MCX/SEC/2166 November 30, 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.	C Worldwide Asset Management	November 25, 2022	02:30 p.m.	***Annexure - A***

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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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 Digitally signed by AJAY PURI Date: 2022.11.30 17:31:03 +05'30'

Ajay Puri
Company Secretary

Encl: As above

"Multi Commodity Exchange of India Limited"

Meeting with C Worldwide Asset Management

November 25, 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.

SATYAJEET BOLAR: **MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER, MULTI COMMODITY EXCHANGE**
MR. PRAVEEN DG – CHIEF RISK OFFICER, MULTI COMMODITY EXCHANGE

Participant: Great. Well, thank you for making time to do this. We really appreciate that. Yes. I'm quite familiar with the business model or at least I think I am. So it's best if perhaps you can just start with a quick business update about where we are? We've seen some sort of transition in the business for futures to options also, play itself out. Just a quick overview of where things are. That's really the purpose of my meeting.

Praveen DG: Could you get the opportunity to attend our call.

Participant: No. Unfortunately, no. I think when you had the call, I was traveling on those dates. So it's very difficult for me to attend all the calls because I also look at other markets, and so it's a very large spectrum.

Praveen DG: So it is, I can say, the progress has been very good in options compared to the last quarter. Even this quarter, the performance happened to be much better. We have done something about INR 31,000 crores in options compared to, maybe INR 23,000 or INR 24,000 crores in futures. So that way it is like, our options now is performing better than the futures. But you would be knowing that the realization that we get it out of options is comparatively less with the futures. But it is better than the way what we have expected.

We expected something around 33% that we can get out of options. But we could get close to around 40% of, which is, I think it's a good realization that we got it from options. So now our focus is more on options. But, we are very keen to go ahead with more products. So, we are mainly primarily now focusing on the tech migration, once that migration is complete, we will be rolling out some more options product, mainly the short-term duration option contracts in gold as well as silver. Both happened to be bi-monthly contracts, as of today. So we wanted to come out with monthly contracts. So that can reduce the value of the option premiums. So we can expect more participation in the options contract, in bullion also.

Participant: You're targeting retail participation there or…

Praveen DG: See, institution participation, if you take only the mutual funds or any foreign participation that is very limited. So what we get is mainly from the corporates and the individuals. And the class who are participating in our market is definitely not comparable to that of equity markets. The contract sizes are different and it is pretty big as compared to what you would see in the equity market. Say, if you take our gold contract, the gold contract itself is about a 50 lakh contract. Long-term contract.

Of course we have the different variant, contract variants are available. But, the main contracts are the main drivers of the volume and they are, that way the size of their contract is much bigger compared to the equity markets. So, our idea is to come out with the shorter duration contract and maybe we wanted to come out with some more new products. But, the electricity is one thing that has been in the pipeline. But because of the regulatory approvals, it has been pending. So once we get that approval, we can go ahead with the contract. Besides electricity, you can see some metal contracts like aluminum, alloy, steel, steel-TMT, so some are in mind. But the primary focus now is mainly on options, because we wanted to tap the untapped potential of the options.

Participant: But when you say electricity, I am not aware of this. Are you trying to compete with an IEX or...?

Praveen DG: They are into day-ahead market. In fact, we will be taking their prices, day-ahead prices and those prices will be used for settlement purpose on our exchange. So, what we will be offering to the market is derivative contracts, options and futures. So that way it is like, we already have signed and licensing agreement with IEX.

Participant: Why wouldn't someone like an IEX want to do it themselves instead of…

Satyajeet Bolar: Different regulatory.

Participant: Okay.

Praveen DG: They are now come under the CERC and if at all they wanted to offer the product they have to themselves set up an exchange, stock exchange. And they should come under that ambit of the SEBI.

Participant: And, I think the last time when we discussed, one of the things that we spoke about was FII participation because of regulatory issues. So where are we with that? What is your view on that?

Praveen DG: Recently, there is one interesting development happened. SEBI allowed foreign institutional participation, portfolio investors. They are now allowed. But they are allowed in a limited way, what they have said, regulations as for the current regulations, FPIs are allowed in cash-settled products. And if FPIs are happen to be corporates and individuals and certain category of people, they are allowed only to take positions up to 20% of the current client limits of the product selection. That means for some people, they're allowed to rest fully 100% of the client limits. For some category of FPIs, they have allowed only up to 20%. So and they are allowed only in the cash-settled products. So today, we have two cash-settled contracts are the energy that is crude oil and natural gas. So rest of them are all compulsory delivery contracts on our market. At present we can see that, okay, those people can only participate in these products. And you all know that same products are traded in global market also. Because we ourselves we take the prices of CME and we settle it. But we still see an opportunity in the form of arbitrage that the market participants can find between the different markets.

And because many of these strategies they already have the tools to look for arbitrage strategies or arbitrage opportunity that is dwelling in different markets. So, same set of strategies and other thing, they can run in the Indian market also. Because for an arbitrageur, it doesn't matter whether the see same product or one product it is getting traded. It is more, they have to come out with some strategy around it. And then if he finds an opportunity, automatically, the system will be able to find, take the available opportunity.

So that kind of business we see that definitely people can start looking at it. And if somebody, today, it is like earlier, it is like they have to set up an entity here to trade here. And they will not be able to take a consolidated book of what happens here and in the global market. But now it is allowed, so they can be able to take and can look by taking, they can balance around in international market and the domestic market. So that way, this can open up a lot of opportunities for the FPIs in particular. And once it's opened up beyond the cash-settled products, I think definitely there are some incremental opportunities that can exist, that the market participant can see, in the form of like cash-and-carry arbitrage. But they have to go through certain things here because may be required GST registrations and all those things. But once allowed, I think they can explore those opportunities because the interest rates in India is certainly different from what you see in the global market. So that way it is like it can open up some opportunities to the market participants.

Participant: And on the on the gold exchange front, could you give some comments?

Praveen DG: So you are talking about Gift city, India International Bullion Exchange. And it is opened in the hands of our Honorable Prime Minister. Now I think it's gaining momentum. I think we have to see that how it will shape up over the period of time. Although business has been started and some agreements are getting signed between the government and UAE government. So certain things are opening up like if at all any gold have to be imported, if it is imported through this particular channel, certain concessions will be given to those importers. So that way it will provide the opportunities.

Government is definitely in favor of making that exchange a very robust exchange because they wanted to make it as a conduit for getting the import of gold, come through this particular channel. So we see a lot of potential in that market. But I think we have to see that how long it will take.

Participant: But what will give you the right to win in a business like that? I mean, as I said, one of the key aspects of an exchange is to be the right platform for price discovery. But if the price discovery is not happening, you are essentially an entity which is facilitating a trade, essentially a trader in a way?

Praveen DG: But when you see the market, our prices always happen to be slightly different from what you witness in the international market. Because when you actually import gold into the market. So those prices happen, that is where even we see the opportunity. And somebody can able to park it in that particular vaults within that Gift city and when they find the opportunity they can bring it into the country. So it is more convenient for them and India happens to be a major consumer and major importer of gold.

That way even if you say it looks like it is one country, but it itself consumes a big quantity of gold. That way we see very good market for this and not only import, import is one. And besides import it also gives trading opportunities in that location. Today in the local market you have the CTT, you have other taxation like stamp duty, all those things come into the picture. And it is also driven by, totally driven by your domestic supply and demand dynamics, but there if at all you find an opportunity, it is up to you can really able to move the gold around and you can be able to tap the potential.

Participant: So have you seen some of the Indian jewellery companies?

Praveen DG: Yes, some already have. And many of them already registered themselves as they call by some name like a registered… qualified jewellers. So they have already registered with that regulatory authority, IFSCA. So under them, these people have registered. Now they can import directly, they need not have to go through these channelized agents. So directly, they can import the gold now.

Participant: So they don't need to even go through you to import?

Praveen DG: Not through us. It is like earlier there used to be empanelled people, so only gold if at all I wanted to import, I have to import only through the banks. I think banks, generally, the banks used to act as that kind of authority. Now as a jeweller, I can go on directly, I can import myself for my requirement. I need not have to go through these people. So what these people wanted to do, they have themselves registered with the exchange and the regulator. Now they are directly importing it, so that way now it is like they need not and they can save a lot of money out of it. And also conveniently they can do the trading part.

Satyajeet Bolar: It's cheaper.

Participant: Cheaper, and to what extent is it cheaper, roughly?

Praveen DG: Very difficult to quantify, but I think the $2, $3 maybe, but that itself is big…

Participant: ..On the volumes.

Satyajeet Bolar: The may hold 20% stake. And the advantage is that it's one exchange. And we are not fighting amongst ourselves.

Participant: Everybody has stake in it, skin in the game. Are there any other incremental opportunities that you're seeing apart from new products that you spoke about, commodity that you're seeing where you can create or you can play the role of an exchange, some white spaces for you?

Praveen DG: Spot, we are looking at it like a gold spot exchange. And also like EGRs is one thing because there are also, I think, once our migration happens, we look for that opportunity. SEBI has come out with the regulations for the electronic gold receipt that we are doing in the domestic market. Actually, this is the spot market for domestic market. So there, we definitely could see that opportunity. But more than that, we see a lot of opportunity in the existing physical market, like we wanted to better integrate ourselves with the physical market like we have done the empanelment last time already, we have four or five refiners are already now been empanelled by our team.

Satyajeet Bolar: Including Titan.

Praveen DG: Including Titan. Then metals, we already started in lead also that kind of environment. This is one step for greater integration with the physical market. Second, opportunity we see is if we can able to bring down the margins down, where we made a lot of presentation to the regulator to rationalize the contribution to the SGF. In the form of making SGF a two-way traffic rather than a one way so that as and when needed, we can be able to infuse the capital and we can take it out. So that will help us to bring down the margins in our crude oil contract and also in gold. So this, I think, because today, you saw some drop in futures contract. But that drop also can be minimized. We can be able to put some growth to the futures by bringing down the margins in futures.

Participant: And the drop in this, last quarter we saw a drop in your UCCs, is that a function of...

Praveen DG: No. Absolutely, there is no drop in the UCC. If you compare both options and futures together, then in fact, we have done better than the previous corresponding period. Like I'll give you the number, year-to-date we have done something around, we have traded UCCs is about 3.74 lakh compared to 3.13 lakh the previous year for the same period. So that much growth we have seen.

Participant: But on a sequential basis, because historically it has been the last few quarters sequentially it's been improving?

Praveen DG: Even for a… In fact…

Participant: Maybe I can show it to you, what I have.

Praveen DG: For two immediate quarters, if you take immediate quarters like Q2, we have 1.79 lakh and just if you take only the futures also 1.79 against the previous quarter, April to June quarter, it was 1.61 lakh. And the corresponding quarter, it was 1.92 lakh. But if you look at the holistic level like, both futures and options, both, then the Q2 current quarter, the Q2 is 2.91 lakh compared to 2.19 lakhs to corresponding Q2. So that way it is, in fact, there has been increase. That is what we have seen. Maybe there is a marginal drop that happened in the futures, but not in options.

Participant: I think this is one of the broker reports that I have been referring to.

Praveen DG: In fact, what they are looking at is the registered UCC. So this registered UCC may not be a fair comparison. Always, what you have to look at is the traded UCCs. Because after the integration of this intermediaries in Indian market, now today, the same broker can be able to offer the commodities as well as he can offer the equity market. A client as and when they get registered, he makes them to register across all the asset classes. So then it depends upon the client where he would like to trade. And many of these clients, like for any IPO comes, or any other offer comes. They come and get registered. But it's not necessary that they come and trade on the Exchange. So it may not be a right comparison. So that number happened. But when you look at the traded UCCs, traded UCCs are in the range of 4.5 lakhs to 5 lakhs. So it is in that range. So there if you do a comparison, in fact, we have grown better as compared to the previous quarter, especially the contribution has come from options side.

Participant: And again, as we discussed the last time, what would it really take from a structural point of view for Indian corporates to start using our own exchange a lot more than relying on the foreign ones?

Praveen DG: Today, steps have been taken by our regulator also, and regulations have been amended to say that all the listed companies are today, they are supposed to make necessary disclosure with respect to the commodity price risk. Just we have made it, just to sensitize the corporates and the shareholders about the risk element that is there in lieu of the commodity prices. And even today, leave some private, but when you come into the public sector, their mind-set is still, they feel that, okay, a loss in futures, they look at independently and own they compare it with the top there in the physical market. Because you have to take both the books together, you cannot take one book and do a comparison. So, while a CFO and other people may be knowing that, but they find it very difficult to go and convince their Board about it like, okay, I want to go and trade, because the loss is treated as a big loss that what he has made to the company. So still I think, it would take some time to change those mind set. But what from our side, we have been consistently putting our efforts to make necessary education for the corporates as well.

Satyajeet Bolar: **…**that should be a continuous effort.

Participant: So it's a chicken and egg problem.

Satyajeet Bolar: Yes, if the Bullion segment, I mean, RBI has taken and issue the regulatory mandate. So I mean, it's happening to other segments, yes.

Praveen DG: So certain challenges we have, if you take energy products. Some energy companies, they prefer to go and trade in the overseas market because the trading cost is substantially low compared to the Indian market. And the broker may offer with a complete leverage. They need not have to put any money. But here, our regulations won't allow them to do that because now after this peak margin reporting, they have to bring even the upfront margins.

Satyajeet Bolar: Not very convenient operationally.

Praveen DG: Operationally, there are certain challenges.

Participant: So, I mean, in a way what you're also telling me is that the regulatory environment doesn't allow them to get adequate benefits for them to switch?

Satyajeet Bolar: The bigger ones.

Praveen DG: So the problem is some people, they find that, rightly you said it is a chicken and egg problem, like some bigger companies, you don't have enough liquidity. But unless all market participants come here and markets become bigger, then you will not find that kind of liquidity in the Indian market compared to what you see in the international market. And the trading cost is substantially higher as compared to global markets. We have CTT, we have stamp duty, we have GST, many, and what we get is only a fraction.

Satyajeet Bolar: Government earns much more than us on CTT.

Participant: But there is also, I mean, maybe not applicable to all corporates, but it's also an element of, you've been able to sort of do the transaction in rupees yourself, so you don't have to then hedge for currency?

Satyajeet Bolar: I agree.

Participant: So if I see the global commodities exchange landscape, some exchanges have created a niche for themselves in one or two specific commodities. I mean, they're probably just known for those commodities. Like I think, Bursa Malaysia for rubber and then for Amber I think there is St. Petersburg, also is there an opportunity for India to create something like that? I mean, for certain commodities, for example, like gold, we are a dominant market.

Praveen DG: See, we have created already for some products like if you take menthol, it is mint. So it is the only exchange where the mint is getting traded.

Participant: In the world?

Praveen DG: Yes. Similarly, earlier we used to have some market for cardamom, but for different reasons we had to discontinue cardamom. So we have created something, like even in gold, 1 gram gold is getting traded in India which is traded and also getting delivered, which is nowhere that kind of product you will find out. So India that way it is somewhere it is unique compared to the global market.

Satyajeet Bolar: So, what Praveen is saying is that we have also tied up with the vault players, for them to deliver to the client, ultimate client, 1 gram or whatever, secure, door delivery.

Praveen DG: So, they can locate, the buyer can be from any location, he can use the logistics and he can able to take the delivery at his doorsteps. That kind of facility we have facilitated.

Participant: And all of the backend is your responsibility, the delivery, the logistics?

Praveen DG: See, it's a logistic, means till that vault, it will be the responsibility of the exchange, but beyond that one, it is like insurance and all those things, it is between the vault and the buyer. Because, delivery is being made in Ahmedabad, but you are in Hyderabad. Somebody will have to take from here to there and get it delivered. So, that is going to be provided, the service is going to be provided by the vault, who are regularly doing that particular service. It is not like in India. But what we have facilitated is, we made the charges standardized. We made that access very easy to every market participant. So given his logistic facilities already in place, he started through our exchange is providing that particular service. But ultimately it is the responsibility of the vault and the buyers to take it. Because our role ends here after delivery has been marked and delivery has been made.

Participant: In Europe and now I think incrementally even in India, ESG is becoming quite a dominant thing. How does that work for commodities? Now we, for example, in hydrogen now we already have a gray and a green hydrogen. A, are you seeing new categories for yourself potentially emerging as a business case? And B, for the existing set of commodities, is there a way to distinguish between the ones that are sustainably produced versus the ones that are not? Is there a way to go about doing that?

Praveen DG: Today, that way, carbon market, even now India is anyway signatory to that Paris treaty, but that market is yet to emerge in the Indian market, in that particular scale. So, a trading platform similar to what you would have seen in the ETS market in

Europe, I think that may take time, for really to come out with that kind of trading for say carbon or any other sulfur kind of thing. But we are in discussion with different global exchanges saying that how they are, like in US, you have a voluntary system is there, prevent compared to in Europe at least it is a mandatory feature, but in Europe, US it is a voluntary one. We are examining and we are seeing that if there is a feasibility and other thing, but immediately you cannot expect that that products may not be able to roll out.

Participant: Not immediately, but I'm just saying conceptually in a few years' time, it also takes time to conceptualize it?

Praveen DG: Very Long time back only we could be able to come out and launch the product. Carbon trading, we have launched at least in 2005 or 2006 we launched. But that time a lot of restrictions were there, like foreign participation was not allowed in the Indian market. So while you could have buyers, that means sellers, but the buyers are not able to come and participate in the Indian market. And the registry also was not there, National registry was not there then. So that time because of that we could not able to make much progress and eventually we had to discontinue those a decade back. But now I think again if things focus here then definitely we look for the opportunity there.

Participant: And for the existing commodities like, for example, base metals, for example, in equities, different companies have different sustainability score based on the brands that they follow?

Praveen DG: See, currently, I know where you are coming from, but currently what we are doing is we are more or less accepting only the LME registered brands in metals. And the few entities empanelled, maybe you can look at lead and other cases, those we look into all the various parameters like whatever standards are applicable to Indian markets in Indian companies, we look in the audit and then we consider them that way. So strictly you cannot say that ESG, but whatever is the rules and regulations applicable to the Indian market those things we definitely look at.

Participant: And ESG for yourself?

Praveen DG: ESG for ourselves, anyway, we are making the necessary disclosures to our shareholders. In fact, on a voluntary basis, we have come out with the BRSR report this year. Actually, from next year, it is going to become a mandatory feature. But we made one step ahead and we made that disclosure for the last previous financial year only. And we have several policies we have introduced towards that ESG. You can have a look if you want to look our BRSR report I think you will get it.

Participant: Are you signatory to the UN SDGs?

Praveen DG: No, we are not.

Participant: Any specific reason or it's a bandwidth issue at this point in time to delve into all these?

Praveen DG: We are looking; it is being taken one step after one step after step. So we have taken the BRSR report as first step, our first step. After this one we are seeing, we are also seeing all the CP, I think another one is, I think, so a team is working on it and we are looking at it how we can...

Participant: So you have a sustainability team?

Praveen DG: We have an enterprise risk management team is there, which also looks into ESG related matters.

Participant: And are you also looking on that side, on yourself using more renewables and...

Praveen DG: We look at it. We tap on…

Participant: And you have targets on that?

Praveen DG: That's why I'm saying in that report we have clearly published.

Participant: So are you going at scope two already or at this point in time it is just scope one?

Satyajeet Bolar: We have started it. I mean, for example, all our lightings and all, they try to use the latest LED. So we are at the basic.

Participant: And final question on ESG, is the senior management or anybody from senior management's compensation linked or is part of the KRA which is eventually, to which compensation is eventually linked to, with regard to ESG, apart from business and financial targets?

Praveen DG: That way directly it is not, maybe indirectly you can't say one way or the other, because somebody is looking at ERM as a total portfolio. It is like you have to look at what is your score in terms of because many rating agencies are nowadays they are doing for ESG and other things. But indirectly the consciousness is there and we are looking but I can't say that.

Participant: Not at this point of time. Definitely not at the CEO level, right? Could you talk a little bit about your balance sheet, cash position and treasury?

Satyajeet Bolar: Yes. Presently we have around INR 150 crores in cash. As per dividend policy we pay 75% as a payout, which we did last time. I think we paid around INR 17.40 paisa as dividend for March '22. So, yes so as and when our CDP project gets over and the Board will take an appropriate stand what to do with any excess cash at that point of time.

Participant: Any investment plans apart from these products that you are talking about, will it require a meaningful investment from your side?

Satyajeet Bolar: From the product side, I don't expect it.

Participant: On the technology side?

Satyajeet Bolar: On the technology, we have anyway invested, so we will have to capitalize it once the project goes live and then amortize it and also we would need some money for the gold exchange to capitalize, if and when we get regulatory approvals to set up a gold exchange. We need some net worth for that. So we'll have to capitalize that. Also if the regulator allows us to set up a collocation we need some capital for that. And we need some excess cash that we'd have if we are to transfer money in and out at least to transfer money into the Settlement Guarantee Fund, you need some liquidity.

Participant: Can the gold exchange follow a similar Gift city kind of model? Because again it's a global commodity we also import a lot of gold I mean I know you can't store it in Gift city but…

Satyajeet Bolar: I agree with you but at this point of time it is still at the initial stage. So we have to get regulatory approvals and all that so it's still at the initial stage.

Participant: I think I probably know the answer already for this but, the deposit that you receive from the terminals that is generally used for, parked in the banks?

Satyajeet Bolar: Which terminal? So basically that is for the margins you are saying? The margin that we get, so that is it is collected by a clearing corporation, a wholly owned subsidiary. And then there is an investment policy as per SEBI, where you can deploy it. So basically, you can put it in government securities or in liquid or overnight schemes of mutual funds or in bank deposits. It's kept accordingly.

Participant: Yes, well, I'm done with questions from my end. Unless there is something that is important that we haven't discussed, I'd be happy to, I think it's…

Praveen DG: You've been tracking. I don't think much to say on this.

Participant: Yes. We would really hope that someday commodities trading in India really takes off. India is a large commodity producer and consumer both.