

MCX/SEC/2077

August 06, 2022

BSE Limited
Department of Corporate Services
PJ Towers, Dalal Street,
Mumbai - 400 001.

Ref: Scrip code: 534091 Scrip ID: MCX

Subject: Transcript of the “Earnings Conference Call” with investor(s)/analyst(s) on Q1 FY-2023 results.

Dear Sir,

Please find enclosed herewith transcript of the “Earnings Conference Call” with investor(s)/analyst(s) held on Monday, August 01, 2022 at 4.00 p.m. (IST) on Q1 FY-2023 results.

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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said earnings call.

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 Q1 FY23 Earnings Conference Call”

August 01, 2022

Disclaimer:

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This document may contain “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward looking statements often address our expected future business and financial performance, often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “should” or “will”. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. These uncertainties may cause our actual results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

**MANAGEMENT: MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
MR. MANOJ JAIN – CHIEF OPERATING OFFICER
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER
MR. D.G. PRAVEEN – HEAD (INVESTOR RELATIONS)**

Moderator: Ladies and gentlemen, good day and welcome to the Multi Commodity Exchange of India Limited Q1 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. On the call, we have today, Mr. P. S. Reddy - Managing Director and Chief Executive Officer; Mr. Manoj Jain - Chief Operating Officer; Mr. Satyajeet Bolar - Chief Financial Officer; Mr. Praveen D. G. - Head, Investor Relations. I now hand the conference over to Mr. P. S. Reddy - Managing Director. Thank you and over to you, sir.

P. S. Reddy: Thank you. Good evening, everybody. Thank you for once again showing interest in the company and its growth story. As an Exchange, this quarter, we have done relatively better in the light of whatever that has happened in the previous quarters and options turnover has picked up substantially well and for this quarter, it was about Rs. 19,500 crores and, in fact in the month of July, you will be surprised, it was almost Rs. 27,400 crores and I think we are on a good growth path and hopefully, we will be able to see sustained growth in these contracts. While with these contracts, we are trying to nurture and then bring in more participants, we would also be launching new contracts as and when we get the approvals from SEBI. I have nothing much to say because I do not want to take time in explaining this. Our results are out there. Many of the data points are already there, so I will keep it open for the participants to raise questions.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Prashant Shah from RG Investments. Kindly proceed.

Prashant Shah: Good afternoon Sir! Am I audible? Since BSE has recently got the approval for the EGRs, any update with respect to the same?

P. S. Reddy: EGR we can get an approval. That is not an issue. At this point in time, we are still in the development of the technology platform, but nobody has started any trading because some GST related issues are there. Unless that is resolved,

interest will not be seen growing in this. So, let that GST should be resolved. We are not, in that sense, delayed.

Moderator: Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Kindly proceed.

Giriraj Daga: Sir, I have two questions, first question on the pricing, so can you just remind us when was the last time when we had taken a price hike?

P. S. Reddy: It was in 2018, and we have introduced pricing in Options only in October 2021.

Giriraj Daga: I am talking about the pricing in the Futures only, so when do you think next pricing revision is due and which authority approval they will be needing and just give some comparison like BSE and NSE charges about like above Rs. 300 per Rs. 1 crore and we are still at 210-215, so any possibility will bridge in that gap or will be given some inflationary price hike given that 3-4 years has gone past, so what is your thoughts there?

P. S. Reddy: We are still in a developmental stage of our platform and many new products are being brought in, we are looking forward to many Algo players to join. For Algo players, incrementally even 1 paisa increase also makes a difference, so going forward, you will see there is, as we go along, we will discuss the concentration is increasing in the form of Algo players and new Algo players have joined. That is the reason why we are very conscious about it. Actually, they are looking forward for reduction in the charges. So, I think I do not want to stir the hornets' nest at this point, I would like to stay cool there and increase the volumes and also increase the number of products that are being traded on the exchange.

Giriraj Daga: And let us say academic part, you are free to increase paisa if you require today?

P. S. Reddy: Of course, we are free, but then we need to take all stakeholders into consideration.

Giriraj Daga: My second question is on the TCS platform, so we are still confident of up and running from September onwards?

P. S. Reddy: Well, there will be a delay in that. That delivery has happened by and large, but then a lot of bugs are there, that fixation is going on, bug fixation, and we need to give a clean mock run. So that will take some time. So, we have different alternative plans, I don't want to disclose them, but all alternative plans are being worked upon. That's the way it is. What I am saying is that alternative plans, it is not going to be substantially delayed. Maybe another 3 months' time, we should be able to close it. That is the way we are looking at it at this point in time.

Giriraj Daga: Just to make ourselves clear, so like last year we had about Rs. 64 crores software support charges and product license fees, so let us say in FY24, as I am assuming 3 months delay and may be probably one month, 2 month, here or there, but in FY24 this cost should be drastically down like say may be Rs. 64 crores to may be Rs. 5-10 crores?

P. S. Reddy: See, there are two aspects of it, one is the cost of it, so as a direct expense that will be lower, but as the depreciation will go up, one line item may come down, another line item may go up. That is the way I am seeing it.

Giriraj Daga: I agree with you, but am I on right track in terms of numbers?

P. S. Reddy: No, I will not go with any numbers, because we are not giving as yet any numbers, but I can tell you to substantially lower. That is all I can tell you that.

Giriraj Daga: No, I am not looking at TCS cost component, but whatever what we are paying to the FT, the erstwhile technology provider, that numbers will be zero, right?

P. S. Reddy: Yes, that will be zero obviously.

Moderator: Thank you. The next question is from the line of Devesh Agarwal from IIFL Securities. Kindly proceed.

- Devesh Agarwal:** Good afternoon Sir! Firstly, Sir, you spoke about Algo concentration increasing in the future stream, so if that is the reason, despite our volumes are declining on a Y-o-Y basis, the tariffs are kind of coming down?
- P. S. Reddy:** No, the average realization may be coming down, because we have two tariff slabs and people fall under Algos generally on the higher tariff stream. That is correct.
- Devesh Agarwal:** So, despite volume decline, the concentration is kind of going up?
- P. S. Reddy:** Higher means, what I mean is, when slab 1 is a higher tariff and the slab 2 is a lower tariff, so they are moving up the ladder, so that the way it is. So, that is up to Rs. 350 crores is Rs. 260 and over Rs. 350 crores is Rs. 1.75 paisa per lakh.
- Devesh Agarwal:** And sir, if you could share the concentration, say the top 10 traders, what would be their concentration in the overall volume?
- P. S. Reddy:** It was about 48%, now it has gone to 56%. Top 10 is 67%.
- Devesh Agarwal:** And how much this was for last year?
- P. S. Reddy:** For the entire year, it is 62%.
- Devesh Agarwal:** So, what has been the revenue from options in the quarter?
- P. S. Reddy:** Revenue is Rs. 27 crores.
- Devesh Agarwal:** And you spoke about Sir, technology migration there being one quarter delay, so now we are targeting somewhere in Jan, this migration to happen?
- P. S. Reddy:** That will not be Jan, this quarter only I am looking at it. Next quarter only I am seeing it.
- Devesh Agarwal:** And in the meanwhile, we will continue with the FT platform?
- P. S. Reddy:** We are looking at various options including FT platform. We have 3-4 options we have looked at and we are working on all options simultaneously.

- Devesh Agarwal:** And by when shall we get clarity on this?
- P. S. Reddy:** We should get it in about a month's time. That is not an issue. TCS said that they will deliver by the end of August, complete suite. This is what our bugs are there and all that, so that we will be able to give a clear mock to the market participant. We have already given mock in pieces, but some bugs were reported. Those ones are being addressed.
- Devesh Agarwal:** And couple of accounting questions, Sir, what has been M to M loss this year, in this quarter?
- Satyajeet Bolar:** May was a washout month because the RBI increased rates in May, but Q1 we recovered and what we have done is, we have moved from mutual funds, because basically our mark to mark was not substantial because we had parked it in ultra-short-term and short-term funds and overnight, so we have now started moving to state development loans which we will be accounting under the amortized system. That is of the plan forward, so we have already started this and during the month after the RBI policy we will get better clarity, but the accounting for these instruments in our books will be under the amortized system. So, we won't have any mark to mark on these instruments.
- Devesh Agarwal:** And sir, this time taxation like last year, you said that all the adjustments will be done in Q4, are we following the same practice or this year we will be doing the adjustment as we go along?
- Satyajeet Bolar:** No, we will do it the same way, but I am glad to tell you that we have taken a full MAT credit and so under the new regime, our effective tax is around 24% for the standalone and around 20% on a consolidated basis.
- Devesh Agarwal:** We have been able to completely utilize the MAT?
- Satyajeet Bolar:** Yes, that is it.
- Moderator:** Thank you. The next question is from the line of Savi Jain from 2Point2 Capital. Kindly proceed.

- Savi Jain:** Sir, first question was just a follow-up on the expenses for the new software, so you said that while expense will go down, the depreciation will increase, but the sum total of both, will that be less than the total expense that we are incurring right now?
- Satyajeet Bolar:** Presently, there is a fixed charge as well as the variable charge which is linked to our transaction charges. There is nothing linked to our transaction charge.
- P. S. Reddy:** No, again it means what, higher the trading and higher the transaction review, correspondingly you don't do anything, so obviously that will be less. There will be a tipping point or a balancing point up to what turnover, both will be equal and up to what, beyond which that one will remain the same, so that kind of thing it will happen.
- Savi Jain:** Sir, I understood that, but based on the current levels of ADTV, we assume the same levels, will that expenses be similar or will it be lower, the depreciation plus the fixed charge, will it be lower than the current fixed plus traded?
- P. S. Reddy:** May be somewhat lower.
- Savi Jain:** And is there any update on the FPI participation where we think we can have them trading on the....?
- P. S. Reddy:** SEBI is drafting the regulations. Once they are done, then they will release it, the circulars rather. It is already announced by SEBI. That you are aware of it, by the way?
- Savi Jain:** Yes.
- P. S. Reddy:** SEBI has announced it, now they have to give the circular, operationalizing it.
- Moderator:** Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Kindly proceed.
- Amit Chandra:** Sir, my question is on the option volumes, so as you mentioned that the options volume has picked up significantly, but if I see the line of constituents, till 95% or 90% crude oil and natural gas in that and we have launched the Gold mini

contracts, but that is also not picking up, so from here on, what we can expect on the Options side, whether it will be dominated by these two contracts or may be other contracts will also start picking up, so if you can throw some light on what we are doing to build like the other contracts, and also on the index options contract which has been allowed by SEBI, so maybe you can tell when the contract has been launched and like what kind of traction we are seeing in that?

P. S. Reddy:

Currently, these two are the darlings of the market, crude oil and natural gas, so obviously those two options are doing well and in the case of Gold, although Gold Mini is launched, the volume substantially, because the ease in the main 1 kilo Gold and these contracts, these options will devolve into the underlying futures. So, that is the reflective, so the volume is also reflective of that underlying futures volume, Gold Mini, options volume is also reflective of the underlying futures volume. Recently, we got SEBI's approval for launching monthly options in 1 kilo Gold bar on the underlying bi-monthly futures. Currently, Gold 1 kilo is a bimonthly futures contract, so as a result what will happen is the tenure is reduced, so the premium will almost be halted, so that is the new thing that we are looking at it. We will be launching that product soon.

Amit Chandra:

Sir, in terms of participation details that you have given in the PPT, so the client participation has increased substantially, like Y-o-Y, and if I see in the options contract, so is it fair to assume that options volume is largely being contributed by the retail client and also in terms of the UCCs that we have seen it has increased significantly over the last 3 years almost 4x, now around like 1 crores active UCCs are there, so out of that how many would be trading in options and is it fair to assume that options is largely a retail participation that is there?

P. S. Reddy:

In terms of options, last year we had 1,72,900 odd investors who have traded, and in this first quarter alone, we have 1,19,500 traded, so the trend is really interesting. But if you look at it again, the corresponding Q1 of the last year it is only 32,000. So, there is a huge difference, so we are really doing well. Here, you must see option writers are by and large, some proprietary account is

happening, but option buyers, whether put option or call option, they happen to be the retail. That is what we have seen in that.

Amit Chandra: So, what your saying is that out of the Re. 1 crore active UCC, around like 1-1.5 lakh is only trading option, so there is still scope to increase the retail participation in option, if I am correct in this?

P. S. Reddy: Yes, there is scope.

Amit Chandra: And also sir, in terms of the options, earlier if I remember you mentioned that options realization is around like one third of futures, but if I see, based on my calculation, the option realization is coming at around 53% because your options premium to options notionally is around 2.6% which we are earlier assuming it to be around 1.5-1.6%, so is it fair to assume that this is going to come down or is it going to remain at these levels only?

P. S. Reddy: It all depends on whether options are traded near month or far away. If it is far away, obviously the premium will be much smaller, out of the money or in the money or at the money, these kind of things, and mostly it is happening near money or around that or in the money. As a result, you will see high premium is being paid and as a result also, the return is almost all I have seen the 48 to 50%, but what we have calculated at that point in time is based on what is happening in NSE, that is what the calculations were and fortunately we prove to be wrong, so we are getting more this one, but I am not too sure whether that kind of spread will continue to be there, but even 40% is also there, that is also a good number. That the way it is.

Amit Chandra: And sir, in terms of the technology shift that you mentioned that there can be some delays in that, so if I am not wrong, the current arrangement is ending in September and any extension there is not possible or in case we have to extend, we have to do it for one year, so are we planning to extend for one year or extension of one or two month I think is not the case, so like are the alternative plans we have?

P. S. Reddy: No, that is what I am saying, I will not be able to disclose all my, what are all doing it because nobody should play spoil sport to jeopardize all those things,

but we have, one thing is for all the existing licenses of the existing platform we have perpetual licenses, that means it may be for 60 years, it may be for 40 years, it may be 30 years, etc., so the license fees are all done. The only thing is, when there is a problem, troubleshooting is needed that is where their services we will be required. This is one of the contingencies that we are looking at it, approaching them to get their continuous support for 3 to 6 months. That is what our request is going to be and that is it. There are other plans also we have.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Kindly proceed.

Prayesh Jain: Just a few questions, firstly, when do you plan to launch options on indices?

P. S. Reddy: Currently, except for BULLDEX others are not doing well. We need to allow the underlying futures contract, if you want to launch it then we must have a vibrant future on options contract. So, we need to revive that and METLDEX has gone almost all nil because of the nickel debacle that has happened. Now, we are asking for a different trading lot and then delivery lot for the case of nickel. Once that nickel is permitted, then the trading interest will come in, then we will revive this metal index futures contract. So, let us develop it, first the underlying futures, then we will apply for those options.

Prayesh Jain: And also recently there was an allowance of FPIs being allowed to trade in commodities in India, how do you see this and how do you see the benefit of this over the medium term?

P. S. Reddy: It should help us to improve the liquidity in the market. That is the way I look at it. There are 2-3 things which I keep telling the other people also. For FIIs, somebody can say that look, they can also go to London or CME, why did they come to you? That is one question that people ask, but then the cash and carry arbitrageur opportunities are available in the respective markets only. Sitting there, they can't enjoy that benefit. So, there is an opportunity for participating in this market. Second, there are people who are currently maintaining or who may be trading one book in the international leg, another book in the domestic leg, etc. Now, they don't need to have maintained two different books and do

anything of that kind. They can always trade in one single legal entity and the liquidity will increase in the exchange to that extent. That is what I am saying.

Prayesh Jain: Sir, other aspect was on electricity futures, when do you think we will launch that, any further developments?

P. S. Reddy: I shouldn't be losing my patience on this, but I think yes, we are tired of it. There is no day that goes without discussing electricity futures contracts being allowed to be launched. We are waiting for the regulatory approvals, hopefully this quarter will happen.

Prayesh Jain: And sir, my last question is on the TCS software again, what is the capital cost of it and what is the kind of lifetime of that asset for the depreciation will be about 3 years, 4 years?

P. S. Reddy: See, our contract with TCS is 1 plus 5 years, as far as the software usefulness or what usage is concerned, it is a life time as long as we continue to pay them the AMC. So, you just pay the AMC, then keep using it. That is how it is.

Prayesh Jain: Sir, what is the capital cost of it?

P. S. Reddy: No, we are not disclosing it as yet. We will do that after may be going live or something like that. I do not when CFO would like it to be disclosed, but anyway it will come in the books.

Moderator: Thank you. The next question is from the line of Lavanya Tottala from UBS. Kindly proceed.

Lavanya Tottala: Most of my questions are answered, but I just wanted to check on software support charges, so is this like the software charges are linked to option volumes, but our revenue is linked to option premiums, I just wanted to check if...?

P. S. Reddy: I am sorry, what is the software related, I didn't understand.

Lavanya Tottala: Software support charges which is higher in this quarter, wanted to check the revenue behind that?

- P. S. Reddy:** It doesn't distinguish between options or futures; every rupee earned a certain percentage has to go to the software vendor. That is the way it is.
- Lavanya Tottala:** It is on our fees, not just on the option ADVs, right?
- P. S. Reddy:** Nothing to do with options, nothing to do with any of those tariffs that we structure for each product. If you don't charge anything, then they will also get nothing, but if we charge something, you have to pay out of it, a certain percentage.
- Lavanya Tottala:** And on the staff cost, will it be the same run rate which we are having in the quarter 1, which is a bit higher?
- P. S. Reddy:** It is partially higher because lot of attrition is there in IT sector and others, some kind of corrections have to be done and some hiring also is taken place because this of the implementation and other things, but I think once the project goes live, may be after 2-3 quarters later, it may start to taper off, you will see some kind of downward trend, but not so much, but there will be some stability in that number.
- Lavanya Tottala:** And on the new product launches, other than the electricity futures and other things, what are the new products or new commodities that we are looking to launch in the near term, sir?
- P. S. Reddy:** Approvals are pending, that is the whole issue, as I told you, approvals are pending and there is no point in repeating the same thing even quarter after quarter because I am waiting for those approvals. No response has been received, but this time we are determined to get them to give. Also we are waiting, if they want to reject it, let them say why they are rejecting and I have no problem about it. At least some other product we can try, but once we get the product approval, then we have to launch it within certain period. As I said that we will launch now Gold options on the 1 kg contract, on bi-monthly futures. So, that is something which we will take up in this quarter.
- Moderator:** Thank you. The next question is from the line of Nikhil Abhyankar from DAM Capital. Kindly proceed.

Nikhil Abhyankar: I wanted to know what will be the effect of IIBX on our turnover, will there be any substantial effect to us?

P. S. Reddy: IIBX is promoted by all five of us, and we all have equal 20% share, so now that it is inaugurated and the tariffs are also announced and our estimate suggests that it is going to do well. So, it is like that.

Nikhil Abhyankar: So, you don't think it will directly impact our volumes?

P. S. Reddy: You mean to say, volumes, okay?

Nikhil Abhyankar: Yes.

P. S. Reddy: In terms of volumes, I would say it will, if at all there is an effect, it will be a positive effect because the guys who are importing the Gold may have to hedge that exposure also, so exchange is used for such kind of risk management.

Nikhil Abhyankar: And sir, you just spoke about spot exchanges earlier, so we are planning to launch Gold and Coal spot exchanges, so what do you think will be the percentage as compared to the India's total consumption that will be traded on our platforms, what is the global average and where do we see going, once we launch?

P. S. Reddy: It is more hypothetical question in that sense, our people may have made these assessments, but the way that we looked at it is, especially Coal for spot exchange is, the Government has leased out mines which are shut down and which are due to unavailability in terms of public sectors assessment. Now, the private sector has picked up on a PPE model they are going to produce Coal. Now, that is completely free from any kind of Government sectors. They can sell in the open markets. In fact, we have seen about 20 Coal mines were auctioned when we went one conference and there are about 120 or 100 plus if not 120, which are still to be auctioned, so all that coal will come. Now, while it is tightly controlled, currently there is about 5% or so it is, Coal traders are using it. Some captive mines are also there; they are also allowed to sell Coal in the open market. So, we are assessing all that. We don't need the entire Coal India production to come to us because they have commitments to various State

Government entities, they have to give it. So, they may not come over there, but we are sure that this Coal spot exchange will do well once it is permitted to be launched. This is one part of it. Second part of it is, the Gold part of it. While Gold spot exchange is something that we all are waiting for, GST constraints have not yet made it a viable option. So, that is why everybody is holding back. Even BSE said that 2 years ago, when my announcement came by Dhanteras, we launched whatever it is they said and Akshaya Tritiya, nothing happened, because there are constraints. We understand that better than anybody else. Now, if the Gold spot exchange comes, may be synergies between MCX futures Gold contracts and spot will be much higher than anybody else because it supports each other's ecosystem and the margins and other things can be moved easily and people can take exposure in one and then contra position in the other, etc., so, I think we will not let that opportunity go, but it is too early for us to apply. That is the reason we are waiting.

Nikhil Abhyankar: And just one last question again, I just wanted to know what are the cost that we pay to CME for the licensing of the underlying and we have also, India has also got a spot Gas exchange now through IGX, so is there any thought to move towards it?

P. S. Reddy: No, the one which we are trading is the WTI and Gas, that is what the pricing is all about. Now we are paying CME about USD 2 million, that is the minimum and if the turnover, say approximately let us say it is 16,000 crores, then there is a breakeven, then beyond that we have to pay that incremental cost. So, this quarter we have paid extra to CME because the crude and NG has done well.

Nikhil Abhyankar: And there is no thought of moving to IGX, so that we can, if there are any cost?

P. S. Reddy: No, this is not as yet highly liquid or anything like that. Some of them, currently reporting kind of thing is happening. It is too early for us to say that the NG has moved over to the domestic platform, because there are state, it is not under the GST purview, still VAT is ruling this NG market, so that is a challenge and transferring the gas or transporting gas from one consumer to the producer,

etc., the entire pipeline is under the control of GAIL. Now, unless that is separated, there won't be any fair pricing of it.

Nikhil Abhyankar: Sir, what is the underlying for our Gold futures?

P. S. Reddy: Our Gold only, domestic prices only. We are not paying anything to anybody.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Spark Capital. Kindly proceed.

Sanketh Godha: Sir, just wanted to understand this Nickel part little better, sir, you said that may be subsequent quarter, it might be re-launched, so where it is got stuck and if it comes back, whether it can potentially contribute the same amount of volume it used to contribute in the past month, so that is the first one? Then I have a second one with respect to depreciation and tax?

P. S. Reddy: Are you talking about the Nickel contract?

Sanketh Godha: Yes sir, Nickel contract.

P. S. Reddy: Nickel contract currently its values are almost Rs. 38 to Rs. 40 lakhs with the margin of 20%, it is too expensive for anybody to trade in this contract. So, we have informed the SEBI, this is what the issue is and the investors are deserting this counter. So, unless you do something about it, it will die a natural death, so unless you have a strong merit in being trading unit being different from the delivery unit. Now, there we don't see any merit in it. I think that is something which they are considering and let us see if it happens, there is nothing like it.

Sanketh Godha: Sir, you expect the margins to come down in this particular product, so that volumes will revive back, that is the way you are trying to?

P. S. Reddy: That is correct. The very trading unit itself will be one-third, is what we are looking at.

Sanketh Godha: Sir, you are looking for both the benefits, one is trading unit size to come off and the margin on that amount to be lower?

- P. S. Reddy:** Will be much lower, yes obviously.
- Sanketh Godha:** Second question, more on just wanted to understand, the depreciation in the current quarter came relatively higher compared to what we reported in the fourth quarter FY22 which was Rs. 2.7 crores, now Rs. 5.8 crores. So, is it some change in our approach in calculating depreciation which we split to that increase, I just wanted to understand that part, sir?
- Satyajeet Bolar:** Not really, if you see our previous quarter, June as well as till December, it was at the same run rate, but when we reviewed it in March, we decided that certain assets which we could continue using, so that is why we reversed certain depreciation amounts in March. That is why for the year as well as for the quarter, particularly for the quarter the depreciation is a bit lower than the current quarter figure.
- Sanketh Godha:** Sir this Rs. 5.8 crore kind of a run rate continue to remain for subsequent quarters?
- Satyajeet Bolar:** Yes, that is right, it is.
- Sanketh Godha:** And finally on the tax rate sir, you said 20% is the tax rate on consolidated numbers?
- Satyajeet Bolar:** That is on the consolidated and for the standalone it is around 24%.
- Sanketh Godha:** So, on consolidated basis, it will remain at 20 only for subsequent quarters after utilizing everything with respect to VAT?
- Satyajeet Bolar:** Yes, at least still I don't foresee any major change till March because whatever adjustments we will do, we will do it in the March quarter.
- Sanketh Godha:** So, we can work with 20% tax rate, right, sir?
- Satyajeet Bolar:** On a consolidated basis.
- Moderator:** Thank you. The next question is from the line of Ravin Kurwa from ICICI Securities. Kindly proceed.

- Ravin Kurwa:** Sir, I have two questions, one was on the cost side, so is it fair to assume the employee expenses and the other expenses to remain at the similar way for the remaining quarters of FY23?
- Satyajeet Bolar:** There are few senior level recruits that we have done in IT in this quarter, so I had expected to continue at this rate because I have also made provisions in our HR cost. So, the HR cost should continue and when we compare the other expenses, especially in March, we have done certain reversals because the variable pay is linked to the performance and all that, so when we came to March we knew the exact figure, what we would be realizing, so that is why there are certain reversals done in March. So, if you compare it with the previous quarters, it is in the same run rate.
- P. S. Reddy:** So, in the beginning of the year, the auditors say that you should do provisioning for the variable pay, so we do it based on the budgeted thing and actually when, what is the performance of the company, what is the individual's performance we see that, then we will find that there is, this year, rather this year means 21-22, we didn't perform as per the budgeted target, so we have lowered it, so accordingly that much is ploughed back into the accounts.
- Ravin Kurwa:** So, just in case sir, if our financial performance increases going forward, then we may see a higher run rate for Q4?
- P. S. Reddy:** No, whatever we have provided is considered to be 100% and if budgeted targets are received, this 100% will be paid out and if budgeted targets are received only by 80%, let us say that 20% will be put back in the account.
- Ravin Kurwa:** And sir, secondly, on the bi-monthly options side, sir what is the view on cannibalizing the future volumes or option volumes by launching that options contract?
- P. S. Reddy:** Which one you are talking about?
- Ravin Kurwa:** Gold 1 kg bi-monthly contract?

- P. S. Reddy:** I don't think it will be cannibalizing it, I would say it will actually infuse further liquidity in that. It doesn't cannibalize. The months which are not there, will start coming into this system.
- Ravin Kurwa:** Sir, if you can help us with only the active client data base for the quarter, so we have been actively trading for last 1 year, if you can see us for the futures and options?
- P. S. Reddy:** Futures and options, last year, we had 4,70,000 and that is for the financial year 21-22, 4,71,000 you can take it, and this quarter, 2,38,000 have traded.
- Ravin Kurwa:** This based on our active ratio of in the range of like 3 to 3.5%, so I just wanted to get your views on, how we will be increasing the active ratio for the client and how has it been historically in the past?
- P. S. Reddy:** See, if you look at it, the corresponding quarter last year, just at the beginning of the year, about 2,23,000 people have traded, unique, so as against 2,23,000, 2,38,000 have traded. That is almost how much, about 8%.
- Ravin Kurwa:** Yes, sir. That is an improvement.
- Moderator:** Thank you. The next question is from the line of Sujit Jain from ASK Investments. Kindly proceed.
- Sujit Jain:** Sir, bank brokerages as a percentage of total turnover, how much that would be currently?
- P. S. Reddy:** Yes, currently it is about Rs. 1,000 crores, maybe it is 5% of it, out of 25,000.
- Sujit Jain:** And similar number for options?
- P. S. Reddy:** Options, I don't think I have readily available, I think this has not been taken. We should take that also. That probably we will post it on the website if it is available there. We will generate it. We have not generated that.
- Sujit Jain:** Sir, which means that there is a good amount of scope here in terms of business development activity, in terms of active participation, because I am sure that

their participation on equity exchange is much higher, so there is scope here in terms of improvement, isn't it?

P. S. Reddy: Yes, our focus has always been on these bank brokerages, they are more stable in that front.

Sujit Jain: And all the issues related with bank brokerages being active on commodity bourses, I mean their clients, their customers being active, have they been addressed, because I believe there were some issues related with the warehouse receipts, etc.?

P. S. Reddy: I am not too sure about it, but then the KYC what they are doing currently is, whoever they are admitting in the equities, they are uploading it on the commodities also, that is why our KYCs have crossed 1 crore now, okay, total KYCs, you have seen that probably in investor presentation. So, that is the way it is happening, but I will not be too happy with that kind of numbers, 1 crore is there, but even if 50 lakhs were paid, that is good for me. So, mere uploading is not enough, we wanted them to activate it. And commodities are also a peculiar thing because unlike in commodities which of them are, most of them are delivery based ones. The investors are slightly, what you call, reluctant to take any positions there. Now, recently, in order to popularize these commodities, at least they will be interested in Gold, so what we did was we have asked some of the member brokers to take delivery across the country, Gold 1 gram, 8 grams, and 100 grams etc., from the exchange platform and doorstep delivery is something which the vault managers have guaranteed for some price, very nominal price. So, with that we are bringing these clients of equity markets into the ecosystem. We thought Gold is easy to reach out to them.

Sujit Jain: And as the margins in Energy futures come down, do you think that the options turnover could shift back to futures?

P. S. Reddy: It doesn't, once we got used to it, now in fact people prefer options than futures. That is what is happening, the ones who are actually looking it, the new comers, those who are from equities, who are active traders, but there are traditional

commodity brokers they still prefer futures than options, and the physical market players also prefer futures.

Sujit Jain: So, your effort with the Regulator, in terms of bringing down the margins in Energy contracts in futures, if that materializes, you are saying overall ADTV of the Exchange will go up, the combined?

P. S. Reddy: Yes, it should.

Moderator: Thank you. The next question is from the line of Sanjay Singh from Pine Bridge Investments. Kindly proceed.

Sanjay Singh: Sir, I don't know how to put it, but have you benchmarked your share if in terms of cost with other exchanges, whether in India or similar size exchanges elsewhere, the reason I am asking this question is, if you see your cost, if you add up, your employee cost, tech cost, other expenses, even depreciation, because some of the accounting may be different in different exchanges and today you have cost of roughly around 220 crores, 210 crores on a base of that... Rs. 100 crores revenue and for the lack of more information, if I compare to IEX which has a similar size of Rs. 400 crores revenue, they have a cost structure of Rs. 80 crores and they also had a similar tech arrangement earlier, and what the software and now they only charge depreciation and they have a total cost structure including depreciation of Rs. 80 crores, of course, I don't know your business very well, but if you had benchmarked yourself or do you think there is any opportunity to benchmark yourself with other exchanges and look at the cost structure with a fresh pair of eyes or, do you think there is any possibility to introduce the cost significantly from what it is currently today?

P. S. Reddy: In fact, every quarter we place it before the board and audit committee, the comparison of the NSE, BSE, IEX, NSDL, CDSL, NCDEX, etc., even NSE doesn't compete with IEX in terms of EBITDA margins. IEX is 87%, NSE is 75%, but BSE it was may be one quarter behind may be, you are doing March, March to March is giving it and our EBITDA margin is 53%, BSE is 42% and NSDL is 58%, CDSL 69%. So, NCDEX I am not comparing it, of course they are not doing well, so that leaves us only, if BSE is only behind us, others are

doing relatively better, so because of our substantial technology costs, we are incurring some expenditure. Second, while our turnover is growing or turnover related expenses have gone up because of the agreement with 63 Moons, other cost, employee cost also partly increased because of the development of the new platform. We had to recruit more people in the technology department, which we demonstrate earlier because we don't..., but then it will also taper off gradually. People will not have this exciting work in the exchange once the platform is developed and it is going live, so probably some may leave also, we do not know, but we will not like to increase the headcount. So, once it is frozen, as they go, vacate, maybe a lower designation person may be recruited. So, coming back to this numbers, yes, we do the benchmarking with our domestic player.

Sanjay Singh:

It is very heartening to know and maybe I think the margin percentage is probably what became wrong, but probably not the right way of looking at may be the absolute cost because even if your turnover grows, let us say, 2 years from here, the cost will not grow that such margin will increase, but the absolute cost of IX being one third, almost of what you are doing currently, may be if you can explain in detail some other time, but I am not able to understand if technology roughly would be not very different, your business development cost wouldn't be very different, your other expenses corporate overheads, these are some warehousing cost which they don't have, but still how can it be 3x and more, I am not too sure, maybe there is some more details to it if you can probably share some other time, but I think more detail is not the percentage margin, but the absolute cost which should be looked at if you can, may be at some point of time look at it and maybe.....?

P. S. Reddy:

Understand, we have multiple products, we have the development teams for doing all this, they are in a sense monopoly, hardly anybody is there and everybody goes there and we have almost about 350 employees and that is not the case with them and system expenses is another one. So, that is why our total costs as a percentage of operating revenue is 58% and IEX is 19% and in the case of NSE it is 31%, BSE 74%. We need to compare not absolute figures, I don't think absolute figures is going to give us those differences, number of employees, etc.

Sanjay Singh: And maybe I am then probably thinking wrong, just another thing is, I don't know much about it, but how is this newly launched, what will the IIBX do differently from what you are doing, is it more about spot Gold there, so if you can just explain me the difference of what exactly IIBX will do compared to what you are doing, I know you are doing futures and options for Gold, but is the IIBX doing spot, or I am not too sure?

P. S. Reddy: Yes, it is nothing but a spot exchange, instead of going and then trading in London, maybe, LBMA platform or somewhere, they would like that business to move out to India and not just the domestic, but even other players also wanted other players to come to India and trade on IIBX. And it is purely a spot platform and it is a dollar denominated contract, there will be no CTT, STT, and no GST, etc., and it will be help in the Demat form, they can just, they don't worry about keeping the physical Gold also and whenever they want to bring in, they pay the customs duty and get it. That's it.

Sanjay Singh: And it is really heartening to see the volumes improve specially in options right in the overall volumes in July compared to what we have seen till now, all the best for the future.

Moderator: Thank you. Ladies and gentlemen, that would be the last question. I would now like to hand the conference over to Mr. P. S. Reddy for closing comments.

P. S. Reddy: Thank you so much for giving us a patient hearing and listening and we always set our aim high and markets should also collaborate, co-operate with us, then obviously we will still do better and we will do everything to have this company going good and doing well from quarter-on-quarter. Thank you. Thanks to all.

Moderator: Thank you. On behalf of Multi Commodity Exchange of India Limited, that concludes this conference.