

MCX/SEC/2044

May 27, 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(s) of the call with investors/analysts:

<b>Sr. No</b>	<b>Investors/Analysts</b>	<b>Date</b>	<b>Time</b>	<b>Annexure</b>
1.	UBS India Mid-Cap Virtual conference 2022	May 23, 2022	16:30hrs	<i>Annexure - A</i>
2.	Canara Robeco Mutual Fund	May 23, 2022	13:00hrs	<i>Annexure- B</i>

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

**For Multi Commodity Exchange of India Limited**

**Ajay Puri**  
**Company Secretary**

*Encl: As above*



## “Multi Commodity Exchange of India Limited”

**May 23, 2022**

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

**PS Reddy:** Switch on the mic.

**Rovina:** Hi good afternoon everybody. I hope I am audible.

**Prakriti Banka:** Yes, we could hear you.

**Rovina:** Small request please if everybody could please switch on their videos it will be really great if you could switch on your videos please. We have here.....

**Prakriti Banka:** Hi, I am sorry. I am accessing it from office desktop and we do not have camera.

**Rovina:** Whoever can able to on their videos that is fine. I will just repeat I am sorry I was on mute. We have here with us on the call Mr. PS Reddy – Managing Director and Chief Executive Officer, Mr. Satyajet Bolar – Chief Financial Officer and Mr. Praveen DG – Head of Investor Relations. I just like to please inform you that this call is being recorded and will be available shortly on our website. Can we begin please and introduce yourself.

**Lavanya:** Yes. So hi, I am Lavanya maybe we can start our session with I mean this session would be a Q&A session largely which I would request management to just give a small brief on the current business scenario maybe highlight how the volumes of future and volumes of options.

**PS Reddy:** How many participants are there I see camera is on for four.... This session is going to be displayed on the website as per the LODR requirements so it seems it is good to have everybody introduce themselves so that it gets recorded.

**Lavanya:** Okay.

**PS Reddy:** Please ask each of them to...

**Sharim:** This is Sharim from UBS as well.

**Patrick:** Hi, this is Patrick from Ashmore here.

**Shaun:** Hi, this Shaun...

**Prakriti Banka:** Hi, this is Prakriti Banka from HSBC Asset Management.

**Nilotpal:** Nilotpal from HSBC.

**Madhusudan:** This is Madhusudan from UBS.

**PS Reddy:** Yes, Mr. Madhusudan, we are not able to hear you.

- Lavanya:** So it is Madhusudan from UBS.
- Madhusudan:** Thanks Lavanya.
- PS Reddy:** Anybody else?
- Analyst:** Sir besides that we have operator who basically, system operators and Kiyam from UBS marketing team so basically they are managing the system.
- PS Reddy:** No problem. Thank you for this call we will brief you as to how we have done over the year. As you have seen in FY21-22 we have a futures turnover of 26,000 crores and options for the entire year put together it was about 7,800 crores, but then options if you take into consideration only the last two quarters it is about 15,000 crores that is the kind of growth we have seen and probably you are aware that we started charging on options from first of October onwards so thankfully we have been able to catch the momentum at the right time. Having said this yes the Bullion has contributed about 43% and the Energy is contributed about 32% to the business and metals is 24 and agri is less than 1% in terms of ADT their contribution to the ADT and as compared to the last year Bullion contributed 61% that is 2021 and Energy has contributed 18% and metals have contributed 20% again Agri is less than 1%. So, this is the kind of trend that we have seen it and having said this the major contribution came from Energy in terms of options and in the options also the Crude Oil options has been doing well from the second quarter, third quarter of FY22, but NG we had introduced sometime on 17th January in the last quarter and today of course it is more than beyond a quarter if you see it is almost 3,500 crores ADT notional value currently we are seeing it, so these are the few numbers that I have and we have got some new contracts also, approvals, especially one monthly options in Gold on the underlying of bimonthly future contract. So that is something which we hope to do well because the premium would be reduced, be halved, that is the way it is at this point in time and we have also introduced sometime, the options on Gold Mini that is also working well at this point in time about 70 crores, 80 crores ADT all these figures are available on the website and that is the way it is currently working. There are many other new products which are in the pipeline which are pending for the approval of SEBI as and when we get them I am sure you will see some growth in these verticals also. Thank you, I think, I will leave the floor open to the participants to ask questions.
- Lavanya:** Hi everyone. So, maybe you can just use the raise hand option and I can moderate. Please go ahead. Patrick.
- Patrick:** Hi, I like to ask about one of the major new products approvals you have waiting on and which of these could be meaningful trial of ADTV going forward?
- PS Reddy:** Sorry I could not understand could you please repeat.

**Patrick:** Yes, looking for details of the new product approvals you have waiting at SEBI, which of the major categories you are waiting in and what their contribution to ADTV could be?

**PS Reddy:** I cannot give the projections on those products, but then I can give you the products - one is the Steel TMT bars is one contract. Electricity derivatives futures contract is the second one, the third one is the Aluminum Alloy - these are the three contracts. There are options, we are also asking for a, not options, we are asking for a futures contract fortnightly gold futures contract that is another contract which you have asked them. So, these are the ones pending at this point in time.

**Patrick:** And for your electricity derivatives futures, what the timeline of that being introduced and how do you calculate the total market size?

**PS Reddy:** Well while the market size is very big no doubt about it, but then each are highly regulated market at this point in time. The Discoms are all within the fold of the state governments and the Discoms are within the fold of the state governments. Gencos are also largely of the government and lot of this market works on bilateral trades and then maybe a long term PPA, power purchase agreements. I think gradually it is opening up today on IEX we see almost 10% of the demand is routed through the power sector demand is routed through IEX, that is Indian Energy Exchange. So, I think we are seeing a good growth here, but what came as a surprise at this point in time is that there is a cap on the pricing or even on the IEX that the government has imposed I mean that is the kind of thing that has come, but the government is keen that the power sector is liberated and more and more trading takes place via these exchanges at least the consumers and producers should be able to hedge their pricing on the remuneration that they get for the products that they manufacture or the kind of consumers for their Energy cost they can cap them by hedging on the exchanges. So, there are lot of, what you call engagement with the stakeholders has taken place especially with the Discoms, Gencos and the major industrial consumers and at this point in time yes CERC which is regulator for electricity spot he is looking into it, because there is a joint company of SEBI versus CERC they have to approve this. I think it may come any moment now, I think enough time has lapsed and now they are keen to launch it.

**Patrick:** The trading fee you have on the electricity of the features, is the same as you offer products?

**PS Reddy:** That is right same no change.

**Patrick:** And then you started charging for options recently is the price you are charging for options is going to be flat or is a room to increase that further?

**PS Reddy:** There are two slabs which we have currently and one slab is up to 5 crores of average daily turnover, the premium turnover it is about Rs. 50 per lakh premium value and on incremental that is slab of over 5 crores it will be Rs. 40 per lakh premium. Is it clear?

- Patrick:** Got it. Clear.
- PS Reddy:** Circular is already there in the public domain.
- Patrick:** Okay. And then what are the measures do you have in place trading to boost trading volumes of normal kind of commodity futures, because we have not really seen get back to the levels they were prior to change in margins requirements, what kind of initiatives that we hope to try to and get volumes as back to where it was before?
- PS Reddy:** Yeah, I understand that point in fact we were earlier having a 31,000 crores ADT of future now that has remained at around 25,000, 26,000 and we are hopeful with the increase in options contract maybe option writers will also secure their position in the underlying futures. So, I am sure they complement each other these two products that is the way we are looking at it and as we got to the margins, yes, that remained as a dampener, but recently SEBI issued a circular saying that the margins can be even, whatever is the end of whatever they paid in the previous day and if there is no change in the position probably the same margin is valid until they change the position. So, what I am saying is, earlier when the peak margin circular was there even if I have let us say 100 barrels of Crude Oil now I do not buy anything additional, but if the prices keep going up or down, whatever it is, then, or going up I need to keep paying margins on that also during the intraday without change in the position. So, that has been put to rest probably most of the hedgers what they do they just take a position and leave it at that and they pay the margins and on a day-to-day basis they settle the MTM. Now when the peak margin came in the problem is that even at a late night 11 o'clock also I may get a call to pay margin although there is no such trade on that position, so, because the prices have gone up. So, that kind of situation does not arise so that has offered some relief to the market participants. So, this is the kind of things that have happened, but most of the prices have gone up as a result even the margin in terms of absolute number has also gone up, although percentages may have remained the same.
- Patrick:** And so that changed to peak margin requirements, so it doesn't apply if there is no new position, when do that come into play?
- PS Reddy:** The thing what I told you.
- Patrick:** Yes.
- PS Reddy:** Just in this month only in May only. I will pass on that information.
- PS Reddy:** What else?
- Patrick:** Yea, thank you.
- Lavanya:** I request the participants to raise hands for any questions. Please go ahead.

**Prakriti Banka:** Yeah hi, thank you for taking my question. I just wanted to .. I mean you have gone over the change in your software provider a couple of times, can you just again mention when will this happen and again the contours of the deal in terms of what maybe the initial investment and what might be the ongoing expense incurred on that front?

**PS Reddy:** What?

**Prakriti Banka:** That has moved to TCS as your software provider?

**PS Reddy:** Okay, okay. I will tell that. See the May 11th is the circular Mr. Patrick. 11th May 22 the circular has been issued.

**Patrick:** Thank you.

On the TCS platform front the work has started now it is in full swing we have already launched few modules on a mock platform and some more modules will be released in the next week or so, 10 days and we have a time till 30th of September to go live and we propose to go live maybe at the end of August or early September and the cost part of it, it is pretty delicate one because confidentiality agreement clauses are there all that I can say is currently we are paying 55 crores depending on the volume if volume increases that will go up unlimited because there is a 12.5% sharing, what is that? You can tell me no...

**Satyajeet Bolar:** 10.3%

**PS Reddy:** 10.3% on incrementally on whatever the growth that we see you have to pay them that kind of clause is not there with TCS. So, there is no such thing there is an AMC that AMC is also fixed upfront for the next 5 years and at this point in time it is a single digit. So, as I am speaking maybe first one year we will get a warranty period services and thereafter the AMC kicks in. The second part if it is although the AMC is very little, I am sure the depreciation L1 will be relatively high because the assets will be depreciated over a period of 7 years, 8 years. The second thing is there are also AMCs on the applications which are third party applications for example be that IBM or be that Linux, Red Hat, etc., all those guys will charge some AMCs so that we have to factor in. So, maybe after September we will be figuring out maybe in the month of December quarter you will really come to know on a quarterly basis what is happening on this front and probably you will get a figure out there.

**Prakriti Banka:** Okay and so in your previous this thing you just mentioned all of these other service providers also you need to account for additionally previously this was all clubbed together in that 55 crores that you are doing right?

**PS Reddy:** 55 crores is again, as I said, there is 15.6 crores is the fixed component and thereafter on the volume based that is minimum of 15.6 and 10.3 is on the ...



**Prakriti Banka:** Okay got it.

**PS Reddy:** On the turnover there is no limit on it.

**Prakriti Banka:** Also, in terms of bringing new participants on the platforms I mean that also been a bit flattish any developments on that front that could just bring new participants on the platform?

**PS Reddy:** Yeah, you know we are hopeful that SEBI conclude this FII participation into this sector also at the earliest and I think they have issued a public consultation paper and many have responded and they will take it to the board maybe some time next meeting or whenever that is being held. So, we are positive on that part by a participation. As regards to mutual funds, we are making lot of efforts and lot of it is, lacking focus I would say on the part of the mutual funds. So, we have shown to some of the arbitrage funds, how they can make money and where the opportunities are there based on a three year data and some have looked at it and then one or two have started also, it is not that they have not started, and about four of them are participating currently and some of them are concerned about some clarifications that they needed, for example SEBI circular says in when they have issued a silver ETF, the bar should be 30 kg there is no deviation, but actually in the market you would not find 30 kilo bar it is just a plus or minus 2.5 kg kind of thing. So, that limit is what we have kept and that SEBI has not kept it. So, this kind of issues we have taken similarly the gold delivery, gold 1 kilo bar they have to be necessarily LBMA gold that is another thing that they have mentioned it. So, custodian say no I will not accept anything other than LBMA, let us find, currently we have only LBMA, but then India government under Atmanirbhar Bharat we have empaneled after following strict due diligence norms some of the domestic refiners also they are also eligible to deliver and so SEBI has to relax that condition on that. So, these are the issues some of them which are there and we have also told AMFI that they should have a what you call as an advisory company within AMFI commodities then the focus which was not coming otherwise this should not be there. So, I am sure it is work in progress I would say it is not concluded as yet we will bring in, but as it got to the lot of I would as regards to the hedges participation lot of industries are participating that number is seeing... I am very happy about it that is what await at this point in time.

**Prakriti Banka:** So, in terms of hedgers can you sort of put that percentage or the kind of growth that you have seen some figure on that?

**PS Reddy:** You see for example our cotton, in fact it has become a big controversy MCX prices are determined and then there is a speculation and there should band contract, but then we have put a big circular press release informing the market participants what is kind of percentage of participation that we have and how much open interest that they have almost 50% in cotton contract open interest by the hedgers and we put up on the website by the way every month the participation in different contract it varies of course it varies in different contract for example gold and metals and silver and the future participation and agri also, hedger participation is very high and Crude Oil and natural gas it is relatively low, I say relatively low, so this is a self-declaration basis and it just do not bring volume please appreciate that.

- Prakriti Banka:** Hmm.
- PS Reddy:** They only take a position and open interest in contributed by hedgers okay.
- Prakriti Banka:** Hmm.
- PS Reddy:** They do not churn the trades, buy, sell.
- Prakriti Banka:** Yeah, yeah.
- PS Reddy:** But they buy and then they stay there for about a week, 10 days whatever is their requirement and then move on that is the way it is.
- Prakriti Banka:** And for hedgers you said in Gold, Silver, etc., their participation is quite high so how is that moved I mean say over the years does that increased and have you done anything for that to increase or it is just I mean what led to that?
- PS Reddy:** See there are two things the more the volatility the more they seek cover, now currently gold and especially gold they cannot go on to overseas market and hedge, that is what the RBI rule is okay. So, they have to necessarily perform have to come to the MCX and then hit. So, the more volatility, the more it works.
- Prakriti Banka:** Hmm... okay so I mean you are saying the increase in hedgers is only at this point of time it is not a structural change, it is more function of volatility?
- PS Reddy:** Function of volatility has always been not just put in any effort to do it ultimately volatility only drives them. The CFOs should wake up and know tomorrow morning like my balance sheet maybe disturbed if I do not hedge that is a sense they should get.
- Prakriti Banka:** Okay and this broadly the number of contracts is that the correct thing to look at if you have seen the say since 2015 to 2021 before say last year has been obviously different because of this peak margin rule, but in those many years if you see the number of contracts you know traded has not changed very much?
- PS Reddy:** It has not changed because of again peak margin effect has been there, but there a lot of shift has taken place towards the options.
- Prakriti Banka:** So yeah so I am saying that is only the say this last year that has been affected by peak margins and you have maintained options, but otherwise why has this number been so stagnant?
- PS Reddy:** I mean is it stagnant over several years...
- Prakriti Banka:** I was just looking from 15 to 20 in the last about 5 years before this?

**PS Reddy:** Yeah, yeah we had in 2019, there what we call, mini contracts, so mini contracts have gone now we are looking at SEBI to introduce them. In fact, as I am speaking, there is a meeting tomorrow in SEBI, CDAC meeting and our proposal to introduce mini contracts is also there. So, today for example the nickel contract value is how much, it is almost 30 lakh, 35 lakh now. What is the margin may be another 15%, 20% of it now, it is too big a contract for participants to step in. So, we are requesting that mini contract should be introduced. So, more we will be able to participate.

**Prakriti Banka:** Okay and you said you had mini contracts till 2019 and why did you discontinue that?

**PS Reddy:** SEBI asked us to discontinue.

**Prakriti Banka:** Sure.

**PS Reddy:** There are few structural changes that have taken place and one is that they wanted traded lot and then delivery unit to be identical. Second thing is all cash settled contracts have to be done away with it and except for Crude Oil and Energy, their cash settled is permitted, but metals I am talking about and the third thing, the multiple contract should not be there.

**Prakriti Banka:** Okay.

**PS Reddy:** Only one, the reason is that it will fragment the liquidity, but we have seen now in the last two years so many UCCs have moved out of it and many people have written to SEBI also now they are re-look whether these two multiple contract reinforce each other or whether they crowd out to each other.

**Prakriti Banka:** Okay, okay alright. Thank you.

**Lavanya:** Thank you Prakriti. We have a question from Madhu from UBS. Please go ahead sir.

**Madhusudan:** Thanks Lavanya. So just continuing on the same question which has been discussed, so we have seen period of very high commodity prices and user industry has obviously burned their fingers because lot of them did not either foresee or hedge those positions, would not this be a massive opportunity for MCX to go out, have an outreach program to all the guys who are using all these commodities and explain why you exist, what they could have done to kind of hedge their positions and save their balance sheets and P&L, can you explain a little bit like what is your marketing team doing how many people are there, how many people have we reached out to, is there a big outreach program because earlier on three, four years ago when we were speaking with the company it seem like volatility is there in prices, then lot of business will be written, just seem like that did not happen this time?

**PS Reddy:** Yeah see we have conducted almost 1,200 plus investor awareness program notwithstanding the COVID and restrictions all that most of them taken place are webinars. We have also introduced

a program to train the CFOs in this derivative segment. Many do not know how to go about doing this job in association with the CA institute, in association with the CS institute and we have conducted lot of programs and there we have also taken some of the market participants and not the member brokers, but the ones we have benefitted by doing this so that seeing is believing and somebody else has benefitted they explain, they know where the shoe pinches and what they did. So, a lot of effort has gone into that. Then the problem is there is a huge understanding gap of course it is our responsibility to continue to educate them. They do not consider the physical book and the finance book as one and then consider whether they made profit or loss. Once you have hedged your position means then no loss no gain, but if they incur a loss here, that is in the derivatives market and then they gain in the physical market that is what the book supposed to be reflecting and because they take a counter position on the exchange, whatever the position that they have they take a counter position that should be the case, but many did not appreciate, oh! I lost money there, but I have gained here and my loss has got offset, but it supposed to be protecting you and locking your prices that is all, it should be giving you more money, that is all it is all about hedging is. Okay. So, that understanding gap is there and that is where we are trying to make all efforts to ensure that understanding gap is build.

**Madhusudan:** Sure sir. Thank you for that. And the other point was it seems like you have had fair bit of success on the option side the offtake on volumes has been very strong over there what is leading to that like is this more speculative that is driving it or kind of who are these people who are driving all these contracts options?

**PS Reddy:** See, one is that this peak margin have made many people to look at options because especially the option buyers they pay the premium and then it is done kind of thing. They are not looking at a day-to-day, MTM and then giving margin and all that kind of thing. So, many have preferred that, but I do not know, I am not able to understand, at least Indian investors are always fond of options, ok, you see NIFTY options and or any equity market all are options, options, options which works, bank options, bank NIFTY options, etc. So, I am not able to understand so much, but, as yet rather, but then yes, there is a sense of affiliation to options than to futures.

**Madhusudan:** And, what you call client mix would be similar for futures and options business for you?

**PS Reddy:** Sorry.

**Participant:** The client mix would be similar?

**PS Reddy:** Client mix is see we have seen on the option buyer side, whether they buy put option or call option, mostly retail when they come to the other side their crop accounts are mostly on the option writer side.

**Madhusudan:** Right. Thank you so much sir.

**Lavanya:** Thank you. Please go ahead Shaun.

- Shaun:** Yeah hi, I just had a question going back to the CDT is there any way you can disclose just kind of what the incremental, what the PP&E and the capital work in progress will kind of look like right before the new platform goes live, so we have a sense of kind of what the depreciation could look like?
- Satyajeet Bolar:** Yeah, it is confidential information as of now so we would not be able to share it.
- Shaun:** Okay great.
- Satyajeet Bolar:** I can understand where you are coming from, but confidential as of now.
- Shaun:** Is that the same for try and understand what the other related incremental CAPEX will look like?
- Satyajeet Bolar:** The CAPEX I think as MD mentioned that some payments that we have to make to TCS otherwise most of it we have...
- PS Reddy:** Hardware has been purchased and all the commitments have been taken care of, but then TCS implementation cost are not made, not as yet reflected in the accounts, put it that way.
- Shaun:** That is all from the CAPEX side. Okay and then on the electricity derivatives maybe I am just still trying to figure this one out, but the cap on spot pricing that was recently introduced, I am just trying to understand how you could create a futures product when there is cap in the market, how does that complicate things like I said, is my question?
- PS Reddy:** I mean it does not auger well for us with that kind of cap. So, the way that we are pitching out is that you had to do, resort to all such things because, it is the parties have not hedged their position, had there been what you call orderly derivatives market probably such kind of fluctuations volatility would not have taken place in the spot markets. We have given research studies also to buttress our argument. So, if an orderly derivative market is there even the spot markets also behave orderly, that is the way we centered and it is a knee-jerk reaction on their part and maybe it is political economy decision rather than a pure economic decision.
- Shaun:** I guess do you view that as maybe being a temporary solution on the part of the government given all the volatility in spot pricing or is it hard to glean whether they do view the sustaining long term political solution, I guess you call it?
- PS Reddy:** It is not long term, as I said it is a political economy decision.
- Shaun:** Okay. And then the other question I had is on there is a mention of the CME royalties, is I guess this include natural gas contracts during the call, is that royalty I guess what is the structure of that royalty kind of percentage of those trading volumes and is that showing up in the software and product license fees expense line?

- PS Reddy:** It shows up in that fixed cost, there is a product related cost, yes it is there you can speak and it is like this our contract term is calendar contract that is from Jan to December, and Jan to December there is a minimum fee and a variable fee. Now we have not exhausted that within the minimum variable fee whatever we could trade we could trade, but then we have not exhausted that in the year 21 that is still December '21, but in the first quarter of the calendar year 22, our volumes have picked up substantially so we ended up paying little more than the minimum. Please explain.
- Satyajeet Bolar:** We have made a provision in our books for the amount payable to CME and when we come to the end of the calendar year there is a minimum that we had to pay to them if we cross the threshold then we will pay them the additional amount. It is 20 lakh \$US that we have to pay them on an annual basis.
- Shaun:** Sorry can you repeat that last part?
- Satyajeet Bolar:** Minimum amount that we have to pay them \$20 lakh.
- Shaun:** Perfect. Thank you.
- Lavanya:** Thank you. So, I request participants to raise hands if there are any questions. In the meantime, Sir, I would request to update on gold exchange so there was an issue on GST related thing, so when do you expect it to resolve and when do you expect to launch gold exchange?
- PS Reddy:** So, there are two things one is the gold spot exchange is what you may be asking about, domestic gold spot exchange. Now if the domestic gold spot exchange we are yet to get our application ready, that application we have development is again with TCS. Once the TCS completes its delivery in the mock, complete delivery which I said in the next 15 days to 20 days maybe, probably they will pick up that stable code and then develop for the spot. Now having said this, this is our preparedness. So, we may launch sometime in February, March maybe next year once God willing, and everything goes on well at that point in time. Now why, generally speaking why the gold spot exchange is not launched neither by BSE nor NSE there is a GST issue. The Gold spot exchange, what is traded there is electronic gold deposit receipts, EDRs, what is they call it. Now EDR is classified as a security the moment you call it as security there is no GST payable, but to convert something into EDR the first guy whosoever is depositing or whosoever is converting, he has to bring the physical gold and then put it in the vault. Now they look forward to get the input tax credit, now they will not get the input tax credit because they convert it into EDR and until the EDR remains in the system and until the last person takes it out and converts it into again physical gold and withdraws it, the first depositor will not get the GST credit. So, it has become a non-starter because of that. I mean it is a blessing and disguise for us because we do not have a platform, so it is getting delayed to that extent.

**Lavanya:** Okay got it. Thank you sir. And just a clarification on my side is that gold MCX is empaneled with some of the domestic gold refiners, but deliveries is still by LME or even the domestic refiners are delivering currently on the platform?

**PS Reddy:** It is other way it is not that we have empaneling somebody, I mean rather those refiners are empaneled by us, after following the strict audit procedure, okay, much the same way like LBMA. We have an international you know...Alex Stewart or maybe Bureau Veritas inspectorate, etc., they do the audit of the systems and I mean including, they go to the extent of identifying which of the crucibles they are using, equipment they are using whether they have a fire assaying or any other type of assaying, etc. Our detail document is on the website and after going through all those requirements, they will give the certificate, and then we also do a financial audit of those firms separately independently by external CA firm and then we have a brick committee,, with the brand approval committee. So, we will take it to them once they approve it then we will do the empanelment so far four of them have been done and maybe one more come soon that is Titan industries so their refinery is also empaneled, maybe once the agreement is signed then we will be allowing them to deliver or the exchange platform.

**Lavanya:** So, the currently, all the ones which are empaneled are delivering on the platform right?

**PS Reddy:** Yes they did.

**Lavanya:** Okay got it sir. We have last few minutes of the session; I request the participants to raise hand if there are any questions. Shaun, please go ahead.

**Shaun:** I just had a follow up on the gold exchanges can you give an update on the international exchange of GIFT City?

**PS Reddy:** International spot exchange, Bullion exchange, is that what you are asking?

**Shaun:** Yes, yes sir.

**PS Reddy:** Sure see the BSE, NSE and MCX and two depositories NSDL and CDSL have come together and set up an exchange and clearing corporation together and we have also depository which was setup by CDSL we have taken over, so because they want only one entity to work. Now there, the developments are that IFSC and RBI and director general of foreign trade has now permitted the jewelers of a certain size to directly import the metal instead of going through the channelizing agencies and take delivery from IIBH, provided they do the trading on the IIBH. So, that is the development, we have done the soft launch it is to be formally inaugurated and some bank related issues are there and as to the transaction kind of thing. So, once that is also resolved by RBI, I think it will be up and running, with full steam or maybe will fire on all cylinders, that is the way it is, and because we are major gold consuming country almost about 800 to 1,000 tons is the consumption, if that is the case huge amount is getting imported and instead of having it priced in London, probably some of those participants who are selling the

gold banks will also start coming down and then selling it, maybe by the banking channels so this is what at this point in time is.

**Shaun:** Thank you.

**Lavanya:** Thank you. So, we can one last question if there are any. So, maybe I will ask that sir. So, do you see any regulatory headwinds over near term, or we are over all that and peak margin and all this is in our place, do you see any other regulatory headwinds on the near term?

**PS Reddy:** Well, from 2nd of May onwards the SEBI has also implemented, one is that client level margining system. That is also a very detailed one, where each client whatever margin that he gives to the member broker that should be reflected in the books which they are uploading on the exchange platform. Today, that while they are uploading it, SEBI also permitted them to take it into their books, in the sense, as if it is the members total proprietary, but the client should be given enough exposure as much as that margin calls for. So, that is what is happening, but going forward, even if the exchange level also, maybe we have to restrict the exposure to the client based on the direct margin that is given and maybe two months down the line some penalties also we will impose if that kind of bifurcation is not given. So, this is the only thing that I see maybe, negative side of it, but positive side is as I said FIIs entry, may be mini contracts permission and launching more products, I think that works, all of them.

**Lavanya:** Got it. Thank you sir. Thank you so much for joining us. Thanks everyone.

**PS Reddy:** Thank you. Thanks to all of you.

**Prakriti Banka:** Thank you.

**Madhusudan:** Thank you.





## “Multi Commodity Exchange of India Limited”

**May 23, 2022**

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

**Rovina:** Hi am I audible?

**Analyst:** Yeah Rovina, I am able to hear you.

**Rovina:** Okay, hi, you will have to give us two minutes and our sir will be joining in soon and I request all you please, if you could keep videos on that will be nice. Could you introduce yourself please?

**Analyst:** Hi, I am Dhrushil Jhaveri, I am a Fund Manager on the Offshore side with Canara Robeco Mutual Fund.

**Rovina:** I request the others to kindly keep their videos on. Hi good afternoon. Can you please introduce yourself?

**Analyst:** Hi, I am Abhay Laijawala, and I am on the offshore side as well.

**Rovina:** Hi good afternoon, everyone.

**Analyst:** Hi.

**Rovina:** So, we have on the call, you know, we have Mr. P. S. Reddy, he is our Managing Director and Chief Executive Officer, we have Mr. Satyajeet Bolar, who is our Chief Financial officer and Mr. Praveen D. G. who is Head of Investor Relations.

**PS Reddy:** Good afternoon.

**Analyst:** Good afternoon.

**Analyst:** Good afternoon, Sir.

**Analyst:** Good afternoon Sir.

**PS Reddy:** Good afternoon, madam.

**PS Reddy:** So, you are not new to MCX. Probably both of you. I mean all of you can fire questions, I will answer, is that fine.

**Analyst:** Sure.

**PS Reddy:** Please go ahead

**Analyst:** Dhrushil, you want to start?

**Analyst:** Yeah sure, so first of all Sir, thanks for this meeting and we have been following the company for quite a while and I will start with the main question that is there in our mind today. So, we

have been pretty positively surprised by the stale up in the options turnover and it has become, I think, if I look at the last two months setting it is almost equal to only slightly lower than the future turnover that we are doing. So, we would want to understand this more in detail what is the driving factor behind the stale up and you know what are the key reasons for this and how do you look at this segment going forward?

**PS Reddy:**

Okay, see somehow. I not able to fathom the reason. Indian market is more fond of option than futures and that is what we have seen in the equity markets also and probably they think that you pay one-time lumpsum premium and then end of it, that's all. You don't need to worry on day-to-day basis about margins being received, not received, etc., and there is no other headache. So, they think that their risk is limited to that extent and only upside is theirs. I think that is a very fair way of accessing this particular product, may be option writers have to do much more work than buyers, be that put option or call option. So, that has led many people to drive towards it. Having said this probably we need to reduce the, to bring in more and more, customers into this segment probably, we need to reduce the tenure of the contract wherever there is a long. So, that is where our one month options contract in gold underlying two months' futures help us that's how we see this, and of course, option writers also are finding it I mean interest in this product, because without many a times, I am sure they must be exiting much earlier than the options are getting exercised so they are able to get their premium income well. So, buyers are happy, sellers, option writers are happy, so we are happy any way. Ha, ha, ha. Yes, we need to drive this options contracts more and more. So, we proposed to do some more products as we go along and we are looking at this point in time only, these two have been launched and we have got this gold contract, we will see when we can launch, quickly that contract also. And electricity futures is another one, which we are looking forward too and some of the agri contracts also, especially the cotton, we are doing good, witnessing good turnover and now that is also eligible to introduce options, probably we will be writing to SEBI apply for an option's contract in cotton as well.

**Analyst:**

Right, right. Sir, thanks for this if you could touch upon a little bit more in detail on the two aspects that you highlighted, one is the tenure, will reduction in tenure will be important. So, if you could just explain what is the current tenure of the products, you know in terms of how it will make a difference, if you can better explain that part.

**PS Reddy:**

Okay, for our gold and silver contracts, it is two months, it's a bimonthly contract okay. So, the premium will also be, if you introduce a plain vanilla option on that kind of thing, it will be a two months, exercise will happen only at the end of the contract period. So, they have to wait for two months, so the cost of carry etc., is built into that. So, that is why it is expensive. Now if you have in a monthly options, obviously it will expire within a month. So, you are paying the premium only for one month rather than two months, this is one. Second, we have also introduced what you call, I mean currently I was told that almost Rs. 96,000 is the premium if you take a bi-monthly options contract. Now if it is on monthly then automatically Rs. 45,000, around 45, 40, 48,000 *ho jayega*. Then another thing is, we have also introduced options on a Mini, Gold Mini Contract okay. The Gold Mini again not only the tenure is one month, even it

is one-tenth of the main contract. So, it automatically becomes, how much, Rs. 4500 is the premium so the play will be more, more and more smaller players can get into it. Is that clear?

**Analyst:** Yes Sir, so currently as we understand crude is the bigger contributor in terms of your options turnover, am I correct, so that will be a monthly...

**PS Reddy:** Crude and NG is also picking up, now we are almost on 3500 plus NG

**Analyst:** Okay, so both of these are monthly contracts, is it?

**PS Reddy:** Yes, both of them are monthly.

**Analyst:** So, was there a reason for these being monthly and the other two being a bi-monthly.

**PS Reddy:** These are settled CME prices, CME. *I think there are lot of background noise may be.* The CME prices and at CME, these monthly contracts, these are all monthly contracts.

**Analyst:** So, monthly contracts in gold and silver, do we have the corresponding CME contracts or how will that work.

**PS Reddy:** These are settled on Indian prices, so we don't go to CME for settlement of those, those contracts.

**Analyst:** So, there is no hindrance to launching monthly contracts, right? If we understand correctly for gold and silver.

**PS Reddy:** There no hindrance but I do not know whether the bi-monthly contract gets cannibalized in the case of futures because it is established well. I do not want to disturb that.

**Praveen DG:** Currently, whatever we are planning out like monthly contracts, monthly gold options there are actually based on the same bi-monthly contract that means, you will have a multiple deliveries on the same contract like suppose if I had taken an example of April contract. You may have a March contract and April contract, but both will finally devolve into the April contract, April futures contract. So, one side you will have the bi-monthly futures contract and on the other side you will be having monthly options contract. But monthly options contract again will devolve into the bi-monthly contracts only.

**Analyst:** Okay so you are saying the underlying will remain the same. It will just be expiry will be...

**Praveen DG:** That's right. That's right.

**Analyst:** Okay. We have already launched this Gold Mini monthly, right? If my understanding is correct?

**PS Reddy:** Yes, we have launched Gold Mini and that is also, I think doing reasonably well about Rs. 80-90 crores is the ADT in that contract.

**Analyst:** Got it. got it. So, on this only there is one more question that I had, I think you mentioned on the call that wherever futures turnover is high for any product those will be the products that we will look at launching on the option side also. So, which are the yet to be launched or may be, already we are large in futures and we have not yet launched in options?

**PS Reddy:** Yeah, one is the metal contracts are not successful although we had a very good turnover. Somehow the metal contracts, option contracts are not done well. I think cotton is the only one where at this point in time which is remaining open but yes, we had CPO also in fact SEBI has given permission. We were to launch in the month of January and end of December they have suspended the CPO contract, banned the CPO contract. So, otherwise in a volatile period all these products would have picked greatly and thanks to the Nickel debacle in London LME, even our index Nickel indices also have come to a naught. But again, going forward probably on Bulldex, we can launch options on indices. So, that SEBI has already issued the guidelines but we need to build the volume in that. Currently, the volume is about Rs.150-200 crores that is not enough for us to launch any options contract. So, the regulatory framework is in place but then the necessary liquidity is not provided in that underlying contract.

**Analyst:** Got it. Is my understanding correct that because options margin requirement will be on the options premium which is where there has been a big shift in volumes that we have seen towards options?

**Praveen DG:** No in case of options, the premium is a one-time payment for the buyer side, okay, it is like only in the case of the seller side, it is like based on the span and other thing you will have to see that what could be the margin because there won't be any MTM for the sellers of option, writers what whom I am saying. So, for the buyers it is like they will have to pay only one-time and they need not have to get into this kind of MTM payments and also there is a benefit of transaction tax benefits which is lower in options contract. So, all these things contribute to the interest in the options contract.

**Analyst:** Sir, sir like as we are seeing that you know there has been an interest in terms of options and obviously there are lot other advantages which a trader would have when they do, you know ... option versus a future. In our option's volume actually surpassing into these future volumes as well because this was something which was unexpected, we were always I'd say you know, one-third kind of thing which we were working out now. We have seen this is almost coming at 40% plus. Is there any chance that we may see these options actually with newer contracts coming in premium obviously being lower side, so there can be positive surprise that volumes on the option side might higher than what we are doing on the future side?

**PS Reddy:** See, I don't think you need to have, or anybody need to have a surprise. In fact, we want to move in that direction that is the way it is and, but then don't compare the volume of options as equivalent to futures. As I have been saying it is just equivalent to one-third in terms of contribution to the revenue. So, may be if it is 30,000 futures is equivalent to, I mean 30,000 options is equivalent may be 10000 futures turnover that is the way it is and may be a little more

than that because we have seen the revenue potentially is at 40% not 33% in that sense. So, it's better realization, but we are not too sure when the liquidity still builds in whether the same ratio will hold good for the premium, because it all depends on the premium paid. If more contracts trade at far away prices may be the premium will be much lower and if it is traded much closer to the money contract then obviously the premium will be high. So, currently it is trading at the money, mostly contracts, that is why it's getting us more revenue.

**Analyst:** Sir, can you take us through how has been the global experience in this sense like, are we somewhere nearing the similar range where the global exchanges would be in terms of options versus future or...?

**PS Reddy:** I was told that in options, we are the number one, I don't think anybody is there.

**Praveen DG:** Generally, in options, I am telling whether it is stock or whether it is commodities. In case of commodities, it is about 10%-20% of the futures volume in global market. I have taken the example of CME, that is how the numbers have been there. But you know that even in equity markets in India, especially the options are playing a bigger role as compared to the futures. So, that has been the trend in Indian market which is, somehow is different from the global markets, like I said, there are several other factors like the peak margin reporting which is not the case, it is there, global market or transaction tax which is another element. So, there are many elements are there, because of that one that has pushed, led to greater interest in the option contract compared to the future contracts in Indian market.

**Analyst:** Sir, sure thanks. The other question, the important question on the regulations side, I think, which is where we had got actually impacted in the last one year, especially on the margin requirements etc., going up. So, if you can update us in terms of you know what has been the final in your assessment, final impact of these increased regulations and margin etc., that have happened and how do you foresee the regulatory actions going forward in terms of, what are the possible actions that are yet to happen on the regulatory side, how it will impact us?

**PS Reddy:** I think it is impacted about 20% on our volumes that is for sure, it remained there. But having said this, I think recently SEBI has come out with another circular instead of having a peak margin, they will have a margin at the beginning of the day. Let us say if somebody had a position yesterday and they fully settled it in terms of margining and even if the prices go intraday up, they don't need to bring in additional marginal cover, as long as they fulfill the obligation on the MTM. So, that is one major development that has taken place that helps the investors who are holding a position, open interest, they don't need to keep on margining it except they have to settle it on a day-to-day, the MTM. So, I am sure there many other people who have resisted such kind of thing, now the SEBI has relaxed that norm. This is one part of it. Second thing is the client collateral, second one is the negatively may impact but then, we have not seen as yet. The investors at the client level margining have been separated and every time a trade is done, 50% has to be cash and then remaining can be other than cash or cash equivalent and it has to be maintained at the exchange level. There are some challenges still there and what

the ask of the industry is that whether a client especially he being a client of a common member across all exchanges, as long as he keeps the margin and that margin is reported to NSE or MCX or anywhere else, as long as the margin is there, then that margin should be taken into consideration for the fulfilment of the client's obligation towards the trade irrespective whether the trade is, whether the margin is deposited with NSE or BSE or MCX, etc., I think there is a condition that within one hour or two hours they have move that margin. Probably that is adding to the administrative work burden of the member brokers, I think once SEBI also agrees to that kind of interoperability being at the end of the day but not intraday unless broker wishes to do it, probably that should also address the concern of the...

**Analyst:** Sir, has this been implemented already or... ?

**PS Reddy:** From 2<sup>nd</sup> May it has been implemented if I am not mistaken.

**Analyst:** From?

**PS Reddy:** 2<sup>nd</sup> May

**Analyst:** From 2<sup>nd</sup> May, okay but as of now, we haven't seen any negative impact at least or is as if not been implemented fully or is it just.

**PS Reddy:** 2<sup>nd</sup> May the circular, it was postponed once and it was 2<sup>nd</sup> May, will reconfirm once again. But we have launched it.

**Analyst:** Okay, and I think there was this, timing issue also that had come in that earlier as, I think the margin requirement was on the full day basis and now it is based on time of the day basis. So, that implementation I think has happened in Q4 if we are not mistaken. So, how is that impacted Sir?

**Praveen DG:** It has already happened, I think it is already in place, like earlier it was till 5 o'clock. Now it has been extended like the whole day would be considered.

**Analyst:** Hmm. So, there also that it is already in the phase in terms of, whatever impact.

**Praveen DG:** But particularly, we are not seeing any greater impact because of that particular aspect.

**Analyst:** Got it. So, on the regulator side if were to ask what are the wish list from our side and what is given the actions that we have seen from the regulatory, what is the incrementally, any negative possible regulatory actions that we need to watch out for, let's say in the next one or two years.

**PS Reddy:** You are talking about negative impact, is that correct?

**Analyst:** No, I said two things.



**PS Reddy:** Our wish list is FIA should be permitted, that is what one our wish list is and I think the SEBI has floated a consultation paper now that consultation, I think everybody has given the responses and now they will take it to board of SEBI and then that one approved. That is one important wish list, we wanted electricity futures to be permitted and the third thing is the multiple contract should be permitted, mini contracts in other metal and others. In fact, tomorrow, there is a CDAC Meeting and there is again, this is paper on this for discussion, multiple contracts should be permitted. We had it prior to the 2019 June/July, we had mini contract in Aluminum and also major contract. Then SGF is another thing that we need to, we have asked them concession on SGF where in and out can happen frequently from the SGF contribution. So, that we reduce the margins as I told you currently crude oil, we have 21%-22% margin probably that can be reduced once we increase our contribution to SGF and once volatility goes down, we allowed to withdraw. So, that facility is one thing which we have asked them, probably that is another ask which is taking time.

**Analyst:** But that was taking a step back here, what we have at least noticed from our side is the regulatory action has been more towards making it tighter and tighter from investor perspective. So, would love to hear your thoughts in terms of, you know, what is the regulator thing and what is it that is still yet to happen, how they are thinking about taking these steps forward. What is your overall sense on that?

**PS Reddy:** See, I don't think it is a regulator only even we too don't want anything which will put the system to danger. Okay, so when we are recommending certain things, we are also conscious and mindful of what works and what does not work in the sustainable interest of the market whether such measures have to be taken or not taken. So, whatever suggestions we are giving, they are really vetted first from the risk management or risk mitigation point of view, then only we are recommending. So, Mini contracts for example, I don't think they will harm anybody okay. We are not looking at harming. Today contracts size has gone up to 30,00,000 lakhs, 37,00,000 lakhs Nickel contract, Copper contract 27,00,000 lakhs, now which investor will come and what is the margin on 29,00,000 lakhs, okay 10% you take it, its about 2.9 lakhs, its too much. So, that is the reason, why we are looking for introducing smaller contract.

**Analyst:** Right.

**PS Reddy:** So, the part is still pending. In each contract, almost all 75,000 to 1,50,000 investors have moved away ever since this Mini contracts were removed from the system.

**Analyst:** Got it.

**PS Reddy:** And some have moved in. So, we have done that analysis and then made a presentation to the SEBI. So, they are convinced.

**Analyst:** Sure, my perspective in asking this question was that when we are seeing the negative, crude rise and you know very high margin that the regular had put in. I think the expectation was that

over time there will be a significant reduction in crude margin that will us on the turnover side but I think it has been a bit slower than I think what we were expecting in terms of the reduce margin. So, is it that you know they are...?

**PS Reddy:**

No, that is not the case. I tell you; regulator has put in a very higher requirement; the point is there is something called stress test. So, stress test takes into consideration 15 years of volatility, okay in a product and based on which we have to contribute our SGF. So, that SGF looks into more than 100 scenarios, okay. What all happens if one commodity goes under, two commodity goes under, or may be two member brokers go under, what will happen all these scenarios are done or two happens simultaneously, two members will go down the drain and two commodities also cause such kind of stress in the system. Then what should be your SGF cover and that is the way SGF cover is decided. So, we have to do it, every day we do that, the average for that month will be the SGF cover we have to maintain for the next month. Now if you remove the crude oil, 20% you bring it down to 10%, what happens know, the SGF covers goes up to Rs. 650 crores, okay. Now this happens not withstanding other things being equal that is in a ceteris paribus conditions but if the gold also moves simultaneously, then it may go to 800 crores. Now what is, we have SEBI a dispensation is we willing to contribute, we want to keep the margins at 10% any way there is what is called a VAR margin based on volatility which kicks in every two hours and then it takes care of that. So, what we have suggested to SEBI is we will continue to charge VAR margins based on volatility but you allow us to contribute to SGF based on the requirements, if there is a need to contribute, we will contribute but if there is no need, we won't keep it in that fund. We will take it back, subject to a minimum fund size. Today, we have 525 crores SGF, just it is parked aside, that's all and from our reserves we have to contribute. We will contribute subject to that kind of thing. That is the reason, it is not the regulators. It's a dilemma that the regulator is currently going through at this point in time. Okay London metal exchange Nickel has gone you know, maybe 100% it has gone up. What can we do? If such a situation happens here, yes, we understand but our margins also went up simultaneously. There is default on the exchange by the way.

**Analyst:**

Sure, sure but I think that was very clear. So, let me just ask this regulatory the way we are looking at it, or we wanted to clarify so what we have seen at least in the last one year is that some of the regulatory actions are actually because of whatever reason have negatively impacted our turnover. So, is there something in the next year or so where you are expecting something getting resolved and which will actually positively contribute in terms of let say a new product or something else which will help us in terms of the volumes going forward, that is last question on the regulatory side.

**PS Reddy:**

I think SGF is the major concern that I have and the Mini contract introduction and FPI. These three are the ones which we are following up with them. If these three are addressed I am sure we will be able to make it and it should be addressed in the next six months, why 3, why 1 year that is the way it is.

**Analyst:**

Sure. So, you think all these are at the advanced stage in terms of going forward.

- PS Reddy:** That's right.
- Analyst:** And Sir, on the negative side whatever like the increase margin, the 50% cash requirement higher margin post 5. All those has already been built in the volumes in the negative side, right?
- PS Reddy:** That right.
- Analyst:** So, there cannot be further negative surprise based on...
- PS Reddy:** That is right, that is right. At this point in time, yes. On the client collateral thing, client level margining is already implemented but what the brokers are saying is currently there is no penalty imposed if the broker takes the entire money into his prop account and then distribute it, prop account, there is no penalty. So, currently brokers are doing it for ease of business but otherwise there is an identification which client has given how much margin and broker is allowed if there is any shortage of funds broker is allowed to fund it to the text end from his own collateral.
- Analyst:** Okay.
- Analyst:** Sir, just one question on the volume side. So, we have seen at least in the last couple of months very high volatility in crude which has actually helped us on volumes to grow to some extent, but historically I think we have much higher in these kinds of environments much higher turnover for MCX. Even if I look at futures plus options combined versus our historical futures. So, any on you know the way you are looking at it, why volumes have not gone back to much higher levels despite this increase volatility?
- PS Reddy:** As you have pointed out, I mean I don't know what historical you are looking at, I think post CTT time that is in 2013-14, the highest volume seen is 19-20 and 20-21 and 21-22 is not so good but otherwise 19-20, 20-21 are the two peakiest in terms of both revenue and as well the volumes. Now even the option was not great, only this year, means 21-22 second quarter onwards we also started charging margins, charging transaction taxes at the same time no taxes. Transaction fees and volumes also coincided to go up. So, we are just lucky, we have not left any phase where they had a hay day but we have not made any money. That is not the case. So, coming back to the question, I don't know what period you are referring to but because of this peak margin circular which was imposed and it has peaked out in that sense. Now there is 25,000, 26,000 crores is what we are seeing the ADT probably it will continue given this volatility. But even if you look at diversifying into introduce more contracts and grow them, that is the only way to increase the margin and bring in more participants that is another way.
- Analyst:** Sure, sure. Sir the option, introduction of the option at Mini contracts you think that will be a significant driver in terms of volume for us that is what one should expect
- PS Reddy:** Introduction of?

**Analyst:** Newer contracts on options and the Mini contracts on future, I think these are the two you talked about. Those will be meaningful from a volume perspective at least that is what one should expect.

**PS Reddy:** Going forward.

**Analyst:** Going forward, yeah.

**PS Reddy:** Yes, that is right.

**Analyst:** And Sir on some developments which we were looking from last 3-4 years basically which were yet to contribute to volumes such as, you know we talked about, executional, participation, bank distribution all these points. So, what exactly have been the challenges here, like what exactly is hindering unlocking these potential and do we see now that things are may be improving on the other end, we can get some positive signs on these parts as well.

**PS Reddy:** In fact, may be on lighter note I can tell you, you should guide me, Mr. Reddy please in the industry, our industry in mutual funds, you know these are things they are talking about MCX contract please you do these 10 things then they will come back to your platform. You should guide me how to go about doing it. Ha, ha, ha. Now having said this, in fact there are 2-3 things, of course very subtle issues are there. We have already taken up with the AMFI mutual fund, I mean there is department, you know what you call funds, I don't know whatever we call it. So, we have taken up them and there are certain operational issues are there that needs to be addressed first and foremost thing, okay. Second, that needs to be addressed is GST is another issue that they wanted it to be addressed, okay. Because all fund houses are not registered across the country you know, that is one major thing and our delivery center especially in metal contracts are spread across the country, across means at least four states have to be covered. The other issue is within the mutual fund industry, there is no focus on commodities as yet. So, we have made some presentation on how they can make money in arbitrage funds. So, fund houses have it and we have done a three-year data *leke*, we have presented to him, look these are the arbitrage opportunities that you get. So, even for arbitrage opportunities, GST is coming in the way, by the way, okay. They may not lift the metal or they take the delivery, they may not take out the goods from the warehouses but then they have those goods will be in the name of that particular fund house. That is the way it is, so some arbitrage funds have started participating recently, there about four them are currently doing it earlier we had three of them now fourth one is joined and within the mutual fund industry also we suggested Mr. Bala, i.e., Mr. Balasubramanian of Birla that they should have a what you call a committee only on the commodities focused. They have many operations committees but all related to equity markets but not for the commodities. So, I think, there are constituting a commodities related committee so that some fund houses will start joining looking at this, what ever information they want we can give it. So, engagement will increase, these are ones.

**Analyst:** Sir, any resolution on the GST aspect that you talked about.

**PS Reddy:** That is, I mean taking time. We are knocking at the doors now and then. SEBI itself is doing it, By the way, the gold spot exchange did not take up because of the GST issue.

**Analyst:** Hmm. Just for our understanding what is the issue here Sir?

**PS Reddy:** See the gold spot exchange under gold spot exchange, the trading takes place based on the EGR, electronic gold receipts. Now once they are security, then no GST is applicable that means anyone who is holding a EGR is not required to pay but EGR come into existence only when the first guy who is going to deposit the gold in the vault and then convert them into EGR. Then the first person who has depositing must have paid the GST. So, he has to get his benefit input credit tax. So, he will not get it until the last guy in the chain converts his EGR into gold and then pays it. It is nonstarter, so who will deposit, that's the way it is.

**Analyst:** Sure.

**PS Reddy:** Yes, tell me.

**Analyst:** Sir on the software migration, if you can just explain us, have we incurred bulk of the cost in this particular year and how do we see like the status of shifting from I know the current technology to the other end, have we slightly behind the curve in terms of timeline. How do we look at this entire thing?

**PS Reddy:** I didn't get the question right probably; can you repeat please?

**Analyst:** Sir, basically on the software migration.

**PS Reddy:** From the TCS platform, from 63 Moons platform.

**Analyst:** Yeah.

**Analyst:** Yes.

**PS Reddy:** Tell me. Are you behind the curve?

**Analyst:** Sorry sir, you were saying something?

**PS Reddy:** Are you behind the curve, is that you are saying?

**Analyst:** Yeah, we were saying that are we behind the timelines actually because it is fast approaching and have we done bulk up the cost how do we see the migration happening like is that in place. So, a little bit of you know is this on the entire process. What exactly is happening here on the software side.

**PS Reddy:** Yeah, yeah, You, see first of all, the window that is available for MCX is strictly two years, okay. Before that you could not have awarded the contract that is prior to September 2020, okay. You could not have awarded the contract; you should not have thought of this. If you do then probably you are violating the agreement. So, they have tightly, 63 Moons agreement they have so tightly coupled you will be having all in all two months and two years. It is such a complex system please appreciate that, notwithstanding that we have prepared the BRS all that and kept ready and 1<sup>st</sup> or 7<sup>th</sup> of October, we issued the BRS, okay. And then the entire process started, bidders have come all that, it took about three months' time by the end of January, we have concluded the contract, okay with TCS. So, in February the work has started, February 21<sup>st</sup> now we are, you know what you call, the mock trading is started with some modules of course not all of them. Now that is going on and may be by the end of this month we will be able to give at least all the critical component that are needed for launching trading, okay that is what it is migration. So, we have kept, as end of July and, no, end of August or early September as the migration date for moving over to. So, we will have one month window for us to figure out what to do. Come what may we propose to go ahead with TCS so that they around to help us, that is the way it is and 63 Moons is reluctant to give any extension unless it is a minimum of sum x number of years, okay.

**Analyst:** Sure.

**PS Reddy:** And that is something which is we can't afford, that is the way it is.

**Analyst:** Sir, given where we are in terms of implementation are you confident in this, will we be able to manage in the next few months.

**PS Reddy:** End-stage we are confident, we are trying everything to ensure that it takes off as we planned.

**Analyst:** Sure, sure all the best with that.

**PS Reddy:** You are on mute.

**Analyst:** Silky you are on mute.

**Analyst:** Sorry, so Sir, as like what we think was we had kept a certain amount specific you know because we were going require for the software migration. Now that we have that extra cash probably if not considering the SGF thing, which you said that there might be an increase there. Are there any payout plans which changed or you know we are looking for a special pay out at that side?

**Analyst:** What payout you want.

**Analyst:** Sir the cash component is obviously on the higher price so you know, we were looking at.

**PS Reddy:** No, I understand your concerns, okay. Look, you know we have also desired to start a Coal Exchange, okay. You know coal spot exchange and SEBI may permit; we don't know when they will permit, what you call co-location facility, apart from your SGF requirement where you will put in cash and how to take it out whenever there is no need. So, that buffer is needed, as I said coal spot exchange is one, probably we may look at metal spot exchange also, that is the way we are looking at it. Yes, we have restrictions on the return that money can earn and that is the reason why you may be looking at, you will do a better job than we are doing it but still, once given out probably it is difficult to get it back and once these requirements get crystalized probably, we can look at it may be next to 3-5 years later.

**Analyst:** Sir, sir if we look at all the new initiatives or whatever we are looking at what in mind we would have that incremental money which we would have parked in say like as you said for SGF maybe we would be requiring say 150-200 odd crores additional if things what we.....

**PS Reddy:** No. I, just gave an example to 150-200 depending on the volatility in the market, if volatility increase then SGF cover increases please appreciate. Then if the product starts having a high volatility even SGF cover also will increase. I just said it if you have to reduce the crude oil margin from 21-22% to 10% then you needed so much, 150-200 crores. So, imagine if we have, I think 2% in gold also so which ever one is bringing more volume coupled with higher margin then it requires higher SGF cover.

**Analyst:** No Sir, I was saying coupled with this new additional SGF requirement plus as you said that we are looking for some new initiative so can we get like what sort of you know amount have we thought like we would be comfortable or we would be parking in or there would be some additional requirement which can also come up.

**PS Reddy:** Bolar, you have any thoughts on it?

**Satyajeet Bolar:** Mam, as the MD said we are looking for opportunities, he has also spelled out the opportunities that we presently are looking at, you know also we should remember is that the regulator takes, you know these opportunities will come when the regulator allows us to enter into various spaces. So, will not happen overnight, right? So, and as MD said once the cash is given out, then we will have to generate it from within, right? While we do not, as he rightly said we do not want to sit on this cash because we are unable to give you, better returns that is something that we all acknowledge but at the same time for opportunities which will come in the next few years, we need cash. Now it may take four years, it may take five years, but at an appropriate time the management and the board will take a call and then decide on it.

**Analyst:** Sure Sir, sure. Sir one more question I had was that we did mention the point that we had done some senior level hiring in the last 6-8 months. So, if you can just share on that like what is the thought process there and what re-alignment we could have done, is it specific to some new initiative or how do we look at this?

**PS Reddy:** Hiring is with respect to IT, you know, technology because now going into platform and we need lot of testers are also there, wherever it is temporary phase, we have taken via some recruitment agencies where they will, not recruitment agencies, they are consultancy firms so may be for one year or one-and-half years' contract. But some of them are really needed because now it's going to be our own platform, in that sense. Okay?

**Analyst:** Sir, so the cost would have been done, major cost in terms of recruitment hiring whatever would be required.

**PS Reddy:** Yes, almost all of them is done but in software payments are not done as yet. TCS fees are not as yet paid.

**Analyst:** Sure, sure.

**Analyst:** Sir in terms of the cost saving that we are expecting from this contract if you could just touch up on that as well?

**Satyajeet Bolar:** We have mentioned in earlier calls, we are presently paying a fixed component of 15.6 crores to the present vendor per annum as well as the variable 10.3% of transaction charges to the present vendor. So, we pay around 55 crores on an annual basis to the present vendor, going forward once we go live after the first year of warranty, we will be paying a fixed component which is already been decided and agreed upon. A single digit as MD has said in the earlier calls to the TCS, right? So, that will be the AMC to TCS but there is something that we all are getting visibility on and it may take some may be by September we will get better visibility, one is that we will also have two chart depreciation on our platform and all the additional servers and infrastructures that we have purchased. So, that will be priced over period of 8-10 years. Also, there is there will be certain operating software that we would have purchased and we have to keep paying for on an annual basis for operating the new platform, right? So, though we are yet to get proper visibility, but those would be cost that we will be incurring on the software, on the new platform.

**Analyst:** Sure. Sir, what is the total approximate cost in terms of on the contract, on the capital side?

**PS Reddy:** I think we have not disclosed yet because the confidential clauses of the agreement, not to tell.

**Analyst:** Sure Sir. Thank you so much Sir. I think you'll covered all the aspects in quite a bit of detail. So, again thanks a lot for this call and all the best for the future, hope to see you again very soon. Thank you, Sir.

**PS Reddy:** Give me some tips from your mutual fund industry why they have not fund, okay. Thank you.

**Analyst:** No Sir, if there is enough money on the table everybody will come. So, I don't think that will be an issue.



**PS Reddy:** Ha, ha, ha So, that is the bottomline. Ha ha ha. Okay thank you so much.

**Analyst:** Thank so much Sir.

**Analyst** Thank so much Sir.

**Rovina:** Thank you everyone.