MCX/SEC/2318 November 28, 2023

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, please find enclosed the following transcript of the call with investor/analysts:

Sr. No	Investor/Analysts	Date	Time	Annexure
1.	Ward Ferry (WF Asian Smaller Companies Fund Ltd.)	August 20, 2023	04:00 PM	***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Further, we hereby confirm that no unpublished price sensitive information was shared/discussed during the said meeting.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

MANISHA HARSHAD THAKUR
Digitally signed by MANISHA HARSHAD THAKUR
Date: 2023.11.28 19:22:10 +05'30'

Manisha Thakur
Company Secretary

Encl: As above

Multi Commodity Exchange of India Limited

Meeting with

Ward Ferry (WF Asian Smaller Companies Fund Ltd.)

November 20, 2023

MANAGEMENT: **MR. P.S. REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MULTI COMMODITY EXCHANGE OF INDIA LIMITED**
MR. SATYAJEET BOLAR – CHIEF FINANCIAL OFFICER – MULTI COMMODITY EXCHANGE OF INDIA LIMITED
MR. PRAVEEN D G – CHIEF RISK OFFICER – MULTI COMMODITY EXCHANGE OF INDIA LIMITED

P.S. Reddy: Good evening Mr. Aman and Nicholas. Welcome to this call on the post Q2 FY24 results. You have been an investor with us for a long time and thanks to you, compliments to you both. Compliments because you made money also on the stock that you have steadily invested and thanks because as a Management, I am sitting in a Management seat and obviously I look forward to the support of the shareholders all the time who fairly appreciate the ups and downs of the business and instead of getting vacillated about on a quarter-to-quarter on the results and I think if you have been as you said, cheerleader of the Managment and that has helped us to stay focused on our goal because if too many expectations are satisfied across and keep pulling, then obviously Management will wonder whether they are going on the right track or not and that did not happen and I think that is very important and I am really grateful to Ward Ferry for supporting us all along.

Now over to you, you can fire all the questions, whatever you would like.

Aman: Of course, thank you Mr. Reddy, thank you Mr. Bolar and thank you Mr. Praveen for giving us the opportunity. Firstly, I will say that congratulations to all of you. I think what you have accomplished is truly something that we are proud of, if I may say, because we continue to believe in the dominant position of MCX. But the transition has its own hiccups because of external reasons, but I think we have done an amazing job, and we really are very happy with what has happened in terms of an outcome and kudos to all of you. I cannot express this enough how happy and how proud we are in this entire outcome.

So, I leave it at that. You guys -- as you rightly said, compliments well taken on the fact that we have been happy shareholders from an outcome perspective or from a share price appreciation and we continue to believe there is much more long-term opportunity with the exchange and the team that we are backing.

I think I will, I want to spend some time with this performance if you guys can help us understand a bit more about both the current and whatever you could talk about the future in terms of thinking.

On software side first, is the transition done completely lock, stock, barrel or does 63 Moons still have something lingering in the system right now? I am just wondering is that completely cut off from an outcome perspective for 63 Moons, till they just get what they deserve till quarter 3 and then they are out completely, nothing more?

P.S. Reddy: Absolutely right and I think on quarter 3 another lump-sum payment has to be made. We have already paid in the 1st of October or 30th of September for this quarter and that will be reflected in the Q3 results.

Aman: And in terms of now, that is what….?

P.S. Reddy: There is nothing now and all is done, there is no more. And -- but systems are on. On in the sense, systems are not disconnected because they are supposed to service, if need be, till the end of December. So probably we will take a call when to -- what you call power off the systems and cannibalize and then use other… that we can use it, the existing ones.

Aman: Very helpful. And is there any part of the module which only exists in the old trading software? Is it everything that you -- modules you want to have, everything is moved completely to the new CDP platform?

P.S. Reddy: Everything is moved including the data for about 20 years. So, all that has...

Aman: Very helpful. Mr. Reddy, when you look at the current technology now that we have CDP, from a support perspective is it more internal support that we are giving or is it also, TCS you talked about the fact that there is one year warranty, but do we have an internal team also to support at least part of the upkeep, etcetera, or is it completely outsourced right now?

P.S. Reddy: It's like this, we have TCS support of L1, L2, L3, but they step only if there is any problem, but the day-to-day operations are run by our own team. So that's the way this model is. And this service is there for one plus five years. So, the CD is already there for five years to be paid.

Aman: Got it. Okay. And so even last year on software, the entire -- there is a subjudice matter in between, which we put up at least a kind of partial delay on the information software. Is that something which is decided or still subjudice?

P.S. Reddy: It's been closed. The court has disposed of the applications, whatever the application that was filed. So, the order is already in the public website rather, the public domain. And we can share also being a public order.

Aman: So, there is nothing more on that front at least to our knowledge that has needs to be done. And that was a Chennai high court, right?

P.S. Reddy: That's right.

Aman: Got it. Now that it's all behind us, how do you think about new products on the new platform? Do you guys, have you got any permissions to start? A, what were we all waiting for? Because you had told at least the entire investor community in the previous call that, you know, we want to launch certain products only on the new software. So, which all were pending? And have you started getting some of them online? If you could talk through, you know, some of your efforts on that front, it will be very helpful?

P.S. Reddy: Sure. One is this steel rebar contract. Permission is already in place, but due to this delay in the CDP, the regulator has instructed us that you wait for, until we say go ahead. Now that we have written to them, now that we have gone ahead with the CDP and one cycle of what the option expiries, future expiries and deliveries all have happened in the month of October. Now the second one is all started. And options crude has expired. I think today is the expiry -- and option has expired, Futures will expire today. Crude, 20th, you know, crude futures. And in the next 10 days again, all the contracts will expire. And monthly contracts, of course.

So, it is the second month running. So, we have already requested them, SEBI to permit us to go ahead and launch all the contracts. I think we will soon expect a response from the regulator to release consent from them then we will do that.

Aman: Got it. So that's the steel rebar contract?

P.S. Reddy: Yes, steel rebar contract. The other one is the monthly options on bimonthly, you know, gold. So that we will, again, they are all a part of that particular process. And we have applied for some more contracts also. And I think we will start doing it one by one. Like, for example, DMA facilities, FIIs, FPIs, were asking. That is something which we don't need to go to regulator. We already have it in the platform. We have not released it. We will be releasing it, you know, maybe in a week or so. Similarly, Category 2, FPIs, is also available within the existing system. And again, that also we will be releasing it. So, these are all, yes.

And for a new product launch, of course, it takes time in the sense of a launch. Before we launch, we need to bring the stakeholders, appraise them of the contract specifications, etcetera, etcetera. So that work is already started. And we have already tied up, so what you call warehouses and other things for the steel rebar.

Aman: Got it. Got it. Okay. When you look at, Mr. Reddy, on the options side, how do we expand the options pool now, given that we have, a bit more of a way to look at new products, because the CDP is launched? Option basket is a lot more of an energy basket right now. Is this, in your view, can be changed over time if people accept certain kind of products? Or is it options inherently lend themselves much better to energy? And that's the reason why we have a lot more energy contracts on the options side?

P.S. Reddy: I don't say that it is primarily the -- you know, energy only should lead it. I think Gold Mini is one which we are looking at it where it's a monthly contract, as well as the -- because the underlying is a monthly. At the same time, tenure is also monthly, because the premium is dependent on the underlying one, underlying asset value as well as tenure. And the other main Gold one is a bimonthly contract, and it's one kilo, whereas Gold Mini is 100 grams, so one-tenth of that value, that's tenure is of one month.

So, coupled together, we'll give a boost to it. And I think in the month of October, we had almost all INR800 crores ADT in Gold Mini. So that is, you know, which we are looking at. And let's see. And even in other contracts also, Gold -- other contracts also, we have seen some amount of -- what to call, liquidity. And Silver is another one which is again picking up. Silver is doing also well. These are all the products which we are looking at activating them.

But one thing which made both NG and Crude options darling of the market is because the underlying has got a high, what to call, margins. And now Crude has got 30% and NG has got 30%, as against, you know, the Gold and Silver. So that could be one reason why they are still holding onto it. But that doesn't mean that we should increase the margins in Gold and Silver, that's not our intent anyway.

Aman: No, of course. And when you look at the NG and Crude volumes, they have been holding up very well on the option side. Is there any kind of event or potential risk that you see on those volumes? Like the option volumes on energy basket, from an underlying driver perspective, you know, is it being driven by volatility or is there anything more that we should learn about as we, in our own estimates, try to forecast the future volumes?

P.S. Reddy: Yes, definitely volatility you should pick up as one of the dominant factors when you are projecting it. No doubt about it. And the cash settle nature of the contract is also equally important.

Aman: Sorry, what nature, Mr. Reddy?

P.S. Reddy: Cash. Cash settled. Okay. So that is another thing that drives them. Maybe the third element could be that they are internationally referenced. Okay, because they are linked to CME prices. So, there could be some arbitrage opportunities maybe there that is another thing which drives.

Aman: Got it. So, there is no risk that you guys foresee on these volumes that we have an option, at least to the extent that we can predict and forecast. In your view, the numbers that we have been doing are very good. There is no risk that you guys foresee; I would assume?

P.S. Reddy: No, I am not foreseeing any risk. And now that competition is also open now and identical product, identical expiry date, etcetera, etcetera, but still there is no risk. We have not seen any traction. But then we should not be too cool about it. I think we should be on guard, which we are doing…

And thankfully our technology platform probably, maybe competition is expecting our technology platform to create some kind of disturbance in the trading. But by the grace of God, that didn't happen. So, we are very stable at this point. If you see the volumes in the past two months, they are all in the same range. So, we have not lost any volume.

Aman: Okay, very good. And is the pricing very different, Mr. Reddy, in terms of what you charge for the same, let's say, crude or natural gas options, same expiry versus what, let's say, some of the competitors charge? Like the people who launched it recently, the options contracts?

P.S. Reddy: See, probably it didn't make any difference, even if it was different. But I have not seen that. I mean, I have not examined that part of it. I'm not too sure what are the charges.

Aman: Now, Mr. Reddy, you can confirm to him if you are sure about it.

Praveen DG: See, they are not leaving, as of now, they are not leaving any charges. NSE in case of NSE? Yes. See, there are some symbolic charges are charged.

Aman: Got it. And still there are no volumes that are moving towards that side because there is probably no liquidity.

Praveen DG: That's right.

Aman: Got it. Got it. Very helpful.

P.S. Reddy: Do you have those statistics also? If you have it, you can speak of what are the ones which you are monitoring?

Praveen DG: So, currently, just hold on -- so, NSE at NSE, I think on 17th November, if it is, turnover is about INR33 crores in crude oil options and natural gas… no volumes were there.

P.S. Reddy: And what is the premium, INR1 crore?

Praveen DG: Not even INR1 crore less than INR1 crore.

Aman: Okay. Very good. Any other category, Mr. Praveen, where you think we, you know, NSE, if given a permission, could launch option contract that we are currently, we have, because we have the turnover on future side to launch those option contracts, NSE may not. But do you think if they could get exception, are there other categories they could launch, which are still missing in their basket?

Praveen DG: Currently, despite, like, if you go by strictly by that regulation, it is like there is a threshold which is being stipulated, that is INR1,000 crores for the case of futures. But NSE could be able to launch it. They got the approval, and they went ahead. So that way, whatever contracts are there on MCX currently, it is there also got listed on NSE.

Aman: Only for crude and natural gas, right? Or is it something else also?

P.S. Reddy: All metals.

Aman: I thought it is only for the energy basket. For it, okay. That is very good validation that, you know, none of the commodity's options, even despite big noise, we have lost in the volume. So that is very good.

Next part on the option side, options -- the premium to turnover ratio, you know, I think that kind of keeps moving around. Is it because of near to expiry options and how should we think about as we become larger and larger today versus one, two, three years out, is it certain direction that this number moves? Or is it very much driven by that day and that month's volatility metrics and so on? So, are you seeing a pattern this now, Mr. Reddy?

P.S. Reddy: See, as far as the tariff is concerned, INR40 is minimum you get it. INR40 rupees per 1 lakh of premium, so that we are not going to revise it. Of course, there was some call that, why don't you revise the options charges also? But maybe it is for me to look at that. Let us settle down with whatever the problems that we have.

Having said that, the volumes, I think, the ratio will not fall below the -- how much it is? Yes, it is 1.84 okay, and premium on options. And maybe June quarter 1.97, because it is like an income tax slab, as I told you. It is up to INR5 crores. So, if more and more people are falling in the second quarter, then the INR50 impact will be, will become more trivial in that sense, and it is really small. So INR40 remains, and at INR40, if you calculate all the premium, then whatever is the percentage, it will remain like that. That is the way it is.

Aman: So, it will, that is the, and that number will not be very different than, I would assume, 1.84% that we have?

P.S. Reddy: If you take 1.8, that is the way it can happen. All right.

Aman: All right. Very helpful. I think, Nicholas, anything on the options that you want to check…?

Nicholas: Yes, maybe just on that point, as we see the introduction of new commodity types or contracts or options, in your -- I guess in your view or in your experience, do you see certain commodities and certain, depending on their nature of the contracts or like the speculators behind it, do they have different options, premiums, or, as well as open interest? Is there any difference between the commodities?

P.S. Reddy: Yes, I think even in the case of -- even in the case of -- rather options together account for about INR21,000 crores of open interest, on an average, generally speaking. And then futures accounts for another INR20,000, INR22,000, INR23,000 crores of open interest. So together we have on the exchange an open interest of INR40,000 to INR45,000 crores. It keeps varying it. And maybe a year ago, it was only INR30,000 crores -- INR29,000, INR30,000 crores. So one is that, that interest is in options has added more and more, you know, open interest.

Then within that, the gold adds maximum open interest as against the crude. Maybe the, again, these open interest figures are already there on the website. It's in the public domain anyway. So, as it varies, I think, in terms of volatility, it brings more, more ADT to crude and NG, because, again, because of the cash settlement of the contract. But when it comes to the gold, it adds more of, what you call, open interest. It also depends on the number of hedgers who are participating in these commodities. So, if the more number of hedgers are participating in the underlying commodity, probably the, with volatility, they will add more open interest.

Praveen DG: Even if you look at international exchanges, the trend is different for different commodities, because various factors will influence that ratio, so gold -- like again, it is like gold is also a bimonthly contract. That is another part that you have to look at it. So, like volatility, then the duration, then the strike intervals. So, several factors, it is like a permutation combination of multiple factors that will lead to that ratio that will determine the ratios.

Aman: You know, on futures side, Mr. Reddy, I thought I would check two parts. I think bullion seems to be something that -- sorry, I think my understanding is bullion is not very high. Sorry, bullion is high as a portion of futures, and it has become even higher in first half of this year. Is that again because of any specific directionally reason or is it because of the delivery requirements that come in base metals? That is first question.

And I think, again, futures side you know, on the mini contracts, on nickel, etcetera, is that something that you think will happen on the base metal or nickel contracts because that is something that doesn't seem to have changed a lot of future ATOs. Just what have been your observations on that front, on the futures side?

P.S. Reddy: I will take the second question first, of course. The open interest in these -- what we call the metal contracts, it is reasonably good, in fact, it's been increasing. Maybe barring one or two commodities, it has been increasing. And so that shows that more and more -- and we have seen correspondingly, the hedger participation is also increasing. Maybe little less, but still the participation is increasing. That's one important observation.

Second, the mini contracts we have introduced for wherever the delivery and trading unit can be the same. So, we have introduced for aluminium and lead and zinc. We have made an application to the regulator for copper, as well as and we are awaiting their approvals. So, if we get those approvals, probably we will be able to launch that.

And coming to the first question, in the case of bullion, whether the first half is high and whether the second half could be low? I think my view is, it's not with reference to any first half or second half kind of thing. The way that is working is that one is the volatility, which is contributing it, especially the silver has been having a high volatility for which reason the turnovers are also very high in silver. You must have seen that, for INR8000 -- INR7000 crores, INR8000 crores as against gold which is INR3000 crores to INR5000 crores in the last 3 to 4 months.

And so, we are also applying to SEBI or rather we are also seeking approval for some of these minis in the case of options on some of these mini contracts also. So, we will seek once the necessary approvals are obtained from the regulators. So, minis are really going to add, but we have not got that the fission out of these mini contracts as yet. In fact, when we had lost them in 2019, almost 35% of the turnover was coming from the minis, that's still not we have not reached as yet stage. So, I think there's still a lot of room for us to get there…

Aman: Nicholas, anything on the futures side that you want to check…?

Nicholas: Nothing on the futures specifically.

Aman: Mr. Reddy, when you look at the, you talked about the FII's, the rest of the call, both in the context of FII's as well as generally other participants, how are you seeing the participation given this transition is done? I'm talking more from the players who contribute volume, which is, I don't think retail is that bigger segment for us, both in terms of options. So, people who contribute volumes, A, are you seeing them increase participation over time?

Institutions, arbitrage players, mutual funds, how is the interest of FII's now given this transition is done and what is this, you know, the thing you talked about in the call as well, the DMA facility, what does it mean? Does it mean some incremental effort from their side or is it something that you guys have to create from your side?

P.S. Reddy: Direct Market Access is something which they have a trading terminal with themselves if they want to trade. That's the way it is. And I think while it goes through the system seamlessly, without much of interaction with the member broker is what the DMA facility is all about. But there are certain checks and balances as a mandate by SEBI. So that is one thing that they are asking. And that facility is what they are looking out for.

And in terms of FPI ADT, it is increasing day by day and we have about registrations, almost all about 30 plus registrations have come so far in the FPI. So, I think we will that we are expecting it to grow and as we go along. Almost for about INR500 crores ADT they are contributing at this point in time. But that is too leaky. But that is one part of it.

But then there is also a lot of algo players, international algo players are taking our membership. Some of them have taken also, they have not started because they are waiting for our new platform to be ready and once the platform is there then they thought of playing. I think now that is behind us. And they will also join in terms of algos. Currently algos are contributing almost 45%, 50% of the turnover. 5-0. Yes, that's right. It's almost all there.

Aman: It's mostly domestic algos, right, the 50%.

P.S. Reddy: Domestic as well as the -- well, you call it domestic, but they are also international players who happen to be registered.

Aman: And Mr. Reddy, an international player uses MCX, is it primarily for -- these guys are all financial arbitrage players, they are not trying to hedge any commodities risk. They are simply doing this to make returns. So why are they generally choosing MCX especially for an FPI where they could choose an LME or CME for doing a similar kind of trading? What kind of is an advantage for a sophisticated player to use an MCX as a platform?

P.S. Reddy: One important reason is that they are only allowed in cash settled contracts, not in the delivery-based contracts. So, the second part of it is that the arbitrage opportunities here may be different in the international market or there could be between the two markets also, wherever they are playing it.

And with this permission of FPI participating across markets, they are able to adjust, you know, even if there is a loss in one book and there is a profit in another book, I think they are allowed to adjust now. Earlier it was not the case. They will be able to actively participate in that part of it. And again, calendar spread arbitrage opportunities may also be there, which may not be there everywhere, that's another reason why. And again, our contracts are what you call Rupee-denominated. Again, there could be another arbitrage opportunity.

Nicholas: Just quickly on the DMA facility. Do we have any basic questions? Do we get any additional income from that?

P.S. Reddy: No, no. It's not. It's just a facility. That's all. There is no income. At least it's not profiling to charge. I'm not too sure whether those are charging or not.

Aman: Mr. Reddy, you will launch this next week, right, within a week or 10 days for credit to FPIs, the DMA facility?

P.S. Reddy: We will announce.

Aman: Okay. I think I have nothing else on the revenue side. On index futures, I think we had this product. Is this something that we still think we can focus on or is that something you think is not getting that much traction, Mr. Reddy?

P.S. Reddy: See, I think Bulldex is something which we are doing at this point in time about INR80 crores, INR90 crores of ADT, but something which we have to ramp up. But more important is the Metldex, which again was doing almost INR300 crores ADT, that's gone because of the nickel debacle. Now we have reconstructed the index, and we removed the nickel from that. And we are going to re-launch, and we will do that.

Aman: This is very helpful. I think just broadly on cost front, do you think in the coming -- I'm assuming that we have not talked about costs as yet, at least the new cost structure. Is this something that we should expect over the course of next one, two quarters to be discussed with us as an investor group, that what kind of incremental cost that we will incur as we maintain the contract beyond the first year of maintenance free period?

And is there any kind of capex that we should be thinking about incurring on the basis as we have certain infrastructures and capexes we had done to buy beyond the software, the hardware, etcetera, so is there any color that you can provide right now? Or do you think you'll be able to provide that over the next couple of quarters' calls?

P.S. Reddy: I think maybe after the Q4 and then we should be able to help you out. And by that time many of the numbers will be there. And I think in this quarter he has already booked many of the CDP. Since CDP went live, he's moved from capital work in progress to 'put to use'. So, in this quarter you will find that impact. Maybe next quarter, again you will see some more items. And then I think by the end of the Q4 you will see the end.

Aman: Nicholas, anything on the cost that you want to check. Other cost items beyond this software cost?

Nicholas: Yes, I guess just generally now that the transition is over with the tech, are we looking at any other areas to -- I guess, become more efficient in terms of costs going forward?

Satyajeet Bolar: I think in the first year we would be, generally we would pay around INR50 crores to INR60 crores to 63 Moons. I think our IT expense would be in that range. But we'll have a larger bump-up in the amortization cost. Then there will be some operating and application licenses that will be, you know, will have to come under the opex cost going forward.

Aman: And on people cost, Mr. Bolar, do you think people cost that we have right now, is it fairly sufficient in quarter 2 number? Do you think it could increase given, you know, the scope has increased for us as a team in terms of maintenance of this software, part internally, part externally?

P.S. Reddy: I don't think it will increase. This, you know, maybe 5% more or less kind of thing. It will not increase. That's it.

Aman: Great. I think one last thing from our side is you know, when you look at regulation, any kind of risk or upsides that you're, you know, either worried about, if it is a risk or if it is an upside, you're excited for, that you think, people don't discuss that much with you. But that is one thing that you guys are really, either ways, kind of watching for, positively or negatively, that you can talk about, if that is something that can be discussed, you know, with investors.

P.S. Reddy: Sorry, I didn't get you fully.

Aman: Yes, I'll rephrase it. On regulation front, do you think there's any upside that is not currently, you know, meaningful upside that you think can change the way the volumes are currently, either an option or futures side, even that you think, ….the works, can be discussed with people like us, as investors, may take some time to determine the exact form or shape, but should be a meaningful addition to the volume numbers.

And on the same side, do you see any similar risks that something may change on this specific regulation that could be a meaningful risk? Anything that you guys are aware of and can talk about?

P.S. Reddy: I think, maybe in all calls, I have been saying that with regard to contribution to SGF, we have been we have been requesting SEBI to consider how do we calculate the stress test losses. Now, almost all about 190 plus scenarios were considered …. before we arrived at the stress test losses. And various other parameters are also there. So, we have been testing them and, I mean, it's like a, we can't say that we will consider positively or negatively or anything of that kind, or any decision will come. But that's our ask, that's the way it is.

And similarly, the mini contracts in copper and nickel, where we wanted exemption from being delivery unit and trading unit being identical. So, again, if they permit us, then that's good. If they don't permit us, because that's a regulatory dispensation.

Whether they permit or not, I do not know. But that's, these are all asks that are on table.

Aman: This is super helpful. Nicholas, anything else that you have…? Nicholas?

Nicholas: Maybe the opposite of that, anything you're excited for in the next few years, in terms of the exchange?

P.S. Reddy: Thank you.