MCX
METAL & ENERGY
Trade with Trust

MCX/SEC/1592

October 30, 2018

BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001.

**Ref: Scrip code: 534091 Scrip ID: MCX**

**Subject: Transcript of the conference call with investor/analysts on Q2 FY2019 results**

Dear Sir,

Please find enclosed herewith transcript of the conference call with investors/analysts held on October 23, 2018 at 7.00 p.m. IST, on Q2 FY2019 results.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For Multi Commodity Exchange of India Limited

Ashwin Patel
Company Secretary

**MULTI COMMODITY EXCHANGE OF INDIA LTD.**
EXCHANGE SQUARE, SUREN ROAD, ANDHERI (EAST), MUMBAI 400 093, INDIA. TEL: +91-22-6731 8888, FAX: +91-22-6649 4151, www.mcxindia.com
CIN: L51909MH2002PLC135594, info@mcxindia.com

# "Multi Commodity Exchange of India Limited Q2 FY2019 Earnings Conference Call"

## October 23, 2018

| | |
|---|---|
| **MANAGEMENT:** | **MR. MRUGANK PARANJAPE – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, MULTI COMMODITY EXCHANGE OF INDIA LIMITED** |
| | **MR. SANJAY WADHWA – CHIEF FINANCIAL OFFICER, MULTI COMMODITY EXCHANGE OF INDIA LIMITED** |

**Moderator:** Ladies and Gentlemen, Good day and welcome to the Multi Commodity Exchange of India Limited Q2 FY2019 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as in the date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. 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 the operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mrugank Paranjape Managing Director and Chief Executive Officer. Thank you and over to you, sir.

**Mrugank Paranjape**: Thank you and good evening everyone and thanks for joining us on this call slightly late in the evening and welcome to our quarterly results.

A quick recap on some of the developments in the last couple of months I think as you would have seen the results that we have put out a very good growth that we are seeing in terms of our overall volumes. The turnover is sustaining. We have got an increase of 1.2% over the last quarter, but more importantly I think again in September and October volumes have really been good in excess of 27,000 crores per day in terms of ADT over the last 45 days. The other big event in the last quarter was at the first of the banking subsidiary went live with their broking activities and access security is now a member which has commenced operation on MCX. We have firm dates from SBICAPS, HDFC Securities, Yes Securities and ICICI Securities now and we expect them to be trading on the exchange within the next three months. So I think in terms of that big development which we are all through the last 12 months said would be a positive for the exchange. We think it is coming to fruition which the large bank distributors becoming member and actually going live on the exchange.

In terms of the regulatory side, we have seen a couple of good moves in the last quarter as well. I think the most encouraging for us was the fact that SEBI has cleared the proposal for allowing participation by what they are calling (EFE) Eligible Foreign Entities. This will now enable entities based outside India to work through authorised stock brokers and take hedge positions in commodities where they have exposures in India. Again, this is not something which may immediately translate into large volumes it definitely will add in a big way to the open interest that gets built on the exchange.

On that one another development in the last quarter which was really a result of a regulatory intervention the fact that the Reserve Bank of India did not allow international hedging of gold from the first of July has resulted in a lot of people hedging on the domestic exchanges and at MCX the open interest which used to be in the range of about 7.5 to 8 tons on the gold contract has now crossed 15 tons and that is a very, very big development for us. We believe that as again regulators seem to be keen to open up the market for institutional participation this open interest will really grow a long way.

And on the development that we are seeing from SEBI side the discussions with SEBI on introducing index as a product within the commodity segment has gained traction and we see that coming through in the last six month or so. The one area where I think we did not see as much development as expected was on the introduction of mutual funds and PMS providers. SEBI constitute as a smaller subgroup which gave its report about a month and half back. We believe that report will pave the way for the introduction of institutional participation, but that something which still remains as to do for all of us in the market.

With that I think in terms of overall development those are the key events. From our perspective we created and launched what was the first clearing corporation in India handling commodities. This went live over the last month end so we had the inauguration on the 30th of August and we went live on the 3rd of September and it has been live now for more than almost 45 days with one month of live operations in the last quarter as such.

With that, we have fully complied with all what SEBI has said when SEBI took over this market in 2015 and as a first clearing corporation which went live we are really happy to have done so. Those are some of the key updates that we had from the development over the last quarter. I think we would have all seen the results and we would be very happy to take questions which would help you understand more in terms of both the financial performance, but as well that of the overall performance of the organisation. So we will take a pause for questions to come in and I would like the moderator to just guide you on how the questions should be directed.

**Moderator**: Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Aprit Aggarwal from Systematix PMS. Please go ahead.

**Aprit Aggarwal**: As we are seeing traction in ADT, can you give us some sense on how has been the growth on number of contracts traded in various commodities?

**Mrugank Paranjape**: I think if I get your question correct you are saying how the volume sort of is grown seen in the ADT. So I think if we look at the volume numbers, the volume numbers have actually grown across all our commodities if I look at the average daily volume and I am looking at this not just in terms of contract, but if we normalize by looking at the volume of the commodity traded because we have different contracts in gold we have one kg we have 100 grams. So if we just accumulate all of that across the board I would say whether it is silver whether it is natural gas, whether it is copper, Lead. I think in most of the commodities the volumes have taken a fairly good increase. There are some commodities where it would be a decrease which is a natural thing. So in cotton the volume has gone down overall because this is the lean season for cotton. In crude, while the volatility and the price has been up the volumes are marginally down maybe about 4% or 5%. So again, overall across the board volumes have been good and a good increase that we are seeing but there may be one or two commodities where there has been a slight decrease.

**Aprit Aggarwal**: From the crude side normally when the prices are moving up and volatility is high, and volume stand to move up is there any specific reason why the volumes have not been able to catch up?

**Mrugank Paranjape**: I think it is also not just a function of pure volatility and again even if we take volatility Q1 volatility in crude was about 1.75% volatility is actually slightly down it maybe 1.65 to 10 basis points lower than the previous quarter in terms of volatility, but again because the amount of trading is also in some ways related to the contract size and increase in price does sometimes have an effect with the volume being slightly lower. So I think that is where crude may have seen some change, but yes volatility has also been slightly lower than the previous quarter.

**Moderator**: The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai**: I have three questions. First is our ADT has gone up by around 12.5% but revenue has increased may be around 6.5%. So I think we have seen some kind of decrease in our yield, so can you elaborate on the reason for that just because of the pricing part or there is a product mix part which is leading to this decrease?

**Mrugank Paranjape**: I think Dhwanil in terms of explaining the revenue from operation change just comparing to the last quarter the ADT is up by 1.22%, but there are three things which would have impacted this for it to be slightly lower than that number. So while we were positive 1.22% on ADT the realization is very marginally down. It is down by 0.28% only, but again in terms of overall revenues the number of trading days is gone down by 1.5% as compared to the last quarter and there is also a liquidity enhancement scheme as you know which we have been running in our gold options contracts where while it is not a payout that we give to the market we give it as a rebate in the futures prices. And there the impact which we have taken in the last quarter was only 72 lakh because the scheme has started midway in the quarter, but for this full quarter the impact is 1.67 crore. So I think these three things put together while we had a positive ADT movement have resulted in the minor decrease in the revenue from operations.

**Dhwanil Desai:** Second is related to what you just mentioned so I think we started LES and I think eventually we have some benchmark beyond which we want the options volume go which will start charging the client, so have we reached that benchmark where we will start charging the client for option trading or we are still far away from that?

**Mrugank Paranjape:** So I think the questions on whether we are at a stage where we have decided to charge definitely not this quarter. I think we are not charging clients this quarter on the options for sure, but in terms of where have we reached I think in terms of percentage to future then that is what we are looking at. I think there are some of the contracts they are doing quite well and I would take crude oil specifically in terms of the overall percentage of daily clients that we see in crude is very healthy. We are seeing a very good participation of retail clients and therefore some of these contracts we would expect good traction over the next couple of months, but overall yes it has been slightly slower than what we had expected and the impact of LES has not come through yet in terms of the volumes even in gold. So, the volumes in gold options has been good, but the participation has not climbed in that same proportion that we would have expected.

**Dhwanil Desai:** So at least for this financial year we do not see any room to start charging for option trading?

**Mrugank Paranjape:** Not for this financial year.

**Dhwanil Desai:** My last question is I think if you can give any updates on the custodian sides whereby one that whole thing is settled then only the AIF can start participating in the market, any updates and timelines around that will be very useful.

**Mrugank Paranjape:** So I think the update is that SEBI had constituted a subgroup consisting of custodians, exchanges some investors as well as key clearing members and I think that whole group went through the current regulation the concerns came up with sort of white paper which explain to SEBI what we wanted to achieve and how within the current guidelines we could still achieve that for the commodity derivatives market that paper was submitted to SEBI about maybe month and half ago. We believe that address the concerns that the market participants are custodians had and yet is within the overall framework that SEBI has for this market. So from our view it is all been answered we are now awaiting SEBI to take a final call on these clarification and move forward, but I think it is now at a stage where it is very difficult for any of us to give a timeline.

**Moderator:** The next question is from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

**Ashish Chopra:** Firstly, just as a follow up to the previous question if you could elaborate on what are the kind of threshold you would be looking at for options percentages before you feel comfortable to start charging for the same?

**Mrugank Paranjape:** Ashish it is a bit difficult to give a percentage number there, but I would think that definitely for the next financial year we would want to charge because we would have given enough time for the market to have observe these product we would have run them for more than a year in gold and close to a year when it comes to all the other products. So I would think definitely we would want to charge starting in the new financial year. In terms of percentage we would want to be closer to double digit percentage when it comes to options to future ratio for us to start charging. So I think those are two things that we are looking at, but from a timeline I think the timeline might dominate in terms of when we start charging.

**Ashish Chopra:** And once that happens can the liquidity enhancement scheme also continue to be present in parallel or then that has to be shelved?

**Mrugank Paranjape:** So these are not connected we may discontinue the liquidity enhancement scheme and in fact as we speak we have discontinued a liquidity enhancement scheme in the gold options because the sort of risk returns that we had and there is no risk here but we are talking of basically the spending that we had versus the return in terms of enhanced participation was not coming through and therefore we are not running the liquidity enhancement scheme anymore in the gold options.

**Ashish Chopra:** So any outlook on how much could we spend towards this in the second half of this fiscal?

**Mrugank Paranjape:** It is not a spend again it is a rebate that we have given and till now rebate given on the liquidity enhancement scheme was approximately 2.4 crores. Now for the rest of the financial year we do not expect to give any rebates on liquidity enhancement scheme because for this quarter at least there is nothing that has been approved and we do not see an immediate need for putting in something in the next quarter as well.

**Ashish Chopra:** And just the last couple of question from my side. Firstly, just wanted to understand the software support charges line item, so one is that we do pay 4.5 crores plus around 10.3% if I am not wrong of the transaction revenue. So over and above that what would be the incremental charges that go towards into this cost line?

**Mrugank Paranjape:** You are looking at what we have put on the BSE in terms of our expenses line where we say software support charges and product license fees. So, what comes in there is essentially the cost which are payable to FT for technology which you are correct there is a fixed cost there per annum with is 10.3% as you said which is linked to revenue. In addition to this, there is product license fees these are license fees that we pay to exchanges such as CME, LME etcetera for the product licensing we have with their contracts. So if we are looking at the reason why there has been increase. The reason is that there is an increase in what CME is charging us as license fees and that is something which we kicked in from 5th of September in this quarter. So that is the reason why the product license fee portion has gone up whereas overall software support charges have remained very similar because our revenues have remained similar between these two quarters.

**Ashish Chopra:** And just lastly you had mentioned that owing to the competition you may probably exercise the room to revise the pricing a little bit and we do see that in the very initial days at least one competitor has roughly around been doing around 10% of the gold volumes that you have been doing. So would you think it is a start that would merit further maybe thought process around acting a little bit more aggressively in the market or what would be your thought around the pricing as it stands.

**Mrugank Paranjape:** I think first to address in terms of the volumes itself and whether we are seeing any impact of the competition coming in. So if I just take the numbers and if I look at how we were running in the last quarter versus how October has been. Bullion which is where I think the competition has started. Our volumes if I compare last quarter versus what we are seeing in October have really not taken any hit and therefore if volumes coming into the other exchanges or incremental volumes and it is increasing the pie that is a great sign probably the market is increasing overall in size and therefore we do not see that as really a big threat for us to immediately react by doing anything on the pricing side.

**Moderator:** The next question is from the line of Kunal Shah from Edelweiss. Please go ahead.

**Kunal:** Firstly, in terms of maybe how has been the development on the securities from distribution. So we had the one with Axis securities and how much of the impact initially does it have any and how we are looking at it going forward?

**Mrugank Paranjape:** I think this is definitely a great event for us in terms of the fact that the bank distribution is now getting on boarded. Obviously one whether that is going to show up in like 15 days or a quarter I do not think that is going to happen. At the end of day these are very large organisations which have a very wide footprint, but to activate all of those touch points does take time which is why it has taken as about 6 months to get them on boarded and start them trading. At the same time as we said we hold the belief that over the next two to three years horizon the banking subsidiaries together will add at least 10% to 15% to our volumes.

**Kunal:** But in terms of maybe the traction if we look it at Axis and particularly maybe with respect to other players like HDFC, ICICI and SBICAP as well, so how is it going is it maybe beyond expectation or there also we are seeing some delay and maybe slight further postponement?

**Mrugank Paranjape:** Like I said at the beginning of the call we have some very firm dates from all of these people starting from as early as 5th of November and going into about January. So I think this is exactly in terms of the timing that we are expected. We have said this in the beginning as well and in our last two or three calls that the general gestation period for bank subsidiaries to get really going is anywhere between six to nine months. We admitted Axis securities as a member in January. They have started trading in August so that is like a 8 month period which is exactly what was an expectation. So I think this is in line with an expectation that is what we believe is the time taken for these large organisation to get activated, but the long-term impact we still believe will be what we are expecting.

**Kunal:** Just in terms of the breakup of the overall revenues, so how much has been the transaction income and how has been the treasury/investment income?

**Mrugank Paranjape:** So if you see our numbers that we have just put up about our income from operations for this quarter is at 71.1 crore and the income from treasury is at 22.17 crores.

**Kunal:** So this entire other income would be treasury.

**Mrugank Paranjape**: Yes.

**Kunal:** So 71 is the revenue from operations that will be entirely transaction fee?

**Mrugank Paranjape:** It includes about 5% which is non-transaction related fee like membership and other things that we take.

**Kunal:** And thirdly in terms of the entire evolution of the exchanges so now maybe BSE has started off with a commodity trading and NSE has been a delaying a bit, but how are we seeing there have been lot of talks in between let say MCX and NSE merger, so how are we looking at the entire space evolving and is it like maybe NSE and MCX getting together because one is very strong in terms of equity and currency and the other is strong on the commodity, so how are we seeing this entire space evolving?

**Mrugank Paranjape:** So I think I will just split your question into two parts. One is the overall question about new exchanges entering commodity derivatives. We have consistently maintained that we believe that it is as great step it enlarges the market and our analogy is still the same that this is like the early 90s when the Indian car market really grew because we had more participants. It does not mean people who are there like us have too much of a threat because we believe there are enough examples that when the market grows people grow together in it. To your other question I think we have clarified already our clarification is on the BSE website. You know there is nothing further to add in terms of any questions around whether exchanges will join, merge whatever.

**Moderator:** The next question is from the line of Aksh Vora from Praj Financial. Please go ahead.

**Aksh Vora:** I just wanted to know with the recent development happening in the company and in the sector particularly, what kind of volume growth are we anticipating in next three, four years?

**Mrugank Paranjape:** Aksh I think if I may say what we are seeing over the last couple of quarters is in line with what we have said that the generic growth in this market is something which is like 8% to 10% growth that you would expect in a year. The key factors a lot of which are long-term factors which will really grow this market in a big way and those are around distribution going up because of bank subsidiaries, because of new products kicking in like options and indices and finally new participant coming in like mutual funds and for the participants those are the other factors which will add to the growth. So I think if you put a overlay of that of that on a four year period. We believe that like a 15% CAGR is a number which is achievable for an exchange like us.

**Aksh Vora:** Can we say the size of the market particularly by various participants coming in the market and also the hedging part is coming in the market, can we say the market size can be 3x or 4x from here?

**Mrugank Paranjape:** Difficult, I do not know what you defined as market size, but it would be difficult for me to say whether it is 3x or 4x.

**Aksh Vora:** But we see the market scalability to go say 3x, 4x having a good threshold limit if you can say.

**Mrugank Paranjape:** Cannot comment on that Aksh.

**Aksh Vora:** And also what is happening on the mix we see is 12% of gold earlier it used to be around 40%. So is the mix likely to be in the same kind of proportion for next couple of years?

**Mrugank Paranjape0:** If you see we were basically at a certain percentage prior to demonetisation in terms of the overall volumes and what we were seeing in the market and I think post- demonetisation that number has taken a completely different sort of picture. So I think that tells you that the mix is likely to remain similar. If we just look at the last three quarter that we are talking about it has been roughly a similar mix and I do not think that will change in the near future.

**Moderator**: The next question is from the line of Vineet Maloo from Birla Sunlife. Please go ahead.

**Vineet Maloo**: Just wanted to understand this you know the difference between traded volumes and the revenue growth a little bit more. I am little bit confused because on a Y-O-Y basis there is still a 6% difference. Although you did elaborate it on a sequential basis the numbers were quite small, but I am still not able to reconcile this 6% difference on a Y-O-Y basis, could you throw little bit more light on this please?

**Mrugank Paranjape**: I explained you the way the 1.2% ADT movement on a year-on-year basis has panned out, but if I just look at the Y-O-Y basis which is same for 2017 versus this time, we have moved from 67.26 crores to 71.1 crore and that is like a 6% increase that 6% increase comes mainly from ADT movement which has gone (+12%), but it is offset by realisation which is gone down by about 1.38% and the LES impact which if you are comparing these two quarters again is 1.67 crores against a NIL that we had in that quarter last year.

**Vineet Maloo**: Those are the only two elements right there is nothing more to it.

**Mrugank Paranjape**: Absolutely.

**Vineet Maloo**: And this realization impact is due to some price reduction or mix?

**Mrugank Paranjape**: It is the mix in terms of our broker mix because as you know we have some sort of tiered pricing. So obviously as volumes have slightly grown faster in the larger brokers the realisation goes slightly lower because they are the ones who have the benefit of the two-tiered pricing that we have.

**Vineet Maloo**: I am sorry what was the number you said on LES, the absolute number was?

**Mrugank Paranjape**: The absolute number for this quarter is 1.67 crores.

**Vineet Maloo**: All right that is like 3%, but still does not add up to 6% gap between traded volumes and the revenue growth?

**Mrugank Paranjape**: Just check it out again because I just thought that from ADT movement minus realization gives you the transaction charges and then that you take away the LES you should come to the same percentage movement.

**Vineet Maloo**: The realization decline of about 1.3%, 1.4% and LES of about let say 3% so that still gives us about only 4% to 4.5% so I still cannot explain the balance 1.5 percentage in point.

**Mrugank Paranjape**: I will send you the working separately if there is a disconnect there on that number Vineet.

**Vineet Maloo**: Just quickly is there a budget on absolute amount for LES?

**Mrugank Paranjape:** Like we said we had initial period which we thought we will run the LES for longer period. We have already spent as I mentioned 2.4 crores in the first half of the year, but we have no intention of continuing LES we have discontinued the LES scheme as of today.

**Moderator:** We have the next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

**Amit Chandra:** Sir I want to understand that as the competition in the commodity derivatives segment increases, so can we see some risks to our realisation because still the realisation are on a higher side?

**Mrugank Paranjape:** So I think when you are talking of realisation you just talking of the absolute fee numbers and as I just explained to another question asked before. The sort of volumes that we are seeing in the initial period gives us the comfort that really liquidity is not moving if at all there is some more liquidity getting built up in another exchange which is a great thing because the market may be expanding. So from that perspective at this point of time we do not see too much of a pressure in terms of the realisation and that something which we feel very confident about.

**Amit Chandra:** In your interaction with the large members who are there, so firstly I want to understand the concentration of the member or have you any interaction faced any kind of an issue where the members want to shift to say NSE or BSE because it is more favorable to trade and all the segments in one exchange?

**Mrugank Paranjape:** So I think we are in constant touch with all our large numbers and with all the other participants as well. So it is not just the large ones, but specifically to your question has any of the larger members expressed any reason why they believe they should migrate, we have not had any such concerns expressed like we have reiterated in the past as well. We believe that liquidity is very sticky and as long as we can continue to provide a product on a platform which is absolutely well like by the people we should not see liquidity go away. There is no other benefit people would also get by just moving elsewhere because again in terms of moving your capital between segments it takes anywhere between 20 to 25 minutes even if you have to move between the exchanges today. So that is not a big advantage from a broker's perspective even if it is seen to be an advantage otherwise.

**Amit Chandra**: So from an exchange point of view what steps MCX is taking to ensure that there is no such moment any steps taken?

**Mrugank Paranjape**: One, we make sure that our products remain irrelevant. Second, we make sure that our technology performs at its best and last but not the least our engagement with the members so that they continue to feel comfortable trading on MCX rather than move anywhere else.

**Amit Chandra**: On the costing part, the cost management has been pretty decent, so from here on what kind of cost increases we can see?

**Mrugank Paranjape**: So I think we remained consistent with what we have said. I think on a quarter-on-quarter basis you will see that cost discipline that we have demonstrated. On a year-on-year basis we have maintained consistently and again if you take the six lines that we report in our quarterly results on the BSE website. The first three employee benefits expense or something which is more like a fixed cost, but the next two are mainly the software support and product license fees are a fully sort of variable cost, but combined we have said that we will remain within 2% to 3% year-on-year increase and we expect to maintain that for at least for next two to three years.

**Amit Chandra**: Sir because the computer and tech expenses on a six month Y-O-Y basis is down by around 18%, so can we see some increase expense on the computer and tech expenses?

**Mrugank Paranjape**: So again this is something where some of the incremental benefit that we are getting is because there maybe some older technology which we are either facing away or there are certain expense which you do not pick up anymore on the computer because you have done automation, but in terms of an expectation like I said you should look at the overall numbers and in that sense you should track it to a 2% to 3% year-on-year number specific line item I think will be difficult to give you any forecast.

**Moderator**: The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

**Dhwanil Desai**: Two follow up from my side. One sir if we look at the competition I think those are our competitors are entering into non-agri segment and that space the kind of participation that we are expecting from institution is still lacking, so the pie is not expanding as such, so do you see this segment getting crowded out and if at all what we are doing in terms of ensuring that new products in the same segment if you can elaborate on that?

**Mrugank Paranjape**: I do not see so much of crowding out happening. I still think that from a liquidity perspective it should remain at one trading point and we do not see why it should migrate away. In terms of new product launches yes we continue to explore the market, but as we say that I think we also have to look at whether they are really meaningful trading opportunities and meaningful products which are there as we have explained in the past. Many of the products especially in the agricultural segments are sensitive, has had history where there has been regulatory interventions. With all of that I think it is very difficult to get into those products and in the non-agricultural segments there are very few commodities now left which are permitted for trading in India and have not been explored by any of the exchanges.

**Dhwanil Desai**: My second question is I think around this LES, I think you mentioned that from this quarter onwards we are going to stop LES and we have not seen the kind of traction that we were expecting on the gold side. Now what are the other means left with us to ensure that we scale up on the option side as envisaged apart from LES?

**Mrugank Paranjape**: So I think this sort of scaling up that we have prior to LES and sort of scaling up we are seeing in the other products where there was no LES it is all driven by the fact that we have been aggressively pursuing member participation, investor education and that is the only way to go in terms of getting this product across more people. So the strategy will still remain to get many and more brokers on boarded and then to get as many more clients on boarded through investor awareness.

**Dhwanil Desai**: But do you really see a challenge in terms of the relevance of the product to the end customer whether the option product that are being kind of allowed by the SEBI under whatever framework is that a bottleneck in terms of participation from the end users. I think the options resulting into futures and things like that which is not the normal way how other markets operate?

**Mrugank Paranjape**: I mean on that one I think yes we could do with more product innovations, but I think if I may say that within the current ambit what is available is not a big constraint. So I do not see that to be limiting factors for the growth of options.

**Moderator**: The next question is from the line of Nimit Shah from ICICI. Please go ahead.

**Nimit Shah**: Sir with unified broker license and unified exchange coming in, what is the view on margin fungibility?

**Mrugank Paranjape**: So I think the benefit of margin fungibility to the end client has already materialized and has been fully exploited by clients and by market with the unified membership that is available and many clients has already very happy using that because as an end client if I am engaging with a member who has the participation on different exchanges for the end client it is still all on one screen and the margin is fast-moving. In terms of its impact for the members it is one that there is not yet a real opportunity because we do not have say a currency or equity segment and the other exchanges still do not have a meaningful commodity segment. So from a broker perspective that is not something A) a possibility today and B) to the extent they want to move capital I think moving capital between say NSE equity to our commodity segment or vice-versa just take half an hour. So it is not something which is a big advantage anyways.

**Nimit Shah**: But the member has to keep a separate margin at every exchange.

**Mrugank Paranjape**: That is required, that in the sense even at the same exchange also you still have demarcate your margin between the different segments.

**Nimit Shah**: And this will remain even after interoperability goes live?

**Mrugank Paranjape**: I would guess so, but I think we need to see the contours of how interoperability is going to work in the equity segment before we comment on that.

**Nimit Shah**: And the timeline which you mentioned it takes only half an hour to move margin across exchanges earlier it used to take a more than a day I think.

**Mrugank Paranjape**: So I think we are talking now that both and I am aware the other equity exchanges and we have both allowing members to withdraw intraday capital and even if it is cash, we paid out within 30 minutes now.

**Nimit Shah**: As against earlier it used to take more than 24 hours.

**Mrugank Paranjape**: Absolutely it used to be T+1 activity and it has been cut down to 30 minutes.

**Moderator**: The next question is from the line of from Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

**Rohit Balakrishnan**: So I just wanted to understand one thing any update or anything that you would like to share in terms of participation from corporates because I think last quarter you have mentioned that is something that is still quite a lot in work-in-progress, so anything that you would like to share on that point?

**Mrugank Paranjape**: So I think we continue to see good progress in terms of corporate participation, it is also evident in the sort of open interest build up that we are seeing and of course in some product it is more than the other. So like I mentioned at the beginning of the call in gold it is a very good story because it has been aided by the fact that some of the larger corporate which used to hedge internationally are now being forced to hedge domestically and that is adding in a big way, but other than that I would say in terms of the progress we wanted to make through the years we continue to do that in terms of our planned number and the incremental corporate that we are getting is quite good.

**Rohit Balakrishnan**: And the other thing was in terms of as you mentioned in last couple of months 45 days ADTV has seen a increment uptick from the current numbers as well, so I mean in terms of the drop in realization, however, margin it was and given that the LES is now away, so would it be fair to think that the uptick in ADTV should also lead to an uptick in volumes which commensurately it did not happen in the last quarter.

**Mrugank Paranjape**: So I think difficult to predict what will happen in terms of realization because concentration could change at any point of time and therefore you could still have a little impact coming either on the positive or on the negative side due to change in realization, but yes other than that as you rightly pointed out with LES going away that is a straight 1.67 crore difference you should see in the next quarter.

**Moderator**: The next question is from the line of Sarab G as a Shareholder. Please go ahead.

**Sarab G**: I have couple of questions the first one is regarding the book value in the PPT I could see that it is 240 now compared to 271 on a consolidated basis, can you throw some light in terms of how this has reduced?

**Sanjay Wadhwa**: This is on account of dividend distribution which happened if I am not mistaken in first week of September.

**Sarab G**: Probably Rs. 17 per share plus the dividend taxation, distribution taxation where I am missing the point is Rs. 31 gap and intervening profit roughly to tally is there any other component apart from dividend and the dividend distribution?

**Sanjay Wadhwa**: Not really.

**Sarab G**: Slightly there is some disconnect there probably I know that can be clarified like in the calculation part I do not know that is one thing and now I am not going to get into micros that clarification will be helped whenever this detail description is posted. Number two is this regulator is like SEBI and RBI are been liking only hedging and all they talk about only hedging rather than the trading. So does it mean that people like NSE and BSE they have to significantly invest on the other part of the ecosystem like warehouses and delivery based items. With that do you think MCX has a better advantage compared to NSE, BSE that is one and the related question is today what exactly is roughly the amount of delivery based trading on overall basis earlier it used to be less than 2% on an overall basis on a financial year.

**Mrugank Paranjape**: So I think there is no change in the delivery percentage that you are talking of it is roughly in the same range. To your second question I think as a regulator they are obviously keen to see hedgers participate and that hedger participation is linked in some way a physical participation but it is not mandatory. There are even hedgers who participate even on MCX and they do not really take or give delivery, but yes the fact that the regulators want more hedgers to participate means that you need to create products where deliveries can be made and that would require investment in warehousing and the whole ecosystem which having done that over the last so many years is something which we believe is the natural advantage for MCX when it comes to a competitor.

**Sarab G**: Sir by any chance will it significantly jump from the current level of around 2% to 3% to probably beyond 10% because of this kind of regulation and how the regulators wanted in the future broadly not based on any scientific method your gut feel?

**Mrugank Paranjape**: Yes gut feel I do not think it will change so much even amongst the best and most liquid exchanges in the world where everybody hedges today like the LME and the CME the percentage are very similar.

**Sarab G**: Sir the final question from me is you expect something about this 7.5 ton to 15 ton regarding this gold to open position something similar to that maybe there are lot of corporate going outside India to do the hedging. Is there any real development happening there so that they will not go outside and do more within India just like how you said probably the gold companies they are doing it now and couple of points on that?

**Mrugank Paranjape**: So I think essentially this was a regulatory intervention but from a market perspective we need to make sure that our market become liquid then they provide a longer term hedge and that what will attract the international investors come back here. Currently, the fact that we have CTT we have other taxes makes some of the aspects of our market not so efficient and therefore till that keeps happening we will have investors investing overseas.

**Moderator**: Ladies and gentlemen that was the last question. I now hand the conference back to the management for the closing comments. Thank you and over to you.

**Mrugank Paranjape**: Thank you again all to those who for whom we said we will send back some clarifications we will do that. Just want to reiterate again what we started at the beginning of the call we have had a good quarter in terms of our numbers, volumes are looking very healthy and to all of you where we had told you that we would do couple of things. One which is managed the manageable which we are consistently doing now by holding our expense line to what we had said and we will continue to do that. Second, trying to manage those unmanageable and reducing those and therefore that you would see in our other income as we progressively move away from long-dated instruments and have lesser volatility on our income and then keep trying to manage the environment to make sure that we can influence people to participate on the exchange which we will hopefully drive up the volume. With that thank you have a great evening and thanks for joining us on the call.

**Moderator**: Ladies and gentlemen on behalf of Multi Commodity Exchange of India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.