that will not increase it. Because currently the only 500 are active members. It can happen even at 600 nothing beyond can happen. And in fact, consultation is also taking place. A lot of members are surrendering. And so, these very guys keep saying it how many contracts have to promote for you? That's the way it is coming. I think yeah, we need to give some time for them.

Analyst: Yeah. So, your existing products like the index futures then of course that will be followed by options in the index future and of course the options on the gold side because there is a lot of work out there.

P. S. Reddy : Yes. Usually, people tempted to compare with equity markets our base and other thing and that's where you are not grown and other thing. But I think we tell them give us time to you know grow. That's where it is I don't think you can compare us and again it's quite different customers in the case of equity, balance sheet is the same. In the sense the earnings per share, earning per share means the same definition and everything, revenue, okay whatever is that before sectors are before verticals that's not the case here. Each product individual investors have to understand it. If he is taking delivery then he has to get into the nuances of GST and all that. That's not the case with equity. And more important you just buy one share Rs. 200, Rs. 1000. That's not the case here. Our lot size itself is few lakhs.

Analyst: True.

P. S. Reddy : So, people ask me why you don't have annual equity investors here which is commodity market. It's a different ball game altogether.

Analyst: On the distribution side sir, you were talking about the bank brokers sometimes that has not grown much, right? Still a small portion of your business. What is the challenges out there and where do you think it can go? Because there was a lot of excitement earlier that this will be like a big thing in terms of reach and....

- P. S. Reddy : We are able to put everything in place as far as ICICI Bank is concerned, ICICI Securities. They are full-fledged now. They are marketing everything. HDFC is not online as such. When I say it's online. Online training platform is not offered to the retail investors. They are undergoing a change. They called it a Sky or something like that. By the end of this year, they are launching. Once that is launched again, we will be a part of that. Okay. These are all related to system changes. Then you have Axis Bank. See I mean there the focus is less but better than HDFC at this point in time. And SBI again they are changing their systems and theirs is also happening that way. Yeah.
- Analyst: How much are they?
- P. S. Reddy : Come again?
- Analyst: How much are they, they are not very big, right, bank brokers?
- P. S. Reddy : Axis is not very big; Kotak is the best.
- Analyst: Sorry?
- P. S. Reddy : Kotak Securities. But Kotak has got a lot of the I mean the HNIs and a lot of what you call corporate clients they have. That is where we are telling others also, you please tap your banking letter authority. Bring them here which they have to do that, they should be having the drive. They say that unless I have a proper platform I can't go and then tap and then give a bad experience to the customer is what they are answering. SBI is a monolithic giant elephant rather, not able to move them. But they never said no to it. That is one thing which is being but otherwise yeah, Yes Securities is doing it, HDFC Securities as I told you it's less but then that will happen. Yeah, ICICI has exceeded the even Kotak also. That's where it is.
- Analyst: So, it basically has....
- P. S. Reddy : For the first time.
- Analyst: So ICICI and Kotak are the main ones.
- P. S. Reddy : Major.
- Analyst: And how much would that be? The bank broking business as a percentage. How big is that as a percentage?
- P. S. Reddy : No, banks it will be about 1000 crores out of 25% that's where it is.
- Analyst: Still very small.
- P. S. Reddy : Still very small.

Analyst: But has the potential to actually grow quite well?

P. S. Reddy : Grow. That's right.

Analyst: And this is basically only from two banks largely?

P. S. Reddy : Largely two.

Analyst: Largely.

P. S. Reddy : Largely two. Axis is active so is Yes Securities and Kotak Securities, HDFC small still.

Analyst: Interesting. So, there's a lot of potential products yet to become more successful. Probably the bank brokers yet to do more in terms of the pipeline of what can happen. It's all about execution with the help of regulatory support in that sense.

P. S. Reddy : Yeah.

Analyst: Just one more question was in terms of, is our understanding right that with the TCS contract your variable cost essentially comes down drastically. Your P&L becomes more fixed cost heavy, so any improvement in your overall turnover business can have a substantial operating leverage impact. Is that fair to say or...?

P. S. Reddy : See at the current ADT of, not 35,000 crores, it's about 30,000-35,000 crores which was last year and now there won't be any improvement.

Analyst: That's right. That's you have been saying.

P. S. Reddy : I have been telling. But once it grows up, that impact, I mean part of that is not taken away by the technology. That's one part of it. Second, even instead of incurring a variable cost we were doing the rough, the depreciation is something which is taking away a lot of our work. So that happens for 5 years or 6 years thereafter even that will go away and there will be a completely one single what you call, fixed cost pro forma of a what you call AMC, that's all.

Analyst: So that's what I'm saying. Your P&L is moving, isn't it? Earlier there was a large variable component which was linked to the turnover which was the software expenses. You had salaries and other expenditures, salaries by definition, by or rather character they're largely fixed, not necessarily moving with the turnover. Now a large part of your costs is going to be completely fixed in a way in capital wise that's a big step change, isn't it? That understanding is perfect, right? So as sir said that you have a tick on your, on the turnover. The impact can be quite visible out there. But at this level of the turnover you are saying, there is no, it's better not to assume any impact only on an incremental basis you have to be because your depreciation cost will be higher, so your EBITDA margin will move up sharply, very sharply actually by 15 percentage or something

Satyajeet Bolar: Of the platform plus the hardware would be.

Analyst: Correct.

Analyst: In one of the conversations, I think I mentioned that probably there would be no outgo in TCS for the next one year.

Satyajeet Bolar: Because it is under warranty. Once you go live, so that should be under warranty.

Analyst: So, there would not be even the AMC cost for the next month.

Satyajeet Bolar: Yeah.

Analyst: So actually there could be a year wherein there is no cost even from 63 Moons, the variable bit and the fixed bit of...?

Satyajeet Bolar: See there were other costs, there is a term application license. all those would be....

P. S. Reddy: Like Red Hat we have to pay .but more important is whatever contract we have structured with TCS, it is 1+5 years contract, all it is lumped into that, okay, including AMC, okay.

Analyst: Sure.

P. S. Reddy : Thereafter we have mentioned this much is the AMC, which is a single digit figure or something like that.

Analyst: Just a clarification sir, here single digit when you say like single digit in rupees covers and not as percentage is what you are saying.

P. S. Reddy : Percentage of?

Analyst: Percentage of the AMC.

P. S. Reddy : AMC that is what the license fee and implementation initial contract per quarter.

Analyst: And the amortization is 8 years.

Analyst: You're fairly confident by December it'll be then running live.

P. S. Reddy : It has to boss. That is what my determination is. I've been led down the path to believe that it will happen by august end and other thing and I'm not able to see that. And we have taken up the senior most associate, Chandrashekhar itself, TCS boss. They are moved up and they are able to fix some of the bugs. That's the whole problem because ACM platform is of the German platform. Banks they have different file structure per month, they have mapped it but still some bugs are coming. Something should flow from banks to TC1-TC 1 to banks and for trading. That

integration issues are challenging so but they are addressing it now. We are in a comfortable but let us see by the end of August or sometime in the middle of September they said we will give it then we will need may be another 2 months to do the.

Analyst: In the meanwhile, has 63 Moons replied to your request for extension?

P. S. Reddy : See, they're still evaluating the request. We have looking at also plans, stable platform. One is that 63 Moons will not shut down anytime in the last 3 years. Once in a while some problems will come related to some file upload, field and other so you once again upload the file then it will go through it. That is what the kind of database level issues once in a while may come and we are requesting others also whether they can support it without touching the code. Obviously, we don't have a code anyway okay, whether they can fix the problems as and when it happens. So, some have expressed the way including TCS. They have gained that confidence. We have been doing it, in the past also we have done with several projects where we have done the transitions and even now also the way that they explain is if something goes wrong in your systems or my system anywhere nobody touches the code because it takes time for them to understand it. The immediate fix that they give is a database fix, okay. So, work around so I can give you workaround. I will not give any changes. So, I am confident that I will be able to handle for you. That's the way they were telling.

Analyst: That was TCS you are saying, that's beginning hold your hands in that.

P. S. Reddy : That's right.

Analyst: What is the worst-case scenario out there? What can really-really go wrong out there? What are your fears I mean what can really go wrong?

P. S. Reddy : See, we have not, we have frozen the developments in the system, okay. No more new developments.

Analyst: Right.

P. S. Reddy : We are running whatever it is and whenever there's a problem, in the last development was the client level margining system. That's what we have done. So, there once in a while I mean sometimes, they are filing, the files are filing and then we are re-uploading it. Speedy system is slow in accepting the files. These are the things we are not the stop price of it. So, we don't, we have decided not to implement any. Second, we have also done a what you call system back testing in the sense we have actually run with a future date. Whether beyond 30th it works or not is working, okay. So that's another thing. We have been doing it every day, one future date. So, it's working. We wouldn't like to continue to manage it for next maybe 2-3 months and that is where we are looking for the TCS to be under pressure to deliver this also so that's what. We have appraised the regulators also on this and of course they are also concerned, we are all concerned obviously. But most of the time the way that is explained is that never-never, the code changes are done whenever system goes down. That's the way it is. It's always a, what you call

a database related issue. Its running, whatever was running yesterday it doesn't stop automatic unless you touch that something you do. So now no patches nothing. We have decided nothing will have.

Analyst: So just don't touch it basically don't.

P. S. Reddy : Don't touch the code at all. That's it.

Analyst: So as such you can run it. It may happen that in the next 3 months you may not require any help at all, any-any help at all. There is also a possibility?

P. S. Reddy : Yes.

Analyst: That way. So, there is no risk of let's say continuity in terms of the trading activity coming to a halt or something like that.

P. S. Reddy : That's what it.

Analyst: Because your whole business is....

P. S. Reddy : We never had it in the last 3 years.

Analyst: Yes exactly.

P. S. Reddy : Okay. We never had a last 3 years trading halt.

Analyst: Yes.

P. S. Reddy : For which reason went to 63 Moons.

Analyst: Correct-correct, got it.

P. S. Reddy : Although 63 Moons is there, we never went to for any trading halt we never.

Analyst: Yes.

P. S. Reddy : Why we think that in the next 3 months there will be a trading halt.

Analyst: Yes. Because our concern is that we same thing that your, ultimately your power is the network effect. Because people can get trades than at MCX everybody comes. If that network gets affected even for 15 days there is a big problem.

P. S. Reddy : No that's fair. You're right.

- Analyst: What happens when freak thing happens, like say what happened with oil prices going negative? If some situation happens, can you know, would you have to
- P. S. Reddy : Implemented a negative. We have already implemented know.
- Analyst: No, I know but I'm saying something other different...
- P. S. Reddy : Of that sort.
- Analyst: Of that sort happens would you need to touch the code in such a scenario where the regulator says you have to put this in place?
- P. S. Reddy : I mean I don't see that kind of the out so. I mean again Black Swan event unless I imagine that Blacks Swan event, I can't prepare myself for that Black Swan.
- Analyst: That's true.
- P. S. Reddy : Okay and especially IT thing, we can always do an operational one given our bylaws and the powers and rules that we have it. We can always settle contracts outside and do this, okay these contracts will be closed and all that kind of thing we can do it. But system-based things only, via system you have to do it then we can't do it.
- Analyst: Aside worrying factors say what's in process have been implementing that income tax and GST. The issues have just kind of dragged on for you know after launching into months on end. So, I mean I'm sure that's also worrying you that you implement and you know new stuff happens and?
- P. S. Reddy : See my, I mean I the way that I look at it is we would like to go forward. If you keep fearing then you will never be able to take that forward step. Okay and next 2 months once the delivery comes about 2 months vigorous testing, we do it. We have asked every member, day in and day out please keep testing etc. If I am able to guarantee him the latency or whatever practice currently there not worse off. It can only better off. It will better off, no doubt about it and then that is fine for me. Coming back to the next item. If somebody says they don't launch even a new contract also I don't mind launching, not launching new contract and cause any problem in the system. I don't mind stocking that also. But I want TCS if once it is launched, they are all around to help you know if there is a problem including the port touch. We, this as a black box formula.
- Analyst: That one.
- P. S. Reddy : That is the way we look at it.
- Analyst: Yes. Of the surplus cash, there is, you were talking about moving to state development loans. How much is it? What is the mix now?

- Satyajeet Bolar: We have as on 1,100 crores. So, we have taken.
- P. S. Reddy : A little louder, come forward.
- Satyajeet Bolar: We have internally, we have already moved a substantial amount to state development loans, also into perpetual bonds of Bank of Baroda as well as the Bank of India. More importantly the accounting under amortize. Yes. Even if the interest rate goes up further. We are stable.
- Analyst: Yes. Because there's a lot of fluctuation with the other income which is not necessary because it's not your business that way. So, a large part will move towards this?
- Satyajeet Bolar : That's already moved.
- Analyst: No longer the short term and ultra-short term mutual funds?
- Satyajeet Bolar : Yes, we have moved a substantial amount to STL as well as
- Analyst: It is fair to expect a good amount of stability in your other income part which is a very nice thing to see actually and you probably are getting a better interest rate also?
- Satyajeet Bolar : Definitely.
- P. S. Reddy: That is the reason why we talked it in auto call ultra-short term another.
- Analyst: Fair point and this is only mark-to-market so it's okay. Now you don't have the mark-to-market accountability
- Analyst: Held to maturity, that's why.
- Analyst: HTM yes therefore, interesting.
- Analyst: Something on the TCS thing. Obviously, it helps you on the cost front as and when you do volumes like you said pick up substantially Indian Oil because they are also provider of the software services or the platform services globally. I think they also have done it. Is there anything that enhances for us now that they are building is for us apart from the cost element, is there anything that would be different or would help?
- P. S. Reddy : Even I was told that some new features which we don't have in the system that can be built, okay. For example, that is a trade execution ratio on I mean they wanted some members what you call a kind of a circuit filter around the trade that has taken place. So that they don't exceed and then all the circuit filter limit is 10%-15%, and other thing. They don't want anybody of their dealers to put any trade at the lower end or bottom end. Sometimes they punching error can happen and then lift the I mean fill up the order book. They would like that to be reduced. You want it but he doesn't want it. That is why we are doing a customized rate execution ratio kind

of thing. Like that many others are there. But yes, flexibility is there for us and we don't need to touch the code. That's another thing. If they are going to give us APIs. They have also agreed to do, develop additional APIs. You take the data from the system and then outside you build your own IT teams, develop the system, generate reports, all that.

Analyst: And even in terms of capacity like you know given that the way the options volumes are moving. How is this system? I mean like is it like capable of it's just the support.

P. S. Reddy : Scalable.

Analyst: Scalable.

P. S. Reddy : Scalable. We have budgeted for I mean budgeted not the word.

Analyst: That was a good...

P. S. Reddy : Don't translate into your financial budget number. That is what it is. Few lakhs.

Analyst: Any pricing on the product pricing part, options or futures, any strategy going forward you don't want

P. S. Reddy : See all the options were introduced, maybe right time we caught it I would say that. September, we introduced it and actually we started building only from September-October around last year. Now just introduced. We don't want to touch that, point number one. On futures the algo players demand smaller and smaller and they are the ones who are contributing bulk. If at all I have to do it, I have to down water vision it. Not from your expectation point of. So, I might leave it as it is. That is the way I look at it. It's a very sensitive subject.

Analyst: Fair point. And allow the volumes to come through and take you on the.

P. S. Reddy : That's right.

Analyst: And that should actually

P. S. Reddy : That's the way we would like to grow.

Analyst: Makes sense. So makes lot of sense to me.

Analyst: I think I have run out, out of my enough questions, unless you have something

P. S. Reddy : Nothing has been interacting with me.

Analyst: We must appreciate the fact that you are quite transparent and you know all the discussions are uploaded. Not many companies are doing it yet.

P. S. Reddy : Okay.

Analyst: The people are recording it but they are not probably sharing it so publicly I guess which is actually a very nice initiative on your part you don't want to be on the regulatory curve which is good.

P. S. Reddy : That's a, it's important for us that if once trust is breached then it takes years to build it and we never, don't want to do that. That's why. I'm very clear.

Analyst: Thank you so much. We took lot of your time.

P. S. Reddy : No, welcome.

Analyst: We would love to be in touch, continuous touch with you

P. S. Reddy : Sure.

Analyst: Thank you very much for arranging it. Thank you.